

# 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](http://www.sec.gov/info/municipal/nrmsir.htm) for list of current NRMSIRs and SIDs

---

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):

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO, CALIFORNIA**  
(STATE: CALIFORNIA)

**SEWER REVENUE BONDS, SERIES 1995**

**SEWER REVENUE BONDS, SERIES 1997A AND SERIES 1997B**

**SEWER REVENUE BONDS, SERIES 1999A AND SERIES 1999B**

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:

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO, CALIFORNIA related CUSIP: 79730A**

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

---

TYPE OF FILING:

Electronic: **Introduction plus 21 pages plus attachment**

Paper (no. of pages attached) \_\_\_\_\_

If information is also available on the Internet, give URL: **NOT AVAILABLE**

---

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.)

**Annual Report for the Fiscal Year Ended June 30, 2005**

**B. Financial Statements or CAFR pursuant to Rule 15c2-12**

**See the Annual Report**

**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  |

**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 MARY LEWIS Title CHIEF FINANCIAL OFFICER  
Employer CITY OF SAN DIEGO  
Address 202 C STREET, MAIL STATION 9A City SAN DIEGO State: CA Zip Code 92101

**Dissemination Agent Contact, if any:**

Name: MARY LEWIS Title: CHIEF FINANCIAL OFFICER  
Employer: CITY OF SAN DIEGO  
Address: 202 C STREET, MAIL STATION 9A City: SAN DIEGO State: CA Zip Code: 92101  
Relationship to Issuer: DISCLOSURE REPRESENTATIVE

**Investor Relations Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Telephone \_\_\_\_\_ Email Address \_\_\_\_\_

---

NEW ISSUE

BOOK-ENTRY-ONLY

\$350,000,000

**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)*

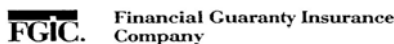
*Dated, priced, due and bearing interest as set forth on the inside cover page.*

*This cover page contains certain information for general reference only. It is not a summary of the issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed decision.*

*The Series 1995 Bonds are issuable as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of the Series 1995 Bonds will be made in book-entry form only, in the denominations as set forth in the inside cover of this Official Statement, through brokers and dealers who are, or who act through, DTC Participants. Beneficial Owners of the Series 1995 Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 1995 Bonds. So long as DTC or its nominee is the registered owner of the Series 1995 Bonds reference herein to Bondholders or registered owners shall mean Cede & Co., as aforesaid, and payments of principal of and interest on the Series 1995 Bonds will be made directly to DTC by State Street Bank and Trust Company of California, N.A., as Trustee and Paying Agent. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC participants. See "DESCRIPTION OF THE SERIES 1995 BONDS — Book-Entry-Only System."*

*Proceeds of the Series 1995 Bonds are to be applied (i) to pay design, engineering, land acquisition and construction costs of certain capital improvements to the Metropolitan System of the City of San Diego (the "City"), (ii) to fund a debt service reserve fund and (iii) to pay certain costs of issuance.*

*The payment of principal of and interest on the Series 1995 Bonds when due will be insured by a municipal bond insurance policy to be issued simultaneously with the delivery of the Series 1995 Bonds by Financial Guaranty Insurance Company. See "SECURITY FOR THE SERIES 1995 BONDS — Bond Insurance" and "APPENDIX G — SPECIMEN MUNICIPAL BOND INSURANCE POLICY."*



*Service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.*

*The Series 1995 Bonds are special, limited obligations of the Authority payable solely from and secured by Installment Payments to be made by the City to the Public Facilities Financing Authority of the City of San Diego (the "Authority") from Net System Revenues pledged and assigned pursuant to an Installment Purchase Agreement, as amended and supplemented by the 1995-1 Supplement to the Master Installment Purchase Agreement, between the Authority and the City. The Series 1995 Bonds are issued on a parity with the Authority's Sewer Revenue Bonds, Series 1993. So long as certain conditions are met, the City has the right to transfer the Metropolitan System facilities to a successor entity. Upon such transfer, the City's obligation to make Installment Payments relating to the Metropolitan System will be assumed by such successor entity and the City will no longer be responsible for such obligations. See "POSSIBLE TRANSFER OF OWNERSHIP OF METROPOLITAN SYSTEM."*

**THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT 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 PLEDGE MADE BY THE AUTHORITY, NOR THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS, CREATES A LEGAL OR EQUITABLE PLEDGE, CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THE CITY'S PROPERTY, OR UPON ITS INCOME, RECEIPTS OR REVENUES OTHER THAN NET SYSTEM REVENUES. THE AUTHORITY HAS NO TAXING POWER.**

*The Series 1995 Bonds are subject to optional and mandatory redemption prior to maturity as described herein.*

*In the opinion of Orrick, Herrington & Sutcliffe, Los Angeles, California and Lofton, De Lancie & Nelson, San Francisco, California, Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Series 1995 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Co-Bond Counsel, interest on the Series 1995 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observe that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Co-Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1995 Bonds. See "TAX MATTERS."*

*The Series 1995 Bonds will be offered when, as and if issued and received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe, Los Angeles, California and Lofton, De Lancie & Nelson, San Francisco, California, Co-Bond Counsel, and to certain other conditions. Certain legal matters in connection with the Series 1995 Bonds will be handled upon by John W. Witt, Esq., City Attorney of the City of San Diego and General Counsel to the Authority and Orrick, Herrington & Sutcliffe, Los Angeles, California, Disclosure Counsel. It is expected that the Series 1995 Bonds will be available for delivery through DTC in New York, New York, on or about December 13, 1995.*

**MORGAN STANLEY & CO.**

*Incorporated*

**EVEREN SECURITIES, INC.**

**CHARLES A. BELL SECURITIES CORP.**

**RENGE SECURITIES & CO., INC.**

*December 6, 1995*

**RAUSCHER PIERCE REFSNES, INC.**

**MURIEL SIEBERT & CO., INC.**

NEW ISSUES – BOOK ENTRY ONLY

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California and Lofton, De Lancie & Nelson, San Francisco, California, Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Series 1997 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Co-Bond Counsel, interest on the Series 1997 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observe that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Co-Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1997 Bonds. See "TAX MATTERS."*

**\$250,000,000**

**PUBLIC FACILITIES FINANCING AUTHORITY  
OF THE CITY OF SAN DIEGO  
SEWER REVENUE BONDS, SERIES 1997A AND SERIES 1997B  
(Payable Solely From Installment Payments Secured By Wastewater System Net Revenues)**

**Dated: February 1, 1997**

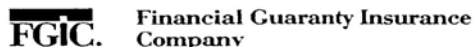
**Due: May 15, as shown below**

The Series 1997A Bonds and the Series 1997B Bonds (collectively, the "Series 1997 Bonds") are issuable by the Public Facilities Financing Authority of the City of San Diego (the "Authority") as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of the Series 1997 Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC Participants. Beneficial Owners of the Series 1997 Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 1997 Bonds. So long as DTC or its nominee is the registered owner of the Series 1997 Bonds, reference herein to Bondholders are registered owners shall mean Cede & Co., as aforesaid, and payments of principal of and interest on the Series 1997 Bonds will be made directly to DTC by State Street Bank and Trust Company of California, N.A., as Trustee. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. See "DESCRIPTION OF THE SERIES 1997 BONDS — Book-Entry-Only System."

Proceeds of the Series 1997A Bonds are to be applied to (i) pay design, engineering, land acquisition and construction costs of certain capital improvements to the Metropolitan System of the City of San Diego (the "City"), (ii) to fund a portion of the debt service reserve fund securing the Series 1997 Bonds and the Outstanding Parity Bonds (defined below) and (iii) to pay certain costs of issuance. So long as certain conditions are met, the City has the right to transfer the Metropolitan System facilities to a successor entity. Upon such transfer, the City's obligation to make Installment Payments relating to the Metropolitan System will be assumed by such successor entity and the City will no longer be responsible for such obligations. See "POSSIBLE TRANSFER OF OWNERSHIP OF METROPOLITAN SYSTEM."

Proceeds of the Series 1997B Bonds are to be applied to (i) pay design, engineering, land acquisition and construction costs of certain capital improvements to the Municipal System of the City, (ii) to fund a portion of the debt service reserve fund securing the Series 1997 Bonds and the outstanding Parity Bonds and (iii) to pay certain costs of issuance.

The payment of principal of and interest on the Series 1997 Bonds when due will be insured by a municipal bond insurance policy to be issued simultaneously with the delivery of the Series 1997 Bonds by Financial Guaranty Insurance Company. See "SECURITY FOR THE SERIES 1997 BONDS — Bond Insurance" and "APPENDIX F — SPECIMEN MUNICIPAL BOND INSURANCE POLICY."



FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

The Series 1997 Bonds are special, limited obligations of the Authority payable solely from and secured by Installment Payments to be made by the City to the Authority from Net System Revenues pledged and assigned pursuant to a Master Installment Purchase Agreement, as amended and supplemented by the 1993-1 Supplement, the 1995-1 Supplement and the 1997-1 Supplement to the Master Installment Purchase Agreement, each between the Authority and the City. The Series 1997 Bonds are issued on a parity with the Authority's Sewer Revenue Bonds, Series 1995 and Series 1993 (collectively, the "Outstanding Parity Bonds").

**The obligation of the City to make Installment 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 pledge made by the Authority, nor the obligation of the City to make Installment Payments, creates a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property, or upon its income, receipts or revenues other than Net System Revenues. The Authority has no taxing power.**

The Series 1997 Bonds are subject to optional and mandatory redemption prior to maturity as described herein.

This cover page contains certain information for general reference only. It is not a summary of the issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed decision.

*The Series 1997 Bonds will be offered when, as and if issued and received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California and Lofton, De Lancie & Nelson, San Francisco, California, Co-Bond Counsel, and to certain other conditions. Certain legal matters in connection with the Series 1997 Bonds will be passed upon by Curls, Brown & Roushon, Los Angeles, California. Underwriters' Counsel, Casey Gwinn, Esq., City Attorney of the City of San Diego and General Counsel to the Authority and Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Disclosure Counsel. It is expected that the Series 1997 Bonds will be available for delivery through DTC in New York, New York on or about March 6, 1997.*

**SMITH BARNEY INC.**

**PAINWEBBER INCORPORATED**

**BANCAMERICA SECURITIES, INC.**

**ARTEMIS CAPITAL GROUP, INC.**

February 26, 1997

**NEW ISSUE - BOOK ENTRY ONLY**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, and Webster & Anderson, Oakland, California, Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 1999 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Co-Bond Counsel, interest on the Series 1999 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Co-Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1999 Bonds. See "TAX MATTERS."*

**\$315,410,000**

**PUBLIC FACILITIES FINANCING AUTHORITY  
OF THE CITY OF SAN DIEGO**

**Sewer Revenue Bonds, Series 1999A and Series 1999B**

**(Payable Solely From Installment Payments Secured By Wastewater System Net Revenues)**

**Dated: March 1, 1999**

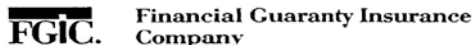
**Due: May 15, as shown on the inside cover page**

The Series 1999A Bonds and the Series 1999B Bonds (collectively, the "Series 1999 Bonds") are issuable as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of the Series 1999 Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC Participants. Beneficial Owners of the Series 1999 Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 1999 Bonds. So long as DTC or its nominee is the registered owner of the Series 1999 Bonds, reference herein to Bondholders or registered owners shall mean Cede & Co., as aforesaid, and payments of principal of and interest on the Series 1999 Bonds will be made directly to DTC by State Street Bank and Trust Company of California, N.A., as Trustee. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. See "DESCRIPTION OF THE SERIES 1999 BONDS — Book-Entry-Only System." Interest on the Series 1999 Bonds is payable on May 15 and November 15 of each year, commencing November 15, 1999.

The Series 1999 Bonds are subject to optional and mandatory redemption prior to maturity as described herein.

Proceeds of the Series 1999A Bonds are to be applied to (i) pay for certain capital improvements to the Metropolitan System of the City of San Diego (the "City"), (ii) to fund a portion of the debt service reserve fund securing the Series 1999 Bonds and the Outstanding Parity Bonds (defined below) and (iii) to pay certain costs of issuance. Proceeds of the Series 1999B Bonds are to be applied to (i) pay for certain capital improvements to the Municipal System of the City, (ii) to fund a portion of the debt service reserve fund securing the Series 1999 Bonds and the Outstanding Parity Bonds and (iii) to pay certain costs of issuance.

The payment of principal of and interest on the Series 1999 Bonds, excluding the Series 1999 Bonds maturing on May 15, 2000 and May 15, 2001 (collectively, the "Insured Series 1999 Bonds"), when due will be guaranteed by a municipal bond insurance policy issued simultaneously with the delivery of the Insured Series 1999 Bonds. **The Series 1999 Bonds maturing on May 15, 2000 and May 15, 2001 are not insured.**



FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

The Series 1999 Bonds are limited obligations of the Public Facilities Financing Authority of the City of San Diego (the "Authority") payable solely from Revenues, which Revenues include Installment Payments to be made by the City to the Authority from Net System Revenues pursuant to an Installment Purchase Agreement, as amended and supplemented, including as supplemented by the 1999-1 Supplement to the Master Installment Purchase Agreement, each between the Authority and the City, and amounts on deposit in the funds and accounts established under the Indenture (other than amounts on deposit in the Rebate Fund). The City has pledged Net System Revenues pursuant to the Installment Purchase Agreement to the payment of the Installment Payments. The Series 1999 Bonds are issued on a parity with the Authority's Sewer Revenue Bonds, Series 1993, Series 1995 and Series 1997 (collectively, the "Outstanding Parity Bonds").

**The obligation of the City to make Installment 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 pledge made by the Authority, nor the obligation of the City to make Installment Payments, creates a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property, or upon its income, receipts or revenues other than Net System Revenues. The Authority has no taxing power.**

This cover page contains certain information for general reference only. It is not a summary of the issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed decision.

**SEE MATURITY SCHEDULES ON INSIDE FRONT COVER**

*The Series 1999 Bonds will be offered when, as and if issued and received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California and Webster & Anderson, Oakland, California, Co-Bond Counsel, and to certain other conditions. Certain legal matters in connection with the Series 1999 Bonds will be passed upon by Casey Gwinn, Esq., City Attorney of the City of San Diego and General Counsel to the Authority and Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Disclosure Counsel. O'Melveny & Myers LLP has acted as counsel to the Underwriters for specified purposes. See "CERTAIN LEGAL MATTERS." It is expected that the Series 1999 Bonds will be available for delivery through DTC in New York, New York, on or about March 17, 1999.*

**Bear, Stearns & Co. Inc.  
The Chapman Company**

**First Albany Corporation**

**NationsBanc Montgomery Securities LLC  
Prudential Securities**

March 2, 1999

**ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
RELATING TO**

**\$350,000,000  
PUBLIC FACILITIES FINANCING AUTHORITY  
OF THE CITY OF SAN DIEGO  
SEWER REVENUE BONDS, SERIES 1995**

**\$250,000,000  
PUBLIC FACILITIES FINANCING AUTHORITY  
OF THE CITY OF SAN DIEGO  
SEWER REVENUE BONDS, SERIES 1997A AND SERIES 1997B**

**\$315,410,000  
PUBLIC FACILITIES FINANCING AUTHORITY  
OF THE CITY OF SAN DIEGO  
SEWER REVENUE BONDS, SERIES 1999A AND SERIES 1999B**

**(CUSIP Number 79730A)**

**Introduction**

This Annual Report is being provided by the City of San Diego (the “City”), on behalf of itself and the Public Facilities Financing Authority of the City of San Diego (the “Authority”), pursuant to the Continuing Disclosure Agreements (the “Agreement”) between the City and Wells Fargo Bank, National Association, as Trustee (the “Trustee”), relating to the Public Facilities Financing Authority of The City of San Diego Sewer Revenue Bonds, Series 1995 (the “1995 Bonds”), the Public Facilities Financing Authority of The City of San Diego Sewer Revenue Bonds, Series 1997A and Series 1997B (the “1997A Bonds” and the “1997B Bonds”), and the Public Facilities Financing Authority of The City of San Diego Sewer Revenue Bonds, Series 1999A and Series 1999B (the “1999A Bonds” and the “1999B Bonds”), entered into to allow the respective underwriters to comply with Securities and Exchange Commission Rule 15c2-12 for the Fiscal Year ended June 30, 2005.

The City Council reviewed and filed the 2005 Comprehensive Annual Financial Report (“CAFR”) on March 25, 2008. To the extent the City previously submitted financial information and operating data for the Fiscal Year ended June 30, 2005, this submission replaces that information and data in its entirety. On March 21, 2008, Macias Gini and O’Connell LLP, the outside auditor, issued an unqualified opinion of the City’s Financial Statements related to the Fiscal Year 2006 CAFR. The City Council reviewed and filed the 2006 CAFR on April 22, 2008. The required continuing disclosure annual report for Fiscal Year 2006 will be prepared and filed with the NRMSIRs.

The City’s audited financial statements for the Fiscal Year ended June 30, 2003, contained substantial restatements of entries included in the City’s audited financial statements for the Fiscal Year ended June 30, 2002. Accordingly, the City has determined in this Annual Report, with respect to those tables and text derived from the financial statements, not to include information prior to the Fiscal Year ended June 30, 2003.

This Annual Report including any amendment or supplement hereto, is being transmitted electronically by the City to DisclosureUSA, which in turn will transmit this filing to each of the Nationally Recognized Municipal Securities Information Repositories (the “NRMSIRs”), approved by the Securities and Exchange Commission, set forth in Exhibit A.

This Annual Report is provided in accordance with the terms of the Continuing Disclosure Agreements and does not purport to provide full and complete information on the terms of the above stated issuances. The filing of this Annual Report does not constitute or imply any representation that no changes, circumstances or events have occurred since the end of the Fiscal Years to which this Annual Reports relates (other than as contained in this Annual Report), or that no other information exists, which may have a bearing on the security for the above stated issuances or an investor's decision to buy, sell or hold the above-stated issuances. Certain information and data provided herein was obtained from sources other than the City ("Outside Information"), as indicated by the source citations. Although the information contained in these Annual Reports has been obtained from sources that are believed to be reliable, the City has not independently verified such Outside Information, and the City cannot guarantee its completion or accuracy. No statement in this Annual Report should be construed as a prediction or representation about future financial performance of the City, the Authority, the Wastewater System or the 1995 Bonds, the 1997A Bonds or the 1997B Bonds, the 1999A Bonds or 1999B Bonds.

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

Any statements regarding the above stated issuances, other than a statement made by the City in an official release or subsequent notice or annual report that is filed with the NRMSIRs, are not authorized by the City. The City shall not be responsible for the accuracy, completeness or fairness of any such unauthorized statement.

DATED: 6/12, 2008

CITY OF SAN DIEGO

By: Mary Lewis  
Mary Lewis  
Chief Financial Officer

Distribution: Nationally Recognized Municipal Securities Information Repositories  
Wells Fargo Bank, National Association (Trustee)

## EXHIBIT A

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission:

### **Bloomberg Municipal Repository**

100 Business Park Drive

Skillman, NJ 08558

Phone: (609) 279-3225

Fax: (609) 279-5962

Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

### **Interactive Data Pricing and Reference Data, Inc.**

Attn: NRMSIR

100 William Street, 15<sup>th</sup> Floor

New York, NY 10038

Phone: (212) 771-6999

Fax: (212) 771-7390

Email: [NRMSIR@interactivedata.com](mailto:NRMSIR@interactivedata.com)

### **Standard & Poor's Securities Evaluations, Inc.**

55 Water Street, 45<sup>th</sup> Floor

New York, NY 10041

Phone: (212) 438-4595

Fax: (212) 438-3975

Email: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

### **DPC Data, Inc.**

One Executive Drive

Fort Lee, NJ 07024

Phone: (201) 346-0701

Fax: (201) 947-0107

Email: [nrmsir@dpccdata.com](mailto:nrmsir@dpccdata.com)



## FINANCIAL AND OPERATING DATA

As required by the Continuing Disclosure Agreements for the Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds, Series 1995, the Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds, Series 1997A and Series 1997B, and the Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds, Series 1999A and Series 1999B, below are updates of Tables 2-16 of the Official Statements and updates of information under the captions “Public Liability Insurance”, “Labor Relations”, “Pension Plan”, and “Investment of Funds”.

**Table 2**  
**TOTAL ANNUAL WASTEWATER SYSTEM FLOW IN MILLION GALLONS**  
**(Unaudited)**

Fiscal Year Ended June 30	City Flow Through Point Loma Plant	Participating Agency Flow Through Point Loma Plant	City Flow Through Escondido Plant	City Flow Through Solana Beach Plant	Reclaimed Water Through North City Plant	City Flow Through South Bay Reclamation Plant	Total System Flow	Average MGD For The Year
1990	48,628	20,836	1,405	0	0	0	70,869	194
1991	45,602	19,218	1,365	0	0	0	66,185	181
1992	46,030	18,115	1,177	0	0	0	65,322	179
1993	48,680	20,092	1,318	0	0	0	70,090	192
1994	45,043	19,111	1,310	0	0	0	65,464	179
1995	46,802	19,724	1,321	0	0	0	67,847	186
1996	46,848	19,115	1,325	0	0	0	67,288	184
1997	47,326	20,048	1,252	0	0	0	68,626	188
1998	50,619	21,109	1,509	0	100	0	73,337	201
1999	45,117	20,934	1,319	0	745	0	68,115	187
2000	44,771	21,489	1,401	0	1,267	0	68,928	189
2001	44,735	21,437	1,412	0	879	0	68,463	188
2002	43,395	21,326	1,316	0	958	0	66,995	184
2003	42,567	22,188	1,353	0	1,201	1,637	68,946	189
2004	40,665	21,688	1,342	32	1,182	1,702	66,611	182
2005	43,817	23,124	1,439	32	522	1,726	70,660	194
2006	42,240	22,270	1,279	32	1,259	1,632	68,712	188

Source: Metropolitan Wastewater Department, City of San Diego

**Table 3A**  
**METROPOLITAN SYSTEM**  
**CITY AND PARTICIPATING AGENCIES FLOW AND CAPACITY RIGHTS**  
**Fiscal Year Ended June 30, 2005**  
**(Unaudited)**

<u>Participating Agencies</u>	<u>Estimated Population<sup>(1)</sup></u>	<u>Capacity Rights (in mgd)</u>	<u>% of Total Capacity</u>	<u>Average Flow (mgd)</u>	<u>% of Total Average Flow</u>
City of Chula Vista	223,503	19.843	8.268%	17.021	9.047%
City of Coronado	16,403	3.078	1.283%	2.410	1.281%
City of Del Mar	5,000	0.821	0.342%	0.694	0.369%
City of El Cajon	97,000	10.260	4.275%	8.853	4.706%
City of Imperial Beach	30,000	3.591	1.496%	2.327	1.237%
City of La Mesa	55,923	6.634	2.764%	5.291	2.812%
City of National City	56,795	7.141	2.975%	5.247	2.789%
City of Poway	45,536	5.630	2.346%	3.857	2.050%
East Otay Mesa Sewer Maintenance District	0	1.000	0.417%	0	0.0%
Lakeside/Alpine Sanitation District <sup>(2)</sup>	33,000	4.586	1.911%	3.233	1.718%
Lemon Grove Sanitation District	25,644	2.873	1.197%	2.390	1.270%
Otay Water District	3,000	1.231	0.513%	0.486	0.258%
Padre Dam Municipal Water District	59,300	5.882	2.451%	3.457	1.838%
Spring Valley Sanitation District	83,000	9.808	4.087%	7.136	3.793%
Wintergardens Sewer Maintenance District	<u>10,000</u>	<u>1.241</u>	<u>0.517%</u>	<u>0.952</u>	<u>0.506%</u>
<b>SUBTOTAL</b>	744,104	83.619	34.841%	63.354	33.676%
City of San Diego	<u>1,251,000</u>	<u>156.381</u>	<u>65.159%</u>	<u>124.776</u>	<u>66.324%</u>
<b>TOTAL:</b>	1,995,104	240.000	100.000%	188.130	100.000%

(1) Source: Participating Agencies. Population served by Metropolitan System according to the latest SANDAG information for the relevant year.

(2) A single meter serves the sanitation districts of Lakeside and Alpine.

Sources: Participating Agencies and Metropolitan Wastewater Department

**Table 3B**  
**METROPOLITAN SYSTEM**  
**CITY AND PARTICIPATING AGENCIES FLOW AND CAPACITY RIGHTS**  
**Fiscal Year Ended June 30, 2006**  
**(Unaudited)**

<u>Participating Agencies</u>	<u>Estimated Population<sup>(1)</sup></u>	<u>Capacity Rights (in mgd)</u>	<u>% of Total Capacity</u>	<u>Average Flow (mgd)</u>	<u>% of Total Average Flow</u>
City of Chula Vista	232,478	19.843	8.268%	16.979	9.370%
City of Coronado	16,485	3.078	1.283%	2.244	1.238%
City of Del Mar	5,000	0.821	0.342%	0.675	0.372%
City of El Cajon	97,000	10.260	4.275%	8.509	4.696%
City of Imperial Beach	30,000	3.591	1.496%	2.399	1.324%
City of La Mesa	56,258	6.634	2.764%	5.136	2.834%
City of National City	57,600	7.141	2.975%	5.499	3.035%
City of Poway	45,715	5.630	2.346%	3.392	1.872%
East Otay Mesa Sewer Maintenance District	125	1.000	0.417%	0	0.0%
Lakeside/Alpine Sanitation District <sup>(2)</sup>	40,000	4.586	1.911%	3.338	1.842%
Lemon Grove Sanitation District	26,000	2.873	1.197%	2.221	1.226%
Otay Water District	4,300	1.231	0.513%	0.347	0.191%
Padre Dam Municipal Water District	74,700	5.882	2.451%	2.812	1.552%
Spring Valley Sanitation District	81,250	9.808	4.087%	6.563	3.622%
Wintergardens Sewer Maintenance District	<u>11,563</u>	<u>1.241</u>	<u>0.517%</u>	<u>0.901</u>	<u>0.497%</u>
<b>SUBTOTAL</b>	778,474	83.619	34.841%	61.015	33.670%
City of San Diego	<u>1,286,000</u>	<u>156.381</u>	<u>65.159%</u>	<u>120.198</u>	<u>66.330%</u>
<b>TOTAL:</b>	2,064,474	240.000	100.000%	181.213	100.000%

(1) Sources: Participating Agencies. Population served by Metropolitan System according to the latest SANDAG information for the relevant year.

(2) A single meter serves the sanitation districts of Lakeside and Alpine.

Sources: Participating Agencies and Metropolitan Wastewater Department

**Table 4**  
**WASTEWATER SYSTEM CAPITAL IMPROVEMENT PROGRAM**  
**Fiscal Years Ending June 30, 2005 through June 30, 2012**  
**(Unaudited)**

<u>Expected Projects</u>	FY2005 - FY2012 Total Budget (In Millions ) <sup>(1)</sup>	Expended FY05 Through FY07 (In Millions )	Remaining Cost (In Millions )	Percent Completed
<b>Metropolitan System Projects</b>				
Point Loma Plant Upgrade	\$ 43.4	\$ 13.6	\$ 29.8	31.2%
Annual Allocation Projects	27.9	6.7	21.2	24.1%
Metro Biosolids Center Projects	24.0	0.1	23.9	0.4%
Environmental Monitoring & Technical Services Lab	0.5	0.8	(0.3)	151.2%
Other Metropolitan System Projects	<u>44.7</u>	<u>6.0</u>	<u>38.7</u>	<u>13.5%</u>
<b>Subtotal Metropolitan System Projects</b>	<b>\$ 140.5</b>	<b>\$ 27.1</b>	<b>\$ 113.4</b>	<b>19.3%</b>
<b>Municipal System Projects</b>				
Annual Allocation Projects <sup>(2)</sup>	\$ 592.5	\$ 96.7	\$ 495.9	16.3%
Pipeline, Trunk, and Interceptor Sewer Projects <sup>(2)</sup>	140.5	46.2	94.3	32.9%
Sewer Pump Station Projects <sup>(2)</sup>	28.7	6.5	22.2	22.5%
Other Municipal System Projects	<u>(3.8)</u>	<u>3.8</u>	<u>(7.6)</u>	<u>-100.9%</u>
<b>Subtotal Municipal System Projects</b>	<b>\$ 757.9</b>	<b>\$ 153.2</b>	<b>\$ 604.7</b>	<b>20.2%</b>
<b>TOTAL</b>	<b>\$ 898.4</b>	<b>\$ 180.3</b>	<b>\$ 718.1</b>	<b>20.1%</b>

(1) Reflects amounts expected to be appropriated during the period indicated without regard to the timing of expenditure of such amounts. Fiscal years 2007 through 2011 are projected and dependent on City Council's and Mayor's approvals. Projections assume a 4% annual inflation for the construction component of capital improvement projects.

(2) Includes EPA Proposed Consent Decree Projects

Source: Metropolitan Wastewater Department, City of San Diego

**Table 5**  
**SOURCES AND USES OF FUNDS FOR CAPITAL EXPENDITURES**  
**WASTEWATER SYSTEM CAPITAL IMPROVEMENT PROGRAM**  
**Fiscal Years Ending June 30, 2005 through June 30, 2011**  
**(UNAUDITED) (IN THOUSANDS)**

	2005	2006	2007	2008	2009	2010	2011	Total <sup>(3)</sup>
<b>SOURCE OF FUNDS</b>								
Beginning Balance of Construction Fund	\$ 18,718	\$ -	\$ -	\$ 67,772	\$ -	\$ 37,793	\$ -	\$ 124,283
New Bond Issue	-	-	80,100	-	145,362	108,563	147,534	481,559
Grant Receipts	3	-	-	-	-	-	-	3
SRF Loan	-	-	14,435	-	-	-	-	14,435
Contributions in Aid	4,163	11,278	-	5,090	-	-	-	20,531
Pay-as-You Go	85,084	26,486	43,497	52,651	26,892	50,301	52,079	336,990
<b>TOTAL SOURCES</b>	<b>\$107,968</b>	<b>\$ 37,764</b>	<b>\$ 138,032</b>	<b>\$125,513</b>	<b>\$172,254</b>	<b>\$196,657</b>	<b>\$199,613</b>	<b>\$ 977,801</b>
<b>USES OF FUNDS</b>								
Issue Costs	\$ -	\$ -	\$ 334	\$ -	\$ 4,361	\$ 3,257	\$ 4,426	\$ 12,378
Debt Service Reserve Fund	-	-	-	-	10,611	7,925	10,770	29,306
Contribution to Construction Fund	-	-	67,772	-	37,793	-	-	105,565
Reimbursement of Prior Capital Expenditures	-	-	12,328	29,528	-	-	-	41,856
Capital Expenditures (1) (2) (3)	107,968	37,764	57,598	95,985	119,489	185,475	184,417	788,696
<b>TOTAL USES</b>	<b>\$107,968</b>	<b>\$ 37,764</b>	<b>\$ 138,032</b>	<b>\$125,513</b>	<b>\$172,254</b>	<b>\$196,657</b>	<b>\$199,613</b>	<b>\$ 977,801</b>
<hr/>								
<sup>(2)</sup> Capital Expenditures by System	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Total</b>
Municipal System	89,690	32,300	46,427	77,145	92,098	157,352	151,307	646,319
Metropolitan System	18,278	5,464	11,171	18,840	27,391	28,123	33,110	142,377
Total System	\$107,968	\$ 37,764	\$ 57,598	\$ 95,985	\$119,489	\$185,475	\$184,417	\$788,696

(1) Expenditures may include continuing appropriations from previous years.

(2) Projected cash expenditures for the Wastewater System Capital Improvement Program rather than expected appropriations as shown in Table 4.

(3) Reflects total of actual sources and uses for fiscal years ending June 30, 2005 and June 30, 2006 and projected from June 30, 2007 through June 30, 2011.

Sources: Metropolitan Wastewater Department and the Comptroller's Office, City of San Diego

**Table 6**  
**HISTORICAL SOURCES OF SEWER SERVICE REVENUES <sup>(1)</sup>**  
**(IN THOUSANDS)**  
**Fiscal Years Ending June 30, 2003 through June 30, 2005<sup>(2)</sup>**

<u>Sources</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Single Family Domestic	\$87,289	\$93,061	\$90,708
Other Domestic	56,078	58,277	65,788
Commercial	46,593	53,537	59,424
Industrial	4,008	4,743	6,774
Outside City	9	12	3
Treatment Plant Service for Others <sup>(3)</sup>	<u>59,460</u>	<u>53,043</u>	<u>60,726</u>
<b>TOTAL <sup>(4)</sup></b>	<b>\$253,437</b>	<b>\$262,673</b>	<b>\$283,423</b>

(1) Does not include capacity charges or other operating revenues which are included in calculating Net System Revenues.

(2) The information called for by this table for the fiscal years ended June 30, 2001 and June 30, 2002, has not been provided. See page "iv" hereof, under the caption "Introduction" for information regarding financial information prior to Fiscal Year 2003.

(3) Includes revenues from Participating Agencies, the United States Navy and other agencies

(4) Audited data from FY 2003 – 2005 Comprehensive Annual Financial Statements ("CAFR")

Source: Comptroller's Office, City of San Diego

Remainder of this Page Intentionally Left Blank

**Table 7**  
**TEN LARGEST CUSTOMERS WITHIN MUNICIPAL SYSTEM <sup>(1)</sup>**  
**Fiscal Year Ended June 30, 2005**  
**(Unaudited)**

	<u>Sewer Billings</u>	<b>Percent of Total Sewer Operating Revenues <sup>(2)</sup></b>
U.S. Navy	\$6,738,027	2.35%
CP Kelco	3,203,561	1.12%
University of California, San Diego	2,549,510	0.89%
ISP Alginates	1,856,840	0.65%
R.J. Donovan Correctional Facility	1,405,603	0.49%
City of San Diego	1,132,777	0.40%
Federal Government (excluding U.S. Navy)	893,843	0.31%
SDSU	720,139	0.25%
Sony Corp of America	699,463	0.24%
Marine Park Corp.	<u>676,912</u>	<u>0.24%</u>
<b>TOTAL</b>	<b>\$19,876,676</b>	<b>6.94%</b>

(1) Does not include Participating Agencies or customers served by Participating Agencies  
(2) Total Sewer Fund Revenues include receipts from Participating Agencies

Sources: Metropolitan Wastewater Department, Water Department and the Comptroller's Office, City of San Diego

Remainder of this Page Intentionally Left Blank

**Table 8**  
**RATE HISTORY AND APPROVED RATE INCREASES**  
**FOR SINGLE FAMILY DOMESTIC AND OTHER DOMESTIC,**  
**COMMERCIAL & INDUSTRIAL**  
**(Unaudited)**

<u>Effective Date</u>	<u>Single Family Domestic</u> <sup>(1)</sup>	<u>All Classes % Rate Increase</u>	<u>Uniform Base Fee</u>	<u>Single Family Domestic Usage Fee</u> <u>\$/HCF water</u>	<u>Other Domestic Usage Fee</u> <u>\$/HCF water</u>	<u>Commercial &amp; Industrial Customer Class</u> <sup>(2)</sup>		
						<u>\$/HCF Monthly Wastewater Flow</u>	<u>\$/LB Total Suspended Solids (TSS)</u>	<u>\$/LB Chemical Oxygen Demand (COD)</u>
October 1, 2004 <sup>(3)</sup>	\$32.72	N/A	\$10.53	\$2.563	\$3.461	\$2.5613	\$0.3994	\$0.1436
March 1, 2005	\$35.17	7.50%	\$11.32	\$2.755	\$3.721	\$2.7534	\$0.4294	\$0.1544
May 1, 2007	\$38.32	8.75%	\$12.31	\$2.890	\$4.038	\$3.0257	\$0.4431	\$0.1801
November 1, 2007 - Shames <sup>(4)</sup>	\$39.49	3.05%	\$12.69	\$2.978	\$4.161	\$3.1180	\$0.4566	\$0.1856
May 1, 2008	\$42.94	8.75%	\$13.80	\$3.239	\$4.525	\$3.3908	\$0.4966	\$0.2018
May 1, 2008 – Shames <sup>(4)</sup>	\$44.25	3.05%	\$14.22	\$3.338	\$4.663	\$3.4942	\$0.5117	\$0.2080
May 1, 2009	\$47.35	7.00%	\$15.21	\$3.571	\$4.990	\$3.7388	\$0.5475	\$0.2225
May 1, 2010	\$50.67	7.00%	\$16.28	\$3.821	\$5.339	\$4.0005	\$0.5859	\$0.2381

(1) Represents the average monthly amount and new customer amount.

(2) Commercial and industrial monthly charges are based upon volume of flow, total suspended solids (TSS), and chemical oxygen demand (COD) included effective October 1, 2004.

(3) Reflects restructuring of sewer service charges which adds COD as a cost parameter, and a uniform base fee for all single family, multi-family and commercial/industrial customers.

(4) In 2005, a class action lawsuit, Shames v. City of San Diego, was filed against the City alleging that until October 2004 (when the city revised its sewer rate structure - footnote (3) above), single family residential customers were overcharged for sewer service, while other customers were undercharged. On May 18, 2007, the Superior Court for the County of San Diego approved an agreement to settle the lawsuit. This requires the City to reimburse "eligible" single family residential customers a total of \$40 million (less \$5 million and other costs) over the next four years. To satisfy the terms of the settlement, the City must temporarily adjust rates for all City sewer customers. The City increased existing sewer rates by 3.05% on November 1, 2007 and will increase by another 3.05% on May 1, 2008. For "eligible" single family residential sewer customers, the City will reverse the two 3.05% rate increases applicable to all City sewer customers, and distribute a share of the settlement in the form of a monthly credit which is estimated to be \$3.25 per month. After the \$40 million settlement amount has been raised and distributed, the rate reversal and monthly credit for single family residential customers will stop and the two 3.05% rate increases will end. This is expected to happen on or about October 30, 2011. Per the settlement - "eligible" single family residential customers are those who received sewer service to their property in the ten year period prior to October 1, 2004. More than 97% of current City sewer service customers are considered "eligible" under the terms of the settlement.

Source: Metropolitan Wastewater Department, City of San Diego. More than 5 years provided for historical purposes.



**Table 9**  
**SEWER CUSTOMER ACCOUNTS RECEIVABLE**  
**AND SHUT-OFFS BY FISCAL YEAR**  
**Fiscal Years Ending June 30, 2003 through June 30, 2005 <sup>(1)</sup>**

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Sewer Service Revenue (000's) <sup>(*)</sup>	\$253,437	\$262,673,	\$283,423
Accounts Receivable <sup>(2)</sup> (000's) <sup>*</sup>	\$15,196	\$17,071	\$21,157
Accounts Receivable <sup>(2), (3)</sup> Over 120 Days (000's) <sup>**</sup>	\$1,598	\$1,685	\$1,639
No. of Shut-offs <sup>** (4)</sup>	20,792	21,689	24,459

(1) The information called for by this table for the fiscal years ended June 30, 2001 and June 30, 2002, has not been provided. See page "iv" hereof, under the caption "Introduction" for information regarding financial information prior to Fiscal Year 2003.

(2) Excludes amounts payable by Participating Agencies

(3) Estimated

(4) The numbers provided are from the Customer Information System which does not differentiate between water and sewer shut-offs and may not reflect the actual number for sewer shut-offs.

Sources: \* Audited data from FY 2003 – 2005 Comprehensive Annual Financial Reports

\*\* Metropolitan Wastewater Department and the Water Department

Remainder of this Page Intentionally Left Blank

**Table 10**  
**SEWER REVENUE FUND**  
**HISTORICAL CAPACITY CHARGE REVENUES**  
**Fiscal Years Ending June 30, 2003 through June 30, 2006 <sup>(1)</sup>**

<b>Fiscal Year Ended <u>June 30</u></b>	<b>Equivalent Dwelling Units <u>(EDU) <sup>(2)</sup></u></b>	<b>Capacity Charge Revenues <sup>(3)</sup></b>
2003	6,603	\$17,191,009
2004	6,508	\$14,684,073
2005	4,772	\$14,665,174
2006	5,150	\$16,565,011

(1) The information called for by this table for the fiscal year ended June 30, 2002 has not been provided. See page "iv" hereof, under the caption "Introduction" for information regarding financial information prior to Fiscal Year 2003.

(2) Unaudited

(3) Audited and included with Capital Contributions on Statement of Revenues, Expenses and Changes in Net Assets in 2003 - 2005 CAFRs.

Sources: Metropolitan Wastewater Department, Water Department and the Comptroller's Office, City of San Diego

Remainder of this Page Intentionally Left Blank

**Table 11**  
**RATE HISTORY**  
**FOR SEWER CAPACITY CHARGES**  
**(Unaudited)**

<u>Effective Date</u>	<u>Sewer Capacity Charges (Per EDU)</u>	<u>% Increase (Decrease)</u>
July 1, 1991	\$4,484	16%
July 1, 1992	\$5,201	16%
July 1, 1993	\$6,033	16%
July 1, 1994	\$6,998	16%
April 22, 1996 <sup>(1)</sup>	\$2,500	(64%)
July 1, 2004 <sup>(2)</sup>	\$3,710	48%
May 1, 2007 <sup>(3)</sup>	\$4,124	11%

- 
- (1) Capacity charge decreases to \$2,500 pursuant to Resolution No. R-287543 to encourage building activity.  
(2) Capacity charge increases to \$3,710 pursuant to Resolution No. R-299321 based on results of the Cost of Service Study.  
(3) Capacity charge increases to \$4,124 pursuant to Resolution No. R-302378 based on results of the Cost of Service Study.

Source: Metropolitan Wastewater Department, City of San Diego. More than 5 years provided for historical purposes.

Remainder of this Page Intentionally Left Blank

**Table 12**  
**WASTEWATER SYSTEM STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS <sup>(1)</sup>**  
**(In Thousands)**  
**Fiscal Years Ending June 30, 2003 through June 30, 2005**

	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>OPERATING REVENUES</b>			
Sewer Service Charges:			
Inside City:			
Domestic	\$ 143,367	\$ 151,338	\$ 156,496
Commercial and Industrial	50,601	58,280	66,198
Outside City:			
Domestic, Commercial and Industrial	9	12	3
Treatment Plant Service for Others	<u>59,460</u>	<u>53,043</u>	<u>60,726</u>
Total Sewer Service Charges	\$ <u>253,437</u>	\$ <u>262,673</u>	\$ <u>283,423</u>
Other Operating Revenues, Net	3,510	4,621	5,549
<b>TOTAL OPERATING REVENUES</b>	<u>\$ 256,947</u>	<u>\$ 267,294</u>	<u>\$ 288,972</u>
<b>OPERATING EXPENSES</b>			
Benefit and Claim Payments	-	-	-
Maintenance and Operations	\$ 154,053	\$ 110,024	\$ 112,548
Cost of Materials Issued	-	-	-
Cost of Purchased Water Used			
Taxes			
Administration	84,152	84,785	89,634
Depreciation	<u>62,072</u>	<u>62,162</u>	<u>74,863</u>
<b>TOTAL OPERATING EXPENSES</b>	\$ <u>300,277</u>	\$ <u>256,971</u>	\$ <u>277,045</u>
<b>OPERATING INCOME (LOSS)</b>	\$ <u>(43,330)</u>	\$ <u>10,323</u>	\$ <u>11,927</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Earnings on Investments	16,322	2,291	7,015
Federal Grant Assistance	864	45	3
Other Agency Grant Assistance	308	642	-
Gain (Loss) on Sale / Retirement of Capital Assets	(475)	(2,692)	(13,297)
Debt Service Interest Expense	(51,712)	(51,322)	(57,668)
Other	<u>5,389</u>	<u>2,885</u>	<u>7,394</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	\$ <u>(29,304)</u>	\$ <u>(48,151)</u>	\$ <u>(56,553)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	\$ (72,634)	\$ (37,828)	\$ (44,626)
Capital Contributions	55,604	60,759	21,426
Transfers In	565	285	504
Transfers from Governmental Funds	264	-	-
Transfers Out	(1,856)	(439)	(598)
Transfers to Governmental Funds	<u>(1,762)</u>	<u>(1,574)</u>	<u>(1,383)</u>
<b>CHANGE IN NET ASSETS</b>	\$ (19,819)	\$ 21,203	\$ (24,677)
Net Assets at Beginning of Year	\$ <u>1,832,154</u>	\$ <u>1,812,335</u>	\$ <u>1,833,538</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,812,335</u>	<u>\$ 1,833,538</u>	<u>\$ 1,808,861</u>

(1) The information called for by this table for the fiscal years ended June 30, 2001 and June 30, 2002, has not been provided. See pages "iv" hereof, under the caption "Introduction" for information regarding financial information prior to Fiscal Year 2003.

Source: Audited data from Fiscal Year 2003, 2004, 2005 Comprehensive Annual Financial Reports

**Table 13**  
**Metropolitan Wastewater Utility**  
**CALCULATION OF PARITY DEBT SERVICE COVERAGE**  
**Fiscal Years Ending June 30, 2003 through June 30, 2005 <sup>(1)</sup>**  
**(Unaudited)<sup>(2)</sup>**

	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>TOTAL OPERATING REVENUES</b>	\$ <u>256,945,835</u>	\$ <u>267,294,105</u>	\$ <u>288,971,829</u>
<b>OTHER INCOME:</b>			
Contributions in Aid	\$ 2,200,505	\$ 887,805	\$ 4,163,488
Transfers in	829,393	285,107	503,424
Capacity Charge Municipal System	17,191,009	14,684,073	14,665,174
Earnings on Investments	16,322,180	2,291,460	7,014,346
Federal and Other Agency Grant Assistance	1,172,469	686,870	2,959
Other Nonoperating Revenues	5,389,254	2,885,490	7,394,227
Rate Stabilization Transfer	<u>34,500,000</u>	<u>7,200,000</u>	-
<b>TOTAL SYSTEM REVENUES</b>	<u>\$334,550,645</u>	<u>\$296,214,910</u>	<u>\$322,715,447</u>
<b>OPERATING EXPENSES:</b>			
Maintenance and Operations	\$154,053,153	\$110,024,259	\$112,548,192
Administration	<u>\$84,151,530</u>	<u>\$84,785,586</u>	<u>\$89,634,286</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>\$238,204,683</u>	<u>\$194,809,845</u>	<u>\$202,182,478</u>
<b>OTHER CHARGES:</b>			
Transfers Out	<u>\$3,617,762</u>	<u>\$2,013,227</u>	<u>\$1,980,308</u>
<b>TOTAL MAINTENANCE AND OPERATION COSTS</b>	<u>\$ 241,822,445</u>	<u>\$ 196,823,072</u>	<u>\$ 204,162,786</u>
<b>NET SYSTEM REVENUES</b>	<u>\$ 92,728,200</u>	<u>\$ 99,391,838</u>	<u>\$ 118,552,661</u>
<b>DEBT SERVICE COVERAGE</b>			
Principal and Interest Due in Fiscal Year	\$ 77,045,935	\$ 77,050,423	\$ 77,054,623
Debt Service Coverage	1.20	1.29	1.54

(1) The information called for by this table for the fiscal years ended June 30, 2001 and June 30, 2002, has not been provided. See pages "iv" hereof, under the caption "Introduction" for information regarding financial information prior to Fiscal Year 2003.

(2) Data compiled for this schedule based on Table 10 – Fiscal Year 2003 – 2005 Comprehensive Annual Financial Statements, Unaudited Statistical Section

Sources: Metropolitan Wastewater Department and Comptroller's Office, City of San Diego

**Table 14**  
**CITY OF SAN DIEGO SEWER REVENUE FUND**  
**FINANCIAL PROJECTIONS**  
**CALCULATION OF PARITY DEBT COVERAGE RATIOS**  
**Fiscal Years Ending June 30, 2006 through June 30, 2011 (In Thousands)**  
**(Unaudited)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>ESTIMATED REVENUES</b>						
Service Charge Revenues	\$ 229,158	\$ 233,378	\$ 257,020	\$ 289,335	\$ 313,508	\$ 335,496
New Sewer Connections	314	200	200	200	200	200
Sewage Treatment Plant Services	53,593	66,958	70,378	73,324	75,378	77,914
Services Rendered to Others <sup>(1)</sup>	4,160	5,631	6,189	6,189	6,189	6,189
Sale of Power from Co-Generation	966	1,084	1,398	1,398	1,398	1,398
Other Revenue	5,563	7,369	383	399	415	431
<b>TOTAL ESTIMATED REVENUES</b>	<b>\$ 293,755</b>	<b>\$ 314,620</b>	<b>\$ 335,568</b>	<b>\$ 370,845</b>	<b>\$ 397,088</b>	<b>\$ 421,629</b>
<b>OPERATING EXPENSES</b>						
Operation & Maintenance Expenses <sup>(1) (2) (3)</sup>	219,849	210,399	228,499	237,773	246,599	253,414
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 219,849</b>	<b>\$ 210,399</b>	<b>\$ 228,499</b>	<b>\$ 237,773</b>	<b>\$ 246,599</b>	<b>\$ 253,414</b>
<b>OPERATING INCOME</b>	<b>\$ 73,906</b>	<b>\$ 104,221</b>	<b>\$ 107,068</b>	<b>\$ 133,072</b>	<b>\$ 150,489</b>	<b>\$ 168,214</b>
<b>OTHER INCOME &amp; (CHARGES)</b>						
Interest Earnings <sup>(4)</sup>	\$ 6,153	\$ 5,498	\$ 6,390	\$ 7,705	\$ 9,427	\$ 10,855
Capacity Charge	16,565	13,350	15,796	15,958	16,120	16,285
Grant Receipts	989	0	0	0	0	0
Contributions in Aid	0	0	5,090	0	0	0
Rate Stabilization Fund Transfer	0	(10,000)	(3,000)	(3,000)	(2,000)	0
<b>TOTAL OTHER INCOME</b>	<b>\$ 23,707</b>	<b>\$ 8,847</b>	<b>\$ 24,276</b>	<b>\$ 20,663</b>	<b>\$ 23,547</b>	<b>\$ 27,140</b>
<b>NET SYSTEM REVENUE</b>	<b>\$ 97,613</b>	<b>\$ 113,068</b>	<b>\$ 131,344</b>	<b>\$ 153,736</b>	<b>\$ 174,036</b>	<b>\$ 195,354</b>
<b>COVERAGE TESTS</b>						
Net System Revenue	\$ 97,613	\$ 113,068	\$ 131,344	\$ 153,736	\$ 174,036	\$ 195,354
Annual Parity Obligations Debt Service	77,052	77,051	77,055	77,056	106,991	115,782
<b>DEBT SERVICE COVERAGE</b>	<b>1.27</b>	<b>1.47</b>	<b>1.70</b>	<b>2.00</b>	<b>1.63</b>	<b>1.69</b>

(1) Annual inflation of 4 % for "Services Rendered to Others" and "Operations & Maintenance" non-personnel costs

(2) "Operations & Maintenance" salary and wage costs are only inflated in FY08 for the negotiated 4% salary increase

(3) Excludes State Revolving Fund Loan repayments

(4) Excludes interest on Construction Fund

Source: Metropolitan Wastewater Department, City of San Diego

## Public Liability Insurance

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). Effective July 2003, the City's excess liability insurance coverage was obtained through the California Public Entity Insurance Authority (CPEIA), a subsidiary of the joint powers authority risk pool, for amounts up to \$50,000,000 per occurrence in excess of a \$2,000,000 self-insured retention. On October 1, 2007, the City's self-insured retention increased to \$5,000,000.

The City is fully 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, 2005 are determined based on results of independent actuarial evaluations and include amounts for claims Incurred But Not Reported and 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 15**  
**LIABILITY CLAIMS BUDGET AND EXPENDITURES**  
**Fiscal Years Ending June 30, 2003 through June 30, 2006 <sup>(1)</sup>**  
**(Unaudited)**

<u>Fiscal Year</u>	<u>Budget</u>	<u>Expenditures</u> <sup>(2) (3)</sup>
2003	\$1,913,500	\$2,598,110
2004	\$2,589,000	\$1,718,610
2005	\$2,589,000	\$1,814,378
2006	\$2,589,000	\$500,928

(1) The information called for by this table for the fiscal year ended June 30, 2002 has not been provided. See page "iv" hereof, under the caption "Introduction" for information regarding financial information prior to Fiscal Year 2003.

(2) Overbudget expenditures are paid from sewer fund balance available for appropriation.

(3) Expenditures decrease each fiscal year due to a reduction of public liability general property damage claims which is primarily the result of an active pipe cleaning program.

Sources: Metropolitan Wastewater Department, Risk Management Department and Comptroller's Office

## **Labor Relations**

Most City employees are represented by one of five labor organizations. As of February 22, 2008, the American Federation of State and County Municipal Employees Local 127 (AFSCME Local 127) represents approximately 1,873 employees; the Municipal Employees Association (MEA) represents approximately 4,833 employees; the Police Officers Association (POA) represents approximately 1,934 employees; the International Association of Firefighters Local 145 (IAFF Local 145) represents approximately 930 employees; and the Deputy City Attorneys' Association (DCAA) represents approximately 151 employees.

Local 127: In the labor agreement for July 1, 2005 through June 30, 2008, Local 127 received a pay increase of 4.0% effective July 1, 2007. Local 127 agreed to take a 1.9% salary decrease effective July 2, 2005, in lieu of picking up an additional 3% of the employee retirement contribution currently paid by the City.

MEA: In the labor agreement for July 1, 2005 through June 30, 2008, MEA received a pay increase of 4.0% effective July 1, 2007. Effective July 1, 2005, MEA agreed to pay an additional 3% of the employee retirement contribution increase that was previously being paid by the City. Effective July 1, 2007, MEA agreed to pick up an additional 1% of the employee retirement contribution that was previously being paid by the City.

Local 145: In the labor agreement for July 1, 2005 through June 30, 2006, Local 145 agreed to no general salary increase. Local 145 agreed to pay an additional 3% of the employee retirement contribution that was previously being paid by the City, effective July 1, 2005. For the period of July 1, 2006 through June 30, 2007, the City and Local 145 agreed to a 0% salary increase. For the period of July 1, 2007 through June 30, 2008, the City and Local 145 failed to reach agreement and the City imposed its last, best and final offer, which included a 0% salary increase.

POA: For the period covering July 1, 2005 through June 30, 2006, the City and POA failed to reach a labor agreement and the City imposed its last, best and final offer which required that the employees represented by POA pay an additional 3.2% of the employee retirement contribution that was previously being paid by the City. For the period covering July 1, 2006 through June 30, 2007, the City and POA failed to reach a labor agreement and the City imposed its last, best and final offer which contained 0% salary increase. In the labor agreement for July 1, 2007, through June 30, 2008, POA received a pay increase of 6% effective July 1, 2007 and an additional 2% increase effective December 29, 2007.

DCAA: In the labor agreement for July 1, 2005 through June 30, 2006, DCAA agreed to pay an additional 3% of the employee retirement contribution that was being paid by the City, effective July 1, 2005. For the period covering July 1, 2006 through June 30, 2007, the City and the DCAA failed to reach a labor agreement and the City imposed its last, best, and final offer which required that employees represented by DCAA pay an additional 0.2% of the employee retirement contribution that was previously being paid by the City. For the period covering July 1, 2007 through June 30, 2008, the City and the DCAA failed to reach agreement and the City imposed its last, best and final offer which contained 0% salary increase.

Contract negotiations for FY 2009 have concluded. The City proposed one-year contracts for all bargaining units for July 1, 2008 through June 30, 2009. The City successfully completed negotiations with POA and Local 145. POA accepted a salary increase of 3% effective July 1, 2008, and a 3% increase effective December 27, 2008. The two year net impact of the negotiated salary



increase is estimated to be a \$900,000 increase to the annual required contribution and a \$7.3 million increase in the unfunded actuarial accrued liability. Members of Local 145 accepted a negotiated increase of 3% effective July 1, 2008, and a 2% increase effective September 1, 2008. The two year net impact of the negotiated salary increase is estimated to have an impact of \$60,000 on the annual required contribution and an estimated \$490,000 impact on the unfunded actuarial accrued liability. The City Council has approved the terms of the contracts for POA and Local 145.

Negotiations with the remaining units did not end in agreement. Last, best, and final offers were made to the remaining three bargaining units, MEA, Local 127, and DCAA, on May 8, 2008. An impasse with the three bargaining units was declared by the Mayor on May 9, 2008. However, on May 12, 2008, the City Council failed to impose the terms of the Mayor's last, best and final offer. Therefore, the terms of the existing labor agreements will carry forward into FY 2009 with no salary increase. On May 27, 2008, the City Council approved the salary ordinance for the fiscal year beginning July 1, 2008 which sets the same pay and benefit levels as the prior fiscal year for the three bargaining units with the exception of Local 127. For employees represented by Local 127, the salary decrease of 1.9% (from July 1, 2005 labor agreement) will be reinstated as a result of contract language contained in the labor agreement.

## **Pension Plan**

The Fiscal Year 2006 actuarial report, dated January 12, 2007, prepared by SDCERS's actuary shows an unfunded actuarial accrued liability ("UAAL") for the pension system of approximately \$1.210 Billion under the Entry Age Normal ("EAN") funding method. In the June 30, 2007 SDCERS actuarial valuation, dated January 10, 2008, the unfunded actuarial liability was calculated to be \$1.183 billion under the Entry Age Normal ("EAN") funding method which assumes a 20 year amortization schedule with no negative amortization. The City had an actuarial report prepared for its other post-employment benefits, and that report, dated June 30, 2007, showed an UAAL for retiree healthcare of approximately \$932 million, calculated using a 6.69% discount rate due to the partial prefunding of the retiree health liabilities. Also see the Letter of Transmittal and Notes 11-13 to Financial Statements of the FY 2005 CAFR for additional information on Pension Plan. The challenges posed by the unfunded pension liability are significant and, together with significant costs related to the post-employment healthcare benefits, could pose a threat to the future fiscal health of the City.

The unfunded actuarial liabilities and funding ratios set forth in the Fiscal Year 2005 CAFR relating to the City's pension system and other post-employment benefits are based upon numerous demographic and economic assumptions, including the investment return rates, inflation rates, salary increase rates, cost of living adjustments, post-retirement mortality, active member mortality, rates of retirement, etc. The reader is 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 in such CAFRs. In addition, the reader is cautioned that such sources and the underlying assumptions speak as of their respective dates, and are subject to changes, any of which could cause a significant impact in the unfunded actuarial accrued liabilities and funding ratios.

## **Investment of Funds**

### **Derivatives**

Since 1997, the City Pool has had no assets invested in structured notes or derivatives prohibited in California Government Code §53601. The City Treasurer defines a derivative as a financial instrument whose value is derived from an underlying asset, price, index or rate, e.g., options, futures or interest rate swaps. A structured note is an investment instrument that can contain within its structure various combinations of derivatives such as imbedded calls and interest rate swaps that will

offer returns to an investor within a defined set of parameters and interest rate scenarios, e.g., step-ups, multiple-indexed notes, inverse floaters or leveraged constant maturity notes. The City Treasurer does not define fixed rate notes, debentures with call features or single index non-leveraged floating rate notes, e.g. monthly LIBOR plus or minus a spread, as structured notes. The City Treasurer limits structured notes eligible for purchase to those investments which, at the time of purchase, have no risk of principal loss if held to maturity and offer an estimated return at purchase that exceeds the return on a comparable fixed term investment in the judgment of the City's Investment Officer. The City Treasurer does not allow the purchase of securities that have a negative amortization of principal. In addition, California law prohibits the purchase by local governments of inverse floaters, range notes or interest only strips derived from pools of mortgages.

### **Reverse Repurchase Agreements**

A reverse repo is a transaction in which the City Pool sells a security and concurrently agrees to buy it back from the same party at a later date for a price that includes an interest component for the City Pool's use of the money. Although the City is authorized to use reverse repos, since September 18, 1996, the City has had no reverse repos in the City Pool. The Investment Guidelines require that all proceeds of a reverse repo be reinvested in securities whose maturity date effectively matches the final maturity of the reverse repo. The Investment Guidelines limit the use of reverse repurchase agreements to 20% of the base value of the City Pool.

### **Pool Liquidity and Other Characteristics (As of June 30, 2005)**

The City Pool (including both the "Liquidity" and the "Core" portfolios) is highly liquid. As of June 30, 2005 (on a cumulative basis), approximately 11% of the pool investments mature within 62 days, 19% within 92 days and 31% within 184 days, 51% within 1 year, 78% within 2 years, 91% within 3 years, and 100% within 5 years. As of June 30, 2005, the Pool had a weighted average maturity of 1.39 years (507 days) and its weighted yield was 3.86%. 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 0.32 years and the Core portfolio had a duration of 1.69 years as of June 30, 2005. 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 0.32% for every 1% increase in market interest rates while the Core portfolio should decrease in market value by 1.69% 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 16A**  
**CITY OF SAN DIEGO POOLED OPERATING INVESTMENT FUND <sup>(1)</sup>**  
**at June 30, 2005**  
**(In Thousands)**

<u>Investment Instrument</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Percent of Total <sup>(1)</sup></u>
U.S. Treasury Bills and Notes	\$464,255	\$463,003	35.80%
Federal Agency Securities	\$617,921	\$616,818	47.65%
Medium Term Notes (Corporate) <sup>(2)</sup>	\$74,259	\$72,916	5.73%
Money Market Instruments <sup>(3)</sup>	\$117,643	\$117,886	9.07%
Local Agency Investment Fund	\$21,075	\$21,028	1.63%
Federal Agency Mortgage Backed Securities	<u>\$1,609</u>	<u>\$1,544</u>	<u>0.12%</u>
NET ASSETS	<u>\$1,296,762</u>	<u>\$1,293,195</u>	<u>100.00%</u>

(1) Based on Book Value.

(2) 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.

(3) These securities consist of commercial paper, negotiable certificates of deposit, term and overnight repurchase agreements, banker's acceptances, bank notes and/or thrift notes.

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

### **Pool Liquidity and Other Characteristics (As of June 30, 2006)**

The City Pool (including both the "Liquidity" and the "Core" portfolios) is highly liquid. As of June 30, 2006 (on a cumulative basis), approximately 14% of the pool investments mature within 62 days, 21% within 92 days and 30% within 184 days, 53% within 1 year, 72% within 2 years, 92% within 3 years, and 100% within 5 years. As of June 30, 2006, the Pool had a weighted average maturity of 1.38 years (502 days) and its weighted yield was 4.78%. 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 0.31 years and the Core portfolio had a duration of 1.77 years as of June 30, 2006. 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 0.31% for every 1% increase in market interest rates while the Core portfolio should decrease in market value by 1.77% 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 16B**  
**CITY OF SAN DIEGO POOLED OPERATING INVESTMENT FUND <sup>(1)</sup>**  
**at June 30, 2006**  
**(In Thousands)**

<u>Investment Instrument</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Percent of Total <sup>(1)</sup></u>
U.S. Treasury Bills and Notes	\$362,572	\$357,996	25.76%
Federal Agency Securities	\$825,882	\$822,650	58.68%
Medium Term Notes (Corporate) <sup>(2)</sup>	\$71,376	\$70,040	5.07%
Money Market Instruments <sup>(3)</sup>	\$125,879	\$125,989	8.94%
Local Agency Investment Fund	<u>\$21,805</u>	<u>\$21,765</u>	<u>1.55%</u>
<b>NET ASSETS</b>	<u><b>\$1,407,514</b></u>	<u><b>\$1,398,440</b></u>	<u><b>100.00%</b></u>

(1) Based on Book Value.

(2) 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.

(3) These securities consist of commercial paper, negotiable certificates of deposit, term and overnight repurchase agreements, banker's acceptances, bank notes and/or thrift notes.

Source: Fiscal Year 2006 Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego

### **Pool Liquidity and Other Characteristics (As of June 30, 2007)**

The City Pool (including both the "Liquidity" and the "Core" portfolios) is highly liquid. As of June 30, 2007, approximately 20% of the pool investments mature within 62 days, 22% within 92 days and 32% within 184 days, 51% within 1 year, 78% within 2 years, 94% within 3 years, and 100% within 5 years (on a cumulative basis). As of June 30, 2007, the Pool had a weighted average maturity of 1.27years (462 days) and its weighted yield was 5.04%. 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 0.32 years and the Core portfolio had a duration of 1.67 years as of June 30, 2007. 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 0.32% for every 1% increase in market interest rates while the Core portfolio should decrease in market value by 1.67% 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 16C**  
**CITY OF SAN DIEGO POOLED OPERATING INVESTMENT FUND<sup>(1)</sup>**  
**at June 30, 2007**  
**(In Thousands)**  
(Unaudited)

<u>Investment Instrument</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Percent of Total<sup>(1)</sup></u>
U.S. Treasury Bills and Notes	\$462,954	\$460,993	25.46%
Federal Agency Securities	1,008,210	1,007,779	55.44%
Medium Term Notes (Corporate) <sup>(2)</sup>	155,682	155,350	8.56%
Money Market Instruments <sup>(3)</sup>	168,864	169,580	9.28%
Local Agency Investment Fund	<u>22,899</u>	<u>22,899</u>	<u>1.26%</u>
<b>NET ASSETS</b>	<b><u>\$1,818,609</u></b>	<b><u>\$1,816,601</u></b>	<b><u>100.00%</u></b>

(1) Based on Book Value.

(2) 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.

(3) These securities consist of commercial paper, negotiable certificates of deposit, term and overnight repurchase agreements, banker's acceptances, bank notes and/or thrift notes.

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

**Other Material Information**

**See footnote 18 of the 2005 CAFR which is updated by the paragraph below**

On April 7, 2008, the SEC filed securities fraud charges against five former City officials, including the former City Manager, former Auditor and Comptroller, former Assistant Auditor and Comptroller, former Deputy City Manager and former City Treasurer, for allegedly giving false and misleading statements regarding City bond offerings in 2002 and 2003. Investigations by the SEC into entities other than the City, including current and former City officials, may be ongoing. It is uncertain when any such investigations will be completed, and the City can provide no assurance as to whether any new investigations will be initiated.

**City of San Diego**  
**State of California**

**Comprehensive Annual Financial Report**



Fiscal Year Ended June 30, 2005

**Cover:** Plaza de Panama Fountain, located in the center of Balboa Park.

Balboa Park has more than 15,000 trees, 14 specialty gardens, nearly 100 arts, educational, recreational, social and sports organizations, 14 museums and is home to the World Famous San Diego Zoo and Old Globe Theatre.

**CITY OF SAN DIEGO  
STATE OF CALIFORNIA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR FISCAL YEAR ENDED JUNE 30, 2005**



**Prepared Under the Supervision of  
Gregory Levin, CPA  
Comptroller**



# Table of Contents

For the Fiscal Year Ended June 30, 2005

## INTRODUCTORY SECTION

Letter of Transmittal.....	9
City of San Diego Officials as of June 30, 2005 .....	28
Organization Chart as of June 30, 2005.....	29

## FINANCIAL SECTION

Independent Auditor's Report.....	33
Management's Discussion and Analysis (Required Supplementary Information) .....	35
Basic Financial Statements .....	49

### *Government-Wide Financial Statements*

Statement of Net Assets .....	52
Statement of Activities .....	54

### *Governmental Funds Financial Statements*

Balance Sheet .....	56
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	58
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	59

### *Proprietary Funds Financial Statements*

Statement of Net Assets .....	60
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	61
Statement of Cash Flows.....	62

### *Fiduciary Funds Financial Statements*

Statement of Fiduciary Net Assets.....	63
Statement of Changes in Fiduciary Net Assets .....	64

### *Notes to the Financial Statements*

1. Summary of Significant Accounting Policies.....	65
2. Reconciliation of Government-Wide and Fund Financial Statements.....	77
3. Cash and Investments .....	80

# Table of Contents

For the Fiscal Year Ended June 30, 2005

4. Capital Assets .....	99
5. Governmental Activities Long-Term Liabilities .....	102
6. Business-Type Activities Long-Term Liabilities .....	110
7. Discretely Presented Component Units Long-Term Debt .....	112
8. Short-Term Notes Payable.....	114
9. Joint Venture .....	114
10. Lease Commitments .....	115
11. Deferred Compensation Plan.....	116
12. Pension Plans.....	117
13. Other Post Employment Benefits.....	130
14. Interfund Receivables, Payables, and Transfers .....	132
15. Risk Management.....	134
16. Fund Deficit.....	135
17. Commitments.....	136
18. Contingencies .....	140
19. Third Party Debt.....	148
20. Closure and Post Closure Care Cost.....	149
21. Operating Agreements .....	150
22. Subsequent Events.....	151
<i>Required Supplementary Information</i>	
Pension Trust Funds Analysis of Funding Progress .....	155
General Fund Budgetary Information .....	157
Notes to Required Supplementary Information.....	161
<i>Supplementary Information</i>	
Supplementary Information - General Fund .....	163

# Table of Contents

For the Fiscal Year Ended June 30, 2005

Non-Major Governmental Funds .....	189
Special Revenue.....	193
Debt Service .....	221
Capital Projects.....	229
Permanent .....	243
Non-Major Business-Type Funds - Enterprise.....	251
Internal Service Funds.....	261
Fiduciary Funds .....	271

## STATISTICAL SECTION

Table 1: General Governmental Expenditures by Function .....	280
Table 2: General Governmental Revenues by Source .....	280
Table 3: Assessed Valuation of all Taxable Property - Excluding Redevelopment Areas .....	282
Table 4: Assessed Valuation of all Taxable Property - Redevelopment Areas Only .....	284
Table 5: Tax Rates Per \$100 of Assessed Valuation .....	286
Table 6: Schedule of Legal Debt Margin.....	286
Table 7: Levies and Taxes Received by City - Secured Property.....	287
Table 8: Ratio of Net General Obligation Bonded Debt to Assessed Value and Net Bonded Debt Per Capita .....	287
Table 9: Revenue Bond Coverage - Water Bonds.....	288
Table 10: Revenue Bond Coverage - Sewer Bonds.....	288
Table 11: Schedule of Direct and Overlapping Bonded Debt .....	289
Table 12: Ratio of Annual Debt Service for General Bonded Debt to Total General Expenditures.....	290
Table 13: Special Assessment Billings and Collections.....	290
Table 14: Demographic Statistics .....	291
Table 15: Principal Taxpayers in City of San Diego .....	291
Table 16: Comparison of Construction, Bank Deposits and Property Values.....	292
Table 17: Miscellaneous Statistical Data .....	293

## INTRODUCTORY SECTION

**This Page Left Intentionally Blank - Back of Divider Page**



**JERRY SANDERS**  
MAYOR

February 8, 2008

Honorable City Council Members and the Citizens of the  
City of San Diego, California

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, 2005, 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. Our 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.

The City wishes to bring to the attention of the reader for careful consideration Notes 12, 13, and 18 to the Financial Statements, which address, among other matters, (1) the cease-and-desist order imposed on the City by the Securities and Exchange Commission for violations of the federal securities laws that occurred in 2002 and 2003, (2) related investigative reports of Kroll Inc. and the law offices of Willkie, Farr and Gallagher LLP, serving as the audit committee for the City of San Diego (Kroll Report), Navigant Consulting, Inc. (as it relates to San Diego City Employees Retirement System (SDCERS)), and the City Attorney of the City of San Diego, and (3) the unfunded actuarial accrued liabilities of the City's pension and retiree health obligations. These 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.

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.

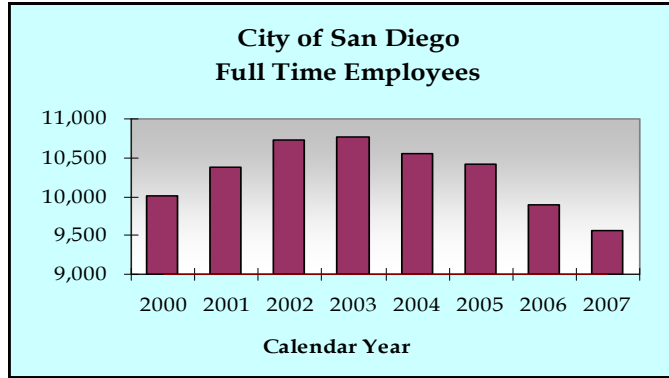
The CAFR is organized into three sections:

- **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, the independent auditor's report, the audited basic financial statements, notes to the basic financial statements, required supplementary information, and supporting statements and schedules.
- **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.

**PROFILE OF THE GOVERNMENT**

**City Profile**

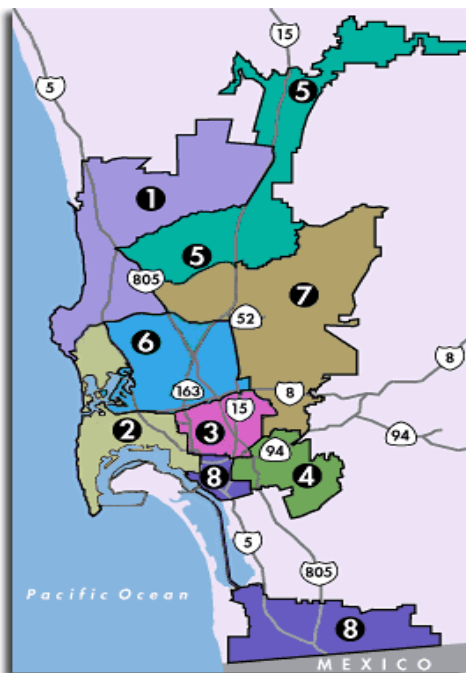
The City of San Diego was incorporated in 1850. The City is comprised of 403 square miles and, as of January 1, 2007, the California Department of Finance estimates the population to be 1,316,837. The City, with approximately 9,600 full-time employees, provides a full range of governmental services which 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.



**Governing Structure**

The City operates and is governed by the laws of the State of California and its own Charter which was adopted by the electorate in 1931 and has been subject to periodic amendments since adoption. During the period reported in this report, the City employed a Council-Manager form of government. Under this form of government, the City Council was comprised of eight members elected by district to serve overlapping four-year terms. The City Council, which acted as the City's legislative and policy-making body, appointed the City Manager, who was the City's chief administrator and was responsible for implementing the policies and programs adopted by the City Council. The Mayor, who presided over the City Council, was elected at large to serve a four-year term. In addition, the City has an elected City Attorney who is the chief legal advisor of and attorney for the City and all departments. The City Attorney serves a four-year term.

**City of San Diego Council District Map**



During the fiscal year ended June 30, 2005 and prior to the issuance of this CAFR, the electorate of the City of San Diego approved the strong-mayor form of government on a trial basis which took effect during the fiscal year ended June 30, 2006. 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 (IBA), and City Attorney's departments. The Office of the Independent Budget Analyst was established by the City Council to assist the Council in the conduct of budgetary analysis and in the making of budgetary, financial, and policy decisions. Additionally, the City Council established a Budget and Finance Committee to aid in the review of the annual budget, capital improvement programs, financial reports, taxes, fees, assessments, and IBA reports.

Under this form of government, the Council is composed of eight members and is presided over by the Council President, who is selected by a majority vote of the Council. The Mayor presides over Council in closed session meetings of the Council. The Council retains its legislative authority; however, all council resolutions, except for appropriations ordinances, are subject to a veto of the Mayor. The City Council may override a Mayoral veto with five votes.

Current Elected Officials  
(as of the original issuance of this report)



Mayor Jerry Sanders

District 1  
Council President Scott Peters



District 5  
Councilmember Brian Maienschein

District 2  
Councilmember Kevin Faulconer



District 6  
Councilmember Donna Frye

District 3  
Councilmember Toni Atkins



District 7  
Councilmember Jim Madaffer

District 4  
Council President Pro Tem  
Tony Young



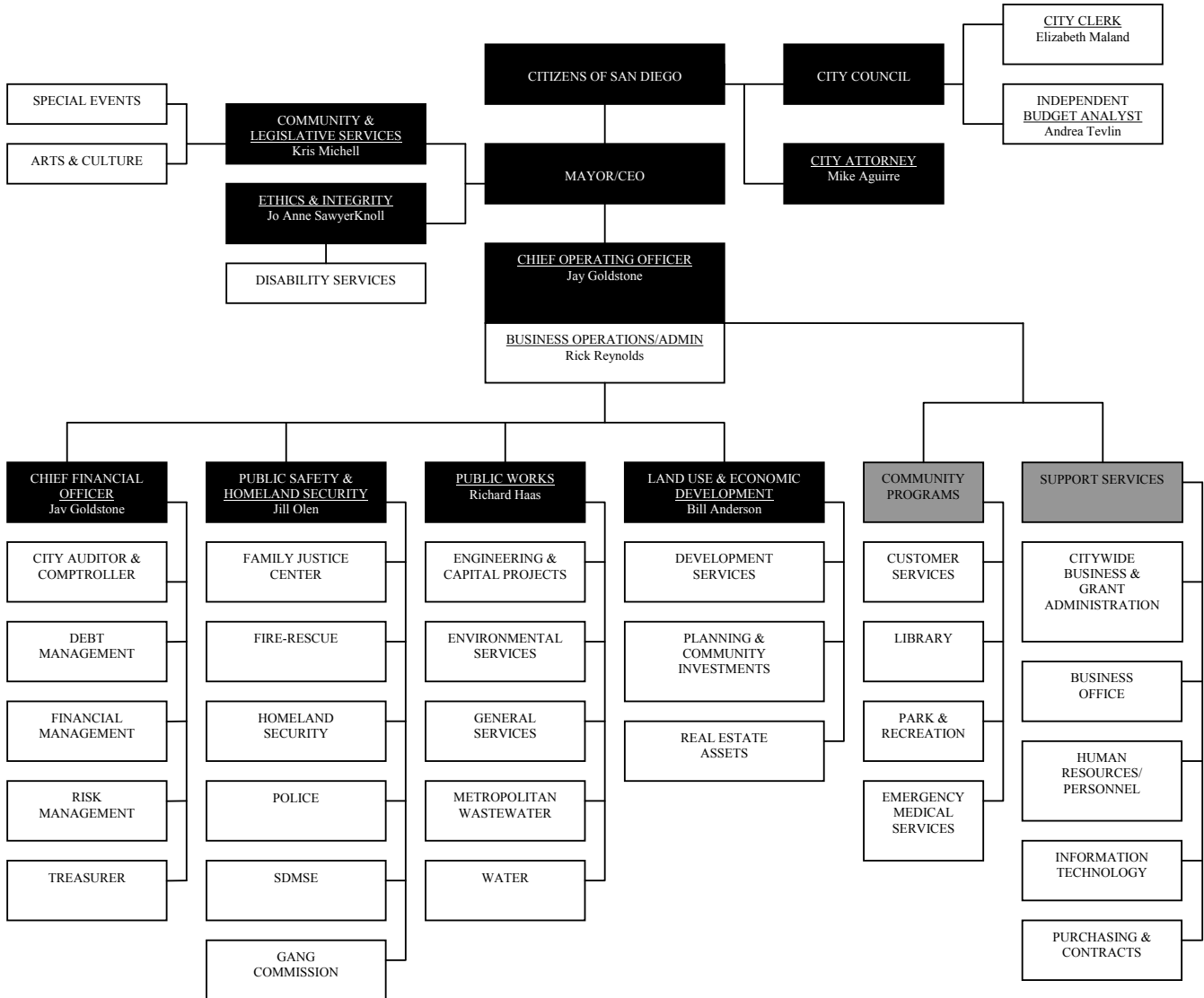
District 8  
Councilmember Ben Hueso



City Attorney  
Michael Aguirre



### City of San Diego Organization Chart (As of the original issuance of this report)



### Financial Reporting Entity

In accordance with Governmental Accounting Standards Board 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 Facility and Other Special Assessment Districts
- 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)

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. The financial impact of the joint venture is displayed in the governmental funds balance sheet.

### Budgetary Process

Pursuant to the City Charter, an annual budget is presented by the Mayor to the City Council for adoption. 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 council for the capital projects funds. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the fund, department, and object class level. Object classes are defined as salaries and non-personnel expense (including employee benefits). 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 also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts are reported as reservations of fund balances since the commitments are expected to be honored in subsequent periods.

## FACTORS AFFECTING FINANCIAL CONDITION

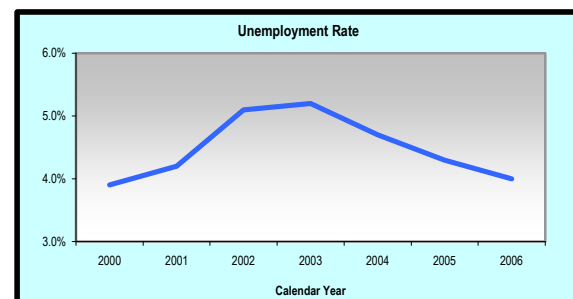
### Economic Factors

#### Income

In January 2007, the San Diego Association of Governments (SANDAG) reported that between 2000 and 2006, the median household income in the San Diego region rose by 33.2%, from \$45,826 to \$61,043.

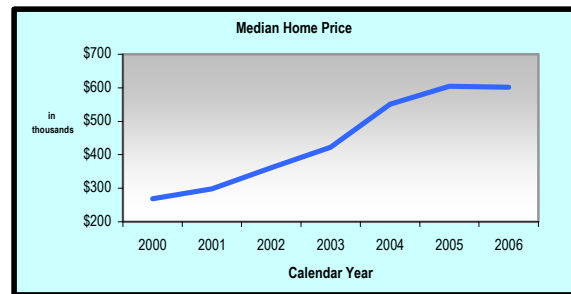
#### Unemployment

The unemployment rate is a critical indicator of the relative strength in the local economy. According to the Bureau of Labor Statistics, the City of San Diego's unemployment rate was 4.0% for the calendar year 2006. This reflects a 1.2% decrease from a 10 year high of 5.2% in the calendar year 2003, a .7% decrease from calendar year 2004, and a .3% decrease from calendar year 2005. The City of San Diego's unemployment rate is .6% below the national average and .9% below the average for the State of California for the calendar year 2006.



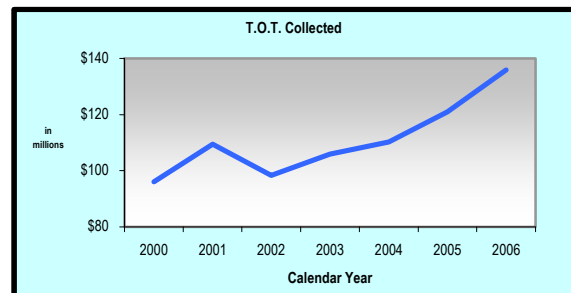
### Housing and Construction

According to a report by the National Association of Realtors, the median residential home price in the San Diego area dropped 0.4% from calendar year 2005 to 2006. However, median residential home prices in the San Diego area increased 125% from calendar years 2000 to 2005. Home sales during this growth in median home prices have resulted in stronger than average property tax returns for the City and have fueled increased activity in the construction sector. However, there has recently been a significant slowing in the housing market and a softening in housing prices and therefore the recent growth in property tax revenues may not continue and may in fact decline.



### Tourism

The City of San Diego has continued to experience a growth in tourism during calendar year 2006, resulting in a 12.3% increase in Transient Occupancy Tax (TOT) collections from calendar year 2005, and a 41.6% increase from calendar year 2000. According to the San Diego Convention & Visitors Bureau, average occupancy rates of hotels located in the San Diego area have also continued to improve during calendar years 2005 and 2006, increasing 1.7% and 1.5%, respectively. Additionally, a total of 32.2 million visitors spent approximately \$7.7 billion at local businesses in the San Diego area during calendar year 2006.



### Water Supply

The City of San Diego is located in a semi-arid coastal climate environment and receives an average annual rainfall of 10.21 inches. The 1.3 million people living in San Diego use an average of 200 million gallons per day of potable water. The City's population is projected to increase 26% in the next 25 years, and the City projects this growth will increase demand for potable water by approximately 21%.

The Water System currently receives its water supply from two sources: (1) local runoff and (2) water imported by the San Diego County Water Authority (CWA). Historically, approximately 16% (median) of the water supply for the Water System comes from local rain runoff. This runoff source is dependent upon rainfall and is seasonal and variable in nature. The balance of the Water System water supply is imported from Northern California and the Colorado River supplied to the City by the CWA, of which the City of San Diego is a member agency. CWA in turn, purchases the majority of its water from the Metropolitan Water District of Southern California (MWD), which is comprised of 26 public water agencies. CWA also has rights to purchase up to 200,000 Acre Feet-Year (AFY) of water from the Imperial Irrigation District (IID), and 77,700 AFY of water supplies dedicated to CWA from water-conserving canal lining projects on the All-American and Coachella Canals.

For the Fiscal Year ended June 30, 2007, the City's average daily water use, including deliveries to the City of Del Mar and California American Water Company (Cal-Am) was approximately 221 Million Gallons per Day (MGD), with peak day demands as high as 291 MGD. The City's three Water Treatment Plants provided 202 MGD or 91.5% of the City's average demand. Due to current operational limitations with respect to the distribution system, City average and peak daily water demands are met with a combination of City-treated water and treated water supplied by CWA.

The City is the largest purchaser of water from CWA. During the Fiscal Year ended June 30, 2007, the Water Department purchased approximately 229,682 AF of water from the CWA at a cost of \$113.3 million. Currently, the City pays CWA \$515 per AF for untreated water and \$679 per AF for treated water. For the Fiscal Year ended June 30, 2006, the City's water purchases from CWA represented approximately 34% of CWA's total water deliveries and approximately 92.5% of the water produced by the City was purchased from CWA, with the balance coming from runoff collected in the City's reservoirs. During the ten Fiscal Years ending June 30, 2007, approximately 12.7% of the water purchased by the City from CWA was treated water and the balance was untreated water. For the five Fiscal Years ending June 30, 2007, the average annual percentage of treated water

purchased from CWA was approximately 12.8% of total water purchases.

As of December 17, 2007, MWD indicated that it had sufficient water supplies in storage to sustain a supply/demand scenario similar to 2007 through calendar year 2008 with enhanced conservation efforts beginning immediately.

The majority of MWD's current water supplies originate from the Sacramento–San Joaquin Bay-Delta before being pumped into the California Aqueduct for transportation to Southern California. On August 31, 2007, a federal court ordered state and federal water managers to reduce pumping out of the Delta during certain times of the year in order to protect the Delta Smelt, an endangered fish species. It is unknown how long these restrictions will be in place but they are expected to last at least one year.

MWD estimates that the court order will reduce the amount of SWP water available to MWD by approximately 20%. MWD and CWA are actively pursuing spot water transfer options to offset these reductions. Colorado River deliveries to MWD and CWA remain firm in the near future, minimizing the impacts of the SWP reductions on San Diego.

Statewide, California has experienced one of the driest years on record for the 2007 water year (ended June 30). San Diego received only 3.83 inches of precipitation between July 1, 2006 and June 30, 2007<sup>1</sup>. The National Weather Service predicts dry weather in Southern California this winter as well as in the Sierra Mountains, potentially reducing the amount of local and SWP water available to the CWA and the City. The Mayor, in coordination with the San Diego County Water Authority, has urged residents and businesses of San Diego to help avoid those conditions by adopting water conservation practices at home and their place of work. At the conclusion of the 2007-08 winter season, the Water Department, in consultation with its imported water providers, will determine whether or not mandatory conservation programs are warranted based upon precipitation received locally and in the Sierra mountains.

### **Regulatory Actions**

In November 2006, the United States Securities and Exchange Commission (SEC) entered an Order (the "Order") sanctioning the City of San Diego for committing securities fraud in connection with the 2002 and 2003 offer and sale of over \$260 million in municipal bonds and for preparing and filing information pursuant to continuing disclosure agreements under Exchange Act Rule 15c2-12 with respect to \$2.29 billion in outstanding City bonds and notes. The findings contained in the Order were made pursuant to the City's offer of settlement. The SEC, in the Order, concluded that the City, through its officials, acted with scienter.

In the Order, the SEC found that at the time of these offerings, City officials knew that the City faced severe difficulty funding its future pension and health care obligations unless new revenues were obtained, pension and health care benefits were reduced, or City services were cut. The SEC found that the City's looming financial crisis resulted from (1) the City's intentional underfunding of its pension plan from fiscal year 1997; (2) the City's granting of additional retroactive pension benefits since fiscal year 1980; (3) the City's use of the pension fund's assets to pay for the additional pension and retiree health care benefits since fiscal year 1980; and (4) the pension plan's less than anticipated earnings on its investments in fiscal years 2001 through 2003. The SEC found that despite the magnitude of the problems the City faced in funding its future pension and retiree health care obligations, the City conducted five separate municipal bond offerings, raising more than \$260 million, without disclosing these problems to the investing public. The SEC found that in each of these offerings, the City prepared disclosure documents that are used with municipal securities offerings—that is, preliminary official statements and official statements—and made presentations to rating agencies. In addition, in 2003 it prepared and filed information pursuant to continuing disclosure agreements under Exchange Act Rule 15c2-12 with respect to \$2.29 billion in outstanding City bonds and notes.

The SEC credited the City with having taken remedial action before the Order was issued and found that since 2005 the City has implemented several remedial measures with a view to detect and prevent securities violations. Specifically, the City has terminated certain officials in the City Manager's and Auditor and Comptroller's offices or has allowed them to resign. The City has hired a full time municipal securities attorney who is responsible for coordinating the City's public disclosure and who has conducted continuing education for the City's deputy attorneys on the City's disclosure requirements.

The SEC credited the City with hiring new outside professionals including new auditors for its fiscal year audits. The SEC also found that the City hired individuals not affiliated with the City to act as the City's audit committee to conduct an investigation of the City's prior disclosure deficiencies and make recommendations to prevent future disclosure failures. The SEC found that the City has also hired new disclosure counsel for all of its future offerings, who will have better and more continuous knowledge on

---

<sup>1</sup> <http://watersupplyconditions.water.ca.gov/pdf/2007precip.pdf>

the City's financial affairs. The SEC found that the disclosure counsel has conducted seminars for City employees on their responsibilities under the federal securities laws.

The SEC found that the City has also enacted ordinances designed to change the City's disclosure environment:

1. The City created a Disclosure Practices Working Group, comprised of senior City officials from across city government. The Working Group is charged with reviewing the form and content of all the City's documents and materials prepared, issued, or distributed in connection with the City's disclosure obligations relating to securities issued by the City or its related entities; and conducting a full review of the City's disclosure practices and to recommend future controls and procedures.
2. The Mayor and City Attorney must now personally certify to the City Council the accuracy of the City's official statements.
3. The City Auditor must annually evaluate the City's internal financial controls and report the results to the City Council.

As part of the settlement with the SEC, the City agreed to cease and desist from future securities fraud violations. The City also agreed to retain an Independent Consultant acceptable to the SEC. The Independent Consultant is required to conduct annual reviews for a three-year period, following the November 2006 Order, of the City's policies, procedures, and internal controls regarding its disclosures for offerings, including disclosures made in its financial statements, pursuant to continuing disclosure agreements, and to rating agencies. The Independent Consultant is also required to review, for the three year period, the procedures and internal controls regarding the City's hiring of internal personnel and external experts for disclosure functions, and the implementation of active and ongoing training programs to educate appropriate City employees, including officials from the City Auditor and Comptroller's office, the City Attorney's office, the Mayor, and the City Council members regarding compliance with disclosure obligations.

The Independent Consultant is required to make recommendations concerning related policies, procedures, and internal controls with a view to assuring compliance with the City's disclosure obligations under the federal securities laws. The Independent Consultant is to assess, in years two and three, whether the City is complying with its policies, procedures, and internal controls, whether the City has adopted any of the Independent Consultant's recommendations from prior year(s) concerning such policies, procedures, and internal controls for disclosures for offerings, and whether the new policies, procedures, and internal controls were effective in achieving their stated purposes.

On June 7, 2007, the Initial Report of Independent Consultant to the City of San Diego (the "Independent Consultant's Report") was released. The purpose of the Independent Consultant's Report was to describe the review and assessment of the City's policies, procedures, and internal controls regarding i) its financial and other disclosures, ii) the hiring of internal personnel and external experts for disclosure functions, and iii) the implementation of active and ongoing training programs to educate appropriate City employees regarding compliance with disclosure obligations, and to provide conclusions and recommendations with respect to these matters.

Additionally, the Independent Consultant's Report recognizes the complexity of the City's issues and includes numerous actions that are planned to be addressed in the future, including:

- Ongoing analysis and observation by the Independent Consultant of the City's disclosure process, including participation in future offering disclosure processes,
- Implementation of a new Enterprise Resource Planning (ERP) system,
- Ongoing training for the City Council, City Officials, and City employees, and
- Hiring a qualified internal auditor to provide reliability of the City's internal control structure.

The Independent Consultant observed that the City had made progress with its remediation efforts, but that there is much left to be done that will require an intensive and substantial effort.

On July 23, 2007, the SEC issued a letter to the City and to the Independent Consultant recognizing the recommendations outlined in the Independent Consultant's Report and indicating its understanding that subsequent reports from the Independent Consultant would provide more complete, specific, and concrete recommendations with specific deadlines. The SEC also requested a response from the City in regards to the recommendations outlined in the Independent Consultant's Report, including an estimated timeframe for implementation of the recommendations.

On September 25, 2007 the City responded to the SEC, this response was approved by the Council Resolution No. 303021. This response to the SEC is summarized as follows:

- The CFO, along with representatives of the Audit Committee and the Independent Budget Analyst, interviewed candidates for the Internal Auditor. The candidate selected began work on October 22, 2007. The Charter Review Committee is also looking into a Charter change which would separate the internal audit function from the comptroller and management duties. This revision will need to be approved by a vote of the public.
- The City has established an Audit Committee comprised of 3 Council members and an ad hoc committee of 3 outside advisors who bring extensive technical expertise to the Committee. The ad hoc committee began serving September 10, 2007. The Charter Review Committee is also looking into a Charter change which would formally establish the composition of the Audit Committee. This revision will need to be approved by a vote of the public.
- The City has selected a software vendor for an enterprise resource system. The current schedule calls for the implementation of a new core system by October 2008, followed by the implementation of the human resource/payroll system by January 2009.
- The CFO position was established in calendar year 2006 and all financial related activities and responsibilities of the City fall under this position.
- The City is carefully evaluating the Independent Consultant's recommendation to consider moving toward a shelf-like disclosure system. The City has made many improvements to internal controls regarding the release of financial information to the public capital markets (e.g. creation of the DPWG, CFO, and Audit Committee). Accordingly, any shelf-like registration would take into consideration procedures currently in place which were designed to ensure that the City would not make misleading statements or omissions to the market place in the future.

### **Financial Information**

#### **Pension Benefits**

In fiscal year 1927, the City established the San Diego City Employees' Retirement System ("SDCERS"), a public employee retirement system. The pension plan ("Plan") is a defined benefit plan and is administered by the SDCERS' Board to provide retirement, disability, death, and survivor benefits for its members. The SDCERS Board contracts with an actuary to perform an annual actuarial valuation based on the assumptions adopted by the SDCERS Board. A new actuarial firm, Cheiron Inc., was hired by the SDCERS board to perform the 2005 and 2006 actuarial reports.

The actuarial valuations performed by Cheiron for the fiscal years ended June 30, 2006 and June 30, 2005 reported as follows:

#### **San Diego City Employees' Retirement System (City of San Diego)**

	Fiscal Year Ended		% Change
	June 30, 2006	June 30, 2005	
<b><u>Membership</u></b>			
Total Members (active, disabled, beneficiaries and retired)	17,647	17,429	1.3%
<b><u>Assets and Liabilities</u></b>			
Total Actuarial Liability	\$ 4,982,699,455	\$ 4,377,092,948	13.8%
Market Value of Assets	3,981,931,694	3,205,721,975	24.2%
Actuarial Value of Assets	3,981,931,694	2,983,079,852	33.5%
Unfunded Actuarial Liability	\$ 1,000,767,761	\$ 1,394,013,096	(28.2%)
Funding Ratio	79.9%	68.2%	11.7%

It is common practice to base consecutive actuarial valuations on consistent pre-defined parameters; however, occasional methodology changes are required to reflect prevailing practices within the industry. The actuarial methodology changes with the most significant impact to the unfunded actuarial liability between fiscal years 2005 and 2006 are related to the inclusion of certain "contingent" liabilities in the valuation and a change in the asset smoothing method, both of which are discussed in detail below.

The actuarial valuation information presented above for the fiscal year ended June 30, 2005 is based upon historical assumptions in regards to some benefits being viewed as contingent in nature, and therefore, does not include information on liabilities pertaining to the Corbett Settlement or the 13<sup>th</sup> Check, both of which were included as liabilities in the fiscal year 2006



valuation. Additionally, SDCERS has established reserves of assets in an amount approximately equivalent to the related liability for the following items: Supplemental Cost of Living Adjustment, Employee Contribution Rate Increase Liability, and the Deferred Retirement Option Plan Liability. The assets placed in these reserves, as well as the corresponding liability, have also been excluded from the fiscal year 2005 actuarial valuation.

For the benefit of the reader, the following table presents the balances of all liabilities excluded from the actuarial valuation for the fiscal year ended June 30, 2005:

SDCERS Other Liabilities

Corbett Settlement	\$ 58,923,978
13th Check	56,686,313
Supplemental Cost of Living Adjustment *	17,839,967
Employee Contribution Rate Increase Liability *	8,905,418
Deferred Retirement Option Plan Liability *	227,223,791
Total Other Liabilities	<u>\$ 369,579,467</u>

\* SDCERS has established reserves of assets approximately equivalent to related liability.

A detailed explanation of the liabilities and their related assets can be found in the actuarial valuations for fiscal year 2005 and fiscal year 2006 which can be obtained at the SDCERS main office located at 401 West A Street, Suite 400, San Diego, CA 92101.

For the purposes of calculating the City's net pension obligation (NPO), calculated amounts include the effects from the Corbett settlement liability and the employee contribution rate increase liability due to the City's position that these liabilities are non-contingent in nature. As such, the following schedule shows the City's view of its revised unfunded actuarial liability as of June 30, 2005 and presents a comparison to the fiscal year 2006 valuation. The employee contribution rate increase liability and its corresponding asset reserve are not included in the revised calculation as of June 30, 2005 due to its immaterial effect on the unfunded actuarial liability. Additionally, the City views the liabilities related to the 13<sup>th</sup> check as contingent in nature, and therefore, excluded them from the revised calculation of the City's unfunded actuarial liability.

Calculation of City's Unfunded Actuarial Liability

	<u>Fiscal Year Ended</u>		<u>% Change</u>
	<u>June 30, 2006</u>	<u>(revised)*** 6/30/2005</u>	
Actuarial Liability (Cheiron*)	\$ 4,982,699,455	\$ 4,377,092,948	
Corbett Settlement (Cheiron*)	n/a **	58,923,978	
Total Actuarial Liability	4,982,699,455	4,436,016,926	12.3%
Actuarial Value of Assets (Cheiron*)	3,981,931,694	2,983,079,852	33.5%
Unfunded Actuarial Liability****	<u>\$ 1,000,767,761</u>	<u>\$ 1,452,937,074</u>	(31.1%)
Funding Ratio	79.9%	67.2%	12.7%

\* SDCERS Actuary

\*\* Liabilities related to the Corbett Settlement and the 13th Check are included in actuarial liabilities in fiscal year 2006.

\*\*\* As discussed in the narrative, the City believes the liability related to the Corbett Settlement should be included in total actuarial liabilities.

\*\*\*\* Unfunded Actuarial Liability has been calculated in accordance with the projected unit credit (PUC) method, see table on page 22 for comparison to entry age normal (EAN) method.

As a result of the approval of revised assumptions and methodologies on October 20, 2006 by the SDCERS Board of Administration, the actuarial valuation for the fiscal year ended June 30, 2006 includes the liabilities resulting from the Corbett Settlement and the 13<sup>th</sup> Check as well as both the asset reserves and the corresponding liabilities related to the Deferred Retirement Option Plan and the Supplemental Cost of Living Adjustment. The recognition of these previously excluded liabilities

increased actuarial liabilities in the valuation dated June 30, 2006 by approximately \$113 million over amounts reported in fiscal year 2005.

As previously stated, the City views the exclusion of the Corbett Liability from the Actuarial Liability as inappropriate and therefore has already restated its Net Pension Obligation and amended its required supplementary schedules accordingly. The City views the SDCERS Board of Administration's decision regarding the 13<sup>th</sup> Check liability as a change in accounting estimate and therefore will account for it prospectively beginning with its fiscal year 2007 financial statements. This treatment reflects City management's policy of valuing and reporting pension liabilities using the actuarial valuation from the fiscal year ending one year prior to the date of its financial statements. Additionally, total actuarial assets, total actuarial liabilities, and the funding ratio increased in fiscal year 2006 partially due to the inclusion of the asset reserves and liabilities related to the Deferred Retirement Option Plan and the Supplemental Cost of Living Adjustment.

In addition to the inclusion of the aforementioned assets and liabilities in the June 30, 2006 valuation, the SDCERS Board of Administration voted to move from a "book value based" asset smoothing method to the "expected asset value" smoothing method. The expected asset value smoothing method is based on asset market value and is a more commonly used practice in actuarial valuations because it is a more effective technique to dampen the volatility in asset values that can occur due to fluctuations in market conditions. A part of this change was to set the actuarial value of assets equal to the market value of assets as of June 30, 2006. This action increased the actuarial value of assets from the amounts reported in the fiscal year 2005 valuation by approximately \$184 million. SDCERS also changed the manner in which assets are apportioned between plan sponsors, which also resulted in increasing the actuarial value of assets in the City's plan. The following schedule shows the effect of the specific components of the total change of the Unfunded Actuarial Liability between fiscal years 2005 and 2006:

**SDCERS - City of San Diego**  
**Source of Changes in Unfunded Actuarial Liability**  
(In Millions)

<b><u>Experience</u></b>	
1. UAL change due to investment experience	\$ (158.9)
2. UAL change due to purchased service credit	1.2
3. UAL change due to overall liability gain	(47.5)
<b><u>Contributions</u></b>	
4. UAL change due to contributions in excess of expected	(105.6)
<b><u>Actuarial</u></b>	
5. UAL change due to marking the smoothing method to market value	(183.8)
6. UAL change due to reflection of "contingent" liabilities	112.7
7. UAL change due to DROP and supplemental COLA	-
8. UAL change due to removal of liabilities in excess of IRC § 415 limits	(22.8)
9. UAL change due to removal of future disability benefits	(9.9)
<b><u>Total</u></b>	
10. Total net overall experience: sum 1 through 9	(414.6)
11. Expected change in UAL	21.4
12. Total change in UAL: 10 + 11	<u>\$ (393.2)</u>

The pension benefits awarded to some plan participants exceed the amount permitted for Internal Revenue Code (IRC) 401(a) pension plans such as SDCERS. In March 2001, the San Diego City Council established a Preservation of Benefit Plan to pay for benefits in excess of those allowed under the 401(a) plan. The Preservation of Benefit Plan is a qualified governmental excess benefit arrangement (QEBA) under IRC § 415(m), which is a vehicle created by Congress to allow the payment of promised pension benefits that exceed the IRC § 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The Preservation of Benefit Plan is administered by the SDCERS Board separately from the City's 401(a) pension plan. On February 16, 2007, the SDCERS Board adopted the Preservation of Benefit Plan and Trust to carry out the intent of SDMC § 24.1601 et seq.

As background, IRC § 415(b) imposes dollar limits on the benefits payable from a qualified pension plan that receive favorable tax treatment. The dollar limit is \$185,000 for calendar year 2008; however, this limit is adjusted based upon the payee's age at retirement, and the benefit tested is adjusted by a number of factors.



The Preservation of Benefit Plan is unfunded within the meaning of the federal tax laws. Under the Internal Revenue Code the City may not pre-fund the Preservation of Benefit Plan to cover future liabilities beyond the current year, as with the 401(a) plan. Each year, SDCERS will determine the amount necessary to fund any pension benefits payable during the calendar year in excess of IRC § 415(b). This amount will include the projected amount of all excess pension benefits payable for the calendar year to existing and projected payees, as well as the projected cost of administering the Preservation of Benefit Plan. SDCERS will provide this information to the City and the City will fund this amount on an annual basis.

The most current estimated actuarially accrued liability related to excess benefits for eligible active members of the system, amounting to approximately \$22.8 million, has been excluded from the actuarial valuation of the 401(a) retirement plan beginning in fiscal year 2006 (as shown in the table above). Additionally, the liability for retired members of the Preservation of Benefit Plan, amounting to approximately \$6.4 million, has been excluded from the fiscal year 2007 actuarial valuation (unaudited) of the 401(a) retirement plan. Accordingly, the liability related to retired members is reflected in the actuarial liabilities of the 401(a) plan in the actuarial valuation dated June 30, 2006 as well as in the ARC payable in fiscal year 2008.

In fiscal year 2005, activities related to the Preservation of Benefit Plan for both retired and active members are included in the actuarial liabilities presented in the Required Supplementary Information (RSI) for the City's core pension plan and are valued using the same set of assumptions. The City is in the process of implementing a plan to account for the QEBA with SDCERS.

In light of various concerns raised in investigative reports regarding practices of SDCERS that could have jeopardized its status as a qualified governmental defined benefit plan, SDCERS requested its outside tax counsel, Ice Miller LLP, to perform a comprehensive document compliance review, prepare submissions in accordance with the IRS Voluntary Correction Program (VCP), and work with the IRS to finalize a compliance statement to resolve all of SDCERS' compliance issues. A comprehensive settlement was reached between the IRS and SDCERS on December 20, 2007 (Settlement). The Settlement requires the City and SDCERS to take certain corrective actions regarding certain provisions of its retirement plan within 150 days of December 20, 2007. The Settlement does not require the City to pay any penalty payments or to make any additional contributions to the retirement system. In the event the City does not successfully implement certain plan document changes required by the IRS Compliance Statement, SDCERS and the City may face additional regulatory actions from the IRS including but not limited to, SDCERS plan disqualification and financial penalties against the City, the plan sponsor.

The VCP filings identified violations and proposed corrections regarding the City's Presidential Leave Program for presidents of certain labor organizations that represent City employees; compensation limits under IRC § 401(a)(17); minimum distribution requirements under IRC § 401(a)(9); eligible rollover distribution compliance under IRC § 401(a)(31); minimum distribution requirements from the Deferred Retirement Option Plan (DROP) program; overpayment of disability benefits; conversion of annual leave to purchased service credits; retiree healthcare benefits and health administrative expenses under IRC § 401(h); benefit and compensation limits under IRC §§ 415(b), 415(c) and 415(n); and remedial plan amendments. Readers are encouraged to review the detailed discussion of the Voluntary Compliance Program filing and the resulting settlement as contained within Note 18: Contingencies of the Basic Financial Statements.

It is the City Attorney's opinion that these excess retirement benefits require voter approval as such benefits represent a distinct pension plan. Therefore it is also his opinion that the excess retirement benefits are illegal and that the City should discontinue payment. Other members of management believe that this issue has yet to be resolved in court decisions related to lawsuits previously filed by the City Attorney. As such, the City intends to continue to treat these benefits as legal obligations until instructed to do otherwise by a court. In the opinion of other management, a decision to terminate such benefits would expose the City's residents to unnecessary and costly legal fees.

Certain other methodology changes were implemented for the June 30, 2006 valuation, which are discussed in detail in the valuation report. Additional information on the City's net pension obligation, annually required contribution, and the Corbett liability is discussed in Note 12 of the notes to the financial statements contained in the financial section of the CAFR and in the Required Supplementary Information section of the report.

On November 2, 2004, the public approved an amendment to Article 9, Sections 143 and 144 of the City's Charter regarding the retirement systems actuarial assumptions and the governance structure of SDCERS. Notable changes include:

- Effective fiscal year 2009, Unfunded Actuarially Accrued Liability shall be amortized using a 15 year assumption; for the 2006 actuarial valuation, Unfunded Actuarial Accrued Liabilities were amortized over 27 years reflecting the resetting of the amortization period pursuant to the settlement of the Gleason v. City of San Diego lawsuit. (The effects of this lawsuit on the pension system are disclosed in Note 12).

- Effective fiscal year 2009, new retirement benefits shall be amortized using a schedule no longer than 5 years.
- Effective April 2005 the composition of the SDCERS Board was changed to the following:
  - 7 members appointed by the Mayor, who are not associated with the City or Retirement system as employees, union members or beneficiaries,
  - 1 member who is an active employee in the police safety group, elected by the members of that group,
  - 1 member who is an active employee in the fire safety group, elected by the members of that group,
  - 2 members who are active employees in the general member group, elected by members of that group,
  - 1 member who is a retired member of the system and is elected by the retired members of the system, and
  - 1 member who is a City management employee and serves at the pleasure of the Mayor. This member must be the Chief Operating Officer, City Treasurer, Deputy or Assistant Chief Operating Officer or a similar position that reports to the Chief Operating Officer or Mayor. As of the original issuance of this report, the Deputy Chief of the Office of Ethics and Integrity is assuming the responsibility of this position.

A review of the aforementioned charter revisions concerning SDCERS is currently underway. This includes examining the legality of changes to the City's amortization assumption made by way of revisions to the City Charter. California State Attorney General Opinion 04-710 concludes that a city charter cannot mandate a specified amortization schedule for retirement benefits or accumulated actuarial gains and losses. Furthermore, a recent legal ruling by the California Superior Court concluded that SDCERS Board has "plenary authority" over the retirement system in its administrative capacity. In March 2007, the SDCERS Board adopted a 20 year amortization assumption. The SDCERS Board has not indicated whether it will change to a 15 year amortization assumption for the purpose of determining the City's fiscal year 2009 Annually Required Contribution. The San Diego City Attorney's Office has opined that the voter's amendment to the Charter to establish a 15-year amortization requirement for accumulated actuarial losses simply establishes an upper boundary for the amortization of pension debt, and does not usurp or unduly interfere with the SDCERS Board's plenary authority and fiduciary responsibility in violation of the California constitution, and as a result, the 15 year amortization period is binding. Given the size of the City's current Unfunded Actuarially Accrued Liability, a change to a 15-year amortization schedule will have a significant impact on future annually required contributions. In relation to the implementation of a 15-year amortization, SDCERS issued a report titled "Summary and Answers to Frequently-Asked Questions about the June 30, 2006 Actuarial Valuation for the City of San Diego." This document stated that if a 15-year amortization of the unfunded actuarial liability was implemented, the City's Annual Required Contribution for fiscal year 2008 would increase by \$29.1 million over the requested contribution of \$137.7 million. Thus, a 15-year amortization period would result in an Annual Required Contribution of \$166.8 million. Comparatively, the City's fiscal year 2008 budget includes appropriations for a contribution of \$165 million to SDCERS.

The City notes that Governmental Accounting Standards expressly state that "a plan and its employers should apply the same actuarial methods and assumptions in determining similar or related information included in their respective financial reports." However, the GASB does not assign responsibility for determining actuarial assumptions to either the plan administrator or the plan sponsor. Following the most widely used actuarial cost method approved in Statement No. 25 of the Governmental Accounting Standards Board, as well as a recommendation from Cheiron, SDCERS Board of Administration voted to use the entry age normal (EAN) actuarial cost method to calculate future actuarial liabilities beginning with the fiscal year 2007 valuation (unaudited). Historically, the actuarial valuations performed for SDCERS have calculated actuarial liabilities in accordance with the projected unit credit (PUC) method. This change of methodology will negatively impact the unfunded actuarial liability reported in the actuarial valuation for the fiscal year ended June 30, 2007. A comparison of the two valuation methods for the fiscal year ended June 30, 2006 was included in the June 30, 2006 actuarial valuation and is provided on the following page for informational purposes only.

Unfunded Actuarial Liability  
Projected Unit Credit (PUC) vs. Entry Age Normal (EAN)  
For the Fiscal Year Ended June 30, 2006

	PUC	EAN	% Change
Actuarial Value of Liability (Cheiron*)	\$ 4,982,699,455	\$ 5,191,961,325	4.2%
Actuarial Value of Assets (Cheiron*)	3,981,931,694	3,981,931,694	0.0%
Unfunded Actuarial Liability	1,000,767,761	1,210,029,631	20.9%
Funding Ratio	79.9%	76.7%	(3.2%)

\*SDCERS Actuary

On January 10, 2008, Cheiron released the SDCERS actuarial valuation for the fiscal year ended June 30, 2007 (as of February 8, 2008, the information included in the fiscal year 2007 actuarial valuation has not been audited by the City's external auditors). As previously mentioned, the valuation performed for the fiscal year 2007 uses the EAN actuarial cost method to calculate future actuarial liabilities. The implementation of the EAN method resulted in an increase in the UAL of approximately \$252.2 million and an annual required contribution of \$161.7 million payable in fiscal year 2009. The City has requested but not yet received a calculation of the fiscal year 2009 ARC using a 15-year amortization of the unfunded actuarial liability. In the fiscal year 2006 actuarial valuation, a 15-year amortization assumption significantly increased the ARC by approximately 21%. A comparison of the valuations performed by Cheiron using the EAN actuarial cost method for the fiscal years ended June 30, 2007 (**unaudited**) and June 30, 2006 are reported as follows:

San Diego City Employees' Retirement System (City of San Diego)

	Fiscal Year Ended		% Change
	June 30, 2007*	June 30, 2006	
<u>Membership</u>			
Total Members (active, disabled, beneficiaries and retired)	17,779	17,647	0.7%
<u>Assets and Liabilities</u>			
Total Actuarial Liability	\$ 5,597,652,861	\$ 5,191,961,325	7.8%
Market Value of Assets	4,641,340,923	3,981,931,694	16.6%
Actuarial Value of Assets	4,414,189,399	3,981,931,694	10.9%
Unfunded Actuarial Liability	\$ 1,183,463,462	\$ 1,210,029,631	-2.2%
Funding Ratio	78.9%	76.7%	2.2%

\* Unaudited

On November 7, 2006, the public approved an amendment to Article 9, §143 of the City's Charter, requiring voter approval of certain increases in retirement system benefits for public employees. Specifically, this amendment requires voter approval of any ordinance that amends the City's retirement system by increasing the benefits of any employee. However, increases in retirement benefits due to cost of living adjustments do not require voter approval.

On August 3, 2007, the General Counsel of SDCERS issued a letter to the City stating their opinion in regards to the effective date of the fiscal year 2005 agreements between the City and the labor unions. As part of the agreements, several benefits were altered or eliminated for employees hired on or after July 1, 2005, including the Deferred Retirement Option Plan (DROP), the 13th Check, and the option to purchase years of service credits ("air-time"). According to their fiduciary counsel, "SDCERS is obligated to administer benefits in accordance with its plan documents." However, the City did not enact such ordinances until January 17, 2007, which took effect on February 16, 2007. Therefore, the General Counsel of SDCERS and their outside counsel opine that the effective date of the agreements with the labor unions is February 16, 2007, the date that the benefit changes were codified into the plan document. On October 9, 2007, the City filed a petition for declaratory relief to determine the

effective date of retirement benefit changes for employees hired between July 1, 2005 and February 16, 2007.

On September 21, 2007 the President of the SDCERS Board of Administration issued a press release stating that, under the direction of the Board of Administration, SDCERS' staff, actuary, and legal counsel, he had reviewed the SDCERS purchase of service credit program, and that his review concluded the following:

- With respect to SDCERS' service credit pricing structure that was in place prior to November 2003, Cheiron, SDCERS actuary, has determined that the full cost was not reflected in the price then charged to SDCERS members.
- This pricing shortfall, which totals approximately \$146 million, has been included in the System's Unfunded Actuarial Liability since the inception of the service credit program.
- With respect to the SDCERS' service credit pricing in place since November 2003, Cheiron advised SDCERS that structure covers the full projected cost to the System when members purchased the service credits.

The pricing shortfall of approximately \$146 million, which is included in the System's Unfunded Actuarial Liability, is reported in the RSI of these financial statements.

Additionally, as a result of the City's negotiations with employee labor unions, the MOUs for the fiscal year 2006 contain agreements to either reduce the amount of individual employees' pension contributions which are paid for by the City or to impose salary reductions. The agreements explicitly state that savings to the City must be used to pay down its Unfunded Actuarial Accrued Liability (UAAL) within the timeframe of the respective contracts. The labor contract with the American Federation of State and County Municipal Employees (AFSCME) Local 127 states that "By June 30, 2008, if the City has not dedicated a total of \$600 million 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." The City will be excused from meeting the above obligation if the funded ratio reaches 100% by June 30, 2008.

In June 2006, the City leveraged a portion of the employee pick up savings by contributing \$90,800 from securitization of future tobacco settlement revenues, \$9,200 of calendar year 2006 tobacco settlement revenues, and \$8,300 from the remaining balance of the FY 2006 employee "pick-up" amount as part of meeting its negotiated commitment. A financing option to generate approximately \$80 million in additional funding is currently being pursued. As of February 8, 2008, it appears the City will not be able to meet the outstanding obligation of approximately \$411,700 by June 30, 2008 in its entirety.

Additional information regarding the City's pension trust fund, including the City's NPO, can be found in Note 12 of the notes to the financial statements.

## **Other Post Employment Benefits**

### Retiree Health

The City provides certain healthcare insurance benefits to a variety of retired employees, as provided for in SDMC Sections 24.1201 through 24.1204 (the "Plan"). Currently, the benefits are primarily for employees who were actively employed on or after October 5, 1980 and were otherwise entitled to retirement allowances. Employees who retired or terminated prior to October 6, 1980, who were eligible for retirement allowances prior to that date, are also eligible for healthcare benefits, limited to a total of \$1,200 per year. Additionally, employees who were hired on or after July 1, 2005 and become eligible for retirement allowances in the future are also eligible for healthcare benefits, limited to a total of \$1,200 per year.

In accordance with SDMC Sections 24.12 and 24.15, amounts have been transferred from the calculated surplus annual realized earnings of SDCERS pension assets to the system's employer contribution reserve for the purposes of offsetting the City's funding of retiree health benefits. An equivalent amount has been paid by the City into a SDCERS account for post employment healthcare benefits. It is from this reserve that SDCERS transferred funds into the Retiree Health Trust fund and then approved the post employment healthcare benefits. As a result of the retiree health care benefit expense being funded by an SDCERS employer contribution reserve, the City offset the annual required contributions submitted to SDCERS by the same amount. This offset to annual required contributions resulted in an increase to the net pension obligation which is amortized and included in future contribution calculations. In fiscal year 2005, \$7.9 million of the reserve balance was used to pay for post employment healthcare benefits and the remaining \$1.2 million was transferred to the Defined Benefit Pension Plan. Effective February 2005, the City began paying for post employment healthcare benefits on a pay-as-you-go basis for approximately 4,100 retirees who received either City paid insurance or were reimbursed for other health insurance costs incurred. According to City Attorney Opinion No. 2007-04, the trust arrangement between the City and SDCERS was not affected by the change in the funding

mechanism, and therefore, the City has reported all activity related to retiree healthcare as a pension trust in the fiduciary section of the CAFR. (See additional information in Note 13). In fiscal years 2006 and 2007, the annualized cost of retiree health benefits was approximately \$23.8 million and \$26.8 million, respectively. The City's obligation of this cost was \$17.6 million and \$20.9 million, respectively.

The following schedule details employer payments for retirement health benefits:

	<u>Retiree Health Care Costs</u>				
	(in thousands)				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Amount Paid Directly from City	\$ -	\$ -	\$ 6,949	\$ 17,554	\$ 20,915
Amount Paid from 401(h) reserve	11,450	12,829	7,910	-	-
Amount Paid by Retirees	2,981	5,458	5,978	6,226	5,915
Total Retiree Health Expenditures	<u>\$ 14,431</u>	<u>\$ 18,287</u>	<u>\$ 20,837</u>	<u>\$ 23,780</u>	<u>\$ 26,830</u>

In July 2004, GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions" ("GASB 45"), which addresses how local governments should account for and report their costs and obligations related to other post employment benefits (OPEB). This statement is effective for the City for periods beginning after December 15, 2006 (i.e. beginning in fiscal year 2008). GASB 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial statements. The City will implement GASB 45 in its financial statements for the fiscal year ended June 30, 2008. Nevertheless, an actuarial valuation of the City's postretirement medical benefit program as of June 30, 2006 was performed for the purpose of determining its annual cost in accordance with GASB 45.

During fiscal year 2007, the City continued a "pay as you go" approach to funding retiree health costs. Specifically, for valuation purposes, the City used a 5% earnings assumption, an inflation factor of 3%, and a 30 year amortization period. The following table presents the actuarial accrued liability for all retirees, deferred retirement participants, vested terminated and active members, and the annual required contribution for fiscal year 2008 had the City already implemented GASB 45.

<u>Retiree Healthcare Liabilities</u>	
Actuarial Accrued Liability	\$ 1,097,196,731
Annual Required Contribution	106,930,215

#### Defined Contribution Plan

The City has established the Supplemental Pension Savings Plan ("SPSP"), a defined contribution plan administered by Wachovia Corporation, which provides pension benefits for eligible employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Eligible employees may participate from the date of employment and vest at a rate of 20% for each year of service. The City also established a 401(k) Plan effective July 1, 1985. The plan is a defined contribution plan also administered by Wachovia Corporation, to provide pension benefits for all eligible employees. Employees participating in the 401(k) plan are immediately 100% vested.

#### Deferred Compensation Plan

In addition to the defined benefit and contribution plans, the City also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code §457. The plan, available to all eligible City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, disability, or an unforeseeable emergency.

Additional information on the City of San Diego's pension activity may be found in Notes 12 and 13 of the notes to the financial statements.



### Long-Term Financial Outlook

In fiscal year 2007, the City compiled a Five-Year Financial Outlook covering fiscal years 2008 through 2012. This document is an examination of the City's long range fiscal condition and financial challenges. During fiscal year 2007, the City experienced greater than anticipated revenue growth and less than anticipated expenditures. Additionally, the Fiscal Year 2008 Budget includes a pay raise for Police Officers Association members which were not included in the Five-Year Outlook. As a result, the City intends to update the Five-Year Outlook periodically to account for changed circumstances. In addition to other issues, the Financial Outlook concentrates on eight significant areas that must be addressed in order to restore and preserve the fiscal integrity and/or meet the legal obligations of the City. These eight significant areas are identified below:

1. Funding the City's Pension Plan.
2. Funding the City's General Fund reserves.
3. Funding deferred maintenance and capital improvement needs.
4. Funding the City's Post Employment Medical Program.
5. Funding the City's new obligations under Storm Water Runoff Permits.
6. Funding the City's Americans with Disabilities Act (ADA) obligations.
7. Funding the City's Workers' Compensation Fund.
8. Funding the City's Public Liability Fund.

The Financial Outlook relies on several assumptions, including revenue and expenditure growth estimates, to identify priorities to address in City Budgets over a five year period. The Financial Outlook assumes a significant financial commitment toward funding the aforementioned eight areas, and as part of that commitment, the Outlook projected an \$87 million operating deficit for the fiscal year ended June 30, 2008. In subsequent periods, the Financial Outlook projects recurring operating deficits ranging from \$173 million to \$179 million, assuming that additional savings opportunities or revenue sources are not identified.

In order to address the projected operating deficits, the outlook discusses several potential corrective actions; however, these corrective actions are contingent on future events and City Council actions and as such, the Financial Outlook does not reflect a binding commitment of the City. The extent to which these corrective actions will mitigate future operating deficits as identified in the Financial Outlook is unknown as of the original issuance of this report. However, the City Council recently approved the Fiscal Year 2008 Appropriation Ordinance implementing the fiscal year 2008 budget which included several initiatives proposed by the Mayor in the Financial Outlook. Specifically, the appropriations ordinance reflected a balanced budget and the City's commitment to funding pension and other post employment healthcare liabilities.

The 2008 Budget contained appropriations to fund current year expenses and an additional \$25 million set aside for the City's Other Post Employment Medical expenses. To date, the City has set aside \$5 million in addition to the \$25 million estimated to fund retiree healthcare, which is paid for on a pay-as-you-go basis. These funds have been transferred to a special revenue fund, which is separate from the existing Retiree Health Insurance Trust Fund used to pay retiree healthcare benefits, and the funds are maintained as part of the City Treasurer's investment portfolio. These assets are not in a trust vehicle established to protect and accumulate assets and accordingly can not yet be credited toward the City's annually required contribution for Retiree Healthcare liabilities in accordance with Governmental Accounting Board Standard 45.

The 2008 Budget also included appropriations for the City's full Annually Required Contribution of \$137.7 million to the City's Pension plan plus \$27.3 million in additional contributions. Amounts contributed in addition to the Annually Required Contribution will be credited to the City's NPO and UAAL.

In addition to the funding of pension and other post employment healthcare expenses, the City's 2008 budget included:

- An additional \$18 million for compliance with Storm Water Permits.
- An additional \$15.7 million for deferred maintenance.
- An additional \$10 million for Americans with Disabilities Act Compliance.
- An additional \$5 million in funding for Public Liability Reserves.
- A budgeted reserve contribution of \$3.5 million.

Funding requirements for Workers' Compensation are planned to be addressed in fiscal year 2009, as discussed in the Five Year Financial Outlook, and were not addressed in the Fiscal Year 2008 Budget. In addition to the allocation of funds in the Fiscal Year 2008 Budget, the City Charter was recently amended to enable the City to contract for certain services, allowing a "Managed Competition" plan to be undertaken by the City. Managed Competition involves undertaking a review and redesign of how City services are delivered, with a goal of increasing the efficiency of City operations. Once completed and operating

segments have achieved the efficiency gains identified in the first step of the Managed Competition plan, operating segments are competed against private sector suppliers in an effort to determine the lowest cost approach to service delivery. If private sector suppliers are the lowest bidder, the services will be outsourced. The potential savings from Managed Competition and the effect on the projected deficits cannot be determined at this time.

Another key component of the corrective actions identified in the Financial Outlook is position eliminations. Position elimination goals are achieved through a combination of eliminating budgeted positions that were historically held vacant and through streamlining efforts known as Business Process Reengineering (BPR). The Financial Outlook projects the elimination of over nine hundred budgeted positions over the three year period from 2008 through 2010. In an effort to achieve the goals outlined in the Financial Outlook, the Fiscal Year 2008 budget process identified and eliminated over six hundred fifty budgeted positions citywide. As part of this citywide reduction, four hundred sixty five general fund positions were eliminated. As a result of position eliminations and restraint in hiring through Fiscal Year 2007, the City realized significant budgetary savings for personnel expenditures of approximately \$34.6 million for the year ended June 30, 2007.

The City's Five-Year Financial Outlook can be obtained at the Financial Management Office, 202 C Street, MS8A, San Diego, CA 92101.

## **OTHER FINANCIAL INFORMATION**

### **Independent Audits**

The City Charter requires an annual audit by independent certified public accountants. The goal of an independent audit is to provide reasonable assurance that the financial statements are free of material misstatements. An independent audit involves 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 the City; and evaluating the overall financial statement presentation. In addition, the City is required to undergo an annual Single Audit in conformity with the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations." As part of the City's Single Audit, tests are performed on internal control activities, including that portion related to federal award programs, to determine the City's compliance with applicable laws, regulations, contracts and grants.

As reported in the Auditor and Comptroller's Annual Reports on Internal Controls and the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards for the fiscal year June 30, 2003, which were both presented to the City Council, the City's internal control framework contains material weaknesses and requires significant improvements in order to produce timely and accurate financial statements in a cost effective manner. The internal control weaknesses identified in those reports were a primary contributor to the need for restated fiscal year 2002 ending balances (as reported in the City's FY 2003 CAFR). These conclusions are supported by the findings and recommendations on the City's internal control framework and compliance with applicable laws and regulations provided by the City's independent auditors. The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards for the fiscal year ended June 30, 2003 has been included as part of the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards for the fiscal year ended June 30, 2004 also reported material weaknesses to the internal control framework; however, this report is not included in the fiscal year 2004 CAFR. Additionally, the Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program, Internal Control Over Compliance and the Schedules of Expenditures of Federal Awards and Governor's Office of Emergency Services Grants in Accordance With OMB Circular A-133 for the fiscal years 2003 and 2004 reported compliance, in all material respects, with the requirements that are applicable to each of its major federal programs with the exception of five specific instances. City management is currently in the process of improving the internal controls over compliance in response to these issues. Both the CAFR and the Auditor and Comptroller's Annual Reports on Internal Controls for each calendar year can be obtained at the City of San Diego Auditor & Comptroller's Office, 202 C Street, MS6A, San Diego, CA 92101.

### **Cash Management**

The City Treasurer is responsible for investment of the City's cash. Eligible investments include, but are not limited to, obligations of the U.S. Treasury and U.S. Agencies, demand deposits, negotiable certificates of deposit, bankers' acceptances, medium-term corporate notes, repurchase agreements, and commercial paper in compliance with Sections 53601-53635 of the State Government Code. The City's cash is invested under a pooled money concept, with maturities planned to coincide with projected needs, with the primary objective of preserving principal. During fiscal year 2005, the average daily pooled portfolio balance was approximately \$1.24 billion, with a weighted average maturity of 487 days. Most of these monies are held in funds

that have restricted uses. The largest balances, for instance, are found in the utility funds. The average earned income yield on pooled investments was 2.07%, as compared to 1.75% in the prior year.

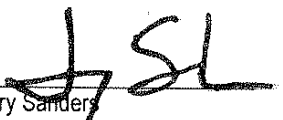
The City Treasurer's investment policy has an objective to minimize credit and market risks while maintaining a competitive yield on its portfolio. All non-negotiable time certificates of deposit and demand accounts in excess of the amounts insured by the Federal Deposit Insurance Corporation are required to be fully collateralized with mortgages or eligible securities in accordance with California State law. The City's investments are held by the City's custodian bank in the City's name, or the nominee name of the custodian bank, as collateral for a reverse repurchase agreement with the counterparty's custodian bank or with a third party trustee, e.g., California State Treasurer's Office.

Additional information on the City of San Diego's cash management activity may be found in Note 3 of the notes to the financial statements.


### **Risk Management**

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The City has established various self-insurance programs and maintained contracts with various insurance companies to manage excessive risk. Additional information on the City of San Diego's risk activity may be found in Notes 15 and 16 of the notes to the basic financial statements.


Sincerely,



Jerry Sanders  
Mayor



Jay M. Goldstone  
Chief Operating Officer



Gregory Levin, CPA  
Comptroller



City of San Diego Officials  
As of June 30, 2005

Mayor and Council Members

Dick Murphy\*, Mayor

Scott Peters, Councilmember District 1

Michael Zucchet\*, Councilmember District 2

Toni Atkins, Councilmember District 3

Tony Young, Councilmember District 4

Brian Maienschein, Councilmember District 5

Donna Frye, Councilmember District 6

Jim Madaffer, Councilmember District 7

Ralph Inzunza\*, Councilmember District 8

City Officials

P. Lamont Ewell\*, City Manager

John Torell\*, Auditor and Comptroller

Mary Vattimo\*, City Treasurer

Michael Aguirre, City Attorney

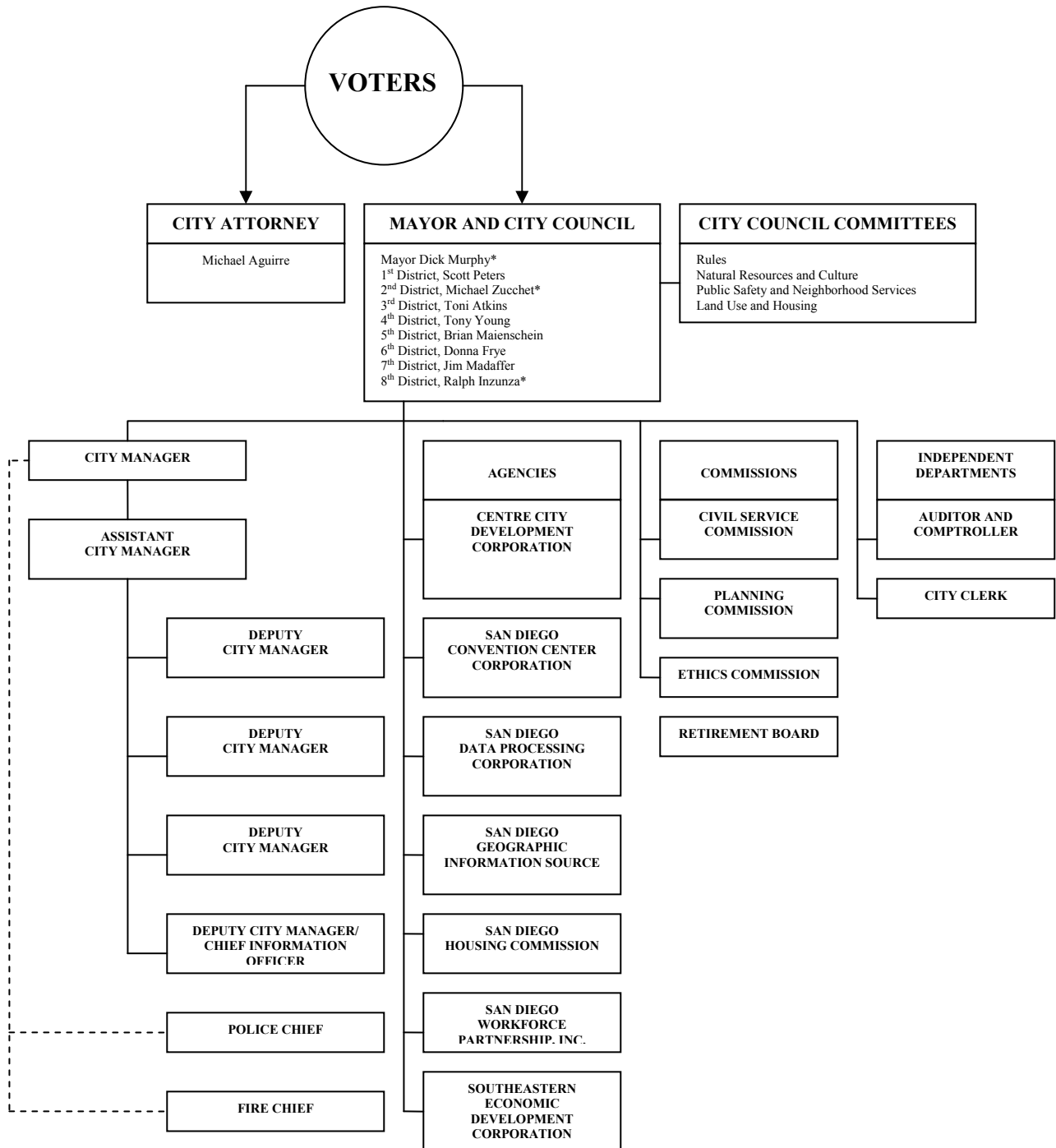
George I. Loveland\*, Assistant City Manager

Charles G. Abdelnour\*, City Clerk

\* Individual is no longer an employee of the City.

### City of San Diego Organization Chart

As of June 30, 2005



\* Individual is no longer assuming responsibility of this position.

**This Page Left Intentionally Blank**

## FINANCIAL SECTION

**This Page Left Intentionally Blank - Back of Divider Page**



**MACIAS GINI & O'CONNELL** LLP  
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300  
Sacramento, CA 95816  
916.928.4600

2175 N. California Boulevard, Suite 645  
Walnut Creek, CA 94596  
925.274.0190

515 S. Figueroa Street, Suite 325  
Los Angeles, CA 90071  
213.286.6400

402 West Broadway, Suite 400  
San Diego, CA 92101  
619.573.1112

## 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, 2005, 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 89%, 95% and 85% of total assets, total net assets and total revenues, respectively, of the aggregate discretely presented component unit totals. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the San Diego Housing Commission, is based on the report 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. The financial statements of the San Diego Convention Center Corporation were not audited in accordance with *Government Auditing Standards*. 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 report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report 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, 2005, 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. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2007 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, analysis of funding progress and general fund budgetary information on pages 35 through 48, 155 and 160 through 162, 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, except for the budgetary schedules on pages 208 through 215, 218 through 219 and 227, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Macias Jini & O'Connell LLP*

Certified Public Accountants

Los Angeles, California

October 26, 2007 except for paragraph 22 of Note 12 and paragraphs 4, 7, 8, 12, 15, and 28 through 37 of Note 18 as to which date is February 8, 2008.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**  
**(In Thousands)**  
**June 30, 2005**

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, 2005.

**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 themselves.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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 2005. 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; 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
- City of San Diego Metropolitan Transit Development Board Authority
- Convention Center Expansion Financing Authority
- Public Facilities Financing Authority
- Redevelopment Agency of the City of San Diego
- San Diego City Employees' Retirement System (SDCERS)
- 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
- Community Facility and Other Special Assessment Districts

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 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 form of combining statements elsewhere in 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. Internal Service funds, such as Central Garage and Machine Shop, Central Stores, Print Shop, and Self Insurance, are used to report activities that provide centralized supplies and 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 Water and Sewer 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 Water and Sewer funds, which are considered to be major funds of the City. Data from other proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor business-type funds is provided in the form of combining statements elsewhere in this report. Internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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 statement because the resources of those funds are not available to support the City's programs. 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 benefits to its employees. Required supplementary information can be found beginning on page 155 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor business-type funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions and the General Fund budgetary comparison statement. Combining and individual fund statements and schedules can be found beginning on page 189 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	
	2005	2004	2005	2004	2005	2004
Capital Assets	\$ 4,284,409	\$ 4,146,158	\$ 4,507,385	\$ 4,417,208	\$ 8,791,794	\$ 8,563,366
Other Assets	1,337,369	1,231,985	647,459	773,434	1,984,828	2,005,419
Total Assets	<u>5,621,778</u>	<u>5,378,143</u>	<u>5,154,844</u>	<u>5,190,642</u>	<u>10,776,622</u>	<u>10,568,785</u>
Net Long-Term Liabilities	1,797,521	1,676,681	1,870,766	1,901,897	3,668,287	3,578,578
Other Liabilities	192,679	156,271	116,070	122,288	308,749	278,559
Total Liabilities	<u>1,990,200</u>	<u>1,832,952</u>	<u>1,986,836</u>	<u>2,024,185</u>	<u>3,977,036</u>	<u>3,857,137</u>
Net Assets:						
Invested in Capital Assets, Net of						
Related Debt	3,600,989	3,200,262	2,863,136	2,818,690	6,464,125	6,018,952
Restricted	246,308	491,722	32,929	30,409	279,237	522,131
Unrestricted	(215,719)	(146,793)	271,943	317,358	56,224	170,565
Total Net Assets	<u>\$ 3,631,578</u>	<u>\$ 3,545,191</u>	<u>\$ 3,168,008</u>	<u>\$ 3,166,457</u>	<u>\$ 6,799,586</u>	<u>\$ 6,711,648</u>

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 \$6,799,586 at June 30, 2005, an increase of \$87,938 over fiscal year 2004.

\$6,464,125, or approximately 95%, 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 its 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.

\$279,237, or approximately 4%, of total Net Assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$56,224, or approximately 1%, is available to finance ongoing services and obligations to the City's citizens and creditors.

Unrestricted Net Assets decreased by \$114,341, or approximately 67%, primarily due to an increase in the Net Pension Obligation (approximately \$58,000) as well as resources being utilized in the acquisition and construction of capital assets.

The deficit balance of (\$215,719) in Governmental Activities Unrestricted Net Assets reflects the fact that governmental activities raise resources based on when liabilities are expected to be paid, rather than when they are incurred. Most governments normally do not have sufficient current resources on hand to cover current and long-term liabilities. This deficit in and of itself should not be considered an economic or financial difficulty; however, it does measure how far the City has committed the government's future taxing power for purposes other than capital acquisition.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
<b>Revenues:</b>						
<b>Program Revenues</b>						
Charges for Current Services	\$ 268,977	\$ 214,101	\$ 697,330	\$ 636,375	\$ 966,307	\$ 850,476
Operating Grants and Contributions	109,268	95,202	2,028	1,483	111,296	96,685
Capital Grants and Contributions	134,702	91,981	63,830	133,586	198,532	225,567
<b>General Revenues</b>						
Property Taxes	329,659	278,804	-	-	329,659	278,804
Transient Occupancy Taxes	120,792	113,209	-	-	120,792	113,209
Other Local Taxes	152,577	139,748	-	-	152,577	139,748
Grants and Contributions not Restricted to						
Specific Programs	141,934	101,272	-	-	141,934	101,272
Sales Taxes	197,198	238,430	-	-	197,198	238,430
Investment Income	29,473	57,537	17,132	10,289	46,605	67,826
Other	52,979	38,476	8,815	5,451	61,794	43,927
<b>Total Revenues</b>	<b>1,537,559</b>	<b>1,368,760</b>	<b>789,135</b>	<b>787,184</b>	<b>2,326,694</b>	<b>2,155,944</b>
<b>Expenses:</b>						
General Government and Support	247,038	221,752	-	-	247,038	221,752
Public Safety-Police	372,230	361,501	-	-	372,230	361,501
Public Safety-Fire and Life Safety	186,203	173,311	-	-	186,203	173,311
Parks, Recreation, Culture and Leisure	218,601	204,736	-	-	218,601	204,736
Transportation	220,095	197,152	-	-	220,095	197,152
Sanitation and Health	45,088	44,925	-	-	45,088	44,925
Neighborhood Services	89,162	100,568	-	-	89,162	100,568
Interest on Long-Term Debt	73,381	71,588	-	-	73,381	71,588
Airports	-	-	3,196	7,384	3,196	7,384
City Store	-	-	808	858	808	858
Development Services	-	-	60,240	52,970	60,240	52,970
Environmental Services	-	-	43,711	40,602	43,711	40,602
Golf Course	-	-	8,585	7,572	8,585	7,572
Recycling	-	-	21,426	19,497	21,426	19,497
Sewer Utility	-	-	348,327	312,929	348,327	312,929
Water Utility	-	-	300,665	270,940	300,665	270,940
<b>Total Expenses</b>	<b>1,451,798</b>	<b>1,375,533</b>	<b>786,958</b>	<b>712,752</b>	<b>2,238,756</b>	<b>2,088,285</b>
Change in Net Assets Before Transfers:	85,761	(6,773)	2,177	74,432	87,938	67,659
Transfers	626	3,806	(626)	(3,806)	-	-
<b>Net Change in Net Assets</b>	<b>86,387</b>	<b>(2,967)</b>	<b>1,551</b>	<b>70,626</b>	<b>87,938</b>	<b>67,659</b>
Net Assets - July 1	3,545,191	3,548,158	3,166,457	3,095,831	6,711,648	6,643,989
<b>Net Assets - June 30</b>	<b>\$ 3,631,578</b>	<b>\$ 3,545,191</b>	<b>\$ 3,168,008</b>	<b>\$ 3,166,457</b>	<b>\$ 6,799,586</b>	<b>\$ 6,711,648</b>

**GOVERNMENTAL ACTIVITIES**

Governmental activities increased the City's net assets by \$86,387 during fiscal year 2005. Variances from fiscal year 2004 of more than 10% are discussed below.

- Charges for Current Services increased by \$54,876, or approximately 26%, primarily due to the reclassification of approximately \$31,000 in General Fund Rents and Concessions revenue from General Revenues to Charges for Services, combined with a \$4,500 increase in developer contributions for various transportation public improvement projects

throughout San Diego. In addition, Council approved a \$25 processing fee on all new business tax applications and all Rental Unit Business Tax renewals, effective in fiscal year 2005, which resulted in a \$3,100 increase in revenues.

- Operating Grants and Contributions increased by \$14,066, or approximately 15%, primarily due to Homeland Security grants earned during fiscal year 2005 for equipment purchases and training, along with various other Police grants for crime prevention, gang suppression, and elder abuse prevention.
- Capital Grants and Contributions increased by \$42,721, or approximately 46%, primarily due to increased developer contributions from various special assessment communities, primarily those of Carmel Valley and Pacific Highland Ranch.
- Property Tax revenue increased by \$50,855, or approximately 18%, primarily due to the increase in assessed property valuations for both City and Redevelopment properties.
- Grants and Contributions not Restricted to Specific Programs increased by \$40,662, or approximately 40%, and Sales Tax revenue decreased by \$41,232, or approximately 17%. These offsetting variances are primarily due to the State of California's implementation of the "Triple-Flip." Beginning July 1, 2004, the State of California's portion of the statewide sales tax rate increased by .25%, and the local governments' portion decreased by .25%. The loss to local governments was offset with additional revenue classified as "In-Lieu Sales Tax" at the fund level, which is included with Grants and Contributions not Restricted to Specific Programs at the government-wide level.
- Investment Income decreased by \$28,064, or approximately 49%, primarily due to the reclassification of the General Fund Rents and Concessions revenues from General Revenues to Charges for Services.
- Other revenue increased by \$14,503, or approximately 38%, due to increased developer contributions from various special assessment communities, primarily those of Carmel Valley and Pacific Highland Ranch.
- General Government expense increased by \$25,286, or approximately 11%, primarily due to the reclassification of all public liability claim expenses for governmental cases in the amount of \$18,388. These expenses were classified as transfers to proprietary funds in fiscal year 2004, and were reclassified to general government expenses in fiscal year 2005.
- Transportation expense increased by \$22,943, or approximately 12%, primarily due to continued increases for the second full year for the Underground Surcharge Program, along with increases in various transportation related public improvement projects throughout San Diego.
- Neighborhood Services expense decreased by \$11,406, or approximately 11%, primarily due to the capitalization of a parking structure at 6th and K in the Centre City redevelopment project area. These capital expenditures were classified as Neighborhood Services in fiscal year 2004 rather than capital projects. This was corrected in fiscal year 2005.

#### **BUSINESS-TYPE ACTIVITIES**

Business-type activities increased the City's net assets by \$1,551 during fiscal year 2005. Variances from fiscal year 2004 of more than 10% are discussed below.

- Charges for Current Services increased by \$60,955, or approximately 10%, primarily due to a Water rate increase effective July 1, 2004, and a Sewer rate increase effective May 1, 2004.
- Operating Grants and Contributions increased by \$545, or approximately 37%, primarily due to several grants received from the Department of Boating and Waterways for various reservoirs.
- Capital Grants and Contributions decreased by \$69,756, or approximately 52%, primarily due to decreases in developer contributed infrastructure for Sewer and Water capital improvement projects in fiscal year 2005.
- Investment Income increased by \$6,843, or approximately 67%, primarily due to changes in fair value and increased interest earnings.

- Other revenue increased by \$3,364, or approximately 62%, primarily due to a claim settlement received by the Sewer Utility Fund for construction defects attributed to the Rose Canyon Trunk Sewer capital improvement project.
- Airports expense decreased by \$4,188, or approximately 57%, primarily due to the fiscal year 2004 accrual of a lawsuit related to ongoing lease disputes.
- Development Services expense increased by \$7,270, or approximately 14%, primarily due to continued increases related to the Fee Proposal approved by the City Council on May 20, 2003. The fee proposal necessitated increases in personnel and non-personnel expenses, in order to maintain service levels and fund new and expanded services.
- Golf Course expense increased by \$1,013, or approximately 13%, primarily due to the City's acquisition of Mission Bay Golf Course operations, combined with increased maintenance costs at the Torrey Pines Golf Course.
- Recycling expense increased by \$1,929, or approximately 10%, primarily due to the expansion of the Commercial and Industrial Recycling and the Curbside Recycling Collection Programs.
- Sewer expense increased by \$35,398, or approximately 11%, primarily due to a \$12,700 increase in depreciation expense, and a \$10,600 increase in losses related to abandoned projects, infrastructure retirements, and retirements of developer contributed assets. Debt service interest expense also increase by approximately \$6,300.
- Water expense increased by \$29,725, or approximately 11%, primarily due to a \$25,000 increase in losses related to abandoned projects and infrastructure retirements, and retirements of developer contributed assets.

## 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 2005, the City's governmental funds reported combined ending fund balances of \$999,614, an increase of \$64,727 from fiscal year 2004. Approximately \$609,307 constitutes unreserved fund balance, which is available for spending at the government's discretion. 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 2005, undesignated fund balance of the General Fund was \$41,593, while total fund balance was \$61,048. This represents a \$174 decrease from the fiscal year 2004 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 2005, unrestricted net assets of the Sewer Utility Fund are \$109,263. The Sewer Utility's unrestricted net assets decreased approximately \$39,184, mainly due to continued cash expenditures of approximately \$107,967 for the capital improvement program. This was offset by various increases in operating revenues.

As of the end of fiscal year 2005, unrestricted net assets of the Water Utility Fund are \$122,399. The Water Utility's unrestricted net assets decreased approximately \$15,455, mainly due to continued cash expenditures of approximately \$99,116 for the capital improvement program. This was offset by various increases in operating revenues.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget was \$46,900 lower than the final budget due to an increase in appropriations primarily attributed to the following:

- \$17,139 for General Government and Support. This increase was primarily due to a \$12,534 increase in the Public Liability Reserve. There was also an increase due to Memoranda of Understanding executed by various General Fund departments to provide increased services to various City departments and agencies during the fiscal year. The Facilities Maintenance department was responsible for the majority of this increase. Additionally, all City departments received a budget increase to pay for retiree health costs.
- \$11,551 for Public Safety - Police. \$1,732 of the increase was to fund retiree health costs. \$10,300 of the increase was due to additional operation services and expenditures, including overtime, data processing, and other supplies and services. \$1,104 was due to additional services for programs reimbursable by grant funds, and services for special events.
- \$9,923 for Public Safety – Fire and Life Safety and Homeland Security. This increase was due to additional services performed for the Emergency Medical Services department, higher than anticipated overtime, and annual leave payouts, special pay, and retiree health costs.
- \$1,308 for Sanitation and Health. This increase was due to under funded disposal tipping fees, vehicle usage and assignment fees, overtime, and retiree health costs.
- \$3,186 for Neighborhood Services. This increase was due primarily to additional services provided to the Redevelopment Agency and other City funds.

Actual revenues received for the General Fund were \$3,266 more than budgeted. This was attributed to a combination of surpluses and shortfalls in several categories. Property Taxes were under budget by \$52,140, and Revenues from Other Agencies were over budget by \$48,808, both of which were caused by the State of California's implementation of the "Triple-Flip" and "Vehicle License Fees (VLF) Swaps" in fiscal year 2005. The effect of these State changes was a reduction in revenues received in both the Sales Tax and VLF categories. The loss of revenues in both categories was offset by an allocation from County Educational Revenue Augmentation Funds (ERAF). The City's original budget accounted for these revenues within the Property Tax category, when in fact the actual revenues are reported as In-Lieu Sales Tax and Revenue from Other Agencies.

Revenues from Use of Money and Property were under budget by \$2,528 due to an alternative Tax and Revenue Anticipation Note issuance. Revenues from Federal Agencies were over budget by \$4,403, primarily due to a large reimbursement from the Federal Emergency Management Agency (FEMA). Charges for Current Services were approximately \$6,533 over budget, mainly due to services rendered to other funds.

Actual expenditures for the General Fund were \$18,445 less than budgeted, primarily due to the City Manager's mandatory 5% savings plan enforced upon all General Fund departments.

**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	
	2005	2004	2005	2004	2005	2004
	Land, Easements, Rights of Way	\$ 1,696,804	\$ 1,643,517	\$ 85,618	\$ 85,303	\$ 1,782,422
Structures and Improvements	765,231	745,585	1,217,090	1,221,888	1,982,321	1,967,473
Equipment	123,672	123,387	127,388	126,702	251,060	250,089
Distribution and Collection Systems	-	-	2,581,105	2,521,598	2,581,105	2,521,598
Infrastructure	1,475,183	1,492,211	-	-	1,475,183	1,492,211
Construction-in-Progress	223,519	141,458	496,184	461,717	719,703	603,175
<b>Totals</b>	<b>\$ 4,284,409</b>	<b>\$ 4,146,158</b>	<b>\$ 4,507,385</b>	<b>\$ 4,417,208</b>	<b>\$ 8,791,794</b>	<b>\$ 8,563,366</b>

**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 will continue to be reported on a modified accrual basis at the fund level. Differences between the fund and government-wide statements reporting 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, 2005 was \$8,791,794 (net of accumulated depreciation). The total increase in the City's investment in Capital Assets over fiscal year 2004 was approximately \$228,428.

**HIGHLIGHTS OF FISCAL YEAR 2005 CAPITAL IMPROVEMENT ACTIVITIES**Governmental Activities

- Construction continues on the Central Police Garage and Auto Maintenance Facility. This project will provide for the land development, design, and construction of a new Police Car and Motorcycle Maintenance Facility. The City's fiscal year 2005 capital expenditures for this project were \$6,893.
- Construction continues on the North Torrey Pines Road Bridge. This project will provide for transitionally widening both road approaches and improving the structural integrity, functionality, and safety of the bridge. The City's fiscal year 2005 capital expenditures for this project were \$5,790.
- Construction continues on the Mira Sorrento Place project. This project will provide for widening and extending Mira Sorrento Place to a four-lane collector street. Traffic flow on Scranton Road and Vista Sorrento Parkway will improve upon project completion. The City's fiscal year 2005 capital expenditures for this project were \$3,755.
- Construction is nearing completion on the San Ysidro Fire Station #29. This project will provide a new 9,809 square foot fire station to replace the existing facility located at 179 West San Ysidro Blvd. The project is part of the Fire and Life Safety Services Facility Improvements Program. The City's fiscal year 2005 capital expenditures for this project were \$2,535.



- Construction continued on the Breen Park Site. Upon completion this project will provide a new 10 acre neighborhood park in the Mira Mesa Community. The City's fiscal year 2005 capital expenditures for this project were \$2,489. The project is entirely funded by the Mira Mesa Facilities Benefit Assessment.
- Construction continues on the Carmel Mountain Road - Interstate 5 Interchange project as of fiscal year 2007. This project provides for a diamond interchange at Interstate 5 and Carmel Mountain Road. This interchange will accommodate the increase in vehicular traffic created by development in the communities of Carmel Valley and Sorrento Hills. The City's fiscal year 2005 capital expenditures for this project were \$1,321.
- Construction of the final section of the SR-56 Transportation Improvement Project was completed in July 2004. SR-56 is the only east-west freeway in the 25 mile gap between SR-78 and SR-52 in North San Diego County. The City's fiscal year 2005 capital expenditures for this project were \$24,823.
- Construction continues on the Lincoln Park Fire Station #12. This project will provide for the complete reconstruction of the existing facility located at 4964 Imperial Avenue. The project is part of the Fire and Life Safety Services Facility Improvements Program. The City's fiscal year 2005 capital expenditures for this project were \$2,319.
- Construction began on the Del Cerro Fire Station #31. This project will provide for the complete reconstruction of the existing facility located at 6002 Camino Rico, in the Navajo/Del Cerro Community. The project is part of the Fire and Life Safety Services Facility Improvements Program. The City's fiscal year 2005 capital expenditures for this project were \$2,218.
- Construction began on the Serra Mesa/Kearny Mesa Branch Library. This project will provide for the construction of a new 15,000 square-foot library on the 8900 Block of Aero Drive. Upon completion the new facility will include additional meeting rooms, computer lab, separate children's area and quiet study areas. Additional parking has also been incorporated into the design of the new facility. Serra Mesa and Kearny Mesa Developer Impact fees are the primary funding sources for this project. The City's fiscal year 2005 capital expenditures for this project were \$2,120.

#### Business-Type Activities

During fiscal year 2005 the Water Utility fund added approximately \$89,908 in capital improvement projects (CIP). The first phase of construction on the Alvarado Water Treatment Plant Expansion and upgrade project was completed, which increased the plant's treatment capacity from 120 million gallons of water a day (MGD) to 150 MGD. Upgrades and expansion of the Miramar Water Treatment Plant continued, along with Water Main replacements. Capital asset write-offs for fiscal year 2005 were \$26,385, and were primarily due to losses related to abandoned projects, and retirements of developer contributed assets.

During fiscal year 2005, the Sewer Utility Fund added approximately \$65,700 in CIP, of which the Metropolitan system CIP increased approximately \$13,300 and included the following major projects: Point Loma Digester S1 and S2 Upgrades, and the NCWRP Permanent Demineralization Facility. Municipal system CIP increased approximately \$52,400 and included the following major projects: Otay Mesa Trunk Sewer, Carmel Valley Trunk Sewer, Sorrento Valley Trunk Sewer Relocation, Pump Station upgrades, and the continued replacement of sewer mains and upgrades to the sewer infrastructure. Capital asset write-offs for fiscal year 2005 were \$13,297, and were primarily due to losses related to abandoned projects, and retirements of developer contributed assets.

#### **HIGHLIGHTS OF APPROVED FISCAL YEAR 2006 CAPITAL IMPROVEMENT PROJECTS (CIP) BUDGET**

The Annual Approved Capital Improvements Budget for Fiscal Year 2006 is \$389,600, which is a \$193,700, or 12% decrease over the fiscal year 2005 budget of \$583,300. Engineering & Capital Projects, and Library Projects comprise more than 39%, and 26% of the total CIP budget, respectively. Water and Sewer projects comprise over 12% of the total CIP budget. Funding for governmental projects include TransNet funds, Facilities Benefit Assessments, Developer Impact Fees, Developer Contributions, and Federal, State, local, and private contributions. Highlights of the key budgets by department are as follows:

#### Governmental Activities

- Engineering and Capital Projects: \$149,800 (39% of total CIP budget). Key projects include the undergrounding of City utilities, which provides for underground conversion projects, to augment the California Public Utilities Commission

(CPUC) Rule 20A. Funding is also allocated for conversion of City-owned street lighting and resurfacing of roadways associated with the undergrounding of utilities. The \$51,300 annual allocation to these projects is entirely funded by the Underground Surcharge Fund. Other significant projects include: \$10,800 for debt service related to TransNet funded projects, \$10,600 for improvements to La Jolla Village Drive at Interstate 805, \$10,000 for TransNet Early Action Program, and \$7,100 for improvements to West Mission Bay Drive Bridge over the San Diego River.

- Library: \$99,900 (26% of total CIP budget). Major budgets in fiscal year 2006 are \$69,500 for San Diego Main Library, \$6,400 for Ocean Beach Branch Library, and \$6,200 for the Mission Hills Branch Library.
- Parks and Recreation: \$36,300 (9% of total CIP budget). Key budgets include: \$4,900 for the Mira Mesa Community Park Expansion, \$3,700 for Carmel Valley Community Park South - Recreation Blvd., and \$2,500 for Torrey Pines Golf Course Clubhouse Replacement Phase I.
- San Diego Fire-Rescue: \$31,100 (8% of total CIP budget). Key budgets include: \$3,400 for the Paradise Hills Fire Station, \$3,200 for the Point Loma Fire Station, and \$2,200 for the North Pacific Beach Lifeguard Station.

#### Business-Type Activities

The fiscal year 2006 Water Utility CIP budget is \$11,400, plus an additional \$45,900 for phase funded projects. Significant projects include: \$2,600 for the Water Department Security Upgrades, \$2,200 for Del Mar Heights Pipeline Relocation, and replacing water mains citywide.

The fiscal year 2006 Metropolitan Wastewater Department CIP budget is \$36,600. There are no phase funded projects budgeted for 2006. Significant projects include: \$11,700 for continued sewer main replacements and upgrades to sewer infrastructure, \$5,100 for CIP contingencies, and \$4,400 for improvements to the Sorrento Valley Trunk Sewer.

#### CITY OF SAN DIEGO'S OUTSTANDING DEBT

(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Capital Lease Obligations	\$ 30,647	\$ 30,619	\$ 3,521	\$ 5,008	\$ 34,168	\$ 35,627
Contracts Payable	1,715	1,715	-	-	1,715	1,715
Notes Payable	7,924	5,998	-	-	7,924	5,998
Loans Payable	5,187	4,865	63,803	67,054	68,990	71,919
Section 108 Loans	42,858	44,917	-	-	42,858	44,917
SANDAG Loans	13,979	19,302	-	-	13,979	19,302
General Obligation Bonds	14,530	45,775	-	-	14,530	45,775
Revenue Bonds/COP's/ Lease Revenue Bonds	571,285	591,620	1,698,060	1,731,825	2,269,345	2,323,445
Special Assessment/ Special Tax Bonds	137,305	140,545	-	-	137,305	140,545
Tax Allocation Bonds	415,778	314,333	-	-	415,778	314,333
Totals	<u>\$ 1,241,208</u>	<u>\$ 1,199,689</u>	<u>\$ 1,765,384</u>	<u>\$ 1,803,887</u>	<u>\$ 3,006,592</u>	<u>\$ 3,003,576</u>

**LONG-TERM DEBT**

At the end of fiscal year 2005, the City, including blended component units, had total debt outstanding of approximately \$3,006,592. Of this amount, \$14,530 is comprised of debt backed by the full faith and credit of the government. The remainder of the City's debt represents revenue bonds, lease revenue bonds, COPs, special assessment bonds, tax allocation bonds, contracts payable, notes payable, loans payable, Section 108 loans, capital lease obligations, and San Diego Association of Governments (SANDAG) loans.

Governmental Activities

- The City (RDA) issued \$147,725 of Subordinate Tax Allocation and Tax Allocation Housing Bonds, of which 25% of the debt issued was for the purposes of financing redevelopment activities, including the development of low and moderate housing and making payments pursuant to an MOU with the San Diego Padres in connection with development of Petco Park; and 75% of the debt issued went towards the refunding of the outstanding Centre City Redevelopment Project Tax Allocation Bonds, Series 1993 A and B.
- Total principal payments for long-term debt were \$84,355, which includes \$1,491 recorded as principal payment for the amount transferred to escrow from resources other than the new debt proceeds issued for the purpose of refunding the Centre City Redevelopment Project Tax Allocation, Series 1993 A and B and \$10,457 principal payments on capital leases comprised of \$6,404 for the internal service fund capital leases and \$4,053 for other governmental funds.

Business-Type Activities

- Total principal payments for long-term debt were \$38,505, which includes \$33,765 principal payments for the outstanding bonds, \$3,252 payments on loans payable and \$1,488 principal payment on capital leases.

The following are credit ratings changes that have occurred to date since July 1, 2003, pertaining to the City of San Diego's outstanding General Obligation bonds, Revenue Bonds, Lease Revenue Bonds, and COPs:

<b>Moody's Investor's Service</b>							
	July 1, 2003	Feb 2, 2004	Apr 6, 2004	Aug 12, 2004	Sept 24, 2004	Dec 3, 2004	Aug 2, 2005*
General Obligation Bonds	Aa1	Aa1	Aa1	Aa3	A1	A1	A3
General Fund Backed Lease Revenue Obligations	Aa3/A1	Aa3/A1	Aa3/A1	A2/A3	A3/Baa1	A3/Baa1	Baa2/Baa3
Outlook/Watch	Stable	Negative Outlook	Watchlist for Possible Downgrade	Stable	Negative Outlook	Negative Outlook	Negative Outlook
Wastewater System Obligations	A1	A1	A1	A1	A1	A1	A3
Water System Obligations	Aa3/A1	Aa3/A1	Aa3/A1	Aa3/A1	Aa3/A1	Aa3/A1	A2/A3
Outlook/Watch	Stable	Stable	Stable	Stable	Stable	Credit Watch Negative	Negative Outlook

\* - Ratings were affirmed on February 16, 2006

<b>Fitch Ratings</b>					
	July 1, 2003	Feb 27, 2004	Sept 23, 2004	Feb 16, 2005	May 27, 2005
General Obligation Bonds	AAA	AA	AA	A	BBB+
General Fund Backed Lease Revenue Obligations	AA+	AA-	AA-	A-	BBB-
Outlook/Watch	Stable	Negative Outlook	Rating Watch Negative	Rating Watch Negative	Rating Watch Negative
Wastewater System Obligations	AA-	AA-	AA-	A	BBB+
Water System Obligations	AA-/A+	AA-/A+	AA-/A+	A/A-	BBB+/BBB
Outlook/Watch	Stable	Stable	Stable	Rating Watch Negative	Rating Watch Negative

<b>Standard &amp; Poor's</b>			
	July 1, 2003	Feb 23, 2004	Sept 20, 2004
General Obligation Bonds	AA	AA-	Suspended
General Fund Backed Lease Revenue Obligations	AA-	A+	Suspended
Outlook/Watch	Stable	Negative Credit Watch	Negative Credit Watch
Wastewater System Obligations	A	A	Suspended
Water System Obligations	AA-/A+	AA-/A+	Suspended
Outlook/Watch	Stable	Negative Credit Watch	Negative Credit Watch

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, 2005 are significantly less than the current debt limitations for water and other purposes, which are \$19,695,851 and \$13,130,568, respectively.

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 for all those with an interest in the government'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 Auditor & Comptroller, 202 C Street, San Diego, California 92101 or e-mailed to the City Auditor and Comptroller at [auditor@sandiego.gov](mailto:auditor@sandiego.gov). This financial report is also available on the City's website at [www.sandiego.gov](http://www.sandiego.gov), under the Auditor and Comptroller department.

## BASIC FINANCIAL STATEMENTS

**This Page Left Intentionally Blank - Back of Divider Page**

**This Page Left Intentionally Blank**



**STATEMENT OF NET ASSETS**  
**June 30, 2005**  
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
<b>ASSETS</b>					
Cash and Investments .....	\$ 933,862	\$ 383,249	\$ 1,317,111	\$ 16,025	\$ 52,054
Receivables:					
Taxes - Net .....	81,859	-	81,859	-	-
Accounts - Net of Allowance for Uncollectibles (Governmental \$7,321, Business-Type \$1,254) .....	27,364	77,929	105,293	3,204	1,161
Claims - Net .....	177	-	177	-	-
Contributions .....	250	-	250	-	-
Special Assessments - Net .....	1,270	-	1,270	-	-
Notes .....	38,277	-	38,277	-	110,190
Accrued Interest .....	5,762	3,763	9,525	-	10,689
Grants .....	47,452	2,406	49,858	-	-
From Other Agencies .....	-	-	-	-	6,701
Investment in Joint Venture .....	1,542	-	1,542	-	-
Advances to Other Agencies .....	2,527	-	2,527	-	-
Internal Balances .....	(1,053)	1,053	-	-	-
Inventories of Water in Storage .....	-	28,923	28,923	-	-
Inventories .....	2,622	564	3,186	-	67
Land Held for Resale .....	49,551	-	49,551	-	-
Prepaid Expenses .....	4,119	38	4,157	1,050	11
Restricted Cash and Investments .....	120,919	137,339	258,258	-	1,214
Deferred Charges .....	20,869	12,195	33,064	-	-
Capital Assets - Non-Depreciable .....	1,920,323	581,802	2,502,125	-	39,181
Capital Assets - Depreciable .....	2,364,086	3,925,583	6,289,669	14,010	43,559
<b>TOTAL ASSETS</b> .....	<u>5,621,778</u>	<u>5,154,844</u>	<u>10,776,622</u>	<u>34,289</u>	<u>264,827</u>

**STATEMENT OF NET ASSETS**  
**June 30, 2005**  
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
<b>LIABILITIES</b>					
Accounts Payable .....	\$ 76,248	\$ 51,249	\$ 127,497	\$ 4,472	\$ 2,663
Accrued Wages and Benefits .....	48,357	16,655	65,012	1,014	1,815
Other Accrued Liabilities .....	26	60	86	2,057	475
Interest Accrued on Long-Term Debt .....	21,749	17,574	39,323	-	54
Long-Term Liabilities Due Within One Year .....	131,976	88,812	220,788	1,000	225
Due to Other Agencies .....	549	10,377	10,926	-	-
Unearned Revenue .....	17,783	8,450	26,233	7,815	116
Contract Deposits .....	-	8,249	8,249	-	-
Sundry Trust Liabilities .....	4,542	-	4,542	-	-
Customer Deposits Payable .....	-	3,321	3,321	-	-
Deposits/Advances from Others .....	-	135	135	-	1,184
Land Acquisition Credits .....	23,425	-	23,425	-	-
Long-Term Liabilities Due After One Year:					
Arbitrage Liability .....	-	213	213	-	-
Compensated Absences .....	42,600	9,813	52,413	493	-
Liability Claims .....	174,642	44,421	219,063	-	-
Capital Lease Obligations .....	21,059	2,051	23,110	-	-
Contracts Payable .....	1,715	-	1,715	-	14,496
Notes Payable .....	7,889	-	7,889	4,500	-
Loans Payable .....	5,173	60,492	65,665	-	-
SANDAG Loans Payable .....	7,326	-	7,326	-	-
Section 108 Loans Payable .....	40,375	-	40,375	-	-
Net Bonds Payable .....	1,102,817	1,616,195	2,719,012	-	-
Accrued Interest .....	7,463	-	7,463	-	-
Estimated Landfill Closure and Postclosure Care .....	-	13,665	13,665	-	-
Net Pension Obligation .....	254,486	35,104	289,590	-	-
<b>TOTAL LIABILITIES .....</b>	<b>1,990,200</b>	<b>1,986,836</b>	<b>3,977,036</b>	<b>21,351</b>	<b>21,028</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt .....	3,600,989	2,863,136	6,464,125	8,510	68,018
Restricted for:					
Capital Projects .....	90,390	-	90,390	4,699	-
Debt Service .....	37,522	3,517	41,039	-	-
Permanent Endowments:					
Nonexpendable .....	13,908	-	13,908	-	-
Other .....	104,488	29,412	133,900	-	72,051
Unrestricted (Deficit) .....	(215,719)	271,943	56,224	(271)	103,730
<b>TOTAL NET ASSETS .....</b>	<b>\$ 3,631,578</b>	<b>\$ 3,168,008</b>	<b>\$ 6,799,586</b>	<b>\$ 12,938</b>	<b>\$ 243,799</b>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2005**  
**(In Thousands)**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government and Support .....	\$ 247,038	\$ 100,887	\$ 13,990	\$ 7,509
Public Safety - Police .....	372,230	23,496	34,941	-
Public Safety - Fire and Life Safety .....	186,203	21,381	9,646	-
Parks, Recreation, Culture and Leisure .....	218,601	35,314	16,466	51,314
Transportation .....	220,095	30,625	621	47,468
Sanitation and Health .....	45,088	8,651	3,308	1,058
Neighborhood Services .....	89,162	48,623	30,296	11,253
Interest on Long-Term Debt .....	73,381	-	-	16,100
<b>TOTAL GOVERNMENTAL ACTIVITIES .....</b>	<b>1,451,798</b>	<b>268,977</b>	<b>109,268</b>	<b>134,702</b>
<b>Business-Type Activities:</b>				
Airports .....	3,196	4,151	-	450
City Store .....	808	807	-	-
Development Services .....	60,240	61,299	-	-
Environmental Services .....	43,711	41,944	104	-
Golf Course .....	8,585	12,625	-	-
Recycling .....	21,426	19,883	587	-
Sewer Utility .....	348,327	288,972	3	21,426
Water Utility .....	300,665	267,649	1,334	41,954
<b>TOTAL BUSINESS-TYPE ACTIVITIES .....</b>	<b>786,958</b>	<b>697,330</b>	<b>2,028</b>	<b>63,830</b>
<b>TOTAL PRIMARY GOVERNMENT .....</b>	<b>\$ 2,238,756</b>	<b>\$ 966,307</b>	<b>\$ 111,296</b>	<b>\$ 198,532</b>
<b>Component Units:</b>				
San Diego Convention Center Corporation .....	\$ 32,802	\$ 27,156	\$ 3,504	\$ 1,688
San Diego Housing Commission .....	141,018	18,372	152,817	1,328
<b>TOTAL COMPONENT UNITS .....</b>	<b>\$ 173,820</b>	<b>\$ 45,528</b>	<b>\$ 156,321</b>	<b>\$ 3,016</b>
<b>General Revenues:</b>				
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 .....				
<b>TOTAL GENERAL REVENUES AND TRANSFERS .....</b>				
<b>CHANGE IN NET ASSETS .....</b>				
Net Assets at Beginning of Year .....				
<b>NET ASSETS AT END OF YEAR .....</b>				

<b>Net Revenue/(Expense) and Changes in Net Assets</b>				
<b>Primary Government</b>			<b>Component Units</b>	
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>San Diego Convention Center Corporation</b>	<b>San Diego Housing Commission</b>
\$ (124,652)	\$ -	\$ (124,652)	\$ -	\$ -
(313,793)	-	(313,793)	-	-
(155,176)	-	(155,176)	-	-
(115,507)	-	(115,507)	-	-
(141,381)	-	(141,381)	-	-
(32,071)	-	(32,071)	-	-
1,010	-	1,010	-	-
(57,281)	-	(57,281)	-	-
<u>(938,851)</u>	<u>-</u>	<u>(938,851)</u>	<u>-</u>	<u>-</u>
-	1,405	1,405	-	-
-	(1)	(1)	-	-
-	1,059	1,059	-	-
-	(1,663)	(1,663)	-	-
-	4,040	4,040	-	-
-	(956)	(956)	-	-
-	(37,926)	(37,926)	-	-
-	10,272	10,272	-	-
<u>-</u>	<u>(23,770)</u>	<u>(23,770)</u>	<u>-</u>	<u>-</u>
<u>\$ (938,851)</u>	<u>\$ (23,770)</u>	<u>\$ (962,621)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (454)	\$ -
-	-	-	-	31,499
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (454)</u>	<u>\$ 31,499</u>
329,659	-	329,659	-	-
120,792	-	120,792	-	-
152,577	-	152,577	-	-
47,063	-	47,063	-	-
141,934	-	141,934	-	-
197,198	-	197,198	-	-
29,473	17,132	46,605	16	3,637
684	-	684	-	3,528
5,232	8,815	14,047	-	-
626	(626)	-	-	-
<u>1,025,238</u>	<u>25,321</u>	<u>1,050,559</u>	<u>16</u>	<u>7,165</u>
86,387	1,551	87,938	(438)	38,664
<u>3,545,191</u>	<u>3,166,457</u>	<u>6,711,648</u>	<u>13,376</u>	<u>205,135</u>
<u>\$ 3,631,578</u>	<u>\$ 3,168,008</u>	<u>\$ 6,799,586</u>	<u>\$ 12,938</u>	<u>\$ 243,799</u>

The accompanying notes are an integral part of the financial statements.

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2005  
(In Thousands)**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash or Equity in Pooled Cash and Investments .....	\$ 32,966	\$ 811,375	\$ 844,341
Receivables:			
Taxes - Net .....	65,056	16,803	81,859
Accounts - Net of Allowance for Uncollectibles (General Fund \$6,513, Other Governmental \$808) .....	14,823	8,078	22,901
Claims - Net .....	31	135	166
Special Assessments - Net .....	-	1,270	1,270
Notes .....	-	38,277	38,277
Accrued Interest .....	891	4,832	5,723
Grants .....	-	47,452	47,452
From Other Funds .....	16,275	87,992	104,267
Investment in Joint Venture .....	1,542	-	1,542
Restricted Cash and Investments .....	-	120,791	120,791
Advances to Other Funds .....	300	3,470	3,770
Advances to Other Agencies .....	-	2,527	2,527
Land Held for Resale .....	-	49,551	49,551
Prepaid Items .....	778	1,802	2,580
<b>TOTAL ASSETS</b> .....	<b>\$ 132,662</b>	<b>\$ 1,194,355</b>	<b>\$ 1,327,017</b>
<b>LIABILITIES</b>			
Accounts Payable .....	\$ 5,054	\$ 59,668	\$ 64,722
Accrued Wages and Benefits .....	40,960	2,531	43,491
Other Accrued Liabilities .....	-	26	26
Due to Other Funds .....	-	107,431	107,431
Due to Other Agencies .....	-	549	549
Unearned Revenue .....	1,151	16,585	17,736
Deferred Revenue .....	23,464	54,146	77,610
Interfund Interest Payable .....	-	668	668
Interfund Loan Payable .....	-	5,873	5,873
Advances from Other Funds .....	985	3,770	4,755
Sundry Trust Liabilities .....	-	4,542	4,542
<b>TOTAL LIABILITIES</b> .....	<b>71,614</b>	<b>255,789</b>	<b>327,403</b>

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2005  
(In Thousands)**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>FUND EQUITY:</b>			
Fund Balances:			
Reserved for Land Held for Resale .....	-	48,224	48,224
Reserved for Encumbrances .....	15,659	173,667	189,326
Reserved for Advances and Deposits .....	300	5,923	6,223
Reserved for Low and Moderate Income Housing .....	-	23,633	23,633
Reserved for Permanent Endowments .....	-	13,908	13,908
Reserved for Debt Service .....	-	107,451	107,451
Reserved for Minority Interest in Joint Venture .....	1,542	-	1,542
Unreserved, Reported in General Fund:			
Designated for Subsequent Years' Expenditures .....	1,954	-	1,954
Undesignated .....	41,593	-	41,593
Unreserved, Reported in:			
Special Revenue Funds .....	-	284,818	284,818
Debt Service Funds .....	-	13	13
Capital Projects Funds .....	-	279,866	279,866
Permanent Funds .....	-	1,063	1,063
<b>TOTAL FUND EQUITY .....</b>	<b>61,048</b>	<b>938,566</b>	<b>999,614</b>
<b>TOTAL LIABILITIES AND FUND EQUITY .....</b>	<b>\$ 132,662</b>	<b>\$ 1,194,355</b>	

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.	4,199,247
Other assets and liabilities used in governmental activities are not financial resources, and therefore, are not reported in the funds.	98,479
Liabilities for Facilities Benefit Assessments (FBA) credits and land acquisition credits which are earned by developers but not taken are not reported in the funds.	(23,425)
Internal Service funds are used by management to charge the costs of activities such as Central Garage and Machine Shop, Print Shop, and Central Stores to individual funds. The assets and liabilities of Internal Service Funds are included in governmental activities in the Statement of Net Assets.	(68,336)
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,574,001)
Net Assets of governmental activities	<b>\$ 3,631,578</b>

**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, 2005  
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes .....	\$ 223,500	\$ 102,357	\$ 325,857
Special Assessments .....	-	30,263	30,263
Sales Taxes .....	95,376	101,822	197,198
In-Lieu Sales Taxes .....	48,220	-	48,220
Transient Occupancy Taxes .....	63,910	57,702	121,612
Other Local Taxes .....	73,456	79,120	152,576
Licenses and Permits .....	28,459	12,265	40,724
Fines, Forfeitures and Penalties .....	31,857	2,049	33,906
Revenue from Use of Money and Property .....	33,015	44,499	77,514
Revenue from Federal Agencies .....	6,888	59,395	66,283
Revenue from Other Agencies .....	74,571	69,068	143,639
Revenue from Private Sources .....	-	91,354	91,354
Charges for Current Services .....	105,293	33,501	138,794
Other Revenue .....	2,778	8,740	11,518
<b>TOTAL REVENUES</b> .....	<b>787,323</b>	<b>692,135</b>	<b>1,479,458</b>
<b>EXPENDITURES</b>			
Current:			
General Government and Support .....	164,892	71,814	236,706
Public Safety - Police .....	319,631	27,728	347,359
Public Safety - Fire and Life Safety .....	158,668	19,885	178,553
Parks, Recreation, Culture and Leisure .....	106,274	74,053	180,327
Transportation .....	21,448	119,156	140,604
Sanitation and Health .....	41,024	3,303	44,327
Neighborhood Services .....	25,137	77,098	102,235
Capital Projects .....	-	175,493	175,493
Debt Service:			
Principal Retirement .....	2,381	75,571	77,952
Interest .....	1,811	66,390	68,201
<b>TOTAL EXPENDITURES</b> .....	<b>841,266</b>	<b>710,491</b>	<b>1,551,757</b>
<b>DEFICIENCY OF REVENUES</b>			
<b>OVER EXPENDITURES</b> .....	<b>(53,943)</b>	<b>(18,356)</b>	<b>(72,299)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Proprietary Funds .....	7,039	3,595	10,634
Transfers from Other Funds .....	58,913	298,349	357,262
Transfers to Proprietary Funds .....	(1,185)	(1,181)	(2,366)
Transfers to Other Funds .....	(14,276)	(342,986)	(357,262)
Transfers to Escrow Agent .....	-	(32,011)	(32,011)
Net Income from Joint Venture .....	20	-	20
Capital Leases .....	3,258	-	3,258
Notes Payable Issued .....	-	2,100	2,100
Loans Payable Issued .....	-	3,335	3,335
Tax Allocation Bonds Issued .....	-	147,725	147,725
Discount on Bonds Issued .....	-	(11)	(11)
Premium on Bonds Issued .....	-	4,342	4,342
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>53,769</b>	<b>83,257</b>	<b>137,026</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(174)</b>	<b>64,901</b>	<b>64,727</b>
Fund Balances at Beginning of Year .....	61,222	873,665	934,887
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 61,048</b>	<b>\$ 938,566</b>	<b>\$ 999,614</b>

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, 2005**  
(In Thousands)

Net change in fund balances - total governmental funds (page 58)	\$ 64,727
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.	135,885
The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to increase net assets.	7,791
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(6,634)
Revenue recognized at the fund level provides a current financial resource to governmental funds, while the offsetting land acquisition credit results in a decrease to net assets.	(400)
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.	(46,455)
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.	(58,354)
Internal Service funds are used by management to charge the costs of activities such as Central Garage and Machine Shop, Print Shop, Central Stores, Self Insurance, and others to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities.	<u>(10,173)</u>
Change in net assets of governmental activities (page 55)	<u>\$ 86,387</u>

The accompanying notes are an integral part of the financial statements.



**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2005  
( In Thousands )**

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
<b>ASSETS</b>					
Current Assets:					
Cash and Investments .....	\$ 174,763	\$ 117,892	\$ 84,500	\$ 377,155	\$ 95,615
Receivables:					
Accounts - Net of Allowance for Uncollectibles (Sewer \$491, Water \$763, Internal Service \$664) .....	31,320	42,973	3,636	77,929	4,463
Claims - Net .....	-	-	-	-	11
Contributions .....	-	-	-	-	250
Accrued Interest .....	1,685	1,110	947	3,742	60
Grants .....	1	2,319	86	2,406	-
From Other Funds .....	-	-	3,164	3,164	-
Inventories of Water in Storage .....	-	28,923	-	28,923	-
Inventories .....	-	478	86	564	2,622
Prepaid Expenses .....	-	5	33	38	1,539
<b>Total Current Assets</b> .....	<b>207,769</b>	<b>193,700</b>	<b>92,452</b>	<b>493,921</b>	<b>104,560</b>
Non-Current Assets:					
Restricted Cash and Investments .....	21,062	87,070	29,207	137,339	128
Advances to Other Funds .....	341	644	-	985	-
Deferred Charges .....	7,206	4,989	-	12,195	-
Interfund Interest Receivable .....	-	668	-	668	-
Interfund Loan Receivable .....	3,487	2,386	-	5,873	-
Capital Assets - Non-Depreciable .....	204,389	354,052	23,361	581,802	1,984
Capital Assets - Depreciable .....	2,650,468	1,204,453	70,333	3,925,254	83,507
<b>Total Non-Current Assets</b> .....	<b>2,886,953</b>	<b>1,654,262</b>	<b>122,901</b>	<b>4,664,116</b>	<b>85,619</b>
<b>TOTAL ASSETS</b> .....	<b>3,094,722</b>	<b>1,847,962</b>	<b>215,353</b>	<b>5,158,037</b>	<b>190,179</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable .....	17,424	31,130	2,469	51,023	11,752
Accrued Wages and Benefits .....	6,732	3,835	4,932	15,499	6,022
Other Accrued Liabilities .....	-	-	60	60	-
Interest Accrued on Long-Term Debt .....	6,398	11,139	37	17,574	145
Long-Term Debt Due Within One Year .....	72,648	11,652	4,005	88,305	53,363
Due to Other Agencies .....	7,980	2,380	17	10,377	-
Unearned Revenue .....	4	3,618	4,828	8,450	47
Contract Deposits .....	2,478	5,647	124	8,249	-
Customer Deposits Payable .....	-	3,321	-	3,321	-
<b>Total Current Liabilities</b> .....	<b>113,664</b>	<b>72,722</b>	<b>16,472</b>	<b>202,858</b>	<b>71,329</b>
Non-Current Liabilities:					
Deposits/Advances from Others .....	-	-	135	135	-
Arbitrage Liability .....	26	187	-	213	-
Compensated Absences .....	3,267	2,624	3,268	9,159	3,930
Liability Claims .....	42,108	2,313	-	44,421	174,642
Capital Lease Obligations .....	-	-	2,051	2,051	10,932
Loans Payable .....	60,492	-	-	60,492	-
Net Revenue Bonds Payable .....	1,054,463	561,732	-	1,616,195	-
Estimated Landfill Closure and Postclosure Care .....	-	-	13,665	13,665	-
Net Pension Obligation .....	11,841	9,433	11,080	32,354	6,168
<b>Total Non-Current Liabilities</b> .....	<b>1,172,197</b>	<b>576,289</b>	<b>30,199</b>	<b>1,778,685</b>	<b>195,672</b>
<b>TOTAL LIABILITIES</b> .....	<b>1,285,861</b>	<b>649,011</b>	<b>46,671</b>	<b>1,981,543</b>	<b>267,001</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt .....	1,698,914	1,073,719	90,174	2,862,807	68,694
Restricted for Debt Service .....	684	2,833	-	3,517	-
Restricted for Closure/Postclosure Maintenance .....	-	-	29,412	29,412	-
Unrestricted .....	109,263	122,399	49,096	280,758	(145,516)
<b>TOTAL NET ASSETS</b> .....	<b>\$ 1,808,861</b>	<b>\$ 1,198,951</b>	<b>\$ 168,682</b>	<b>3,176,494</b>	<b>\$ (76,822)</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(8,486)	
Net assets of business-type activities				<u>\$ 3,168,008</u>	

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, 2005**  
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
<b>OPERATING REVENUES</b>					
Sales of Water .....	\$ -	\$ 245,287	\$ -	\$ 245,287	\$ -
Charges for Services .....	283,423	1,027	78,665	363,115	174,128
Revenue from Use of Property .....	-	4,701	-	4,701	-
Usage Fees .....	-	1,756	60,251	62,007	43,609
Other .....	5,549	14,878	1,793	22,220	5,668
<b>TOTAL OPERATING REVENUES</b> .....	<u>288,972</u>	<u>267,649</u>	<u>140,709</u>	<u>697,330</u>	<u>223,405</u>
<b>OPERATING EXPENSES</b>					
Benefit and Claim Expenses .....	-	-	-	-	74,448
Maintenance and Operations .....	112,548	92,959	91,694	297,201	50,638
Cost of Materials Issued .....	-	-	346	346	26,547
Cost of Purchased Water Used .....	-	102,096	-	102,096	-
Taxes .....	-	1,457	-	1,457	-
Administration .....	89,634	37,762	35,289	162,685	57,672
Depreciation .....	74,863	27,277	9,177	111,317	18,265
<b>TOTAL OPERATING EXPENSES</b> .....	<u>277,045</u>	<u>261,551</u>	<u>136,506</u>	<u>675,102</u>	<u>227,570</u>
<b>OPERATING INCOME (LOSS)</b> .....	<u>11,927</u>	<u>6,098</u>	<u>4,203</u>	<u>22,228</u>	<u>(4,165)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Earnings on Investments .....	7,015	7,258	2,807	17,080	1,142
Federal Grant Assistance .....	3	640	138	781	-
Other Agency Grant Assistance .....	-	694	553	1,247	-
Gain (Loss) on Sale/Retirement of Capital Assets .....	(13,297)	(26,141)	(1,328)	(40,766)	684
Debt Service Interest Expense .....	(57,668)	(12,737)	(181)	(70,586)	(649)
Other .....	7,394	32	1,381	8,807	183
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b> .....	<u>(56,553)</u>	<u>(30,254)</u>	<u>3,370</u>	<u>(83,437)</u>	<u>1,360</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> .....	<u>(44,626)</u>	<u>(24,156)</u>	<u>7,573</u>	<u>(61,209)</u>	<u>(2,805)</u>
Capital Contributions .....	21,426	41,954	450	63,830	-
Transfers from Other Funds .....	504	3,377	252	4,133	1,413
Transfers from Governmental Funds .....	-	27	1,324	1,351	1,016
Transfers to Other Funds .....	(598)	(319)	(400)	(1,317)	(4,229)
Transfers to Governmental Funds .....	(1,383)	(1,046)	(2,352)	(4,781)	(6,024)
<b>CHANGE IN NET ASSETS</b> .....	<u>(24,677)</u>	<u>19,837</u>	<u>6,847</u>	<u>2,007</u>	<u>(10,629)</u>
Net Assets at Beginning of Year .....	<u>1,833,538</u>	<u>1,179,114</u>	<u>161,835</u>		<u>(66,193)</u>
<b>NET ASSETS AT END OF YEAR</b> .....	<u>\$ 1,808,861</u>	<u>\$ 1,198,951</u>	<u>\$ 168,682</u>		<u>\$ (76,822)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(456)	
Change in net assets of business-type activities				<u>\$ 1,551</u>	

The accompanying notes are an integral part of the financial statements.

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2005  
( In Thousands )**

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers and Users .....	\$ 283,700	\$ 255,450	\$ 114,438	\$ 653,588	\$ 197,735
Receipts from Interfund Services Provided .....	4,333	2,681	26,898	33,912	24,850
Payments to Suppliers .....	(83,479)	(151,214)	(42,996)	(277,689)	(83,800)
Payments to Employees .....	(81,593)	(61,777)	(74,684)	(218,054)	(102,811)
Payments for Interfund Services Used .....	(35,696)	(18,230)	(8,511)	(62,437)	(2,119)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	<b>87,265</b>	<b>26,910</b>	<b>15,145</b>	<b>129,320</b>	<b>33,855</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers In .....	485	3,341	252	4,078	1,413
Transfers from Governmental Funds .....	-	26	1,324	1,350	1,016
Transfers Out .....	(592)	(300)	(400)	(1,292)	(4,199)
Transfers to Governmental Funds .....	(1,306)	(1,030)	(2,300)	(4,636)	(5,997)
Operating Grants Received .....	32	1,431	1,166	2,629	-
Proceeds from Advances and Deposits .....	155	218	215	588	69
<b>NET CASH (USED FOR) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>(1,226)</b>	<b>3,686</b>	<b>257</b>	<b>2,717</b>	<b>(7,698)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from Contracts, Notes and Loans .....	470	-	-	470	-
Proceeds from Contributed Capital .....	18,829	21,630	450	40,909	-
Acquisition of Capital Assets .....	(106,415)	(115,633)	(3,756)	(225,804)	(8,176)
Proceeds from the Sale of Capital Assets .....	-	244	-	244	1,499
Principal Payments on Capital Leases .....	-	-	(1,487)	(1,487)	(6,405)
Principal Payments on Contracts, Notes and Loans .....	(3,721)	-	-	(3,721)	-
Principal Payments on Revenue Bonds .....	(26,120)	(7,645)	-	(33,765)	-
Interest Paid on Long-Term Debt .....	(56,713)	(12,871)	(152)	(69,736)	(673)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>(173,670)</b>	<b>(114,275)</b>	<b>(4,945)</b>	<b>(292,890)</b>	<b>(13,755)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Sales of Investments .....	1,042,220	1,001,754	-	2,043,974	-
Purchases of Investments .....	(1,004,341)	(947,317)	-	(1,951,658)	-
Interest Received on Investments .....	5,984	6,290	2,133	14,407	1,099
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES .....</b>	<b>43,863</b>	<b>60,727</b>	<b>2,133</b>	<b>106,723</b>	<b>1,099</b>
Net (Decrease) Increase in Cash and Cash Equivalents .....	(43,768)	(22,952)	12,590	(54,130)	13,501
Cash and Cash Equivalents at Beginning of Year .....	218,531	144,314	101,117	463,962	82,242
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<b>\$ 174,763</b>	<b>\$ 121,362</b>	<b>\$ 113,707</b>	<b>\$ 409,832</b>	<b>\$ 95,743</b>
<b>Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Assets:</b>					
Cash and Investments .....	\$ 174,763	\$ 117,892	\$ 84,500	\$ 377,155	\$ 95,615
Cash & Investments in Trust Funds .....	21,062	87,070	29,207	137,339	128
Less Investments not meeting the definition of cash equivalents .....	(21,062)	(83,600)	-	(104,662)	-
<b>Total Cash and Cash Equivalents at End of Year .....</b>	<b>\$ 174,763</b>	<b>\$ 121,362</b>	<b>\$ 113,707</b>	<b>\$ 409,832</b>	<b>\$ 95,743</b>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</b>					
Operating Income (Loss) .....	\$ 11,927	\$ 6,098	\$ 4,203	\$ 22,228	\$ (4,165)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:					
Depreciation .....	74,863	27,277	9,177	111,317	18,265
Changes in Assets and Liabilities:					
(Increase) Decrease in Receivables:					
Accounts - Net .....	(8,506)	(10,308)	(1,253)	(20,067)	(1,126)
Claims - Net .....	-	-	-	-	29
From Other Funds .....	-	-	(469)	(469)	-
(Increase) Decrease in Inventories and Inventories in Water Storage .....	-	1,742	4	1,746	105
(Increase) Decrease in Prepaid Expenses .....	6	11	(27)	(10)	95
Increase (Decrease) in Accounts Payable .....	(4,251)	(1,321)	477	(5,095)	2,645
Increase (Decrease) in Advances .....	-	-	-	-	24
Increase (Decrease) in Accrued Wages and Benefits .....	579	493	682	1,754	1,096
Increase (Decrease) in Other Accrued Liabilities .....	-	-	(3,510)	(3,510)	-
Increase (Decrease) in Liability Claims .....	1,891	(181)	-	1,710	15,452
Increase (Decrease) in Compensated Absences .....	279	258	373	910	97
Increase (Decrease) in Due to Other Funds .....	-	-	(69)	(69)	-
Increase (Decrease) in Due to Other Agencies .....	656	290	7	953	-
Increase (Decrease) in Unearned Revenue .....	(6)	811	972	1,777	(16)
Increase (Decrease) in Contract Deposits .....	179	(36)	(4)	139	-
Increase (Decrease) in Arbitrage Liability .....	9	(17)	-	(8)	-
Increase (Decrease) in Net Pension Obligation .....	2,245	1,761	2,215	6,221	1,171
Increase (Decrease) in Estimated Landfill Closure and Postclosure Care .....	-	-	986	986	-
Other Nonoperating Revenue (Expenses) .....	7,394	32	1,381	8,807	183
Total Adjustments .....	75,338	20,812	10,942	107,092	38,020
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	<b>\$ 87,265</b>	<b>\$ 26,910</b>	<b>\$ 15,145</b>	<b>\$ 129,320</b>	<b>\$ 33,855</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>					
Capital Leases .....	\$ -	\$ -	\$ -	\$ -	\$ 7,228
Developer Contributed Assets .....	2,597	19,950	-	22,547	-
Decrease in Capital Assets related Accounts Payable .....	(5,211)	(630)	-	(5,841)	-
Change in Fair Value of Investments .....	-	(250)	-	(250)	-

The accompanying notes are an integral part of the financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2005**  
**(In Thousands)**

	Pension Trust	Investment Trust Fund	Agency
<b>ASSETS</b>			
Cash or Equity in Pooled Cash and Investments .....	\$ 2,648	\$ 13,159	\$ 29,727
Cash with Custodian/Fiscal Agent .....	438,782	-	-
Investments at Fair Value:			
Short Term Investments .....	148,312	-	-
Domestic Fixed Income Securities (Bonds) .....	650,394	-	-
International Fixed Income Securities (Bonds) .....	166,572	-	-
Domestic Equity Securities (Stocks) .....	1,408,072	-	-
International Equity Securities (Stocks) .....	580,215	-	-
Mortgages .....	9	-	-
Real Estate Equity and Real Estate Securities .....	317,941	-	-
Defined Contribution Investments (Collective Funds & Mutual Funds).....	584,017	-	-
Receivables:			
Accounts - Net .....	-	-	72
Contributions .....	39,356	-	-
Accrued Interest .....	12,478	94	10
Accrued Taxes - Net .....	-	-	3
Loans .....	25,096	-	-
Securities Sold .....	85,819	-	-
Securities Lending Collateral .....	434,364	-	-
Restricted Cash and Investments .....	-	-	24,752
Capital Assets - Depreciable .....	141	-	-
<b>TOTAL ASSETS</b> .....	<b>4,894,216</b>	<b>13,253</b>	<b>54,564</b>
<b>LIABILITIES</b>			
Accounts Payable .....	4,308	-	-
Accrued Wages and Benefits .....	703	-	-
Due to Component Unit .....	-	-	2,869
Deposits/Advances from Others .....	-	-	15,628
Sundry Trust Liabilities .....	-	-	36,067
DROP Liabilities .....	228,511	-	-
Net Pension Obligation .....	600	-	-
Securities Lending Obligations.....	434,364	-	-
Securities Purchased .....	161,568	-	-
<b>TOTAL LIABILITIES</b> .....	<b>830,054</b>	<b>-</b>	<b>\$ 54,564</b>
<b>NET ASSETS</b>			
Held in Trust for Pension Benefits and Other Purposes .....	4,064,162	-	
Held in Trust for Pooled Participants .....	-	13,253	
<b>TOTAL NET ASSETS</b> .....	<b>\$ 4,064,162</b>	<b>\$ 13,253</b>	

The accompanying notes are an integral part of the financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Year Ended June 30, 2005**  
**(In Thousands)**

	<u>Pension Trust</u>	<u>Investment Trust</u>	<u>Total</u>
<b>ADDITIONS</b>			
Employer Contributions .....	\$ 210,970	\$ -	\$ 210,970
Employee Contributions .....	120,339	-	120,339
Beneficiary Contributions .....	5,978	-	5,978
Contributions to Pooled Investments .....	-	19,682	19,682
Earnings on Investments:			
Investment Income .....	399,150	315	399,465
Investment Expense .....	(16,331)	-	(16,331)
Net Investment Income .....	<u>382,819</u>	<u>315</u>	<u>383,134</u>
Securities Lending:			
Gross Earnings .....	8,045	-	8,045
Borrow Rebates .....	(6,815)	-	(6,815)
Administrative Expenses (Lending Agent) .....	(332)	-	(332)
Net Securities Lending Income .....	<u>898</u>	<u>-</u>	<u>898</u>
<b>TOTAL OPERATING ADDITIONS .....</b>	<u>721,004</u>	<u>19,997</u>	<u>741,001</u>
<b>DEDUCTIONS</b>			
DROP Interest Expense .....	16,520	-	16,520
Benefit and Claim Payments .....	297,382	-	297,382
Distributions from Pooled Investments .....	-	19,412	19,412
Administration .....	11,960	-	11,960
<b>TOTAL OPERATING DEDUCTIONS .....</b>	<u>325,862</u>	<u>19,412</u>	<u>345,274</u>
<b>CHANGE IN NET ASSETS .....</b>	395,142	585	395,727
Net Assets at Beginning of Year .....	<u>3,669,020</u>	<u>12,668</u>	<u>3,681,688</u>
<b>NET ASSETS AT END OF YEAR .....</b>	<u>\$ 4,064,162</u>	<u>\$ 13,253</u>	<u>\$ 4,077,415</u>

The accompanying notes are an integral part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2005****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 by vote during the November 2004 election and took effect in January 2006. During the period reported, the City was governed by an elected nine member City Council, including the Mayor. Residents of the City are provided with a wide range of services including parks, recreation, police, fire, water and sewer services.

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. Component units should be included in the reporting entity financial statements using the blending method if either of the following criteria are 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
- 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
- Community Facility and Other Special Assessment Districts

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. CCDC’s budget and governing board are approved by the City Council 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, 225 Broadway, Suite 1100, San Diego, California 92101.
- The City of San Diego/Metropolitan Transit Development Board Authority (The “MTDB Authority”) is a financing authority which was established in 1988 and acquires and constructs mass transit guideways, public transit systems, and related transportation facilities primarily benefiting the residents of the City of San Diego. The City appoints two Council members to the governing board and the MTDB Authority appoints one. 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 Auditor and Comptroller, 202 C Street, San Diego, California 92101.
- The Convention Center Expansion Financing Authority (The “CCEFA”) was established in 1996 to acquire and construct the expansion to the existing convention center. During the period reported, the governing board was administered by the Mayor, the City Manager, the District Director and a member of the Board of District Commissioners. The CCEFA provides services which primarily benefit the primary government. The CCEFA is reported as a governmental fund. Financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.
- The Public Facilities Financing Authority (The “PFFA”) was established in 1991 and currently acquires and constructs public capital improvements. PFFA is governed by a five member board appointed by the primary government. PFFA provides services exclusively to the primary government. Financing for governmental funds is reported as a governmental activity and financing for business-type funds is reported as a business-type activity. Financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.
- The Redevelopment Agency (The “RDA”) of the City of San Diego 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 and the RDA is reported as a governmental fund. Complete stand-alone financial statements can be requested from the Office of the City Auditor and 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 (The “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 City Council appoints two of the three members of the governing board and services are exclusively to the primary government. Financing for governmental funds is reported as a governmental activity and financing for proprietary funds is reported as a business-type activity. Financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.

- The San Diego Industrial Development Authority (The "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. The SDIDA is reported as a governmental fund. Financial statements can be requested from the Office of the City Auditor and Comptroller, 202 C Street, San Diego, California 92101.
- The San Diego Open Space Park Facilities District #1 (The "SDOSPF") 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. The SDOSPF is reported as a governmental fund. Financial statements can be requested from the Office of the City Auditor and 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 provide redevelopment advisory services to the Redevelopment Agency of the City of San Diego. SEDC's governing board is appointed by the City Council and services are provided either to the City or on behalf of the City. 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 provides retirement, health insurance, disability, and death benefits. Currently, SDCERS also administers the Unified Port District 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 City maintains various Community Facility, 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's governing body. Among its duties, it approves the special districts budgets, parcel fees, special assessments, and special taxes. The special districts are reported in governmental fund types.

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. On July 1, 1993, SDCCC assumed similar responsibility for the San Diego Concourse. The City is a



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. Government-Wide and Fund Financial Statements

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 are 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.

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 government-wide 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.

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, charges for services, 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.

**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, other governmental units, and/or other funds, 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:

General Fund - 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:

Sewer Utility Fund - 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.

Water Utility Fund - 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 City Employees' Retirement System, the Supplemental Pension Savings Plan, 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, 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 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 rise 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 this date 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 3% of the outstanding balance which reflects historical collections.

e. Cash and Investments

The City's cash and cash equivalents for statement of cash flow 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 market 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 90 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 market 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 is equal to the fair market 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 expressly stated in the resolutions creating individual funds. During the fiscal year ended June 30, 2005, approximately \$1,600 of interest was assigned from various funds to the General Fund. These transactions caused an increase to the "transfers from" amount for the General Fund and caused a like increase to the "transfer to" amount for the fund disbursing the interest. In the case of negative interest, these transactions caused an increase to the "transfers from" amount for the fund transferring the negative interest and caused a like increase to the "transfer to" 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*. Deposit and investment risks are disclosed in Note 3 of the notes to

the financial statements in accordance with GASB 40, *Deposit and Investment Risk Disclosures*. GASB 40 was implemented to communicate deposit and investment risks to financial statement users. Common risk disclosures include interest rate risk, credit risk, concentration of credit risk, and foreign currency risk. The provisions of GASB 40 are effective for financial statement periods beginning after June 15, 2004. Note 3 also contains additional information on permissible investments per the City investment policy and other policies applicable to the cash and investments reported herein.

SDCERS' Board discharges their fiduciary duties in accordance with Article XVI, Section 17 of the California State Constitution and the "Prudent Expert Rule" under the Employee Retirement Income Security Act of 1974 (ERISA). 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 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 the Redevelopment Agency, is reported in the government-wide and fund financial statements at the lower of cost or net realizable value. In the governmental fund financial statements, fund balances are reserved in an amount equal to the carrying value of land held for resale, with the exception of an interfund payable due to the water utility fund of \$1,327, because such assets are not available to finance the Redevelopment Agency's current operations.

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 yield 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.

Depreciable Capital Assets, which include structures and improvements, equipment, distribution and collection systems, and infrastructure, are reported in the applicable governmental or business-type activities column in the government-wide financial statements, net of accumulated depreciation. 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 expenses incurred during the construction phase of business-type capital assets are reflected in the capitalized value of the asset constructed. During fiscal year 2005, \$20,795 of interest expense incurred was capitalized, which is calculated net of related interest revenue of \$2,832.

Capital assets, when purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market 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 - 25
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. Disposition and Development Agreement

The Redevelopment Agency and McMillin-NTC, LLC entered into a Disposition and Development Agreement, dated June 26, 2000 and a Third Implementation Agreement, dated May 6, 2003, which were executed for the purpose of effectuating the Redevelopment Plan at the Naval Training Center Redevelopment Project in addition to constructing and installing additional infrastructure improvements as required by the City. The developer has agreed to advance the funds needed to pay for infrastructure costs. The Agency has consistently reimbursed for eligible costs as they are billed, therefore, this agreement is not treated as a loan and instead expenditures are recognized as payments are made to the developer and a corresponding capital asset is recorded in the government-wide financial statements.

k. Unearned/Deferred Revenue

In the government-wide and all fund level financial statements, unearned revenue represents revenues 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.

l. 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 also one interfund loan between the Capital Outlay Fund and the Water Utility Fund, for a land acquisition, which is reported as an Interfund Loan Receivable/Payable and included in Internal Balances.

**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.

m. 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.

n. Sundry Trust Liabilities

Under approval of certain agreements, developers submit to the Redevelopment Agency 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 the Redevelopment Agency. 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 the Redevelopment Agency.

o. 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.

In addition, sick leave earned through August 1981 by employees hired prior to July 1, 1975 is payable upon separation under the following conditions: (1) 50% of the employee's accrued amount upon retirement or death, or (2) 25% of the employee's accrued amount upon resignation.



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.

p. 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.

q. 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 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 a permit revenue upon issuance and a corresponding capital asset is recorded in the government-wide financial statements.

r. Net Assets

In the government-wide and proprietary fund 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.
- 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.

s. 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 appropriate 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.

t. Reserves

City Charter Section 91 titled "General Reserve Fund" was approved by the voters on November 6, 1962. This section



requires 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. In the opinion of the City Attorney, “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; or authorizes temporary loans to any tax-supported fund from any other funds in the treasury pursuant to Section 93, 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 \$31,662, reported within the General Fund column of the CAFR in Undesignated Fund Balance, and the provisions set forth in Charter Sections 92 and 93 for the fiscal year ended June 30, 2005.

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 will create a separate General Reserve Fund in fiscal year 2008, and the general fund reserve monies will be transferred to that separate fund and reported therein in all future financial statements.

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 any unanticipated fluctuations in the Transient Occupancy Tax receipts that could potentially impact timely payment of the lease payments for such liabilities. In addition to the internal rate stabilization reserve, the City may also maintain cash funded Debt Service Reserve Funds or Surety Guarantees with Trustees in accordance with the bond indentures that exist for these liabilities. As of 06/30/05 the following is a schedule of all such rate stabilization reserves and where they are reported in the CAFR:

<b>Rate Stabilization Reserve</b>	<b>CAFR Section</b>	<b>CAFR Column</b>	<b>Amount</b>
Convention Center Expansion	Special Revenue	Transient Occupancy Tax	\$ 6,850,531
Petco Park (PFFA-Ballpark)	Special Revenue	Transient Occupancy Tax	7,520,345
Balboa Park (SDFELC)	Special Revenue	Transient Occupancy Tax	3,286,878
Trolley (MTDB)	Special Revenue	Public Transportation	2,043,591
			<u>\$ 19,701,345</u>

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.

## 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 are 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, and therefore, are either deferred or not reported in the funds." The details of this \$98,479 difference are as follows:

Deferred Charges, net, July 1, 2004	\$ 19,132
Issuance Costs	2,479
Amortization Expense	<u>(742)</u>
Deferred Charges, net, June 30, 2005	<u>20,869</u>
Deferred Revenue:	
Taxes Receivable	10,471
Sales Taxes Receivable	4,774
Motor Vehicle License Receivable	485
Special Assessments Receivable	1,716
Tobacco Receipts	4,667
Notes Receivable	6,837
Grants and Other Receivables	<u>48,660</u>
Deferred Revenue, net, June 30, 2005	<u>77,610</u>
Net Adjustment to increase Total Fund Balances - Governmental Funds to arrive at Total Net Assets of Governmental Activities	<u>\$ 98,479</u>

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 (\$1,574,001) difference are as follows:

Interest Accrued on Long-Term Debt	\$ (21,604)
Compensated Absences	(67,843)
Capital Leases Payable	(13,851)
Contracts Payable	(1,715)
Notes Payable	(7,924)
Loans Payable	(5,187)
Section 108 Loans Payable	(42,858)
SANDAG Loans Payable	(13,979)
Net Bonds Payable	(1,140,509)
Accretion of Interest on Capital Appreciation Bonds	(7,463)
Net Pension Obligation	<u>(251,068)</u>
Net adjustment to decrease Total Fund Balances - Governmental Funds to arrive at Total Net Assets - Governmental Activities	<u>\$ (1,574,001)</u>

- 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 \$135,885 difference are as follows:

Capital Projects	\$	175,493
Other Capital Activities		75,858
Depreciation Expense		<u>(115,466)</u>
Net adjustment to increase Net Changes in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	\$	<u>135,885</u>

Another element of the reconciliation states “The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to increase net assets.” The details of this \$7,791 are as follows:

In the Statement of Activities, only the loss on the sale of capital assets 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 cost of the capital assets sold.	\$	(32)
Donations and transfers of capital assets increase net assets in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.		170
The Statement of Activities reports losses arising from the retirement of existing capital assets. Conversely, governmental funds do not report any gain or loss on retirements of capital assets.		<u>7,653</u>
Net adjustment to increase Net Change in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	\$	<u>7,791</u>

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 (\$46,455) difference are as follows:

Debt Issued or Incurred:	
Capital Leases	\$ (3,258)
Notes Payable	(2,100)
Loans Payable	(3,335)
Tax Allocation Bonds	(147,725)
Principal Repayments:	
Capital Leases	4,051
Notes Payable	174
Loans Payable	3,013
Section 108 Loans	2,059
SANDAG Loans	5,323
G.O. Bonds	31,245
Revenue Bonds	20,335
Special Assessment Bonds/Special Tax Bonds	3,240
Tax Allocation Bonds	7,018
Refundings:	
Tax Allocation Bonds	<u>33,505</u>
Net adjustment to decrease Net Changes in Fund Balances -	
Total Governmental Funds to arrive at Changes in Net	
Assets of Governmental Activities	<u>\$ (46,455)</u>

Another element of the reconciliation states that "Certain expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension obligation, employee offset liability, amortization of bond premiums and discounts) and therefore are not accrued as expenses in governmental funds." The details of this (\$58,354) difference are as follows:

Compensated Absences	\$ (2,464)
Net Pension Obligation	(50,263)
Arbitrage Liability	262
Accrued Interest	(2,641)
Current Year Premiums/Discounts and Interest Accretion	
Less Amortization of Bond Premiums	(4,985)
Issuance Costs Less Current Year Amortization	<u>1,737</u>
Net adjustment to decrease Net Changes in Fund Balances -	
Total Governmental Funds to arrive at Changes in Net	
Assets of Governmental Activities	<u>\$ (58,354)</u>

### 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 & Cash or Equity in Pooled Cash & Investments	\$ 824,870	\$ 415,927	\$ 68,218	\$ 1,309,015	\$ 2,174	\$ 1,311,189
Cash & Investments with Fiscal Agent	126,134	71,492	583,911	781,537	438,782	1,220,319
Investments at Fair Value	103,777	33,169	-	136,946	3,271,515	3,408,461
Securities Lending Collateral	-	-	-	-	434,364	434,364
<b>TOTAL</b>	<b>\$ 1,054,781</b>	<b>\$ 520,588</b>	<b>\$ 652,129</b>	<b>\$ 2,227,498</b>	<b>\$ 4,146,835</b>	<b>\$ 6,374,333</b>

#### a. Cash & Cash or Equity in Pooled Cash & Investments

Cash & Cash or Equity in Pooled Cash & 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 balance 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 & Cash or Equity in Pooled Cash & Investments.

The following represents a summary of the items included in the Cash & Cash or Equity in Pooled Cash & Investments line item:

Cash on Hand	\$ 210
Cash Deposits	(6,967)
Deposits Held in Escrow Accounts	24,751
Pooled Investments in the City Treasury	1,293,195
<b>Total Cash &amp; Cash or Equity in Pooled Cash &amp; Investments</b>	<b>\$ 1,311,189</b>

A summary of the investments held by the City Treasurer's investment pool as of June 30, 2005 is as follows:

Investment	Fair Value	Cost	Interest Rate % Range	Maturity Range
US Treasury Notes & Bonds	\$ 463,003	\$ 464,255	1.625-4.00	11/30/2005 - 6/15/2010
Commercial Paper	104,998	104,755	3.03-3.39	* 7/1/2005 - 9/1/2005
Corporate Notes & Bonds	63,042	64,320	2.49-7.625	8/1/2005 - 3/4/2008
Repurchase Agreements	12,888	12,888	3.3	* 7/1/2005
Bank Notes	9,874	9,939	2.5-4.125	11/1/2006 - 3/10/2008
US Agency Notes & Bonds	616,818	617,921	1.5-5.5	8/26/2005 - 4/6/2010
Mortgage Backed Securities	1,544	1,609	4.5	3/1/2008
LAIF - City of San Diego	21,028	21,075	2.35	** N/A
	<u>\$ 1,293,195</u>	<u>\$ 1,296,762</u>		

\* Discount Rates

\*\* LAIF - Fair Value is adjusted to account for LAIF factor, not included in Sungard

The following represents a condensed statement of net assets and changes in net assets for the City Treasurer's investment pool as of June 30, 2005:

Statement of Net Assets

Investments of Pool Participants	<u>\$ 1,293,195</u>
Equity of Internal Pool Participants	\$ 1,280,036
Equity of External Pool Participants (SanGIS, ARJIS & AVA) **	13,159
Total Equity	<u>\$ 1,293,195</u>

\*\*Voluntary Participation

Statement of Changes in Net Assets

Net Assets Held for Pool Participants at July 1, 2004	\$ 1,262,328
Net Change in Investments by Pool Participants	30,867
Total Net Assets Held for Pool Participants at June 30, 2005	<u>\$ 1,293,195</u>

b. Cash & Investments with Fiscal Agents

Cash & 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. The San Diego City Employees' Retirement System (SDCERS) portion of Cash & 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 is 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), 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 Fund).

d. Securities Lending Collateral (SDCERS Only)

SDCERS has agreed with a fiscal agent, currently SDCERS' custodial bank, to lend domestic and international equity and domestic and international fixed income securities to broker-dealers and banks in exchange for pledged collateral. A simultaneous agreement is entered into by which the fiscal agent agrees to return the collateral plus a fee to the borrower in the future for return of the same securities originally lent. All securities loans can be terminated on demand by either party, the lender or borrower. The maximum amount of a loan on any individual security is 95%. This enables SDCERS to still be notified of corporate actions such as proxy voting actions, stock splits, or dividends.

The fiscal agent received cash (United States and foreign currency), securities issued or guaranteed by the United States government, sovereign debt rated A or better, Canadian provincial debt, convertible bonds, and irrevocable letters of credit as collateral. Borrowers were required to deliver collateral for each loan equal to: (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 101.5% of the market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 104.5% of the market value of the loaned securities.

SDCERS had limited credit risk exposure to borrowers because the amounts provided to the fiscal agent on behalf of SDCERS, in the form of collateral plus accrued interest, exceeded the amounts broker-dealers and banks owed to the fiscal agent on behalf of SDCERS for securities borrowed. The fiscal agent will indemnify SDCERS by agreeing to purchase replacement securities or return cash collateral in the event borrower failed to return a loaned security or pay distributions thereon. 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.

The SDCERS securities lending transactions collateralized by cash as of June 30, 2005 had a fair value of \$421,756 and a collateral value of \$434,364, which were reported in the assets and liabilities in the statement of plan net assets for the City Employees' Retirement System in accordance with GASB Statement No. 28. The securities lending transactions collateralized by securities or irrevocable letters of credit had a fair value of \$2,368 and a collateral value of \$2,402, which were not reported in the assets or liabilities in the accompanying statement of fiduciary net assets for the City Employees' Retirement System per GASB Statement No. 28. The total collateral pledged to SDCERS at fiscal year end for its securities lending activities was \$436,766.

The cash collateral received on each loan was invested by SDCERS fiscal agent, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. As of June 30, 2005, such investment pool had an average duration of 40 days and an average weighted maturity of 410 days.

SDCERS may encounter various risks related to securities lending agreements. However, the fiscal agent 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.

e. Investment Policy

**City Treasurer's Investment Policy**

In accordance with the Charter §45 of the City of San Diego 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's Investment Policy (the "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.

The Policy is reviewed annually by the Investment Advisory Committee (IAC) which makes recommendations regarding the Policy to the City Council. 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.

In reviewing the Policy, 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 CGC authorizes the City to invest pooled funds in the following investments:

Investment Type	Maximum Maturity (1)	Maximum Percentage of Portfolio	Maximum Percentage with One Issuer	Minimum Rating
US Treasury Obligations (bills, bonds, or notes)	5 years	None	None	None
US Agencies	5 years	None	None	None
Bankers' Acceptances	180 days	40%	30%	None
Commercial Paper	270 days	25%	None	P1
Negotiable Certificates	5 years	30%	None	None
Repurchase Agreements	1 year	None	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None	None
Local Agency Investment Fund	N/A	None	None	None
Non-Negotiable Time Deposits	5 years	None	None	None
Medium Term Notes/Bonds	5 years	30%	None	A
Mutual Funds	N/A	20%	10%	None
Notes, Bonds, or Other Obligations	5 years	None	None	None
Mortgage Pass-Through Securities	5 years	20%	None	AA
Financial Futures	N/A	None	None	None

Footnotes:

(1) In the absence of a specified maximum, the maximum is 5 years.



Within the context of CGC limitations, the following investments are authorized and further limited by the City's policy:

Investment Type	Maximum Maturity (1)	Maximum Percentage of Portfolio	Maximum Percentage with One Issuer	Minimum Rating
US Treasury Obligations (bills, bonds, or notes)	5 years	None	None	None
US Agencies	5 years	(2)	(2)	None
Bankers' Acceptances	180 days	40%	10%	(3)
Commercial Paper	270 days	25%	10%	P1
Negotiable Certificates	5 years	30%	10%	(3)
Repurchase Agreements	1 year	None	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None	None
Local Agency Investment Fund	N/A	None	None	None
Non-Negotiable Time Deposits	5 years	25%	10%	None
Medium Term Notes/Bonds	5 years	30%	10%	A
Mutual Funds	N/A	5%	None	None
Notes, Bonds, or Other Obligations	5 years	None	None	AA
Mortgage Pass-Through Securities	5 years	None	None	AAA
Financial Futures (4)	None	None	None	None

Footnotes:

- (1) In the absence of a specified maximum, the maximum is 5 years. City Council must approve any investments with maturities greater than 5 years before purchase.
- (2) The Prudent Investor Rule applies.
- (3) Credit and maturity criteria must be in accordance with California Government Code 53601 per Section X of the Policy.
- (4) Financial futures transactions would be purchased only to hedge against changes in market conditions for the reinvestment of bond proceeds.

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. Exceptions to this rule can be made only upon written authorization of the City Treasurer.

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 "base value" of the pooled portfolio may be invested in structured notes.

The types of investments listed below are additionally restricted as to percentage of the cost value of the portfolio in any one issuer name up to a maximum of 5%. The total cost value invested in any one issuer name will not exceed 5% of an issuer's net worth. An additional 5% or a total of 10%, of the cost value of the portfolio in any one issuer name can be authorized upon written approval of the City Treasurer.

- Bankers' Acceptances
- Commercial Paper
- Medium Term Corporate Notes/Bonds
- Negotiable and Non-negotiable Certificates of Deposit

Ineligible investments include, but are not limited to, common stocks and long-term corporate notes/bonds, are prohibited from use in the portfolio. A copy of the investment Policy can be requested from the City Treasurer, 1200 3rd Avenue, Suite 1624, San Diego, CA 92101.

### **San Diego City Employees' Retirement System 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 the Charter of the City. The Board is authorized to invest in any securities that are allowed by general law for savings banks. The Board can also invest in additional investments as approved by resolution of the San Diego City Council. SDCERS investments include, but are not limited to, bonds, notes and other obligations, real estate investments, repurchase agreements, common stock, preferred stock and pooled vehicles. Additionally, investment policies permit the pension trust fund to invest in financial futures contracts and non-marketable real estate investments. Financial futures contracts, which are recorded at fair value, are not hedges of existing assets, and changes in the market value of the contract result in recognition of a gain or loss. Non-marketable real estate investments are periodically appraised by independent third party appraisers. Investment earnings from the pension trust fund are accounted for in accordance with GASB 25.

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.

### **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 the 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 1624, San Diego, CA 92101. Additionally, the City and its component units have funds invested in accordance with various bond indenture and trustee agreements.

f. Interest Rate Risk – City of San Diego (excluding San Diego City Employees' Retirement System)

Interest rate risk is the risk that increases in interest rates will adversely affect the fair value of an investment. Information about the sensitivity of the fair value of the City's investments to market interest rate fluctuations is provided by the following table.

As of June 30, 2005, the City's investments (in thousands) by maturity are as follows:

	Years				Fair Value (In Thousands)
	Under 1	1-3	3-5	Over 5	
<u>Pooled Investments with City Treasurer:</u>					
US Treasury Notes	\$ 74,342	\$ 308,761	\$ 79,900	\$ -	\$ 463,003
US Agencies - Federal Farm Credit Bank	-	46,696	4,925	-	51,621
US Agencies - Federal Home Loan Bank	84,765	58,774	-	-	143,539
US Agencies - Federal Home Loan Mortgage Corporation	207,945	20,057	-	-	228,002
US Agencies - Federal National Mortgage Association	133,507	29,949	30,200	-	193,656
Bank Notes	-	9,874	-	-	9,874
Corporate Bonds and Notes	22,644	40,398	-	-	63,042
Commercial paper	104,998	-	-	-	104,998
Mortgage Backed Securities	-	1,544	-	-	1,544
Repurchase Agreement	12,888	-	-	-	12,888
State Local Agency Investment Fund	21,028	-	-	-	21,028
	<u>662,117</u>	<u>516,053</u>	<u>115,025</u>	<u>-</u>	<u>1,293,195</u>
<u>Non-Pooled Investments with City Treasurer:</u>					
US Treasury Notes	14,962	-	-	-	14,962
US Agencies - Federal Home Loan Bank	10,658	-	-	-	10,658
US Agencies - Federal Home Loan Mortgage Corporation	74,429	-	-	-	74,429
US Agencies - Federal National Mortgage Association	4,082	-	-	-	4,082
Commercial Paper	12,409	-	-	-	12,409
Repurchase Agreements	7,190	-	-	-	7,190
	<u>123,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,730</u>
<u>Investments with Fiscal Agent, Funds Commission, and Other Investments:</u>					
US Treasury Bills	17,118	-	-	-	17,118
US Treasury Notes and Bonds	19,969	4,967	606	512	26,054
US Agencies - Federal Farm Credit Bank	-	2,568	-	-	2,568
US Agencies - Federal Home Loan Bank	7,530	21,721	1,471	-	30,722
US Agencies - Federal Home Loan Mortgage Corporation	363	-	-	-	363
US Agencies - Federal National Mortgage Association	27,434	-	91	-	27,525
Corporate Bonds and Notes	384	501	393	1,424	2,702
Government Mortgage Backed Securities	-	-	-	98	98
Commercial Mortgage Backed Securities	-	-	-	130	130
Asset Backed Securities	-	-	218	-	218
Guaranteed Investment Contracts	20,507	-	-	4,518	25,025
Common Stock - Equity	3,086	-	-	-	3,086
Mutual Funds - Blended	39,865	-	-	-	39,865
Mutual Funds - Equity	234,686	-	-	-	234,686
Mutual Funds - Fixed	313,431	-	-	-	313,431
Money Market Mutual Funds	71,162	-	-	-	71,162
	<u>755,535</u>	<u>29,757</u>	<u>2,779</u>	<u>6,682</u>	<u>794,753</u>
Total Investments	<u>\$ 1,541,382</u>	<u>\$ 545,810</u>	<u>\$ 117,804</u>	<u>\$ 6,682</u>	2,211,678
Total Deposits					17,784
Total Cash on Hand					210
Total Investments, Deposits, and Cash on Hand (Includes SDCERS Pooled Cash & Investments with the City - \$2,174)					<u>\$ 2,229,672</u>

g. Interest Rate Risk – San Diego City Employees' Retirement System

SDCERS' fixed income portfolios use duration to measure how interest rates will affect the value of the portfolio. The following tables identify durations for SDCERS' two U.S. fixed income portfolios and single non-U.S. fixed income portfolio, based on holdings as of June 30, 2005.

SDCERS' U.S. convertible bond portfolio is not subject to interest rate risk because convertible bonds are usually positively correlated to interest rate movements compared to other fixed income securities.

**Portfolio Duration Analysis****U.S. Fixed Income Portfolio (with tactical discretion to invest in non-U.S. fixed income securities)****As of June 30, 2005**

	Market Value (in thousands)	Duration (in years)	Duration Contribution to Portfolio (in years)	Percent Duration of Portfolio	Percent of Market Value
Securitized:					
Asset Backed Securities	\$ 3,557	2.5	0.02	0.6%	1.0%
Credit Obligations:					
Corporate Bonds	8,829	1.42	0.03	0.9%	2.4%
High Yield	5,628	3.97	0.06	1.6%	1.6%
Municipal Bonds	4,199	16.68	0.19	4.9%	1.2%
U.S. Government & Agency:					
U.S. Treasuries	35,988	9.21	0.92	23.1%	10.0%
U.S. Agencies	9,446	3.2	0.08	2.1%	2.6%
International Government:					
Sovereign & Yankee Bonds	28,341	10.22	0.81	20.2%	7.9%
Emerging Markets	9,290	5.11	0.13	3.3%	2.6%
CMO:					
Mortgages	147,085	2.47	1.01	25.1%	40.9%
Collateralized Mortgage Obligations	12,091	3.87	0.13	3.3%	3.3%
Short-Term/Other:					
Miscellaneous	8,046	2.14	0.05	1.2%	2.2%
Cash/Cash Equivalents	87,351	2.25	0.55	13.7%	24.3%
<b>Total Portfolio</b>	<b>\$ 359,851</b>		<b>3.98</b>	<b>100.0%</b>	<b>100.0%</b>

The above portfolio is restricted to a duration of +/- 2 years from that of the effective duration of the Lehman Brothers Bond index.

\*Source: SDCERS' CAFR as of June 30, 2005

**Portfolio Duration Analysis**  
**U.S. Fixed Income Portfolio**  
**As of June 30, 2005**

	Market Value (In Thousands)	Effective Duration	Benchmark Duration	Difference
Governments	\$ 83,935	5.83	4.81	1.02
Corporates	90,800	5.34	5.99	(0.65)
MBS	144,889	2.31	2.44	(0.13)
ABS	30,285	0.94	2.63	(1.69)
Cash Equivalents	12,385	0.06	0.00	0.06
Totals	<u>\$ 362,294</u>	<u>3.69</u>	<u>4.16</u>	<u>(0.47)</u>

The above portfolio is restricted to a duration of +/- 1 year from that of the effective duration of the the Lehman Brothers Bond index.

**Portfolio Duration Analysis**  
**Non-U.S. Fixed Income Portfolio**  
**As of June 30, 2005**

	Market Value (In Thousands)	Effective Duration	Benchmark Duration	Difference
Cash and Forward Foreign Exchange	\$ 6,319	0.00	0.00	0.00
Asset Backed Securities	3,612	5.43	0.00	5.43
Credit Obligations	26,755	4.24	0.00	4.24
U.S. Government and Agency Obligations	-	0.00	0.00	0.00
International Government and Agency	139,584	6.97	6.18	0.79
Collateralized Mortgage Obligations	-	0.00	0.00	0.00
Totals	<u>\$ 176,270</u>	<u>6.28</u>	<u>6.18</u>	<u>0.09</u>

The above portfolio is restricted to an average duration of between .5 and 1.5 times that of the J.P. Morgan Non-U.S. Bond Index.

\*Source: SDCERS' CAFR as of June 30, 2005

**San Diego City Employees' Retirement System**  
**Summary of Cash and Investments**

U.S. Fixed Income Portfolio (with tactical discretion)	\$ 359,851
U.S. Fixed Income Portfolio	362,294
Non-U.S. Fixed Income Portfolio	176,270
Securities Lending Collateral	434,364
Cash and Investments exempt from GASB 40 disclosure	2,811,882
Total Cash and Investments for SDCERS (excluding Pooled Investments with the City)	<u>\$ 4,144,661</u>

h. Credit Risk – City of San Diego (excluding San Diego City Employees' Retirement System)

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. At June 30, 2005, the City's investments and corresponding credit ratings are as follows:

<u>Pooled Investments with City Treasurer:</u>	<u>Moody's Rating</u>	<u>Fair Value</u>	<u>Percentage</u>
US Treasury Notes	Aaa	\$ 463,003	35.79%
US Agencies - Federal Farm Credit Bank	Aaa	51,621	3.99%
US Agencies - Federal Home Loan Bank	Aaa	143,539	11.10%
US Agencies - Federal Home Loan Mortgage Corporation	Aaa	228,002	17.63%
US Agencies - Federal National Mortgage Association	Aaa	193,656	14.98%
Bank Notes	Aa	9,874	0.76%
Corporate Bonds and Notes	Aaa	19,836	1.53%
Corporate Bonds and Notes	Aa	37,192	2.88%
Corporate Bonds and Notes	A	6,014	0.47%
Commercial paper	P1	104,998	8.12%
Mortgage Backed Securities	Not Rated	1,544	0.12%
Repurchase Agreement	Not Rated	12,888	1.00%
State Local Agency Investment Fund	Not Rated	21,028	1.63%
Subtotal - Pooled Investments		<u>1,293,195</u>	<u>100.00%</u>
<u>Non-Pooled Investments with City Treasurer:</u>			
US Treasury Notes	Aaa	14,962	12.09%
US Agencies - Federal Home Loan Bank	Aaa	10,658	8.61%
US Agencies - Federal Home Loan Mortgage Corporation	Aaa	74,429	60.16%
US Agencies - Federal National Mortgage Association	Aaa	4,082	3.30%
Commerical Paper	P1	12,409	10.03%
Repurchase Agreement	Not Rated	7,190	5.81%
Subtotal - Non-Pooled Investments		<u>123,730</u>	<u>100.00%</u>
<u>Investments with Fiscal Agent, Funds Commission, and Other Investments:</u>			
US Treasury Bills	Aaa	17,118	2.15%
US Treasury Notes and Bonds	Aaa	26,054	3.28%
US Agencies - Federal Farm Credit Bank	Aaa	2,568	0.32%
US Agencies - Federal Home Loan Bank	Aaa	23,192	2.92%
US Agencies - Federal Home Loan Bank	Not Rated	1,692	0.21%
US Agencies - Federal Home Loan Bank	WR**	5,838	0.73%
US Agencies - Federal Home Loan Mortgage Corporation	WR**	363	0.05%
US Agencies - Federal National Mortgage Association	Aaa	91	0.01%
US Agencies - Federal National Mortgage Association	Not Rated	27,434	3.45%
Corporate Bonds and Notes	Aaa	263	0.03%
Corporate Bonds and Notes	Aa	1,164	0.15%
Corporate Bonds and Notes	A	1,222	0.15%
Corporate Bonds and Notes	Baa	53	0.01%
Commercial Mortgage Backed Securities	Aaa	130	0.02%
Government Mortgage Backed Securities	Not Rated	98	0.01%
Asset Backed Securities	Not Rated	218	0.03%
Guaranteed Investment Contracts	Not Rated	25,025	3.15%
Common Stock - Equity	Not Rated	3,086	0.39%
Mutual Funds - Blended	Not Rated	39,865	5.02%
Mutual Funds - Equity	Not Rated	234,686	29.53%
Mutual Funds - Fixed	Not Rated	313,431	39.43%
Money Market Mutual Funds	Aaa	71,102	8.95%
Money Market Mutual Funds	Not Rated	60	0.01%
Subtotal - Other Investments		<u>794,753</u>	<u>100.00%</u>
Total Investments		2,211,678	
Total Deposits		17,784	
Total Cash on Hand		210	
Total Investments, Deposits, and Cash on Hand*		<u>\$ 2,229,672</u>	

\*(includes SDCERS Pooled Cash & Investments with the City - \$2,174)

\*\*When Moody's no longer rates an obligation on which it previously maintained a rating, the symbol WR is employed.

i. Credit Risk – San Diego City Employees' Retirement System

SDCERS' fixed income portfolios are sensitive to credit risk. The following tables identify the credit quality for SDCERS' two U.S. fixed income portfolios, based on holdings as of June 30, 2005.

**Credit Risk**

**U.S. Fixed Income Portfolio (with tactical discretion to invest in non-U.S. fixed income securities)**

As of June 30, 2005

S&P Quality Rating	Moody's Quality Rating	Total Market Value (in thousands)	Security Types					
			Securitized Obligations	Credit Obligations	U.S. Government & Agency Obligations	International Government	Collateralized Mortgage Obligations	Short-Term/ Other
AAA	Aaa	\$ 209,931	\$ -	\$ -	\$ 41,731	\$ 9,914	\$ 158,286	\$ -
AAA	NA	890	-	-	-	-	890	-
A1	P1	20,439	-	-	-	-	-	20,439
A1+	P1	70,128	-	-	-	-	-	70,128
AA+	Aa2	684	-	395	-	289	-	-
AA	Aa1	(153)	-	-	-	(153)	-	-
AA-	Aa1	392	-	-	-	392	-	-
A+	A1	200	-	-	-	-	-	200
A+	Aa3	1,179	-	-	-	1,179	-	-
A	A2	3,557	3,557	-	-	-	-	-
A-	A2	335	-	335	-	-	-	-
BBB	A3	3,602	-	502	-	-	-	3,100
BBB	Baa3	2,285	-	2,285	-	-	-	-
BBB	Baa1	1,054	-	-	-	1,054	-	-
BBB-	Baa3	6,220	-	1,031	-	5,189	-	-
BB+	Ba1	5,317	-	4,605	-	-	-	712
BB	Baa2	4,033	-	3,215	-	-	-	818
BB	Ba3	1,469	-	-	-	1,469	-	-
BB-	B1	4,799	-	3,221	-	1,578	-	-
B	Caa2	11	-	11	-	-	-	-
B-	Caa1	911	-	911	-	-	-	-
CCC+	Caa1	828	-	828	-	-	-	-
NR	NR	18,037	-	1,317	-	16,720	-	-
NR	AAA	3,703	-	-	3,703	-	-	-
<b>TOTALS</b>		<b>\$ 359,851</b>	<b>\$ 3,557</b>	<b>\$ 18,656</b>	<b>\$ 45,434</b>	<b>\$ 37,631</b>	<b>\$ 159,176</b>	<b>\$ 95,397</b>

Maximum Exposure (except U.S. Treasury/Agency Organization for Economic Co-operation and Development Government Issues)

Issue	3% of portfolio
Issuer	5% of portfolio
Foreign Investments	30% of portfolio
Emerging Market Exposure	10% of portfolio
Foreign Currency Exposure	25% of non-U.S. dollar investments

\*Source: SCDERS' CAFR as of June 30, 2005

**Credit Risk**  
**U.S. Fixed Income Portfolio**  
**As of June 30, 2005**

S&P Quality Rating	Total Market Value (in thousands)	Governments	Corporates	MBS	ABS	Cash Equivalents
UST	\$ 84,087	\$ 80,372	\$ -	\$ 3,715	\$ -	\$ -
AGY	50,881	3,563	-	47,318	-	-
AAA	115,344	-	-	88,223	27,121	-
A+	8,726	-	8,726	-	-	-
A-	15,316	-	15,316	-	-	-
A	2,624	-	1,272	-	1,352	-
BBB+	12,302	-	12,302	-	-	-
BBB	6,104	-	6,104	-	-	-
BBB-	9,886	-	9,886	-	-	-
BB+	10,558	-	10,558	-	-	-
BB	17,034	-	16,592	-	442	-
BB-	7,147	-	7,147	-	-	-
B	2,022	-	2,022	-	-	-
B-	721	-	523	-	198	-
CCC	1,172	-	-	-	1,172	-
NA	18,370	-	352	5,633	-	12,385
<b>TOTALS</b>	<b>\$ 362,294</b>	<b>\$ 83,935</b>	<b>\$ 90,800</b>	<b>\$ 144,889</b>	<b>\$ 30,285</b>	<b>\$ 12,385</b>

Moody's Quality Rating	Total Market Value (in thousands)	Governments	Corporates	MBS	ABS	Cash Equivalents
UST	\$ 84,087	\$ 80,372	\$ -	\$ 3,715	\$ -	\$ -
AGY	50,881	3,563	-	47,318	-	-
Aaa	77,805	-	-	54,550	23,255	-
Aa3	10,078	-	8,726	-	1,352	-
A1	5,582	-	5,582	-	-	-
A2	7,719	-	7,521	-	198	-
Baa1	604	-	604	-	-	-
Baa2	15,569	-	15,569	-	-	-
Baa3	24,911	-	24,911	-	-	-
Ba1	6,126	-	6,126	-	-	-
Ba2	7,734	-	7,292	-	442	-
Ba3	4,482	-	4,482	-	-	-
B1	1,095	-	1,095	-	-	-
B3	4,823	-	4,823	-	-	-
Caa1	1,172	-	-	-	1,172	-
Caa2	2,022	-	2,022	-	-	-
NA	57,604	-	2,047	39,306	3,866	12,385
<b>TOTALS</b>	<b>\$ 362,294</b>	<b>\$ 83,935</b>	<b>\$ 90,800</b>	<b>\$ 144,889</b>	<b>\$ 30,285</b>	<b>\$ 12,385</b>

Maximum Exposure (except U.S. Treasury/Agency)  
Issue 5% of portfolio  
Issuer 5% of portfolio  
Non-Investment Grade 10% of portfolio  
Mortgage backed derivatives 5% of portfolio  
USD Foreign Investments 15% of portfolio  
Foreign Currency Exposure 0% of portfolio

\*Source: SDCERS' CAFR as of June 30, 2005



SDCERS' international fixed income portfolio is limited to a minimum average portfolio quality of A (market value weighted) and a minimum credit quality at the time of purchase of Ba/BB or equivalent by at least one of the major rating services. The following table identifies the credit quality for SDCERS' non-U.S. fixed income portfolio, based on holdings as of June 30, 2005.

**Credit Risk  
Non-U.S. Fixed Income Portfolio  
As of June 30, 2005**

<u>S&amp;P Quality Rating</u>	<u>Total Market Value (in thousands)</u>	<u>Cash &amp; Forward Foreign Exchange</u>	<u>Asset Backed Securities</u>	<u>Credit Obligations</u>	<u>International Government &amp; Agency</u>
AAA	\$ 142,177	\$ 6,319	\$ 3,612	\$ 26,371	\$ 105,875
AA+	7,912	-	-	-	7,912
AA	-	-	-	-	-
AA-	11,741	-	-	-	11,741
A+	-	-	-	-	-
A	-	-	-	-	-
A-	3,316	-	-	384	2,932
BBB+	-	-	-	-	-
BBB	986	-	-	-	986
BBB-	3,930	-	-	-	3,930
BB+	-	-	-	-	-
BB	-	-	-	-	-
BB-	1,019	-	-	-	1,019
B+	4,515	-	-	-	4,515
B	160	-	-	-	160
B-	514	-	-	-	514
CCC	-	-	-	-	-
NA	-	-	-	-	-
TOTALS	<u>\$ 176,270</u>	<u>\$ 6,319</u>	<u>\$ 3,612</u>	<u>\$ 26,755</u>	<u>\$ 139,584</u>

\*Source: SDCERS' CAFR as of June 30, 2005

j. 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, 2005, no single issuer exceeded 5% of City's total investments (including SDCERS). Investments issued explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

k. Custodial Credit Risk**Deposits – City of San Diego (excluding San Diego City Employees' Retirement System)**

At June 30, 2005, the carrying amount of the City's cash deposits was approximately (\$6,967), and the bank balance was approximately \$7,995, the difference of which is substantially due to deposits in transit and outstanding checks. For the balance of cash deposits in financial institutions, approximately \$657 was covered by federal depository insurance and approximately \$7,338 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, \$6,453 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 remaining \$885 is uninsured and uncollateralized and includes the following: approximately \$82 in deposits relating to Emtek Seed Capital Fund, \$674 in deposits relating to San Diego Data Processing Corporation, \$3 in deposits relating to Southeastern Economic Development Corporation, Inc., and \$126 in deposits relating to Centre City Development Corporation, Inc.

The City also has deposits held in escrow accounts with a carrying amount and bank balance of approximately \$24,751. For the balance of deposits in escrow accounts, approximately \$595 was covered by federal depository insurance and approximately \$24,156 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, \$24,156 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.

**Deposits – San Diego City Employees' Retirement System**

SDCERS' is exposed to custodial credit risk for uncollateralized cash and cash equivalents that are not covered by federal depository insurance. At June 30, 2005, the amount of cash and cash equivalents that are not covered by federal depository insurance was \$ 77,628.

**Investments – City of San Diego (excluding San Diego City Employees' Retirement System)**

The City's investments at June 30, 2005 are categorized as described below, including required disclosures for securities lending:

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, 2005, the City's investments at fair value included Category 3 type investments, all of which are within the Cemetery Perpetuity Fund's portfolio with Northern Trust Bank. The following is a summary of the City's investments (in thousands) exposed to custodial credit risk:

<u>Investment Type</u>	<u>Fair Value</u>
US Treasury Notes and Bonds	\$ 1,538
US Agencies	453
Corporate Bonds and Notes	2,702
Commercial Mortgage Backed Securities	130
Government Mortgage Backed Securities	98
Asset Backed Securities	218
Common Stock - Equity	3,086
Total:	<u>\$ 8,225</u>

#### **Investments – San Diego City Employees' Retirement System**

SDCERS' is not exposed to any custodial credit risk related to any investments. As of June 30, 2005, 100% of SDCERS' investments were held in SDCERS' name.

#### I. Restricted Cash and Investments – City of San Diego

Cash and investments at June 30, 2005 that are restricted by legal or contractual requirements are comprised of the following:

<u>Nonmajor Governmental Funds</u>	
Reserved for Debt Service	\$ 106,906
Permanent Endowments	13,885
Total Nonmajor Governmental Funds	<u>120,791</u>
<u>Environmental Services Enterprise Fund</u>	
Funds set aside for landfill site closure and maintenance costs	29,207
Total Environmental Services Enterprise Fund	<u>29,207</u>
<u>Water Enterprise Fund</u>	
Customer deposits	3,321
Interest and redemption funds	50,430
Acquisition funds	33,319
Total Water Enterprise Fund	<u>87,070</u>
<u>Sewer Enterprise Fund</u>	
Interest and redemption funds	21,062
Total Sewer Enterprise Fund	<u>21,062</u>
<u>Internal Service Fund</u>	
San Diego Data Processing Corporation	128
Total Internal Service Fund	<u>128</u>
<u>Miscellaneous Agency Funds</u>	
Retention held in escrow	24,752
Total Miscellaneous Agency Funds	<u>24,752</u>
Total Restricted Cash & Investments	<u>\$ 283,010</u>

Total Cash and Investments Summary:

Total Unrestricted Cash and Investments	\$	6,091,323
Total Restricted Cash and Investments		283,010
Total Cash and Cash or Equity in Pooled Cash & Investments	\$	<u>6,374,333</u>
Total Governmental Activities	\$	1,054,781
Total Business-Type Activities		520,588
Total Fiduciary Activities		4,798,964
Total Cash and Investments	\$	<u>6,374,333</u>

m. Foreign Currency Risk – San Diego City Employees' Retirement System

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' cash and investments (in thousands) held in a foreign currency as of June 30, 2005.

<u>Local Currency Name</u>	<u>Cash</u>	<u>Equity</u>	<u>Fixed income</u>	<u>Other</u>	<u>Total</u>
Australian Pound	\$ -	\$ 1,290	\$ 18,348	\$ -	\$ 19,638
Brazilian Real	-	1,076	-	-	1,076
Canadian Dollar	19	14,492	530	-	15,041
Danish Krone	-	2,796	15,756	-	18,552
Euro Currency	3,563	176,017	64,940	-	244,520
Hong Kong Dollar	5	9,254	-	-	9,259
Israeli Shekel	-	1,328	-	-	1,328
Japanese Yen	1,601	104,723	41,648	-	147,972
Mexican Peso	-	893	-	-	893
New Zealand Dollar	-	2,174	-	-	2,174
Norwegian Krone	-	4,628	10,362	-	14,990
Pound Sterling	76	81,788	10,822	-	92,686
Singapore Dollar	-	11,889	-	242	12,131
South African Rand	-	2,060	-	-	2,060
South Korean Won	-	8,884	2,641	-	11,525
Swedish Krona	-	6,918	963	732	8,613
Swiss Franc	-	36,977	-	-	36,977
Thailand Baht	-	324	-	-	324
TOTALS	<u>\$ 5,264</u>	<u>\$ 467,511</u>	<u>\$ 166,010</u>	<u>\$ 974</u>	<u>\$ 639,759</u>

n. Derivative Instruments - San Diego City Employees' Retirement System

Certain of SDCERS' investment managers may invest in or otherwise enter into transactions involving derivative financial instruments, consistent with the objectives established by the Board's investment policies. 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 portfolio performance and to reduce its risk or volatility. SDCERS could be exposed to credit risk in the event of non-performance by counterparties; however, SDCERS enters into derivative transactions with high-quality institutions, and no losses due to counterparty nonperformance on derivative financial instruments have been incurred. Credit and legal risks are also mitigated through the use of exchange traded contracts on organized exchanges. SDCERS is exposed to market risk, which is the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with investment policy guidelines, through buying or selling instruments or entering into offsetting positions.

The notional (underlying) or contractual amounts of derivatives indicate the extent of SDCERS' involvement in the various types and uses of derivative financial instruments and do not measure the exposure to credit or market risks and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives.

The aggregate notional or contractual amounts for SDCERS' derivative financial instruments at June 30, 2005 were as follows:

Money Market Futures	\$	181,010
Government Bond Futures		22,889
Options		(102)
SWAPS		374

*\*Source: SDCERS' CAFR as of June 30, 2005*

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 (underlying) 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 a 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 were sold and proceeds were 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. On call option contracts, if interest rates remained steady or declined during the option contract periods, the contracts would expire unexercised. By contrast, on 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 nonperformance by counterparties.

o. Discretely Presented Component Units

**San Diego Convention Center Corporation**

***Deposits***

On June 30, 2005, the carrying amount of SDCCC’s deposits was \$4,535 and the bank balance was \$5,410. Of the bank balance, \$200 was covered by federal depository insurance. The remaining balance was uninsured but collateralized by securities held by the financial institutions and are considered to be held in the name of SDCCC.

***Investments***

SDCCC does not have a formal deposit and investment policy that addresses credit quality risk. At June 30, 2005, SDCCC had \$11,490 in investments. The investments were maintained in a money market mutual fund rated AAAm by S&P, Aaa by Moody’s, and AAA by Fitch.

**San Diego Housing Commission**

***Deposits***

On June 30, 2005, the carrying amount of the Commission’s deposits, which includes cash and non-negotiable certificates of deposit, was \$48,541 and the bank balance was \$49,713. All deposits are collateralized and/or insured with securities held by the pledging financial institutions in the Commission’s name. The California Government Code requires California banks and savings and loan associations to secure Commission’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 the Commission’s name.

***Investments***

Policy

The San Diego Housing Commission is empowered by HUD Notice PIH 96-33 to invest HUD funds in the following:

<b>Investment Type</b>
US Treasury Obligations (bills, bonds, or notes)
US Agencies
Local Agency Investment Fund
Demand and Savings Deposits (1)
Money Market Deposit Accounts (1)
Super NOW Accounts (1)
Negotiable Certificates of Deposit (1)
Repurchase/Reverse Repurchase Agreements (2)
Sweep Accounts (1)
Money Market Mutual Funds
Trust Indentures/Contracts
Principal Only Strips

Footnotes:

(1) Deposits in excess of the insured amounts must be 100% collateralized.

(2) Securities purchased under these agreements shall be no less than 102% of the market value.

Source: San Diego Housing Commission Investment Policy

The San Diego Housing Commission is empowered by California Government Code (CGC) Sections 5922 and 53601 et seq. to invest non-HUD funds in the following:

Investment Type
Bonds (issued by the San Diego Housing Commission)
US Treasury Obligations (bills, bonds, or notes)
Registered state warrants, treasury notes/bonds (issued by the State of California)
Local Agency Investment Fund
US Agencies
Bankers' Acceptances (not to exceed 180 days)
Prime Commercial Paper (not to exceed 180 days)
Repurchase/Reverse Repurchase Agreements (2)
Medium Term Notes (rated "A" or better and not to exceed 5 years)
Negotiable Certificates of Deposit (1)
Money Market Mutual Funds
Trust Indentures/Contracts
Collateralized Bank Deposits
Mortgage Pass-Through Securities (not to exceed 5 years)

Footnotes:

- (1) Deposits in excess of the insured amounts must be 100% collateralized.
- (2) Securities purchased under these agreements shall be no less than 102% of the market value.

Source: San Diego Housing Commission Investment Policy

Interest Rate and Credit Risk

As of June 30, 2005, the Housing Commission's investments (in thousands) included the following:

<u>Investment</u>	<u>Maturity</u> <u>Under 1 Year</u>	<u>Moody's</u> <u>Credit Rating</u>	<u>Fair Value</u> <u>(In Thousands)</u>
State Local Agency Investment Fund	\$ 3,509	Not Rated	\$ 3,509
Total Investments - San Diego Housing Commission			<u>\$ 3,509</u>

**4. CAPITAL ASSETS (In Thousands)**

Capital asset activity for the year ended June 30, 2005 was as follows:

	Primary Government				Ending Balance
	Beginning Balance	Increases	Decreases/ Adjustments	Transfers	
<b>GOVERNMENTAL ACTIVITIES:</b>					
Non-Depreciable Capital Assets:					
Land, Easements, Rights of Way	\$ 1,643,517	\$ 53,207	\$ (32)	\$ 112	\$ 1,696,804
Construction in Progress	141,458	155,668	(8,080)	(65,527)	223,519
Total Non-Depreciable Capital Assets	1,784,975	208,875	(8,112)	(65,415)	1,920,323
Depreciable Capital Assets:					
Structures and Improvements	953,463	8,406	14,960	21,723	998,552
Equipment	369,554	27,373	(23,126)	1,947	375,748
Infrastructure	2,715,964	20,135	-	43,696	2,779,795
Total Depreciable Capital Assets	4,038,981	55,914	(8,166)	67,366	4,154,095
Less Accumulated Depreciation For:					
Structures and Improvements	(207,878)	(26,368)	961	(36)	(233,321)
Equipment	(246,167)	(26,250)	22,122	(1,781)	(252,076)
Infrastructure	(1,223,753)	(80,895)	-	36	(1,304,612)
Total Accumulated Depreciation	(1,677,798)	(133,513)	23,083	(1,781)	(1,790,009)
Governmental Activities Capital Assets, Net	\$ 4,146,158	\$ 131,276	\$ 6,805	\$ 170	\$ 4,284,409
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Non-Depreciable Capital Assets:					
Land, Easements, Rights of Way	\$ 85,303	\$ 374	\$ 4	\$ (63)	\$ 85,618
Construction in Progress	461,717	157,966	(14,046)	(109,453)	496,184
Total Non-Depreciable Capital Assets	547,020	158,340	(14,042)	(109,516)	581,802
Depreciable Capital Assets:					
Structures and Improvements	1,463,530	10,102	(13)	3,352	1,476,971
Equipment	289,351	9,346	(586)	13,507	311,618
Distribution & Collection Systems and Other Infrastructure	2,976,441	65,104	(43,575)	90,359	3,088,329
Total Depreciable Capital Assets	4,729,322	84,552	(44,174)	107,218	4,876,918
Less Accumulated Depreciation For:					
Structures and Improvements	(241,642)	(32,546)	-	14,307	(259,881)
Equipment	(162,649)	(24,474)	500	2,393	(184,230)
Distribution & Collection Systems and Other Infrastructure	(454,843)	(54,515)	16,706	(14,572)	(507,224)
Total Accumulated Depreciation	(859,134)	(111,535)	17,206	2,128	(951,335)
Business-Type Activities Capital Assets, Net	\$ 4,417,208	\$ 131,357	\$ (41,010)	\$ (170)	\$ 4,507,385



Governmental Activities capital assets net of accumulated depreciation at June 30, 2005 are comprised of the following:

General Capital Assets, Net	\$ 4,199,247
Internal Service Funds Capital Assets, Net	85,162
Total	<u>\$ 4,284,409</u>

Business-Type Activities capital assets net of accumulated depreciation at June 30, 2005 are comprised of the following:

Enterprise Funds Capital Assets, Net	\$ 4,507,056
Internal Service Funds Capital Assets, Net	329
Total	<u>\$ 4,507,385</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

General Government and Support	\$ 2,746
Public Safety - Police	4,887
Public Safety - Fire and Life Safety	3,644
Parks, Recreation, Culture and Leisure	30,835
Transportation	71,941
Sanitation and Health	701
Neighborhood Services	712
Subtotal	<u>115,466</u>
Internal Service (Except Special Engineering)	<u>18,047</u>
Total Depreciation Expense	<u>\$ 133,513</u>

**Business-Type Activities:**

Airports	\$ 551
City Store	1
Development Services	372
Environmental Services	6,496
Golf Course	664
Recycling	1,093
Sewer Utility	74,863
Water Utility	27,277
Subtotal	<u>111,317</u>
Internal Service (Special Engineering)	<u>218</u>
Total Depreciation Expense	<u>\$ 111,535</u>

**Discretely Presented Component Units**

Capital asset activities for the City's Discretely Presented Component Units for the year ended June 30, 2005 are as follows:

	<b>Discretely Presented Component Unit - San Diego Convention Center Corp.</b>			
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Depreciable Capital Assets:				
Structures and Improvements	\$ 19,730	\$ 1,491	\$ (1,416)	\$ 19,805
Equipment	10,112	359	(1,358)	9,113
Total Depreciable Capital Assets	<u>29,842</u>	<u>1,850</u>	<u>(2,774)</u>	<u>28,918</u>
Less Accumulated Depreciation For:				
Structures and Improvements	(6,721)	(1,313)	495	(7,539)
Equipment	(7,596)	(1,152)	1,379	(7,369)
Total Accumulated Depreciation	<u>(14,317)</u>	<u>(2,465)</u>	<u>1,874</u>	<u>(14,908)</u>
Capital Assets, Net	<u>\$ 15,525</u>	<u>\$ (615)</u>	<u>\$ (900)</u>	<u>\$ 14,010</u>

	<b>Discretely Presented Component Unit - San Diego Housing Commission</b>			
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Non-Depreciable Capital Assets:				
Land, Easements, Rights of Way	\$ 27,798	\$ 3,372	\$ (626)	\$ 30,544
Construction in Progress	7,309	1,328	-	8,637
Total Non-Depreciable Capital Assets	<u>35,107</u>	<u>4,700</u>	<u>(626)</u>	<u>39,181</u>
Depreciable Capital Assets:				
Structures and Improvements	85,002	-	(1,857)	83,145
Equipment	915	35	(35)	915
Total Depreciable Capital Assets	<u>85,917</u>	<u>35</u>	<u>(1,892)</u>	<u>84,060</u>
Less Accumulated Depreciation For:				
Structures and Improvements	(37,450)	(3,184)	995	(39,639)
Equipment	(861)	(36)	35	(862)
Total Accumulated Depreciation	<u>(38,311)</u>	<u>(3,220)</u>	<u>1,030</u>	<u>(40,501)</u>
Capital Assets, Net	<u>\$ 82,713</u>	<u>\$ 1,515</u>	<u>\$ (1,488)</u>	<u>\$ 82,740</u>

## 5. GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES (In Thousands)

### a. Long-Term Liabilities

Governmental long-term liabilities as of June 30, 2005 comprise the following:

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2005</u>
<b>Compensated Absences</b>				\$ 74,387
<b>Liability Claims</b>				218,366
<b>Capital Lease Obligations</b>				30,647
<b><u>Contracts Payable:</u></b>				
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
<b>Total Contracts Payable</b>				<u>1,715</u>
<b><u>Notes Payable:</u></b>				
Note Payable to Wal-Mart, dated June 1998	10.0%	2017	1,308	746
Notes Payable to San Diego Revitalization, dated April 2001	5.0	2032	5,115	5,078
Notes Payable to San Diego Revitalization, dated May 2005	8.0	2025	2,100	2,100
<b>Total Notes Payable</b>				<u>7,924</u>
<b><u>Loans Payable:</u></b>				
International Gateway Associates, LLC, dated October 2001	10.0	2032	1,876	1,852
North Park Theatre, LLC, dated December 2004	variable*	---	3,335	3,335
<b>Total Loans Payable</b>				<u>5,187</u>
<b>San Diego Association of Governments (SANDAG)</b>				
<b>Loans Payable</b>				13,979
<b>Section 108 Loans Payable</b>				42,858
<b><u>General Obligation Bonds:</u></b>				
Public Safety Communications Project, Series 1991	5.0 - 8.0**	2012	25,500	13,010
Open Space Park Refunding Bonds, Series 1994	5.0 - 6.0**	2009	64,260	1,520
<b>Total General Obligation Bonds</b>				<u>14,530</u>
<b><u>Revenue Bonds / Lease Revenue Bonds / COPs:</u></b>				
MTDB Authority Lease Revenue Refunding Bonds, Series 1994	4.25 - 5.625**	2010	66,570	14,890
Public Facilities Financing Authority Stadium Lease Revenue Bonds, Series 1996 A	6.2 - 7.45**	2027	68,425	61,720

(continued on next page)

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2005</u>
San Diego Facilities and Equipment Leasing Corp. Certificates of Participation, Series 1996 A	4.0 - 5.6**	2011	\$ 33,430	\$ 18,070
San Diego Facilities and Equipment Leasing Corp. Certificates of Participation Refunding, Series 1996 B	4.0 - 6.0**	2022	11,720	9,520
Convention Center Expansion Financing Authority Lease Revenue Bonds, Series 1998 A	3.8 - 5.25**	2028	205,000	187,980
Centre City Parking Revenue Bonds, Series 1999 A	4.5 - 6.49**	2026	12,105	11,095
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 A	2.75 - 4.75**	2018	30,515	19,030
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 B	3.5 - 5.10**	2018	7,630	4,725
Public Facilities Financing Authority Ballpark Lease Revenue Bonds, Series 2002	7.15 - 7.7**	2032	169,685	169,685
Public Facilities Financing Authority Fire and Life Safety Lease Revenue Bonds, Series 2002 B	3.55 - 7.0**	2032	25,070	24,235
Centre City Parking Revenue Bonds, Series 2003 B	3.0 - 5.30**	2027	20,515	19,960
MTDB Authority Lease Revenue Refunding Bonds, Series 2003	2.0 - 4.375**	2023	15,255	14,665
San Diego Facilities Equipment Leasing Corp. Certificates of Participation Refunding, Series 2003	1.0 - 4.0**	2024	17,425	15,710
<b>Total Revenue Bonds / Lease Revenue Bonds / COPs</b>				<u>571,285</u>
<b><u>Special Assessment / Special Tax Bonds</u></b>				
1915 Act Otay Mesa Industrial Park Improvement Bonds, Series 1992	5.5 - 7.95**	2013	2,235	435
Miramar Ranch North Special Tax Refunding Bonds, Series 1998	3.75 - 5.375**	2021	59,465	48,730
Santaluz Special Tax Bonds, Series 2000 A	4.75 - 6.375**	2031	56,020	55,110
Santaluz Special Tax Bonds, Series 2000 B	4.5 - 6.2**	2031	4,350	4,255
City of San Diego Reassessment District Limited Obligation Refunding Bonds, Series 2003-1	4.25 - 5.8**	2018	8,850	8,380
Piper Ranch Limited Obligation Improvement Bonds, Series 2003	2.5 - 6.2**	2034	5,430	5,430
Santaluz Special TaxBonds, Improvement Area No.1, Series 2004	1.7 - 5.5**	2031	5,000	5,000
Santaluz Special TaxBonds, Improvement Area No.4, Series 2004	1.65 - 5.5**	2034	9,965	9,965
<b>Total Special Assessment / Special Tax Bonds</b>				<u>137,305</u>

(continued on next page)

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2005</u>
<b>Tax Allocation Bonds:</b>				
Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995	7.8 - 9.75**	2014	\$ 1,400	\$ 880
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	4.4 - 6.0**	2020	1,200	920
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 B	6.9 - 8.2**	2021	3,955	3,305
Southcrest Redevelopment Project Tax Allocation Bonds, Series 1995	4.75 - 6.592**	2020	3,750	2,560
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	3.8 - 6.0**	2016	12,970	9,005
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 B	4.3 - 7.0**	2007	9,830	795
Centre City Redevelopment Tax Allocation Bonds, Series 1999 A	3.0 - 5.125**	2019	25,680	25,355
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	12,625
City Heights Redevelopment Tax Allocation Bonds, Series 1999 A	4.5 - 5.8**	2029	5,690	5,575
City Heights Redevelopment Tax Allocation Bonds, Series 1999 B	5.75 - 6.4***	2029	10,141	9,978
Central Imperial Redevelopment Project Tax Allocation Bonds, Series 2000	4.45 - 6.6 9**	2031	3,395	3,210
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	4.0 - 5.6**	2025	6,100	5,510
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	3.95 - 5.35**	2025	21,390	20,125
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.8**	2022	15,025	14,555
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.875**	2031	13,000	12,135
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	4.1 - 5.9**	2031	7,000	6,540
Southcrest Redevelopment Project Tax Allocation Bonds, Series 2000	4.45 - 6.5**	2026	1,860	1,715

(continued on next page)

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2005
Centre City Redevelopment Tax Allocation Bonds, Series 2001 A	4.93 - 5.55****	2027	\$ 58,425	\$ 57,605
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	24,855
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	695
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	1.5 - 6.125**	2028	7,145	6,790
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	4,530
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	3.49 - 7.74**	2022	8,000	7,735
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A	3.5 - 5.25**	2030	101,180	101,180
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 B	2.26 - 4.58**	2011	9,855	9,855
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C	2.26 - 6.18**	2030	27,785	27,785
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D	2.26 - 6.28**	2030	8,905	8,905
<b>Total Tax Allocation Bonds</b>				415,778
<b>Total Bonds Payable</b>				1,138,898
<b>Net Pension Obligation</b>				254,486
<b>Total Governmental Activities Long-Term Liabilities</b>				\$ 1,788,447

\* Additional information on the variable rate contracts payable with the SDSU Foundation and loans payable with North Park Theatre, LLC 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, 2005 does not include accreted interest of \$4,518.

\*\*\*\* 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, 2005 does not include accreted interest of \$2,945.

Liability claims are primarily liquidated by the Self Insurance Fund and Enterprise Funds. Compensated absences are paid out of the operating funds 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 & Infrastructure projects.

SANDAG loans are comprised of two components: repayment of debt service on bonds, and repayment of proceeds from commercial paper. The City received distributions of SANDAG bond proceeds, based on the City's agreement with SANDAG. The annual debt service payments related to these bond issuances are recovered by SANDAG through reductions in TransNet allocations that would otherwise be available for payment to the City. TransNet-Proposition A, was passed in 1987 to enact a ½ percent sales tax increase to fund regional transportation projects. All expenses must first be approved by SANDAG and be included on the Regional Transportation Plan (RTP). The City recognizes repayment of the principal and interest on bonds as an increase in TransNet revenues and an offsetting debt service expenditure. The interest rates on the outstanding bonds range from 4.75 percent to 6.0 percent. In addition to financing from bond issuances, financing for TransNet related projects is made available through the issuance of commercial paper notes by SANDAG, at the request of the City. Repayment of proceeds related to the commercial paper is collected in future periods through reductions in TransNet allocations, similar to the repayment of the debt service on bonds. Interest rates on commercial paper notes during the current year have varied from 1.00 percent to 2.50 percent, with maturities from 1 day to 166 days. Interest rates on outstanding commercial paper note amounts at June 30, 2005, ranged from 2.27 percent to 2.50 percent.

San Diego State University Foundation executed an Agreement for Processing a Redevelopment Plan and Land Use Entitlements with the Redevelopment Agency of the City of San Diego 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 the Agency. 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 interest rate is not to exceed 12 percent per annum on funds advanced to the Agency. The effective interest rate as of June 30, 2005 is 5.75 percent.

The Redevelopment Agency of The City of San Diego and North Park Theatre, LLC entered into a Disposition and Development Agreement dated April 23, 2002, a Second Implementation Agreement dated, April 28, 2004 and a Third Implementation Agreement dated December 9, 2004, which were executed for the purposes of effectuating the Redevelopment Plan for the North Park Redevelopment Project by providing for the disposition of certain real property and a loan to the Agency from the Developer to fund the Agency's subsidy of the rehabilitation of the North Park Theatre building by the Developer. The Third Implementation Agreement converted the loan from a fixed rate to a variable rate obligation of the Agency. The interest on the loan is based on the prime rate plus 2 percent for the first two years, then will increase by a 1/2 percent per year for the remainder of the term of the loan. The interest rate shall not exceed the lesser of the Prime Rate plus four percent or the maximum interest rate allowed by law. The interest rate shall be reset annually, on August 1<sup>st</sup>, based on the Prime Rate on the reset date. The effective interest rate as of June 30, 2005 is 6.75 percent.

b. Amortization Requirements

The annual requirements to amortize such long-term debt outstanding as of June 30, 2005, including interest payments to maturity, are as follows:

Year Ended June 30,	Capital Lease Obligations		Contracts Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 9,588	\$ 1,012	\$ -	\$ -	\$ -	\$ -
2007	7,038	716	-	-	-	-
2008	4,744	485	-	-	-	-
2009	3,881	316	-	-	-	-
2010	2,586	182	-	-	-	-
2011-2015	2,810	271	-	-	-	-
2016-2020	-	-	-	-	-	-
2021-2025	-	-	-	-	-	-
2026-2030	-	-	-	-	-	-
2031-2035	-	-	-	-	-	-
Unscheduled*	-	-	1,715	1,540	7,924	4,853
Total	<u>\$ 30,647</u>	<u>\$ 2,982</u>	<u>\$ 1,715</u>	<u>\$ 1,540</u>	<u>\$ 7,924</u>	<u>\$ 4,853</u>

\* The contracts payable to SDSU Foundation in the amount of \$1,715 and the notes payable to Wal-Mart of \$746 and San Diego Revitalization of \$7,178, do not have annual 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 to the Wal-Mart and San Diego Revitalization debt are based on available tax increment.

Year Ended June 30,	Loans Payable		SANDAG Loans		Section 108 Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 14	\$ 185	\$ 6,653	\$ 526	\$ 2,483	\$ 2,407	\$ 1,840	\$ 927
2007	15	184	5,091	315	2,959	2,270	1,985	783
2008	17	182	2,235	109	3,422	2,101	2,125	641
2009	18	181	-	-	2,246	1,951	2,265	502
2010	20	179	-	-	2,335	1,831	1,975	353
2011-2015	136	859	-	-	13,651	6,939	4,340	293
2016-2020	218	777	-	-	10,669	2,883	-	-
2021-2025	352	643	-	-	5,093	661	-	-
2026-2030	567	428	-	-	-	-	-	-
2031-2035	495	102	-	-	-	-	-	-
Unscheduled*	3,335	37	-	-	-	-	-	-
Total	<u>\$ 5,187</u>	<u>\$ 3,757</u>	<u>\$ 13,979</u>	<u>\$ 950</u>	<u>\$ 42,858</u>	<u>\$ 21,043</u>	<u>\$ 14,530</u>	<u>\$ 3,499</u>

\* The loans payable to North Park Theatre, LLC in the amount of \$3,335, does not have an annual repayment schedule. Annual payments on this debt are based upon future receipts of unallocated tax increment or other available sources.

Year Ended June 30,	Revenue Bonds / COPs		Special Assessment / Special Tax Bonds		Tax Allocation Bonds		
	Principal	Interest	Principal	Interest	Principal	Unaccrued Appreciation	Interest
2006	\$ 21,435	\$ 33,377	\$ 3,500	\$ 7,457	\$ 10,917	\$ 1,822	\$ 19,872
2007	19,875	32,416	3,775	7,297	12,041	1,910	19,482
2008	20,860	31,437	4,050	7,123	12,631	1,996	19,039
2009	21,550	30,395	4,320	6,931	13,136	2,081	18,551
2010	21,235	29,337	4,635	6,720	13,684	2,163	17,965
2011-2015	91,910	131,788	27,875	29,590	79,587	11,862	78,495
2016-2020	103,580	104,590	34,190	21,249	97,449	11,730	56,196
2021-2025	130,590	70,556	22,120	13,131	100,604	7,694	31,123
2026-2030	110,230	29,761	24,100	6,565	68,569	1,136	9,118
2031-2035	30,020	3,383	8,740	612	7,160	-	702
Subtotal	571,285	497,040	137,305	106,675	415,778	42,394	270,543
Add:							
Accrued Appreciation through June 30, 2005	-	-	-	-	7,463	-	-
Total	<u>\$ 571,285</u>	<u>\$ 497,040</u>	<u>\$ 137,305</u>	<u>\$ 106,675</u>	<u>\$ 423,241</u>	<u>\$ 42,394</u>	<u>\$ 270,543</u>



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, 2005. The effect of bond accretion, bond premium, 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	\$ 262	\$ -	\$ (262)	\$ -	\$ -
Compensated Absences	71,895	56,440	(53,948)	74,387	31,787
Liability Claims	202,914	59,504	(44,052)	218,366	43,724
Capital Lease Obligations	30,619	10,485	(10,457)	30,647	9,588
Contracts Payable	1,715	-	-	1,715	-
Notes Payable	5,998	2,100	(174)	7,924	35
Loans Payable	4,865	3,335	(3,013)	5,187	14
Section 108 Loans Payable	44,917	-	(2,059)	42,858	2,483
SANDAG Loans Payable	19,302	-	(5,323)	13,979	6,653
General Obligation Bonds	45,775	-	(31,245)	14,530	1,840
Revenue Bonds / COPs	591,620	-	(20,335)	571,285	21,435
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(999)	-	49	(950)	-
Net Revenue Bonds/COP's	590,621	-	(20,286)	570,335	21,435
Special Assessment / Special					
Tax Bonds	140,545	-	(3,240)	137,305	3,500
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(701)	-	47	(654)	-
Net Special Assessment Bonds	139,844	-	(3,193)	136,651	3,500
Tax Allocation Bonds	308,576	147,725	(40,523)	415,778	10,917
Interest Accretion	5,757	1,732	(26)	7,463	-
Balance with Accretion	314,333	149,457	(40,549)	423,241	10,917
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	32	3,093	90	3,215	-
Net Tax Allocation Bonds	314,365	152,550	(40,459)	426,456	10,917
Net Pension Obligation	203,589	50,897	-	254,486	-
Total	\$ 1,676,681	\$ 335,311	\$ (214,471)	\$ 1,797,521	\$ 131,976

d. Defeasance of Debt

The Redevelopment Agency of The City of San Diego issued Centre City Subordinate Refunding Tax Allocation Bonds, Series 2004 A in the amount of \$101,180 and Series B in the amount of \$9,855. The bond proceeds were used to advance refund the remaining outstanding Centre City Tax Allocation Bonds Series 1993 A and B. The refunded bonds are defeased and the corresponding liability has been removed from the Statement of Net Assets. The refunding transaction resulted in a total economic gain of approximately \$2,220. In addition, the refunding resulted in a cash flow savings of approximately \$2,992. The refunded bonds were redeemed at a call date prior to the end of the fiscal year and, accordingly, there was no balance outstanding as of June 30, 2005.

As of June 30, 2005, principal amounts payable from escrow funds established for defeased bonds are as follows:

Defeased Bonds	Amount (In Thousands)
Horton Plaza Redevelopment Project Subordinate Tax Allocation Refunding Bonds, Series 1996 B	\$ 6,640
Miramar Ranch North Special Tax Bonds, Series 1995 B	<u>19,860</u>
Total Defeased Bonds Outstanding	<u>\$ 26,500</u>

**6. BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES (In Thousands)**

a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2005 comprise the following:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2005
<b>Arbitrage Liability</b>				\$ 213
<b>Compensated Absences</b>				17,521
<b>Liability Claims</b>				47,389
<b>Capital Lease Obligations</b>				3,521
<b><u>Loans Payable:</u></b>				
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	8,303
Loans Payable to State Water Resources Control Board, issued February 9, 2000	1.80%**	2022	6,684	5,829
Loans Payable to State Water Resources Control Board, issued March 30, 2001	1.80%**	2022	33,720	29,406
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80%**	2022	7,742	6,749
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80%**	2021	860	712
Loans Payable to State Water Resources Control Board, issued June 11, 2001	1.80%**	2021	2,525	2,091
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.99%**	2020	3,767	3,229
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.80%**	2023	8,068	7,384
<b>Total Loans Payable</b>				<b>63,803</b>
<b><u>Bonds Payable:</u></b>				
Sewer Revenue Bonds, Series 1993	2.8 - 5.25*	2023	250,000	189,090
Sewer Revenue Bonds, Series 1995	3.9 - 6.0*	2025	350,000	293,190
Sewer Revenue Bonds, Series 1997 A	3.7 - 5.375*	2027	183,000	156,615

(continued on next page)

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2005</u>
Sewer Revenue Bonds, Series 1997 B	3.7 - 5.375*	2027	\$ 67,000	\$ 57,335
Water Certificate of Undivided Interest, Series 1998	4.0 - 5.375*	2029	385,000	279,020
Sewer Revenue Bonds, Series 1999 A	3.5 - 5.125*	2029	203,350	182,890
Sewer Revenue Bonds, Series 1999 B	3.5 - 5.125*	2029	112,060	100,975
Subordinated Water Revenue Bonds, Series 2002	2.0 - 5.0*	2033	286,945	286,945
Sewer Revenue Bonds, Series 2004	variable***	2008	152,000	152,000
<b>Total Bonds Payable</b>				<u>1,698,060</u>
<b>Estimated Landfill Closure and Postclosure Care</b>				13,665
<b>Net Pension Obligation</b>				<u>35,104</u>
<b>Total Business-Type Activities Long-Term Liabilities</b>				<u>\$ 1,879,276</u>

\* Interest rates are fixed, and reflect the range of rates for various maturities from the date of issuance to maturity.

\*\* Effective rate

\*\*\* Variable rate based on 62.34% of the London Inter-bank Offered Rate (LIBOR), which is a daily reference rate based on the interest rates at which major banks offer to lend unsecured funds to other banks in the London inter-bank market, plus 75 basis points through December 16, 2005. The effective interest rate at fiscal year end June 30, 2005 is 3.0067%.

b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2005, including interest payments to maturity, are as follows:

<u>Year Ended June 30</u>	<u>Revenue Bonds Payable</u>		<u>Loans Payable</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 73,355	\$ 81,046	\$ 3,311	\$ 1,155	\$ 1,470	\$ 121
2007	117,645	77,396	3,371	1,095	1,045	69
2008	81,615	73,262	3,432	1,034	840	31
2009	45,595	70,851	3,494	971	166	4
2010	47,585	68,850	3,558	908	-	-
2011-2015	275,540	306,640	18,779	3,548	-	-
2016-2020	352,585	228,970	20,546	1,782	-	-
2021-2025	417,565	130,567	7,212	223	-	-
2026-2030	248,305	37,170	-	-	-	-
2031-2035	38,270	2,934	-	-	-	-
Unscheduled *	-	-	100	-	-	-
<b>Total</b>	<u>\$ 1,698,060</u>	<u>\$ 1,077,686</u>	<u>\$ 63,803</u>	<u>\$ 10,716</u>	<u>\$ 3,521</u>	<u>\$ 225</u>

\* 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, 2005. 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	\$ 221	\$ 9	\$ (17)	\$ 213	\$ -
Compensated Absences	16,595	14,523	(13,597)	17,521	7,708
Liability Claims	49,249	5,529	(7,389)	47,389	2,968
Capital Lease Obligations	5,008	-	(1,487)	3,521	1,470
Loans Payable	67,054	470	(3,721)	63,803	3,311
Revenue Bonds Payable	1,731,825	-	(33,765)	1,698,060	73,355
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(9,080)	-	570	(8,510)	-
Net Revenue Bonds Payable	<u>1,722,745</u>	<u>-</u>	<u>(33,195)</u>	<u>1,689,550</u>	<u>73,355</u>
Estimated Landfill Closure and Postclosure Care	12,679	986	-	13,665	-
Net Pension Obligation	<u>28,346</u>	<u>6,758</u>	<u>-</u>	<u>35,104</u>	<u>-</u>
Total	<u>\$ 1,901,897</u>	<u>\$ 28,275</u>	<u>\$ (59,406)</u>	<u>\$ 1,870,766</u>	<u>\$ 88,812</u>

d. Defeasance of Debt

As of June 30, 2005, principal amounts payable from escrow funds established for defeased bonds are as follows:

<u>Defeased Bonds</u>	<u>Balance</u>
Water Revenue Bonds, Series 1998	<u>\$ 77,155</u>
Total Defeased Bonds Outstanding	<u>\$ 77,155</u>

7. **DISCRETELY PRESENTED COMPONENT UNITS LONG-TERM DEBT (In Thousands)**

Discretely presented component units long-term debt as of June 30, 2005 is comprised as follows:

**San Diego Convention Center Corporation**

<u>Type of Obligation</u>	<u>Interest Rate</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2005</u>	<u>Due Within One Year</u>
Note Payable to San Diego Unified Port District, dated 1999	0.00%	2010	<u>\$ 10,000</u>	<u>\$ 5,500</u>	<u>\$ 1,000</u>

SDCCC will repay the note at the rate of zero percent (0.0%) per annum with principal payable as follows:

Fiscal Year	Amount
2006	\$ 1,000
2007	1,000
2008	1,000
2009	1,000
2010	1,000
2011	500
Total	<u>\$ 5,500</u>

### **San Diego Housing Commission**

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2005	Due Within One Year
Note Payable to Bank of America, dated February 1985	5.0 – 10.2%	2025	\$ 3,789	\$ 3,174	\$ 98
Note Payable to City of San Diego Redevelopment Agency, dated March 1992	0.0	2022	696	696	-
Note Payable to Washington Mutual, dated June 1995	Variable*	2011	4,725	3,791	127
Note Payable to State of California (RHCP)	0.0	2015	3,149	3,149	-
Note Payable to State of California (RHCP)	0.0	2013	1,405	1,405	-
Note Payable to State of California (CalHELP)	3.0	2013	704	2,506	-
Total Notes Payable				<u>\$ 14,721</u>	<u>\$ 225</u>

\* The interest rate as of June 30, 2005 was 3.58%

Annual requirements to amortize such long-term debt as of June 30, 2005 to maturity are as follows:

Year Ended June 30	Principal	Interest
2006	\$ 225	\$ 273
2007	291	263
2008	302	252
2009	314	240
2010	326	228
2011-2015	8,892	1,647
2016-2020	2,222	549
2021-2025	2,149	138
Total	<u>\$ 14,721</u>	<u>\$ 3,590</u>

**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, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax and Revenue Anticipation Notes	\$ -	\$ 114,000	\$ (114,000)	\$ -

The \$114,000 FY05 TRANs issue had an average interest rate of 1.98% and was repaid on May 4, 2005.

**9. JOINT VENTURE (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.

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 June 30, 2002 for an additional three year period. 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 is comprised of five members, three of whom are appointed by the City. In accordance with GASB 14, the financial impacts of the joint venture are reported in the General Fund.

The maximum funds which the City is required to contribute to the costs of SDMSE operations are limited to an aggregate of \$8,450. 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, 2005. 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, 2005, SDMSE reported a net income of \$195, a member distribution of \$155, and an ending net assets of \$3,083.

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, 2005.

Complete financial statements can be requested from San Diego Medical Services Enterprise, LLC, 8401 East Indian School Rd., Scottsdale, Arizona 85251.

**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, 2005:

Year Ended June 30	Amount
2006	\$ 12,333
2007	12,084
2008	11,510
2009	11,684
2010	11,406
2011-2015	38,944
2016-2020	245
2021-2025	196
Total	<u>\$ 98,402</u>

Rent expense as related to operating leases was \$11,535 for the year ended June 30, 2005.

Capital Leases

The City has entered into various capital leases for equipment, vehicles and property. These capital leases have maturity dates ranging from July 1, 2005 through November 30, 2014, and interest rates ranging from 1.76% to 7.94%. A schedule of future minimum lease payments under capital leases as of June 30, 2005 is provided in Notes 5 and 6. The value of all capital leased assets as of June 30, 2005 for governmental assets is \$42,753, net of accumulated depreciation of \$73,428 and business-type assets of \$11,820 net of accumulated depreciation of \$7,090.



Lease Revenues

The City has operating leases for certain land, buildings and facilities with tenants and concessionaires. Leased capital asset carrying values and 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
2006	\$ 28,468
2007	28,139
2008	27,474
2009	27,277
2010	26,777
2011-2015	128,149
2016-2020	117,793
2021-2025	109,802
2026-2030	104,519
2031-2035	96,786
2036-2040	84,573
2041-2045	69,662
2046-2050	40,477
2051-2055	4,518
2056-2060	4,250
2061-2065	850
Total	<u>\$ 899,514</u>

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 \$66,470 for the year ended June 30, 2005 which includes contingent rentals amounting to \$39,342.

**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 is an agent multiple-employer defined benefit public pension plan and acts as a common investment and administrative agent for the City, the San Diego Unified Port District (the "Port"), and the San Diego County Regional Airport Authority (the "Airport"). It is administered by the SDCERS Board (the "Board") to provide retirement, disability, death and survivor benefits for its members. Adoption and amendment of the City's benefit provisions requires City Council approval and a majority vote by members and are codified in the City's Municipal Code.

The Defined Benefit Plan (the Plan) covers 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, however, and the information herein 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.

	General	Safety	Total by Classification
Active Members	6,808	2,628	9,436
Terminated Members	1,732	266	1,998
Retirees, Disabled and Beneficiaries	3,580	2,415	5,995
Total Members, as of June 30, 2005	12,120	5,309	17,429

As a defined benefit plan, retirement benefits are determined primarily by a member's class, age at retirement, number of years of service credit earned, and the member's final compensation based on the highest salary earned over a consecutive one-year period. The City provides cost of living adjustments of 2% to retirees, which is factored into the actuarial assumptions. The City 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.

The City also has a Deferred Retirement Option Program (DROP). If a SDCERS member participates in DROP, they accumulate a deferred benefit which they can receive as a lump sum benefit or periodic distributions in addition to their normal monthly retirement allowance when they leave employment with the City. DROP was

initially offered by SDCERS' plan sponsors on a trial basis for a three-year period ending March 31, 2000, and was subsequently continued. 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). It is the legal opinion of SDCERS that the effective date would instead be February 16, 2007 when the Ordinance, O-19567, was officially codified in the Municipal Code. As of the original issuance of this report, the City Attorney and SDCERS legal counsel do not agree on this issue but the Municipal Code states July 1, 2005 as the effective date. SDCERS' members who were hired prior to July 1, 2005 are eligible to participate in DROP when they are eligible for a service retirement. A DROP participant continues to work for the City and receives a regular paycheck. The DROP participant makes reduced retirement contributions to SDCERS and the DROP participant stops earning creditable service. A DROP participant continues to receive most of the employer offered benefits available to regular employees.

SDCERS' members electing to enter 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.

The DROP benefit is the value of a DROP participant's account at the end of the DROP participation period. SDCERS will distribute the funds in a participant's 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.

In 1998, a lawsuit was filed by retired employees who alleged that the City's method of calculating retiree pension benefits improperly excluded the value of certain benefits such as vacation and sick leave when computing the employees' pensionable salaries. The City 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 retirees from annual realized earnings of SDCERS pension assets, if sufficient. To the extent earnings are insufficient, the unpaid amount is carried forward. For employees active at the time of the settlement who joined the Retirement System before July 1, 2000, San Diego Municipal Code section 24.0402 and 24.0403 allows for two options in calculating his/her unmodified service retirement allowance:

1. the unmodified factors in effect on July 1, 2000 ("Corbett Factors"), as shown in the table below, with no increase to the General Member's Final Compensation, or
2. the unmodified factors in effect on June 30, 2000 ("Old Factors"), as shown in the table below, with a 10% increase to the General Member's Final Compensation.

In effect on July 1, 2002 ("New Factors"), additional increases related to MP-2 (as defined below) were granted, as shown in the tables below, with no increase to the members' compensation.

**GENERAL MEMBER RETIREMENT CALCULATION FACTORS**

Retirement Age	Unmodified Factors	Unmodified Factors	Unmodified Factors
	Effective 6/30/00 (Old Factors)	Effective 7/1/00 (Corbett Factors)	Effective 7/1/02 (New Factors)
55	2.00%	2.25%	2.50%
56	2.00%	2.25%	2.50%
57	2.00%	2.25%	2.50%
58	2.00%	2.25%	2.50%
59	2.08%	2.25%	2.50%
60	2.16%	2.30%	2.55%
61	2.24%	2.35%	2.60%
62	2.31%	2.40%	2.65%
63	2.39%	2.45%	2.70%
64	2.47%	2.50%	2.75%
65 and older	2.55%	2.55%	2.80%

**SAFETY MEMBER RETIREMENT CALCULATION FACTORS**

Retirement Age	Unmodified Factor*		Unmodified Factor*
	Effective 1/01/97 - 6/30/00		
	Lifeguard	Police & Fire	Effective 7/01/00
50	2.20%	2.50%	3.00%
51	2.32%	2.60%	3.00%
52	2.44%	2.70%	3.00%
53	2.57%	2.80%	3.00%
54	2.72%	2.90%	3.00%
55	2.77%	2.99%	3.00%

\*Unmodified Factor utilized to calculate the maximum service retirement allowance.

Additionally, on March 19, 2001, the City Council adopted Ordinance O-18930, adding SDMC sections 24.1601 through 24.1608, establishing 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), 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). The POB Plan is administered by the SDCERS Board as a separate trust from the City's pension plan. On February 16, 2007, the SDCERS Board adopted the Preservation of Benefit Plan and Trust to carry out the intent of SDMC section 24.1601 et seq. As provided, in SDMC section 24.1606, and required by federal tax law, the POB Plan is unfunded within the meaning of the federal tax laws. The City may not pre-fund the POB Plan to cover future liabilities beyond the current year as it can with an IRC section 401(a) pension plan, and is therefore in the process of establishing a mechanism to pay for these benefits on a pay-as-you-go basis. Currently, activities related to the POB Plan are included in the RSI for the City's pension plan using actuarial assumptions consistent with those used to perform actuarial valuations for the City's core pension plan.

On November 7, 2006, the citizens approved an amendment to Article 9, Section 143 of the City's Charter, requiring voter approval of certain increases in retirement system benefits for public employees. Specifically, this amendment requires a majority approval of any ordinance that amends the City's retirement system by increasing the benefits of any employee. However, increases in retirement benefits due to cost of living adjustments do not require voter approval.

Additional details of retirement benefits can be obtained from SDCERS. SDCERS is considered part of the City of San Diego's financial reporting entity and is reported as a pension trust fund. SDCERS issues stand-alone financial statements which are available at its office located at 401 West A Street, Suite 400, San Diego, California 92101.

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: MP-1 and MP-2**

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 an agreement between the City and SDCERS, commonly referred to as Manager's Proposal 1 (MP-1). MP-1 provided that the City would make annual payments according to a contractually fixed formula of slowly increasing percentages of total payroll instead of annual payments based on the annually required contribution (ARC) rates determined by the actuary. This agreement was subject to an actuarially determined funding ratio ("the trigger") of 82.3%. In the event the trigger was reached, the City would be required to make a lump sum payment to return the system to the funding ratio of 82.3%. The funding provision established by MP-1 was effective until fiscal year 2007, at which time, the City's contribution would return to the full ARC rate determined by the actuary. In the opinion of Kroll (a professional consulting firm engaged by the City to act in the capacity of an Audit Committee) and the City Attorney, the funding mechanism of MP-1 was illegal in violation of the City Charter and the State Constitution.

In 2002, a second agreement between the City and SDCERS was ratified; this agreement subsequently became known as Manager's Proposal 2 (MP-2). MP-2 modified MP-1 principally by allowing the City to avoid a balloon payment if the trigger was reached. Instead, MP-2 allowed the City to increase its funding until the full ARC was reached. This provision of MP-2 required that funding be increased over a five year period. In the opinion of Kroll and the City Attorney, the funding mechanism of MP-2 was illegal in violation of the City Charter and the State Constitution.

The actuarial valuation as of June 30, 2002, received in January 2003, which applies to contributions made in fiscal year 2004, stated the funded ratio to be 77.3%, thus the trigger had been breached. As a result, the City paid the increased contribution rates (which were less than the full actuarial rates) as required by MP-2 in the next fiscal year (fiscal year ended June 30, 2004). MP-1 and MP -2 are no longer in effect due to the Gleason settlement (see the section titled "Funding Commitments Related to Legal Settlements" in this Note).

*A discussion of funding levels can be found in the Funding Policy and Annual Pension Cost section of this note.*

### **Funding Contracts: Union Agreements**

The City has historically made payments to offset some of the employee's portion of retirement costs. Subsequent to June 30, 2003, the City engaged in meet and confer with its employee unions. The fiscal year 2006 MOUs and the changes to current and future employee benefits therein were introduced to Council in November 2006, 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 "pick-up" 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 additional employee pension contribution and a benefit freeze.

The agreements with the bargaining units explicitly indicate that savings to the City must be used to help address its Unfunded Actuarial Accrued Liability (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 million 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." The City will be excused from meeting the above obligation if the funded ratio reaches 100% by June 30, 2008.

In June 2006, the City leveraged a portion of the employee pick up savings by contributing \$90,800 from securitization of future tobacco settlement revenues, \$9,200 of current tobacco settlement revenues, and \$8,300 from the remaining balance in the employee "pick-up" amount as part of meeting its negotiated commitment. (These agreements are also discussed in the Subsequent Events Note 22). A financing option to generate approximately \$80 million in additional funding is currently being pursued. As of February 8, 2008, it appears the City will not be able to meet the outstanding obligation of approximately \$411,700 by June 30, 2008 in its entirety.

### **Funding Commitments Related to Legal Settlements**

Subsequent to the adoption of MP-2, the City settled a class action lawsuit regarding alleged breaches of fiduciary duty and law regarding the City's underfunding of the pension system resulting from the adoption of MP-1 and MP-2. The Gleason Settlement Agreement resolved the issues raised regarding the City's underfunding of the pension system by imposing the following requirements on the City for fiscal years 2005 through 2008:

1. Contribute \$130,000 in fiscal year 2005. \*
2. Pay its full ARC beginning fiscal year 2006.
3. Repeal Municipal Code Sections that legitimized the City's contribution obligations related to MP-2.
4. Provide a total of \$375,000 of real property as collateral for payments required via the Gleason Settlement Agreement.

\* The City's Gleason Settlement required contribution of \$130,000 in fiscal year 2005 was paid prior to the execution of the agreement on July 7, 2005, and therefore, was omitted from the final agreement.

The Gleason Settlement also stipulated that certain actuarial assumptions be fixed, notably, that the amortization period was reset to a 29 year closed commencing with the June 30, 2004 Annual Actuarial Valuation. These

assumptions were to remain in place for the duration of the settlement. On July 1, 2004 the City made the Gleason Settlement required contribution of \$130,000 for fiscal year 2005 in addition to providing real property totaling \$375,000 as collateral to be returned in annual installments of \$125,000. On July 1, 2005 the City made the annually required contribution of \$163,000 for fiscal year 2006. On July 3, 2006 the City made its full annually required contribution of \$162,000. The contributions for fiscal years 2005 and 2006 did not include the effects of the Corbett settlement because the SDCERS' Board viewed those benefits as contingent (see section e. for a description of the Corbett Settlement). Subsequent to those payments, the SDCERS' Board and the City determined that the Corbett Settlement liabilities are not contingent, and therefore, the ARC for financial reporting was modified from the original ARC calculated by the actuary to include Corbett Settlement liabilities. As a result, the City's NPO includes the effects of the Corbett Settlement. These benefits were included in actuarial liabilities beginning with the valuation period dated June 30, 2006, which resulted in a fiscal year 2008 annual required contribution of approximately \$165,000 that was made on July 2, 2007.

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. This agreement stipulated that the City pay \$173,000 plus interest on amounts outstanding to SDCERS over a period of 5 years. An additional requirement of the McGuigan Settlement is that the City provides SDCERS real property collateral totaling \$100,000. These amounts are in addition to those required by the Gleason Settlement and are to be returned upon the full payment of the settlement.

As of the original issuance of this report, the City has provided the real property collateral in addition to a \$108,300 payment to SDCERS, in an attempt to meet the terms of the McGuigan Settlement. The McGuigan Settlement was partially funded through the securitization of future tobacco revenue, transfers of actual tobacco revenue receipts, and additional employee "pick up" savings. This contribution is further discussed in the Funding Contracts: Union Agreements section above.

In January, 2006, the City reached a settlement on a separate civil action captioned: Newsome v. City of San Diego Retirement System, City of San Diego (the "Newsome Settlement"). As part of this settlement, the plaintiff has agreed to dismiss the lawsuit if the City provides an additional \$100,000 in funding over five years to SDCERS or, the funding ratio of the City's retirement plan returns to 82.3%. The amounts stipulated in the Newsome settlement are in addition to the amount stipulated in the settlement of the McGuigan Settlement. Under the Newsome Settlement, if the City does not provide the additional funding, the plaintiff then has the right to re-file the lawsuit after giving the City 60 days notice.

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. Prior to the amendment in 2005, the Charter required that employer contributions be substantially equal to employee contributions. 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 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 for fiscal year 2005, provided by the actuary as of June 30, 2003, expressed as percentages of active payroll:

	Employer Contribution Rates	
	General Members	Safety Members
Normal Cost*	9.78%	17.70%
Amortization Payment*	12.29%	25.37%
Normal Cost Adjusted for Amortization Payment*	22.07%	43.07%
City Contribution Rates Adjusted for Payment at the Beginning of the Year	21.24%	41.44%

\* 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 = That 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. Contributions vary according to age at entry into the defined Plan and salary. For fiscal year 2005, the City employee contribution rates as a percentage of annual covered payroll, averaged 10.54% for general members and 12.86% for safety members. A portion of the employee's share, depending on the employee's member class, is paid by the City. The amount paid by the City ranges from 2.81% to 9.05% of covered payroll for general members. Of this, 1.6% came from the retirement fund employee rate reserve, and the remainder was paid by the City. The rate for safety plan members ranges from 4.83% to 10.71%. Of this, 2.7% came from the retirement fund employee rate reserve and all remaining payments were made from the City's operating budget. The amount paid on behalf of the employees has been renegotiated through the meet and confer process and reduced the amount of the employee contribution paid for by the City. In accordance with agreements with the labor unions, any and all savings realized by these agreements must be set aside and ultimately leveraged to reduce the pension system's UAAL.

Under SDMC Sections 24.1501 and 24.1502, an annual calculation is required to determine the Annual Realized Investment Earnings ("Realized Earnings") of SDCERS' pension assets. In accordance with these SDMC sections an annual distribution of these Realized Earnings, in priority order, takes place. The Realized Earnings 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, realized earnings are used to credit interest, at a rate determined by the SDCERS Board, which is currently 8%, to the Employer and Employee Contribution Reserves (these reserves increase Plan assets to fund the Plan liabilities for defined benefits), and Deferred Retirement Option Plan ("DROP") member accounts as well as funding the SDCERS Annual Budget (DROP and Budget disbursements decrease Plan assets). If earnings still remain, they are distributed for supplemental or contingent payments or transfers to reserves. These items include in a priority order: 1) A transfer to the Employer Contribution Reserve for funded retiree health in accordance with SDMC Section 24.1203. When a transfer of realized earnings to the Employer Contribution Reserve occurs under SDMC Section 24.1203, the City designates an equivalent amount of its' annual contribution to the 401(h) Fund for healthcare benefits. (Pursuant to Resolution 300102, adopted February 1, 2005, SDCERS no longer pays for retiree health care from pension assets. Instead, the City now transfers funds directly into the healthcare trust fund for retiree health benefits which are then used to pay health premiums approved by SDCERS.) 2) Annual Supplement Benefit Payment ("13th Check") paid to retirees generally equal to approximately \$30 times the number of years of



employment and paid only when there are sufficient annual Realized Earnings. 3) 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). 4) Crediting interest to the Reserve for Employee Contribution Rate Increases and the Reserve for Supplemental Cost of Living Adjustment ("COLA").

After the above noted distribution, any remaining Realized Earnings are transferred to the Employer Contribution Reserve which increases system assets.

The impact of paying retiree health insurance, supplemental or contingent payments out of Realized Earnings is to decrease system assets. This has the effect of increasing the UAAL and thereby decreasing the funded ratio. Another related impact is on the net rate of interest earned on system assets which is negatively impacted when earnings are diverted from system assets. The City recognizes SDMC Section 24.1502's negative impact to the UAAL and funded ratio; however, in order to eliminate the use of surplus undistributed earnings as described above, changes to the municipal code are necessary. Beginning in fiscal year 2005 when the reserve was depleted, the City funded the remaining retiree health benefits expense for fiscal year 2005 and the expenses for fiscal years 2006 and 2007 by transferring from the general and non-general funds into the retiree healthcare trust fund. In November 2004, voters changed the City Charter and the mix of Board members requiring that a majority of the Board be independent of the City. Also, the Charter now requires that a 15-year amortization period be used for the UAAL beginning in fiscal year 2009; however, the SDCERS Board, in conjunction with the actuary, is currently using a 20-year amortization period and has taken the position that it is legally responsible for establishing the valuation parameters, including the amortization period. Given the size of the City's current Unfunded Actuarially Accrued Liability, a change to a 15-year amortization schedule will have a significant impact on future annually required contributions.

e. **Annual Pension Cost and Net Pension Obligation**

**Annual Pension Costs**

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 Projected Unit Credit (PUC) actuarial funding method. The following are the principal actuarial assumptions used for the 2004 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 4.75% 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 techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. In fiscal year 2007, the SDCERS Board accepted the actuary's recommendation to adopt a different asset smoothing method. [The method used by the actuary in fiscal year 2005 is not a commonly used method.] The UAAL for funding purposes, as approved by SDCERS, was being amortized over a fixed 30-year period on a closed basis and the resulting annual amount is herein

called the full actuary rate. As of June 30, 2003, the valuation year used to compute the annually required contribution, there were 18 years remaining in the amortization period. As discussed above, the 30 year closed amortization period was restarted in fiscal year 2005 pursuant to the Gleason Settlement. Beginning with the valuation dated June 30, 2007, the normal cost and UAAL amortization cost will be determined using the Entry Age Normal actuarial method, the result of which will cause the UAAL to increase in fiscal year 2009.

The following table shows the City's annual pension cost ("APC") and the percentage of APC contributed for the fiscal year ended June 30, 2005 and two preceding years (in thousands):

Fiscal Year Ended June 30	APC	Percentage Contributed	Net Pension Obligation
2003	\$ 90,454	64.84%	\$ 163,050
2004	138,488	49.83%	232,536
2005	179,743	67.92%	290,190

### Net Pension Obligation

Net Pension Obligation (NPO) is the cumulative difference, since the effective date of GASB 27 (fiscal year 1998), 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, 2005, the City's NPO is approximately \$290,000 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) and adding to that 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 2005]	\$ 181,284
Contributions Adjusted for Health Expenses [Fiscal Year 2005]	(122,089)
Interest on NPO	18,604
ARC Adjustment	<u>(20,145)</u>
Change in NPO	57,654
NPO Beginning of Year [Fiscal Year 2004]	232,536
NPO End of Year [Fiscal Year 2005]	<u><u>\$ 290,190</u></u>

### NPO Components related to Retiree Health

The City's annual contribution to SDCERS pension trust fund, for the fiscal years ended June 30, 2005, 2004, and 2003, included amounts that were contributed to the 401(h) Fund for healthcare benefits and are reported net of this contribution. Annual realized earnings, as determined by the SDMC Sections 24.1501 and 24.1502, in the pension trust fund were withdrawn and used to offset the portion of the City's contribution that went to healthcare benefits instead of being retained in the pension trust fund. This funding mechanism is an alleged violation of the Internal Revenue Code (IRC) Section 401(a). SDCERS hired counsel to make a filing to the IRS to correct this

operational failure and potential IRC violation. (See Contingencies Note 18 for additional disclosures). The amounts taken from the pension trust fund for healthcare benefits were approximately \$7,900 in fiscal year 2005, \$12,800 in fiscal year 2004, and \$11,500 in fiscal year 2003. These payments have been removed from the City contribution amounts and resulted in an increase to the City's NPO. The cumulative impact to the City's NPO related to the diversion of assets to fund retiree health is approximately \$74,100. (See Other Post Employment Benefits Note 13 for further details.)

#### **NPO Components related to Employee Offset Liabilities**

In fiscal year 1998, the City set aside \$37,800 in funds from the pension trust fund's undistributed earnings to fund the Employee Contribution Rate Reserve, and annually added 8% interest earnings to this reserve. This employee contribution reserve was to pay for the City's share (pick up) of the employee's retirement contribution. The amount of NPO related to the employee offset as of June 30, 2005 is \$26,300. This reserve was depleted in fiscal year 2006. As noted in the Funding Contracts: Union Agreements section above, the agreements with labor unions resulted in the reduction of City "pick-up" of the employee pension contribution.

#### **NPO Components related to Corbett Settlement and Subsequent Benefit Increases**

The City is amortizing the unfunded liability incurred as a result of the benefit increases pursuant to the Corbett Settlement. Initially, the City interprets GASB 27 to require that the amortization methods used in calculating funding for the Plan to be consistent with the method used to calculate Plan expense. Thus, the previous amortization method of 40 years open for expensing plan costs was found to be incorrect. The impact on the NPO related to Corbett as of June 30, 2005 is approximately \$21,900.

#### **NPO Components related to the Under Funding of Plan Contributions**

As a result of the MP-1 and MP-2 funding contracts, the City's contributions for fiscal years 1996-2003 were less than the annual required contribution as determined by the actuary. The impact on the NPO related to the under funding of plan contributions as of June 30, 2005 is approximately \$167,900.

#### **f. Actions taken on behalf of the City to address Pension Liability and Net Pension Obligation**

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 13<sup>th</sup> Check, the option to purchase years of service credits ("air-time"), and retiree healthcare benefits; however, the retirement formula remains 2.5% at 55 for general members and 3.0% at 50 for safety members. Also for employees hired on or after July 1, 2005, it was agreed to establish a trust vehicle for a defined contribution plan to fund and determine retiree medical benefits. The employer/employee contributions for such a plan have not been determined as of the original issuance of this report. The City has consolidated health care options to help manage the cost of health care for both current and retired employees, and 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.

In June 2006, the amount from labor concessions that was committed to address the pension's unfunded liability was \$17,500 (general fund and non-general fund). The City has contributed \$108,300 through the securitization of future tobacco revenue, transfers of actual tobacco revenue receipts, and additional employee "pick up" savings. This contribution is the same as that discussed in the Funding Contracts: Union Agreements section above.

The contribution will have the effect of reducing the NPO in fiscal year 2006. The City is also exploring other financing options as a means to eliminate its NPO and UAL.

#### DEFINED CONTRIBUTION PLANS

##### a. Supplemental Pension Savings Plan - City

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:

<u>Plan</u>	<u>Participants</u>
SPSP	8,895
SPSP – H	4,392

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.

The City and the covered employees contributed approximately \$49,482 in fiscal year 2005. As of June 30, 2005, the fair value of plan assets totaled approximately \$443,245. 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 \$27,452 during the fiscal year ended June 30, 2005. There is no City contribution towards the 401(k) Plan.

As of June 30, 2005, the fair value of plan assets totaled approximately \$169,165. 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 in fiscal year 2005 was approximately \$3,243. CCDC contributions were calculated using the base salary amount of approximately \$3,024. CCDC made the required 8% contribution amounting to approximately \$242 (net of forfeitures) for fiscal year 2005.

In addition, CCDC has a Tax Deferred Annuity Plan covering current and previous eligible 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. This amount includes a 3% increase from the prior year as approved by the Board of Directors on August 13, 2003. 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 \$484 for fiscal year 2005.

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, 2005, pension expenditures for the SDCCC Plan amounted to \$1,230. SDCCC records pension expenditures during the fiscal year based upon estimated covered compensation.

e. **Pension Plan - San Diego Data Processing Corporation (SDDPC)**

SDDPC has accrued and set aside funds in a money market account to provide employees who transferred from the City to SDDPC with retirement benefits approximately equal to those under the City's retirement plan. As of June 30, 2005, the balance in the account was \$129.

The balance at June 30, 2005 consisted of the total estimated liability plus interest earned on the account since its establishment in fiscal year 1991.

In addition, SDDPC has in effect 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. SDDPC's total payroll in fiscal year 2005 was approximately \$18,024. As all employees are substantially covered, SDDPC contributions were calculated using this base salary amount. SDDPC made the required 20% contribution, amounting to approximately \$3,535.

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 2005 was approximately \$9,874. SDHC made the required 14% contribution, amounting to approximately \$1,382 for fiscal year 2005. 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 Development Corporation (SEDC)**

SEDC has an optional Simplified Employee Pension Plan covering all full-time permanent employees (the "SEDC Plan"). The SEDC Plan is a defined contribution plan administered by Morgan Stanley Dean Witter. Under section 212 of the SEDC Employee Handbook, employees are eligible to participate six months after their date of employment, and SEDC contributes a monthly amount equal to 12% of the employees' base salary, or 15% of management employees' base salary. Such contributions are fully vested upon contribution. SEDC's total payroll in fiscal year 2005 was approximately \$957. SEDC contributions were calculated using the base salary amount of approximately \$888. SEDC made the required contribution, amounting to approximately \$118 for fiscal year 2005. SEDC Plan members contributed an additional \$1.2.



**13. OTHER POST EMPLOYMENT BENEFITS (In Thousands)****a. Plan Description**

The City provides certain healthcare insurance benefits to a variety of retired employees through SDCERS, as provided for in San Diego Municipal Code (SDMC) SDMC Sections 24.1201 through 24.1204. Currently, the 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 2005, health eligible retirees who are also eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, limited to approximately \$6.3 per year, in addition to reimbursement/payment for Medicare Part B premiums, limited to approximately \$1.0 per year. Health eligible retirees who are not eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, limited to approximately \$6.7 per year. Non-health-eligible employees who retired or terminated prior to October 6, 1980 or employees who were hired after July 1, 2005, 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.

**b. Contributions**

In accordance with SDMC Sections 24.1203 and 24.1502 as in effect through January 2005 (such sections having been subsequently repealed), amounts were designated from annual realized earnings of SDCERS' pension assets to the retiree healthcare reserve for the purposes of funding the retiree health benefits that would have otherwise have been paid by the City. It is from this Reserve that post-employment healthcare benefits were paid. This diversion of plan assets is alleged to have violated the provisions of IRC Section 401(a), and in response, SDCERS hired Counsel to make a filing to the IRS to correct this operational failure and potential IRC violation. (See Contingencies Note 18 for additional disclosures). The City's Annually Required Contribution (ARC) payments were reduced by the amount required to fund retiree healthcare benefits, resulting in an increase of the NPO.

Expenses for post-employment healthcare benefits are paid on a pay-as-you-go basis. In fiscal year 2005, approximately 4,100 retirees received either City paid insurance or were reimbursed for other health insurance costs incurred. Additionally, expenditures of approximately \$20,800 were recognized by the City for post-employment healthcare benefits. Approximately \$7,900 was paid from the Reserve, which was depleted in January 2005. An additional contribution of approximately \$6,900 was made by the City to fund post-employment healthcare benefits in excess of the reserve balance for fiscal year 2005. The remaining contribution of approximately \$6,000 was made by retirees for beneficiary health benefits. All three of these contributions were placed into a trust fund called the Retiree Health Trust Fund, and all retiree health insurance premiums are made directly from this fund by SDCERS.

In October 2004, City Council approved the decision to have the remaining retiree health benefits transferred directly from City funds into the Retiree Health Trust fund, instead of transferred from the SDCERS Pension Trust Fund. In February 2005 the City Council adopted O-19354 which requires retiree healthcare premiums to be paid using General Fund and non-general funds of the City (Additional information is presented in Pension Plan Note 12 section d and e). These funds are transferred from the General Fund and non-general funds to the Retiree Health Trust Fund which is the fund that pays the Retiree Health Insurance Premiums. On September 28, 2007, the City Attorney's Office released Opinion No. 2007-04 which states that the trust relationship between the City and SDCERS was not affected by the change in funding mechanism, and therefore, SDCERS remains the trustee of the retiree healthcare funds.

In July 2004, GASB issued GASB 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions* (OPEB), which establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial statements. The City will implement GASB 45 in the financial statements for the fiscal year ending June 30, 2008. Post-employment healthcare actuarial accrued liability and any unfunded actuarial accrued liability will be reported in the required supplemental information in a manner similar to pension obligations. However, current year amounts will be disclosed in the notes to the financial statements.



**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, \$2,250, is an advance from the HUD Section 108 grant funds to the Redevelopment Agency. Interfund WCA balances at June 30, 2005 are as follows:

Contributing Fund (Receivable)	Benefiting Fund (Payable)		
	General Fund	NonMajor Governmental	Total
General Fund	\$ -	\$ 300	\$ 300
NonMajor Governmental	-	3,470	3,470
Sewer Utility	341	-	341
Water Utility	644	-	644
Total	\$ 985	\$ 3,770	\$ 4,755

Interfund receivable and payable balances are the result of loans between funds that are expected to be repaid during the next fiscal year. The majority of the NonMajor Governmental loans, \$76,507, represent the Redevelopment Agency loans from their special revenue funds to their capital projects and debt service funds. There is also a \$16,275 loan from the General Fund to expenditure-driven grant funds that have temporary cash shortfalls, pending reimbursements from the Federal Government and the State. Interfund receivable/payable balances at June 30, 2005 are as follows:

Contributing Fund (Receivable)	Benefiting Fund (Payable)	
	Nonmajor Governmental	
General Fund	\$ 16,275	
Nonmajor Governmental	87,992	
Nonmajor Enterprise	3,164	
Total	\$ 107,431	

The Water Utility Major Fund has an interfund loan receivable of \$2,386, and the Capital Outlay NonMajor Governmental Fund has a corresponding interfund loan payable of \$2,386 for a loan agreement in which the Water Utility financed a land acquisition for the government. This land held for resale in the Capital Outlay Fund was sold to the Redevelopment Agency on October 16, 2006. The purchase price of the land was \$6,380, of which \$3,191 (which includes accrued interest) will be repaid to the Water Utility Fund and the remainder will be placed in the Capital Outlay Fund.

The Sewer Utility Major Fund has an interfund loan receivable of \$3,487, and the Black Mountain Ranch Facilities Benefit Assessment Fund, a NonMajor Governmental Fund, has a corresponding interfund payable of \$3,487 for advanced Facilities Benefit Assessment (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 FY2010 from FBA Fund assessment revenue.

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 Transient Occupancy Tax (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 at June 30, 2005 are as follows:

Contributing Fund	Benefiting Fund							Total
	General Fund	NonMajor Governmental	Sewer Utility	Water Utility	NonMajor Enterprise	Internal Service	Capital Asset Transfers	
General Fund	\$ -	\$ 14,276	\$ -	\$ -	\$ 497	\$ 688	\$ -	\$ 15,461
NonMajor Governmental	58,913	284,073	-	26	827	328	-	344,167
Sewer Utility	-	1,307	-	7	-	591	76	1,981
Water Utility	-	1,030	19	-	-	300	16	1,365
NonMajor Enterprise	1,711	588	-	-	-	400	53	2,752
Internal Service	5,328	670	485	3,370	252	122	26	10,253
Capital Asset Transfers	-	-	-	1	-	-	-	1
Total	\$ 65,952	\$ 301,944	\$ 504	\$ 3,404	\$ 1,576	\$ 2,429	\$ 171	\$ 375,980

## 15. RISK MANAGEMENT (In Thousands)

The City is exposed to various risks of loss related to torts; 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 participates in 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) whereby the City pays the first \$1,000 per occurrence. Effective July 2003, the City's excess liability insurance coverage was obtained through a sister joint powers risk pool, California Public Entity Insurance Authority (CPEIA) for amounts up to \$50,000 per occurrence in excess of a \$2,000 self-insured retention.

The City offers a cafeteria-style flexible benefits plan. 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. 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, 2005 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 showing current and prior year activity is presented below:

	Public Liability	Workers' Comp & Long-Term Disability	Total
Balance, July 1, 2003	\$ 85,073	\$ 116,059	\$ 201,132
Claims and Changes in Estimates	29,055	62,965	92,020
Claim Payments	<u>(12,267)</u>	<u>(28,722)</u>	<u>(40,989)</u>
Balance, June 30, 2004	101,861	150,302	252,163
Claims and Changes in Estimates	24,996	40,037	65,033
Claim Payments	<u>(24,508)</u>	<u>(26,933)</u>	<u>(51,441)</u>
Balance, June 30, 2005	<u>\$ 102,349</u>	<u>\$ 163,406</u>	<u>\$ 265,755</u>

The City also participates in the joint purchase of its first party property insurance including all-risk, flood, boiler and machinery and business interruption coverages through the CSAC-EIA pool. Earthquake coverage is purchased separately through the pool. The joint purchase of the City's "all risk" property insurance, insuring approximately \$2,000,000 in value of City property and assets, provides coverage for losses to City property up to approximately \$400 per occurrence, subject to a \$25 deductible. This limit includes 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 counties are mutually subject to the same loss. Limits and coverages may be

adjusted periodically in response to 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 \$75, 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 \$500 minimum, effective March 31, 2004. 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 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 \$10,000 per occurrence subject to a \$25 deductible.

During the current year, 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 DEFICIT (In Thousands)**

The Self Insurance Fund has a net deficit of approximately (\$186,480) at June 30, 2005, 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 November 2006, the Mayor's office presented a five-year financial outlook to the City Council that outlines a proposal to fund the Self Insurance Fund.

The Grants Fund and the Capital Outlay Fund also have net deficits of approximately (\$18,225) and (\$14,133), respectively, due to the large number of reimbursement grants accounted for within these funds. With reimbursement grants, the resources remain the property of the grantor until allowable costs are incurred. The grants revenues are recognized as soon as all eligibility criteria have been met and the amounts become available. This results in a deficit fund balance in these funds.

**17. COMMITMENTS (In Thousands)**

As of June 30, 2005, the City's business-type activities contractual commitments are as follows:

Airports	\$	1,425
Environmental Services		2,638
Sewer Utility		69,526
Water Utility		52,340
Other		1,907
Total Contractual Commitments	<u>\$</u>	<u>127,836</u>

The contractual commitments are to be financed with existing reserves and future service charges. In addition, the Sewer and Water Utility Funds intend to finance the contractual commitments with existing reserves, future service charges, and revenue bonds secured by system revenues.

Proposed 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 seeks 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 a violation. The City contests the plaintiffs' claims.

The 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 have reached an agreement on the additional requirements to reduce sewer spills, which will be set forth in a Proposed Consent Decree (the "Proposed Consent Decree"). The Proposed Consent Decree will require 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 annual cost of this commitment is \$108,000 per year in capital projects and \$47,000 per year in operational maintenance to the sewer system through the term of the settlement. No civil penalty payment will be 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 Proposed Consent Decree. The Proposed Consent Decree was lodged with the Court on July 31, 2007, and will be considered for approval by the Judge after a public review and comment period.

Sewer rate increases were approved for the next four years to partially fund the obligations of the Proposed Consent Decree. However, additional rate increases will be necessary to completely fund the Proposed Consent Decree. As mentioned previously, the estimated annual cost is \$108,000/year in capital projects and \$47,000/year in operations and maintenance. The City is also investigating financing options to fund the capital projects in the Proposed Consent Decree.

### 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. In addition, 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.

DPH has the authority to impose civil penalties if the City fails to meet DPH 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 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 per day for each violation; for violating other standards, such as turbidity, the penalties can reach \$5 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 2007, the Water Department's DPH Compliance Order project and DPH related project costs approximate:

<u>Total Projects</u>	<u>FY07</u>	<u>FY08 - FY11</u>	<u>FY12 - FY19</u>	<u>TOTAL</u>
DPH Order Requirements	\$ 31,800	\$ 344,200	\$ 214,600	\$ 590,600
DPH Related Requirements	7,500	67,700	100,700	175,900
DPH Water Main Replacement <sup>1</sup>		71,000	214,600	285,600

These commitments are to be financed with existing net assets, present and future revenues, and bonds secured by system revenues.

---

<sup>1</sup> The DPH Compliance Order requires the City to replace water mains at a rate of at least 10 miles a year.

## Dewatering Memorandum of Understanding

### Current Status

The City and the Port District entered into a Memorandum of Understanding dated September 17, 1998 (the "Dewatering MOU") regarding the operation of the system which pumps groundwater from under the Existing Center (the "dewatering system"). (There is no need for a permanent dewatering system for the Expansion Project since there is no below-grade construction other than the sinking of pilings, whereas there is subterranean parking under the Existing Center.) Under the Dewatering MOU, the City and District agreed to share the cost (50% by each) of an outfall that would discharge the groundwater from the underground parking facility at the Existing Center into the middle of the San Diego Bay to achieve compliance with discharge requirements. Under a separate 1998 Management Agreement between the City and the District, the City agreed to accept the National Pollutant Discharge Elimination System ("NPDES") permit for the discharge upon a showing that it was in compliance with discharge requirements.

Monthly groundwater discharge sample results have not met the standards dictated by Cease and Desist Order R9-2003-0086 since the end of calendar year 2005. This triggered the implementation of work to cease effluent violations within twenty seven months (end of March 2008).

To achieve compliance with groundwater discharge requirements, the City of San Diego retained an engineering consultant in 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. A determination will be made as to which report recommendations will be implemented. Costs for implementing the report's recommended potential solutions could range from a one-time expense of between \$5,600 to \$9,500, and annual operation and maintenance expenses of \$528 to \$793 per year. Funding to implement any of the potential solutions is the responsibility of the City General Fund.

The City of San Diego plans to take necessary actions to achieve groundwater discharge NPDES compliance by the end of March 2008. Upon completion by the City of an action plan to address the groundwater discharge problem and the identification of required funding, the City plans to communicate with the Regional Water Quality Control Board ("RWQCB") on the final details of the plan. If compliance is not achieved by March 2008, the Board could enact enforcement actions against the City of San Diego.

### Background

The City accepted the NPDES permit in November of 1999 and, along with the District, completed the outfall in March of 2001. Thereupon the City applied for a site specific NPDES discharge permit that would recognize the mixing effect of the outfall and would thereby allow for modified discharge limits, especially for metals in the groundwater. The RWQCB considered the request for the site specific permit with the modified limits on March 12, 2003. Due to historical contamination in San Diego Bay, especially from copper from ship activities, the Board did not allow any modified limits and issued an NPDES permit for the groundwater discharge that sets specific limits for metals and toxicity. Given the variables of groundwater, the City expected to meet all discharge limits except for chronic toxicity and copper. Consequently, the City concurrently was issued a Cease & Desist Order from the Board that sets a final compliance date of December 31, 2003 with the following interim milestones: (1) technical report detailing the cost of treatment of the discharge to the sanitary sewer (due by April 9, 2003); (2) progress reports on engineering alternatives to comply with the discharge limits (due by May 14, 2003 and monthly, thereafter); (3) a technical report detailing the engineering alternatives for compliance; and (4) a remedial action workplan to accomplish compliance (due by September 15, 2003).

The City accepted the Cease & Desist Order without appeal and embarked on compliance with the four directives. In reviewing engineering alternatives, it was discovered that the established limits could be complied with by changing the location and method of monitoring the effluent from comparable samples at each pump (pumps 1, 2, 3, and 4) to one composite sample at the discharge point into San Diego Bay. This new methodology was consistent with and acceptable under the site specific elements of the NPDES permit. With the composite samples in compliance with the waste discharge requirements but recognizing that groundwater is variable, the City sought a modification of the Cease & Desist Order to: (1) eliminate the December 31, 2003 deadline; and (2) stay the remedial action workplan until such time as the samples under the new method of monitoring detected any exceedences.

The City's request for the above modifications was heard and approved by the Board on December 10, 2003. In approving the modifications, the Board issued Addendum No. 1 to the previous Cease & Desist Order, R9-2003-0086, and directed in pertinent part that: (1) if a monthly composite sample shows permit exceedences, the City must increase by six the samplings over the following 14 days and implement the workplan only if three of the six samplings confirm copper or toxicity violations; (2) the City must begin monthly status work reports to the Board thirty days after the first detection of exceedences; (3) the City must cease effluent violations no later than twenty-seven months after initiation of the remedial action plan if exceedences of the NPDES permit are confirmed.

Through calendar years 2003, 2004, and much of 2005, monthly effluent samples showed continued compliance with the NPDES permit limitations and therefore the remedial action workplan provisions were not required to be implemented. Consequently, during that time additional capital investment from the City's General Fund was not under consideration; such investment is not required unless and until the composite samples show noncompliance with the NPDES established limits.

Since the end of calendar year 2005, most monthly groundwater discharge sample results have not met the standards dictated by Cease and Desist Order R9-2003-0086.



## 18. CONTINGENCIES (In Thousands)

### FEDERAL AND STATE GRANTS

The City recognizes revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Although the County'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 2004 was completed by Macias Gini & O'Connell LLP and has been received and filed by the City Council. Macias Gini & O'Connell LLP is also in the process of completing the Single Audit for fiscal year 2005.

### 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. The City completed its financial statements, and Council received and filed these statements, for fiscal year ended June 30, 2004. The City is currently in the process of finalizing its audited financial statements for the fiscal year ended June 30, 2005 and has not yet released its audited financial statements for the fiscal year ended June 30, 2006. Accordingly, the City has not been able to timely satisfy its contractual obligations to provide to the national repositories audited financial statements, or financial information and operating data derived from the financial statements. At the time of each deadline, the City did, as required by its continuing disclosure contractual obligations, provide to the national repositories a notice of the failure to file the audited annual financial statements information.

### REGULATORY AND OTHER INDEPENDENT INVESTIGATIONS

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, important 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.

In issuing the Order, the SEC made the following determinations:

- The City failed to disclose that the City's unfunded liability to its pension plan was projected to increase to an estimated \$2 billion at the beginning of fiscal year 2009, and that the City knew and failed to disclose that its health care liability would be in excess of \$1.1 billion. (In the June 30, 2007 SDCERS actuarial valuation (**unaudited**), dated January 10, 2008, the unfunded actuarial liability was calculated to be \$1.183 billion.)
- The City failed to disclose that it had been intentionally under-funding its pension obligations so that it could increase pension benefits but defer the costs, and that it would face severe difficulty funding its future pension and retiree healthcare obligations unless new revenues were obtained, pension and healthcare benefits were reduced, or City services were reduced.
- The City knew or was reckless in not knowing that its disclosures were materially misleading.

- The Order finds that the City made these misleading statements through three different means:
  1. In the offering documents for five municipal offerings in 2002 and 2003 that raised over \$260 million from investors. The offering documents containing the misleading statements included the "official statements," which were intended to disclose material information to investors, and the "preliminary official statements," which were used to gauge investors' interest in a bond issuance.
  2. The City made misleading statements to the agencies that gave the City its credit rating for its municipal bonds.
  3. The City made misleading statements in its "continuing disclosure statements," which described the City's financial condition and were provided by the City to the municipal securities market with respect to prior City bond offerings.

The City consented to the issuance of the Order without admitting or denying the findings in the Order. The SEC's investigation is 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](http://www.sec.gov)

Prior to settlement with the SEC, the City engaged a number of firms to review the City's disclosure practices and to investigate potential illegal acts. In February 2004, the law firm of Vinson & Elkins LLP (V&E) was engaged to conduct a review of the adequacy of the City's financial disclosure relating to the pension fund in bond offerings from 1996 to 2002 and to prepare a report on its findings. In September 2004, V&E released a report that identified a number of disclosure deficiencies and made recommendations on how to remediate their causes. The report did not offer conclusions on the culpability of individual members of the City's government.

Many of the recommendations contained in the V&E report were adopted by the City in October 2004. However, the City's previous accounting firm advised that the report did not provide a sufficient basis to conclude that all questions necessary to the completion of the audit were sufficiently investigated and resolved in a manner that would permit the issuance of an audit report. In response, the City engaged a professional consulting firm, Kroll Inc. and Willkie, Farr and Gallagher LLP, to act in the capacity of an audit committee. Kroll took over the investigatory process. The independent investigations concluded when Kroll presented its final report to the City on August 8, 2006. The Kroll report concluded that there were numerous failures on the part of City government to conform to law, to adhere to principles of sound governance and financial reporting, and to protect the financial integrity of the City's pension system. The Kroll report was more fully summarized in the City's fiscal year 2003 financial report. The City's fiscal year 2003 financial report, and the entire Kroll report including interview summaries and footnotes, as well as the V&E report, are available at: [www.sandiego.gov](http://www.sandiego.gov).

The SEC's investigations against other parties with respect to the misleading disclosures in the City's 2002 and 2003 financial statements are still ongoing (most recently, on December 11, 2007, the SEC obtained a permanent injunction against the City's FY 2002 independent auditor and his firm in connection with the City's false and misleading financial statements in five bond offerings over the years 2002 and 2003).

#### INDEPENDENT INVESTIGATIONS INTO SERVICE LEVEL AGREEMENTS

On April 25, 2006, the San Diego Grand Jury completed its report regarding the use of service level agreements (SLAs) by the City's water district and wastewater district. The Grand Jury found that there was no City Council policy governing the use of SLAs, and that the use of SLAs lack internal management checks and balances to ensure that City departments appropriately bill the enterprise funds for services provided. The Grand Jury found that the City had used SLAs to improperly divert enterprise funds to subsidize City services that should have been funded by the City's general fund.

As a separate matter and in response to the Grand Jury report on Service Level Agreements, a follow up investigation was conducted by Mayer Hoffman McCann P.C., an independent CPA firm performing an agreed upon procedures engagement. Mayer Hoffman found that during fiscal years 1996 to 2003, City staff in the City Attorney's office was directly instructed by management to bill their time based on their budgeted area of responsibility, regardless of the actual work performed. This may have resulted in the enterprise funds being overcharged. The evidence indicates that they were not significantly overcharged, but it should be noted that the available evidence does not support a definitive conclusion regarding the amount of any overcharges. The current City Attorney asserts that these practices are no longer occurring. Other entities, including the California Attorney General, are currently investigating the matter.

#### CITY ATTORNEY INVESTIGATIONS

In May 2007, the City Attorney announced that his office was commencing an illegal acts investigation into the role of City management in the issuance of permits for an office building that had been determined to have violated Federal Aviation Administration regulations on the height of structures in close proximity to municipal airports. The City Attorney has indicated that any potential liability to the City as a result of this matter is inestimable nor has he identified when the underlying event that could potentially cause liability to the City occurred.

The City Attorney detailed his findings regarding matters identified by the County Grand Jury in his Interim Report #10. The City Attorney concluded that improper billing practices had occurred within the City Attorney's office and that the practice had been discontinued upon the current City Attorney taking office in December 2004. On December 12, 2007, the California Attorney General announced that it had completed its investigation with respect to past billing practices of the City Attorney's office and had determined that no criminal charges should be filed.

All of the City Attorney's Interim Reports are available at the City Attorney's Office, 1200 Third Avenue, Suite 1620, San Diego, California 92101, or on the City Attorney's website at [www.sandiego.gov/cityattorney](http://www.sandiego.gov/cityattorney).

#### REMEDIATION OF DISCLOSURE DEFICIENCIES DISCOVERED THROUGH ILLEGAL ACTS INVESTIGATIONS

Beginning with the issuance of the V&E report, the City has taken steps to correct its control environment and initiate the remediation process concerning more specific control activities. The first action was to amend the municipal code by way of ordinance (0-19320) in October 2004. Among other changes, this ordinance:

- Created a Disclosure Practices Working Group. This group is charged with reviewing the form and content of all City documents and materials prepared, issued, or distributed in connection with the City's disclosure obligations relating to securities issued by the City or its related entities.
- Required the City Attorney to designate a deputy city attorney for finance and securities.<sup>1</sup>
- Mandated an annual review of Internal Controls to be conducted by the City's Auditor and Comptroller. The City's first annual report on Internal Controls was published in January 2006. This and subsequent reports can be found at [www.sandiego.gov](http://www.sandiego.gov).
- Required mandatory training, on a regular basis, for City staff, officials, City Council members, and the mayor regarding their obligations relating to disclosure matters under federal and state securities laws.

Additionally, the Mayor proposed to the City Council a comprehensive remediation plan that addresses the deficiencies identified in the Kroll report. Council accepted and adopted, in principle, this plan on September 6, 2006 by Resolution No. 301858. Many aspects of the plan will require either changes to the City Charter or future Council action which has not yet

---

<sup>1</sup>The City Attorney has hired three attorneys to fulfill this obligation.

occurred. In addition, certain aspects of the plan are the subject of current debate, and no assurance can be given that all the aspects of the plan as described below will be adopted.

This plan includes, but is not limited to:

- The appointment of a monitor to oversee the implementation of the remediation plan and submit quarterly reports to the City and the SEC on the City's progress. The City hired an independent monitor (consultant) on January 16, 2007 with Resolution No. 302294 (see details on following page).
- Significant changes to the organizational structure of the City, including the centralization of the various components of the City's newly created Finance Department. This includes enhanced accountability for the City's Chief Financial Officer.
- The formation of an Audit Committee. Municipal Code Article 2, Division 43 "Audit Committee" was adopted per Ordinance 19612, effective June 1, 2007. The purpose of the Audit Committee is to provide independent, legislative oversight of the City's accounting and financial reporting processes, financial internal controls, internal financial audit function and audits of the City's financial statements. The committee is comprised of three voting Council members.
- The appointment of an independent Auditor General who reports to the Audit Committee.
- Guidelines and regulations over the hiring and retention of an Independent Audit firm.
- Modifications to the City's ethics laws to impose criminal penalties for violations.
- The retention of an independent actuary on a periodic basis, but not less than every three years, to assist the City in reviewing the SDCERS actuarial valuation and to provide analysis of the financial effects of retirement related decisions.
- Modifications to the City's internal controls governing the disclosure process.
- The acquisition of a new information system to record and maintain records of the City's operating results.
- Increased training for employees responsible for financial management, reporting and grant management.

In response to the Kroll remediation plan and the SEC Cease and Desist order issued in November 2006, the City hired an independent consultant (the "Independent Consultant") on January 16, 2007 with Resolution No. 302294. The Independent Consultant, who also serves as the independent monitor responsible for the oversight of the implementation of the Mayor's remediation plan, is responsible for:

- Conducting annual reviews for a three-year period of the City's policies, procedures, and internal controls regarding its disclosures for offerings, including disclosures made in its financial statements, pursuant to continuing disclosure agreements, and to rating agencies, the hiring of internal personnel and external experts for disclosure functions, and the implementation of active and ongoing training programs to educate appropriate City employees, including officials from the City Auditor and Comptroller's office, the City Attorney's office, the Mayor, and the City Councilmembers regarding compliance with disclosure obligations;

- Making recommendations concerning these policies, procedures, and internal controls with a view to assuring compliance with the City's disclosure obligations under the federal securities laws;
- Assessing, in years two and three, whether the City is complying with its policies, procedures, and internal controls, whether the City has adopted any of the Independent Consultant's recommendations from prior year(s) concerning such policies, procedures, and internal controls for disclosures.

#### 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 3,000 notices of claims in fiscal year 2005.

The estimate of the liability for unsettled claims has been reported in the Government-Wide Statement of Net Assets, the Proprietary Fund Statement of Net Assets, and in the Proprietary Fund 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.

##### William J. McGuigan v. City of San Diego (McGuigan)

In McGuigan, the plaintiff alleges the City has under-funded its pension plan in violation of its own Charter and Municipal code. A settlement has been reached in which the City has agreed to pay \$173,000 plus interest on amounts outstanding, into the San Diego City Employees Retirement System (SDCERS) over a period of 5 years. The City has already contributed approximately \$100,000 pursuant to this settlement agreement through the securitization of tobacco revenue in fiscal year 2006. An additional requirement of the settlement is that the City provides SDCERS real property collateral totaling \$100,000, to be returned upon the full payment of the settlement. Amounts related to this settlement were not accrued in the City's Self Insurance Fund because the City has already recorded a Net Pension Obligation in its financial statements.

##### De La Fuente Business Park v. City of San Diego

This lawsuit, filed in 1995, involves allegations of breach of contract and inverse condemnation brought by an Otay Mesa developer. In the first proceeding, the jury returned a verdict of \$94,500 in favor of the plaintiff. On appeal, the court issued a tentative ruling that the case will be remanded to trial again on the contract issue, and that the inverse condemnation was not valid as a matter of law. There are also two other pending cases similar in nature that have been filed by the same Otay Mesa developer. These cases are on hold in the trial court, pending the outcome of the Business Park case. According to the City Attorney, the possible exposure of these cases ranges between \$0 and \$29,200. Liabilities for these cases were not accrued in the City's financial statements as the City Attorney has indicated the likelihood that the plaintiff will prevail is only reasonably possible.

##### Ernest Abbit v. City of San Diego

Plaintiffs are 298 individuals from the De Anza Mobilehome Park that are alleging Mobilehome Residency Law "MRL" violations on behalf of the City of San Diego. The likelihood of an unfavorable outcome is reasonably possible and is estimated to be in the range of \$0 - \$22,000.

San Diego Police Officer's/ABBE v. City of San Diego

On October 25, 2005 the SDPOA (SDPOA #2) filed a lawsuit against the City alleging failure to pay for overtime work under the Fair Labor Standards Act. The likelihood of an unfavorable outcome is reasonably possible and is estimated to be in the range of \$0 - \$5,000.

La Jolla Alta Master Council v. City of San Diego

This lawsuit alleges that the City's storm drainage system has caused significant erosion to the 93 acre canyon on Mount Soledad giving rise to this claim of inverse condemnation. The likelihood of an unfavorable outcome is reasonably possible and is estimated to be in the range of \$0 - \$15,000.

Beacon Electric Supply v. City of San Diego

This lawsuit involves a claim against the City by Orion Construction for costs associated with construction delays of Sewer Pump Stations 77A & B which they are alleging were caused, in part, by the City. The likelihood of an unfavorable outcome is reasonably possible and is estimated to be in the range of \$0 - \$2,600.

Significant regulatory actions are described below (Other regulatory actions are described in Notes 17 and 22).

IRS Voluntary Correction Program Settlement

SDCERS is operated as a qualified governmental defined benefit plan under Internal Revenue Code (IRC) §§ 401(a) and 414(d). In light of various concerns raised in investigative reports regarding practices of SDCERS that could have jeopardized its status as a qualified governmental defined benefit plan, SDCERS requested its outside tax counsel, Ice Miller LLP, to perform a comprehensive document compliance review, prepare submissions in accordance with the IRS Voluntary Correction Program (VCP), and work with the IRS to finalize a compliance statement to resolve SDCERS' compliance issues. A comprehensive settlement was reached between the IRS and SDCERS on December 20, 2007 (Settlement). The Settlement requires the City and SDCERS to take certain corrective actions, some of which will require Council approval, regarding certain provisions of its retirement plan within 150 days of December 20, 2007. The Settlement does not require the City to pay any penalty payments or to make any additional contributions to the retirement system. In the event the City does not successfully implement certain plan document changes required by the IRS Compliance Statement, SDCERS and the City may face additional regulatory actions from the IRS including but not limited to, SDCERS plan disqualification and financial penalties against the City, the plan sponsor.

The VCP filings identified violations and proposed corrections regarding the City's Presidential Leave Program for presidents of certain labor organizations that represent City employees; compensation limits under IRC § 401(a)(17); minimum distribution requirements under IRC § 401(a)(9); eligible rollover distribution compliance under IRC § 401(a)(31); minimum distribution requirements from the Deferred Retirement Option Plan (DROP) program; overpayment of disability benefits; conversion of annual leave to purchased service credits; retiree healthcare benefits and health administrative expenses under IRC § 401(h); benefit and compensation limits under IRC §§ 415(b), 415(c) and 415(n); and remedial plan amendments.

The practice of using pension plan assets, and later a bifurcation of City contributions to the pension plan to fund retirement healthcare benefits, resulted in the most significant plan violation in monetary terms. The compliance statement identified that from 1983 through 1991 retiree health benefits were paid by SDCERS when the plan document did not provide for such benefits. Additionally, the compliance statement states that the plan was not appropriately reimbursed for administrative expenses related to the provision of retiree health benefits from 1993 to 2006. Both of these failures were related to non-compliance with IRC § 401(a)(2). The cumulative value of improper payments associated with this failure was approximately \$34 million. In a separate failure, the compliance statement also identified that from 1998 through 2005, the terms of the



Plan did not comply with all of the provisions of IRC §§ 401(a)2 and 401(h) as it relates to the plan's administration of retirement health benefits and the use of plan earnings to fund the benefits. The compliance statement indicated that the manner in which the benefits were funded "made it extremely difficult, if not impossible to resolve that there was no inappropriate use of the Plan Assets." In this regard, and for the purposes of presenting fairly the effect on net assets, the City has estimated that from 1988 through 2006, the cumulative effect of the improper administration of Retiree Health Benefits was approximately \$77.1 million. These amounts will be treated as a reduction to City contributions against its Annually Required Contribution during the year in which the expenditures occurred and instead recorded as part of the City's Net Pension Obligation.

With regard to benefit and compensation limits, in March 2001 the City Council authorized the establishment a Preservation of Benefit Plan. A preservation of benefit plan is a qualified governmental excess benefit arrangement (QEBA) under IRC § 415(m), which is a vehicle created by Congress to allow the payment of promised pension benefits that exceed the IRC § 415(b) limits. While the City Council approved the establishment of a Preservation of Benefit Plan satisfying the requirements of § 415(m), the City has not received a determination letter from the IRS approving the formation of its Preservation of Benefit Plan QEBA. Under the Internal Revenue Code, the City may not pre-fund the Preservation of Benefit Plan to cover future liabilities beyond the current year, as with the 401(a) plan. Despite the creation of the Preservation of Benefit Plan by the City Council in March 2001, SDCERS continued to treat the excess amounts as payable from the 401(a) plan assets in violation of law. SDCERS did not establish a Preservation of Benefit Plan and Trust until February 2007. In future years, SDCERS will determine the amount necessary to fund any pension benefits payable during the calendar year in excess of the amount permitted by IRC § 415(b). This amount will include the projected amount of all excess pension benefits payable for the calendar year as well as the projected cost of administering the Preservation of Benefit Plan for the calendar year. SDCERS will provide this information to the City and the City will pay these costs on an annual basis. The City transferred money into a new POB account in December 2007 to fund POB payments. With the issuance of the Compliance Statement, SDCERS has stopped paying benefits in excess of the 415(b) limits from the SDCERS Trust Fund. Excess benefits will be paid only from the POB Plan. The private letter ruling request is still pending with the IRS.

The most current estimated actuarially accrued liability related to excess benefits for eligible active members of the system, amounting to approximately \$22.8 million, has been excluded from the actuarial valuation of the 401(a) retirement plan beginning in fiscal year 2006. Additionally, the liability for retired members of the Preservation of Benefit Plan, amounting to approximately \$6.4 million, has been excluded from the fiscal year 2007 actuarial valuation (unaudited) of the 401(a) retirement plan. Accordingly, the liability related to excess benefits for retired members is reflected in the actuarial liabilities of the 401(a) plan in the actuarial valuation dated June 30, 2006 as well as in the ARC payable in fiscal year 2008.

In fiscal year 2005, costs related to the Preservation of Benefit Plan for both retired and active members are included in the actuarial liabilities presented in the Required Supplementary Information (RSI) for the City's core pension plan and are valued using the same set of assumptions. In a review of the financial statements of other local governments, the City has noted significant diversity of practice in how governments are accounting for QEBAs. As such, the City is in the process of implementing a plan to account for the QEBA with SDCERS.

#### City Attorney Concerns with Pension System

The City Attorney has concluded that, in his opinion, the excess retirement benefits referenced above, require voter approval as such benefits constitute a distinct pension plan not authorized under the City Charter. Therefore, it is also his opinion that the excess retirement benefits are illegal and that the City should immediately discontinue payment. Other members of management believe that this issue has yet to be resolved in court related to lawsuits previously filed by the City Attorney. As such, the City intends to continue to treat these benefits as legal obligations until instructed to do otherwise by a court. In the opinion of management, a decision to terminate such benefits would expose the City's residents to unnecessary and costly legal fees.

In addition, the City Attorney has written to the Internal Revenue Service, in letters dated September 13, 2007, October 3, 2007 and November 6, 2007, expressing his concerns that the pension plan in its current form violates various provisions of the City Charter and the City Municipal Code, and that such violations could jeopardize the status of SDCERS as a qualified governmental defined benefit plan. In addition to matters identified elsewhere in these notes and the IRS Compliance Statement, set forth below are additional concerns raised in such letters or in other public pronouncements of the City Attorney:

1. DROP: The City Attorney has alleged that the DROP program, as discussed in Note 12, is not currently operated on a neutral cost basis. Municipal Code section 24.1401(b) provides that "DROP is intended to be cost neutral." In DROP, the employee's retirement benefit calculation is fixed as of the date of participation and they continue to work for the City up to five years, while their monthly pension benefit is deposited into an individual account held by SDCERS.<sup>1</sup>
2. Purchase of Service Credit Program: Employees hired before July 1, 2005 were permitted to buy pensionable years' service credit below cost; however, such program was also intended to be cost neutral as reflected in a City Manager memorandum to the Council at the time Council approved such program.<sup>1</sup>
3. Term Limit: Elected officials are permitted to buy pensionable years' service credit in excess of the time they are permitted to serve under section 12(f) of the City Charter (two consecutive four-year terms).<sup>2</sup>
4. Pension Plan Vesting Requirement: Employees were allowed credit for pension years purchased below cost to satisfy the retirement plan's 10 year vesting requirement. In relation to non-public safety employees, the Charter provides that "No employee shall be retired before reaching the age of 62 years and before completing 10 years of service for which payment has been made, except such employees may be given the option to retire at the age of 55 years after 20 years of service for which payment has been made with a proportionally reduced allowance".<sup>1</sup>
5. Retirement Age: Non-public safety Employees were permitted to use pension years purchased below cost to retire at 55 rather than 62, without regard to whether they have 20 years of service.<sup>1</sup>

Other members of management believe that the legal status of these matters has not been definitively determined and do not raise IRS qualification issues. Furthermore, other members of management note that while the IRS was made aware of these issues prior to issuing the compliance statement discussed earlier in the note, to date the IRS has not determined to take any action regarding the issues alleged by the City Attorney.

#### California Regional Water Quality Board Administrative Proceeding

The City is in an on-going administrative proceeding before the California Regional Water Quality Control Board (RWQCB) where it has been alleged that the City, along with eight other entities, have contributed to polluting San Diego Bay, a condition which requires abatement. The allegations relate to current and historic discharges of urban runoff into Chollas Creek, which drains into the San Diego Bay. The City has retained consultants to assess the available data and therefore it is difficult to determine likelihood of an unfavorable outcome. However, the RWQCB has estimated that remediation costs could range between \$900 and \$122,000 depending on the remedy selected, and the City would have a yet-to-be determined share of those remediation costs if an unfavorable outcome were to happen.

---

<sup>1</sup> As of February 8, 2008, these matters are currently on appeal to the California Court of Appeals, Fourth District, and the parties are presently waiting to be apprised of the briefing schedule by the court.

<sup>2</sup> As of February 8, 2008, this concern has not been involved in any type of litigation.



**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 various types of such 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 or moderate income.

Industrial Development Revenue Bonds

Industrial Development Revenue bonds have been issued to provide financial assistance for the acquisition, construction, and installation of privately-owned facilities for industrial, commercial or business purposes to mutually benefit the citizens of the City of San Diego.

1911 Act Special Assessment Bonds

1911 Act Special Assessment Bonds have been issued to provide funds for the construction or acquisition of public improvements, and/or the acquisition of property for public purposes, for the benefit of particular property holders within the City. Each bond is secured by a lien on a specific piece of property.

As of June 30, 2005, the status of all third party bonds issued is as follows (in thousands):

	Original Amount	Balance June 30, 2005
Mortgage Revenue	\$ 132,390	\$ 34,065
Industrial Development Revenue	345,805	165,540
1911 Act Special Assessment	236	12
Total	<u>\$ 478,431</u>	<u>\$ 199,617</u>

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 for 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 \$13,665 reported as landfill closure and post closure care liability at June 30, 2005 represents the cumulative amount reported to date based on the use of 77.3% of the estimated capacity of the landfill.

The City will recognize the remaining estimated cost of closure and post closure care of \$3,962 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, 2005. The City expects to close the landfill in fiscal year 2012. 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, 2005, cash or equity in pooled cash and investments of \$29,207 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

On October 22, 2001, SDDPC renewed its fiscal year 2002 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 is to provide data processing services to ARJIS at rates which, on an annual basis, are equivalent to those charged to other governmental entity clients. Included in SDDPC's data processing services revenue is approximately \$2,652 related to ARJIS for the year ended June 30, 2005.

City of San Diego and San Diego Medical Services Enterprise, LLC

On July 1, 1997, the City entered into an operating agreement with Rural/Metro Corporation, a provider of emergency medical transport services, to form San Diego Medical Services Enterprise, LLC (SDMSE) for the purpose of providing the City with emergency medical and medical transportation services. The operating agreement and related contracts to provide such services were renewed on July 1, 2002 and again on July 1, 2005. The operating agreement will expire on June 30, 2008 unless SDMSE is awarded a new contract after a competitive bidding process. Under the agreement the City paid SDMSE \$994. SDMSE made a profit distribution to its partners of \$155 during fiscal year 2005.

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. The City and Padres jointly own the facility; the Padres having a 30% divided interest based upon the original Facility cost estimate of \$267,500 (or \$80,250) with the City owning 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 Ballpark. Following termination of any occupancy agreement for the Ballpark, 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.

**22. SUBSEQUENT EVENTS (In Thousands)**

On July 1, 2005, the City privately placed a fiscal year 2005 - 2006 Tax Revenue Anticipation Note in an amount not to exceed \$155,000. The City borrowed \$145,000 to meet its cash flow needs and repaid the borrowing by May 2006.

On July 6, 2005, the City received a State Revolving Fund Loan disbursement from the State of California Department of Health Services totaling \$21,500 to assist in funding the Alvarado Water Treatment Plant, Earl Thomas Reservoir Replacement Project. The loan repayment period is 20 years with an annual interest rate of 2.5132%. Net System Revenues of the Water Utility Fund are the dedicated source of funds for repayment of the Loan.

On August 23, 2005 (and July 20, 2006) the San Diego Police Officers' Association (SDPOA #1 and #3 respectively) filed a lawsuit against the City for alleged violations of the Fair Labor Standards Act, various California Labor Code provisions, as well as breach of contract and unfair competition relating to the terms of their employment. The SDPOA #1 case has been dismissed by the United States District Court, SDPOA #3 remains pending but it is likely that the courts will dismiss given their recent decision on SDPOA #1.

On December 5, 2005, the Council authorized the First Amendment to the Master Lease Agreement with Banc of America Leasing and Capital, LLC. The First Amendment to the Master Lease Agreement provides financing for a portion of the lease purchase of law enforcement helicopters and equipment in an amount not to exceed \$15,000.

On December 20, 2005, the City received a State Revolving Fund Loan disbursement from the State of California Water Resources Control Board totaling \$10,000 for the construction of the Environmental Monitoring & Technical Services Lab. The loan repayment period is 20 years, which begins one year after the completion of the project. The City is required to provide a 16.667% match for the loan, resulting in an effective interest rate of 2.42%.

On January 17, 2006, the Council authorized the Fifth Amendment to the Master Lease Agreement with Motorola, Inc. The Fifth Amendment to the Master Lease Agreement provides financing for the purchase of equipment and services required for an 800MHz communications system upgrade for an amount not to exceed \$15,100.

On June 14, 2006, the City established the Tobacco Settlement Revenue Funding Corporation, a California Nonprofit Public Benefit Corporation. In November 1998, the Attorney General of California signed a Master Settlement Agreement with the four major tobacco companies. The Corporation was formed to acquire future Tobacco Settlement Revenues from the City. The Corporation purchased from the City the rights to receive up to the first \$10,100 annually of the tobacco settlement revenues due to the City under the Master Settlement Agreement (the "MSA"), the Memorandum of Understanding (the "MOU") entered into on August 5, 1998, among the State of California, various cities and counties in the State and certain other parties, as augmented by the Agreement Regarding Interpretation of Memorandum of Understanding (ARIMOU). On June 21, 2006, the Corporation issued \$105,400 of Tobacco Settlement Asset-Backed Bonds, Series 2006, the proceeds of which were from the sale of the City's future tobacco settlement revenues. The Series 2006 Term Bonds are limited obligations of the Corporation, payable from and secured solely by Pledged Tobacco Settlement Revenues. The Term bonds have an interest rate of 7.125%, and the scheduled maturity date is June 1, 2032.

On June 22, 2006, the Redevelopment Agency of The City of San Diego issued \$76,200 of Subordinate Tax Allocation Bonds (Series 2006A) and \$33,800 of Housing Tax Allocation Bonds (Series 2006B). The Series 2006A Subordinate Bonds were issued for the purpose of financing certain redevelopment activities within the Centre City Project, to pay the costs of debt service reserve surety bonds and the costs of issuance in connection with the Series 2006A Subordinate Bonds. The 2006 Series B Subordinate Bonds were issued for the purpose of financing certain improvements relating to, or increasing the development of low and moderate income housing, to pay the costs of the

debt service reserve surety bonds and the costs of the issuance for the Series 2006B Subordinate Bonds. The Series 2006 A and B Bonds are payable from and secured by subordinate pledged tax revenues derived from the Centre City Redevelopment Project Area. The interest rate on the bonds ranges from 4.25 to 6.20% and the maturity date for the 2006A issue is September 1, 2032 and for the 2006B issue is September 1, 2031.

On July 3, 2006, the City privately placed a fiscal year 2006-2007 Tax Revenue Anticipation Note in an amount not to exceed \$142,000, to meet certain general fund cash flow needs of the City. The City borrowed \$142,000 on July 3, 2006 on a 13 month term. The fiscal year 2006-2007 Tax Revenue Anticipation Note was repaid in August 2007.

On July 13, 2006, the City issued, on a private placement basis, \$16,000 of Community Facilities District No. 3 Special Tax Bonds. These bonds financed public improvements in order to meet the increased demands placed upon the City as a result of the redevelopment and reuse of the former Naval Training Center property. The Series 2006 A bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are special obligations of Community Facilities District No. 3, payable solely from annual special taxes levied on certain taxable land within the district. The interest rate on the bonds ranges from 5.0 to 5.75%, and the maturity date is September 1, 2036.

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 (HOA) in La Jolla. Claimants allege the water main failure caused soil subsidence, hillside failure, road failure and diminished property values of 40 HOA homes. The likelihood of an unfavorable outcome is reasonably possible and is estimated to be in the range of \$0 - \$40,000.

On August 11, 2006 the City brought action against Sunroad Centrum for public nuisance abatement, injunction and violation of Unfair Practices Act as a result of their construction of an office building that has been deemed a hazard to air navigation at Montgomery Airport. Sunroad filed a cross-complaint against the City alleging the City issued building permits to Sunroad for construction of this office building. The likelihood of an unfavorable outcome is reasonably possible and is estimated to be in the range of \$0 - \$45,000.

On October 17, 2006, the City Council authorized the 2<sup>nd</sup> and 3<sup>rd</sup> Amendments to the Master Lease Agreement with Banc of America Leasing and Capital, LLC. The 2<sup>nd</sup> Amendment to the Master Lease Agreement authorizes the lease-purchase of Motive Equipment in an amount not to exceed \$6,800. The 3<sup>rd</sup> Amendment to the Master Lease Agreement authorizes the lease-purchase of Fire Apparatus in an amount not to exceed \$2,550.

On October 31, 2006, the Redevelopment Agency of the City of San Diego issued a non-revolving line of credit with Bank of America, N.A. for an aggregate amount of \$10,000, comprised of a tax-exempt commitment of \$7,534 and a taxable commitment of \$2,466. 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 interest rate on the tax-exempt advances will be at a rate per year equal to 62.347% of the LIBOR Rate plus .90% and the interest rate on the taxable advances will be at a rate per year equal to the LIBOR Rate plus 1.20%, unless the Agency elects to have any of the tax-exempt or taxable advances bear interest at a rate based on the Bank's Prime Rate. The maturity date will be November 1, 2008, unless the Agency issues bonds, notes or other obligations for the North Park Project Area prior to the maturity date.

On December 1, 2006, the Governmental Accounting Standards Board issued GASB 49. Reflecting its intention to ensure that costs and liabilities not specifically addressed by current governmental accounting standards are included in financial reports, the GASB issued a standard that will require state and local governments to provide the public with more extensive information about the financial impact of environmental cleanups effective for financial statements issued for fiscal year 2009. The City has not at this time determined the impact of this accounting standard on its financial statements.

On January 9, 2007, the City Council authorized the Mayor to execute a fifteen-year loan agreement with the California Energy Resources Conservation and Development Commission in the amount of \$2,227 at the rate of 4.5% interest, to upgrade mechanical and electrical systems at multiple City facilities to more energy efficient systems. The effective date of the loan agreement or the date that the loan agreement was executed by both parties was March 3, 2007. The loan repayment is to be funded with annual energy savings realized by the energy efficiency improvements.

On January 30, 2007, the Public Facilities Financing Authority of the City of San Diego issued, on a private placement basis, \$57,000 of Non-Transferable Subordinated Water Revenue Notes to finance upgrades to and expansion of the City's water system and to reimburse for previous costs incurred. The Series 2007A Notes are secured by and payable solely from net system revenues of the Water Utility Fund. The 2007A Notes bear an interest rate of 4.06%, and the maturity date is January 30, 2009.

On March 12, 2007, the Public Facilities Financing Authority of the City of San Diego issued, on a private placement basis, \$156,560 of Lease Revenue Refunding Bonds to refund the existing Public Facilities Financing Authority Ballpark Lease Revenue Bonds, Series 2002. The Series 2007A Bonds are secured by and payable solely from base rental payments payable under the Ballpark Facility Lease. Such base rental payments are a general fund obligation of the City. The interest rates range from 5.0% to 5.25%, and the final maturity date is February 15, 2032.

On March 21, 2007, the City received a State Revolving Fund Loan disbursement from the State of California Water Resources Control Board totaling \$3,858 for the Point Loma Fourth Sludge Pump Modifications Project. The repayment period for the loan is 20 years, which begins one year after the completion of the project. The City is required to provide a 16.667% match for the loan, resulting in an effective interest rate of 2.42%.

On March 27, 2007, the Council authorized a Master Lease Agreement with Koch Financial Corporation for the lease-purchase of Motive Equipment and Public Safety Equipment in an amount not to exceed \$14,600.

On May 7, 2007, the Public Facilities Financing Authority of the City of San Diego issued, on a private placement basis, \$223,830 of Subordinate Sewer Revenue Notes, Series 2007 to finance and reimburse for previous costs incurred from upgrades to the City's sewer system and to refund the outstanding balance on the Series 2004 Subordinated Bonds in the amount of \$144,400. The Series 2007 Notes are secured by and payable solely from net system revenues of the Sewer Utility Fund. The notes bear an interest rate of 5.00%, and the maturity date is May 15, 2009.

On May 15, 2007, the Council authorized a Master Lease Agreement with IBM Credit LLC for the lease-purchase of the Enterprise Resource Planning System in an amount not to exceed \$29,500.

On July 2, 2007, the City privately placed a fiscal year 2007-2008 Tax Revenue Anticipation Note in an amount not to exceed \$116,000 to meet general fund cash flow needs of the City. The City borrowed \$116,000 on July 2, 2007 on a 13 month term.

On July 12, 2007, the Public Facilities Financing Authority issued \$17,230 Series 2007A taxable pooled financing bonds for Southcrest, Central Imperial and Mount Hope Redevelopment Projects and \$17,755 Series 2007B tax-exempt pooled financing Bonds for Southcrest and Central Imperial Redevelopment Projects. The Series A and Series B together were issued to make loans to the Redevelopment Agency of the City of San Diego to be used for financing and refinancing redevelopment activities in the Southcrest, Central Imperial and Mount Hope Redevelopment Project Areas. The issuance was through a public offering. The Series 2007 A and 2007 B Bonds are secured by a Loan Agreement and a Second Supplemental Trust Agreement (Central Imperial Redevelopment Project Area) and a Third Supplemental Trust Agreement (Southcrest Redevelopment Project Area) and a Fourth Supplemental Trust Agreement (Mount Hope Redevelopment Area) and are payable solely from the tax increment revenues derived from

each project area. The interest rates range from 4.0% to 6.65%, and the final maturity date is October 1, 2037.

On July 26, 2007, the Redevelopment Agency of the City of San Diego executed six separate non-revolving secured three-year term taxable and tax-exempt lines of credit with San Diego National Bank. Four taxable lines of credit are for affordable housing in North Park, City Heights, North Bay and Naval Training Center (NTC) Redevelopment Project Areas for an aggregate of \$34,000. The two additional lines of credit are for non-housing or general purpose for City Heights, which is a taxable line of credit of \$20,000 and NTC Redevelopment Project, which is taxable for \$6,000 and tax-exempt for \$10,000. The Agency may elect to have the taxable advance bear interest at a fixed rate equal to the United States Three-Year Treasury Constant Maturities Index plus 1.90%, which will remain fixed for the entire period of such advance or elect to have the interest set at a fixed rate equal to the One-Month LIBOR Rate plus 1.10%. Tax-exempt advances will bear interest at a fixed rate determined by adding .70% to the product of the One-Month LIBOR Rate multiplied by 90%. Interest will be payable quarterly in arrears along with a .45% per annum loan fee on the unused commitment. Principal is due at maturity with no prepayment penalty.

On October 3, 2007 there was a landslide in La Jolla on Soledad Mountain Road. The cause of the landslide is under investigation by a geological consulting group, and has not been identified as of the original issuance of this report.

On October 21, 2007, multiple wild fires began burning throughout the county of San Diego. Fueled by dry Santa Ana winds, these fires prompted the evacuation of an estimated 500,000 residents. As of the original issuance of this report, we do not have an estimate for financial loss caused by these fires.

**Required Supplementary Information  
(Unaudited)  
Pension Trust Funds Analysis of Funding Progress**

The following table shows the funding progress of the full City's portion of SDCERS (excluding the Port and the Airport) for the last three fiscal years (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ** PUC * (b)	UAAL** (b - a)	Funded Ratio ** (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/30/2003	\$ 2,375,431	\$ 3,607,173	\$ 1,231,742	65.85%	\$ 533,595	230.84%
6/30/2004	2,628,680	4,077,833	1,449,153	64.46%	540,181	268.27%
6/30/2005	2,983,080	4,436,017	1,452,937	67.25%	557,631	260.56%

\* Projected Unit Credit method used for determining actuarial accrued liability.

\*\* The actuarial accrued liability, UAAL, and funded ratio have been adjusted to reflect the impact of the Corbett contingent benefit. The Actuarial Valuation provided by the actuary does not include this contingent benefit in the funded ratio.



**This Page Left Intentionally Blank**

REQUIRED SUPPLEMENTARY INFORMATION - GENERAL FUND

**This Page Left Intentionally Blank - Back of Divider Page**

## 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; 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**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended June 30, 2005**  
**(In Thousands)**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Tax .....	\$ 269,920	\$ 275,640	\$ 223,500	\$ (52,140)
Sales Tax .....	139,713	144,116	95,376	(48,740)
In-Lieu Sales Tax .....	-	-	48,220	48,220
Transient Occupancy Tax .....	62,782	62,782	63,910	1,128
Other Local Taxes .....	67,356	74,574	73,456	(1,118)
Licenses and Permits .....	26,935	27,847	28,459	612
Fines, Forfeitures and Penalties .....	30,446	31,846	31,857	11
Revenue from Use of Money and Property .....	32,788	35,543	33,015	(2,528)
Revenue from Federal Agencies .....	1,672	2,485	6,888	4,403
Revenue from Other Agencies .....	17,863	25,763	74,571	48,808
Charges for Current Services .....	83,222	98,760	105,293	6,533
Other Revenue .....	16,779	5,172	3,249	(1,923)
<b>TOTAL REVENUES</b> .....	<b>749,476</b>	<b>784,528</b>	<b>787,794</b>	<b>3,266</b>
<b>EXPENDITURES</b>				
Current:				
General Government and Support .....	157,522	174,661	168,598	6,063
Public Safety - Police .....	311,121	322,672	321,537	1,135
Public Safety - Fire and Life Safety and Homeland Security .....	150,913	160,836	158,538	2,298
Parks, Recreation, Culture and Leisure .....	113,810	113,563	109,202	4,361
Transportation .....	21,993	22,542	22,354	188
Sanitation and Health .....	40,933	42,241	41,610	631
Neighborhood Services .....	23,298	26,484	26,267	217
Debt Service:				
Principal Retirement .....	1,726	2,381	2,381	-
Interest .....	5,222	5,363	1,811	3,552
<b>TOTAL EXPENDITURES</b> .....	<b>826,538</b>	<b>870,743</b>	<b>852,298</b>	<b>18,445</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....	<b>(77,062)</b>	<b>(86,215)</b>	<b>(64,504)</b>	<b>21,711</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Proprietary Funds .....	2,777	6,519	7,039	520
Transfers from Other Funds .....	65,180	64,482	58,913	(5,569)
Transfers to Proprietary Funds .....	(760)	(1,185)	(1,185)	-
Transfers to Other Funds .....	(12,007)	(14,277)	(14,276)	1
Net Income from Joint Venture .....	-	-	20	20
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>55,190</b>	<b>55,539</b>	<b>50,511</b>	<b>(5,028)</b>
<b>NET CHANGE IN FUND BALANCE</b> .....	<b>(21,872)</b>	<b>(30,676)</b>	<b>(13,993)</b>	<b>16,683</b>
Fund Balance Undesignated at July 1, 2004 .....	41,339	41,339	41,339	-
Reserved for Encumbrances at July 1, 2004 .....	14,888	14,888	14,888	-
Reserved for Minority Interest in Joint Venture at July 1, 2004 .....	-	-	1,522	1,522
Reserved for Minority Interest in Joint Venture at June 30, 2005 .....	-	-	(1,542)	(1,542)
Designated for Subsequent Years' Expenditures at July 1, 2004 .....	1,333	1,333	1,333	-
Designated for Subsequent Years' Expenditures at June 30, 2005 .....	-	-	(1,954)	(1,954)
<b>FUND BALANCE UNDESIGNATED AT JUNE 30, 2005</b> .....	<b>\$ 35,688</b>	<b>\$ 26,884</b>	<b>\$ 41,593</b>	<b>\$ 14,709</b>

The accompanying notes to required supplementary information are an integral part of this financial statement.

## Notes to Required Supplementary Information Year Ended June 30, 2005

### 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
    - 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:
    - Underground Surcharge

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 deficiency of revenues over expenditures prepared on a GAAP basis to that prepared on the budgetary basis for the year ended June 30, 2005 (in thousands):

	General Fund
Net Change in Fund Balances - GAAP Basis	\$ (174)
Add (Deduct):	
Encumbrances Outstanding, June 30, 2005	(15,659)
Reserved for Advances and Deposits, June 30, 2005	(300)
Reserved for Advances and Deposits, June 30, 2004	2,140
Net Change in Fund Balances - Budgetary Basis	<u>\$ (13,993)</u>

**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



**This Page Left Intentionally Blank - Back of Divider Page**

**GENERAL FUND  
SCHEDULE OF REVENUE AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
Year Ended June 30, 2005  
(In Thousands)**

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>PROPERTY TAX</b>					
One Percent Property Tax Allocation .....	\$ -	\$ -	\$ -	\$ 275,273	\$ (275,273)
Current Year - Secured .....	185,756	-	185,756	-	185,756
Current Year Supplemental - Secured .....	16,414	-	16,414	-	16,414
Current Year - Unsecured .....	7,865	-	7,865	-	7,865
Current Unsecured Supplemental Roll .....	282	-	282	-	282
Homeowners' Exemptions - Secured .....	2,700	-	2,700	-	2,700
Homeowners' Exemptions - Unsecured .....	3	-	3	-	3
Prior Years' - Secured .....	5,261	-	5,261	367	4,894
Prior Years' - Unsecured .....	(221)	-	(221)	-	(221)
Interest and Penalties on Delinquent Taxes .....	470	-	470	-	470
Escapes - Secured .....	114	-	114	-	114
Escapes - Unsecured .....	319	-	319	-	319
Other Property Taxes .....	868	-	868	-	868
State Secured Unitary .....	3,669	-	3,669	-	3,669
<b>TOTAL PROPERTY TAX .....</b>	<b>223,500</b>	<b>-</b>	<b>223,500</b>	<b>275,640</b>	<b>(52,140)</b>
<b>SALES TAX .....</b>	<b>95,376</b>	<b>-</b>	<b>95,376</b>	<b>144,116</b>	<b>(48,740)</b>
<b>IN-LIEU SALES TAX .....</b>	<b>48,220</b>	<b>-</b>	<b>48,220</b>	<b>-</b>	<b>48,220</b>
<b>TRANSIENT OCCUPANCY TAX .....</b>	<b>63,910</b>	<b>-</b>	<b>63,910</b>	<b>62,782</b>	<b>1,128</b>
<b>OTHER LOCAL TAXES</b>					
Franchises .....	60,687	-	60,687	61,001	(314)
Property Transfer Tax .....	12,769	-	12,769	13,573	(804)
<b>TOTAL OTHER LOCAL TAXES .....</b>	<b>73,456</b>	<b>-</b>	<b>73,456</b>	<b>74,574</b>	<b>(1,118)</b>
<b>LICENSES AND PERMITS</b>					
General Business Licenses .....	6,866	-	6,866	6,845	21
Refuse Collection Business Licenses .....	1,063	-	1,063	1,180	(117)
Other Regulatory Business Licenses .....	2,977	-	2,977	2,913	64
Rental Unit Tax .....	6,815	-	6,815	6,145	670
Parking Meter Revenue .....	7,133	-	7,133	7,494	(361)
Street and Curb Permits .....	107	-	107	64	43
Other Licenses and Permits .....	3,498	-	3,498	3,206	292
<b>TOTAL LICENSES AND PERMITS .....</b>	<b>28,459</b>	<b>-</b>	<b>28,459</b>	<b>27,847</b>	<b>612</b>
<b>FINES, FORFEITURES AND PENALTIES</b>					
California Vehicle Code Violations .....	28,928	-	28,928	29,066	(138)
Other City Ordinance Code Violations .....	2,926	-	2,926	2,780	146
Other California Statutory Violations .....	3	-	3	-	3
<b>TOTAL FINES, FORFEITURES AND PENALTIES .....</b>	<b>31,857</b>	<b>-</b>	<b>31,857</b>	<b>31,846</b>	<b>11</b>
<b>REVENUE FROM USE OF MONEY AND PROPERTY</b>					
Interest on Investments .....	1,784	-	1,784	3,955	(2,171)
Balboa Park Rents and Concessions .....	666	-	666	969	(303)
Mission Bay Park Rents and Concessions .....	23,622	-	23,622	23,181	441
Other Rents and Concessions .....	6,943	-	6,943	7,438	(495)
<b>TOTAL REVENUE FROM USE OF MONEY AND PROPERTY .....</b>	<b>33,015</b>	<b>-</b>	<b>33,015</b>	<b>35,543</b>	<b>(2,528)</b>
<b>REVENUE FROM FEDERAL AGENCIES .....</b>	<b>6,888</b>	<b>-</b>	<b>6,888</b>	<b>2,485</b>	<b>4,403</b>

Continued on Next Page

**GENERAL FUND  
SCHEDULE OF REVENUE AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
Year Ended June 30, 2005  
(In Thousands)**

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUE FROM OTHER AGENCIES</b>					
State Motor Vehicle License Fees .....	\$ 8,376	\$ -	\$ 8,376	\$ 9,866	\$ (1,490)
Off-Highway Motor Vehicle License Fees .....	45	-	45	-	45
In-Lieu Vehicle License Fees .....	52,215	-	52,215	-	52,215
Local Relief .....	5,340	-	5,340	5,263	77
Tobacco Revenue .....	7,938	-	7,938	7,900	38
State Grants .....	657	-	657	2,734	(2,077)
<b>TOTAL REVENUE FROM OTHER AGENCIES .....</b>	<b>74,571</b>	<b>-</b>	<b>74,571</b>	<b>25,763</b>	<b>48,808</b>
<b>CHARGES FOR CURRENT SERVICES</b>					
Administrative Services to Other Agencies .....	76	-	76	26	50
Cemetery Revenue .....	799	-	799	805	(6)
Engineering Services .....	507	-	507	898	(391)
Fire Services .....	12,580	-	12,580	12,567	13
Library Revenue .....	1,624	-	1,624	1,729	(105)
Miscellaneous Recreation Revenue .....	2,623	-	2,623	2,195	428
Other Services .....	475	-	475	752	(277)
Paramedic Services .....	167	-	167	158	9
Planning and Miscellaneous Filing Fees .....	304	-	304	258	46
Police Services .....	5,154	-	5,154	3,507	1,647
Swimming Pools Revenue .....	1,596	-	1,596	1,758	(162)
Services Rendered to Other Funds for:					
General Government and Financial .....	39,452	-	39,452	39,461	(9)
Engineering .....	23,232	-	23,232	21,765	1,467
Park Design .....	5,127	-	5,127	3,579	1,548
Miscellaneous Services .....	11,577	-	11,577	9,302	2,275
<b>TOTAL CHARGES FOR CURRENT SERVICES .....</b>	<b>105,293</b>	<b>-</b>	<b>105,293</b>	<b>98,760</b>	<b>6,533</b>
<b>OTHER REVENUE</b>					
Other Refunds of Prior Years' Expenditures .....	14	471	485	362	123
Repairs and Damage Recoveries .....	244	-	244	112	132
Sale of Personal Property .....	306	-	306	187	119
Miscellaneous Revenue .....	2,214	-	2,214	4,511	(2,297)
<b>TOTAL OTHER REVENUE .....</b>	<b>2,778</b>	<b>471</b>	<b>3,249</b>	<b>5,172</b>	<b>(1,923)</b>
<b>TOTAL REVENUES .....</b>	<b>787,323</b>	<b>471</b>	<b>787,794</b>	<b>784,528</b>	<b>3,266</b>
<b>TRANSFERS FROM PROPRIETARY FUNDS</b>					
Enterprise Funds:					
City of San Diego:					
Golf Course .....	1,712	-	1,712	1,712	-
Internal Service Funds:					
City of San Diego:					
Central Garage and Machine Shop .....	4,044	-	4,044	4,200	(156)
Central Stores .....	8	-	8	-	8
Special Engineering .....	-	-	-	607	(607)
Print Shop .....	3	-	3	-	3
Miscellaneous Internal Service .....	308	-	308	-	308
San Diego Data Processing Corporation .....	964	-	964	-	964
<b>TOTAL TRANSFERS FROM PROPRIETARY FUNDS .....</b>	<b>7,039</b>	<b>-</b>	<b>7,039</b>	<b>6,519</b>	<b>520</b>

**GENERAL FUND  
SCHEDULE OF REVENUE AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
Year Ended June 30, 2005  
(In Thousands)**

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>TRANSFERS FROM OTHER FUNDS</b>					
Special Revenue Funds:					
City of San Diego:					
Environmental Growth Fund .....	3,679	-	3,679	3,679	-
Police Decentralization .....	35	-	35	-	35
Special Gas Tax Street Improvement .....	4,115	-	4,115	3,505	610
Street Division Operations .....	29	-	29	-	29
Transient Occupancy Tax .....	33,136	-	33,136	32,910	226
Other Special Revenue-Budgeted .....	7,306	-	7,306	6,530	776
Other Special Revenue-Unbudgeted .....	2,358	-	2,358	8,658	(6,300)
Redevelopment Agency .....	-	-	-	750	(750)
CCDC .....	3,000	-	3,000	3,000	-
Debt Service Funds:					
City of San Diego:					
Other Special Assessments .....	143	-	143	-	143
Capital Projects Funds:					
City of San Diego:					
Other Construction .....	4,714	-	4,714	5,075	(361)
Permanent Funds:					
Cemetery Perpetuity .....	348	-	348	375	(27)
Jane Cameron Estates .....	50	-	50	-	50
<b>TOTAL TRANSFERS FROM OTHER FUNDS .....</b>	<b>58,913</b>	<b>-</b>	<b>58,913</b>	<b>64,482</b>	<b>(5,569)</b>
<b>CAPITAL LEASES</b>					
Capital Leases .....	3,258	(3,258)	-	-	-
<b>NET INCOME (LOSS) FROM JOINT VENTURE .....</b>	<b>20</b>	<b>-</b>	<b>20</b>	<b>-</b>	<b>20</b>
<b>TOTAL REVENUE AND TRANSFERS .....</b>	<b>\$ 856,553</b>	<b>\$ (2,787)</b>	<b>\$ 853,766</b>	<b>\$ 855,529</b>	<b>\$ (1,763)</b>

**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
Year Ended June 30, 2005  
(In Thousands)**

	Current Year				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>GENERAL GOVERNMENT AND SUPPORT</b>					
Departmental:					
Mayor					
Salaries and Wages .....	\$ 1,795	\$ -	\$ 1,795	\$ 1,795	\$ -
Non-Personnel .....	891	1	892	898	6
Total Mayor .....	<u>2,686</u>	<u>1</u>	<u>2,687</u>	<u>2,693</u>	<u>6</u>
City Council District 1					
Salaries and Wages .....	496	-	496	496	-
Non-Personnel .....	268	1	269	269	-
Total City Council District 1 .....	<u>764</u>	<u>1</u>	<u>765</u>	<u>765</u>	<u>-</u>
City Council District 2					
Salaries and Wages .....	561	-	561	561	-
Non-Personnel .....	279	1	280	280	-
Total City Council District 2 .....	<u>840</u>	<u>1</u>	<u>841</u>	<u>841</u>	<u>-</u>
City Council District 3					
Salaries and Wages .....	574	-	574	574	-
Non-Personnel .....	281	1	282	282	-
Total City Council District 3 .....	<u>855</u>	<u>1</u>	<u>856</u>	<u>856</u>	<u>-</u>
City Council District 4					
Salaries and Wages .....	536	-	536	536	-
Non-Personnel .....	274	3	277	277	-
Total City Council District 4 .....	<u>810</u>	<u>3</u>	<u>813</u>	<u>813</u>	<u>-</u>
City Council District 5					
Salaries and Wages .....	461	-	461	461	-
Non-Personnel .....	252	1	253	253	-
Total City Council District 5 .....	<u>713</u>	<u>1</u>	<u>714</u>	<u>714</u>	<u>-</u>
City Council District 6					
Salaries and Wages .....	525	-	525	525	-
Non-Personnel .....	269	1	270	270	-
Total City Council District 6 .....	<u>794</u>	<u>1</u>	<u>795</u>	<u>795</u>	<u>-</u>
City Council District 7					
Salaries and Wages .....	555	-	555	555	-
Non-Personnel .....	279	1	280	280	-
Total City Council District 7 .....	<u>834</u>	<u>1</u>	<u>835</u>	<u>835</u>	<u>-</u>
City Council District 8					
Salaries and Wages .....	589	-	589	589	-
Non-Personnel .....	294	1	295	295	-
Total City Council District 8 .....	<u>883</u>	<u>1</u>	<u>884</u>	<u>884</u>	<u>-</u>
Council Administration					
Salaries and Wages .....	432	-	432	465	33
Non-Personnel .....	298	1	299	368	69
Total Council Administration .....	<u>730</u>	<u>1</u>	<u>731</u>	<u>833</u>	<u>102</u>
City Attorney					
Salaries and Wages .....	21,849	-	21,849	22,234	385
Non-Personnel .....	10,103	113	10,216	10,277	61
Total City Attorney .....	<u>31,952</u>	<u>113</u>	<u>32,065</u>	<u>32,511</u>	<u>446</u>

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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,795	\$ -	\$ 1,795	\$ 1,795	\$ -
5	-	5	5	-	896	1	897	903	6
5	-	5	5	-	2,691	1	2,692	2,698	6
-	-	-	-	-	496	-	496	496	-
1	-	1	1	-	269	1	270	270	-
1	-	1	1	-	765	1	766	766	-
-	-	-	-	-	561	-	561	561	-
-	-	-	1	1	279	1	280	281	1
-	-	-	1	1	840	1	841	842	1
-	-	-	-	-	574	-	574	574	-
-	-	-	1	1	281	1	282	283	1
-	-	-	1	1	855	1	856	857	1
-	-	-	-	-	536	-	536	536	-
-	-	-	1	1	274	3	277	278	1
-	-	-	1	1	810	3	813	814	1
-	-	-	-	-	461	-	461	461	-
-	-	-	1	1	252	1	253	254	1
-	-	-	1	1	713	1	714	715	1
-	-	-	-	-	525	-	525	525	-
-	-	-	1	1	269	1	270	271	1
-	-	-	1	1	794	1	795	796	1
-	-	-	-	-	555	-	555	555	-
-	-	-	1	1	279	1	280	281	1
-	-	-	1	1	834	1	835	836	1
-	-	-	-	-	589	-	589	589	-
-	-	-	1	1	294	1	295	296	1
-	-	-	1	1	883	1	884	885	1
-	-	-	-	-	432	-	432	465	33
-	-	-	1	1	298	1	299	369	70
-	-	-	1	1	730	1	731	834	103
-	-	-	-	-	21,849	-	21,849	22,234	385
(48)	49	1	81	80	10,055	162	10,217	10,358	141
(48)	49	1	81	80	31,904	162	32,066	32,592	526

Continued on Next Page

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended June 30, 2005**  
**(In Thousands)**

	Current Year				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
Departmental (Continued):					
City Auditor and Comptroller					
Salaries and Wages .....	\$ 6,267	\$ -	\$ 6,267	\$ 6,325	\$ 58
Non-Personnel .....	3,102	13	3,115	3,124	9
Total City Auditor and Comptroller .....	9,369	13	9,382	9,449	67
City Clerk					
Salaries and Wages .....	2,034	-	2,034	2,100	66
Non-Personnel .....	1,329	50	1,379	1,411	32
Total City Clerk .....	3,363	50	3,413	3,511	98
City Manager					
Salaries and Wages .....	549	-	549	549	-
Non-Personnel .....	286	-	286	289	3
Total City Manager .....	835	-	835	838	3
Engineering and Capital Projects - Administration					
Salaries and Wages .....	261	-	261	286	25
Non-Personnel .....	144	-	144	169	25
Total Engineering and Capital Projects - Administration .....	405	-	405	455	50
Field Engineering					
Salaries and Wages .....	8,243	-	8,243	8,244	1
Non-Personnel .....	4,646	59	4,705	4,705	-
Total Field Engineering .....	12,889	59	12,948	12,949	1
Public Buildings & Parks					
Salaries and Wages .....	2,843	-	2,843	2,843	-
Non-Personnel .....	1,406	169	1,575	1,602	27
Total Public Buildings & Parks .....	4,249	169	4,418	4,445	27
Equal Opportunity Contracting					
Salaries and Wages .....	1,541	-	1,541	1,541	-
Non-Personnel .....	808	-	808	808	-
Total Equal Opportunity Contracting .....	2,349	-	2,349	2,349	-
Budget and Management Services					
Salaries and Wages .....	1,859	-	1,859	1,859	-
Non-Personnel .....	931	25	956	960	4
Total Budget and Management Services .....	2,790	25	2,815	2,819	4
City Treasurer					
Salaries and Wages .....	4,100	-	4,100	4,277	177
Non-Personnel .....	3,567	173	3,740	4,416	676
Total City Treasurer's .....	7,667	173	7,840	8,693	853
Financing Services					
Salaries and Wages .....	936	-	936	1,151	215
Non-Personnel .....	607	25	632	656	24
Total Financing Services .....	1,543	25	1,568	1,807	239
General Services - Administration					
Salaries and Wages .....	165	-	165	188	23
Non-Personnel .....	64	-	64	94	30
Total General Services - Administration .....	229	-	229	282	53
Station 38					
Salaries and Wages .....	339	-	339	339	-
Non-Personnel .....	132	-	132	142	10
Total General Services - Administration .....	471	-	471	481	10

Actual	Prior Year				Actual	Total			
	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)		Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,267	\$ -	\$ 6,267	\$ 6,325	\$ 58
19	6	25	28	3	3,121	19	3,140	3,152	12
19	6	25	28	3	9,388	19	9,407	9,477	70
-	-	-	-	-	2,034	-	2,034	2,100	66
45	12	57	59	2	1,374	62	1,436	1,470	34
45	12	57	59	2	3,408	62	3,470	3,570	100
-	-	-	-	-	549	-	549	549	-
-	-	-	-	-	286	-	286	289	3
-	-	-	-	-	835	-	835	838	3
-	-	-	-	-	261	-	261	286	25
7	13	20	51	31	151	13	164	220	56
7	13	20	51	31	412	13	425	506	81
-	-	-	-	-	8,243	-	8,243	8,244	1
42	64	106	112	6	4,688	123	4,811	4,817	6
42	64	106	112	6	12,931	123	13,054	13,061	7
-	-	-	-	-	2,843	-	2,843	2,843	-
13	31	44	44	-	1,419	200	1,619	1,646	27
13	31	44	44	-	4,262	200	4,462	4,489	27
-	-	-	-	-	1,541	-	1,541	1,541	-
-	5	5	5	-	808	5	813	813	-
-	5	5	5	-	2,349	5	2,354	2,354	-
-	-	-	-	-	1,859	-	1,859	1,859	-
-	7	7	7	-	931	32	963	967	4
-	7	7	7	-	2,790	32	2,822	2,826	4
-	-	-	-	-	4,100	-	4,100	4,277	177
563	527	1,090	1,093	3	4,130	700	4,830	5,509	679
563	527	1,090	1,093	3	8,230	700	8,930	9,786	856
-	-	-	-	-	936	-	936	1,151	215
-	-	-	-	-	607	25	632	656	24
-	-	-	-	-	1,543	25	1,568	1,807	239
-	-	-	-	-	165	-	165	188	23
21	-	21	24	3	85	-	85	118	33
21	-	21	24	3	250	-	250	306	56
-	-	-	-	-	339	-	339	339	-
-	-	-	-	-	132	-	132	142	10
-	-	-	-	-	471	-	471	481	10

Continued on Next Page



**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended June 30, 2005**  
**(In Thousands)**

	Current Year				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
Departmental (Continued):					
Facilities Maintenance					
Salaries and Wages .....	\$ 7,058	\$ -	\$ 7,058	\$ 7,265	\$ 207
Non-Personnel .....	9,125	198	9,323	9,325	2
Total Facilities Maintenance .....	<u>16,183</u>	<u>198</u>	<u>16,381</u>	<u>16,590</u>	<u>209</u>
Purchasing					
Salaries and Wages .....	1,079	-	1,079	1,208	129
Non-Personnel .....	650	25	675	748	73
Total Purchasing .....	<u>1,729</u>	<u>25</u>	<u>1,754</u>	<u>1,956</u>	<u>202</u>
Storm Water					
Salaries and Wages .....	1,157	-	1,157	1,157	-
Non-Personnel .....	951	194	1,145	1,190	45
Total Storm Water .....	<u>2,108</u>	<u>194</u>	<u>2,302</u>	<u>2,347</u>	<u>45</u>
Governmental Relations					
Salaries and Wages .....	285	-	285	328	43
Non-Personnel .....	399	26	425	438	13
Total Governmental Relations .....	<u>684</u>	<u>26</u>	<u>710</u>	<u>766</u>	<u>56</u>
Human Resources					
Salaries and Wages .....	530	-	530	530	-
Non-Personnel .....	248	-	248	248	-
Total Human Resources .....	<u>778</u>	<u>-</u>	<u>778</u>	<u>778</u>	<u>-</u>
Organizational Effectiveness Program					
Salaries and Wages .....	422	-	422	422	-
Non-Personnel .....	232	-	232	234	2
Total Organizational Effectiveness Program .....	<u>654</u>	<u>-</u>	<u>654</u>	<u>656</u>	<u>2</u>
Personnel					
Salaries and Wages .....	3,729	-	3,729	3,729	-
Non-Personnel .....	2,019	362	2,381	2,381	-
Total Personnel .....	<u>5,748</u>	<u>362</u>	<u>6,110</u>	<u>6,110</u>	<u>-</u>
Public and Media Affairs					
Salaries and Wages .....	91	-	91	100	9
Non-Personnel .....	77	-	77	93	16
Total Public and Media Affairs .....	<u>168</u>	<u>-</u>	<u>168</u>	<u>193</u>	<u>25</u>
Real Estate Assets					
Salaries and Wages .....	2,440	-	2,440	2,668	228
Non-Personnel .....	1,347	76	1,423	1,461	38
Total Real Estate Assets .....	<u>3,787</u>	<u>76</u>	<u>3,863</u>	<u>4,129</u>	<u>266</u>
Special Projects					
Salaries and Wages .....	594	-	594	647	53
Non-Personnel .....	493	86	579	679	100
Total Special Projects .....	<u>1,087</u>	<u>86</u>	<u>1,173</u>	<u>1,326</u>	<u>153</u>
Citizens Assistance					
Salaries and Wages .....	200	-	200	200	-
Non-Personnel .....	101	-	101	131	30
Total Citizens Assistance .....	<u>301</u>	<u>-</u>	<u>301</u>	<u>331</u>	<u>30</u>

Actual	Prior Year				Variance with Final Budget Positive (Negative)	Total			
	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget			Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,058	\$ -	\$ 7,058	\$ 7,265	\$ 207
285	21	306	496	190	9,410	219	9,629	9,821	192
285	21	306	496	190	16,468	219	16,687	17,086	399
-	-	-	-	-	1,079	-	1,079	1,208	129
1	-	1	2	1	651	25	676	750	74
1	-	1	2	1	1,730	25	1,755	1,958	203
-	-	-	-	-	1,157	-	1,157	1,157	-
138	86	224	293	69	1,089	280	1,369	1,483	114
138	86	224	293	69	2,246	280	2,526	2,640	114
-	-	-	-	-	285	-	285	328	43
56	44	100	100	-	455	70	525	538	13
56	44	100	100	-	740	70	810	866	56
-	-	-	-	-	530	-	530	530	-
-	-	-	-	-	248	-	248	248	-
-	-	-	-	-	778	-	778	778	-
-	-	-	-	-	422	-	422	422	-
-	-	-	-	-	232	-	232	234	2
-	-	-	-	-	654	-	654	656	2
-	-	-	-	-	3,729	-	3,729	3,729	-
169	42	211	321	110	2,188	404	2,592	2,702	110
169	42	211	321	110	5,917	404	6,321	6,431	110
-	-	-	-	-	91	-	91	100	9
-	-	-	2	2	77	-	77	95	18
-	-	-	2	2	168	-	168	195	27
-	-	-	-	-	2,440	-	2,440	2,668	228
3	15	18	20	2	1,350	91	1,441	1,481	40
3	15	18	20	2	3,790	91	3,881	4,149	268
-	-	-	-	-	594	-	594	647	53
62	13	75	75	-	555	99	654	754	100
62	13	75	75	-	1,149	99	1,248	1,401	153
-	-	-	-	-	200	-	200	200	-
-	-	-	-	-	101	-	101	131	30
-	-	-	-	-	301	-	301	331	30

Continued on Next Page

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended June 30, 2005**  
**(In Thousands)**

	Current Year				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
Departmental (Continued):					
Ethics Commission					
Salaries and Wages .....	\$ 297	\$ -	\$ 297	\$ 303	\$ 6
Non-Personnel .....	140	-	140	176	36
Total Ethics Commission .....	437	-	437	479	42
Total Departmental .....	121,684	1,606	123,290	126,279	2,989
Citywide Program:					
Assessments to Public Property					
Non-Personnel .....	293	-	293	294	1
Citywide Elections					
Non-Personnel .....	514	57	571	571	-
Competition Program					
Non-Personnel .....	-	-	-	8	8
Total Competition Program .....	-	-	-	8	8
Employee Personal Property Damage					
Non-Personnel .....	4	-	4	10	6
Fellowship Program					
Non-Personnel .....	4	-	4	4	-
Total Fellowship Program .....	4	-	4	4	-
Financial Accounting Systems					
Salaries and Wages .....	-	-	-	6	6
Non-Personnel .....	(3)	-	(3)	-	3
Total Financial Accounting Systems .....	(3)	-	(3)	6	9
General Government Printing					
Non-Personnel .....	33	-	33	42	9
Independent Audit					
Non-Personnel .....	17	88	105	106	1
Total Financial Accounting Systems .....	17	88	105	106	1
Insurance					
Non-Personnel .....	2,059	(1,020)	1,039	1,040	1
Labor Relations					
Salaries and Wages .....	172	-	172	174	2
Non-Personnel .....	91	-	91	91	-
Total Labor Relations .....	263	-	263	265	2
Management Compensation Plan					
Non-Personnel .....	334	-	334	356	22
Total Management Compensation Plan .....	334	-	334	356	22

Actual	Prior Year				Actual	Total			
	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)		Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 297	\$ -	\$ 297	\$ 303	\$ 6
1	3	4	4	-	141	3	144	180	36
1	3	4	4	-	438	3	441	483	42
1,383	938	2,321	2,831	510	123,067	2,544	125,611	129,110	3,499
-	-	-	-	-	293	-	293	294	1
-	-	-	-	-	514	57	571	571	-
-	-	-	-	-	-	-	-	8	8
-	-	-	-	-	-	-	-	8	8
-	-	-	-	-	4	-	4	10	6
-	-	-	-	-	4	-	4	4	-
-	-	-	-	-	4	-	4	4	-
-	-	-	-	-	-	-	-	6	6
24	-	24	25	1	21	-	21	25	4
24	-	24	25	1	21	-	21	31	10
-	-	-	-	-	33	-	33	42	9
389	339	728	728	-	406	427	833	834	1
389	339	728	728	-	406	427	833	834	1
-	76	76	76	-	2,059	(944)	1,115	1,116	1
-	-	-	-	-	172	-	172	174	2
-	-	-	-	-	91	-	91	91	-
-	-	-	-	-	263	-	263	265	2
-	-	-	-	-	334	-	334	356	22
-	-	-	-	-	334	-	334	356	22

Continued on Next Page

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended June 30, 2005**  
**(In Thousands)**

	Current Year				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
Citywide Program (Continued):					
Memberships					
Non-Personnel .....	\$ 609	\$ -	\$ 609	\$ 610	\$ 1
Municipal Activities					
Non-Personnel .....	51	24	75	76	1
Property Tax Administration					
Non-Personnel .....	2,847	-	2,847	2,847	-
Public Liability					
Non-Personnel .....	18,388	-	18,388	18,388	-
Public Works Projects					
Salaries and Wages .....	106	-	106	106	-
Non-Personnel .....	749	107	856	859	3
Total Public Works Projects .....	855	107	962	965	3
Random Drug Testing					
Salaries and Wages .....	35	-	35	44	9
Non-Personnel .....	53	73	126	129	3
Total Random Drug Testing .....	88	73	161	173	12
Special Pay					
Non-Personnel .....	-	-	-	9	9
Training					
Salaries and Wages .....	-	-	-	1	1
Total Training .....	-	-	-	1	1
San Diego Geographic Info Source					
Non-Personnel .....	622	-	622	638	16
Total San Diego Geographic Info Source .....	622	-	622	638	16
Space Rental					
Salaries and Wages .....	38	-	38	38	-
Non-Personnel .....	5,126	88	5,214	5,217	3
Total Space Rental .....	5,164	88	5,252	5,255	3
Other Special Projects					
Salaries and Wages .....	485	-	485	553	68
Non-Personnel .....	8,133	357	8,490	10,754	2,264
Total Other Special Projects .....	8,618	357	8,975	11,307	2,332
Total Citywide Program .....	40,760	(226)	40,534	42,971	2,437
<b>TOTAL GENERAL GOVERNMENT AND SUPPORT .....</b>	<b>162,444</b>	<b>1,380</b>	<b>163,824</b>	<b>169,250</b>	<b>5,426</b>

Actual	Prior Year				Actual	Total			
	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)		Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 609	\$ -	\$ 609	\$ 610	\$ 1
-	-	-	-	-	51	24	75	76	1
-	-	-	-	-	2,847	-	2,847	2,847	-
-	-	-	-	-	18,388	-	18,388	18,388	-
-	-	-	-	-	106	-	106	106	-
24	183	207	209	2	773	290	1,063	1,068	5
24	183	207	209	2	879	290	1,169	1,174	5
-	-	-	-	-	35	-	35	44	9
35	-	35	52	17	88	73	161	181	20
35	-	35	52	17	123	73	196	225	29
-	-	-	-	-	-	-	-	9	9
-	-	-	-	-	-	-	-	1	1
-	-	-	-	-	-	-	-	1	1
4	2	6	27	21	626	2	628	665	37
4	2	6	27	21	626	2	628	665	37
-	-	-	-	-	38	-	38	38	-
188	563	751	784	33	5,314	651	5,965	6,001	36
188	563	751	784	33	5,352	651	6,003	6,039	36
-	-	-	-	-	485	-	485	553	68
401	225	626	679	53	8,534	582	9,116	11,433	2,317
401	225	626	679	53	9,019	582	9,601	11,986	2,385
1,065	1,388	2,453	2,580	127	41,825	1,162	42,987	45,551	2,564
2,448	2,326	4,774	5,411	637	164,892	3,706	168,598	174,661	6,063

Continued on Next Page

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended June 30, 2005**  
**(In Thousands)**

	Current Year			Final Budget	Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis		
<b>PUBLIC SAFETY - POLICE</b>					
Departmental:					
Police					
Salaries and Wages .....	\$ 195,849	\$ -	\$ 195,849	\$ 196,228	\$ 379
Non-Personnel .....	121,990	1,636	123,626	123,628	2
Total Police .....	<u>317,839</u>	<u>1,636</u>	<u>319,475</u>	<u>319,856</u>	<u>381</u>
Citywide Program:					
Police Review Board					
Salaries and Wages .....	144	-	144	146	2
Non-Personnel .....	88	-	88	90	2
Total Police Review Board .....	<u>232</u>	<u>-</u>	<u>232</u>	<u>236</u>	<u>4</u>
Total Citywide Program .....	<u>232</u>	<u>-</u>	<u>232</u>	<u>236</u>	<u>4</u>
<b>TOTAL PUBLIC SAFETY - POLICE .....</b>	<b><u>318,071</u></b>	<b><u>1,636</u></b>	<b><u>319,707</u></b>	<b><u>320,092</u></b>	<b><u>385</u></b>
<b>PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY</b>					
Departmental:					
Fire-Rescue					
Salaries and Wages .....	97,818	-	97,818	97,948	130
Non-Personnel .....	58,325	(181)	58,144	60,092	1,948
Total Fire-Rescue .....	<u>156,143</u>	<u>(181)</u>	<u>155,962</u>	<u>158,040</u>	<u>2,078</u>
Homeland Security					
Salaries and Wages .....	386	-	386	386	-
Non-Personnel .....	272	1	273	301	28
Total Homeland Security .....	<u>658</u>	<u>1</u>	<u>659</u>	<u>687</u>	<u>28</u>
Citywide Program:					
Emergency Medical Services					
Salaries and Wages .....	136	-	136	142	6
Non-Personnel .....	1,201	16	1,217	1,303	86
Total Emergency Medical Services .....	<u>1,337</u>	<u>16</u>	<u>1,353</u>	<u>1,445</u>	<u>92</u>
Total Citywide Program .....	<u>1,337</u>	<u>16</u>	<u>1,353</u>	<u>1,445</u>	<u>92</u>
<b>TOTAL PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY .....</b>	<b><u>158,138</u></b>	<b><u>(164)</u></b>	<b><u>157,974</u></b>	<b><u>160,172</u></b>	<b><u>2,198</u></b>

Actual	Prior Year				Actual	Total			
	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)		Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 195,849	\$ -	\$ 195,849	\$ 196,228	\$ 379
1,560	270	1,830	2,580	750	123,550	1,906	125,456	126,208	752
1,560	270	1,830	2,580	750	319,399	1,906	321,305	322,436	1,131
-	-	-	-	-	144	-	144	146	2
-	-	-	-	-	88	-	88	90	2
-	-	-	-	-	232	-	232	236	4
-	-	-	-	-	232	-	232	236	4
1,560	270	1,830	2,580	750	319,631	1,906	321,537	322,672	1,135
-	-	-	-	-	97,818	-	97,818	97,948	130
515	34	549	647	98	58,840	(147)	58,693	60,739	2,046
515	34	549	647	98	156,658	(147)	156,511	158,687	2,176
-	-	-	-	-	386	-	386	386	-
-	-	-	-	-	272	1	273	301	28
-	-	-	-	-	658	1	659	687	28
-	-	-	-	-	136	-	136	142	6
15	-	15	17	2	1,216	16	1,232	1,320	88
15	-	15	17	2	1,352	16	1,368	1,462	94
15	-	15	17	2	1,352	16	1,368	1,462	94
530	34	564	664	100	158,668	(130)	158,538	160,836	2,298

Continued on Next Page



**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended June 30, 2005**  
**(In Thousands)**

	Current Year				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>PARKS, RECREATION, CULTURE AND LEISURE</b>					
Departmental:					
Reservoir Concessions					
Salaries and Wages .....	\$ 692	\$ -	\$ 692	\$ 800	\$ 108
Non-Personnel .....	566	102	668	791	123
Total Reservoir Concessions .....	<u>1,258</u>	<u>102</u>	<u>1,360</u>	<u>1,591</u>	<u>231</u>
Park and Rec-Administrative Services					
Salaries and Wages .....	662	-	662	666	4
Non-Personnel .....	400	-	400	401	1
Total Park and Rec - Administration Services .....	<u>1,062</u>	<u>-</u>	<u>1,062</u>	<u>1,067</u>	<u>5</u>
Community Parks I					
Salaries and Wages .....	5,410	-	5,410	5,776	366
Non-Personnel .....	7,561	434	7,995	8,741	746
Total Community Parks I .....	<u>12,971</u>	<u>434</u>	<u>13,405</u>	<u>14,517</u>	<u>1,112</u>
Community Parks II					
Salaries and Wages .....	9,246	-	9,246	9,250	4
Non-Personnel .....	8,891	168	9,059	9,078	19
Total Community Parks II .....	<u>18,137</u>	<u>168</u>	<u>18,305</u>	<u>18,328</u>	<u>23</u>
Developed Regional Parks					
Salaries and Wages .....	12,604	-	12,604	12,799	195
Non-Personnel .....	16,129	392	16,521	17,002	481
Total Developed Regional Parks .....	<u>28,733</u>	<u>392</u>	<u>29,125</u>	<u>29,801</u>	<u>676</u>
Open Space Division					
Salaries and Wages .....	1,549	-	1,549	1,696	147
Non-Personnel .....	2,438	334	2,772	3,170	398
Total Open Space Division .....	<u>3,987</u>	<u>334</u>	<u>4,321</u>	<u>4,866</u>	<u>545</u>
Park and Planning Development					
Salaries and Wages .....	3,123	-	3,123	3,126	3
Non-Personnel .....	1,560	49	1,609	1,611	2
Total Park and Planning Development .....	<u>4,683</u>	<u>49</u>	<u>4,732</u>	<u>4,737</u>	<u>5</u>
Library					
Salaries and Wages .....	17,838	-	17,838	18,302	464
Non-Personnel .....	15,451	462	15,913	16,319	406
Total Library .....	<u>33,289</u>	<u>462</u>	<u>33,751</u>	<u>34,621</u>	<u>870</u>
Total Departmental .....	<u>104,120</u>	<u>1,941</u>	<u>106,061</u>	<u>109,528</u>	<u>3,467</u>
Citywide Program:					
Park and Recreation Programs					
Non-Personnel .....	114	3	117	118	1
<b>TOTAL PARKS, RECREATION CULTURE AND LEISURE .....</b>	<b><u>104,234</u></b>	<b><u>1,944</u></b>	<b><u>106,178</u></b>	<b><u>109,646</u></b>	<b><u>3,468</u></b>

Actual	Prior Year				Total				
	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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 692	\$ -	\$ 692	\$ 800	\$ 108
23	7	30	52	22	589	109	698	843	145
23	7	30	52	22	1,281	109	1,390	1,643	253
-	-	-	-	-	662	-	662	666	4
1	-	1	1	-	401	-	401	402	1
1	-	1	1	-	1,063	-	1,063	1,068	5
-	-	-	-	-	5,410	-	5,410	5,776	366
323	128	451	644	193	7,884	562	8,446	9,385	939
323	128	451	644	193	13,294	562	13,856	15,161	1,305
-	-	-	-	-	9,246	-	9,246	9,250	4
491	-	491	525	34	9,382	168	9,550	9,603	53
491	-	491	525	34	18,628	168	18,796	18,853	57
-	-	-	-	-	12,604	-	12,604	12,799	195
425	52	477	889	412	16,554	444	16,998	17,891	893
425	52	477	889	412	29,158	444	29,602	30,690	1,088
-	-	-	-	-	1,549	-	1,549	1,696	147
268	442	710	745	35	2,706	776	3,482	3,915	433
268	442	710	745	35	4,255	776	5,031	5,611	580
-	-	-	-	-	3,123	-	3,123	3,126	3
116	315	431	448	17	1,676	364	2,040	2,059	19
116	315	431	448	17	4,799	364	5,163	5,185	22
-	-	-	-	-	17,838	-	17,838	18,302	464
393	40	433	613	180	15,844	502	16,346	16,932	586
393	40	433	613	180	33,682	502	34,184	35,234	1,050
2,040	984	3,024	3,917	893	106,160	2,925	109,085	113,445	4,360
-	-	-	-	-	114	3	117	118	1
2,040	984	3,024	3,917	893	106,274	2,928	109,202	113,563	4,361

Continued on Next Page

**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
Year Ended June 30, 2005  
(In Thousands)**

	Current Year				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>TRANSPORTATION</b>					
Departmental:					
Parking Management					
Salaries and Wages .....	\$ 4,179	\$ -	\$ 4,179	\$ 4,179	\$ -
Non-Personnel .....	3,569	94	3,663	3,663	-
Total Parking Management .....	7,748	94	7,842	7,842	-
Transportation Design					
Salaries and Wages .....	4,474	-	4,474	4,525	51
Non-Personnel .....	2,406	81	2,487	2,494	7
Total Transportation Design .....	6,880	81	6,961	7,019	58
Traffic Engineering					
Salaries and Wages .....	3,453	-	3,453	3,453	-
Non-Personnel .....	2,908	230	3,138	3,264	126
Total Traffic Engineering .....	6,361	230	6,591	6,717	126
Total Departmental .....	20,989	405	21,394	21,578	184
Citywide Program:					
Transportation					
Non-Personnel .....	209	150	359	364	5
<b>TOTAL TRANSPORTATION .....</b>	<b>21,198</b>	<b>555</b>	<b>21,753</b>	<b>21,942</b>	<b>189</b>
<b>SANITATION AND HEALTH</b>					
Departmental:					
Collection Services					
Salaries and Wages .....	7,004	-	7,004	7,062	58
Non-Personnel .....	25,871	329	26,200	26,548	348
Total Collection Services .....	32,875	329	33,204	33,610	406
Environmental Protection					
Salaries and Wages .....	269	-	269	324	55
Non-Personnel .....	309	-	309	337	28
Total Environmental Protection .....	578	-	578	661	83
Resource Management					
Salaries and Wages .....	199	-	199	203	4
Non-Personnel .....	96	-	96	100	4
Total Resource Management .....	295	-	295	303	8
Mt. Hope Cemetery					
Salaries and Wages .....	490	-	490	499	9
Non-Personnel .....	896	17	913	913	-
Total Mt. Hope Cemetery .....	1,386	17	1,403	1,412	9
Total Departmental .....	35,134	346	35,480	35,986	506

Actual	Prior Year				Variance with Final Budget Positive (Negative)	Total			
	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget			Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,179	\$ -	\$ 4,179	\$ 4,179	\$ -
(27)	306	279	279	-	3,542	400	3,942	3,942	-
(27)	306	279	279	-	7,721	400	8,121	8,121	-
-	-	-	-	-	4,474	-	4,474	4,525	51
29	13	42	41	(1)	2,435	94	2,529	2,535	6
29	13	42	41	(1)	6,909	94	7,003	7,060	57
-	-	-	-	-	3,453	-	3,453	3,453	-
178	32	210	210	-	3,086	262	3,348	3,474	126
178	32	210	210	-	6,539	262	6,801	6,927	126
180	351	531	530	(1)	21,169	756	21,925	22,108	183
70	-	70	70	-	279	150	429	434	5
250	351	601	600	(1)	21,448	906	22,354	22,542	188
-	-	-	-	-	7,004	-	7,004	7,062	58
197	131	328	452	124	26,068	460	26,528	27,000	472
197	131	328	452	124	33,072	460	33,532	34,062	530
-	-	-	-	-	269	-	269	324	55
-	-	-	-	-	309	-	309	337	28
-	-	-	-	-	578	-	578	661	83
-	-	-	-	-	199	-	199	203	4
-	-	-	-	-	96	-	96	100	4
-	-	-	-	-	295	-	295	303	8
-	-	-	-	-	490	-	490	499	9
25	1	26	26	-	921	18	939	939	-
25	1	26	26	-	1,411	18	1,429	1,438	9
222	132	354	478	124	35,356	478	35,834	36,464	630

Continued On Next Page

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended June 30, 2005**  
(In Thousands)

	Current Year				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
Citywide Program:					
Animal Regulation					
Non-Personnel .....	\$ 5,406	\$ (137)	\$ 5,269	\$ 5,269	\$ -
Health Services Furnished by County					
Non-Personnel .....	98	-	98	98	-
Refuse Container Fund					
Non-Personnel .....	118	1	119	120	1
Total Citywide Program .....	5,622	(136)	5,486	5,487	1
<b>TOTAL SANITATION AND HEALTH .....</b>	<b>40,756</b>	<b>210</b>	<b>40,966</b>	<b>41,473</b>	<b>507</b>
<b>NEIGHBORHOOD SERVICES:</b>					
Departmental:					
Community and Economic Development					
Salaries and Wages .....	5,393	-	5,393	5,393	-
Non-Personnel .....	5,699	458	6,157	6,190	33
Total Community and Economic Development .....	11,092	458	11,550	11,583	33
Development Services					
Salaries and Wages .....	-	-	-	-	-
Non-Personnel .....	178	48	226	235	9
Total Development Services .....	178	48	226	235	9
Neighborhood Code Compliance					
Salaries and Wages .....	3,945	-	3,945	3,946	1
Non-Personnel .....	2,405	1	2,406	2,407	1
Total Neighborhood Code Compliance .....	6,350	1	6,351	6,353	2
Planning					
Salaries and Wages .....	4,657	-	4,657	4,657	-
Non-Personnel .....	2,628	62	2,690	2,744	54
Total Planning .....	7,285	62	7,347	7,401	54
Total Departmental .....	24,905	569	25,474	25,572	98
Citywide Program:					
Community and Economic Development Special Projects					
Non-Personnel .....	-	-	-	11	11
Total Community and Economic Development Special Projects ..	-	-	-	11	11
Nuisance Abatement					
Non-Personnel .....	-	-	-	3	3
Total Citywide Program .....	-	-	-	14	14
<b>TOTAL NEIGHBORHOOD SERVICES .....</b>	<b>24,905</b>	<b>569</b>	<b>25,474</b>	<b>25,586</b>	<b>112</b>
<b>DEBT SERVICE:</b>					
Principal .....	2,381	-	2,381	2,381	-
Interest .....	1,811	-	1,811	5,363	3,552
<b>TOTAL DEBT SERVICE .....</b>	<b>4,192</b>	<b>-</b>	<b>4,192</b>	<b>7,744</b>	<b>3,552</b>
<b>TOTAL EXPENDITURES .....</b>	<b>833,938</b>	<b>6,130</b>	<b>840,068</b>	<b>855,905</b>	<b>15,837</b>

Actual	Prior Year				Variance with Final Budget Positive (Negative)	Total			
	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Actual		Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ 46	\$ 244	\$ 290	\$ 290	\$ -	\$ 5,452	\$ 107	\$ 5,559	\$ 5,559	\$ -
-	-	-	-	-	98	-	98	98	-
-	-	-	-	-	118	1	119	120	1
46	244	290	290	-	5,668	108	5,776	5,777	1
268	376	644	768	124	41,024	586	41,610	42,241	631
-	-	-	-	-	5,393	-	5,393	5,393	-
153	328	481	531	50	5,852	786	6,638	6,721	83
153	328	481	531	50	11,245	786	12,031	12,114	83
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	178	48	226	235	9
-	-	-	-	-	178	48	226	235	9
-	-	-	-	-	3,945	-	3,945	3,946	1
4	19	23	53	30	2,409	20	2,429	2,460	31
4	19	23	53	30	6,354	20	6,374	6,406	32
-	-	-	-	-	4,657	-	4,657	4,657	-
75	214	289	314	25	2,703	276	2,979	3,058	79
75	214	289	314	25	7,360	276	7,636	7,715	79
232	561	793	898	105	25,137	1,130	26,267	26,470	203
-	-	-	-	-	-	-	-	11	11
-	-	-	-	-	-	-	-	11	11
-	-	-	-	-	-	-	-	3	3
-	-	-	-	-	-	-	-	14	14
232	561	793	898	105	25,137	1,130	26,267	26,484	217
-	-	-	-	-	2,381	-	2,381	2,381	-
-	-	-	-	-	1,811	-	1,811	5,363	3,552
-	-	-	-	-	4,192	-	4,192	7,744	3,552
7,328	4,902	12,230	14,838	2,608	841,266	11,032	852,298	870,743	18,445

Continued on Next Page

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended June 30, 2005**  
**(In Thousands)**

	Current Year				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>TRANSFERS TO PROPRIETARY FUNDS</b>					
Enterprise Funds:					
City of San Diego:					
Planning and Development Review .....	\$ 497	\$ -	\$ 497	\$ 497	\$ -
Total Enterprise Funds .....	497	-	497	497	-
Internal Service Funds:					
City of San Diego:					
Central Garage and Machine Shop .....	478	-	478	478	-
Self Insurance .....	-	-	-	-	-
Miscellaneous Internal Service .....	210	-	210	210	-
Total Internal Service Funds .....	688	-	688	688	-
<b>TOTAL TRANSFERS TO PROPRIETARY FUNDS .....</b>	<b>1,185</b>	<b>-</b>	<b>1,185</b>	<b>1,185</b>	<b>-</b>
<b>TRANSFERS TO OTHER FUNDS</b>					
Special Revenue Funds:					
City of San Diego:					
Acquisition, Improvement and Operation.....	668	-	668	669	1
Other Special Revenue - Budgeted .....	1,351	-	1,351	1,351	-
Grants .....	324	-	324	324	-
Other Special Revenue - Unbudgeted .....	10,248	-	10,248	10,248	-
Total Special Revenue Funds .....	12,591	-	12,591	12,592	1
Capital Projects Funds:					
City of San Diego:					
Capital Outlay .....	118	-	118	118	-
Other Construction .....	1,520	-	1,520	1,520	-
Total Capital Projects Funds .....	1,638	-	1,638	1,638	-
<b>TOTAL TRANSFERS TO OTHER FUNDS .....</b>	<b>14,229</b>	<b>-</b>	<b>14,229</b>	<b>14,230</b>	<b>1</b>
<b>TOTAL EXPENDITURES AND TRANSFERS .....</b>	<b>\$ 849,352</b>	<b>\$ 6,130</b>	<b>\$ 855,482</b>	<b>\$ 871,320</b>	<b>\$ 15,838</b>

Actual	Prior Year				Actual	Total			
	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)		Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 497	\$ -	\$ 497	\$ 497	\$ -
-	-	-	-	-	497	-	497	497	-
-	-	-	-	-	478	-	478	478	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	210	-	210	210	-
-	-	-	-	-	688	-	688	688	-
-	-	-	-	-	1,185	-	1,185	1,185	-
17	-	17	17	-	685	-	685	686	1
-	-	-	-	-	1,351	-	1,351	1,351	-
-	-	-	-	-	324	-	324	324	-
-	-	-	-	-	10,248	-	10,248	10,248	-
17	-	17	17	-	12,608	-	12,608	12,609	1
-	-	-	-	-	118	-	118	118	-
30	-	30	30	-	1,550	-	1,550	1,550	-
30	-	30	30	-	1,668	-	1,668	1,668	-
47	-	47	47	-	14,276	-	14,276	14,277	1
\$ 7,375	\$ 4,902	\$ 12,277	\$ 14,885	\$ 2,608	\$ 856,727	\$ 11,032	\$ 867,759	\$ 886,205	\$ 18,446



**This Page Left Intentionally Blank**

## NON-MAJOR GOVERNMENTAL FUNDS

**This Page Left Intentionally Blank - Back of Divider Page**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2005  
(In Thousands)**

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and Investments .....	\$ 458,906	\$ -	\$ 351,413	\$ 1,056	\$ 811,375
Receivables:					
Taxes - Net .....	12,860	42	3,901	-	16,803
Accounts - Net of Allowance for Uncollectibles (Special Revenue \$808) .....	7,876	-	187	15	8,078
Claims - Net .....	135	-	-	-	135
Special Assessments - Net .....	521	732	17	-	1,270
Notes .....	32,256	-	6,021	-	38,277
Accrued Interest .....	2,333	123	2,356	20	4,832
Grants .....	23,501	-	23,951	-	47,452
From Other Funds .....	2	93	87,897	-	87,992
Restricted Cash and Investments .....	-	106,906	-	13,885	120,791
Advances to Other Funds .....	3,170	-	300	-	3,470
Advances to Other Agencies .....	2,527	-	-	-	2,527
Land Held for Resale .....	16,426	-	33,125	-	49,551
Prepaid Items .....	1,758	44	-	-	1,802
<b>TOTAL ASSETS</b> .....	<b>\$ 562,271</b>	<b>\$ 107,940</b>	<b>\$ 509,168</b>	<b>\$ 14,976</b>	<b>\$ 1,194,355</b>
<b>LIABILITIES</b>					
Accounts Payable .....	\$ 26,497	\$ -	\$ 33,168	\$ 3	\$ 59,668
Accrued Wages and Benefits .....	2,531	-	-	-	2,531
Other Accrued Liabilities .....	26	-	-	-	26
Due to Other Funds .....	97,131	-	10,300	-	107,431
Due to Other Agencies .....	284	-	265	-	549
Unearned Revenue .....	10,657	-	5,928	-	16,585
Deferred Revenue .....	28,705	476	24,965	-	54,146
Interfund Interest Payable .....	-	-	668	-	668
Interfund Loan Payable .....	-	-	5,873	-	5,873
Advances from Other Funds .....	2,550	-	1,220	-	3,770
Sundry Trust Liabilities .....	95	-	4,447	-	4,542
<b>TOTAL LIABILITIES</b> .....	<b>168,476</b>	<b>476</b>	<b>86,834</b>	<b>3</b>	<b>255,789</b>
<b>FUND EQUITY:</b>					
Fund Balances:					
Reserved for Land Held for Resale .....	16,426	-	31,798	-	48,224
Reserved for Encumbrances .....	63,295	-	110,370	2	173,667
Reserved for Advances and Deposits .....	5,623	-	300	-	5,923
Reserved for Low and Moderate Income Housing .....	23,633	-	-	-	23,633
Reserved for Permanent Endowments .....	-	-	-	13,908	13,908
Reserved for Debt Service .....	-	107,451	-	-	107,451
Unreserved:					
Designated for Unrealized Gains .....	718	13	-	1,056	1,787
Designated for Debt Service .....	84,849	-	-	-	84,849
Designated for Subsequent Years' Expenditures .....	49,614	-	192,364	3	241,981
Undesignated .....	149,637	-	87,502	4	237,143
<b>TOTAL FUND EQUITY</b> .....	<b>393,795</b>	<b>107,464</b>	<b>422,334</b>	<b>14,973</b>	<b>938,566</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b> .....	<b>\$ 562,271</b>	<b>\$ 107,940</b>	<b>\$ 509,168</b>	<b>\$ 14,976</b>	<b>\$ 1,194,355</b>

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2005**  
(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Property Taxes .....	\$ 53,261	\$ 31,948	\$ 17,148	\$ -	\$ 102,357
Special Assessments .....	13,820	15,655	788	-	30,263
Sales Taxes .....	70,521	-	31,301	-	101,822
Transient Occupancy Taxes .....	57,702	-	-	-	57,702
Other Local Taxes .....	79,120	-	-	-	79,120
Licenses and Permits .....	2,019	-	10,246	-	12,265
Fines, Forfeitures and Penalties .....	2,049	-	-	-	2,049
Revenue from Use of Money and Property .....	31,212	2,132	10,368	787	44,499
Revenue from Federal Agencies .....	45,763	-	13,632	-	59,395
Revenue from Other Agencies .....	28,287	20,435	20,346	-	69,068
Revenue from Private Sources .....	34,863	-	55,218	1,273	91,354
Charges for Current Services .....	33,426	-	-	75	33,501
Other Revenue .....	1,199	-	7,541	-	8,740
<b>TOTAL REVENUES</b> .....	<u>453,242</u>	<u>70,170</u>	<u>166,588</u>	<u>2,135</u>	<u>692,135</u>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	46,776	2,530	22,508	-	71,814
Public Safety - Police .....	27,571	-	157	-	27,728
Public Safety - Fire and Life Safety .....	18,860	-	1,025	-	19,885
Parks, Recreation, Culture and Leisure .....	71,004	-	2,982	67	74,053
Transportation .....	117,396	-	1,760	-	119,156
Sanitation and Health .....	2,920	-	383	-	3,303
Neighborhood Services .....	49,838	-	27,260	-	77,098
Capital Projects .....	31,088	-	144,405	-	175,493
Debt Service:					
Principal Retirement .....	3,730	63,518	8,323	-	75,571
Interest .....	2,424	63,078	888	-	66,390
<b>TOTAL EXPENDITURES</b> .....	<u>371,607</u>	<u>129,126</u>	<u>209,691</u>	<u>67</u>	<u>710,491</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>					
<b>OVER EXPENDITURES</b> .....	<u>81,635</u>	<u>(58,956)</u>	<u>(43,103)</u>	<u>2,068</u>	<u>(18,356)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds .....	3,491	-	104	-	3,595
Transfers from Other Funds .....	88,143	105,455	104,438	313	298,349
Transfers to Proprietary Funds .....	(633)	-	(548)	-	(1,181)
Transfers to Other Funds .....	(298,379)	(6,531)	(37,564)	(512)	(342,986)
Transfers to Escrow Agent .....	-	(32,011)	-	-	(32,011)
Notes Payable Issued .....	-	-	2,100	-	2,100
Loans Payable Issued .....	-	-	3,335	-	3,335
Tax Allocation Bonds Issued .....	147,725	-	-	-	147,725
Discount on Bonds Issued .....	(11)	-	-	-	(11)
Premium on Bonds Issued .....	4,342	-	-	-	4,342
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<u>(55,322)</u>	<u>66,913</u>	<u>71,865</u>	<u>(199)</u>	<u>83,257</u>
<b>NET CHANGE IN FUND BALANCES</b> .....	<u>26,313</u>	<u>7,957</u>	<u>28,762</u>	<u>1,869</u>	<u>64,901</u>
Fund Balances at Beginning of Year .....	<u>367,482</u>	<u>99,507</u>	<u>393,572</u>	<u>13,104</u>	<u>873,665</u>
<b>FUND BALANCES AT END OF YEAR</b> .....	<u>\$ 393,795</u>	<u>\$ 107,464</u>	<u>\$ 422,334</u>	<u>\$ 14,973</u>	<u>\$ 938,566</u>

NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE

**This Page Left Intentionally Blank - Back of Divider Page**

## 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 the Redevelopment Agency (the "Agency") of the City of San Diego. CCDC is primarily funded by the Agency and by the City of San Diego.

### PUBLIC FACILITIES FINANCING AUTHORITY

This Fund was established to account for the activities of the Public Facilities Financing Authority (the "Authority"). The Authority, created by the City of San Diego and the Redevelopment Agency of the City of San Diego (the "Agency"), facilitates the financing, acquisition and construction of public capital facility improvements of the Agency or the City. The Authority'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 (the "Agency"). The Agency was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. The Agency's 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 (the "Authority"). The Authority 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 the Redevelopment Agency of the City of San Diego (the "Agency"). SEDC is primarily funded by the Agency 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.

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
COMBINING BALANCE SHEET  
JUNE 30, 2005  
(In Thousands)**

	<b>City of San Diego</b>	<b>Centre City Development Corporation</b>
<b>ASSETS</b>		
Cash and Investments .....	\$ 211,001	\$ 43
Receivables:		
Taxes - Net .....	8,736	-
Accounts - Net of Allowance for Uncollectibles (City of San Diego \$808) .....	7,076	659
Claims - Net .....	135	-
Special Assessments - Net .....	521	-
Notes .....	1,376	-
Accrued Interest .....	1,179	-
Grants .....	23,501	-
From Other Funds .....	2	-
Advances to Other Funds .....	3,170	-
Advances to Other Agencies .....	2,527	-
Land Held for Resale .....	-	-
Prepaid Items .....	1,756	2
	<u>\$ 260,980</u>	<u>\$ 704</u>
<b>TOTAL ASSETS</b> .....		
	<u>\$ 260,980</u>	<u>\$ 704</u>
<b>LIABILITIES</b>		
Accounts Payable .....	\$ 24,212	\$ 33
Accrued Wages and Benefits .....	2,531	-
Other Accrued Liabilities .....	-	26
Due to Other Funds .....	19,439	-
Due to Other Agencies .....	284	-
Unearned Revenue .....	10,657	-
Deferred Revenue .....	26,519	-
Advances from Other Funds .....	300	-
Sundry Trust Liabilities .....	-	-
	<u>83,942</u>	<u>59</u>
<b>TOTAL LIABILITIES</b> .....		
	<u>83,942</u>	<u>59</u>
<b>FUND EQUITY:</b>		
Fund Balances:		
Reserved for Land Held for Resale .....	-	-
Reserved for Encumbrances .....	23,729	-
Reserved for Advances and Deposits .....	5,623	-
Reserved for Low and Moderate Income Housing .....	-	-
Unreserved:		
Designated for Unrealized Gains .....	73	-
Designated for Debt Service .....	-	-
Designated for Subsequent Years' Expenditures .....	46,562	-
Undesignated .....	101,051	645
	<u>177,038</u>	<u>645</u>
<b>TOTAL FUND EQUITY</b> .....		
	<u>177,038</u>	<u>645</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b> .....		
	<u>\$ 260,980</u>	<u>\$ 704</u>

Public Facilities Financing Authority	Redevelopment Agency	San Diego Industrial Development Authority	Southeastern Economic Development Corporation	Total
\$ 199	\$ 247,559	\$ 53	\$ 51	\$ 458,906
-	4,124	-	-	12,860
-	-	-	141	7,876
-	-	-	-	135
-	-	-	-	521
-	30,880	-	-	32,256
-	1,153	1	-	2,333
-	-	-	-	23,501
-	-	-	-	2
-	-	-	-	3,170
-	-	-	-	2,527
-	16,426	-	-	16,426
-	-	-	-	1,758
<u>\$ 199</u>	<u>\$ 300,142</u>	<u>\$ 54</u>	<u>\$ 192</u>	<u>\$ 562,271</u>
\$ -	\$ 2,247	\$ -	\$ 5	\$ 26,497
-	-	-	-	2,531
-	-	-	-	26
2	77,690	-	-	97,131
-	-	-	-	284
-	-	-	-	10,657
-	2,186	-	-	28,705
-	2,250	-	-	2,550
-	95	-	-	95
<u>2</u>	<u>84,468</u>	<u>-</u>	<u>5</u>	<u>168,476</u>
-	16,426	-	-	16,426
1	39,565	-	-	63,295
-	-	-	-	5,623
-	23,633	-	-	23,633
-	645	-	-	718
-	84,849	-	-	84,849
196	2,841	15	-	49,614
-	47,715	39	187	149,637
<u>197</u>	<u>215,674</u>	<u>54</u>	<u>187</u>	<u>393,795</u>
<u>\$ 199</u>	<u>\$ 300,142</u>	<u>\$ 54</u>	<u>\$ 192</u>	<u>\$ 562,271</u>

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2005**  
(In Thousands)

	City of San Diego	Centre City Development Corporation
<b>REVENUES</b>		
Property Taxes .....	\$ 6,893	\$ -
Special Assessments .....	13,820	-
Sales Taxes .....	70,521	-
Transient Occupancy Taxes .....	57,702	-
Other Local Taxes .....	79,120	-
Licenses and Permits .....	2,019	-
Fines, Forfeitures and Penalties .....	2,049	-
Revenue from Use of Money and Property .....	25,141	-
Revenue from Federal Agencies .....	45,763	-
Revenue from Other Agencies .....	20,632	5,925
Revenue from Private Sources .....	34,863	-
Charges for Current Services .....	33,426	-
Other Revenue .....	1,024	25
<b>TOTAL REVENUES</b> .....	<b>392,973</b>	<b>5,950</b>
<b>EXPENDITURES</b>		
Current:		
General Government and Support .....	21,925	5,950
Public Safety - Police .....	27,571	-
Public Safety - Fire and Life Safety .....	18,860	-
Parks, Recreation, Culture and Leisure .....	71,004	-
Transportation .....	117,396	-
Sanitation and Health .....	2,920	-
Neighborhood Services .....	45,484	-
Capital Projects .....	31,088	-
Debt Service:		
Principal Retirement .....	3,730	-
Interest .....	2,424	-
<b>TOTAL EXPENDITURES</b> .....	<b>342,402</b>	<b>5,950</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....	<b>50,571</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from Proprietary Funds .....	3,491	-
Transfers from Other Funds .....	66,150	645
Transfers to Proprietary Funds .....	(633)	-
Transfers to Other Funds .....	(143,396)	-
Tax Allocation Bonds Issued .....	-	-
Discount on Bonds Issued .....	-	-
Premium on Bonds Issued .....	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(74,388)</b>	<b>645</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(23,817)</b>	<b>645</b>
Fund Balances at Beginning of Year .....	200,855	-
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 177,038</b>	<b>\$ 645</b>

Public Facilities Financing Authority	Redevelopment Agency	San Diego Industrial Development Authority	Southeastern Economic Development Corporation	Total
\$ -	\$ 46,368	\$ -	\$ -	\$ 53,261
-	-	-	-	13,820
-	-	-	-	70,521
-	-	-	-	57,702
-	-	-	-	79,120
-	-	-	-	2,019
-	-	-	-	2,049
1	6,069	1	-	31,212
-	-	-	-	45,763
-	-	-	1,730	28,287
-	-	-	-	34,863
-	-	-	-	33,426
-	123	-	27	1,199
<u>1</u>	<u>52,560</u>	<u>1</u>	<u>1,757</u>	<u>453,242</u>
172	17,005	-	1,724	46,776
-	-	-	-	27,571
-	-	-	-	18,860
-	-	-	-	71,004
-	-	-	-	117,396
-	-	-	-	2,920
-	4,354	-	-	49,838
-	-	-	-	31,088
-	-	-	-	3,730
-	-	-	-	2,424
<u>172</u>	<u>21,359</u>	<u>-</u>	<u>1,724</u>	<u>371,607</u>
(171)	31,201	1	33	81,635
-	-	-	-	3,491
329	20,860	-	159	88,143
-	-	-	-	(633)
-	(154,983)	-	-	(298,379)
-	147,725	-	-	147,725
-	(11)	-	-	(11)
-	4,342	-	-	4,342
<u>329</u>	<u>17,933</u>	<u>-</u>	<u>159</u>	<u>(55,322)</u>
158	49,134	1	192	26,313
<u>39</u>	<u>166,540</u>	<u>53</u>	<u>(5)</u>	<u>367,482</u>
<u>\$ 197</u>	<u>\$ 215,674</u>	<u>\$ 54</u>	<u>\$ 187</u>	<u>\$ 393,795</u>

**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, 2005**  
(In Thousands)

City of San Diego		
	Actual on Budgetary Basis	Final Budget
<b>REVENUES</b>		
Property Taxes .....	\$ 6,813	\$ 6,365
Special Assessments .....	13,789	14,175
Sales Taxes .....	65,949	66,895
Transient Occupance Taxes .....	57,702	57,074
Other Local Taxes .....	79,120	81,336
Licenses and Permits .....	1,236	1,724
Fines, Forfeitures and Penalties .....	1,223	1,165
Revenue from Use of Money and Property .....	12,863	15,397
Revenue from Federal Agencies .....	10	-
Revenue from Other Agencies .....	9,361	10,093
Revenue from Private Sources .....	603	411
Charges for Current Services .....	32,181	31,551
Other Revenue .....	429	976
Excess Revenue Appropriated .....	-	222
<b>TOTAL REVENUES</b> .....	<b>281,279</b>	<b>287,384</b>
<b>EXPENDITURES</b>		
Current:		
General Government and Support .....	13,306	14,978
Public Safety - Police .....	11,982	12,263
Public Safety - Fire and Life Safety .....	9,752	10,720
Parks, Recreation, Culture and Leisure .....	68,978	87,774
Transportation .....	93,895	99,942
Sanitation and Health .....	2,525	2,800
Neighborhood Services .....	5,980	7,112
Capital Projects .....	21,817	34,902
Debt Service:		
Principal Retirement .....	577	706
Interest .....	90	90
<b>TOTAL EXPENDITURES</b> .....	<b>228,902</b>	<b>271,287</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....	<b>52,377</b>	<b>16,097</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from Proprietary Funds .....	1,017	920
Transfers from Other Funds .....	47,564	80,446
Transfers to Proprietary Funds .....	(84)	(84)
Transfers to Other Funds .....	(129,988)	(164,029)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(81,491)</b>	<b>(82,747)</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(29,114)</b>	<b>(66,650)</b>
Fund Balances Undesignated at July 1, 2004 .....	82,589	82,589
Reserved for Encumbrances at July 1, 2004 .....	13,171	13,171
Reserved for Debt Service at July 1, 2004 .....	128	128
Designated for Subsequent Years' Expenditures at July 1, 2004 .....	22,205	22,205
Designated for Subsequent Years' Expenditures at June 30, 2005 .....	(10,710)	-
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2005</b> .....	<b>\$ 78,269</b>	<b>\$ 51,443</b>

Centre City Development Corporation		Southeastern Economic Development Corporation		Total		Variance with Final Budget Positive (Negative)
Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	
\$ -	\$ -	\$ -	\$ -	\$ 6,813	\$ 6,365	\$ 448
-	-	-	-	13,789	14,175	(386)
-	-	-	-	65,949	66,895	(946)
-	-	-	-	57,702	57,074	628
-	-	-	-	79,120	81,336	(2,216)
-	-	-	-	1,236	1,724	(488)
-	-	-	-	1,223	1,165	58
-	5	-	-	12,863	15,402	(2,539)
-	-	-	-	10	-	10
5,925	6,394	1,730	1,843	17,016	18,330	(1,314)
-	-	-	-	603	411	192
-	-	-	-	32,181	31,551	630
25	-	27	-	481	976	(495)
-	-	-	-	-	222	(222)
<u>5,950</u>	<u>6,399</u>	<u>1,757</u>	<u>1,843</u>	<u>288,986</u>	<u>295,626</u>	<u>(6,640)</u>
5,950	6,399	1,724	1,843	20,980	23,220	2,240
-	-	-	-	11,982	12,263	281
-	-	-	-	9,752	10,720	968
-	-	-	-	68,978	87,774	18,796
-	-	-	-	93,895	99,942	6,047
-	-	-	-	2,525	2,800	275
-	-	-	-	5,980	7,112	1,132
-	-	-	-	21,817	34,902	13,085
-	-	-	-	577	706	129
-	-	-	-	90	90	-
<u>5,950</u>	<u>6,399</u>	<u>1,724</u>	<u>1,843</u>	<u>236,576</u>	<u>279,529</u>	<u>42,953</u>
-	-	33	-	52,410	16,097	36,313
-	-	-	-	1,017	920	97
-	-	-	-	47,564	80,446	(32,882)
-	-	-	-	(84)	(84)	-
-	-	-	-	<u>(129,988)</u>	<u>(164,029)</u>	<u>34,041</u>
-	-	-	-	<u>(81,491)</u>	<u>(82,747)</u>	<u>1,256</u>
-	-	33	-	(29,081)	(66,650)	37,569
645	645	154	154	83,388	83,388	-
-	-	-	-	13,171	13,171	-
-	-	-	-	128	128	-
-	-	-	-	22,205	22,205	-
-	-	-	-	<u>(10,710)</u>	-	<u>(10,710)</u>
<u>\$ 645</u>	<u>\$ 645</u>	<u>\$ 187</u>	<u>\$ 154</u>	<u>\$ 79,101</u>	<u>\$ 52,242</u>	<u>\$ 26,859</u>



CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
COMBINING BALANCE SHEET  
JUNE 30, 2005  
(In Thousands)

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Police Decentralization	Public Transportation	Qualcomm Stadium Operations
<b>ASSETS</b>					
Cash and Investments .....	\$ 14,239	\$ 1,604	\$ 1,030	\$ 2,125	\$ 4,101
Receivables:					
Taxes - Net .....	-	2,852	-	-	-
Accounts - Net of Allowance for Uncollectibles (Transient Occupancy Tax \$424, Unbudgeted Other Special Revenue \$384) .....	748	-	-	-	404
Claims - Net .....	38	-	-	-	-
Special Assessments - Net .....	347	-	-	-	-
Notes .....	-	-	-	-	-
Accrued Interest .....	98	22	-	15	24
Grants .....	-	-	-	-	-
From Other Funds .....	-	-	-	-	-
Advances to Other Funds .....	-	-	-	-	-
Advances to Other Agencies .....	259	-	-	-	-
Prepaid Items .....	-	-	-	-	5
<b>TOTAL ASSETS</b> .....	<u>\$ 15,729</u>	<u>\$ 4,478</u>	<u>\$ 1,030</u>	<u>\$ 2,140</u>	<u>\$ 4,534</u>
<b>LIABILITIES</b>					
Accounts Payable .....	\$ 843	\$ 9	\$ 813	\$ 3	\$ 321
Accrued Wages and Benefits .....	109	-	-	-	143
Due to Other Funds .....	-	-	-	-	-
Due to Other Agencies .....	-	-	-	-	-
Unearned Revenue .....	-	-	-	-	-
Deferred Revenue .....	1,066	-	-	-	144
Advances from Other Funds .....	-	-	-	-	-
<b>TOTAL LIABILITIES</b> .....	<u>2,018</u>	<u>9</u>	<u>813</u>	<u>3</u>	<u>608</u>
<b>FUND EQUITY:</b>					
Fund Balances:					
Reserved for Encumbrances .....	604	179	-	4	375
Reserved for Advances and Deposits .....	259	-	-	-	-
Unreserved:					
Designated for Unrealized Gains .....	-	-	-	-	-
Designated for Subsequent Years' Expenditures .....	983	512	-	-	323
Undesignated .....	<u>11,865</u>	<u>3,778</u>	<u>217</u>	<u>2,133</u>	<u>3,228</u>
<b>TOTAL FUND EQUITY</b> .....	<u>13,711</u>	<u>4,469</u>	<u>217</u>	<u>2,137</u>	<u>3,926</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b> .....	<u>\$ 15,729</u>	<u>\$ 4,478</u>	<u>\$ 1,030</u>	<u>\$ 2,140</u>	<u>\$ 4,534</u>

Special Gas Tax Street Improvement	Street Division Operations	Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Unbudgeted		Total
						Grants	Other Special Revenue	
\$ 2,281	\$ 7,168	\$ 40,733	\$ 25,436	\$ 120	\$ 11,341	\$ 8	\$ 100,815	\$ 211,001
-	-	5,778	-	106	-	-	-	8,736
2,151	476	173	-	-	1,961	-	1,163	7,076
2	95	-	-	-	-	-	-	135
-	-	-	-	-	-	-	174	521
-	-	-	-	-	-	-	1,376	1,376
75	2	238	172	-	61	(3)	475	1,179
-	-	-	-	-	-	23,501	-	23,501
-	-	-	-	-	-	-	2	2
-	-	-	-	-	-	-	3,170	3,170
-	-	1,996	-	-	-	109	163	2,527
-	-	1,261	-	-	209	7	274	1,756
<u>\$ 4,509</u>	<u>\$ 7,741</u>	<u>\$ 50,179</u>	<u>\$ 25,608</u>	<u>\$ 226</u>	<u>\$ 13,572</u>	<u>\$ 23,622</u>	<u>\$ 107,612</u>	<u>\$ 260,980</u>
\$ 7	\$ 1,033	\$ 2,929	\$ 13,473	\$ -	\$ 499	\$ 3,364	\$ 918	\$ 24,212
3	1,339	38	43	-	796	53	7	2,531
-	-	-	-	-	-	16,275	3,164	19,439
-	-	-	-	-	-	283	1	284
-	-	-	-	-	-	-	10,657	10,657
36	571	173	-	-	41	21,872	2,616	26,519
-	-	-	-	-	-	-	300	300
<u>46</u>	<u>2,943</u>	<u>3,140</u>	<u>13,516</u>	<u>-</u>	<u>1,336</u>	<u>41,847</u>	<u>17,663</u>	<u>83,942</u>
40	2,530	5,645	2,764	-	1,939	3	9,646	23,729
-	-	1,996	-	-	-	36	3,332	5,623
-	-	-	-	-	-	-	73	73
52	858	2,866	4,892	-	224	-	35,852	46,562
<u>4,371</u>	<u>1,410</u>	<u>36,532</u>	<u>4,436</u>	<u>226</u>	<u>10,073</u>	<u>(18,264)</u>	<u>41,046</u>	<u>101,051</u>
<u>4,463</u>	<u>4,798</u>	<u>47,039</u>	<u>12,092</u>	<u>226</u>	<u>12,236</u>	<u>(18,225)</u>	<u>89,949</u>	<u>177,038</u>
<u>\$ 4,509</u>	<u>\$ 7,741</u>	<u>\$ 50,179</u>	<u>\$ 25,608</u>	<u>\$ 226</u>	<u>\$ 13,572</u>	<u>\$ 23,622</u>	<u>\$ 107,612</u>	<u>\$ 260,980</u>

**CITY OF SAN DIEGO**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2005**  
(In Thousands)

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Police Decentralization	Public Transportation	Qualcomm Stadium Operations
<b>REVENUES</b>					
Property Taxes .....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments .....	13,789	-	-	-	-
Sales Taxes .....	924	-	9,446	-	-
Transient Occupancy Taxes .....	-	-	-	-	-
Other Local Taxes .....	-	11,918	-	-	-
Licenses and Permits .....	1,236	-	-	-	-
Fines, Forfeitures and Penalties .....	-	-	-	-	-
Revenue from Use of Money and Property .....	289	82	35	53	9,405
Revenue from Federal Agencies .....	-	-	-	-	-
Revenue from Other Agencies .....	-	-	-	-	-
Revenue from Private Sources .....	167	-	-	-	-
Charges for Current Services .....	2,869	-	-	-	-
Other Revenue .....	158	-	-	-	44
<b>TOTAL REVENUES</b> .....	<b>19,432</b>	<b>12,000</b>	<b>9,481</b>	<b>53</b>	<b>9,449</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	1,898	-	-	-	-
Public Safety - Police .....	-	-	8,583	-	-
Public Safety - Fire and Life Safety .....	-	-	-	-	-
Parks, Recreation, Culture and Leisure .....	10,921	1,807	-	-	7,591
Transportation .....	-	-	-	56	-
Sanitation and Health .....	-	-	-	-	-
Neighborhood Services .....	6,292	-	-	-	-
Capital Projects .....	437	12	-	-	3
Debt Service:					
Principal Retirement .....	-	-	-	-	159
Interest .....	-	-	-	-	59
<b>TOTAL EXPENDITURES</b> .....	<b>19,548</b>	<b>1,819</b>	<b>8,583</b>	<b>56</b>	<b>7,812</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....	<b>(116)</b>	<b>10,181</b>	<b>898</b>	<b>(3)</b>	<b>1,637</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds .....	5	3	-	-	-
Transfers from Other Funds .....	1,706	-	-	3,810	6,005
Transfers to Proprietary Funds .....	-	-	-	-	-
Transfers to Other Funds .....	(21)	(12,300)	(2,431)	(3,754)	(5,591)
Section 108 Loans Issued .....	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>1,690</b>	<b>(12,297)</b>	<b>(2,431)</b>	<b>56</b>	<b>414</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>1,574</b>	<b>(2,116)</b>	<b>(1,533)</b>	<b>53</b>	<b>2,051</b>
Fund Balances at Beginning of Year .....	12,137	6,585	1,750	2,084	1,875
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 13,711</b>	<b>\$ 4,469</b>	<b>\$ 217</b>	<b>\$ 2,137</b>	<b>\$ 3,926</b>

Special Gas Tax Street Improvement	Street Division Operations	Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Unbudgeted		Total
						Grants	Other Special Revenue	
\$ -	\$ -	\$ -	\$ -	\$ 6,813	\$ -	\$ -	\$ 80	\$ 6,893
-	-	-	-	-	-	-	31	13,820
-	13,777	39,005	-	-	2,797	-	4,572	70,521
-	-	57,702	-	-	-	-	-	57,702
24,093	-	-	43,109	-	-	-	-	79,120
-	-	-	-	-	-	-	783	2,019
-	-	-	-	-	1,223	-	826	2,049
294	31	1,788	620	25	241	(329)	12,607	25,141
-	-	-	-	-	10	45,030	723	45,763
-	471	6,802	-	-	2,088	10,872	399	20,632
3	356	77	-	-	-	-	34,260	34,863
18	4,557	21	-	-	24,716	3	1,242	33,426
-	7	89	-	-	108	471	147	1,024
<u>24,408</u>	<u>19,199</u>	<u>105,484</u>	<u>43,729</u>	<u>6,838</u>	<u>31,183</u>	<u>56,047</u>	<u>55,670</u>	<u>392,973</u>
212	-	540	695	-	9,734	745	8,101	21,925
-	-	-	-	-	2,097	16,352	539	27,571
-	-	-	-	-	9,582	7,044	2,234	18,860
-	-	34,761	-	10,016	139	3,297	2,472	71,004
18	47,088	-	44,286	-	-	23	25,925	117,396
-	-	46	-	-	2,111	499	264	2,920
-	-	-	-	-	-	27,546	11,646	45,484
34	132	12,951	2,872	-	-	5,491	9,156	31,088
-	418	-	-	-	-	1,525	1,628	3,730
-	31	-	-	-	-	1,715	619	2,424
<u>264</u>	<u>47,669</u>	<u>48,298</u>	<u>47,853</u>	<u>10,016</u>	<u>23,663</u>	<u>64,237</u>	<u>62,584</u>	<u>342,402</u>
<u>24,144</u>	<u>(28,470)</u>	<u>57,186</u>	<u>(4,124)</u>	<u>(3,178)</u>	<u>7,520</u>	<u>(8,190)</u>	<u>(6,914)</u>	<u>50,571</u>
66	23	-	-	-	920	-	2,474	3,491
-	29,836	4,657	-	-	1,550	1,672	16,914	66,150
-	(84)	-	-	-	-	-	(549)	(633)
(23,564)	(173)	(71,377)	-	(25)	(10,752)	(2,342)	(11,066)	(143,396)
-	-	-	-	-	-	-	-	-
<u>(23,498)</u>	<u>29,602</u>	<u>(66,720)</u>	<u>-</u>	<u>(25)</u>	<u>(8,282)</u>	<u>(670)</u>	<u>7,773</u>	<u>(74,388)</u>
646	1,132	(9,534)	(4,124)	(3,203)	(762)	(8,860)	859	(23,817)
<u>3,817</u>	<u>3,666</u>	<u>56,573</u>	<u>16,216</u>	<u>3,429</u>	<u>12,998</u>	<u>(9,365)</u>	<u>89,090</u>	<u>200,855</u>
<u>\$ 4,463</u>	<u>\$ 4,798</u>	<u>\$ 47,039</u>	<u>\$ 12,092</u>	<u>\$ 226</u>	<u>\$ 12,236</u>	<u>\$ (18,225)</u>	<u>\$ 89,949</u>	<u>\$ 177,038</u>

**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, 2005  
(In Thousands)**

	Acquisition, Improvement and Operations				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>					
Property Taxes .....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments .....	13,789	-	13,789	14,175	(386)
Sales Taxes .....	924	-	924	923	1
Transient Occupancy Taxes .....	-	-	-	-	-
Other Local Taxes .....	-	-	-	-	-
Licenses and Permits .....	1,236	-	1,236	1,724	(488)
Fines, Forfeitures and Penalties .....	-	-	-	-	-
Revenue from Use of Money and Property .....	289	-	289	276	13
Revenue from Federal Agencies .....	-	-	-	-	-
Revenue from Other Agencies .....	-	-	-	-	-
Revenue from Private Sources .....	167	-	167	363	(196)
Charges for Current Services .....	2,869	-	2,869	2,924	(55)
Other Revenue .....	158	-	158	131	27
Excess Revenue Appropriated .....	-	-	-	-	-
<b>TOTAL REVENUES .....</b>	<b>19,432</b>	<b>-</b>	<b>19,432</b>	<b>20,516</b>	<b>(1,084)</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	1,898	28	1,926	2,374	448
Public Safety - Police .....	-	-	-	-	-
Public Safety - Fire and Life Safety .....	-	-	-	-	-
Parks, Recreation, Culture and Leisure .....	10,921	470	11,391	20,786	9,395
Transportation .....	-	-	-	-	-
Sanitation and Health .....	-	-	-	-	-
Neighborhood Services .....	6,292	(312)	5,980	7,112	1,132
Capital Projects .....	437	41	478	1,385	907
Debt Service:					
Principal Retirement .....	-	-	-	-	-
Interest .....	-	-	-	-	-
<b>TOTAL EXPENDITURES .....</b>	<b>19,548</b>	<b>227</b>	<b>19,775</b>	<b>31,657</b>	<b>11,882</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>					
<b>OVER EXPENDITURES .....</b>	<b>(116)</b>	<b>(227)</b>	<b>(343)</b>	<b>(11,141)</b>	<b>10,798</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds .....	5	-	5	-	5
Transfers from Other Funds .....	1,706	-	1,706	3,584	(1,878)
Transfers to Proprietary Funds .....	-	-	-	-	-
Transfers to Other Funds .....	(21)	-	(21)	(34)	13
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>1,690</b>	<b>-</b>	<b>1,690</b>	<b>3,550</b>	<b>(1,860)</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>\$ 1,574</b>	<b>\$ (227)</b>	<b>1,347</b>	<b>(7,591)</b>	<b>8,938</b>
Fund Balances Undesignated at July 1, 2004 .....			9,871	9,871	-
Reserved for Encumbrances at July 1, 2004 .....			1,169	1,169	-
Reserved for Debt Service at July 1, 2004 .....			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2004 .....			461	461	-
Designated for Subsequent Years' Expenditures at June 30, 2005 .....			(983)	-	(983)
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2005 .....</b>			<b>\$ 11,865</b>	<b>\$ 3,910</b>	<b>\$ 7,955</b>

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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	9,446	-	9,446	9,446	-
-	-	-	-	-	-	-	-	-	-
11,918	-	11,918	11,216	702	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
82	-	82	107	(25)	35	-	35	35	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>12,000</u>	<u>-</u>	<u>12,000</u>	<u>11,323</u>	<u>677</u>	<u>9,481</u>	<u>-</u>	<u>9,481</u>	<u>9,481</u>	<u>-</u>
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	8,583	-	8,583	8,733	150
-	-	-	-	-	-	-	-	-	-
1,807	-	1,807	2,362	555	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
12	179	191	228	37	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>1,819</u>	<u>179</u>	<u>1,998</u>	<u>2,590</u>	<u>592</u>	<u>8,583</u>	<u>-</u>	<u>8,583</u>	<u>8,733</u>	<u>150</u>
<u>10,181</u>	<u>(179)</u>	<u>10,002</u>	<u>8,733</u>	<u>1,269</u>	<u>898</u>	<u>-</u>	<u>898</u>	<u>748</u>	<u>150</u>
3	-	3	-	3	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>(12,300)</u>	<u>-</u>	<u>(12,300)</u>	<u>(12,300)</u>	<u>-</u>	<u>(2,431)</u>	<u>-</u>	<u>(2,431)</u>	<u>(2,431)</u>	<u>-</u>
<u>(12,297)</u>	<u>-</u>	<u>(12,297)</u>	<u>(12,300)</u>	<u>3</u>	<u>(2,431)</u>	<u>-</u>	<u>(2,431)</u>	<u>(2,431)</u>	<u>-</u>
<u>\$ (2,116)</u>	<u>\$ (179)</u>	<u>(2,295)</u>	<u>(3,567)</u>	<u>1,272</u>	<u>\$ (1,533)</u>	<u>\$ -</u>	<u>(1,533)</u>	<u>(1,683)</u>	<u>150</u>
		6,069	6,069	-			1,750	1,750	-
		293	293	-			-	-	-
		-	-	-			-	-	-
		223	223	-			-	-	-
		<u>(512)</u>	<u>-</u>	<u>(512)</u>			<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 3,778</u>	<u>\$ 3,018</u>	<u>\$ 760</u>			<u>\$ 217</u>	<u>\$ 67</u>	<u>\$ 150</u>

Continued on Next Page

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, 2005  
 (In Thousands)

Public Transportation					
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>					
Property Taxes .....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments .....	-	-	-	-	-
Sales Taxes .....	-	-	-	-	-
Transient Occupancy Taxes .....	-	-	-	-	-
Other Local Taxes .....	-	-	-	-	-
Licenses and Permits .....	-	-	-	-	-
Fines, Forfeitures and Penalties .....	-	-	-	-	-
Revenue from Use of Money and Property .....	53	-	53	-	53
Revenue from Federal Agencies .....	-	-	-	-	-
Revenue from Other Agencies .....	-	-	-	-	-
Revenue from Private Sources .....	-	-	-	-	-
Charges for Current Services .....	-	-	-	-	-
Other Revenue .....	-	-	-	-	-
Excess Revenue Appropriated .....	-	-	-	-	-
<b>TOTAL REVENUES</b> .....	<u>53</u>	<u>-</u>	<u>53</u>	<u>-</u>	<u>53</u>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	-	-	-	-	-
Public Safety - Police .....	-	-	-	-	-
Public Safety - Fire and Life Safety .....	-	-	-	-	-
Parks, Recreation, Culture and Leisure .....	-	4	4	27	23
Transportation .....	56	-	56	-	(56)
Sanitation and Health .....	-	-	-	-	-
Neighborhood Services .....	-	-	-	-	-
Capital Projects .....	-	-	-	-	-
Debt Service:					
Principal Retirement .....	-	-	-	-	-
Interest .....	-	-	-	-	-
<b>TOTAL EXPENDITURES</b> .....	<u>56</u>	<u>4</u>	<u>60</u>	<u>27</u>	<u>(33)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....					
	<u>(3)</u>	<u>(4)</u>	<u>(7)</u>	<u>(27)</u>	<u>20</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds .....	-	-	-	-	-
Transfers from Other Funds .....	3,810	-	3,810	3,810	-
Transfers to Proprietary Funds .....	-	-	-	-	-
Transfers to Other Funds .....	(3,754)	-	(3,754)	(3,810)	56
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<u>56</u>	<u>-</u>	<u>56</u>	<u>-</u>	<u>56</u>
<b>NET CHANGE IN FUND BALANCES</b> .....	<u>\$ 53</u>	<u>\$ (4)</u>	<u>49</u>	<u>(27)</u>	<u>76</u>
Fund Balances Undesignated at July 1, 2004 .....			2,084	2,084	-
Reserved for Encumbrances at July 1, 2004 .....			-	-	-
Reserved for Debt Service at July 1, 2004 .....			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2004 .....			-	-	-
Designated for Subsequent Years' Expenditures at June 30, 2005 .....			-	-	-
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2005</b> .....			<u>\$ 2,133</u>	<u>\$ 2,057</u>	<u>\$ 76</u>

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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	24,093	-	24,093	23,532	561
-	-	-	-	-	-	-	-	-	-
9,405	-	9,405	13,221	(3,816)	294	-	294	337	(43)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	3	-	3	-	3
-	-	-	-	-	18	-	18	-	18
44	-	44	10	34	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>9,449</u>	<u>-</u>	<u>9,449</u>	<u>13,231</u>	<u>(3,782)</u>	<u>24,408</u>	<u>-</u>	<u>24,408</u>	<u>23,869</u>	<u>539</u>
-	-	-	-	-	212	-	212	212	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
7,591	375	7,966	14,228	6,262	-	-	-	-	-
-	-	-	-	-	18	-	18	18	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
3	-	3	3	-	34	40	74	80	6
159	-	159	159	-	-	-	-	-	-
59	-	59	59	-	-	-	-	-	-
<u>7,812</u>	<u>375</u>	<u>8,187</u>	<u>14,449</u>	<u>6,262</u>	<u>264</u>	<u>40</u>	<u>304</u>	<u>310</u>	<u>6</u>
<u>1,637</u>	<u>(375)</u>	<u>1,262</u>	<u>(1,218)</u>	<u>2,480</u>	<u>24,144</u>	<u>(40)</u>	<u>24,104</u>	<u>23,559</u>	<u>545</u>
-	-	-	-	-	66	-	66	-	66
6,005	-	6,005	6,000	5	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>(5,591)</u>	<u>-</u>	<u>(5,591)</u>	<u>(5,591)</u>	<u>-</u>	<u>(23,564)</u>	<u>-</u>	<u>(23,564)</u>	<u>(23,608)</u>	<u>44</u>
414	-	414	409	5	<u>(23,498)</u>	<u>-</u>	<u>(23,498)</u>	<u>(23,608)</u>	<u>110</u>
<u>\$ 2,051</u>	<u>\$ (375)</u>	1,676	(809)	2,485	<u>\$ 646</u>	<u>\$ (40)</u>	606	(49)	655
		1,632	1,632	-			3,591	3,591	-
		199	199	-			80	80	-
		-	-	-			-	-	-
		44	44	-			146	146	-
		<u>(323)</u>	<u>-</u>	<u>(323)</u>			<u>(52)</u>	<u>-</u>	<u>(52)</u>
		<u>\$ 3,228</u>	<u>\$ 1,066</u>	<u>\$ 2,162</u>			<u>\$ 4,371</u>	<u>\$ 3,768</u>	<u>\$ 603</u>

Continued on Next Page



**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, 2005**  
(In Thousands)

	Street Division Operations				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>					
Property Taxes .....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments .....	-	-	-	-	-
Sales Taxes .....	13,777	-	13,777	13,777	-
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 .....	471	-	471	45	426
Revenue from Private Sources .....	356	-	356	48	308
Charges for Current Services .....	4,557	-	4,557	3,126	1,431
Other Revenue .....	7	23	30	-	30
Excess Revenue Appropriated .....	-	-	-	-	-
<b>TOTAL REVENUES</b> .....	<b>19,199</b>	<b>23</b>	<b>19,222</b>	<b>16,996</b>	<b>2,226</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	-	-	-	-	-
Public Safety - Police .....	-	-	-	-	-
Public Safety - Fire and Life Safety .....	-	-	-	-	-
Parks, Recreation, Culture and Leisure .....	-	-	-	-	-
Transportation .....	47,088	2,447	49,535	48,150	(1,385)
Sanitation and Health .....	-	-	-	-	-
Neighborhood Services .....	-	-	-	-	-
Capital Projects .....	132	34	166	1,384	1,218
Debt Service:					
Principal Retirement .....	418	-	418	547	129
Interest .....	31	-	31	31	-
<b>TOTAL EXPENDITURES</b> .....	<b>47,669</b>	<b>2,481</b>	<b>50,150</b>	<b>50,112</b>	<b>(38)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>					
<b>OVER EXPENDITURES</b> .....	<b>(28,470)</b>	<b>(2,458)</b>	<b>(30,928)</b>	<b>(33,116)</b>	<b>2,188</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds .....	23	-	23	-	23
Transfers from Other Funds .....	29,836	-	29,836	29,750	86
Transfers to Proprietary Funds .....	(84)	-	(84)	(84)	-
Transfers to Other Funds .....	(173)	-	(173)	(144)	(29)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>29,602</b>	<b>-</b>	<b>29,602</b>	<b>29,522</b>	<b>80</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>\$ 1,132</b>	<b>\$ (2,458)</b>	<b>(1,326)</b>	<b>(3,594)</b>	<b>2,268</b>
Fund Balances Undesignated at July 1, 2004 .....			-	-	-
Reserved for Encumbrances at July 1, 2004 .....			3,410	3,410	-
Reserved for Debt Service at July 1, 2004 .....			128	128	-
Designated for Subsequent Years' Expenditures at July 1, 2004 .....			56	56	-
Designated for Subsequent Years' Expenditures at June 30, 2005 .....			(858)	-	(858)
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2005</b> .....			<b>\$ 1,410</b>	<b>\$ -</b>	<b>\$ 1,410</b>

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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
39,005	-	39,005	39,952	(947)	-	-	-	-	-
57,702	-	57,702	57,074	628	-	-	-	-	-
-	-	-	-	-	43,109	-	43,109	46,588	(3,479)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,788	-	1,788	1,344	444	620	-	620	-	620
-	-	-	-	-	-	-	-	-	-
6,802	-	6,802	9,156	(2,354)	-	-	-	-	-
77	-	77	-	77	-	-	-	-	-
21	-	21	-	21	-	-	-	-	-
89	-	89	140	(51)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>105,484</u>	<u>-</u>	<u>105,484</u>	<u>107,666</u>	<u>(2,182)</u>	<u>43,729</u>	<u>-</u>	<u>43,729</u>	<u>46,588</u>	<u>(2,859)</u>
540	13	553	1,044	491	695	88	783	1,391	608
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
34,761	2,893	37,654	40,159	2,505	-	-	-	-	-
-	-	-	-	-	44,286	-	44,286	51,774	7,488
46	-	46	152	106	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
12,951	2,406	15,357	19,142	3,785	2,872	2,676	5,548	12,680	7,132
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>48,298</u>	<u>5,312</u>	<u>53,610</u>	<u>60,497</u>	<u>6,887</u>	<u>47,853</u>	<u>2,764</u>	<u>50,617</u>	<u>65,845</u>	<u>15,228</u>
<u>57,186</u>	<u>(5,312)</u>	<u>51,874</u>	<u>47,169</u>	<u>4,705</u>	<u>(4,124)</u>	<u>(2,764)</u>	<u>(6,888)</u>	<u>(19,257)</u>	<u>12,369</u>
-	-	-	-	-	-	-	-	-	-
4,657	-	4,657	35,830	(31,173)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>(71,377)</u>	<u>-</u>	<u>(71,377)</u>	<u>(105,177)</u>	<u>33,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(66,720)</u>	<u>-</u>	<u>(66,720)</u>	<u>(69,347)</u>	<u>2,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (9,534)</u>	<u>\$ (5,312)</u>	<u>(14,846)</u>	<u>(22,178)</u>	<u>7,332</u>	<u>\$ (4,124)</u>	<u>\$ (2,764)</u>	<u>(6,888)</u>	<u>(19,257)</u>	<u>12,369</u>
		37,227	37,227	-			6,685	6,685	-
		6,390	6,390	-			813	813	-
		-	-	-			-	-	-
		10,627	10,627	-			8,718	8,718	-
		<u>(2,866)</u>	<u>-</u>	<u>(2,866)</u>			<u>(4,892)</u>	<u>-</u>	<u>(4,892)</u>
		<u>\$ 36,532</u>	<u>\$ 32,066</u>	<u>\$ 4,466</u>			<u>\$ 4,436</u>	<u>\$ (3,041)</u>	<u>\$ 7,477</u>

Continued on Next Page

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, 2005  
 (In Thousands)

	Zoological Exhibits				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>					
Property Taxes .....	\$ 6,813	\$ -	\$ 6,813	\$ 6,365	\$ 448
Special Assessments .....	-	-	-	-	-
Sales Taxes .....	-	-	-	-	-
Transient Occupancy Taxes .....	-	-	-	-	-
Other Local Taxes .....	-	-	-	-	-
Licenses and Permits .....	-	-	-	-	-
Fines, Forfeitures and Penalties .....	-	-	-	-	-
Revenue from Use of Money and Property .....	25	-	25	25	-
Revenue from Federal Agencies .....	-	-	-	-	-
Revenue from Other Agencies .....	-	-	-	-	-
Revenue from Private Sources .....	-	-	-	-	-
Charges for Current Services .....	-	-	-	-	-
Other Revenue .....	-	-	-	-	-
Excess Revenue Appropriated .....	-	-	-	222	(222)
<b>TOTAL REVENUES</b> .....	<b>6,838</b>	<b>-</b>	<b>6,838</b>	<b>6,612</b>	<b>226</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	-	-	-	-	-
Public Safety - Police .....	-	-	-	-	-
Public Safety - Fire and Life Safety .....	-	-	-	-	-
Parks, Recreation, Culture and Leisure .....	10,016	-	10,016	10,016	-
Transportation .....	-	-	-	-	-
Sanitation and Health .....	-	-	-	-	-
Neighborhood Services .....	-	-	-	-	-
Capital Projects .....	-	-	-	-	-
Debt Service:					
Principal Retirement .....	-	-	-	-	-
Interest .....	-	-	-	-	-
<b>TOTAL EXPENDITURES</b> .....	<b>10,016</b>	<b>-</b>	<b>10,016</b>	<b>10,016</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....					
	<b>(3,178)</b>	<b>-</b>	<b>(3,178)</b>	<b>(3,404)</b>	<b>226</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds .....	-	-	-	-	-
Transfers from Other Funds .....	-	-	-	-	-
Transfers to Proprietary Funds .....	-	-	-	-	-
Transfers to Other Funds .....	(25)	-	(25)	(25)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(25)</b>	<b>-</b>	<b>(25)</b>	<b>(25)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>\$ (3,203)</b>	<b>\$ -</b>	<b>(3,203)</b>	<b>(3,429)</b>	<b>226</b>
Fund Balances Undesignated at July 1, 2004 .....			3,429	3,429	-
Reserved for Encumbrances at July 1, 2004 .....			-	-	-
Reserved for Debt Service at July 1, 2004 .....			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2004 .....			-	-	-
Designated for Subsequent Years' Expenditures at June 30, 2005 .....			-	-	-
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2005</b> .....			<b>\$ 226</b>	<b>\$ -</b>	<b>\$ 226</b>

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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,813	\$ -	\$ 6,813	\$ 6,365	\$ 448
-	-	-	-	-	13,789	-	13,789	14,175	(386)
2,797	-	2,797	2,797	-	65,949	-	65,949	66,895	(946)
-	-	-	-	-	57,702	-	57,702	57,074	628
-	-	-	-	-	79,120	-	79,120	81,336	(2,216)
-	-	-	-	-	1,236	-	1,236	1,724	(488)
1,223	-	1,223	1,165	58	1,223	-	1,223	1,165	58
241	-	241	52	189	12,863	-	12,863	15,397	(2,534)
10	-	10	-	10	10	-	10	-	10
2,088	-	2,088	892	1,196	9,361	-	9,361	10,093	(732)
-	-	-	-	-	603	-	603	411	192
24,716	-	24,716	25,501	(785)	32,181	-	32,181	31,551	630
108	-	108	695	(587)	406	23	429	976	(547)
-	-	-	-	-	-	-	-	222	(222)
<u>31,183</u>	<u>-</u>	<u>31,183</u>	<u>31,102</u>	<u>81</u>	<u>281,256</u>	<u>23</u>	<u>281,279</u>	<u>287,384</u>	<u>(6,105)</u>
9,734	98	9,832	9,957	125	13,079	227	13,306	14,978	1,672
2,097	1,302	3,399	3,530	131	10,680	1,302	11,982	12,263	281
9,582	170	9,752	10,720	968	9,582	170	9,752	10,720	968
139	1	140	196	56	65,235	3,743	68,978	87,774	18,796
-	-	-	-	-	91,448	2,447	93,895	99,942	6,047
2,111	368	2,479	2,649	170	2,157	368	2,525	2,801	276
-	-	-	-	-	6,292	(312)	5,980	7,112	1,132
-	-	-	-	-	16,441	5,376	21,817	34,902	13,085
-	-	-	-	-	577	-	577	706	129
-	-	-	-	-	90	-	90	90	-
<u>23,663</u>	<u>1,939</u>	<u>25,602</u>	<u>27,052</u>	<u>1,450</u>	<u>215,581</u>	<u>13,321</u>	<u>228,902</u>	<u>271,288</u>	<u>42,386</u>
<u>7,520</u>	<u>(1,939)</u>	<u>5,581</u>	<u>4,050</u>	<u>1,531</u>	<u>65,675</u>	<u>(13,298)</u>	<u>52,377</u>	<u>16,096</u>	<u>36,281</u>
920	-	920	920	-	1,017	-	1,017	920	97
1,550	-	1,550	1,472	78	47,564	-	47,564	80,446	(32,882)
-	-	-	-	-	(84)	-	(84)	(84)	-
<u>(10,752)</u>	<u>-</u>	<u>(10,752)</u>	<u>(10,909)</u>	<u>157</u>	<u>(129,988)</u>	<u>-</u>	<u>(129,988)</u>	<u>(164,029)</u>	<u>34,041</u>
<u>(8,282)</u>	<u>-</u>	<u>(8,282)</u>	<u>(8,517)</u>	<u>235</u>	<u>(81,491)</u>	<u>-</u>	<u>(81,491)</u>	<u>(82,747)</u>	<u>1,256</u>
<u>\$ (762)</u>	<u>\$ (1,939)</u>	<u>(2,701)</u>	<u>(4,467)</u>	<u>1,766</u>	<u>\$ (15,816)</u>	<u>\$ (13,298)</u>	<u>(29,114)</u>	<u>(66,651)</u>	<u>37,537</u>
		10,251	10,251	-			82,589	82,589	-
		817	817	-			13,171	13,171	-
		-	-	-			128	128	-
		1,930	1,930	-			22,205	22,205	-
		<u>(224)</u>	<u>-</u>	<u>(224)</u>			<u>(10,710)</u>	<u>-</u>	<u>(10,710)</u>
		<u>\$ 10,073</u>	<u>\$ 8,531</u>	<u>\$ 1,540</u>			<u>\$ 78,269</u>	<u>\$ 51,442</u>	<u>\$ 26,827</u>

**This Page Left Intentionally Blank**

**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
ENVIRONMENTAL GROWTH FUND  
COMBINING BALANCE SHEET  
JUNE 30, 2005  
( In Thousands )**

	<b>Two-Thirds Requirement</b>	<b>One-Third Requirement</b>	<b>Total</b>
<b>ASSETS</b>			
Cash or Equity in Pooled Cash and Investments .....	\$ 916	\$ 688	\$ 1,604
Receivables:			
Taxes - Net .....	1,901	951	2,852
Accrued Interest .....	10	12	22
<b>TOTAL ASSETS</b> .....	<u>\$ 2,827</u>	<u>\$ 1,651</u>	<u>\$ 4,478</u>
<b>LIABILITIES</b>			
Accounts Payable .....	\$ -	\$ 9	\$ 9
<b>FUND EQUITY</b>			
Fund Balances:			
Reserved for Encumbrances .....	-	179	179
Unreserved:			
Designated for Subsequent Years' Expenditures .....	-	512	512
Undesignated .....	2,827	951	3,778
<b>TOTAL FUND EQUITY</b> .....	<u>2,827</u>	<u>1,642</u>	<u>4,469</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b> .....	<u>\$ 2,827</u>	<u>\$ 1,651</u>	<u>\$ 4,478</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2005  
( In Thousands )**

	<b>Two-Thirds Requirement</b>	<b>One-Third Requirement</b>	<b>Total</b>
<b>REVENUES</b>			
Other Local Taxes .....	\$ 7,945	\$ 3,973	\$ 11,918
Revenue from Use of Money and Property .....	46	36	82
<b>TOTAL REVENUES</b> .....	<u>7,991</u>	<u>4,009</u>	<u>12,000</u>
<b>EXPENDITURES</b>			
Current:			
Parks, Recreation, Culture and Leisure .....	-	1,807	1,807
Capital Projects .....	-	12	12
<b>TOTAL EXPENDITURES</b> .....	<u>-</u>	<u>1,819</u>	<u>1,819</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b> .....	<u>7,991</u>	<u>2,190</u>	<u>10,181</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Proprietary Funds .....	-	3	3
Transfers to Other Funds .....	(9,813)	(2,487)	(12,300)
<b>NET CHANGE IN FUND BALANCES</b> .....	<u>(1,822)</u>	<u>(294)</u>	<u>(2,116)</u>
Fund Balances at Beginning of Year .....	4,649	1,936	6,585
<b>FUND BALANCES AT END OF YEAR</b> .....	<u>\$ 2,827</u>	<u>\$ 1,642</u>	<u>\$ 4,469</u>

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, 2005  
(In Thousands )

	Two-Thirds Requirement				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>REVENUES</b>					
Other Local Taxes .....	\$ 7,945	\$ -	\$ 7,945	\$ 7,477	\$ 468
Revenue from Use of Money and Property .....	46	-	46	54	(8)
<b>TOTAL REVENUES</b> .....	<u>7,991</u>	<u>-</u>	<u>7,991</u>	<u>7,531</u>	<u>460</u>
<b>EXPENDITURES</b>					
Current:					
Parks, Recreation, Culture and Leisure .....	-	-	-	-	-
Capital Projects .....	-	-	-	-	-
<b>TOTAL EXPENDITURES</b> .....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b> .....	<u>7,991</u>	<u>-</u>	<u>7,991</u>	<u>7,531</u>	<u>460</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds .....	-	-	-	-	-
Transfers to Other Funds .....	(9,813)	-	(9,813)	(9,813)	-
<b>NET CHANGE IN FUND BALANCES</b> .....	<u>\$ (1,822)</u>	<u>\$ -</u>	<u>(1,822)</u>	<u>(2,282)</u>	<u>460</u>
Fund Balances Undesignated at July 1, 2004 .....			4,649	4,649	-
Reserved for Encumbrances at July 1, 2004.....			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2004 .....			-	-	-
Designated for Subsequent Years' Expenditures at June 30, 2005 .....			-	-	-
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2005</b> .....			<u>\$ 2,827</u>	<u>\$ 2,367</u>	<u>\$ 460</u>

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)
\$ 3,973	\$ -	\$ 3,973	\$ 3,739	\$ 234	\$ 11,918	\$ -	\$ 11,918	\$ 11,216	\$ 702
36	-	36	53	(17)	82	-	82	107	(25)
4,009	-	4,009	3,792	217	12,000	-	12,000	11,323	677
1,807	179	1,986	2,362	376	1,807	179	1,986	2,362	376
12	-	12	228	216	12	-	12	228	216
1,819	179	1,998	2,590	592	1,819	179	1,998	2,590	592
2,190	(179)	2,011	1,202	809	10,181	(179)	10,002	8,733	1,269
3	-	3	-	3	3	-	3	-	3
(2,487)	-	(2,487)	(2,487)	-	(12,300)	-	(12,300)	(12,300)	-
<u>\$ (297)</u>	<u>\$ (179)</u>	(473)	(1,285)	812	<u>\$ (2,116)</u>	<u>\$ (179)</u>	(2,295)	(3,567)	1,272
		1,420	1,420	-			6,069	6,069	-
		293	293	-			293	293	-
		223	223	-			223	223	-
		(512)	-	(512)			(512)	-	(512)
		<u>\$ 951</u>	<u>\$ 651</u>	<u>\$ 300</u>			<u>\$ 3,778</u>	<u>\$ 3,018</u>	<u>\$ 760</u>



**This Page Left Intentionally Blank**

NON-MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE

**This Page Left Intentionally Blank - Back of Divider Page**

## 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 (the "Authority"). The Authority was created to acquire and construct mass public transit guideways, systems and related facilities. The Authority'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 (the "Authority"). The Authority, created by the City of San Diego and the San Diego Unified Port District, facilitates the financing, acquisition and construction of an expansion to the existing convention center. The Authority'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 (the "Authority"). The Authority, created by the City of San Diego and the Redevelopment Agency of the City of San Diego (the "Agency"), facilitates the financing, acquisition and construction of public capital facility improvements of the Agency or the City. The Authority'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 (the "Agency"). The Agency 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 (the "Corporation"). The Corporation 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. This fund was established to account for financial resources accumulated for the payment of long-term debt principal and interest. This fund is serviced by City contributions and investment income.

**NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
COMBINING BALANCE SHEET  
June 30, 2005  
( In Thousands )**

	City of San Diego	City of San Diego/MTDB Authority	Convention Center Expansion Financing Authority	Public Facilities Financing Authority
<b>ASSETS</b>				
Cash and Investments .....	\$ -	\$ -	\$ -	\$ -
Receivables:				
Taxes .....	42	-	-	-
Special Assessments .....	732	-	-	-
Accrued Interest .....	75	5	-	29
From Other Funds .....	-	-	-	-
Restricted Cash and Investments .....	25,287	8,227	7	16,940
Prepaid and Reimbursable Items and Deposits .....	-	-	-	-
<b>TOTAL ASSETS</b> .....	<b>\$ 26,136</b>	<b>\$ 8,232</b>	<b>\$ 7</b>	<b>\$ 16,969</b>
<b>LIABILITIES</b>				
Deferred Revenue .....	\$ 476	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b> .....	<b>476</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND EQUITY</b>				
Fund Balances:				
Reserved for Debt Service .....	25,660	8,232	7	16,956
Unreserved:				
Designated for Unrealized Gains .....	-	-	-	13
<b>TOTAL FUND EQUITY</b> .....	<b>25,660</b>	<b>8,232</b>	<b>7</b>	<b>16,969</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b> .....	<b>\$ 26,136</b>	<b>\$ 8,232</b>	<b>\$ 7</b>	<b>\$ 16,969</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2005  
(In Thousands)**

<b>REVENUES</b>				
Property Taxes .....	\$ 2,441	\$ -	\$ -	\$ -
Special Assessments .....	15,655	-	-	-
Revenue from Use of Money and Property .....	507	213	16	394
Revenue from Other Agencies .....	-	-	-	-
<b>TOTAL REVENUES</b> .....	<b>18,603</b>	<b>213</b>	<b>16</b>	<b>394</b>
<b>EXPENDITURES</b>				
Current:				
General Government and Support .....	970	-	-	2
Neighborhood Services .....	-	-	-	-
Capital Projects .....	-	-	-	-
Debt Service:				
Principal Retirement .....	4,620	7,230	4,500	3,725
Interest .....	8,617	1,538	9,201	19,817
<b>TOTAL EXPENDITURES</b> .....	<b>14,207</b>	<b>8,768</b>	<b>13,701</b>	<b>23,544</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....	<b>4,396</b>	<b>(8,555)</b>	<b>(13,685)</b>	<b>(23,150)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds .....	118	6,150	13,611	18,358
Transfers to Other Funds .....	(4,739)	-	-	(677)
Transfers to Escrow Agent .....	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(4,621)</b>	<b>6,150</b>	<b>13,611</b>	<b>17,681</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(225)</b>	<b>(2,405)</b>	<b>(74)</b>	<b>(5,469)</b>
Fund Balances at Beginning of Year .....	25,885	10,637	81	22,438
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 25,660</b>	<b>\$ 8,232</b>	<b>\$ 7</b>	<b>\$ 16,969</b>

Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	San Diego Open Space Park Facilities District #1	Total
\$ -	\$ -	\$ -	\$ -
-	-	-	42
-	-	-	732
3	-	11	123
93	-	-	93
56,413	3	29	106,906
-	-	44	44
<u>\$ 56,509</u>	<u>\$ 3</u>	<u>\$ 84</u>	<u>\$ 107,940</u>
\$ -	\$ -	\$ -	\$ 476
-	-	-	476
56,509	3	84	107,451
-	-	-	13
<u>56,509</u>	<u>3</u>	<u>84</u>	<u>107,464</u>
<u>\$ 56,509</u>	<u>\$ 3</u>	<u>\$ 84</u>	<u>\$ 107,940</u>
\$ 29,507	\$ -	\$ -	\$ 31,948
-	-	-	15,655
895	1	106	2,132
-	-	20,435	20,435
<u>30,402</u>	<u>1</u>	<u>20,541</u>	<u>70,170</u>
1,541	-	17	2,530
-	-	-	-
-	-	-	-
9,523	4,055	29,865	63,518
19,605	2,063	2,237	63,078
<u>30,669</u>	<u>6,118</u>	<u>32,119</u>	<u>129,126</u>
<u>(267)</u>	<u>(6,117)</u>	<u>(11,578)</u>	<u>(58,956)</u>
51,286	6,119	9,813	105,455
(1,115)	-	-	(6,531)
<u>(32,011)</u>	<u>-</u>	<u>-</u>	<u>(32,011)</u>
<u>18,160</u>	<u>6,119</u>	<u>9,813</u>	<u>66,913</u>
17,893	2	(1,765)	7,957
<u>38,616</u>	<u>1</u>	<u>1,849</u>	<u>99,507</u>
<u>\$ 56,509</u>	<u>\$ 3</u>	<u>\$ 84</u>	<u>\$ 107,464</u>

**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
COMBINING BALANCE SHEET  
June 30, 2005  
( In Thousands )**

	Budgeted	Unbudgeted	Total
	Public Safety Communications Project	Other Special Assessments	
<b>ASSETS</b>			
Receivables:			
Taxes .....	\$ 42	\$ -	\$ 42
Special Assessments .....	-	732	732
Accrued Interest .....	13	62	75
Restricted Cash and Investments .....	2,237	23,050	25,287
<b>TOTAL ASSETS</b> .....	<b>\$ 2,292</b>	<b>\$ 23,844</b>	<b>\$ 26,136</b>
<b>LIABILITIES</b>			
Deferred Revenue .....	\$ -	\$ 476	\$ 476
<b>TOTAL LIABILITIES</b> .....	<b>-</b>	<b>476</b>	<b>476</b>
<b>FUND EQUITY</b>			
Fund Balances:			
Reserved for Debt Service .....	2,292	23,368	25,660
<b>TOTAL FUND EQUITY</b> .....	<b>2,292</b>	<b>23,368</b>	<b>25,660</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b> .....	<b>\$ 2,292</b>	<b>\$ 23,844</b>	<b>\$ 26,136</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2005  
(In Thousands)**

<b>REVENUES</b>			
Property Taxes .....	\$ 2,441	\$ -	\$ 2,441
Special Assessments .....	-	15,655	15,655
Revenue from Use of Money and Property .....	176	331	507
<b>TOTAL REVENUES</b> .....	<b>2,617</b>	<b>15,986</b>	<b>18,603</b>
<b>EXPENDITURES</b>			
Current:			
General Government and Support .....	1	969	970
Capital Projects .....	-	-	-
Debt Service:			
Principal Retirement .....	1,380	3,240	4,620
Interest .....	953	7,664	8,617
<b>TOTAL EXPENDITURES</b> .....	<b>2,334</b>	<b>11,873</b>	<b>14,207</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....	<b>283</b>	<b>4,113</b>	<b>4,396</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Other Funds .....	-	118	118
Transfers to Other Funds .....	(143)	(4,596)	(4,739)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(143)</b>	<b>(4,478)</b>	<b>(4,621)</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>140</b>	<b>(365)</b>	<b>(225)</b>
Fund Balances at Beginning of Year .....	2,152	23,733	25,885
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 2,292</b>	<b>\$ 23,368</b>	<b>\$ 25,660</b>

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)**  
**June 30, 2005**  
**(In Thousands)**

	<u>Public Safety Communications Project</u>				
	<u>Actual</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>					
Property Taxes .....	\$ 2,441	\$ -	\$ 2,441	\$ 2,441	\$ -
Revenue from Use of Money and Property .....	176	-	176	176	-
<b>TOTAL REVENUES .....</b>	<b>2,617</b>	<b>-</b>	<b>2,617</b>	<b>2,617</b>	<b>-</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	1	-	1	1	-
Debt Service:					
Principal Retirement .....	1,380	-	1,380	1,380	-
Interest .....	953	-	953	953	-
<b>TOTAL EXPENDITURES .....</b>	<b>2,334</b>	<b>-</b>	<b>2,334</b>	<b>2,334</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES .....</b>	<b>283</b>	<b>-</b>	<b>283</b>	<b>283</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers to Other Funds .....	(143)	-	(143)	(143)	-
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>\$ 283</b>	<b>\$ -</b>	<b>140</b>	<b>140</b>	<b>-</b>
Reserved for Debt Service at July 1, 2004 .....			2,152	2,152	-
Reserved for Debt Service at June 30, 2005.....			(2,292)	(2,292)	-
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2005.....</b>			<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



**This Page Left Intentionally Blank**

## NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS

**This Page Left Intentionally Blank - Back of Divider Page**

## 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**

#### 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.

#### 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.

## **BLENDING 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 (the "Authority"). The Authority, created by the City of San Diego and the Redevelopment Agency of the City of San Diego (the "Agency"), facilitates the financing and construction of public capital improvements of the City or the Agency. 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 (the "Agency"). The Agency 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 (the "Corporation"). The Corporation 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.

**This Page Left Intentionally Blank**

**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**  
**COMBINING BALANCE SHEET**  
**June 30, 2005**  
**( In Thousands )**

	<b>City of San Diego</b>	<b>Public Facilities Financing Authority</b>
<b>ASSETS</b>		
Cash and Investments .....	\$ 289,380	\$ 9,352
Receivables:		
Taxes Net .....	3,812	-
Accounts .....	183	-
Special Assesments .....	17	-
Notes .....	-	-
Accrued Interest .....	1,989	3
Grants .....	23,951	-
From Other Funds .....	10,300	-
Advances to Other Funds .....	300	-
Land Held for Resale .....	1,327	-
<b>TOTAL ASSETS</b> .....	<b>\$ 331,259</b>	<b>\$ 9,355</b>
<b>LIABILITIES</b>		
Accounts Payable .....	\$ 23,376	\$ 1,235
Due to Other Funds .....	10,300	-
Due to Other Agencies .....	265	-
Unearned Revenue .....	5,928	-
Deferred Revenue .....	21,690	-
Interfund Interest Payable .....	668	-
Interfund Payable.....	5,873	-
Advances from Other Funds .....	300	-
Sundry Trust Liabilities .....	-	-
<b>TOTAL LIABILITIES</b> .....	<b>68,400</b>	<b>1,235</b>
<b>FUND EQUITY</b>		
Fund Balances:		
Reserved for Land Held for Resale .....	-	-
Reserved for Encumbrances .....	73,780	3,598
Reserved for Advances and Deposits .....	300	-
Unreserved:		
Designated for Subsequent Years' Expenditures .....	109,953	3,014
Undesignated .....	78,826	1,508
<b>TOTAL FUND EQUITY</b> .....	<b>262,859</b>	<b>8,120</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b> .....	<b>\$ 331,259</b>	<b>\$ 9,355</b>

Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	Total
\$ 52,677	\$ 4	\$ 351,413
89	-	3,901
4	-	187
-	-	17
6,021	-	6,021
364	-	2,356
-	-	23,951
77,597	-	87,897
-	-	300
<u>31,798</u>	<u>-</u>	<u>33,125</u>
<u>\$ 168,550</u>	<u>\$ 4</u>	<u>\$ 509,168</u>
\$ 8,557	\$ -	\$ 33,168
-	-	10,300
-	-	265
-	-	5,928
3,275	-	24,965
-	-	668
-	-	5,873
920	-	1,220
<u>4,447</u>	<u>-</u>	<u>4,447</u>
<u>17,199</u>	<u>-</u>	<u>86,834</u>
31,798	-	31,798
32,992	-	110,370
-	-	300
79,393	4	192,364
<u>7,168</u>	<u>-</u>	<u>87,502</u>
<u>151,351</u>	<u>4</u>	<u>422,334</u>
<u>\$ 168,550</u>	<u>\$ 4</u>	<u>\$ 509,168</u>



**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2005**  
**( In Thousands )**

	<u>City of San Diego</u>	<u>Public Facilities Financing Authority</u>
<b>REVENUES</b>		
Property Taxes .....	\$ -	\$ -
Special Assessments.....	788	-
Sales Taxes .....	31,301	-
Licenses and Permits .....	10,246	-
Revenue from Use of Money and Property .....	7,849	392
Revenue from Federal Agencies .....	13,632	-
Revenue from Other Agencies .....	20,346	-
Revenue from Private Sources .....	40,993	-
Other Revenue .....	458	-
<b>TOTAL REVENUES</b> .....	<u>125,613</u>	<u>392</u>
<b>EXPENDITURES</b>		
Current:		
General Government and Support .....	3,374	282
Public Safety - Police .....	157	-
Public Safety - Fire & Life Safety .....	37	988
Parks, Recreation, Culture and Leisure .....	2,982	-
Transportation .....	1,760	-
Sanitation and Health .....	383	-
Neighborhood Services .....	-	-
Capital Projects .....	110,701	15,732
Debt Service:		
Principal Retirement .....	5,323	-
Interest .....	747	-
<b>TOTAL EXPENDITURES</b> .....	<u>125,464</u>	<u>17,002</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....	<u>149</u>	<u>(16,610)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from Proprietary Funds .....	104	-
Transfers from Other Funds .....	4,943	656
Transfers to Proprietary Funds .....	(548)	-
Transfers to Other Funds .....	(15,216)	(2,641)
Notes Payable Issued .....	-	-
Loans Payable Issued .....	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<u>(10,717)</u>	<u>(1,985)</u>
<b>NET CHANGE IN FUND BALANCES</b> .....	(10,568)	(18,595)
Fund Balances at Beginning of Year .....	<u>273,427</u>	<u>26,715</u>
<b>FUND BALANCES AT END OF YEAR</b> .....	<u>\$ 262,859</u>	<u>\$ 8,120</u>

<u>Redevelopment Agency</u>	<u>San Diego Facilities and Equipment Leasing Corporation</u>	<u>Total</u>
\$ 17,148	\$ -	\$ 17,148
-	-	788
-	-	31,301
-	-	10,246
2,127	-	10,368
-	-	13,632
-	-	20,346
14,225	-	55,218
<u>7,083</u>	<u>-</u>	<u>7,541</u>
<u>40,583</u>	<u>-</u>	<u>166,588</u>
18,852	-	22,508
-	-	157
-	-	1,025
-	-	2,982
-	-	1,760
-	-	383
27,260	-	27,260
17,972	-	144,405
3,000	-	8,323
<u>141</u>	<u>-</u>	<u>888</u>
<u>67,225</u>	<u>-</u>	<u>209,691</u>
<u>(26,642)</u>	<u>-</u>	<u>(43,103)</u>
-	-	104
98,839	-	104,438
-	-	(548)
(19,705)	(2)	(37,564)
2,100	-	2,100
<u>3,335</u>	<u>-</u>	<u>3,335</u>
<u>84,569</u>	<u>(2)</u>	<u>71,865</u>
57,927	(2)	28,762
<u>93,424</u>	<u>6</u>	<u>393,572</u>
<u>\$ 151,351</u>	<u>\$ 4</u>	<u>\$ 422,334</u>

**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
COMBINING BALANCE SHEET  
June 30, 2005  
( In Thousands )**

	<u>Capital Outlay</u>	<u>Park &amp; Recreation Districts</u>	<u>Facilities Benefit Assesments</u>
<b>ASSETS</b>			
Cash and Investments .....	\$ 67	\$ 7,721	\$ 178,256
Receivables:			
Taxes Net .....	-	-	-
Accounts .....	-	-	-
Special Assesments .....	-	-	-
Accrued Interest .....	(3)	55	1,308
Grants .....	22,875	-	-
From Other Funds .....	-	-	-
Advances to Other Funds .....	300	-	-
Land Held for Resale .....	1,327	-	-
<b>TOTAL ASSETS</b> .....	<u>\$ 24,566</u>	<u>\$ 7,776</u>	<u>\$ 179,564</u>
<b>LIABILITIES</b>			
Accounts Payable .....	\$ 2,124	\$ 18	\$ 10,855
Due to Other Funds .....	10,300	-	-
Due to Other Agencies .....	143	-	-
Unearned Revenue .....	4,605	-	-
Deferred Revenue .....	18,473	1	-
Interfund Interest Payable .....	668	-	-
Interfund Payable .....	2,386	-	3,487
Advances from Other Funds .....	-	-	-
<b>TOTAL LIABILITIES</b> .....	<u>38,699</u>	<u>19</u>	<u>14,342</u>
<b>FUND EQUITY</b>			
Fund Balances:			
Reserved for Encumbrances .....	600	91	54,163
Reserved for Advances and Deposits .....	300		
Unreserved:			
Designated for Subsequent Years' Expenditures .....	2,452	2,985	69,577
Undesignated .....	<u>(17,485)</u>	<u>4,681</u>	<u>41,482</u>
<b>TOTAL FUND EQUITY</b> .....	<u>(14,133)</u>	<u>7,757</u>	<u>165,222</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b> .....	<u>\$ 24,566</u>	<u>\$ 7,776</u>	<u>\$ 179,564</u>

<u>Impact Fees</u>	<u>Special Assessment / Special Tax Bonds</u>	<u>TransNet</u>	<u>Other Construction</u>	<u>Total</u>
\$ 32,962	\$ 17,288	\$ 5,499	\$ 47,587	\$ 289,380
-	-	3,812	-	3,812
-	-	7	176	183
-	17	-	-	17
237	57	125	210	1,989
-	-	-	1,076	23,951
-	-	10,300	-	10,300
-	-	-	-	300
-	-	-	-	1,327
<u>\$ 33,199</u>	<u>\$ 17,362</u>	<u>\$ 19,743</u>	<u>\$ 49,049</u>	<u>\$ 331,259</u>
\$ 910	\$ 22	\$ 3,766	\$ 5,681	\$ 23,376
-	-	-	-	10,300
-	-	-	122	265
-	-	1,323	-	5,928
-	6	-	3,210	21,690
-	-	-	-	668
-	-	-	-	5,873
-	-	-	300	300
<u>910</u>	<u>28</u>	<u>5,089</u>	<u>9,313</u>	<u>68,400</u>
4,686	228	6,911	7,101	73,780
-	-	-	-	300
5,703	72	7,743	21,421	109,953
<u>21,900</u>	<u>17,034</u>	<u>-</u>	<u>11,214</u>	<u>78,826</u>
<u>32,289</u>	<u>17,334</u>	<u>14,654</u>	<u>39,736</u>	<u>262,859</u>
<u>\$ 33,199</u>	<u>\$ 17,362</u>	<u>\$ 19,743</u>	<u>\$ 49,049</u>	<u>\$ 331,259</u>

CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 Year Ended June 30, 2005  
 ( In Thousands )

	Capital Outlay	Park & Recreation Districts	Facilities Benefit Assesments	Impact Fees
<b>REVENUES</b>				
Special Assessments .....	\$ -	\$ -	\$ -	\$ -
Sales Taxes .....	1,125	-	-	-
Licenses and Permits .....	-	-	-	10,188
Revenue from Use of Money and Property .....	621	191	4,436	742
Revenue from Federal Agencies .....	13,632	-	-	-
Revenue from Other Agencies .....	14,265	-	-	-
Revenue from Private Sources .....	-	795	30,399	-
Other Revenue .....	14	-	397	-
<b>TOTAL REVENUES</b> .....	<u>29,657</u>	<u>986</u>	<u>35,232</u>	<u>10,930</u>
<b>EXPENDITURES</b>				
Current:				
General Government and Support .....	554	-	1,287	477
Public Safety - Police .....	-	-	-	-
Public Safety - Fire & Life Safety .....	37	-	-	-
Parks, Recreation, Culture and Leisure .....	2,551	-	-	-
Transportation .....	-	-	-	-
Sanitation and Health .....	-	-	-	-
Capital Projects .....	27,137	632	38,084	4,016
Debt Service:				
Principal Retirement .....	-	-	-	-
Interest .....	-	-	-	-
<b>TOTAL EXPENDITURES</b> .....	<u>30,279</u>	<u>632</u>	<u>39,371</u>	<u>4,493</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER EXPENDITURES</b> .....	<u>(622)</u>	<u>354</u>	<u>(4,139)</u>	<u>6,437</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Proprietary Funds .....	-	-	-	-
Transfers from Other Funds .....	706	-	-	-
Transfers to Proprietary Funds .....	-	-	-	-
Transfers to Other Funds .....	-	-	(1,286)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<u>706</u>	<u>-</u>	<u>(1,286)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b> .....	84	354	(5,425)	6,437
Fund Balances at Beginning of Year .....	(14,217)	7,403	170,647	25,852
<b>FUND BALANCES AT END OF YEAR</b> .....	<u>\$ (14,133)</u>	<u>\$ 7,757</u>	<u>\$ 165,222</u>	<u>\$ 32,289</u>

Special Assesment / Special Tax Bonds	TransNet	Other Construction	Total
\$ 788	\$ -	\$ -	\$ 788
-	30,093	83	31,301
-	-	58	10,246
354	424	1,081	7,849
-	-	-	13,632
-	-	6,081	20,346
278	-	9,521	40,993
-	-	47	458
<u>1,420</u>	<u>30,517</u>	<u>16,871</u>	<u>125,613</u>
736	311	9	3,374
-	-	157	157
-	-	-	37
-	153	278	2,982
-	1,524	236	1,760
-	357	26	383
8,673	12,400	19,759	110,701
-	5,323	-	5,323
-	747	-	747
<u>9,409</u>	<u>20,815</u>	<u>20,465</u>	<u>125,464</u>
<u>(7,989)</u>	<u>9,702</u>	<u>(3,594)</u>	<u>149</u>
-	-	104	104
1,348	1,288	1,601	4,943
-	(548)	-	(548)
<u>(118)</u>	<u>(13,523)</u>	<u>(289)</u>	<u>(15,216)</u>
<u>1,230</u>	<u>(12,783)</u>	<u>1,416</u>	<u>(10,717)</u>
(6,759)	(3,081)	(2,178)	(10,568)
<u>24,093</u>	<u>17,735</u>	<u>41,914</u>	<u>273,427</u>
<u>\$ 17,334</u>	<u>\$ 14,654</u>	<u>\$ 39,736</u>	<u>\$ 262,859</u>

**This Page Left Intentionally Blank**

NON-MAJOR GOVERNMENTAL FUNDS - PERMANENT



**This Page Left Intentionally Blank - Back of Divider Page**

## 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 CAMERONE STATE

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.

**This Page Left Intentionally Blank**

**CITY OF SAN DIEGO  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT  
JUNE 30, 2005  
(In Thousands)**

	<b>Carmel Valley Sewer Maintenance</b>	<b>Cemetery Perpetuity</b>	<b>Effie Sergeant</b>
<b>ASSETS</b>			
Cash and Investments .....	\$ -	\$ 660	\$ 52
Receivables:			
Accounts .....	-	15	-
Accrued Interest .....	1	15	-
Restricted Cash and Investments .....	41	8,828	418
<b>TOTAL ASSETS</b> .....	<b>\$ 42</b>	<b>\$ 9,518</b>	<b>\$ 470</b>
<b>LIABILITIES</b>			
Accounts Payable .....	\$ -	\$ -	\$ -
<b>FUND EQUITY:</b>			
Fund Balances:			
Reserved for Encumbrances .....	-	-	-
Reserved for Permanent Endowments .....	42	8,858	418
Unreserved:			
Designated for Unrealized Gains .....	-	660	52
Designated for Subsequent Years' Expenditures .....	-	-	-
Undesignated .....	-	-	-
<b>TOTAL FUND EQUITY</b> .....	<b>42</b>	<b>9,518</b>	<b>470</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b> .....	<b>\$ 42</b>	<b>\$ 9,518</b>	<b>\$ 470</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2005  
(In Thousands)**

<b>REVENUES</b>			
Revenue from Use of Money and Property .....	\$ 1	\$ 499	\$ 37
Revenue from Private Sources .....	-	-	-
Charges for Current Services .....	-	75	-
<b>TOTAL REVENUES</b> .....	<b>1</b>	<b>574</b>	<b>37</b>
<b>EXPENDITURES</b>			
Current:			
Parks, Recreation, Culture and Leisure .....	-	-	36
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....	<b>1</b>	<b>574</b>	<b>1</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Other Funds .....	-	-	-
Transfers to Other Funds .....	-	(349)	-
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>1</b>	<b>225</b>	<b>1</b>
Fund Balances at Beginning of Year .....	41	9,293	469
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 42</b>	<b>\$ 9,518</b>	<b>\$ 470</b>

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
\$ -	\$ 28	\$ -	\$ 316	\$ -	\$ -	\$ -	\$ -	\$ 1,056
-	-	-	-	-	-	-	-	15
-	-	3	-	1	-	-	-	20
317	317	1,219	2,307	108	11	250	69	13,885
<u>\$ 317</u>	<u>\$ 345</u>	<u>\$ 1,222</u>	<u>\$ 2,623</u>	<u>\$ 109</u>	<u>\$ 11</u>	<u>\$ 250</u>	<u>\$ 69</u>	<u>\$ 14,976</u>
\$ -	\$ 2	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 3
-	-	-	-	2	-	-	-	2
317	315	1,222	2,306	100	11	250	69	13,908
-	28	-	316	-	-	-	-	1,056
-	-	-	-	3	-	-	-	3
-	-	-	-	4	-	-	-	4
<u>317</u>	<u>343</u>	<u>1,222</u>	<u>2,622</u>	<u>109</u>	<u>11</u>	<u>250</u>	<u>69</u>	<u>14,973</u>
<u>\$ 317</u>	<u>\$ 345</u>	<u>\$ 1,222</u>	<u>\$ 2,623</u>	<u>\$ 109</u>	<u>\$ 11</u>	<u>\$ 250</u>	<u>\$ 69</u>	<u>\$ 14,976</u>
\$ 4	\$ 26	\$ -	\$ 217	\$ 3	\$ -	\$ -	\$ -	\$ 787
-	-	1,273	-	-	-	-	-	1,273
-	-	-	-	-	-	-	-	75
<u>4</u>	<u>26</u>	<u>1,273</u>	<u>217</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,135</u>
-	21	1	6	3	-	-	-	67
4	5	1,272	211	-	-	-	-	2,068
313	-	-	-	-	-	-	-	313
-	-	(50)	(113)	-	-	-	-	(512)
317	5	1,222	98	-	-	-	-	1,869
-	338	-	2,524	109	11	250	69	13,104
<u>\$ 317</u>	<u>\$ 343</u>	<u>\$ 1,222</u>	<u>\$ 2,622</u>	<u>\$ 109</u>	<u>\$ 11</u>	<u>\$ 250</u>	<u>\$ 69</u>	<u>\$ 14,973</u>

**This Page Left Intentionally Blank**

NON-MAJOR BUSINESS-TYPE FUNDS - ENTERPRISE



**This Page Left Intentionally Blank - Back of Divider Page**

## 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 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, 2005**  
**( In Thousands )**

	Airports	City Store
<b>ASSETS</b>		
Cash and Investments .....	\$ 4,864	\$ 106
Receivables:		
Accounts .....	639	-
Accrued Interest .....	34	-
Grants .....	10	-
From Other Funds .....	-	-
Inventories .....	-	85
Prepaid Expenses .....	-	-
Restricted Cash and Investments .....	-	-
Capital Assets - Non-Depreciable .....	3,545	-
Capital Assets - Depreciable .....	7,124	9
<b>TOTAL ASSETS</b> .....	<b>16,216</b>	<b>200</b>
<b>LIABILITIES</b>		
Accounts Payable .....	80	38
Accrued Wages and Benefits .....	60	-
Other Accrued Liabilities .....	60	-
Interest Accrued on Long-Term Debt .....	-	-
Long Term Debt Due Within One Year .....	37	-
Due to Other Agencies .....	-	-
Unearned Revenue .....	-	-
Contract Deposits .....	-	-
Deposits/Advances from Others .....	-	-
Compensated Absences .....	48	-
Capital Lease Obligations .....	-	-
Estimated Landfill Closure and Postclosure Care .....	-	-
Net Pension Obligation .....	214	-
<b>TOTAL LIABILITIES</b> .....	<b>499</b>	<b>38</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt .....	10,669	9
Restricted for Closure/Postclosure maintenance .....	-	-
Unrestricted .....	5,048	153
<b>TOTAL NET ASSETS</b> .....	<b>\$ 15,717</b>	<b>\$ 162</b>

<u>Development Services</u>	<u>Environmental Services</u>	<u>Golf Course</u>	<u>Recycling</u>	<u>Total</u>
\$ 20,921	\$ 38,071	\$ 13,450	\$ 7,088	\$ 84,500
33	2,331	211	422	3,636
239	503	100	71	947
-	-	-	76	86
3,164	-	-	-	3,164
-	-	1	-	86
3	-	1	29	33
-	29,207	-	-	29,207
177	18,779	860	-	23,361
<u>1,791</u>	<u>47,312</u>	<u>8,401</u>	<u>5,696</u>	<u>70,333</u>
<u>26,328</u>	<u>136,203</u>	<u>23,024</u>	<u>13,382</u>	<u>215,353</u>
592	1,427	215	117	2,469
3,042	956	230	644	4,932
-	-	-	-	60
-	-	-	37	37
1,489	583	151	1,745	4,005
-	-	-	17	17
4,675	17	-	136	4,828
-	109	-	15	124
-	30	105	-	135
1,918	752	195	355	3,268
-	-	-	2,051	2,051
-	13,665	-	-	13,665
<u>6,588</u>	<u>2,214</u>	<u>634</u>	<u>1,430</u>	<u>11,080</u>
<u>18,304</u>	<u>19,753</u>	<u>1,530</u>	<u>6,547</u>	<u>46,671</u>
1,968	66,091	9,261	2,176	90,174
-	29,412	-	-	29,412
<u>6,056</u>	<u>20,947</u>	<u>12,233</u>	<u>4,659</u>	<u>49,096</u>
<u>\$ 8,024</u>	<u>\$ 116,450</u>	<u>\$ 21,494</u>	<u>\$ 6,835</u>	<u>\$ 168,682</u>

**NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**Year Ended June 30, 2005**  
**(In Thousands)**

	Airports	City Store
<b>OPERATING REVENUES</b>		
Charges for Services .....	\$ -	\$ 807
Usage Fees .....	4,065	-
Other .....	86	-
<b>TOTAL OPERATING REVENUES .....</b>	<b>4,151</b>	<b>807</b>
<b>OPERATING EXPENSES</b>		
Maintenance and Operations .....	1,835	367
Cost of Materials Issued .....	-	346
Administration .....	810	94
Depreciation .....	551	1
<b>TOTAL OPERATING EXPENSES .....</b>	<b>3,196</b>	<b>808</b>
<b>OPERATING INCOME (LOSS) .....</b>	<b>955</b>	<b>(1)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Earnings on Investments .....	149	1
Federal Grant Assistance .....	-	-
Other Agency Grant Assistance .....	-	-
Gain (Loss) on Sale/Retirement of Capital Assets .....	-	-
Debt Service Interest Expense .....	-	-
Other .....	-	11
<b>TOTAL NONOPERATING REVENUES (EXPENSES) .....</b>	<b>149</b>	<b>12</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS .....</b>	<b>1,104</b>	<b>11</b>
Capital Contributions .....	450	-
Transfers from Other Funds .....	1	-
Transfers from Governmental Funds .....	14	-
Transfers to Other Funds .....	-	-
Transfers to Governmental Funds .....	(12)	-
<b>CHANGE IN NET ASSETS .....</b>	<b>1,557</b>	<b>11</b>
Net Assets at Beginning of Year .....	14,160	151
<b>NET ASSETS AT END OF YEAR .....</b>	<b>\$ 15,717</b>	<b>\$ 162</b>

<u>Development Services</u>	<u>Environmental Services</u>	<u>Golf Course</u>	<u>Recycling</u>	<u>Total</u>
\$ 61,091	\$ 1,170	\$ 11,444	\$ 4,153	\$ 78,665
-	40,494	1,014	14,678	60,251
<u>208</u>	<u>280</u>	<u>167</u>	<u>1,052</u>	<u>1,793</u>
<u>61,299</u>	<u>41,944</u>	<u>12,625</u>	<u>19,883</u>	<u>140,709</u>
32,700	30,716	7,159	18,917	91,694
-	-	-	-	346
26,847	5,147	723	1,668	35,289
<u>372</u>	<u>6,496</u>	<u>664</u>	<u>1,093</u>	<u>9,177</u>
<u>59,919</u>	<u>42,359</u>	<u>8,546</u>	<u>21,678</u>	<u>136,506</u>
<u>1,380</u>	<u>(415)</u>	<u>4,079</u>	<u>(1,795)</u>	<u>4,203</u>
516	1,608	316	217	2,807
-	4	-	134	138
-	100	-	453	553
-	(1,315)	(13)	-	(1,328)
(2)	(4)	-	(175)	(181)
<u>-</u>	<u>1,302</u>	<u>-</u>	<u>68</u>	<u>1,381</u>
<u>514</u>	<u>1,695</u>	<u>303</u>	<u>697</u>	<u>3,370</u>
1,894	1,280	4,382	(1,098)	7,573
-	-	-	-	450
88	87	14	62	252
1,238	44	-	28	1,324
(157)	(207)	(10)	(26)	(400)
<u>(257)</u>	<u>(283)</u>	<u>(1,724)</u>	<u>(76)</u>	<u>(2,352)</u>
2,806	921	2,662	(1,110)	6,847
<u>5,218</u>	<u>115,529</u>	<u>18,832</u>	<u>7,945</u>	<u>161,835</u>
<u>\$ 8,024</u>	<u>\$ 116,450</u>	<u>\$ 21,494</u>	<u>\$ 6,835</u>	<u>\$ 168,682</u>

**NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE  
COMBINING STATEMENT OF CASH FLOWS  
Year Ended June 30, 2005  
( In Thousands )**

	<u>Airports</u>	<u>City Store</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users .....	\$ 4,000	\$ 813
Receipts from Interfund Services Provided .....	39	5
Payments to Suppliers .....	(4,452)	(783)
Payments to Employees .....	(1,253)	-
Payments for Interfund Services Used .....	(412)	(5)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>(2,078)</b>	<b>30</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers In .....	1	-
Transfers from Governmental Funds .....	14	-
Transfers Out .....	-	-
Transfers to Governmental Funds .....	(12)	-
Operating Grants Received .....	417	-
Proceeds from Advances and Deposits .....	-	-
Payments for Advances and Deposits .....	-	-
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>420</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Contributed Capital .....	450	-
Acquisition of Capital Assets .....	(538)	-
Principal Payments on Capital Leases .....	-	-
Interest Paid on Long-Term Debt .....	-	-
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>(88)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and Dividends Received on Investments .....	131	1
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES .....</b>	<b>131</b>	<b>1</b>
Net Increase (Decrease) in Cash and Cash Equivalents .....	(1,615)	31
Cash and Cash Equivalents at Beginning of Year .....	6,479	75
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<b>\$ 4,864</b>	<b>\$ 106</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>		
Operating Income (Loss) .....	\$ 955	\$ (1)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation .....	551	1
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables:		
Accounts - Net .....	(112)	-
Claims - Net .....	-	-
From Other Funds .....	-	-
(Increase) Decrease in Inventories .....	-	5
(Increase) Decrease in Prepaid Expenses .....	2	-
Increase (Decrease) in Accounts Payable .....	7	14
Increase (Decrease) in Accrued Wages and Benefits .....	(1)	-
Increase (Decrease) in Other Accrued Liabilities .....	(3,510)	-
Increase (Decrease) in Compensated Absences .....	(3)	-
Increase (Decrease) in Due to Other Funds .....	-	-
Increase (Decrease) in Due to Other Agencies .....	-	-
Increase (Decrease) in Unearned Revenue .....	-	-
Increase (Decrease) in Contract Deposits .....	-	-
Increase (Decrease) in Net Pension Obligation .....	33	-
Increase (Decrease) in Estimated Landfill Closure and Postclosure Care .....	-	-
Other Nonoperating Revenue .....	-	11
<b>Total Adjustments .....</b>	<b>(3,033)</b>	<b>31</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>\$ (2,078)</b>	<b>\$ 30</b>

Development Services	Environmental Services	Golf Course	Recycling	Total
\$ 38,522	\$ 40,220	\$ 12,557	\$ 18,326	\$ 114,438
23,402	2,412	-	1,040	26,898
(10,202)	(16,132)	(2,830)	(8,597)	(42,996)
(45,505)	(14,104)	(4,323)	(9,499)	(74,684)
(1,511)	(3,584)	(425)	(2,574)	(8,511)
<u>4,706</u>	<u>8,812</u>	<u>4,979</u>	<u>(1,304)</u>	<u>15,145</u>
88	87	14	62	252
1,238	44	-	28	1,324
(157)	(207)	(10)	(26)	(400)
(247)	(257)	(1,724)	(60)	(2,300)
13	104	-	632	1,166
106	4	105	-	215
-	-	-	-	-
<u>1,041</u>	<u>(225)</u>	<u>(1,615)</u>	<u>636</u>	<u>257</u>
-	-	-	-	450
(112)	(1,926)	(1,159)	(21)	(3,756)
-	(97)	-	(1,390)	(1,487)
(2)	(4)	-	(146)	(152)
<u>(114)</u>	<u>(2,027)</u>	<u>(1,159)</u>	<u>(1,557)</u>	<u>(4,945)</u>
<u>324</u>	<u>1,259</u>	<u>240</u>	<u>178</u>	<u>2,133</u>
<u>324</u>	<u>1,259</u>	<u>240</u>	<u>178</u>	<u>2,133</u>
5,957	7,819	2,445	(2,047)	12,590
<u>14,964</u>	<u>59,459</u>	<u>11,005</u>	<u>9,135</u>	<u>101,117</u>
<u>\$ 20,921</u>	<u>\$ 67,278</u>	<u>\$ 13,450</u>	<u>\$ 7,088</u>	<u>\$ 113,707</u>
<u>\$ 1,380</u>	<u>\$ (415)</u>	<u>\$ 4,079</u>	<u>\$ (1,795)</u>	<u>\$ 4,203</u>
372	6,496	664	1,093	9,177
(21)	(697)	(68)	(355)	(1,253)
-	-	-	-	-
(538)	69	-	-	(469)
-	-	(1)	-	4
-	-	-	(29)	(27)
393	481	106	(524)	477
460	122	22	79	682
-	-	-	-	(3,510)
253	14	19	90	373
(69)	-	-	-	(69)
-	-	-	7	7
1,184	-	-	(212)	972
-	14	-	(18)	(4)
1,292	440	158	292	2,215
-	986	-	-	986
-	1,302	-	68	1,381
<u>3,326</u>	<u>9,227</u>	<u>900</u>	<u>491</u>	<u>10,942</u>
<u>\$ 4,706</u>	<u>\$ 8,812</u>	<u>\$ 4,979</u>	<u>\$ (1,304)</u>	<u>\$ 15,145</u>



**This Page Left Intentionally Blank**

## INTERNAL SERVICE FUNDS

**This Page Left Intentionally Blank - Back of Divider Page**

## 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**

#### CENTRAL GARAGE AND MACHINE SHOP

This fund was established to account for the acquisition, replacement, maintenance and fueling of the City's motive equipment (excluding fire and police vehicles).

#### CENTRAL STORES

This fund was established to provide centralized storeroom services to all City departments.

#### PRINT SHOP

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 the Corporation. The Corporation 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, 2005  
( In Thousands )**

	<u>City of San Diego</u>	
	<u>Central Garage and Machine Shop</u>	<u>Central    Stores</u>
<b>ASSETS</b>		
Cash and Investments .....	\$    43,525	\$    1,569
Receivables:		
Accounts - Net of Allowance for Uncollectibles (Self Insurance \$664) .....	92	1,099
Claims - Net .....	2	-
Contributions .....	-	-
Accrued Interest .....	-	-
Inventories .....	-	2,602
Prepaid Expenses .....	402	-
Restricted Cash and Investments .....	-	-
Capital Assets - Non-Depreciable .....	-	-
Capital Assets - Depreciable .....	<u>71,679</u>	<u>141</u>
<b>TOTAL ASSETS</b> .....	<u>115,700</u>	<u>5,411</u>
<b>LIABILITIES</b>		
Accounts Payable .....	1,767	1,445
Accrued Wages and Benefits .....	816	80
Unearned Revenue .....	-	-
Interest Accrued on Long-Term Debt .....	145	-
Long-Term Debt Due Within One Year .....	6,292	26
Compensated Absences .....	589	35
Liability Claims .....	-	-
Capital Lease Obligations .....	10,932	-
Net Pension Obligation .....	<u>1,883</u>	<u>226</u>
<b>TOTAL LIABILITIES</b> .....	<u>22,424</u>	<u>1,812</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt .....	54,882	141
Unrestricted .....	<u>38,394</u>	<u>3,458</u>
<b>TOTAL NET ASSETS</b> .....	<u>\$    93,276</u>	<u>\$    3,599</u>

<u>Print Shop</u>	<u>Self Insurance</u>	<u>Special Engineering</u>	<u>Miscellaneous Internal Service</u>	<u>San Diego Data Processing Corporation</u>	<u>Total</u>
\$ 468	\$ 34,328	\$ 6,094	\$ 8,801	\$ 830	\$ 95,615
28	181	-	5	3,058	4,463
-	9	-	-	-	11
-	-	-	250	-	250
-	-	21	39	-	60
-	-	-	-	20	2,622
-	-	-	-	1,137	1,539
-	-	-	-	128	128
-	-	-	-	1,984	1,984
<u>783</u>	<u>-</u>	<u>329</u>	<u>-</u>	<u>10,575</u>	<u>83,507</u>
<u>1,279</u>	<u>34,518</u>	<u>6,444</u>	<u>9,095</u>	<u>17,732</u>	<u>190,179</u>
394	2,492	226	176	5,252	11,752
91	140	1,156	2,820	919	6,022
-	-	-	-	47	47
-	-	-	-	-	145
62	43,724	507	1,768	984	53,363
85	-	654	2,438	129	3,930
-	174,642	-	-	-	174,642
-	-	-	-	-	10,932
<u>301</u>	<u>-</u>	<u>2,750</u>	<u>1,008</u>	<u>-</u>	<u>6,168</u>
<u>933</u>	<u>220,998</u>	<u>5,293</u>	<u>8,210</u>	<u>7,331</u>	<u>267,001</u>
783	-	329	-	12,559	68,694
<u>(437)</u>	<u>(186,480)</u>	<u>822</u>	<u>885</u>	<u>(2,158)</u>	<u>(145,516)</u>
<u>\$ 346</u>	<u>\$ (186,480)</u>	<u>\$ 1,151</u>	<u>\$ 885</u>	<u>\$ 10,401</u>	<u>\$ (76,822)</u>

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
YEAR ENDED JUNE 30, 2005  
( In Thousands )**

	<u>City of San Diego</u>	
	<u>Central Garage and Machine Shop</u>	<u>Central Stores</u>
<b>OPERATING REVENUES</b>		
Charges for Services .....	\$ 2,545	\$ 27,877
Usage Fees .....	43,609	-
Other .....	443	184
<b>TOTAL OPERATING REVENUES</b> .....	<u>46,597</u>	<u>28,061</u>
<b>OPERATING EXPENSES</b>		
Benefit and Claim Expenses .....	-	-
Maintenance and Operations .....	28,095	1,415
Cost of Materials Issued .....	-	26,547
Administration .....	1,457	176
Depreciation .....	13,652	33
<b>TOTAL OPERATING EXPENSES</b> .....	<u>43,204</u>	<u>28,171</u>
<b>OPERATING INCOME (LOSS)</b> .....	<u>3,393</u>	<u>(110)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Earnings on Investments .....	604	9
Gain (Loss) on Sale/Retirement of Capital Assets .....	1,059	-
Debt Service Interest Expense .....	(643)	-
Other .....	175	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b> .....	<u>1,195</u>	<u>9</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b> .....	4,588	(101)
Transfers from Other Funds .....	1,134	-
Transfers from Governmental Funds .....	629	25
Transfers to Other Funds .....	(3,386)	-
Transfers to Governmental Funds .....	(4,334)	(48)
<b>CHANGE IN NET ASSETS</b> .....	(1,369)	(124)
Net Assets at Beginning of Year .....	<u>94,645</u>	<u>3,723</u>
<b>NET ASSETS AT END OF YEAR</b> .....	<u>\$ 93,276</u>	<u>\$ 3,599</u>

<u>Print Shop</u>	<u>Self Insurance</u>	<u>Special Engineering</u>	<u>Miscellaneous Internal Service</u>	<u>San Diego Data Processing Corporation</u>	<u>Total</u>
\$ 5,060	\$ 51,065	\$ 26,244	\$ 21,923	\$ 39,414	\$ 174,128
-	-	-	-	-	43,609
<u>3</u>	<u>3,854</u>	<u>-</u>	<u>2</u>	<u>1,182</u>	<u>5,668</u>
<u>5,063</u>	<u>54,919</u>	<u>26,244</u>	<u>21,925</u>	<u>40,596</u>	<u>223,405</u>
-	60,653	-	13,795	-	74,448
5,058	-	16,070	-	-	50,638
-	-	-	-	-	26,547
426	-	9,676	8,821	37,116	57,672
<u>219</u>	<u>-</u>	<u>218</u>	<u>-</u>	<u>4,143</u>	<u>18,265</u>
<u>5,703</u>	<u>60,653</u>	<u>25,964</u>	<u>22,616</u>	<u>41,259</u>	<u>227,570</u>
<u>(640)</u>	<u>(5,734)</u>	<u>280</u>	<u>(691)</u>	<u>(663)</u>	<u>(4,165)</u>
4	279	52	157	37	1,142
-	-	-	-	(375)	684
-	-	-	-	(6)	(649)
<u>-</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>183</u>
<u>4</u>	<u>279</u>	<u>60</u>	<u>157</u>	<u>(344)</u>	<u>1,360</u>
(636)	(5,455)	340	(534)	(1,007)	(2,805)
-	-	101	178	-	1,413
14	-	30	318	-	1,016
-	-	(30)	-	(813)	(4,229)
<u>(21)</u>	<u>(279)</u>	<u>(113)</u>	<u>(242)</u>	<u>(987)</u>	<u>(6,024)</u>
(643)	(5,734)	328	(280)	(2,807)	(10,629)
<u>989</u>	<u>(180,746)</u>	<u>823</u>	<u>1,165</u>	<u>13,208</u>	<u>(66,193)</u>
<u>\$ 346</u>	<u>\$ (186,480)</u>	<u>\$ 1,151</u>	<u>\$ 885</u>	<u>\$ 10,401</u>	<u>\$ (76,822)</u>



**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2005  
( In Thousands )**

	City of San Diego	
	Central Garage and Machine Shop	Central Stores
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users .....	\$ 43,844	\$ 27,397
Receipts from Interfund Services Provided .....	2,922	30
Payments to Suppliers .....	(14,843)	(26,257)
Payments to Employees .....	(12,539)	(1,567)
Payments for Interfund Services Used .....	(680)	(169)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>18,704</b>	<b>(566)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers In .....	1,134	-
Transfers from Governmental Funds .....	629	25
Transfers Out .....	(3,386)	-
Transfers to Governmental Funds .....	(4,334)	(48)
Proceeds from Advances and Deposits .....	35	-
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>(5,922)</b>	<b>(23)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of Capital Assets .....	(6,445)	-
Proceeds from the Sale of Capital Assets .....	1,361	-
Principal Payments on Capital Leases .....	(6,405)	-
Interest Paid on Long-Term Debt .....	(667)	-
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>(12,156)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and Dividends Received on Investments .....	604	9
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES .....</b>	<b>604</b>	<b>9</b>
Net Increase (Decrease) in Cash and Cash Equivalents .....	1,230	(580)
Cash and Cash Equivalents at Beginning of Year .....	42,295	2,149
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<b>\$ 43,525</b>	<b>\$ 1,569</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>		
Operating Income (Loss) .....	\$ 3,393	\$ (110)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation .....	13,652	33
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables:		
Accounts - Net .....	(11)	(634)
Claims - Net .....	5	-
(Increase) Decrease in Inventories .....	-	(24)
(Increase) Decrease in Prepaid Expenses .....	45	-
Increase (Decrease) in Accounts Payable .....	873	122
Increase (Decrease) in Advances .....	-	-
Increase (Decrease) in Accrued Wages and Benefits .....	127	5
Increase (Decrease) in Unearned Revenue .....	-	-
Increase (Decrease) in Liability Claims .....	-	-
Increase (Decrease) in Compensated Absences .....	85	(1)
Increase (Decrease) in Net Pension Obligation .....	360	43
Other Nonoperating Revenue .....	175	-
<b>Total Adjustments .....</b>	<b>15,311</b>	<b>(456)</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>\$ 18,704</b>	<b>\$ (566)</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>		
Capital Leases .....	\$ 7,228	\$ -

Print Shop	Self Insurance	Special Engineering	Miscellaneous Internal Service	San Diego Data Processing Corporation	Total
\$ 4,993	\$ 55,320	\$ 4,853	\$ 21,615	\$ 39,713	\$ 197,735
69	-	21,399	430	-	24,850
(3,459)	(17,116)	(6,988)	(2,207)	(12,930)	(83,800)
(1,836)	(26,905)	(17,276)	(18,809)	(23,879)	(102,811)
(95)	(4)	(717)	(454)	-	(2,119)
(328)	11,295	1,271	575	2,904	33,855
-	-	101	178	-	1,413
14	-	30	318	-	1,016
-	-	-	-	(813)	(4,199)
(21)	(279)	(86)	(242)	(987)	(5,997)
-	-	34	-	-	69
(7)	(279)	79	254	(1,800)	(7,698)
-	-	(9)	-	(1,722)	(8,176)
-	-	-	-	138	1,499
-	-	-	-	-	(6,405)
-	-	-	-	(6)	(673)
-	-	(9)	-	(1,590)	(13,755)
4	279	34	132	37	1,099
4	279	34	132	37	1,099
(331)	11,295	1,375	961	(449)	13,501
799	23,033	4,719	7,840	1,407	82,242
\$ 468	\$ 34,328	\$ 6,094	\$ 8,801	\$ 958	\$ 95,743
\$ (640)	\$ (5,734)	\$ 280	\$ (691)	\$ (663)	\$ (4,165)
219	-	218	-	4,143	18,265
(1)	376	-	11	(867)	(1,126)
-	24	-	-	-	29
-	-	-	109	20	105
-	-	-	-	50	95
38	1,149	111	(21)	373	2,645
-	-	-	24	-	24
(2)	28	101	973	(136)	1,096
-	-	-	-	(16)	(16)
-	15,452	-	-	-	15,452
8	-	16	(11)	-	97
50	-	537	181	-	1,171
-	-	8	-	-	183
312	17,029	991	1,266	3,567	38,020
\$ (328)	\$ 11,295	\$ 1,271	\$ 575	\$ 2,904	\$ 33,855
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,228

**This Page Left Intentionally Blank**

## FIDUCIARY FUNDS

**This Page Left Intentionally Blank - Back of Divider Page**

## 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.

### **PENSION AND EMPLOYEE SAVINGS TRUST FUNDS**

#### CITY EMPLOYEES' RETIREMENT SYSTEM

The City Employees' Retirement System ("CERS") fund is under the control of the Retirement Board of Administration. It is a defined benefit plan, whereby funds are accumulated from contributions from both the City and employees, plus earnings from fund investments. Disbursements are made for retirements, disability and death benefit payments, and refunds.

#### 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.

**FIDUCIARY FUNDS  
PENSION TRUST FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2005  
(In Thousands)**

	City Employees' Retirement System	Post-Employment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401 (k) Plan	Total
<b>ASSETS</b>					
Cash or Equity in Pooled Cash and Investments .....	\$ 2,174	\$ -	\$ 5	\$ 469	\$ 2,648
Cash with Custodian/Fiscal Agent .....	438,782	-	-	-	438,782
Investments at Fair Value:					
Short Term Investments .....	148,312	-	-	-	148,312
Domestic Fixed Income Securities (Bonds) .....	650,394	-	-	-	650,394
International Fixed Income Securities (Bonds) .....	166,572	-	-	-	166,572
Domestic Equity Securities (Stocks) .....	1,408,072	-	-	-	1,408,072
International Equity Securities (Stocks) .....	580,215	-	-	-	580,215
Mortgages .....	9	-	-	-	9
Real Estate Equity and Real Estate Securities .....	317,941	-	-	-	317,941
Defined Contribution Investments (Collective Funds & Mutual Funds).....	-	-	422,060	161,957	584,017
Receivables:					
Contributions .....	36,533	-	2,823	-	39,356
Accrued Interest .....	12,478	-	-	-	12,478
Loans .....	-	-	18,357	6,739	25,096
Securities Sold .....	85,819	-	-	-	85,819
Securities Lending Collateral .....	434,364	-	-	-	434,364
Capital Assets - Depreciable .....	141	-	-	-	141
<b>TOTAL ASSETS</b> .....	<b>4,281,806</b>	<b>-</b>	<b>443,245</b>	<b>169,165</b>	<b>4,894,216</b>
<b>LIABILITIES</b>					
Accounts Payable .....	4,308	-	-	-	4,308
Accrued Wages and Benefits .....	703	-	-	-	703
DROP Liabilities .....	228,511	-	-	-	228,511
Net Pension Obligation .....	600	-	-	-	600
Securities Lending Obligations.....	434,364	-	-	-	434,364
Securities Purchased.....	161,568	-	-	-	161,568
<b>TOTAL LIABILITIES</b> .....	<b>830,054</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>830,054</b>
<b>NET ASSETS</b>					
Held in Trust for Pension Benefits and Other Purposes .....	\$ 3,451,752	\$ -	\$ 443,245	\$ 169,165	\$ 4,064,162

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
Year Ended June 30, 2005  
(In Thousands)**

<b>ADDITIONS</b>					
Employer Contributions .....	\$ 179,227	\$ 6,949	\$ 24,794	\$ -	\$ 210,970
Employee Contributions .....	68,199	-	24,688	27,452	120,339
Retiree Contributions .....	-	5,978	-	-	5,978
Earnings on Investments:					
Investment Income .....	367,225	-	22,740	9,185	399,150
Investment Expense .....	(16,331)	-	-	-	(16,331)
Net Investment Income .....	350,894	-	22,740	9,185	382,819
Securities Lending:					
Gross Earnings .....	8,045	-	-	-	8,045
Borrow Rebates .....	(6,815)	-	-	-	(6,815)
Administrative Expenses (Lending Agent) .....	(332)	-	-	-	(332)
Net Securities Lending Income .....	898	-	-	-	898
<b>TOTAL OPERATING ADDITIONS</b> .....	<b>599,218</b>	<b>12,927</b>	<b>72,222</b>	<b>36,637</b>	<b>721,004</b>
<b>DEDUCTIONS</b>					
DROP Interest Expense .....	16,520	-	-	-	16,520
Benefit and Claim Payments .....	203,822	20,837	52,940	19,783	297,382
Administration .....	11,960	-	-	-	11,960
Depreciation .....	-	-	-	-	-
<b>TOTAL OPERATING DEDUCTIONS</b> .....	<b>232,302</b>	<b>20,837</b>	<b>52,940</b>	<b>19,783</b>	<b>325,862</b>
<b>CHANGE IN NET ASSETS</b> .....	<b>366,916</b>	<b>(7,910)</b>	<b>19,282</b>	<b>16,854</b>	<b>395,142</b>
Transfer of Plan Net Assets .....	1,173	(1,173)	-	-	-
Net Assets at Beginning of Year .....	3,083,663	9,083	423,963	152,311	3,669,020
<b>NET ASSETS AT END OF YEAR</b> .....	<b>\$ 3,451,752</b>	<b>\$ -</b>	<b>\$ 443,245</b>	<b>\$ 169,165</b>	<b>\$ 4,064,162</b>

**FIDUCIARY FUNDS  
AGENCY FUNDS  
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
June 30, 2005  
(In Thousands)**

	Employee Benefits	Other Miscellaneous Agency	Total
<b>ASSETS</b>			
Cash or Equity in Pooled Cash and Investments .....	\$ 8,072	\$ 21,655	\$ 29,727
Receivables:			
Accounts - Net .....	70	2	72
Accrued Interest .....	4	6	10
Accrued Taxes - Net .....	-	3	3
Restricted Cash and Investments .....	-	24,752	24,752
<b>TOTAL ASSETS</b> .....	<b>\$ 8,146</b>	<b>\$ 46,418</b>	<b>\$ 54,564</b>
<b>LIABILITIES</b>			
Due to Component Unit .....	\$ -	\$ 2,869	\$ 2,869
Deposits/Advances from Others .....	-	15,628	15,628
Sundry Trust Liabilities .....	8,146	27,921	36,067
<b>TOTAL LIABILITIES</b> .....	<b>\$ 8,146</b>	<b>\$ 46,418</b>	<b>\$ 54,564</b>



**FIDUCIARY FUNDS  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED JUNE 30, 2005  
(In Thousands)**

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Employee Benefits</b>				
<b>ASSETS</b>				
Cash or Equity in Pooled Cash and Investments .....	\$ 7,283	\$ 85,102	\$ 84,313	\$ 8,072
Receivables:				
Accounts - Net .....	58	768	756	70
Accrued Interest .....	3	63	62	4
<b>TOTAL ASSETS</b> .....	<b>\$ 7,344</b>	<b>\$ 85,933</b>	<b>\$ 85,131</b>	<b>\$ 8,146</b>
<b>LIABILITIES</b>				
Advances from Other Funds .....	\$ 2,085	\$ -	\$ 2,085	\$ -
Sundry Trust Liabilities .....	5,259	98,351	95,464	8,146
<b>TOTAL LIABILITIES</b> .....	<b>\$ 7,344</b>	<b>\$ 98,351</b>	<b>\$ 97,549</b>	<b>\$ 8,146</b>
<b>Other Miscellaneous Agency</b>				
<b>ASSETS</b>				
Cash or Equity in Pooled Cash and Investments .....	\$ 12,963	\$ 205,346	\$ 196,654	\$ 21,655
Receivables:				
Accounts - Net .....	2	1	1	2
Accrued Interest .....	2	44	40	6
Accrued Taxes - Net .....	-	3	-	3
Restricted Cash and Investments .....	17,271	8,822	1,341	24,752
<b>TOTAL ASSETS</b> .....	<b>\$ 30,238</b>	<b>\$ 214,216</b>	<b>\$ 198,036</b>	<b>\$ 46,418</b>
<b>LIABILITIES</b>				
Due to Component Unit .....	\$ 371	\$ 7,004	\$ 4,506	\$ 2,869
Deposits/Advances from Others .....	9,823	8,702	2,897	15,628
Sundry Trust Liabilities .....	20,044	153,155	145,278	27,921
<b>TOTAL LIABILITIES</b> .....	<b>\$ 30,238</b>	<b>\$ 168,861</b>	<b>\$ 152,681</b>	<b>\$ 46,418</b>
<b>TOTAL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash or Equity in Pooled Cash and Investments .....	\$ 20,246	\$ 290,448	\$ 280,967	\$ 29,727
Receivables:				
Accounts - Net .....	60	769	757	72
Accrued Interest .....	5	107	102	10
Accrued Taxes - Net .....	-	3	-	3
Restricted Cash and Investments .....	17,271	8,822	1,341	24,752
<b>TOTAL ASSETS</b> .....	<b>\$ 37,582</b>	<b>\$ 300,149</b>	<b>\$ 283,167</b>	<b>\$ 54,564</b>
<b>LIABILITIES</b>				
Due to Component Unit .....	371	7,004	4,506	2,869
Advances from Other Funds .....	2,085	-	2,085	-
Deposits/Advances from Others .....	9,823	8,702	2,897	15,628
Sundry Trust Liabilities .....	25,303	251,506	240,742	36,067
<b>TOTAL LIABILITIES</b> .....	<b>\$ 37,582</b>	<b>\$ 267,212</b>	<b>\$ 250,230</b>	<b>\$ 54,564</b>

STATISTICAL SECTION [NOT AUDITED]

**This Page Left Intentionally Blank - Back of Divider Page**

**This Page Left Intentionally Blank**

Table 1

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION  
LAST TEN FISCAL YEARS (UNAUDITED)  
( In Thousands )**

Fiscal Year Ended June 30	General Government and Support	Public Safety	Public Safety - Police	Public Safety - Fire and Life Safety	Parks, Recreation, Culture, and Leisure
1996	\$ 83,791	\$ 275,678	\$ -	\$ -	\$ 103,943
1997	71,379	298,982	-	-	105,222
1998	73,424	317,858	-	-	111,834
1999	77,906	362,367	-	-	123,818
2000	83,351	396,009	-	-	132,656
2001	95,992	406,590	-	-	147,859
2002 *	189,128	-	288,809	131,974	174,485
2003	193,980	-	301,839	141,967	177,584
2004	198,826	-	313,387	152,073	170,163
2005	236,706	-	347,359	178,553	180,327

\* Expenditure functions were reclassified in 2002:

General Government and Support includes Engineering & Capital Projects and other support functions previously classified as Public Works. Other now includes Transportation, Neighborhood Services, and Sanitation and Health.

Table 2

**GENERAL GOVERNMENTAL REVENUES BY SOURCE  
LAST TEN FISCAL YEARS (UNAUDITED)  
( In Thousands )**

Fiscal Year Ended June 30	Property Taxes	Special Assessments	Sales Taxes	Other Local Taxes	Licenses and Permits
1996	\$ 137,997	\$ 20,367	\$ 114,218	\$ 150,684	\$ 29,806
1997	139,404	23,142	132,628	156,684	26,553
1998	150,409	17,573	174,615	155,587	30,735
1999	160,658	19,630	179,037	161,928	34,854
2000	179,048	18,457	198,622	171,141	30,381
2001	201,801	18,775	221,724	193,177	34,803
2002	223,100	22,491	221,383	202,364	25,194
2003	248,276	25,748	223,023	203,493	29,268
2004	279,090	26,816	238,430	253,225	30,592
2005	325,857	30,263	245,418	274,188	40,724

Both tables include General, Special Revenue, Debt Service, Capital Projects, and Permanent funds.

Table 1

Public Works	Community Development, Transportation and Social Services	Other	Debt Service	Capital Projects	Total
\$ 106,864	\$ 25,248	\$ 2,517	\$ 84,514	\$ 326,797	\$ 1,009,352
110,961	34,347	12,959	92,160	381,991	1,108,001
124,580	28,667	2,838	123,528	289,299	1,072,028
136,474	28,542	12,891	130,187	440,153	1,312,338
152,444	37,599	2,274	170,647	413,216	1,388,196
152,558	49,914	5,425	179,563	473,373	1,511,274
-	-	200,684	88,971	208,083	1,282,134
-	-	225,734	115,074	229,496	1,385,674
-	-	264,008	118,339	174,346	1,391,142
-	-	287,166	146,153	175,493	1,551,757

Table 2

Fines and Forfeitures	Revenue from Use of Money and Property	Revenue from Agencies and Private Sources	Charges for Current Services	Other	Total
\$ 17,498	\$ 77,748	\$ 169,220	\$ 76,787	\$ 9,968	\$ 804,293
18,370	77,189	187,705	78,324	18,046	858,045
17,953	82,234	207,817	76,432	23,640	936,995
25,541	103,211	267,069	85,498	10,544	1,047,970
31,141	121,268	357,058	95,000	15,462	1,217,578
32,902	109,067	340,799	101,781	11,544	1,266,373
25,854	97,213	355,157	110,418	10,074	1,293,248
26,679	86,789	275,620	123,461	10,594	1,252,951
33,870	63,268	267,195	129,350	10,462	1,332,298
33,906	77,514	301,276	138,794	11,518	1,479,458

**ASSESSED VALUATION OF ALL TAXABLE PROPERTY - EXCLUDING REDEVELOPMENT AREAS**  
**100% OF FULL VALUE IN THOUSANDS OF DOLLARS (UNAUDITED)**  
**Fiscal Years 1996 to 2005**

	2005	2004	2003
<b>GROSS</b>			
Secured - Locally Assessed .....	\$128,492,917	\$114,984,353	\$105,438,590
Utilities - State Assessed .....	119,023	132,419	164,303
Total Secured Valuation .....	128,611,940	115,116,772	105,602,893
Unsecured - Locally Assessed .....	7,191,819	6,842,254	7,230,861
Total Gross Valuation .....	<u>\$135,803,759</u>	<u>\$121,959,026</u>	<u>\$112,833,754</u>
<b>EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)</b>			
Secured - Locally Assessed .....	\$3,810,092	\$3,664,513	\$3,419,708
Unsecured - Locally Assessed .....	687,992	606,690	586,538
Total Exemptions .....	<u>\$4,498,084</u>	<u>\$4,271,203</u>	<u>\$4,006,246</u>
<b>NET ASSESSED VALUATION FOR TAX RATE</b>			
Secured - Locally Assessed .....	\$124,682,825	\$111,319,840	\$102,018,882
Utilities - State Assessed .....	119,023	132,419	164,303
Net Secured .....	124,801,848	111,452,259	102,183,185
Unsecured - Locally Assessed .....	6,503,827	6,235,564	6,644,323
Net Assessed Valuation for Tax Rate .....	<u>\$131,305,675</u>	<u>\$117,687,823</u>	<u>\$108,827,508</u>
Percentage Increase (Decrease) Over Base Year .....	11.571%	8.142%	8.497%
<b>STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS</b>			
Secured - Locally Assessed .....	\$1,463,337	\$1,413,595	\$1,403,496
Unsecured - Locally Assessed .....	5,803	5,856	5,793
Total Homeowners' Exemptions .....	<u>\$1,469,140</u>	<u>\$1,419,451</u>	<u>\$1,409,289</u>
<b>NET ASSESSED VALUATION AFTER ALL EXEMPTIONS</b>			
Secured - Locally Assessed .....	\$123,219,488	\$109,906,245	\$100,615,386
Utilities - State Assessed .....	119,023	132,419	164,303
Net Secured .....	123,338,511	110,038,664	100,779,689
Unsecured - Locally Assessed .....	6,498,024	6,229,708	6,638,530
Net Assessed Valuation .....	<u>\$129,836,535</u>	<u>\$116,268,372</u>	<u>\$107,418,219</u>

\* 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 and Pacific Telephone. In lieu of the property tax on these previously included assessed valuations, the City will receive from the State (through the County) an amount of unitary revenue based upon the unitary property tax received in the prior year.

Table 3

2002	2001	2000	1999	1998	1997	1996
\$96,470,488	\$89,204,182	\$82,140,464	\$75,735,993	\$68,569,476	\$63,490,451	\$61,816,965
<u>64,164</u>	<u>55,135</u>	<u>54,775</u>	<u>52,758</u>	<u>79,133</u>	<u>72,137</u>	<u>76,937</u>
96,534,652	89,259,317	82,195,239	75,788,751	68,648,609	63,562,588	61,893,902
<u>6,959,602</u>	<u>6,838,926</u>	<u>6,347,101</u>	<u>5,852,822</u>	<u>5,337,916</u>	<u>4,988,950</u>	<u>4,353,543</u>
<u>\$103,494,254</u>	<u>\$96,098,243</u>	<u>\$88,542,340</u>	<u>\$81,641,573</u>	<u>\$73,986,525</u>	<u>\$68,551,538</u>	<u>\$66,247,445</u>
\$2,920,273	\$2,979,594	\$2,718,748	\$2,661,739	\$2,681,423	\$2,526,872	\$2,261,774
<u>269,491</u>	<u>592,594</u>	<u>530,732</u>	<u>325,881</u>	<u>313,391</u>	<u>383,881</u>	<u>93,400</u>
<u>\$3,189,764</u>	<u>\$3,572,188</u>	<u>\$3,249,480</u>	<u>\$2,987,620</u>	<u>\$2,994,814</u>	<u>\$2,910,753</u>	<u>\$2,355,174</u>
\$93,550,215	\$86,224,588	\$79,421,716	\$73,074,254	\$65,888,053	\$60,963,579	\$59,555,191
<u>64,164</u>	<u>55,135</u>	<u>54,775</u>	<u>52,758</u>	<u>79,133</u>	<u>72,137</u>	<u>76,937</u>
93,614,379	86,279,723	79,476,491	73,127,012	65,967,186	61,035,716	59,632,128
<u>6,690,111</u>	<u>6,246,332</u>	<u>5,816,369</u>	<u>5,526,941</u>	<u>5,024,525</u>	<u>4,605,069</u>	<u>4,260,143</u>
<u>\$100,304,490</u>	<u>\$92,526,055</u>	<u>\$85,292,860</u>	<u>\$78,653,953</u>	<u>\$70,991,711</u>	<u>\$65,640,785</u>	<u>\$63,892,271</u>
8.407%	8.480%	8.441%	10.793%	8.152%	2.737%	1.573%
\$1,384,958	\$1,381,021	\$1,354,076	\$1,338,820	\$1,276,862	\$1,277,934	\$1,261,478
<u>2,347</u>	<u>2,215</u>	<u>2,491</u>	<u>2,491</u>	<u>2,211</u>	<u>2,106</u>	<u>1,863</u>
<u>\$1,387,305</u>	<u>\$1,383,236</u>	<u>\$1,356,567</u>	<u>\$1,341,311</u>	<u>\$1,279,073</u>	<u>\$1,280,040</u>	<u>\$1,263,341</u>
\$92,165,257	\$84,843,567	\$78,067,640	\$71,735,434	\$64,611,191	\$59,685,645	\$58,293,713
<u>64,164</u>	<u>55,135</u>	<u>54,775</u>	<u>52,758</u>	<u>79,133</u>	<u>72,137</u>	<u>76,937</u>
92,229,421	84,898,702	78,122,415	71,788,192	64,690,324	59,757,782	58,370,650
<u>6,687,764</u>	<u>6,244,117</u>	<u>5,813,878</u>	<u>5,524,450</u>	<u>5,022,314</u>	<u>4,602,963</u>	<u>4,258,280</u>
<u>\$98,917,185</u>	<u>\$91,142,819</u>	<u>\$83,936,293</u>	<u>\$77,312,642</u>	<u>\$69,712,638</u>	<u>\$64,360,745</u>	<u>\$62,628,930</u>



Table 4

**ASSESSED VALUATION OF ALL TAXABLE PROPERTY - REDEVELOPMENT AREAS ONLY**  
**100% OF FULL VALUE IN THOUSANDS (UNAUDITED)**  
**Fiscal Years 1996 to 2005**

	2005	2004	2003
<b>GROSS</b>			
Secured - Locally Assessed .....	\$10,208,478	\$9,543,879	\$9,648,576
Utilities - State Assessed .....	14,166	14,166	14,030
Total Secured Valuation .....	10,222,644	9,558,045	9,662,606
Unsecured - Locally Assessed .....	505,380	483,522	593,738
Total Gross Valuation .....	<u>\$10,728,024</u>	<u>\$10,041,567</u>	<u>\$10,256,344</u>
<b>EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)</b>			
Secured - Locally Assessed .....	\$493,191	\$452,062	\$402,900
Unsecured - Locally Assessed .....	31,445	30,463	31,801
Total Exemptions .....	<u>\$524,636</u>	<u>\$482,525</u>	<u>\$434,701</u>
<b>NET ASSESSED VALUATION FOR TAX RATE</b>			
Secured - Locally Assessed .....	\$9,715,287	\$9,091,817	\$9,245,676
Utilities - State Assessed .....	14,166	14,166	14,030
Net Secured .....	9,729,453	9,105,983	9,259,706
Unsecured - Locally Assessed .....	473,935	453,059	561,937
Net Assessed Valuation for Tax Rate .....	<u>\$10,203,388</u>	<u>\$9,559,042</u>	<u>\$9,821,643</u>
Percentage Increase (Decrease) Over Base Year .....	6.741%	-2.674%	16.905%
<b>STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS</b>			
Secured - Locally Assessed .....	\$48,925	\$48,933	\$45,754
Unsecured - Locally Assessed .....	-	-	-
Total Homeowners' Exemptions .....	<u>\$48,925</u>	<u>\$48,933</u>	<u>\$45,754</u>
<b>NET ASSESSED VALUATION AFTER ALL EXEMPTIONS</b>			
Secured - Locally Assessed .....	\$9,666,362	\$9,042,884	\$9,199,922
Utilities - State Assessed .....	14,166	14,166	14,030
Net Secured .....	9,680,528	9,057,050	9,213,952
Unsecured - Locally Assessed .....	473,935	453,059	561,937
Net Assessed Valuation .....	<u>\$10,154,463</u>	<u>\$9,510,109</u>	<u>\$9,775,889</u>

\* 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 and Pacific Telephone. In lieu of the property tax on these previously included assessed valuations, the City will receive from the State (through the County) an amount of unitary revenue based upon the unitary property tax received in the prior year.

Table 4

2002	2001	2000	1999	1998	1997	1996
\$8,273,576	\$7,412,026	\$6,622,511	\$6,049,675	\$4,419,599	\$4,134,677	\$4,025,263
<u>14,248</u>	<u>8,874</u>	<u>15,384</u>	<u>15,096</u>	<u>6,522</u>	<u>4,761</u>	<u>4,738</u>
8,287,824	7,420,900	6,637,895	6,064,771	4,426,121	4,139,438	4,030,001
<u>526,423</u>	<u>482,155</u>	<u>466,314</u>	<u>435,459</u>	<u>283,966</u>	<u>210,919</u>	<u>207,457</u>
<u>\$8,814,247</u>	<u>\$7,903,055</u>	<u>\$7,104,209</u>	<u>\$6,500,230</u>	<u>\$4,710,087</u>	<u>\$4,350,357</u>	<u>\$4,237,458</u>
\$398,524	\$314,511	\$330,932	\$288,034	\$252,455	\$209,544	\$183,474
<u>14,345</u>	<u>38,228</u>	<u>30,508</u>	<u>17,663</u>	<u>9,660</u>	<u>2,182</u>	<u>812</u>
<u>\$412,869</u>	<u>\$352,739</u>	<u>\$361,440</u>	<u>\$305,697</u>	<u>\$262,115</u>	<u>\$211,726</u>	<u>\$184,286</u>
\$7,875,052	\$7,097,515	\$6,291,579	\$5,761,641	\$4,167,144	\$3,925,133	\$3,841,789
<u>14,248</u>	<u>8,874</u>	<u>15,384</u>	<u>15,096</u>	<u>6,522</u>	<u>4,761</u>	<u>4,738</u>
7,889,300	7,106,389	6,306,963	5,776,737	4,173,666	3,929,894	3,846,527
<u>512,078</u>	<u>443,927</u>	<u>435,806</u>	<u>417,796</u>	<u>274,306</u>	<u>208,737</u>	<u>206,645</u>
<u>\$8,401,378</u>	<u>\$7,550,316</u>	<u>\$6,742,769</u>	<u>\$6,194,533</u>	<u>\$4,447,972</u>	<u>\$4,138,631</u>	<u>\$4,053,172</u>
11.272%	11.976%	8.850%	39.266%	7.474%	2.108%	-2.795%
\$44,073	\$41,421	\$41,420	\$41,066	\$31,658	\$31,086	\$29,752
<u>0</u>	<u>212</u>	<u>212</u>	<u>-</u>	<u>0</u>	<u>95</u>	<u>95</u>
<u>\$44,073</u>	<u>\$41,633</u>	<u>\$41,632</u>	<u>\$41,066</u>	<u>\$31,658</u>	<u>\$31,181</u>	<u>\$29,847</u>
\$7,830,979	\$7,056,094	\$6,250,159	\$5,720,575	\$4,135,486	\$3,894,047	\$3,812,037
<u>14,248</u>	<u>8,874</u>	<u>15,172</u>	<u>15,096</u>	<u>6,522</u>	<u>4,761</u>	<u>4,738</u>
7,845,227	7,064,968	6,265,331	5,735,671	4,142,008	3,898,808	3,816,775
<u>512,078</u>	<u>443,715</u>	<u>435,806</u>	<u>417,796</u>	<u>274,306</u>	<u>208,642</u>	<u>206,550</u>
<u>\$8,357,305</u>	<u>\$7,508,683</u>	<u>\$6,701,137</u>	<u>\$6,153,467</u>	<u>\$4,416,314</u>	<u>\$4,107,450</u>	<u>\$4,023,325</u>

**Table 5**

**TAX RATES PER \$100 OF ASSESSED VALUATION  
LAST TEN FISCAL YEARS (UNAUDITED)**

Fiscal Year Ended June 30	Zoological Exhibits Fund	Bond Interest & Redemption Fund	Total City	Schools	One Percent Property Tax Allocation (A)	Grand Total (B)
1996	0.005	0.0033	0.0083	0.1002	1.00	1.1085
1997	0.005	0.0034	0.0084	0.0993	1.00	1.1077
1998	0.005	0.0034	0.0084	0.0993	1.00	1.1077
1999	0.005	0.0029	0.0079	0.0963	1.00	1.1042
2000	0.005	0.0026	0.0076	0.0958	1.00	1.1034
2001	0.005	0.0024	0.0074	0.0958	1.00	1.1032
2002	0.005	0.0023	0.0073	0.0958	1.00	1.1031
2003	0.005	0.0021	0.0071	0.0958	1.00	1.1029
2004	0.005	0.0018	0.0068	0.0000	1.00	1.0068
2005	0.005	0.0017	0.0067	0.0000	1.00	1.0067

(A) Under existing provisions of the California Constitution, the maximum ad valorem property tax rate which may be imposed on real property may not exceed \$4.00 except to pay the interest and redemption charges on any indebtedness approved by the voters prior to July 1, 1978. The City shares this tax rate in proportion to other local agencies based on an average of property tax received in the three fiscal years prior to 1978-79.

(B) Effective January 1, 1981, a change in state law required the County Assessor to assess all taxable property at 100% full value as opposed to the prior practice of assessing property at 25% of full value. As a result, taxing agencies were required to fix tax rates based on full value instead of the prior practice of fixing tax rates based on 25% of full value.

**Table 6**

**SCHEDULE OF LEGAL DEBT MARGIN (UNAUDITED)  
June 30, 2005  
(In Thousands)**

	General Obligation Bonds*		
	For Water Purposes	For Other Purposes	Total
Assessed Valuation:			
July 1, 2005 - \$ 131,305,675 **			
Debt Limits***	<u>\$19,695,851</u>	<u>\$13,130,568</u>	<u>\$32,826,419</u>
Outstanding General Obligation Bonds	-	13,010	13,010
Less: Cash Reserve for Matured and Unpaid Bonds	-	-	-
Outstanding General Obligation Bonds Applicable to Debt Limit	-	13,010	13,010
<b>LEGAL DEBT MARGIN</b>	<u>\$19,695,851</u>	<u>\$13,117,558</u>	<u>\$32,813,409</u>
Percentage of Outstanding Debt to Legal Debt Margin	0.00%	0.10%	0.04%

\* All City of San Diego General Obligation Bonds are serially numbered and redeemable from special tax levy.

\*\* From Statistical Table 3 - Assessed Valuation of All Taxable Property - Excluding Redevelopment Areas

\*\*\* 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.

**Table 7**

**LEVIES AND TAXES RECEIVED BY CITY - SECURED PROPERTY  
LAST TEN FISCAL YEARS (UNAUDITED)  
(In Thousands)**

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	Percentage of Current Tax Collected	Delinquent Tax Collections	Total Tax Collected	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1996	\$ 111,281	\$ 108,137	97.17	\$ 2,376	\$ 110,513	99.31	\$ 9,203	8.27 %
1997	111,719	108,676	97.28	1,887	110,563	98.97	8,523	7.63
1998	116,912	114,311	97.78	3,118	117,429	100.44	7,639	6.53
1999	127,846	124,267	97.20	2,656	126,923	99.28	6,593	5.16
2000	141,963	137,859	97.11	2,366	140,225	98.78	6,736	4.74
2001	155,060	150,900	97.32	2,506	153,406	98.93	6,346	4.09
2002	167,077	163,357	97.77	2,089	165,446	99.02	5,641	3.38
2003	181,687	175,943	96.84	2,398	178,341	98.16	6,061	3.34
2004	199,630	191,224	95.79	3,175	194,399	97.38	6,866	3.44
2005	227,422	213,173	93.73	3,152	216,325	95.12	11,021	4.85

**Table 8**

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED  
VALUE AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS (UNAUDITED)  
(In Thousands)**

Fiscal Year Ended June 30	Estimated Population	Assessed Valuation *	Gross Bonded Debt **	Debt Service Monies Available *	Debt Payable from Enterprise Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value (%)	Net Bonded Debt Per Capita
1996	\$ 1,197,676	\$ 63,607,451	\$ 89,090	\$ 3,861	\$ -	\$ 85,229	0.134%	\$ 0.07
1997	1,197,077	63,892,271	82,625	2,142	-	80,483	0.126%	\$ 0.07
1998	1,224,848	65,640,785	78,600	2,515	-	76,085	0.116%	\$ 0.06
1999	1,254,281	78,653,953	74,255	2,723	-	71,532	0.091%	\$ 0.06
2000	1,277,168	85,292,860	68,700	2,941	-	65,759	0.077%	\$ 0.05
2001	1,250,700	92,526,055	63,595	3,266	-	60,329	0.065%	\$ 0.05
2002	1,255,742	100,304,490	58,095	3,576	-	54,519	0.054%	\$ 0.04
2003	1,275,112	108,827,508	52,165	3,932	-	48,233	0.044%	\$ 0.04
2004	1,294,000	117,687,823	45,755	4,001	-	41,754	0.035%	\$ 0.03
2005	1,306,000	131,305,675	14,530	2,376	-	12,154	0.009%	\$ 0.01

\* Excludes Redevelopment.

\*\* Represents all General Obligation Debt.

Table 9

**REVENUE BOND COVERAGE - WATER BONDS  
LAST TEN FISCAL YEARS (UNAUDITED)  
(IN THOUSANDS)**

Fiscal Year Ended June 30	Total Income	Total Expenses	Net System Revenue	Less: Interest Earnings on Reserve Fund - Parity Obligations	Adjusted Net System Revenue	Adjusted Debt Service Requirements - Parity Obligations					Adjusted Debt Service Coverage - Parity Obligations
						Principal	Interest	Total	Less: Parity Interest Earnings	Adjusted Debt Service	
1999	\$ 210,490	\$ 195,407	\$ 15,083	\$ (884)	\$ 14,199	\$ -	\$ 9,365	\$ 9,365	\$ (884)	\$ 8,481	1.67
2000	255,736	213,358	42,378	-	42,378	-	18,730	18,730	-	18,730	2.26
2001	255,974	214,056	41,918	(54)	41,864	-	18,730	18,730	(54)	18,676	2.24
2002	261,333	222,104	39,229	(3,444)	35,785	6,780	18,594	25,374	(3,444)	21,930	1.63
2003	256,968	226,058	30,910	(1,305)	29,605	7,055	16,308	23,363	(1,305)	22,058	1.34
2004	267,649	232,193	35,456	(1,296)	34,160	7,345	14,010	21,355	(1,296)	20,059	1.70
2005	294,904	234,392	60,512	(1,262)	59,250	7,645	13,710	21,355	(1,262)	20,093	2.95

Note: The Water Utility had no bonded debt for years 1994 through 1998.

Table 10

**REVENUE BOND COVERAGE - SEWER BONDS  
LAST TEN FISCAL YEARS (UNAUDITED)  
(IN THOUSANDS)**

Fiscal Year Ended June 30	Total Income	Total Expenses	Net System Revenue	Total Debt Service Requirements			Debt Service Coverage
				Principal	Interest	Total	
1996	\$ 246,937	\$ 134,845	\$ 112,092	\$ 4,500	\$ 19,929	\$ 24,429	4.59
1997	310,352	188,704	121,648	4,660	32,781	37,441	3.25
1998	279,463	162,404	117,059	14,865	41,672	56,537	2.07
1999	256,163	138,880	117,283	15,430	41,108	56,538	2.07
2000	291,238	137,007	154,231	18,300	58,755	77,055	2.00
2001	283,228	168,853	114,375	22,150	54,905	77,055	1.48
2002	310,392	170,022	140,370	23,045	54,009	77,054	1.82
2003	334,551	241,822	92,729	24,000	53,046	77,046	1.20
2004	295,881	196,823	99,058	25,030	52,020	77,050	1.29
2005	322,716	204,163	118,553	26,120	50,935	77,055	1.54

Table 11

**SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED)**  
**June 30, 2005**  
**( In Thousands )**

<u>Jurisdiction</u>	<u>Debt Outstanding June 30, 2005</u>	<u>Percentage Applicable to City of San Diego</u>	<u>Amount Applicable to City of San Diego</u>
City of San Diego .....	\$13,010 *	100.0%	\$ 13,010
City of San Diego Certificates of Participation .....	43,300 *	100.0%	43,300
City of San Diego 1915 Act Bonds .....	14,245	100.0%	14,245
City of San Diego Mello-Roos Bonds .....	123,060	100.0%	123,060
City of San Diego Redevelopment Agency Tax Allocation Bonds .....	423,241 *	100.0%	423,241
City of San Diego Redevelopment Agency Parking Revenue Bonds .....	31,055 *	100.0%	31,055
City of San Diego Metropolitan Transit Development Board (MTDB) .....	29,555 *	100.0%	29,555
Convention Center Expansion Authority .....	187,980 *	100.0%	187,980
Metropolitan Water District .....	419,389	8.9%	37,183
North City West School Community Facilities District .....	88,078	100.0%	88,078
Poway Unified School Community Facilities District #1 .....	155,066	100.0%	155,066
Poway Unified School Community Improvement District No. 2002-1 .....	68,601	68.0%	46,634
Public Facilities Financing Authority .....	279,395 *	100.0%	279,395
San Diego Community College District .....	77,960	99.9%	77,868
San Diego Community College District General Fund Obligations .....	-	0.0%	-
San Diego County General Fund Obligations .....	463,876	46.6%	216,180
San Diego County Pension Obligations .....	1,252,243	46.6%	583,583
San Diego County Water Authority .....	-	0.0%	-
San Diego Open Space Park Facilities District # 1 .....	1,520	100.0%	1,520
San Diego Unified School District District .....	1,287,567	various	1,287,567
Other School and Community College Districts .....	145,951	various	145,951
Other Special Districts .....	70,866	various	70,866
Other High School and School Districts .....	83,590	various	83,590
Otay Municipal Water District Certificates of Participation .....	25,674	6.6%	1,695
<b>TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT .....</b>			<b>\$3,940,622 **</b>
Less:			
100% Self-Supporting			
Otay Mesa Water District.....			\$ 1,695
San Diego Open Space Park Facilities District #1 .....			1,520
<b>TOTAL BONDED DEBT SUPPORTED BY OTHER THAN PROPERTY TAX .....</b>			<b>3,215</b>
<b>NET DIRECT AND OVERLAPPING BONDED DEBT .....</b>			<b>\$3,937,407</b>

2004-05 Assessed Valuation (100% of Full Value):

\$ 141,509,063

Ratios to Assessed Valuation

* City of San Diego Gross Direct Debt (\$983,781) .....	0.71%
City of San Diego Net Direct Debt (excludes Redevelopment Agency) (\$529,485) .....	0.39%
City of San Diego and Open Space District Gross Direct Debt (\$1,009,661) .....	0.71%
City of San Diego and Open Space District Net Direct Debt (\$555,365) .....	0.39%
<b>TOTAL GROSS DEBT .....</b>	<b>2.78%</b>
<b>TOTAL NET DEBT .....</b>	<b>2.78%</b>

\*\* Excludes revenue and tax anticipation notes.

Sources: Responsible Agencies  
 California Municipal Statistics, Inc.

Table 12

**RATIO OF ANNUAL DEBT SERVICE  
FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES  
LAST TEN FISCAL YEARS (UNAUDITED)  
( In Thousands )**

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to General Expenditures
1996	\$ 35,496	\$ 49,018	\$ 84,514	\$ 1,009,352	8.37%
1997	29,311	62,849	92,160	1,108,001	8.32%
1998	42,512	81,016	123,528	1,072,028	11.52%
1999	38,310	84,507	122,817	1,312,338	9.36%
2000	41,727	120,891	162,618	1,388,196	11.71%
2001	52,758	119,094	171,852	1,511,274	11.37%
2002	33,958	45,946	79,904	1,282,134	6.23%
2003	40,559	59,795	100,354	1,385,674	7.24%
2004	37,765	59,737	97,502	1,391,142	7.01%
2005	63,518	63,078	126,596	1,551,757	8.16%

Table 13

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS  
LAST TEN FISCAL YEARS (UNAUDITED)  
( In Thousands )**

Fiscal Year Ended June 30	Current Assessments Due	Current Assessments Collected	Ratio of Collections to Amount Due (%)	Total Outstanding Assessments*
1996	\$ 12,564	\$ 11,692	93.06	\$ 125,650
1997	12,394	11,515	92.91	120,900
1998	11,929	11,359	95.22	113,105
1999	10,843	10,576	97.54	110,835
2000	11,041	10,783	97.66	108,180
2001	9,353	9,143	97.75	164,101
2002	10,145	10,024	98.81	158,772
2003	13,197	13,061	98.97	153,414
2004	14,530	14,360	98.83	168,724
2005	16,475	16,155	98.06	163,426

\* Total Outstanding Assessments represents the total outstanding bond principal which includes the City of San Diego Reassessment district 1999-1 Limited Obligation Bonds which are levied with a debt service coverage ratio above the amount of principal outstanding on the Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999A and B.

Table 14

**DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS (UNAUDITED)**

Fiscal Year Ended June 30	Estimated Population (1)	Public School Enrollment (K-12) (2)	Continuing Education Enrollment* (2)	Civilian Labor Force (3)	Unemployment Rate (3)
1996	\$ 1,183,102	\$ 156,461	\$ 161,105	\$ 1,227,952	6.0%
1997	1,197,077	173,344	159,673	1,243,258	4.8%
1998	1,224,848	179,197	164,438	1,289,383	3.8%
1999	1,254,281	182,590	173,002	1,334,167	3.5%
2000	1,277,168	187,462	173,209	1,373,017	3.2%
2001	1,250,700	184,842	186,461	1,417,767	2.3%
2002	1,255,742	186,232	193,548	1,448,125	3.7%
2003	1,275,112	189,910	189,452	1,480,933	4.4%
2004	1,294,000	187,607	178,010	1,480,417	5.0%
2005	1,306,000	173,235	178,115	1,496,325	4.5%

\*Composed of College, Community College and Adult Schools (Includes part-time).

## Sources:

- (1) Table 8 or 17
- (2) Table 17
- (3) Employment Development Department

Table 15

**PRINCIPAL TAXPAYERS IN CITY OF SAN DIEGO (UNAUDITED)  
June 30, 2005  
( In Thousands )**

Taxpayers	Type of Business	Assessed Valuation	Percentage of Net Assessed Valuation (1)	Approximate Tax Paid
Kilroy Realy LP	Real Estate	\$ 799,911	0.62%	\$ 8,348
Qualcomm Inc	Electronics	617,429	0.48%	6,771
Pfizer Inc	Pharmaceuticals	640,043	0.49%	6,461
San Diego Ballpark Funding LLC	Developer	603,072	0.46%	4,947
Irvine Co	Real Estate	491,865	0.38%	4,773
Fashion Valley Mall LLC	Shopping Center	428,018	0.33%	4,764
San Diego Family Housing LLC	Real Estate	407,281	0.31%	4,531
Sea World Inc	Entertainment	358,828	0.28%	3,992
Manchester Resorts LP	Hotel	341,093	0.26%	3,795
Arden Realty LP	Real Estate	325,361	0.25%	3,664
		<u>\$ 5,012,900</u>	<u>3.86%</u>	

(1) Total Net Assessed Valuation of \$112,009,658 per Table 3

Note: This table excludes public utilities, including San Diego Gas & Electric Company, Pacific Bell and American Telephone and Telegraph (AT&T), because valuations within the City of San Diego cannot be readily determined.

Source: County of San Diego Assessor's Office.



Table 16

**COMPARISON OF CONSTRUCTION, BANK DEPOSITS AND PROPERTY VALUES  
LAST TEN FISCAL YEARS (UNAUDITED)  
( In Thousands )**

Fiscal Year Ended June 30	Construction (1)			Property Values (2)			Deposits (3)			
	Residential Construction Permits	Non- Residential Construction Permits	Total Valuation	Commercial/ Industrial	Residential	Other	Commercial Banks	Savings & Loans	Credit Unions	Total
1996	\$ 5,243	\$ 4,551	\$ 846,982	\$ 14,804,114	\$ 44,513,532	\$ 2,278,247	\$ 9,306,278	\$ 2,847,576	\$ 3,545,202	\$ 15,699,056
1997	5,907	4,813	1,020,330	15,306,561	45,589,632	2,414,340	10,595,219	3,370,761	3,724,548	17,690,528
1998	7,545	5,804	1,466,646	17,318,763	48,341,937	2,151,401	N/A	N/A	N/A	N/A
1999	7,080	5,186	1,640,853	19,850,778	53,121,440	2,788,667	N/A	N/A	N/A	N/A
2000	6,603	5,766	2,146,478	21,853,386	57,932,679	3,040,634	N/A	N/A	N/A	N/A
2001*	8,227	3,517	1,875,072	24,084,993	63,663,266	3,155,499	N/A	N/A	N/A	N/A
2002	9,840	2,615	2,099,748	26,157,468	69,834,055	3,421,104	N/A	N/A	N/A	N/A
2003	9,997	2,591	1,907,029	28,135,314	78,128,254	3,548,325	N/A	N/A	N/A	N/A
2004	9,255	2,543	1,949,373	30,431,509	87,269,304	3,759,894	N/A	N/A	N/A	N/A
2005	8,159	2,516	1,963,383	33,344,313	100,071,145	4,213,613	N/A	N/A	N/A	N/A

N/A = Not available.

\* Beginning in FY 2001, Development Services Department implemented a change in permit classifications.

Source:

- (1) City of San Diego Development Services Department  
(2) County of San Diego, Office of Assessor

TABLE 17

MISCELLANEOUS STATISTICAL DATA (UNAUDITED)  
JUNE 30, 2005

GEOGRAPHICAL LOCATION	Southern Coast of California contiguous to the Mexican Border		
ALTITUDE OF CITY	Sea Level to 1,591 Feet		
AREA OF CITY (SQUARE MILES)	Land -	330	
	Water -	73	
	Total -	403	
DATE OF INCORPORATION	March 27, 1850		
POPULATION	<u>(Official U. S. Census)</u>	<u>Increase</u>	
	1900 -	17,700	
	1910 -	39,578	124%
	1920 -	74,361	88%
	1930 -	147,995	99%
	1940 -	203,341	37%
	1950 -	334,387	64%
	1960 -	573,244	71%
	1970 -	697,027	22%
	1980 -	875,504	26%
	1990 -	1,110,549	27%
	2000 -	1,223,400	10%
		Estimate at January 1, 2005 - 1,306,000	
	Population per Square Mile (Land) - 3,958		
FORM OF GOVERNMENT	Council / Manager		
CITY CHARTER ADOPTED	April 7, 1931		
FISCAL YEAR BEGINS	July 1		
TOTAL NUMBER OF CITY EMPLOYEES	Salaried -	10,540	
	Hourly -	1,557	
	Limited -	N/A	
	Total -	12,097	
RAINFALL:			
2004-2005 SEASON	22.51 Inches		
AVERAGE SEASONAL RAINFALL DURING LAST 20 YEARS	9.99 Inches		
AVERAGE TEMPERATURE, 2004-2005	Daytime -	69.8 F	
	Nighttime -	58.9 F	
	Mean -	64.3 F	
AVERAGE ANNUAL TEMPERATURE OF FORTY YEAR PERIOD, 1964-2004	64.1 F		
RECREATION:			
PARKS, SQUARES, AND RECREATION CENTERS	Number -	441	
	Acres -	38,890	
SPECIAL FACILITIES	Municipal Golf Courses:		
	City Operated:		
	18-Hole Courses	4	
	9-Hole Courses	1	
	Pitch and Putt Courses	0	
	Leased:		
	18-Hole Courses	2	
	Par 3 Course	1	
	Pitch and Putt Courses	2	
	Municipal Swimming Pools	13	
	Municipal Tennis Courts	25	
Ocean Fishing Piers	2		

**MISCELLANEOUS STATISTICAL DATA (UNAUDITED)  
JUNE 30, 2005**

TABLE 17 (Cont'd.)

FIRE PROTECTION	Number of Stations - 45 Number of Employees - 1,272
POLICE PROTECTION	Number of Stations - 10 Number of Employees - 2,745 (includes hourly)
MILES OF STREETS / SIDEWALKS	2,800 / 5,000
MILES OF SEWERS	3,030
SEWER SERVICE LATERALS	271,284
MUNICIPAL WATER PLANT	Number of Water Meters in Service - 271,204 Average Daily Consumption - 198.5 Million Gallons Average Daily Consumption per Capita - 152.02 Miles of Water Distribution Mains - 3,318.98 Number of Fire Hydrants - 24,600
MUNICIPAL AIRPORTS	Number - 2 Number of Acres - 1,448 Length of Main Runways - 7,999 Feet and 4,577 Feet
UNIFIED PORT DISTRICT:	
WHARVES	Number - 4 Length - 14,095 (Lineal Feet or Berthing) Number of Craft in Port (Excluding Military) - 680 Commercial Tonnage Handled through the Port during the Year - 2,825,169 metric tons
TIDELANDS	Number of Acres - 5,483
AIRPORTS	Number - 0 Number of Acres - 0 Length of Main Runways - 0 Feet
EDUCATION:	
COLLEGES	Number 6 Number of Teachers 7,881 (Includes Part-Time) Number of Students 93,462 (Includes Part-Time)
COMMUNITY COLLEGES AND ADULT SCHOOLS	Number 10 Number of Teachers 2,170 (Includes Part-Time) Number of Students 84,653 (Includes Part-Time)
HIGH SCHOOLS	Number 40 Number of Teachers 2,726 Number of Students 41,943
JUNIOR HIGH SCHOOLS / MIDDLE SCHOOLS	Number 29 Number of Teachers 2,278 Number of Students 30,292
ELEMENTARY SCHOOLS	Number 160 Number of Teachers 6,655 Number of Students 101,000

Source: Various Agencies

**This Page Left Intentionally Blank**

BACK COVER OF BOOK