

In the opinions of Jennings, Engstrand & Henrikson, San Diego, California and Harrison, Taylor & Bazile, Oakland, California, co-Bond Counsel, under existing law and assuming continuing compliance with certain covenants in the documents relating to the Bonds and certain provisions of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. Interest on the Bonds may be included in the calculation of certain taxes, however, including the alternative minimum tax on corporations. See "TAX EXEMPTION" herein for a description of certain provisions of the 1986 Code that may affect the tax treatment of interest on the Bonds for certain Beneficial Owners. Interest on the Bonds will be exempt from the State of California personal income taxes. See "TAX EXEMPTION" herein.

\$25,500,000
CITY OF SAN DIEGO, CALIFORNIA
1991 GENERAL OBLIGATION BONDS
(Public Safety Communications Project)

Dated: March 1, 1991

Due: July 15, as shown below

The 1991 General Obligation Bonds (the "Bonds") have been authorized by election. (See "THE BONDS — Authority For Issuance" herein). The Bonds are general obligations of the City of San Diego, California (the "City") and the City Council of San Diego is empowered and is obligated to levy ad valorem taxes, without limitations as to rate or amount, upon all property subject to taxation by the City for the payment of interest on and principal of the Bonds. Proceeds of the Bonds will be used for the purpose of replacing outdated and overloaded Police and Fire Department and other Public Safety Communications Facilities.

The Bonds will be issued as fully registered Bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners"), in the denomination of \$5,000 or any whole multiple thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. Interest on the Bonds is payable January 15th and July 15th of each year commencing January 15, 1992. Principal of and interest on the Bonds is payable by Bank of America National Trust and Savings Association, Los Angeles, California, as Paying Agent, to DTC and, so long as DTC or its nominee remains the registered Bondholder, 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. In the event that the book-entry system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered Owners of the Bonds and will be paid principal and interest by the Paying Agent.

THE BONDS SHALL NOT BE SUBJECT TO REDEMPTION PRIOR TO MATURITY.

MATURITY SCHEDULE

<u>Maturity (July 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Maturity (July 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
1992	\$ 140,000	5.00%	4.75%	2002	\$1,230,000	6.00%	6.20%
1993	755,000	5.00	100.00	2003	1,300,000	6.10	6.30
1994	795,000	5.10	5.20	2004	1,380,000	8.00	6.40
1995	830,000	5.25	5.30	2005	1,490,000	8.00	6.50
1996	880,000	5.30	5.40	2006	1,615,000	8.00	6.55
1997	925,000	5.50	5.60	2007	1,735,000	6.50	6.65
1998	975,000	5.80	100.00	2008	1,855,000	6.50	6.65
1999	1,030,000	5.80	5.90	2009	1,975,000	6.50	6.70
2000	1,095,000	6.00	100.00	2010	2,100,000	6.65	6.75
2001	1,155,000	6.10	100.00	2011	2,240,000	6.65	6.75

The Bonds will be offered when, as and if issued and received by the purchasers, subject to the approval of legality by Jennings, Engstrand & Henrikson, San Diego, California, and Harrison, Taylor & Bazile, Oakland, California, co-Bond Counsel. It is expected that the Bonds will be available for delivery to DTC in New York, New York, on or about March 21, 1991.

Dated: March 5, 1991

This Official Statement is submitted in connection with the sale of securities as referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose. The delivery of this Official Statement does not imply that information herein is correct as of any time subsequent to its date. No dealer, salesman or any other person has been authorized by the City or the Underwriter to give any information or make any representation other than as contained in this Official Statement in connection with the offering described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. Certain information contained herein has been obtained from the City and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed to be the representation of the Underwriter. Expressions of opinion and estimates herein are subject to change and should not be relied upon as statements of fact. This Official Statement does not constitute an offer of any securities other than those described on the cover page or an offer to sell or a solicitation of an offer to buy in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

This Official Statement has been "deemed final" by the City of San Diego pursuant to Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended, except for information which is permitted to be excluded from this Official Statement under said Rule 15c2-12.

THE PRICE AND OTHER TERMS OF THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICE, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE FOR THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

CITY OF SAN DIEGO

City Council

Maureen O'Connor, Mayor

Abbe Wolfsheimer, Councilmember

Linda Bernhardt, Councilmember

Ron Roberts, Councilmember

J. Bruce Henderson, Councilmember

John Hartley, Councilmember

Judy McCarty, Councilmember

H. Wes Pratt, Councilmember

Bob Filner, Deputy Mayor

City Manager
John Lockwood

City Attorney
John W. Witt

City Auditor and Comptroller
Ed Ryan

City Treasurer
Conny M. Jamison

Financial Management Director
Patricia T. Frazier

City Clerk
Charles G. Abdelnour



Bond Counsel

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San Diego, California

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Financial Advisors

Rauscher Pierce Refsnes, Inc.
San Francisco, California

The Knight Group
San Francisco, California

Paying Agent

Bank of America National Trust and Savings Association
Los Angeles, California

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INTRODUCTORY STATEMENT

This Official Statement provides certain information concerning the sale and delivery of the City of San Diego, California 1991 General Obligation Bonds, (Public Safety Communications Project) (the "Bonds") which are to be executed and delivered by the City of San Diego, California (the "City") in the aggregate principal amount of \$25,500,000.

THE BONDS

Authority for Issuance

The \$25,500,000 aggregate principal amount of the Bonds was authorized in an election held on June 5, 1990 by a favorable vote of more than two-thirds of all the voters voting on the proposition. The Bonds are issued under provisions of the Government Code of the State of California, the City Charter, an ordinance of the City Council adopted February 19, 1991, and pursuant to the election described above.

Purpose of Issue

The Bonds are being executed and delivered for the purpose of replacing outdated and overloaded Police and Fire Department and other Public Safety Communications Facilities including, but not limited to, construction of Police and Fire and other Public Safety Communication Centers and equipment for such centers; a Police and Fire Department and other Public Safety computer-aided dispatch system and radio system; and related facilities as necessary to improve the efficiency of the 911 emergency phone system and emergency radio systems resulting in reduced Police and Fire Department and other Public Safety response times.

Security and Source of Payment

The Bonds are general obligations of the City. The City Council of the City of San Diego is empowered and obligated to levy ad valorem taxes for the payment of said Bonds and the interest thereon upon all property within the City subject to taxation by the City (except certain personal property which is taxable at limited rates) without limitation as to rate or amount. At the option of the City Council, other funds of the City which are not restricted by law to specific uses may be used to meet debt service on the Bonds. In accordance with the Ordinance relating to the Bonds, the City Council is required to fix, levy and collect annually until all of the Bonds are paid or until there is a sum in the Treasury of the City set apart for that purpose sufficient to meet all sums coming due for principal and interest on said Bonds, a tax sufficient to pay the annual principal and interest on the Bonds as the same becomes due. Such tax, in addition to all other taxes levied for City purposes, will be collected at the same time and in the same manner as other ad valorem taxes of the City are collected and is permitted to be used only for the payment of the Bonds and the interest thereon.

Description of the Bonds

The Bonds will be sold, executed and delivered in the aggregate principal amount of \$25,500,000. The Bonds will be issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

The Bonds will be dated March 1, 1991, and will bear interest at the rates shown on the cover hereof payable each January 15th and July 15th, commencing January 15, 1992. Each Bond shall bear interest from the interest payment date next preceding the date of authentication thereof unless it is authenticated during the period from the first day of the month next preceding any interest payment date to the interest payment date, inclusive, in which event it shall bear interest from such interest payment date, or unless it is authenticated on or before January 1, 1992, in which event it shall bear interest from March 1, 1991. The Bonds will mature on July 15th in the years and in the principal amounts shown below.

Schedule of Maturities

<u>Year</u> <u>(July 15)</u>	<u>Principal</u> <u>Maturing</u>	<u>Year</u> <u>(July 15)</u>	<u>Principal</u> <u>Maturing</u>
1992	\$ 140,000	2002	\$ 1,230,000
1993	755,000	2003	1,300,000
1994	795,000	2004	1,380,000
1995	830,000	2005	1,490,000
1996	880,000	2006	1,615,000
1997	925,000	2007	1,735,000
1998	975,000	2008	1,855,000
1999	1,030,000	2009	1,975,000
2000	1,095,000	2010	2,100,000
2001	1,155,000	2011	2,240,000

Paying Agent

Bank of America National Trust and Savings Association, Los Angeles, California, has been appointed by the City as Paying Agent (the "Paying Agent").

Book-Entry-Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued initially in the form of a single fully-registered bond for each maturity and will be registered in the name of Cede & Co. as nominee for DTC. DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers, and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

Redemption

The Bonds shall not be subject to redemption prior to their respective stated maturities.

Disposition of Bond Proceeds

The "City of San Diego 1991 General Obligation Bonds (Public Safety Communications Project) Bond Fund" (the "Bond Fund") shall be held and maintained by the City Treasurer. The proceeds of the Bonds shall be deposited as follows: (a) in the Bond Fund, a sum equal to the accrued interest and premium, if any, received upon the sale of the Bonds (b) in the proper improvement fund (the "Acquisition and Construction Fund") in the Treasury of the City, the remainder of the proceeds. Moneys in the Bond Fund and Acquisition and Construction Fund will be invested as directed by the City Treasurer. Interest earnings and profits resulting from such investments shall be retained in the Bond Fund and Acquisition and Construction Fund, respectively.

Ownership interests in the Bonds may be purchased by or through DTC Participants. Such DTC Participants and the people for whom they acquire interests in the Bonds as nominees will not receive certificated Bonds, but each DTC Participant will receive a credit balance in the records of DTC in the amount of the DTC Participant's interest in the Bonds, which will be confirmed to such DTC Participant in accordance with DTC's standard procedures. Each such person for whom a DTC Participant acquires an interest in the Bonds, as nominee (a "Beneficial Owner"), may desire to make arrangements with such DTC Participant to receive a credit balance in the records of such DTC Participant and may desire to make arrangements with such DTC Participant to have all notices of acceleration or other communications to DTC, which may affect such Beneficial Owner, to be forwarded in writing by such DTC Participant and to have notification made of all interest payments. **Neither the City nor the Paying Agent have any responsibility or obligation to such DTC Participants or the persons for whom such DTC participants act as nominees with respect to the payments or the providing of notice to DTC participants, indirect participants, or Beneficial Owners.**

As long as Cede & Co. is the registered Owner of the Bonds as nominee for DTC, references herein to the Bondholders or registered Owners of the Bonds shall mean Cede & Co. as aforesaid and shall not mean the Beneficial Owners of the Bonds.

DTC will receive payments from the Paying Agent to be remitted to the DTC Participants who will in turn remit such payment to the Beneficial Owners. The ownership interest of each Beneficial Owner in the Bonds will be recorded on the records of the DTC Participants whose ownership interest will be recorded on a computerized book-entry system operated by DTC.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation, or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Paying Agent to DTC only.

Beneficial Owners will receive written confirmation of their purchase detailing the terms of the Bonds acquired. Transfers of ownership interests in the Bonds will be accomplished by book entries made by DTC and in turn by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except as specifically provided in the Ordinance. Interest and principal will be paid by the Paying Agent to DTC, then, in accordance with DTC's standard procedures, paid by DTC to the DTC Participants, and thereafter paid by the DTC Participants to the Beneficial Owners.

For every transfer and exchange of the Bonds or interest therein, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto.

If the City determines that it is in the best interest of the Beneficial Owners that such Owners be able to obtain bond certificates and delivers a written certificate to the Paying Agent to that effect, the Paying Agent shall notify DTC, and direct that DTC notify the DTC Participants, of the availability of bond certificates. In such event, the Paying Agent shall issue, transfer, and exchange bond certificates as requested by DTC and any other Bondholders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and the Paying Agent. Under such circumstances (if there is not a successor securities depository), the City and the Paying Agent shall be obligated to deliver bond certificates as described in the Ordinance.

Debt Service Requirements

The following table shows the debt service requirements with respect to the Bonds.

DATE	PRINCIPAL	COUPON	INTEREST	TOTAL DEBT SERVICE
1/15/92			1,431,373.36	1,431,373.36
7/15/92	140,000	5.000%	820,532.50	960,532.50
1/15/93			817,032.50	817,032.50
7/15/93	755,000	5.000%	817,032.50	1,572,032.50
1/15/94			798,157.50	798,157.50
7/15/94	795,000	5.100%	798,157.50	1,593,157.50
1/15/95			777,885.00	777,885.00
7/15/95	830,000	5.250%	777,885.00	1,607,885.00
1/15/96			756,097.50	756,097.50
7/15/96	880,000	5.300%	756,097.50	1,636,097.50
1/15/97			732,777.50	732,777.50
7/15/97	925,000	5.500%	732,777.50	1,657,777.50
1/15/98			707,340.00	707,340.00
7/15/98	975,000	5.800%	707,340.00	1,682,340.00
1/15/99			679,065.00	679,065.00
7/15/99	1,030,000	5.800%	679,065.00	1,709,065.00
1/15/00			649,195.00	649,195.00
7/15/00	1,095,000	6.000%	649,195.00	1,744,195.00
1/15/01			616,345.00	616,345.00
7/15/01	1,155,000	6.100%	616,345.00	1,771,345.00
1/15/02			581,117.50	581,117.50
7/15/02	1,230,000	6.000%	581,117.50	1,811,117.50
1/15/03			544,217.50	544,217.50
7/15/03	1,300,000	6.100%	544,217.50	1,844,217.50
1/15/04			504,567.50	504,567.50
7/15/04	1,380,000	8.000%	504,567.50	1,884,567.50
1/15/05			449,367.50	449,367.50
7/15/05	1,490,000	8.000%	449,367.50	1,939,367.50
1/15/06			389,767.50	389,767.50
7/15/06	1,615,000	8.000%	389,767.50	2,004,767.50
1/15/07			325,167.50	325,167.50
7/15/07	1,735,000	6.500%	325,167.50	2,060,167.50
1/15/08			268,780.00	268,780.00
7/15/08	1,855,000	6.500%	268,780.00	2,123,780.00
1/15/09			208,492.50	208,492.50
7/15/09	1,975,000	6.500%	208,492.50	2,183,492.50
1/15/10			144,305.00	144,305.00
7/15/10	2,100,000	6.650%	144,305.00	2,244,305.00
1/15/11			74,480.00	74,480.00
7/15/11	2,240,000	6.650%	74,480.00	2,314,480.00
	25,500,000		22,300,220.86	47,800,220.86

THE PROJECT

City of San Diego Public Safety Communications Project

The City of San Diego's public safety communications systems are seriously overloaded and outdated, resulting in diminished police, fire, and paramedic (EMS) service to the community. The Public Safety Communications Project, which the Bonds are being used to finance, is the City's comprehensive plan for improving these systems.

Including contingencies, technical consultant and project management expenses, total Public Safety Communications Project costs are estimated at \$35,500,000. The City Council allocated \$10,000,000 in the Fiscal 1990 budget for the Project and voters approved a \$25,500,000 general obligation bond issue (Proposition E) in June, 1990 to secure the balance of funding required.

Major Project Components

The Public Safety Communications Project consists of several major elements, including new Police and Fire Communications Centers, new Police and Fire/EMS Computer Aided Dispatch (CAD) systems, Mobile Data Terminals (MDTs) for all field units, and new 800 Megahertz (MHz) radio systems, as described below:

Communications Facility Site Preparation

The new Police and Fire Communications buildings already have been constructed but remain vacant, awaiting new CAD, E-911 telephone, dispatch consoles and electronics, and radio communications equipment and other office furnishings. Design, acquisition, integration, and testing of this complex equipment is part of the Project.

Computer Aided Dispatch (CAD) Systems

The new CAD systems for Police and Fire/EMS will contain a comprehensive geographic database for all areas of the City and will maintain accurate status of all vehicles and personnel. Based on the type of incident being requested, the CAD systems recommend the number and type of units to be dispatched based upon call priority and location of the closest appropriate units. CAD also provides a detailed record of all public safety activities and provides invaluable management information and statistics. This helps measure the effectiveness of police/fire services and planning for future activities. For the dispatcher, the CAD system shortens dispatch time by automatically providing the correct address of the calling party, and keeping track of the location and status of police and fire units. The CAD systems also will allow direct access to other local, state, and federal law enforcement and fire computers, providing critical sharing of vital information.

Mobile Data Terminals (MDTs)

Mobile Data Terminals will be new to City Police and Fire personnel. These small field computer units will be placed in each emergency vehicle and will provide emergency personnel with highly efficient electronic communications. Dispatch and status message sent by MDTs are much faster and more accurate than voice radio communications. MDTs also permit immediate, direct electronic access from field units to local, state, and national law enforcement computers without the need to

manually transmit the inquiry request to dispatch personnel. The speed and accuracy of such inquiries will be dramatically improved.

800 MHz Radio Systems

To address the critical need for additional radio frequencies for both Police and Fire/EMS, new radio systems will be developed in a higher frequency range. The proposed 800 MHz radio systems will meet immediate and long range frequency requirements well into the next century. This part of the Public Safety Communications Project will consist of the development of multiple mountain top transmitter/receiver sites and equipment, a microwave transmission system, and mobile and portable radios for field vehicles and personnel.

OTHER MAJOR CAPITAL PROJECTS

The City anticipates additional financing for other capital projects including the reconstruction and renovation of buildings in Balboa Park, and conversion to secondary wastewater treatment. These projects are summarized below.

Balboa Park/ Mission Bay Park

The City has adopted a Balboa Park Master Plan to plan for the future of Balboa Park. Implementation of this plan is estimated to require the construction of from \$80 million to \$100 million in capital improvements in 1989 dollars to be completed over the years 1989 through 2008. In September of 1988, the City Council voted to approve the funding of Balboa Park capital improvements from the General Fund at a level equivalent to one percent of Transient Occupancy Tax revenue. During the FY1991 budget process, the City Council voted to expand the use of the funds to include improvements to Mission Bay Park.

The City expects to consummate the first phase of financing for this project by the end of FY1991 through the issuance of approximately \$40 million in Certificates of Participation.

Clean Water Program

The City is in the preliminary planning phase of a federally mandated conversion of its primary sewage treatment to secondary treatment. Toward that end, three major goals have been accomplished: (1) the creation of the Metropolitan Sewer Task Force by the City Council in March of 1987, (2) the selection of an engineering firm to conduct the facilities planning effort, and (3) the selection of financial advisors to oversee the financing of the project. The estimated cost of the project at 1990 price levels, as developed by project engineers, is approximately \$2.4 billion. The City is reviewing financing alternatives and developing a financing plan in conjunction with financial advisors.

The City received a \$10 million grant for facilities planning. The City is also pursuing funding under the State Revolving Fund Loan Program, under which a limited amount of funds may be borrowed from the State of California at one-half the rate of interest paid by the State on its General Obligation Bonds. The City is planning to issue approximately \$225 million in Sewer Revenue Bonds over the next two years.

Additional Projects

The City is also considering future financing for other projects over the long term, including construction of a new Central Library and branch libraries; implementation of an operations stations master plan; acquisition and development of a landfill disposal site; the construction of a materials recovery facility, acquisition and preservation of open space and wetlands and construction of regional park improvements; and financing of unfunded public facility needs in certain older developed areas of the City.

CONSTITUTIONAL LIMITATIONS ON TAXES AND EXPENDITURES

Article XIII A of the California Constitution limits the taxing powers of California public agencies. Article XIII A provides that the maximum ad valorem tax on real property cannot exceed 1% of the "full cash value" which is defined as "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment", subject to exceptions for certain circumstances of transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases not to exceed 2% per year, or decreases in the consumer price index or comparable local data, or to reflect reduction in property value caused by damage, destruction or other factors.

Article XIII A requires a vote of two-thirds of the qualified electorate to impose special taxes, while totally precluding the imposition of any additional ad valorem sales or transaction tax on real property. As recently amended, Article XIII A exempts from the 1% tax limitation any taxes above the level required to any debt service on certain voter-approved general obligation bonds. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State laws resulting in increased tax revenues.

Article XIII B limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. This limit is popularly known as the "Gann limit," named after the author and chief proponent of the measure. The "base year" for establishing such appropriation limit was the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population and inflation.

On June 5, 1990, California voters approved Proposition 111, which amended the California Constitution to modify the spending limitation imposed upon state and local governments and the education funding requirements of Proposition 98. Effective July 1, 1990, Proposition 111 (a) modifies certain cost-of-living and population factors used in calculating the state and local government appropriations limits under Article XIII B, (b) modifies the calculation and allocation of the guaranteed education funding requirements of Proposition 98, (c) changes the calculation period and allocation formula with respect to excess revenues under Article XIII B and (d) excludes certain emergency, transportation and qualified capital outlay expenditures from the calculation of appropriations limits under Article XIII B. The City cannot predict the ultimate impact of the passage of Proposition 111 upon the City's finances although the overall intent of Proposition 111 was to make Article XIII B more flexible and responsive to rapid growth in California. However, the City expects Proposition 111 to have no effect on the repayment of the Bonds.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by the State or other entities of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from (1) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (2) the investment of tax revenues. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Article XIII B allows voters to approve a temporary waiver of a government's Article XIII B limit. Such a waiver is often referred to as a "Gann limit waiver." The length of any such waiver is limited to four years. In the June, 1990 election, San Diego voters approved a four-year increase in the City's Article XIII B limit (for fiscal 1992 through fiscal 1995). This waiver is expected to allow the City to appropriate \$210 million in tax revenues which would otherwise have been unavailable to fund services. The Gann limit waiver does not provide any additional revenues to the City or allow the City to finance additional services. Rather, it allows the City to maintain current service levels, avoiding the necessity for budget cuts.

Both Article XIII A and XIII B were adopted as measures that qualified for the ballot pursuant to California's constitutional initiative process. From time to time other initiative measures could be adopted, affecting the ability of the City to increase revenues and to increase appropriations.

TAX EXEMPTION

The opinions of Jennings, Engstrand & Henrikson, San Diego, California and Harrison, Taylor and Bazile, Oakland, California, co-Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions, and assuming continuing compliance by the City with certain covenants in the documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended regarding the use, expenditure, and investment of Bond proceeds, that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes will be provided at the time of original delivery of the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code") imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Bonds. The City has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income retroactively to the date of issuance of the Bonds. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

Bond Counsel's opinion will further state that interest on the Bonds will not be treated as an item of tax preference in calculating alternative minimum taxable income of individuals and corporations; however, interest on the Bonds will be included as an adjustment in the calculation of a corporation's alternative minimum taxable income and may therefore affect such corporation's alternative minimum tax and environmental tax liabilities.

Ownership of tax-exempt obligations may result in collateral income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S Corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel expresses no opinion regarding such collateral federal income tax consequences and, accordingly, prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

LEGAL OPINION

The legal opinions of Jennings, Engstrand & Henrikson, San Diego, California and Harrison, Taylor and Bazile, Oakland, California, co-Bond Counsel, approving the validity of the Bonds, substantially in the form of Appendix C, will be made available to purchasers at the original delivery of the Bonds. Certain legal matters will be passed upon for the City by its counsel.

LEGALITY FOR INVESTMENT

The Bonds are legal investment in California for all trust funds and for the funds of all insurance companies, commercial banks, trust companies and state school funds. The Bonds are eligible as security for deposits of public moneys in California.

LITIGATION

The City is currently involved in litigation brought by the federal government in the case of the United States of America and State of California v. City of San Diego Civil Action No. 88-1101-B (IEG) in the U.S. District Court for the Southern District of California. The litigation involves allegations of violations of the Clean Water Act (the "Act"). There are a number of defenses available to the City and the case is being actively defended. In the event plaintiffs prevail, any damages or penalties would in the opinion of the City Attorney constitute a charge against the sewer revenue funds under the City Charter, and not against the general fund. The City is currently reviewing various options regarding sewer treatments, the costs of which may extend into the several billions of dollars in the long term, which will be borne under the sewer revenue fund.

The City's motion to bifurcate the above case into separate and distinct remedy and penalty phases was argued on May 8, 1989. The City brought the bifurcations motion to focus the energies of both parties on a remedial order involving the appropriate construction schedule while deferring the issue of what penalty, if any, should be imposed for past noncompliance and alleged sewer spills.

The court granted the motion for bifurcation separating the case into two (2) phases consisting of: 1) remedy and 2) penalty. The remedy phase will involve a determination of what secondary plant(s) as well as necessary infrastructure upgrades are to be built, if any, and the appropriate schedule by which they are to be accomplished. The penalty phase will involve the extent of liability as well as what damages if any, are appropriate.

The court made clear that it was approving of bifurcation at the request of the City, with an express acknowledgment by the City that the Act exists, that the Act contains secondary treatment

standards, that the City currently does not meet those standards and that no exemptions to the Act are currently claimed. The ruling of the court permits the resources of the City to be focused on fashioning an appropriate solution to the Act.

To the knowledge of the City, no litigation is pending or threatened concerning the validity of the Bonds, and an opinion of the City Attorney to that effect will be furnished at the time of the original delivery of the Bonds. The City is not aware of any litigation pending or threatened questioning the existence of the City of contesting the City's ability to perform its obligations under the ordinance.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Corporation have given the Bonds the ratings set forth on the cover page hereof. Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from Moody's Investors Service, Inc. and Standard & Poor's Corporation. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by such organizations, if in their judgment circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISORS

Rauscher Pierce Refsnes, Inc. of San Francisco, California and The Knight Group, of San Francisco, California served as financial advisors to the City with respect to the sale of the Bonds. The financial advisors assisted the City in the preparation of this Official Statement and in other matters relating to the planning, structuring, and issuance of the Bonds.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with Bondholders.

AVAILABILITY OF DOCUMENTS AND ADDITIONAL INFORMATION

The attached Appendices are integral parts of this Official Statement and should be read in their entirety. The terms used in this Official Statement shall have the meanings ascribed to them in the text. Capitalized terms which are not defined herein shall have the same meanings as set forth in the legal documents. The preparation and distribution of this Official Statement has been authorized by the City. Copies of the Ordinance authorizing the sale of the Bonds may be obtained, upon written request, from the City.

The execution and delivery of this Official Statement have been duly authorized by the City.

The City of San Diego

By /s/ _____

APPENDIX A

GENERAL ECONOMIC AND FINANCIAL INFORMATION ON THE CITY AND AREA

Municipal Government

The City of San Diego (the "City") is a charter city and operates under the Council-Manager form of government. The City Council is comprised of eight members elected by district to serve overlapping four year terms. The City Council, which acts as the City's legislative and policy-making body, selects the City Manager, who is the City's chief administrator and is responsible for implementing the policies and programs adopted by the City Council. The Mayor, who presides over the City Council, is elected at large to serve a four-year term.

Budgetary Process

The City's annual budget is one of the basic instruments of municipal administration and a requirement of the City Charter. The Charter designates the City Manager as the Chief Budget Officer of the City, assigning that person responsibility for planning the activities of the City government, adjusting such activities to the finances available, submitting an annual budget to the City Council and administering the budget after its adoption.

The City's fiscal year is from July 1 to June 30. The budgetary process starts in mid-July, soon after the start of a new fiscal year. By early September, the Financial Management Department forwards budget work papers to departments together with any special budget instructions. From October through December, departments submit their budget requests for review by the City Manager and staff for inclusion in the proposed budget.

The City Manager submits the proposed budget to the City Council and files a copy with the City Clerk in early May. From mid-May through June Council meets to review the details of the proposed budget and to make tentative decisions regarding desired adjustments. During the last part of May the Council adopts a salary rate ordinance for the next fiscal year.

The City Council must adopt the budget and appropriation ordinance during July. At least two public hearings on the budget and the proposed appropriation ordinance are held. The City Council may make final amendments to the appropriation ordinance and must adopt the annual tax rate ordinance no later than the last City Council meeting in August. The final budget is printed and distributed in October.

Population

The City of San Diego is estimated to be the sixth largest city in the United States and the second largest city in California. It is also one of the fastest growing cities in the State.

Table A-1

CITY AND COUNTY OF SAN DIEGO POPULATION

<u>Calendar Year</u>	<u>City of San Diego⁽¹⁾</u>	<u>Annual Avg. Change</u>	<u>County of San Diego⁽²⁾</u>	<u>Annual Avg. Change</u>
1960	571,767	-	1,033,011	8.6%
1970	696,500	2.2%	1,357,854	3.1%
1980	875,538	2.6%	1,861,846	3.7%
1985	979,300	2.4%	2,102,502	2.6%
1986	1,007,000	2.8%	2,166,169	3.0%
1987	1,031,800	2.5%	2,240,700	3.4%
1988	1,058,700	2.6%	2,327,700	3.9%
1989	1,082,900	2.3%	2,417,600	3.9%

(1) Source: City Planning Department's January 1 estimates which are based on the Federal Census counts or official State Department of Finance estimates.

(2) Source: U.S. Census 1940-1980; State Department of Finance estimates for 1985-1989.

General Fund

Table A-2 presents the City's general fund revenue by source for the last ten years:

Table A-2

GENERAL FUND
REVENUE BY SOURCE
(In Thousands)

<u>Fiscal Year Ended June 30</u>	<u>Total General Fund Revenue</u>	<u>Property Taxes</u>	<u>Percentage of Total General Fund Revenue</u>	<u>Other Local Taxes</u>	<u>Percentage of Total General Fund Revenue</u>
1980-1981	\$186,387	\$42,677	22.9%	\$ 54,938	29.4%
1981-1982	191,999	47,485	24.7	57,167	29.8
1982-1983	208,782	53,540	25.6	72,527	34.7
1983-1984	236,458	58,240	24.6	83,454	35.3
1984-1985	251,618	65,287	26.0	83,124	33.0
1985-1986	276,810	74,823	27.0	87,537	31.6
1986-1987	294,827	84,826	28.8	90,228	30.6
1987-1988	336,716	95,284	28.3	111,521	33.1
1988-1989	363,709	107,212	29.5	124,936	34.4
1989-1990	401,121	117,406	29.3	135,665	33.8

Source: City of San Diego Comprehensive Annual Financial Report for the year ending June 30, 1990.

Assessed Valuation and Tax Collections

San Diego County assesses property and collects and distributes secured and unsecured property taxes to the cities, school districts and special districts within the county, including the City.

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with

respect to which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquent penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the March 1 lien date and become delinquent, if unpaid, on August 31 of the fiscal year. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interest belonging or assessed to the assessee.

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

Effective July 1, 1988, Assembly Bill 454, Chapter 921, eliminated the reporting of the unitary valuations pertaining to public utilities such as San Diego Gas and Electric 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. This has the effect of reducing assessed values in 1988-89 by approximately \$2.0 billion county-wide and reducing the percentage annual change in net assessed valuation from approximately 11% to 5.34%. However, despite this change in assessed value, revenues are expected to be unaffected.

Assessed Valuation

Table A-3 below outlines a ten-year history of assessed valuation for the City.

Table A-3

CITY OF SAN DIEGO ASSESSED VALUATION
(In Thousands)⁽¹⁾⁽²⁾

<u>Fiscal Year</u>	<u>Secured Property</u>	<u>Unsecured Property</u>	<u>Gross Total</u>	<u>Less Exemptions (3)</u>	<u>Net Assessed Valuations⁽⁴⁾</u>	<u>Annual Assessed Change</u>
1981-82	\$21,417,430	\$1,104,067	\$22,521,497	\$573,123	\$21,948,374	12.49%
1982-83	24,023,307	1,294,638	25,317,945	612,887	24,705,058	12.56
1983-84	26,105,549	1,424,427	27,529,976	742,762	26,787,214	8.43
1984-85	29,159,036	1,706,487	30,865,523	831,580	30,033,943	12.12
1985-86	32,934,625	1,893,513	34,828,138	1,020,750	33,807,388	12.56
1986-87	37,330,349	2,012,161	39,342,510	1,028,573	38,313,937	13.33
1987-88	41,256,462	2,510,496	43,766,958	1,197,058	42,569,900	11.11
1988-89	43,175,133	2,923,626	46,098,759	1,257,738	44,841,021 (5)	5.34(5)
1989-90	48,203,531	3,345,666	51,549,197	1,492,849	50,056,348	11.63
1990-91	53,756,806	3,885,132	57,641,938	1,676,063	55,965,875	11.81

Notes:

- (1) Assessed valuations are based on 100% of full market value.
- (2) Includes both locally assessed and State assessed utility property.
- (3) Excludes homeowners' and business inventory exemptions.
- (4) Net assessed valuation for tax rate purposes. Includes both locally assessed and State assessed utility property.
- (5) As mentioned above, effective July 1, 1988, Assembly Bill 454, Chapter 921, eliminated the reporting of the unitary valuation pertaining to public utilities, making these percentages not comparable in 1988-89. Without such change, growth in net assessed valuations would have been approximately 11%.

Source: Statistical section of the City of San Diego Comprehensive Annual Financial Report for the year ended June 30, 1990.

Tax Collections

Table A-4 below summarizes the City's secured tax collections over the past ten years.

Table A-4

**CITY OF SAN DIEGO
SECURED TAX LEVIES AND COLLECTIONS
(In Thousands)**

<u>Fiscal Year</u>	<u>Tax Levy(1)</u>	<u>Current Year Collections(1)</u>	<u>Current Year Collections As a Percentage of Tax Levy(1)</u>	<u>Total Tax Collections(1)</u>	<u>Total Collections As a Percentage of Tax Levy</u>
1980-81	\$40,503	\$38,409	94.83%	\$ 39,543	97.63%
1981-82	46,153	43,164	93.52	44,843	97.16
1982-83	51,294	48,232	94.03	50,562	98.57
1983-84	55,647	52,272	93.94	55,009	98.85
1984-85	62,204	58,952	94.77	62,192	99.98
1985-86	70,088	66,448	94.81	69,421	99.05
1986-87	79,236	74,838	94.45	78,110	98.58
1987-88	92,545	87,032	94.04	91,268	98.62
1988-89	102,539	97,895	95.47	101,852	99.33
1989-90	115,361	109,990	95.34	113,377	98.28

(1) Source: Statistical section of the City of San Diego Comprehensive Annual Financial Report for the year ended June 30, 1990.

Economy

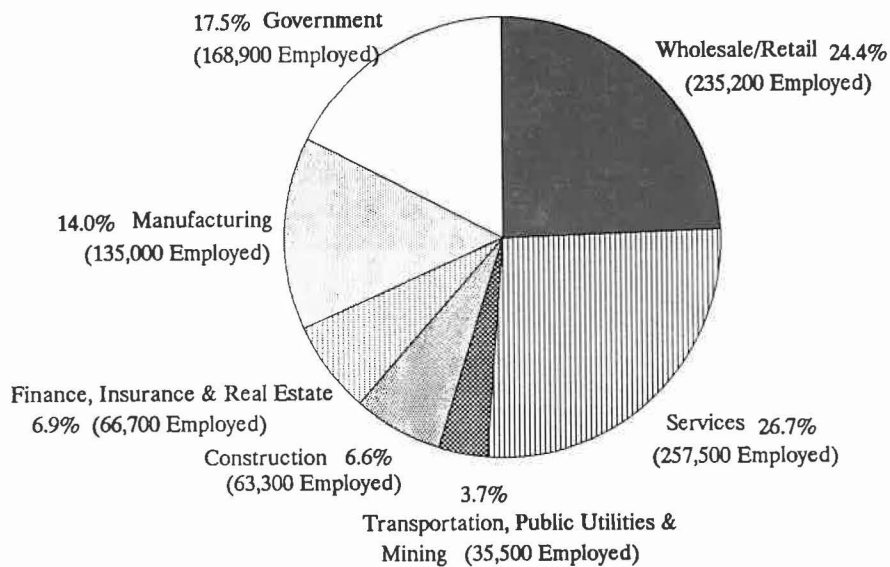
The City's economic expansion over the last 20 years has broadened to the point where the City's economy is diversified and well balanced. The following shows the City's nonagricultural employment:

Table A-5

NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SAN DIEGO COUNTY-1989

NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SAN DIEGO COUNTY - 1989

TOTAL NONAGRICULTURAL 100% (962,800)*



* Percentage totals may not sum due to rounding

Source: Employment Development Department, State of California

The diversity of the City's economic base can be found in the wide range of businesses which make up the largest taxpayers, as shown in Table A-6.

Table A-6

**CITY OF SAN DIEGO
LARGEST TAXPAYERS
June 30, 1990**

<u>Taxpayers</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Net Assessed Valuation</u>	<u>Approximate Tax Paid</u>
General Dynamics	Aerospace	\$ 369,782,000	6.75%	\$ 3,833,000
Pacific Landmark Hotel	Hotel	157,827,000	2.88	1,636,000
Fashion Valley Venture	Shopping Center	118,825,000	2.17	1,232,000
Equitable Life Assurance Society	Investment	118,077,000	2.15	1,209,000
Knights Bridge Associates	Real Estate Developers	136,008,000	2.48	1,142,000
Sea World, Inc.	Entertainment	103,723,000	1.89	1,073,000
HSD/Horton Associates	Shopping Center	95,369,000	1.74	1,015,000
National Steel and Ship Building Company	Ship Building	95,627,000	1.74	991,000
Tisheman-Speyer PCA Partners	Investments	125,176,000	2.28	990,000
Burroughs Delaware Inc.	Computers	86,472,000	1.58	875,000
TRW Inc.	Credit Reporting Agency	<u>83,876,000</u>	<u>1.53</u>	851,000
	Total	<u>\$ 1,490,762,000</u>	<u>27.19%</u>	
	Net Assessed Valuation	<u>\$54,802,010,000</u>	<u>100.00%</u>	

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.

The diversity of the City's economy is also exemplified by the broad variety of major employers shown in Table A-7, which excludes governmental sources of employment.

Table A-7

CITY OF SAN DIEGO
MAJOR EMPLOYERS (1989)

Company	Product/ Service
<u>10,000 or More Employees:</u>	
General Dynamics	Aerospace
University of California, San Diego	Higher Education
<u>5,000-10,000 Employees:</u>	
Pacific Bell	Utility
San Diego Community College District	Higher Education
Sharp HealthCare	Medical Services
<u>3,000-5,000 Employees:</u>	
Cubic Corporation	Electronics
Home Federal Savings & Loan	Financial Services
Kaiser Medical Foundation	Medical Services
San Diego Gas & Electric	Utility
Scripps Clinic & Research Foundation	Health Services
Scripps Memorial Hospital	Hospital
UCSD Medical Center	Medical
<u>2,000 - 3,000 Employees:</u>	
Atlas Hotels, Inc.	Hotel
Bank of America NT&SA	Banking
Foodmaker, Inc.	Food Services
Grossmont Hospital	Hospital
National Steel & Shipbuilding	Shipbuilding, Repair
Price Co.	Wholesale
San Diego State University	Higher Education
Science Applications International Corp.	Science
Security Pacific Financial Services	Financing
Solar Turbines, Inc.	Gas Turbine Power
Southern California Edison Co.	Utility
Union Bank	Banking
USAIR	Airline
Wells Fargo Bank N.A.	Banking

Source: City of San Diego Chamber of Commerce.

High-tech industries are an important sector of the area's economy. The City has an environment suited to high-tech companies. The area's high quality of life is an important consideration to high-tech companies locating in the region.

Numerous centers of higher education are located in the area. San Diego has several excellent academic facilities at the University of California at San Diego (UCSD), including the Center for Molecular Genetics, Center for Magnetics Research and a new Supercomputer facility. In addition to UCSD, the Salk Institute for Biological Studies and the Scripps Clinic and Research Foundation are three leading biomedical research institutes. San Diego State University conducts research in the areas of computer-aided design and engineering.

Employment

The City lies within the San Diego County labor market area and dominates the County's economic activities. Since the 1960's the City has broadened its economic base to include tourism and high technology as major contributors to area employment. During this period, the largest employment increases have been in such service sectors as retail trade and finance.

The City's unemployment rate averaged 3.9% in 1989. The City's unemployment rate compared favorably to California's average of 5.1% and the nation's average of 5.3%.

The following table shows wage and salary employment for the various industry groups in the San Diego County.

Table A-8

SAN DIEGO METROPOLITAN AREA
WAGE AND SALARY EMPLOYMENT (1)
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
1985 - 1989

	1985	1986	1987	1988	1989(P)
Total All Industries	795,700	831,500	879,800	928,700	974,500
Agriculture, Forestry and Fisheries	11,900	11,800	12,400	12,100	11,700
Nonagricultural Industries	783,900	819,700	867,400	916,600	962,800
Mining	800	800	800	800	800
Construction	47,500	50,900	54,600	57,400	63,300
Manufacturing	121,600	121,800	124,300	130,100	135,000
Nondurable goods	21,000	21,700	23,400	25,700	26,500
Durable goods	100,600	100,100	100,900	104,500	108,500
Transportation, Public Utilities	31,600	32,300	33,700	35,100	35,500
Trade	186,900	196,200	207,000	223,000	235,200
Wholesale	33,600	35,200	37,900	41,000	43,800
Retail	153,300	161,100	169,100	181,900	191,500
Finance, Insurance, Real Estate	52,000	56,600	61,400	65,000	66,700
Services	197,900	211,100	229,000	242,500	257,500
Government	145,700	149,900	156,600	162,800	168,900
Federal	43,800	44,000	45,000	45,300	46,900
State & Local	101,900	105,900	111,600	117,600	122,000
Civilian Labor Force (3)	967,200	1,010,900	1,059,400	1,126,500	1,173,400
Employment	915,900	960,500	1,011,700	1,078,300	1,127,200
Unemployment	51,300	50,400	47,700	48,200	46,200
Unemployment Rate (4)	5.3%	5.0%	4.5%	4.3%	3.9%

Notes:

- (1) Employment reported by place of work. Does not include proprietors, self-employed or persons involved in labor-management trade disputes.
- (2) Figures may not add to the Industry Total due to independent rounding.
- (3) Labor force data are by place of residence. Employment includes persons involved in labor-management trade disputes.
- (4) The unemployment rate is computed from unrounded data, and it may differ from rates using the rounded figures in this table.
- (P) Preliminary.

Source: State of California Employment Development Department.

Military Employment

The following table shows the number of active military personnel stationed in San Diego County since 1970. While the total number of active duty military personnel has remained relatively constant since 1975, the growth of other industries has reduced the military's share of total employment to less than 13% by 1989.

Table A-9

SAN DIEGO COUNTY
ACTIVE MILITARY PERSONNEL STATIONED IN COUNTY
1970-1989

<u>Calendar Year</u>	<u>Number of Personnel (Rounded)</u>	<u>Percentage of Total Employment</u>
1970	141,700	26.80%
1975	119,500	20.00
1980	118,300	15.40
1985	120,300	13.10
1986	138,600	14.40
1987	143,400	14.20
1988	144,200	13.40
1989	141,700	12.60

Source: City of San Diego Chamber of Commerce.

Commercial Activity

In downtown San Diego, significant commercial development has occurred over the last several years as a result of the City's redevelopment efforts. Seaport Village, a 13-acre specialty retail development, was the first significant development to open in 1980 containing 99,000 square feet of specialty retail. Horton Plaza, a major mixed use retail, entertainment and parking complex, opened in August of 1985. Horton Plaza includes approximately 900,000 square feet of retail, containing four major department stores, The Broadway, Robinson's, Mervyn's and Nordstrom, and approximately 150 specialty retail shops and a parking structure containing approximately 2,800 parking spaces. Under construction is an upscale fashion retail center containing approximately 107,000 square feet adjacent to the Horton Plaza retail center. Planning and design is currently underway for the expansion of Seaport Village, which will add approximately 180,000 square feet of specialty retail.

Also in the downtown area, major hotel developments have occurred and/or are under construction with the opening of the Convention Center in November of 1989. Four hotel developments have opened in the past six years containing approximately 2,600 hotel rooms. Included are the Marriott Hotel adjacent to the Convention Center, the Omni Hotel adjacent to the Horton Plaza retail center, Embassy Suites Hotel, the Horton Grand Saddlery Hotel and the US Grant Hotel. Other hotels currently under construction include the Hyatt Hotel and the Emerald-Shapery Hotel, containing an additional 1,300 rooms.

Major office development also has been a significant factor in the redevelopment of the downtown Centre City area over the last ten years. Approximately 4 million square feet of Class A office space has been constructed and completed. Two additional office projects are currently under construction containing approximately 800,000 square feet.

In addition, redevelopment efforts have developed more than 2,400 residential units in the downtown area are with another 2,200 units in the planning stages.

The following table presents retail and total taxable transactions for the City from 1985 through 1989.

Table A-10

CITY OF SAN DIEGO
TAXABLE TRANSACTIONS
(In Thousands)

	1985	1986	1987	1988	1989
Apparel Stores	\$ 241,671	\$ 248,477	\$ 279,481	\$ 324,339	\$ 371,852
General Merchandise	809,774	821,830	900,882	928,186	1,003,319
Drug stores	101,829	110,507	120,242	130,015	141,155
Food stores	416,622	438,696	414,311	447,067	496,657
Package liquor	60,543	60,425	72,620	71,207	72,384
Eating & drinking establishments	757,815	794,338	877,562	954,130	1,022,509
Home furnishings and appliances	265,866	285,117	313,797	330,174	341,548
Building materials and farm implements	265,198	325,470	339,198	369,261	405,645
Auto dealers and supplies	866,031	961,501	967,753	968,231	982,230
Service stations	456,341	401,944	483,404	474,205	548,352
Other retail stores	<u>782,451</u>	<u>833,897</u>	<u>966,830</u>	<u>1,055,836</u>	<u>1,115,994</u>
Total retail outlets	\$5,024,141	\$5,282,202	\$5,736,080	\$6,052,651	\$6,501,645
All other outlets	<u>2,154,484</u>	<u>2,321,317</u>	<u>2,464,738</u>	<u>2,695,823</u>	<u>2,985,340</u>
Total all outlets	<u>\$7,178,625</u>	<u>\$7,603,519</u>	<u>\$8,200,818</u>	<u>\$8,748,474</u>	<u>\$9,459,985</u>

Source: California State Board of Equalization.

City Debt Structure

Short-Term Borrowings

In 1979 the City began a program of issuing short-term tax and revenue anticipation notes to cure periodic general fund cash flow deficits. The following table presents a complete history of the City's temporary borrowings:

Table A-11

<u>Year Ended June 30</u>	<u>Amount (000's)</u>
1979-80.....	\$16,500
1980-81	27,000
1981-82	23,000
1982-83	29,000
1983-84.....	34,000
1984-85.....	30,000
1985-86	36,000
1986-87.....	50,000
1987-88	5,000
1988-89	28,000
1989-90.....	40,000
1990-91	49,000

Source: City of San Diego.

Long-Term Obligations

As of June 30, 1990, the City had \$6.5 million aggregate principal amount of long-term general obligation bonded indebtedness outstanding. The City has never defaulted on any of its bonded indebtedness issued or on lease payment obligations incurred. The following table is a schedule by years of payments required by the City with respect to future obligations, as of June 30, 1990.

Table A-12

CITY OF SAN DIEGO FUTURE OBLIGATIONS (In Thousands)

<u>Year Ending June 30</u>	<u>General Obligation Bonds</u>	<u>Special Assessment Bonds</u>	<u>Tax Allocation Bonds</u>	<u>Contracts Payable</u>	<u>Notes Payable</u>	<u>Capital Lease Obligations</u>
1991	\$ 20,060	\$ 7,385	\$ 5,929	\$ 2,682	\$ 4,774	\$596
1992	19,895	7,518	5,932	2,292	1,827	713
1993	18,900	7,477	5,929	2,020	548	23
1994	19,046	7,432	5,926	3,340	568	0
1995	18,345	7,399	5,926	2,478	585	0
1996-2000	90,993	35,636	29,754	1,282	2,121	0
2001-2005	92,497	31,980	26,498	542	408	0
Thereafter	<u>34,418</u>	<u>44,356</u>	<u>20,766</u>	<u>113</u>	<u>58,664</u>	<u>0</u>
Sub-Total	\$314,154	\$149,183	\$106,660	\$14,749	\$69,495	\$1,332
Less amounts representing interest	<u>129,609</u>	<u>73,422</u>	<u>52,465</u>	<u>3,522</u>	<u>1,244</u>	<u>137</u>
Total	<u>\$184,545⁽¹⁾</u>	<u>\$ 75,761</u>	<u>\$ 54,195</u>	<u>\$11,227</u>	<u>\$68,251</u>	<u>\$1,195</u>

(1) Included in the \$184,545,000 is \$6.5 million attributable to the City alone and not the other reporting entities.

Source: City of San Diego.

The following table is a schedule by years of future minimum rental payments required under operating leases entered into by the City that have initial or remaining noncancelable lease terms in excess of one year, as of June 30, 1990:

Table A-13

**CITY OF SAN DIEGO
FUTURE MINIMUM RENTAL PAYMENTS**

<u>Year Ending June 30</u>	<u>Amount (000's)</u>
1991	\$ 5,741
1992	4,731
1993	3,213
1994	1,203
1995	777
Thereafter	<u>19,964</u>
Total minimum payments	<u>\$35,629</u>

Source: City of San Diego.

Overlapping Debt and Debt Ratios

The City contains numerous school districts and special purpose districts, such as for water and sanitation, many of which have issued general obligation bonds. A statement of overlapping debt is presented below. Some of the issues may be payable from self-supporting enterprises or revenue sources other than property taxation. Revenue bonds, tax allocation bonds, and special assessment bonds are not included in the tabulation; lease revenue obligations payable from the City General Fund or equivalent sources are included.

Table A-14

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
JANUARY 8, 1991

CITY OF SAN DIEGO

1990-91 Assessed Valuation: \$55,959,353,228 (after deducting \$1,506,652,420 redevelopment tax allocation increment)

<u>DIRECT AND OVERLAPPING BONDED DEBT:</u>	<u>% Applicable</u>	<u>Debt 12/1/90</u>	
San Diego County General Fund Obligations	48.329%	\$146,138,680	
San Diego County Water Authority	50.165	11,643,297	
Metropolitan Water District	8.086	57,932,956	
San Diego Community College District Administration Facilities Corporation and Certificates of Participation	99.947	9,799,803	
Poway Unified School District Certificates of Participation	75.571	5,516,683	
San Diego Unified School District	99.952	2,248,920	
San Diego Unified School District Public School Building Corporation	99.952	103,500,296	
Other School, High School and Community College Districts	Various	1,621,681	
Other School, High School and Community College Districts Certificates of Participation	Various	3,410,089	
City of San Diego	100.	31,730,000	(1)
City of San Diego Stadium Authority	100.	21,400,000	
City of San Diego Planetarium Authority	100.	1,220,000	
City of San Diego Certificates of Participation	100.	52,010,000	
City of San Diego Light Rail Transit Authority	100.	31,240,000	
City of San Diego 1915 Act Bonds (Estimated)	100.	86,556,931	
San Diego Open Space Park Facilities District #1	100.	68,935,000	
San Diego Unified Port District	87.752	7,393,106	
Northern San Diego Hospital District	33.516	987,046	
Northern San Diego Hospital District Authority	33.516	3,557,723	
Grossmont Hospital Authority	8.609	683,555	
North City Community Facilities District	100.	46,265,000	
Other Special Districts	Various	<u>747,407</u>	
TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT		\$694,538,173	(2)
Less: Bonds paid by water revenues:			
Metropolitan Water District		57,889,968	
San Diego County Water Authority		11,527,943	
Helix Water District		1,182	
City of San Diego Wild Animal Park Bonds (100% self-supporting)		500,000	
City of San Diego Stadium Authority (100% self-supporting)		21,400,000	
City of San Diego Planetarium Authority (100% self-supporting)		1,220,000	
San Diego Unified Port District (100% self-supporting)		7,393,106	
San Diego Open Space Park Facilities District #1 (100% self-supporting)		<u>68,935,000</u>	
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT		\$525,670,974	(2)

(1) Includes \$25,500,000 general obligation bonds to be sold.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to Assessed Valuation:

Gross Direct Debt (\$137,600,000)	0.25%
Net Direct Debt (\$114,480,000)	0.20%
Gross Combined Direct Debt (\$206,535,000)	0.37%(1)
Net Combined Direct Debt (\$114,480,000)	0.20%
Total Gross Debt	1.24%
Total Net Debt	0.94%

(1)	City	\$ 31,730,000
	City Authorities	53,860,000
	City Certificates of Participation	52,010,000
	San Diego Open Space Park Facilities District #1	<u>68,935,000</u>
		\$206,535,000

SHARE OF AUTHORIZED AND UNSOLD GENERAL OBLIGATION BONDS:

Metropolitan Water District	\$ 4,043,000
Santee School District	1,456
Chula Vista School District	64,180
Del Mar Union School District	66,468
Pensasquitos Sewer District	5,500,000

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/90: \$20,563,104

Source: California Municipal Statistics, Inc.

Construction

The following table presents the valuation of building permits issued in the City from 1985 through 1989. An interim development ordinance was in effect in the City during a portion of 1988. Subsequently, the interim development ordinance was lifted and a monitoring system established to ensure that the necessary public facilities are in place to service completed development prior to granting approval on new permits. It should be noted that although 1988 shows a decline in both the number of new dwelling units and valuation, 1988 figures are 10% higher than the average recorded over the last 10 years.

Table A-15

BUILDING PERMIT VALUATIONS FISCAL YEARS ENDED JUNE 30

	1986	1987	1988	1989	1990
Valuation (in thousands):					
Residential	\$1,175,448	\$1,478,146	\$ 739,710	\$1,104,638	\$1,092,547
Nonresidential	<u>617,327</u>	<u>749,597</u>	<u>796,884</u>	<u>851,591</u>	<u>738,998</u>
Total	\$1,792,775	\$2,227,743	\$1,536,594	\$1,956,229	\$1,831,545
New Dwelling Units:					
Single Family	5,127	6,448	3,155	3,739	3,072
Multiple Family	<u>11,960</u>	<u>12,183</u>	<u>5,089</u>	<u>6,156</u>	<u>6,318</u>
Total	17,087	18,631	8,244	9,895	9,390

Source: City of San Diego, Department of Building Inspection.

Tourism

According to the San Diego Convention and Visitors Bureau, total visitor spending for 1989 was an estimated \$3.1 billion. The City's tourist attractions include the San Diego Zoo, Balboa Park and Sea World. The City is also home to three professional sport franchises for football, baseball and indoor soccer. The City was the host for the 1988 Superbowl and the 1989 "Treasures of the Soviet Union" arts festival.

San Diego will host the World's Cup sailboat races in May, 1991, the U.S. Conference of Mayors in June, 1991, the America's Cup sailboat races in May, 1992 and the 1992 All-Star baseball game.

The City hosts numerous conventions, and delegate spending adds significantly to tourism. The following table shows the trend of convention business since 1985:

Table A-16

CITY OF SAN DIEGO
CONVENTION INDUSTRY
1985 THROUGH 1989

Calendar Year	Estimated Spending	Number of Conventions	Total Delegate Attendance
1985	\$ 286,000,000	1,506	546,219
1986	\$ 278,252,117	1,428	522,049
1987	\$ 303,603,729	1,681	569,613
1988	\$ 343,123,699	1,755	671,718
1989	\$ 365,727,638	1,769	672,897

Source: San Diego Convention and Visitors Bureau.

From relatively minor beginnings, San Diego's cruise ship industry increased dramatically following the organization of a Cruise Industry Consortium in 1983 and renovation of the "B" Street Pier. The following table shows a recent history of cruise ship business:

Table A-17

**SAN DIEGO'S
CRUISE SHIP INDUSTRY**

Calendar Year	Number of Passengers	Total Vessel Calls	Number of Vessels	Number of Cruise Lines
1980	1,248	2	1	1
1981	1,582	6	2	2
1982	1,060	5	2	2
1983	28,936	54	4	4
1984	75,763	350	7	5
1985	104,462	276	10	8
1986	53,895	186	12	10
1987	66,577	400	18	13
1988	123,247	530	17	12
1989	104,623	362	15	13

Source: San Diego Cruise Industry Consortium.

Healthcare Facilities and Education

The City has 19 hospitals including the Veterans Administration Hospital and the Naval Regional Medical Center. There are 161 public schools in the San Diego Unified School District, including 109 elementary schools and 52 junior high, senior high, vocational or special schools, with a total enrollment of approximately 120,727 students and a certificated teaching staff of approximately 7,054. The University of California at San Diego and San Diego State University are two major universities among 15 colleges and universities in the City. The City maintains 32 public libraries.

Research Facilities

Among the more important local research facilities are the Scripps Clinic and Research Foundation, the Naval Electronics Laboratory Center, the Palomar Observatory and the Salk Biological Research Institute headed by Dr. Jonas Salk. The Salk Institute, the Scripps Clinic and Research Foundation, the University of California at San Diego Medical School and the regional Veterans Administration Hospital are all major facilities with programs devoted to the cure and prevention of human diseases.

Transportation

San Diego has a well-developed and relatively uncongested highway system. Access in and out of the region is provided by five major freeways running north and south and three freeways running east and west.

Public transportation through the City and metropolitan surrounding communities is provided by the San Diego Transit Board. The San Diego Trolley, Inc. operates a fleet of electric trolleys that provides transportation for commuters and tourists from downtown San Diego to San Ysidro (adjacent to Tijuana), and from downtown San Diego to Southeast San Diego and East County. In addition, the newest expansion of the trolley provides service between downtown San Diego and the waterfront area.

Utilities

Electric power and natural gas are provided by San Diego Gas and Electric Company. The Pacific Bell Telephone Company provides telecommunications service to the San Diego region. The City provides water and sewer service.

Retirement System

The City of San Diego has a Retirement System founded in 1926. The pension system is a contributory type plan covering virtually all City employees. The pension system is believed to be one of the best funded pension systems in the country, with a 95.8% funding ratio, as of June 30, 1990.

Labor Relations

Most City employees are represented by one of four labor organizations: The American Federation of State and County Municipal Employees (Local 127), which represents approximately 1,143 employees; The Municipal Employees Association and unrepresented employees, which total approximately 2,681 employees; The Police Officers Association, which represents approximately 1,863 employees; and the International Association of Firefighters (Local 145), which represents approximately 885 employees. In addition, approximately 341 employees are unclassified and are not represented by bargaining units.

The City believes that it has excellent labor relations and negotiates its labor contracts annually by mid-May of each fiscal year. In recent years, the City has begun negotiating multi-year agreements with its labor unions.

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APPENDIX B

**CITY OF SAN DIEGO
GENERAL PURPOSE FINANCIAL STATEMENTS**

GENERAL PURPOSE FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor, Members of the City Council and City Manager
of the City of San Diego, California;

We have audited the accompanying general purpose financial statements of the City of San Diego, California as of June 30, 1990, and for the year then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 provides a reasonable basis for our opinion.

In our opinion, such general purpose financial statements present fairly, in all material respects, the financial position of the City of San Diego, California at June 30, 1990, and the results of its operations and the changes in financial position of its proprietary fund types and similar trust funds for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining and individual fund and account group financial statements. The accompanying financial information listed as supplemental schedules in the foregoing table of contents, which is also the responsibility of the management of the City of San Diego, California, is presented for purposes of additional analysis and is not a required part of the financial statements of the City of San Diego, California. Such additional information has been subjected to the auditing procedures applied in our audit of the general purpose, combining and individual fund and account group financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements of each of the respective individual funds and account groups taken as a whole.

Deloitte & Touche

November 14, 1990

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1990
 (In Thousands)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	
ASSETS AND OTHER DEBITS										
Cash or Equity in Pooled										
Cash and Investments	\$ 57,527	\$ 86,563	\$ 33,691	\$ 304,925	\$ 460,377	\$ 39,043	\$ 176,168	\$ 0	\$ 0	\$ 1,158,294
Cash With Custodian/Fiscal Agent	0	1,981	3,239	3	0	0	0	0	0	5,223
Investments at Cost	0	14,348	25,605	17,475	0	0	865,032	0	0	922,460
Receivables:										
Taxes - Net	9,835	282	321	0	0	0	0	0	0	10,438
Accounts - Net	4,495	1,777	0	282	38,843	48	432	0	0	45,877
Claims - Net	246	0	0	0	0	61	0	0	0	307
Special Assessments - Net	0	181	785	0	9	0	0	0	0	975
Notes	0	20,793	0	1,495	168	0	0	0	0	22,456
Contributions	0	19	0	0	0	0	2,498	0	0	2,517
Accrued Interest	2,492	1,122	155	2,008	4,280	25	8,902	0	0	18,984
Grants	0	8,154	0	963	13,369	0	0	0	0	22,486
Loans to Redevelopment Agency	0	275	0	0	0	0	0	0	0	275
From Other Funds	0	0	0	0	449	0	0	0	0	449
From Other Agencies	70	23,901	0	1,459	0	0	0	0	0	25,430
Advances to Other Funds	25,017	633	0	349	12,232	10	16	0	0	38,257
Advances to Other Agencies	350	614	0	0	0	0	0	0	0	964
Inventories of Water in Storage	0	0	0	0	21,271	0	0	0	0	21,271
Inventories	0	0	0	0	176	3,723	0	0	0	3,899
Prepaid and Reimbursable Items and Deposits	290	1,110	342	1,851	280	0	80	0	0	3,953
Restricted Assets:										
Cash or Equity in Pooled Cash and Investments - Interest and										
Redemption Funds	0	2,170	0	0	2,895	0	0	0	0	5,065
Cash with Custodian/Fiscal Agent	0	0	0	0	685	0	0	0	0	685
Fixed Assets - Net	0	0	0	0	875,116	25,433	0	673,819	0	1,574,368
Amount Available for Payment of General Long-Term Debt	0	0	0	0	0	0	0	0	52,681	52,681
Amount to be Provided for Retirement of Long-Term Debt	0	0	0	0	0	0	0	0	392,873	392,873
TOTAL ASSETS AND OTHER DEBITS	\$ 100,322	\$ 163,923	\$ 64,138	\$ 330,810	\$ 1,430,150	\$ 68,343	\$ 1,053,128	\$ 673,819	\$ 445,554	\$ 4,330,187

See Notes to Financial Statements

Continued on next page

THE CITY OF SAN DIEGO

ANNUAL FINANCIAL REPORT

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1990
 (In Thousands)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	
LIABILITIES										
Obligations Under Reverse										
Repurchase Agreements	\$ 20,982	\$ 21,475	\$ 5,115	\$ 65,684	\$ 106,880	\$ 7,536	\$ 32,499	\$ 0	\$ 0	\$ 260,171
Accounts Payable	2,476	5,555	214	4,001	11,145	1,905	26,016	0	0	51,312
Accrued Wages and Benefits	11,030	775	0	74	8,217	3,294	35	0	32,499	55,924
Other Accrued Liabilities	0	17,456	0	0	72	0	0	0	0	17,528
Employees' Deferred Compensation										
/401(k) Plans	0	0	0	0	0	0	39,417	0	17,881	57,298
Liability Claims	0	0	0	0	3,630	27,113	0	0	0	30,743
Matured Bonds, Notes and Interest Payable	0	0	853	0	687	0	0	0	0	1,540
Interest Accrued on Long-Term Debt	0	0	0	0	114	0	0	0	0	114
Long-Term Debt Due Within One Year	0	0	0	0	5,752	0	0	0	0	5,752
Due to Other Funds	0	0	0	449	0	0	0	0	0	449
Due to Other Agencies	0	9,992	0	0	0	0	883	0	0	10,875
Deferred Revenue	9,490	21,818	795	18,756	16,482	120	449	0	0	67,910
Advances from Other Funds	0	507	0	0	553	36,642	555	0	0	38,257
Advances from Other Agencies	0	107	0	0	0	0	0	0	0	107
Deposits/Advances from Others	0	10,578	0	1,103	1,169	0	10,024	0	0	22,874
Sundry Trust Liabilities	0	0	0	0	0	0	6,599	0	0	6,599
Capital Lease Obligations	0	0	0	0	0	0	0	0	1,195	1,195
Contracts and Notes Payable	0	0	0	0	2,719	0	0	0	79,478	82,197
General and Special Obligation Bonds										
Payable	0	0	0	0	0	0	0	0	314,501	314,501
Revenue Bonds Payable - Net of Current Portion	0	0	0	0	17,334	0	0	0	0	17,334
TOTAL LIABILITIES	43,978	88,263	6,977	90,067	174,754	76,610	116,477	0	445,554	1,042,680
FUND EQUITY AND OTHER CREDITS										
Investment in General Fixed Assets	0	0	0	0	0	0	0	673,819	0	673,819
Contributed Capital	0	0	0	0	770,765	191	0	0	0	770,956
Retained Earnings (Deficit):										
Reserved for Claims and Contingencies	0	0	0	0	0	736	0	0	0	736
Unreserved	0	0	0	0	484,631	0	0	0	0	484,631
Fund Balances:										
Reserved for Encumbrances	10,991	4,831	0	40,329	0	0	664	0	0	56,815
Reserved for Advances and Deposits	25,447	988	0	976	0	0	0	0	0	27,411
Reserved for Nonexpendable Trust	0	0	0	0	0	0	3,742	0	0	3,742
Reserved for Pension Benefits	0	0	0	0	0	0	930,375	0	0	930,375
Reserved for Debt Service	0	7,834	44,847	0	0	0	0	0	0	52,681
Reserved for Loan Commitments	0	4,826	0	0	0	0	0	0	0	4,826
Reserved for Project Equity/Operations	0	3,937	0	0	0	0	0	0	0	3,937
Unreserved:										
Designated for Subsequent Years'										
Expenditures	4,683	14,843	0	114,513	0	0	402	0	0	134,441
Undesignated	15,223	38,401	12,314	84,925	0	-9,194	1,468	0	0	143,137
TOTAL FUND EQUITY AND OTHER CREDITS	56,344	75,660	57,161	240,743	1,255,396	-8,267	936,651	673,819	0	3,287,507
TOTAL LIABILITIES AND FUND EQUITY AND OTHER CREDITS	\$ 100,322	\$ 163,923	\$ 64,138	\$ 330,810	\$ 1,430,150	\$ 68,343	\$ 1,053,128	\$ 673,819	\$ 445,554	\$ 4,330,187

See Notes to Financial Statements

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 Year Ended June 30, 1990
 (In Thousands)

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
REVENUES						
Property Taxes and Special Assessments	\$ 117,406	\$ 9,020	\$ 22,998	\$ 821	\$ 0	\$ 150,245
Other Local Taxes	135,665	37,522	0	21,676	0	194,863
Licenses and Permits	8,677	411	0	3,916	0	13,004
Fines, Forfeitures and Penalties	12,829	626	0	129	0	13,584
Revenue from Use of Money and Property	29,796	28,822	5,207	20,462	1,224	85,511
Revenue from Federal Agencies	35	57,601	0	391	0	58,027
Revenue from Other Agencies	45,836	10,406	500	2,863	0	59,605
Revenue from Private Sources	0	8,541	0	40,496	438	49,475
Charges for Current Services	39,760	7,949	0	56	32	47,797
Other Revenue	1,888	1,836	0	883	307	4,914
TOTAL REVENUES	391,892	162,734	28,705	91,693	2,001	677,025
EXPENDITURES						
Current:						
General Government	62,325	3,564	0	1,978	189	68,056
Public Safety	197,822	5,628	0	0	15	203,465
Libraries	12,202	1,284	0	0	347	13,833
Parks, Recreation and Culture	36,861	50,499	0	39	1,386	88,785
General Services	51,338	622	0	12,987	0	64,947
Engineering and Development	14,972	6,745	0	125	0	21,842
Housing and Community Development	0	64,093	0	0	0	64,093
Public Transportation	0	2,833	0	3	8	2,844
Employment and Social Service Programs	333	5,160	0	0	0	5,493
Miscellaneous and Unallocated	11,097	26	0	0	0	11,123
Capital Projects	43	12,729	0	106,856	81	119,709
Debt Service:						
Principal Retirement	0	0	12,227	0	0	12,227
Interest	0	0	23,127	0	0	23,127
TOTAL EXPENDITURES	386,993	153,183	35,354	121,988	2,026	699,544
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,899	9,551	-6,649	-30,295	-25	-22,519
OTHER FINANCING SOURCES (USES)						
Long-Term Debt Proceeds	0	0	2,834	31,893	0	34,727
Capital Lease	0	103	0	0	0	103
Transfers from Proprietary/Fiduciary Funds	308	1,559	0	0	0	1,867
Transfers from Other Funds	8,921	35,009	15,363	12,569	0	71,862
Transfers to Proprietary Funds	-1,100	-3,170	0	-1,735	0	-6,005
Transfers to Other Funds	-3,617	-50,662	-5,048	-12,535	0	-71,862
Cost of Issuance, Bonds and Notes	0	0	0	-354	0	-354
TOTAL OTHER FINANCING SOURCES (USES)	4,512	-17,161	13,149	29,838	0	30,338
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	9,411	-7,610	6,500	-457	-25	7,819
Fund Balances at July 1, 1989	46,933	83,270	50,661	241,200	1,659	423,723
FUND BALANCES AT JUNE 30, 1990	\$ 56,344	\$ 75,660	\$ 57,161	\$ 240,743	\$ 1,634	\$ 431,542

See Notes to Financial Statements

THE CITY OF SAN DIEGO

ANNUAL FINANCIAL REPORT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED GOVERNMENTAL FUND TYPES
 Year Ended June 30, 1990
 (In Thousands)

	General Fund		Budgeted Special Revenue Funds		Budgeted Debt Service Funds		Budgeted Capital Projects Funds		Total (Memorandum Only)		Variance Favorable (Unfavorable)
	Actual on Budgetary Basis	Budget	Actual on Budgetary Basis	Budget	Actual on Budgetary Basis	Budget	Actual on Budgetary Basis	Budget	Actual on Budgetary Basis	Budget	
REVENUES											
Property Taxes and Special Assessments	\$ 117,406	\$ 118,005	\$ 5,753	\$ 5,462	\$ 2,852	\$ 2,535	\$ 0	\$ 0	\$ 126,011	\$ 126,002	\$ 9
Other Local Taxes	135,665	133,456	37,362	37,657	0	0	14,626	14,307	187,653	185,420	2,233
Licenses and Permits	8,677	9,319	394	387	0	0	0	0	9,071	9,706	-635
Fines, Forfeitures and Penalties	12,829	13,391	0	0	0	0	0	0	12,829	13,391	-562
Revenue from Use of Money and Property	29,796	30,458	16,522	15,303	91	28	5,415	4,301	51,824	50,090	1,734
Revenue from Federal Agencies	35	140	0	0	0	0	391	0	426	140	286
Revenue from Other Agencies	45,836	41,333	6,279	6,655	500	491	1,981	1,554	54,596	50,033	4,563
Revenue from Private Sources	0	0	1,154	928	0	0	0	0	1,154	928	226
Charges for Current Services	39,760	39,543	4,868	4,062	0	0	56	0	44,684	43,605	1,079
Other Revenue	1,888	1,662	955	298	0	0	6	0	2,849	1,960	889
Excess Revenue Appropriated	0	0	171	1,845	0	0	0	329	171	2,174	-2,003
TOTAL REVENUES	391,892	387,307	73,458	72,597	3,443	3,054	22,475	20,491	491,268	483,449	7,819
EXPENDITURES											
Current:											
General Government	64,215	69,581	11	132	0	0	0	0	64,226	69,713	5,487
Public Safety	202,473	206,593	3,642	3,343	0	0	0	0	206,115	209,936	3,821
Libraries	12,482	13,164	0	0	0	0	0	0	12,482	13,164	682
Parks, Recreation and Culture	39,718	41,988	39,989	44,949	0	0	0	0	79,707	86,937	7,230
General Services	51,981	54,671	14,548	15,875	0	0	15,921	20,877	82,450	91,423	8,973
Engineering and Development	15,377	16,940	924	1,006	0	0	130	234	16,431	18,180	1,749
Housing and Community Development	0	0	2,920	3,505	0	0	0	0	2,920	3,505	585
Public Transportation	0	0	530	4,761	0	0	0	0	530	4,761	4,231
Employment and Social Service Programs	359	410	0	0	0	0	0	0	359	410	51
Miscellaneous and Unallocated	11,347	11,600	0	5,411	0	0	0	4,989	11,347	22,000	10,653
Capital Projects	133	145	1,135	3,017	0	0	29,699	67,831	30,967	70,993	40,026
Debt Service:											
Principal Retirement	0	0	0	0	3,435	3,435	0	0	3,435	3,435	0
Interest	0	0	0	0	460	460	0	0	460	460	0
TOTAL EXPENDITURES	398,085	415,092	63,699	81,999	3,895	3,895	45,750	93,931	511,429	594,917	83,488
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-6,193	-27,785	9,759	-9,402	-452	-841	-23,275	-73,440	-20,161	-111,468	91,307
OTHER FINANCING SOURCES (USES)											
Capital Lease	0	0	103	0	0	0	0	0	103	0	103
Transfers from Proprietary/Fiduciary Funds	308	578	559	250	0	0	0	0	867	828	39
Transfers from Other Funds	8,921	10,366	24,010	19,362	0	0	4,304	2,680	37,235	32,408	4,827
Transfers to Proprietary Funds	-1,100	-1,100	-3,170	-3,170	0	0	0	0	-4,270	-4,270	0
Transfers to Other Funds	-3,617	-3,617	-38,134	-37,058	0	0	-4,137	-5,782	-45,888	-46,457	569
TOTAL OTHER FINANCING SOURCES (USES)	4,512	6,227	-16,632	-20,616	0	0	167	-3,102	-11,953	-17,491	5,538
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-1,681	-21,558	-6,873	-30,018	-452	-841	-23,108	-76,542	-32,114	-128,959	96,845
Fund Balances Undesignated at July 1, 1989	8,974	8,974	21,932	21,932	76	76	40,123	40,123	71,105	71,105	0
Reserved for Encumbrances at July 1, 1989	9,692	9,692	11,690	11,690	0	0	15,174	15,174	36,556	36,556	0
Reserved for Debt Service at July 1, 1989	0	0	0	0	1,316	1,316	0	0	1,316	1,216	0
Reserved for Debt Service at June 30, 1990	0	0	0	0	-817	-519	0	0	-817	-519	-298
Designated for Subsequent Years' Expenditures at July 1, 1989	2,921	2,921	4,377	4,377	0	0	29,290	29,290	36,588	36,588	0
Designated for Subsequent Years' Expenditures at June 30, 1990	-4,683	0	-6,651	-1,300	0	0	-40,030	0	-51,364	-1,300	-50,064
FUND BALANCES UNDESIGNATED AT JUNE 30, 1990	\$ 15,223	\$ 29	\$ 24,475	\$ 6,681	\$ 123	\$ 32	\$ 21,449	\$ 8,045	\$ 61,270	\$ 14,787	\$ 46,483

See Notes to Financial Statements

THE CITY OF SAN DIEGO

ANNUAL FINANCIAL REPORT

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 RETAINED EARNINGS/FUND BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
 Year Ended June 30, 1990
 (In Thousands)

	Proprietary Fund Types		Fiduciary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	Pension Trust	Nonexpendable Trust	
OPERATING REVENUES					
Earnings on Investments	\$ 0	\$ 0	\$ 72,555	\$ 335	\$ 72,890
Sale of Water	106,522	0	0	0	106,522
Charges for Services	158,355	17,547	72	29	176,003
Contributions	0	19,345	64,162	0	83,507
Revenue from Use of Property	2,550	0	0	0	2,550
Usage Fees	21,295	18,262	0	0	39,557
Other	3,080	2,031	0	0	5,111
TOTAL OPERATING REVENUES	291,802	57,185	136,789	364	486,140
OPERATING EXPENSES					
Benefit and Claim Payments	0	37,131	54,800	0	91,931
Maintenance and Operations	88,594	13,904	0	0	102,498
Cost of Materials Issued	0	12,619	0	0	12,619
Cost of Water Purchased	50,831	0	0	0	50,831
Taxes	12,750	0	0	0	12,750
Administration	51,603	4,910	3,119	0	59,641
Depreciation and Amortization	19,964	4,967	0	0	24,931
TOTAL OPERATING EXPENSES	223,742	73,540	57,919	0	355,201
OPERATING INCOME (LOSS)	68,060	-16,355	78,870	364	130,939
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments	26,979	198	0	0	27,177
Federal Grant Assistance	3,435	0	0	0	3,435
Other Agency Grant Assistance	709	0	0	0	709
Bond Interest Payments	-957	0	0	0	-957
Gain on Sale/Retirement of Fixed Assets	309	472	0	0	781
Other	256	12	0	0	268
TOTAL NONOPERATING REVENUES (EXPENSES)	30,731	682	0	0	31,413
INCOME (LOSS) BEFORE OPERATING TRANSFERS	98,791	-15,673	78,870	364	162,352
Operating Transfers In	1,278	0	0	0	1,278
Transfers from Governmental Funds	12	5,993	0	0	6,005
Operating Transfers Out	0	-1,278	0	0	-1,278
Transfers to Governmental Funds	-1,599	-268	0	0	-1,867
NET INCOME (LOSS)	98,482	-11,226	78,870	364	166,490
Retained Earnings/Fund Balances at July 1, 1989	386,149	2,768	852,086	3,697	1,244,700
RETAINED EARNINGS/FUND BALANCES AT JUNE 30, 1990	\$ 484,631	\$ -8,458	\$ 930,956	\$ 4,061	\$ 1,411,190

See Notes to Financial Statements

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
Year Ended June 30, 1990
(In Thousands)

	Proprietary Fund Types		Fiduciary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	Pension Trust	Nonexpendable Trust	
SOURCES OF WORKING CAPITAL					
Net Income (Loss)	\$ 98,482	\$ -11,226	\$ 78,870	\$ 364	\$ 166,490
Items Not Requiring Working Capital:					
Depreciation and Amortization	19,964	4,967	0	0	24,931
Gain on Sale/Retirement of Fixed Assets	-309	-472	0	0	-781
Working Capital Provided By Operations	118,137	-6,731	78,870	364	190,640
Increase in Contributed Capital	63,496	0	0	0	63,496
Proceeds from Sale of Fixed Assets	720	570	0	0	1,290
Increase in Deferred Revenue	2,574	1	0	0	2,575
Increase in Long-Term Debt	1,757	0	0	0	1,757
Increase in Advances from Other Funds	0	2,537	0	0	2,537
Decrease in Restricted Assets	251	0	0	0	251
Decrease in Other Assets	13	0	0	0	13
TOTAL SOURCES OF WORKING CAPITAL	186,948	-3,623	78,870	364	262,559
USES OF WORKING CAPITAL					
Acquisition of Fixed Assets	89,687	7,578	0	0	97,265
Increase in Grants Receivable	5,753	0	0	0	5,753
Increase in Advances to Other Funds	2,195	0	0	0	2,195
Decrease in Advances from Other Funds	0	132	0	0	132
Payment of Long-Term Debt	6,160	0	0	0	6,160
Decrease in Deferred Revenue	96	38	19	0	153
TOTAL USES OF WORKING CAPITAL	103,891	7,748	19	0	111,658
INCREASE (DECREASE) IN WORKING CAPITAL	\$ 83,057	\$ -11,371	\$ 78,851	\$ 364	\$ 150,901
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:					
Cash or Equity in Pooled Cash and Investments	\$ 88,379	\$ -6,409	\$ 14,641	\$ 1,189	\$ 97,800
Investments at Cost	0	0	85,604	65	85,669
Receivables:					
Accounts	4,102	-41	1	0	4,062
Special Assessments - Net	3	0	0	0	3
Claims	0	-9	0	0	-9
Notes	-41	0	0	0	-41
Contributions	0	0	1,827	0	1,827
Accrued Interest	1,914	0	2,117	1	4,032
Grants	47	0	0	0	47
From Other Funds	-11,878	0	0	0	-11,878
Inventory of Water in Storage	10,600	0	0	0	10,600
Inventories	0	147	0	0	147
Prepaid and Reimbursable Items and Deposits	-85	-14	46	0	-53
Obligations Under Reverse Repurchase Agreements	-17,167	3,136	-2,739	-891	-17,661
Accounts Payable	3,951	-358	-22,871	0	-19,278
Accrued Wages and Benefits	-1,112	-142	-12	0	-1,266
Other Accrued Liabilities	4	0	0	0	4
Liability Claims	5,786	-7,681	0	0	-1,895
Matured Bonds/Notes/Interest Payable	-964	0	0	0	-964
Interest Accrued on Long-Term Debt	13	0	0	0	13
Due to Other Agencies	0	0	245	0	245
Due to Other Funds	-15	0	0	0	-15
Deposits/Advances from Others	-480	0	11	0	-469
Sundry Trust Liabilities	0	0	-19	0	-19
INCREASE (DECREASE) IN WORKING CAPITAL	\$ 83,057	\$ -11,371	\$ 78,851	\$ 364	\$ 150,901

See Notes to Financial Statements

Notes to the Financial Statements

June 30, 1990

1. SUMMARY OF SIGNIFICANT POLICIES

The City of San Diego (the "City") adopted its charter on April 7, 1931 and operates as a municipality in accordance with State laws. The City is 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 generally accepted accounting principles ("GAAP") applicable to governmental units. The following is a summary of the more significant of such policies:

A. Scope of Financial Reporting Entity

The City has defined its reporting entity in accordance with criteria prescribed by the Governmental Accounting Standards Board ("GASB"), which provide guidance for determining which governmental activities, organizations and functions should be included in the City's reporting entity.

The criteria for inclusion in the CAFR of such information is generally based on the ability of the City to exercise oversight responsibility over such activities, organizations and functions. Such oversight responsibility is considered to mean the existence of financial interdependency and the ability to appoint governing boards, to designate management, the ability to significantly influence operations, to approve annual operating budgets or to control day to day operations. In analyzing the City's broad scope of operations, City management has determined that the City exercises such oversight responsibility over the following other entities:

- . Automated Regional Justice Information System
- . Centre City Development Corporation
- . City of San Diego Metropolitan Transit Development Board ("MTDB") Authority (a joint-powers agency)
- . Redevelopment Agency of the City of San Diego
- . San Diego Convention Center Corporation, Inc.
- . San Diego Data Processing Corporation
- . San Diego Festivals, Inc.
- . San Diego Housing Authority
- . San Diego Industrial Development Authority

- . San Diego Open Space Park Facilities District #1
- . San Diego Planetarium Authority (a joint-powers agency)
- . San Diego Stadium Authority (a joint-powers agency)
- . Southeast Economic Development Corporation
- . San Ysidro Revitalization Project

B. Basis of Presentation

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/retained earnings, revenues and expenditures/expenses. The various funds are summarized by type in the financial statements. The following fund types and account groups are used by the City:

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in Proprietary Fund Types) are accounted for through Governmental Fund Types. The measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination. The following are the City's Governmental Fund Types:

- . General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.
- . Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than those for expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.
- . 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.
- . 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 Fund Types and certain trust funds).

PROPRIETARY FUND TYPES

Proprietary Fund Types are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and changes in financial position. The following are the City's Proprietary Fund Types:

- . Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.
- . 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, on a cost-reimbursement basis.

FIDUCIARY FUND TYPES

Fiduciary Fund Types 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:

- . Trust and Agency Funds - Trust and Agency Funds include Expendable, Nonexpendable, Pension Trust and Agency Funds. Nonexpendable and Pension Trust Funds are accounted for and reported in the same manner as Proprietary Fund Types since capital maintenance is critical. Expendable Trust and Agency Funds are accounted for and reported similar to Governmental Fund Types.

ACCOUNT GROUPS

Account Groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt. The following are the City's account groups:

- . General Fixed Assets Account Group - This account group is established to account for all fixed assets of the City, other than those accounted for in the Proprietary Fund Types.
- . General Long-Term Debt Account Group - This account group is established to account for all long-term debt of the City, except for that accounted for in the Proprietary Fund Types.

C. Basis of Accounting

Governmental Fund Types, Expendable Trust and Agency Funds

The modified accrual basis of accounting is followed in the Governmental Fund Types, Expendable Trust and Agency Funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues which are considered susceptible to accrual include real and personal property taxes, interest, rents and state and federal grants and subventures. In applying the susceptible to accrual concept to state and federal revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

Other local taxes, licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Expenditures are recognized when the related fund liability is incurred except for (1) principal and interest in general long-term debt which are recognized when due; and (2) employee annual leave and claims and judgments from litigation and self-insurance which are recorded in the period due and payable since such amounts will not currently be liquidated with expendable available financial resources.

Proprietary Fund Types, Pension Trust and Nonexpendable Trust Funds

The accrual basis of accounting is used in all Proprietary Fund Types, Pension Trust and Nonexpendable Trust Funds. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred. Estimated unbilled revenues from the Water and Sewer Utility (Enterprise) Funds are recognized at the end of each fiscal year. This estimated amount is based on billings during the month following the close of the fiscal year.

D. Property Taxes

The County of San Diego (the "County") bills and collects property taxes on behalf of numerous special districts and incorporated cities, including the City. The City's collection 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 March 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 1978-79 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 on properties (exclusive of increases related to sales and new construction) can rise at a maximum of 2% per year.

This 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).

Property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided the taxes are collected within 60 days of the end of the fiscal year. 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 not recorded as revenue until collected. The City provides an allowance for uncollected property taxes of 4% of the outstanding balance which is reflective of historical collections.

E. Budgetary Data

General Budget Policies

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. Such budget includes annual budgets for the following funds:

General Fund

Special Revenue Funds:

- Automated Regional Justice Information System
- Centre City Development Corporation
- San Diego Convention Center Corporation
- San Diego Festivals Inc.
- Southeast Economic Development Corporation

Special Revenue Funds (continued):

- City of San Diego Oversight Unit:
 - Acquisition, Improvement and Operation
- Environmental Growth Funds:
 - Two-Thirds Requirement
 - One-Third Requirement
- Police Decentralization
- Public Transportation
- San Diego Jack Murphy Stadium Acquisition
- San Diego Jack Murphy Stadium Operations
- Transient Occupancy Tax
- Zoological Exhibits

Debt Service Funds:

- City of San Diego Oversight Unit:
 - General Obligation Bond Funds:
 - Wild Animal Park Facilities Bonds
 - Other General Obligation Bonds
 - Penasquitos Sewer Assessment

Capital Project Funds:

- City of San Diego Oversight Unit:
 - Capital Outlay
 - Special Gas Tax Street Improvement
 - General Obligation Bonds

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.

The City budget is prepared on the modified accrual basis of accounting except that (1) encumbrances outstanding at year-end are considered as expenditures and (2) the increase/decrease in reserve for advances and deposits to other funds and agencies are considered as additions/deductions of expenditures. Budgets for entities for which the City exercises oversight responsibility over, component units, are prepared on the modified accrual basis of accounting plus the recognition of encumbrances outstanding at year-end as expenditures.

Budgetary control for the City's General Fund is exercised at the payroll and other 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. However, the Auditor and Comptroller, as directed by the Financial Management Department, is authorized during the year to transfer amounts not exceeding \$10,000 between departments within the General Fund.

Reported budget figures are as originally adopted or subsequently amended by the City Council 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.

The following is a reconciliation of the excess(deficiency) of revenues over expenditures prepared on the GAAP basis to that prepared on the budgetary basis (in thousands):

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis	\$ 9,411	\$ (7,610)	\$ 6,500	\$ (457)
Deduct - Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses - GAAP Basis for Non- Budgeted Funds		(4,981)	6,952	9,904
Budgeted Funds: Deduct:				
Encumbrances Outstanding, June 30, 1990	10,991	4,166		12,658
Reserved for Advances and Deposits, June 30, 1990	25,447	988		120
Add - Reserved for Advances and Deposits, June 30, 1989	<u>25,346</u>	<u>910</u>		<u>31</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses - Budgetary Basis	<u>\$ (1,681)</u>	<u>\$ (6,873)</u>	<u>\$ (452)</u>	<u>\$ (23,108)</u>

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 Fund Types.

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.

F. Investments

Investments, except for those in the deferred compensation plan (see Note 9), are stated at cost or amortized cost which approximates market. Gains or losses on investments are recognized upon sale of the investments.

G. Inventories

Inventories, which consist of both water in storage and operating supplies, are valued at the lower of cost or market. Such inventories are expensed when consumed.

H. Restricted Assets

Proceeds from debt issuances and funds set aside for payment of Enterprise Fund revenue bonds and San Diego Housing Authority deposits servicing low interest construction and rehabilitation loans made by the bank, are classified as restricted assets since their use is limited by applicable bond indentures.

I. Fixed Assets

General Fixed Assets

General fixed assets are those acquired for general governmental purposes. Assets purchased are recorded as expenditures in the Governmental Fund Types and capitalized at cost in the General Fixed Assets Account Group. Donated fixed assets are recorded in general fixed assets at estimated fair market value at the time received. Certain assets for which actual costs are not practically determined have been valued on the basis of a professional valuation which determined their estimated historical cost.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, pools, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City. Therefore, the purpose of stewardship and cumulative accountability for capital expenditures is satisfied without recording these assets.

No depreciation has been provided on general fixed assets.

Proprietary Fund Type Fixed Assets

Fixed assets owned by the Proprietary Fund Types are stated at cost if purchased or constructed, or at estimated fair market value if received as a donation. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Structures and improvements	30-40 years
Plants, dams, canals, laterals and equipment	5-150 years

J. Short-term Debt

The City has issued tax anticipation notes every year since fiscal year 1967-68 (except for fiscal year 1978-79) to meet its cash flow requirements. On July 3, 1989, the City sold tax anticipation notes in the aggregate principal amount of \$40,000,000 due and repaid on June 30, 1990 and secured by a pledge of the City's share of property taxes and other unrestricted moneys received and attributable to the 1989-90 fiscal year. The City has never defaulted on the payment of the principal and interest on any of its short-term obligations.

K. Interagency Current Receivables, Payables and Long-Term Debt

For reporting purposes, the City considers interagency long-term loans to be operating transfers. Accordingly, "loans receivable" are classified as "transfers out" while "loans payable" are classified as "transfers in". Interest on loans are recorded only when due. Loan amounts, including interest, are noted in the footnotes to this report. When loans are repaid, such transactions are also recorded as "transfers out" (typically from the Debt Service Fund) and "transfers in," and the loan balance is reduced in the footnotes. Interagency current receivables and payables are classified as accounts "due from" and "due to" other funds (See Note 7).

L. Long-term Liabilities

Long-term liabilities expected to be financed in future years from Governmental Fund Types are accounted in the General Long-Term Debt Account Group. Long-term liabilities of all Proprietary Fund Types are accounted for in their respective funds.

M. Employee Annual Leave

The City provides combined annual leave to cover both vacation and sick leave. It is the City's policy to permit employees in the Fire Department to accumulate up to 21 weeks of earned but unused annual leave, employees eligible for the Management Benefits Plan to accumulate up to 17.5 weeks of earned but unused annual leave and all other employees to accumulate up to 15 weeks of earned but unused annual leave. Accumulation of these earnings will be paid to employees upon separation from service. Excess accumulated annual leave amounts not used by employers are forfeited on an annual basis.

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.

In Governmental Fund Types and Expendable Trust Funds the costs for annual leave are anticipated to be long-term in nature and, accordingly, the liability for accumulated, unpaid benefits are recorded in the General Long-Term Debt Account Group which recognizes the City's obligation to fund such costs from future operations. Expenditures of the current year represent payments made to employees. In Proprietary Fund Types, annual leave benefits are recorded as a liability in the period earned.

N. Claims and Judgments

In Governmental Fund Types the costs of claims and judgments are recorded as expenditures when payments are made. The liability for anticipated future claims is recorded in the General Long-Term Debt Account Group in recognition of the City's obligation to fund such costs from future operations. In Proprietary Fund Types the costs of claims and judgments are recorded when the liability is incurred and measurable.

O. Fund Equity

Portions of fund equity have been reserved for specific purposes. Reservations were created to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures.

Designated fund balance indicates that portion of fund equity for which the City has made tentative plans.

Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods.

P. Total Columns on Combined Statements

Amounts in the "Total - Memorandum Only" column in the combined financial statements are presented to aggregate financial data. The total includes fund types and account groups that use different bases of accounting and the captions "Amount Available for Payment of General Long-Term Debt" and "Amount to be Provided for Retirement of Long-Term Debt", which are not assets in the usual sense. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. CASH AND INVESTMENTS

As provided for by the Government Code, the cash balance of substantially all funds 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 accompanying combined balance sheet under the caption "Cash or Equity in Pooled Cash and Investments." Interest earned on pooled investments is deposited to certain of the participating funds based upon each fund's average daily deposit balance during the allocation period with all remaining interest deposited to the General Fund.

"Cash With Custodian/Fiscal Agent" represents funds held by bank trustees on behalf of the City and its component units. For several units, the purpose of these accounts is to invest cash related to certain outstanding long-term debts and to distribute principal and interest payments to debtholders. For other units and the City, the purpose of these accounts is solely to distribute principal and interest payments to debtholders.

"Investments at Cost" in the combined balance sheet represent Pension Trust Fund investments, deferred compensation investments, and various special revenue, debt service, capital projects and miscellaneous trust fund investments.

Aggregate cash or equity in pooled cash and investments, cash with custodian/fiscal agent, and investments at cost, is as follows at June 30, 1990 (in thousands):

	<u>Total</u>
Cash or Equity in Pooled Cash and Investments	\$1,158,294
Cash with Custodian/ Fiscal Agent	5,223
Investments at Cost	922,460
Restricted Assets (Note 1)	<u>5,750</u>
Total	<u>\$2,091,727</u>

Deposits

At June 30, 1990, the carrying amount of the City's cash or equity in pooled cash deposits (cash, non-negotiable certificates of deposit and money market funds) was approximately \$75,239,000 and the balance per various financial institutions was approximately \$64,900,000. Of the balance in financial institutions, approximately \$1,419,000 was covered by federal depository insurance and approximately \$63,481,000 was uninsured. Such uninsured deposits are with financial institutions which are individually legally required to have government deposits collateralized with government securities held by the pledging financial institution, or by its trust department or agent. The market value of such pledged securities must equal at least 110% of the governments deposits. Such collateral is considered to be held in the City's name.

At June 30, 1990, "Cash with Custodian/Fiscal Agent" (approximately \$5,223,000) was held by the trust departments of various banks, and was not covered by federal depository insurance or collateralized by securities owned by the bank.

Investments

In accordance with the charter of the City of San Diego, and under authority granted by the City Council, the City Treasurer is responsible for investing the unexpended cash in the City treasury. This investment policy applies to all the investment activities of the City, except for the Pension Trust Funds (for which policies are noted below), the proceeds of certain debt issues which are managed and invested by trustees appointed under indenture agreements, and the assets of trust funds which are placed in the custody of the Funds Commission by Council ordinance. All financial assets of all other funds are administered in accordance with the provisions noted here.

The City may transact business only with banks, savings and loans, and investment securities dealers who are primary dealers regularly reporting to the New York Federal Reserve Bank. Exceptions to this rule can be made only upon written authorization of the City Treasurer. Authorized cash deposits and investments are governed by state law, as well as by the City's own written investment policy. Within the context of these limitations, permissible investments include (1) obligations of the U.S. government and federal agencies, (2) commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, (3) bankers' acceptances, (4) negotiable and/or non-negotiable certificates of deposit and non-negotiable time deposits issued by a nationally or state chartered bank or a state or federal savings and loan association, (5) repurchase and reverse repurchase agreements, (6) the local agency investment fund established by the state treasurer and (7) financial futures contracts in any of the other authorized investments which are used to offset an existing financial position and not for outright speculation.

All non-negotiable time certificates of deposit are to be fully collateralized with mortgages or eligible securities in accordance with state law.

In accordance with the Governmental Accounting Standards Board Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements," the City's investments and investments of the Pension Trust Fund are categorized separately below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the agent's nominee name, with subsidiary records listing the City as the legal owner. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.

Investments for the Pension Trust Fund are authorized to be made by the Board of Administration of the City Employees' Retirement System in accordance with the charter of the City. The Board is authorized to invest in any bonds or securities which are allowed by general law for savings banks. The Board has further restricted the authorized investments to those believed by independent investment counsel to be appropriate for investment by trust funds operating under the "prudent man" rule as set forth in state law. These investments include, but are not limited to, bonds, notes, or other obligations, real estate investments, common stocks, preferred stocks and pooled vehicles.

City and Pension Trust Fund investments are categorized as follows at June 30, 1990 (in thousands):

Category 1	Carrying Amount	Market Value
U.S. government securities	\$ 472,411	\$ 465,457
Bankers' acceptances	293,275	297,354
Negotiable certificates of deposits	169,895	169,895
Commercial paper	154,952	155,924
Corporate notes/bonds	221,511	220,892
Common stock	265,213	323,529
Mortgage Notes	20,121	19,963
Real Estate	2,224	2,224
Other	28,480	28,926
Subtotal	1,628,082	1,684,164

<u>Category 2</u>	<u>Carrying Amount</u>	<u>Market Value</u>
U.S. government securities	\$ 38,777	\$ 38,665
Negotiable certificates of deposits	16	16
Corporate notes/bonds	558	553
Common stock	2,969	3,860
Other	80	80
Subtotal	<u>42,400</u>	<u>43,174</u>
<u>Not Categorized</u>		
Investment with California Local Agency Investment Fund	\$ 14,500	\$ 14,500
Investment in U.S. government securities Futures Contracts	22,667	22,667
Investment held by Brokers-dealers under reverse repurchase agreements:		
U.S. government securities	104,663	105,035
U.S. instrumentality securities	154,220	152,443
Mutual Funds	11,901	11,901
Deferred Compensation	32,832	32,832
Subtotal	<u>340,783</u>	<u>339,378</u>
Total Investments	<u>\$2,011,265</u>	<u>\$2,066,716</u>

Summary of Deposits & Investments

Following is a summary of the carrying amount of deposits and investments at June 30, 1990 (in thousands):

Deposits	\$ 75,239
Cash with custodian	5,223
Investments	<u>2,011,265</u>
Total	<u>\$2,091,727</u>

Reverse Repurchase Agreements

Investment policies permit the City to enter into reverse repurchase agreements, that is a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in the market value of the securities. If the dealers default on their obligations to resell these securities to the City or provide securities of cash or equal value, the City could suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the reverse repurchase agreement obligation, including accrued interest payable. There was no such credit exposure at year-end.

Interest expense incurred under reverse repurchase agreements of \$20,380,527 has been netted with earnings on investments in the City's financial statements.

Financial Futures Contracts

Investment policies permit the City to invest in financial futures contracts. Financial futures contracts which are recorded at market value, are not hedges of existing assets and changes in the market value of the contract result in recognition of a gain or loss. The carrying value at June 30, 1990 of financial futures contracts was \$22,667,250.

The City's obligation under its financial futures contracts totalled \$22,667,250 at June 30, 1990 and are included in accounts payable of the Pension Trust Funds.

3. GENERAL FIXED ASSETS

A summary of changes in general fixed assets for the year ended June 30, 1990 is as follows (in thousands):

	Balance July 1, 1989	Additions	Adjustments and Transfers	Deletions	Balance June 30, 1990
Land	\$ 209,009	\$ 41,684	\$ (115)	\$ (9,735)	\$ 240,843
Structures and improvements	281,662	14,947	(1)	(788)	295,820
Equipment	<u>73,406</u>	<u>24,167</u>	<u>(42)</u>	<u>(5,468)</u>	<u>92,063</u>
Subtotal	564,077	80,798	(158)	(15,991)	628,726
Construction in progress	<u>22,322</u>	<u>25,058</u>	<u>1,063</u>	<u>(3,350)</u>	<u>45,093</u>
Total	<u>\$ 586,399</u>	<u>\$ 105,856</u>	<u>\$ 905</u>	<u>\$ (19,341)</u>	<u>\$ 673,819</u>

4. PROPRIETARY FUND TYPE FIXED ASSETS

A summary of Proprietary Fund Type Fixed Assets at June 30, 1990 is as follows (in thousands):

	Enterprise Funds	Internal Service Funds
Land	\$ 2,539	
Structures and improvements	16,633	
Plants, dams, canals, laterals and equipment	818,713	\$ 49,745
Other	465	
Construction in progress	<u>261,269</u>	<u>4,171</u>
	1,099,619	53,916
Less - Accumulated depreciation	<u>(224,503)</u>	<u>(28,483)</u>
Total, net	<u>\$ 875,116</u>	<u>\$ 25,433</u>

5. GENERAL LONG-TERM DEBT

General long-term debt consists of general obligation bonds, special assessment bonds, tax allocation bonds, contracts payable, notes payable, capital lease obligations, liability claims (also see Note 15) and accrued annual leave. A summary of these obligations as recorded in the General Long-Term Debt Account Group as of June 30, 1990 is as follows (in thousands):

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 1990</u>
<u>General Obligation Bonds:</u>				
San Diego Stadium Authority Revenue Bonds issued April 1966	3.8-4.0%	2001	\$ 27,000	\$ 14,085
Municipal Improvement Bonds of 1966, Series 1, issued April 1967	3.6%	1992	8,000	1,140
San Diego Stadium Authority Revenue Bonds, Series 1983 issued September 1983	8.0-11.0%	2003	9,155	7,940
Municipal Improvement Bonds of 1966, Series 2, issued April 1968	4.5-4.6%	1993	5,000	1,130
Municipal Improvement Bonds of 1966, Series 3, issued December 1968	5.0-5.1%	1994	5,000	1,460
Municipal Improvement Bonds of 1966, Series 4, issued October 1970	4.8%	1990	5,000	300
Municipal Improvement Bonds of 1966, Series 5, issued June 1971	4.0%	1991	5,000	300
Municipal Improvement Bonds of 1966, Series 6, issued February 1972	5.0%	1992	4,665	630
1968 Municipal Improvement Bonds, issued December 1968	4.9-5.1%	1994	3,500	1,070

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 1990</u>
<u>General Obligation Bonds (cont'd):</u>				
Wild Animal Park Bonds of 1970, issued January 1971	3.5%	1991	6,000	\$ 500
San Diego Planetarium Revenue Bonds, issued April 1971	5.0-7.0%	1996	3,000	1,385
Open Space Park Bonds of 1978, Series 79A, issued April 1979	6.0-8.0%	2009	15,000	15,000
Open Space Park Bonds of 1978, Series 81A, issued March 1981	10.0%	1992	15,000	400
Open Space Park Bonds of 1978, Series 82A, issued November 1982	12.0%	1994	15,000	745
Open Space Park Bonds of 1978, Series 86A, issued June 1986	7.4-7.6%	2007	20,000	20,000
Open Space Park Refunding Bonds of 1986, issued June 1986	6.0-7.5%	2005	32,790	32,790
Metropolitan Transit Development Board Authority Certificates of Participation of 1988, issued May 1988	5.6-7.3%	2006	63,330	54,430
Metropolitan Transit Development Board Authority Lease Revenue Bonds of 1989, issued June 1989	6.4-6.9%	2009	<u>31,240</u>	<u>31,240</u>
Total General Obligation Bonds			<u>\$273,680</u>	<u>184,545</u>

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 1990</u>
<u>Special Assessment Bonds:</u>				
1915 Act Otay Mesa Road Improvement Bonds, issued June 1966	8.2%	1999	\$ 1,148	\$ 715
1915 Act Via De La Valle Improvement Bonds, issued October 1986	6.0-6.8%	2003	2,115	2,005
1915 Act Rio Vista Center Assessment District 1987 Reassessment and Refunding Bonds, issued April 1987	6.5-7.7%	1998	1,105	795
1915 Act Alta Vista Annexation Sewer & Water Maintenance 1987 Reassessment & Refunding Bonds, issued April 1987	6.0-7.8%	1999	220	195
1915 Act Carroll Canyon Center Assessment District 1987 Reassessment & Refunding Bonds, issued April 1987	6.5-7.7%	1998	970	740
1915 Act Lopez Canyon Sewer & Retention Basin 1987 Reassessment & Refunding Bonds, issued April 1987	6.5-7.9%	2000	1,750	1,435
1915 Act Mira Mesa Blvd. Assessment District 1987 Reassessment & Refunding Bonds, issued April 1987	6.5-7.7%	1998	1,910	1,535
1915 Act Sunset Cliffs Stabilization 1987 Reassessment & Refunding Bonds, issued April 1987	6.5-7.7%	1998	560	495
1915 Act First San Diego River Improvement Project Bonds, issued July 1987	6.5-7.8%	2008	24,083	23,425
1915 Act Otay International Center Improvement Bonds, issued September 1988	6.0-8.0%	2014	6,995	6,490
1915 Act De La Fuente Business Park Improvement Bonds, issued April 1989	7.0-7.7%	2014	4,897	4,897

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 1990</u>
<u>Special Assessment Bonds:</u> (cont'd)				
1915 Act Sorrento Valley Road Improvement Bonds, issued June 1989	6.0-7.0%	2010	\$ 1,631	\$ 1,632
1915 Act Calle Cristobal Improvement Bonds, issued July 1989	6.8-7.0%	2015	19,195	19,190
1915 Act Otay International Center-Phase II Improvement Bonds, issued September 1989	6.0-7.4%	2015	<u>12,212</u>	<u>12,212</u>
Total Special Assessment Bonds			<u>\$ 78,791</u>	<u>75,761</u>
<u>Tax Allocation Bonds</u>				
Horton Plaza Project Tax Allocation Bonds, Series 1977, issued November 1977	5.8-6.7%	2002	\$ 11,000	5,835
Marina Redevelopment Project Tax Allocation Refunding Bonds, Series 1987, issued December 1987	6.8-8.8%	2009	19,500	19,065
Columbia Redevelopment Project Tax Allocation Refunding Bonds, Series 1987, issued December 1987	6.8-8.8%	2009	18,355	17,945
Horton Plaza Project Tax Allocation Refunding Bonds Series 1988, issued July 1988	5.8-8.1%	2009	<u>11,635</u>	<u>11,350</u>
Total Tax Allocation Bonds			<u>\$ 60,490</u>	<u>54,195</u>
Total Bonds Payable				<u>314,501</u>
<u>Contracts Payable:</u>				
Contract Payable to U.S. Dept. of HUD, dated April 1984	7.2-10.2%	1993	\$ 6,017	3,010
Contract Payable to City of National City, dated March 1987	7.5%	2002	3,256	3,722

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 1990</u>
<u>Contracts Payable: (cont'd)</u>				
Contract Payable to City of National City, dated March 1987	7.5%	2002	\$ 2,171	\$ 1,909
Contract Payable to County of San Diego, dated June 1987	11.0%	2013	423	108
Contract Payable to DP Partnership, dated May 1988	11.0%	2024	389	292
Contract Payable to Metropolitan Transit Development Board Authority, dated December 1988	11.0%	1994	1,459	1,420
Contracts Payable to San Diego Convention Center Subcontractor	Various	Various	<u>766</u>	<u>766</u>
Total Contracts Payable			<u>\$ 14,481</u>	<u>11,227</u>
<u>Notes Payable:</u>				
Note payable to Barratt American, Inc., dated August 1989	10.0%	1992	\$ 4,999	3,314
Notes payable to HUD, Various Dates	Various	Various	48,351	48,351
Note payable to HCD, dated July 1981	0.0%	2013	1,405	1,405
Note payable to HCD, dated April 1983	0.0%	2015	3,149	3,149
Mortgage note payable to Bank of America, dated February 1985	10.2%	2025	3,656	3,610
Mortgage Note Payable to Heartland Savings & Loan Association, dated April 1990	11.5%	1999	1,204	1,204

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 1990</u>
<u>Notes Payable: (cont'd)</u>				
Mortgage note payable to First La Mesa Bank, dated May 1990	12.5%	1991	\$ 526	\$ 526
Mortgage note payable to Scripps Bank, dated May 1990	12.0%	1991	458	458
Mortgage note payable to Scripps Bank, dated May 1990	12.0%	1991	457	457
Mortgage note payable to California Federal, dated June 1990	10.6%	2017	410	410
Mortgage note payable to International Savings, dated June 1990	11.0%	2003	408	408
Mortgage note payable to Western Financial, dated June 1990	10.9%	2019	374	374
Mortgage note payable to Grossmont Bank, dated May 1990	11.5%	1991	350	350
Mortgage note payable to World Savings, dated September 1989	10.3%	2018	266	266
Mortgage note payable to World Savings, dated July 1989	10.3%	2018	265	265
Mortgage note payable to World Savings, dated July 1989	10.3%	2018	265	265
Mortgage note payable to California Federal, dated July 1989	10.5%	2016	264	262
Mortgage note payable to California Federal, dated June 1989	10.5%	2018	264	261
Mortgage note payable to California Federal, dated July 1989	10.6%	2016	262	261
Mortgage note payable to World Savings, dated July 1989	10.3%	2018	257	258
Mortgage note payable to Imperial Savings, dated June 1989	11.4%	2016	240	238
Notes payable to HCD, dated November 1986	3.0%	1996	155	155
Notes payable to HCD, dated April 1981	3.0%	1991	20	20

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 1990</u>
Notes payable to HCD, dated November 1980	3.0%	Various	\$ 20	\$ 20
Notes payable to HCD, dated October 1980	3.0%	Various	10	10
Notes payable to HCD, dated May 1980	3.0%	Various	6	6
Other mortgage notes payable, various dates	Various	Various	76	76
Note payable to California Dept. of Transportation, dated June 1987	10.5%	1997	<u>2,341</u>	<u>1,872</u>
Total Notes Payable			<u>\$ 70,458</u>	<u>68,251</u>
<u>Capital Lease Obligations:</u>				
Capital lease for fire department equipment, dated January 1985	7.8-8.3%	1992	\$ 2,495	1,095
Capital lease for office equipment, Various Dates	12.0-21.0%	1993	30	13
Capital lease for waste disposal equipment, dated February 1990	11.0%	1993	<u>102</u>	<u>87</u>
Total Capital Lease Obligations			<u>\$ 2,627</u>	<u>1,195</u>
Liability Claims				17,881
Accrued Annual Leave				<u>32,499</u>
Total General Long-Term Debt				<u>\$ 445,554</u>

The following is a summary of changes in general long-term debt for the year ended June 30, 1990 (in thousands):

	<u>Balance</u> <u>July 1, 1989</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 1990</u>
General obligation bonds	\$ 191,635		\$ 7,090	\$ 184,545
Special assessment bonds	46,418	\$ 31,407	2,064	75,761
Tax allocation bonds	56,095		1,900	54,195
Contracts payable	11,361	1,026	1,160	11,227
Notes payable	48,157	26,324	6,230	68,251
Capital lease obligations	1,549	103	457	1,195
Liability claims	52,025		34,144	17,881
Accrued annual leave	31,388	1,111		32,499
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 438,628</u>	<u>\$ 59,971</u>	<u>\$ 53,045</u>	<u>\$ 445,554</u>

The City is obligated to levy and collect taxes for payment of principal and interest on the General Obligation bonds. Certain bonds may be called at specified premiums.

The special assessment bonds were issued by the City to provide funds to make certain improvements in special assessment districts created by the City. The obligations are payable from property assessments against benefiting property owners for which liens have been attached. In the event of delinquencies in the payment of the property owners' installments, the City, in the absence of any other bidder, is obligated, by deposits from available surplus funds in the applicable Redemption Fund, to purchase at delinquent reassessment sales and pay future delinquent installments of reassessments and interest thereon until the land is resold or the applicable Bonds are redeemed.

The annual requirements to amortize such long-term debt outstanding as of June 30, 1990, including interest payments to maturity, are as follows (in thousands):

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>	<u>Special Assessment Bonds</u>	<u>Tax Allocation Bonds</u>	<u>Contracts Payable</u>	<u>Notes Payable</u>	<u>Capital Lease Obligations</u>
1991	\$ 20,060	\$ 7,385	\$ 5,929	\$ 2,682	\$ 4,774	\$ 596
1992	19,895	7,518	5,932	2,292	1,827	713
1993	18,900	7,477	5,929	2,020	548	23
1994	19,046	7,432	5,926	3,340	568	0
1995	18,345	7,399	5,926	2,478	585	0
1996-2000	90,993	35,636	29,754	1,282	2,121	0
2001-2005	92,497	31,980	26,498	542	408	0
Thereafter	<u>34,418</u>	<u>44,356</u>	<u>20,766</u>	<u>113</u>	<u>58,664</u>	<u>0</u>
Total	\$314,154	\$149,183	\$ 106,660	\$14,749	\$69,495	\$1,332
Less- Amounts representing interest	<u>129,609</u>	<u>73,422</u>	<u>52,465</u>	<u>3,522</u>	<u>1,244</u>	<u>137</u>
Total	<u>\$184,545</u>	<u>\$ 75,761</u>	<u>\$ 54,195</u>	<u>\$11,227</u>	<u>\$68,251</u>	<u>\$1,195</u>

Prior-Years' Defeasance of Debt

In prior years, the City, the Redevelopment Agency of the City of San Diego and the Open Space Park defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 1990, \$81,440,000 of such defeased bonds are still outstanding.

5. PROPRIETARY FUND TYPE LONG-TERM DEBT

Proprietary Fund Type long-term debt as of June 30, 1990 is comprised of the following (in thousands):

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 1990</u>
<u>Water Revenue Bonds:</u>				
Waterworks Revenue Bonds, 1958 Series B, issued March 1961	3.5%	1991	\$ 5,000	\$ 170
Total Water Revenue Bonds			<u>\$ 5,000</u>	<u>170</u>
<u>Sewer Revenue Bonds:</u>				
Sewer Revenue Bonds of 1961, issued June 1961	4.0%	1998	\$ 42,500	10,049
Sewer Revenue Bonds 1966 Series A, issued May 1968	4.8-5.0%	1998	5,000	3,730
Sewer Revenue Bonds 1966 Series B, issued September 1968	5.1%	1998	<u>10,000</u>	<u>5,660</u>
Total Sewer Revenue Bonds			<u>\$ 57,500</u>	<u>19,439</u>

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 1990</u>
<u>Notes Payable:</u>				
Note payable to bank, dated January 1984	10.0%	1991	\$ 1,210	\$ 137
Note payable to insurance company, dated November 1980	10.0%	2011	1,200	760
Notes payable to bank, dated January 1988	8.5%	1992	254	42
Note payable to bank, dated September 1988	11.0%	1990	57	7
Note payable to bank, dated August 1989	8.5%	1992	500	271
Note payable to bank, dated April 1990	8.0%	1992	33	29
Note payable to bank, dated February 1990	8.0%	1993	170	146
Note payable to bank, dated May 1990	8.0%	1993	185	174
Note payable to bank dated February 1990	8.0%	1993	316	272
Note payable to bank, dated June 1990	7.5%	1991	<u>554</u>	<u>554</u>
Total Notes Payable			<u>\$ 4,479</u>	<u>2,392</u>
<u>Capital Lease Obligation:</u>				
Capital lease for equipment, dated September 1987	7.9%	1990	<u>\$ 111</u>	<u>3</u>

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 1990</u>
<u>Contracts Payable:</u>				
Installment Purchase Contracts	7.1%	1992	\$ 6,309	\$ 3,738
Contract payable to U.S. Dept. of Interior, dated October 1934	3.0-6.0%	1993	<u>466</u>	<u>63</u>
Total Contracts Payable			<u>\$ 6,775</u>	<u>3,801</u>
Total Proprietary Fund Type Debt				<u>\$ 25,805</u>

The water revenue bonds are payable from a special fund consisting of water revenues in excess of the amount needed to operate and maintain the utility. A sinking fund has been established for the sewer revenue bonds whereby sufficient funds must be set aside to purchase or call and redeem the bonds in minimum annual principal amounts of \$1,300,000 through 1998.

The water and sewer revenue bonds may be redeemed prior to maturity at specified dates and at certain premiums. The bond ordinances limit additional revenue debt financing, preclude further encumbering of the water and sewer user charge revenue and prohibits the disposition or lease of the enterprise plant in service, unless certain conditions are met in each instance. The management of the City is of the opinion that all significant bond covenant requirements have been met.

The City Charter provides that the bonded indebtedness for the development, conservation and furnishing of water cannot exceed 15% of the most recent assessed valuation of all real and personal property of the City subject to direct taxation, and 10% for other municipal improvements. At June 30, 1990 the limits for the City were \$1,877,113 and \$1,251,409 respectively.

Annual requirements to amortize such long-term debt as of June 30, 1990, including interest payments to maturity are as follows (in thousands):

Year Ending June 30,	Water Revenue Bonds	Sewer Revenue Bonds	Notes Payable	Capital Lease Obligation	Contracts Payable	Total
1991	\$ 176	\$ 2,969	\$ 1,263	\$ 3	\$ 2,214	\$ 6,625
1992		2,976	334		1,578	4,888
1993		2,973	210		15	3,198
1994		2,981	71			3,052
1995		2,978	79			3,057
1996-2000		8,588	435			9,023
2001-2005						
Thereafter						
Total	176	23,465	2,392	3	3,807	29,843
Less - Amounts representing interest	6	4,026	0	0	6	4,038
Total	<u>\$ 170</u>	<u>\$19,439</u>	<u>\$ 2,392</u>	<u>\$ 3</u>	<u>\$ 3,801</u>	<u>\$25,805</u>

7. INTERAGENCY LONG-TERM DEBT

Long-term debt between the City and its component units has been eliminated in this report. During the year, the Redevelopment Agency of the City of San Diego has repaid \$1,575,783 principal and \$2,699,470 interest to the City and the City has advanced \$5,969,639 to the Agency. Interest at 12 percent totaling \$9,202,493 was added to the amount owing for the year. At June 30, 1990, interagency loans (including interest) were as follows (in thousands):

	<u>Loans Receivable</u>	<u>Loans Payable</u>
City of San Diego	\$120,906	
Redevelopment Agency of The City of San Diego		<u>\$ 120,906</u>
Total	<u>\$120,906</u>	<u>\$ 120,906</u>

8. LEASE COMMITMENTS

Operating Leases

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-cancellable lease terms in excess of one year as of June 30, 1990 (in thousands):

Year Ending June 30,

1991	\$ 5,741
1992	4,731
1993	3,213
1994	1,203
1995	777
Thereafter	<u>19,964</u>
Total	<u>\$35,629</u>

Rent expense as related to operating leases was approximately \$8,268,000 for the year ended June 30, 1990.

Capital Leases

The City has entered into various capital leases for equipment, vehicles and property. A schedule of future minimum lease payments under capital leases together with the present value of future minimum lease payments as of June 30, 1990 is provided in Note 5 for Governmental Fund Types and Note 6 for Proprietary Fund Types.

Lease Revenues

The City has operating leases for certain land, buildings and facilities with tenants and concessionaires who will provide the following minimum annual lease payments (in thousands):

Years Ending June 30,

1991	\$ 15,214
1992	14,732
1993	14,500
1994	14,241
1995	13,927
Thereafter	<u>423,525</u>
Total	<u>\$496,139</u>

This amount does not include contingent rentals which may be received under certain leases of property on the basis of percentage returns. Contingent rentals amounted to approximately \$18,390,000 in the year ended June 30, 1990.

9. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time 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.

The City funds all amounts of compensation deferred under the plan through investments in various mutual funds administered by an insurance company. Such investments and all related earnings thereon are (until paid or made available to employee or other beneficiary) solely the property and right of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants under the plan have only the right to receive benefits in an amount equal to the balance of the participant's book account balance.

The City is of the opinion that it has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the plan's assets to satisfy the claims of general creditors in the future.

The City accounts for the plan as an Agency Fund. The assets are stated at the market value which is represented by the contract value provided by the City's third party administrator.

10. PENSION PLANS

The City has a defined benefit plan and various defined contribution pension plans covering substantially all of its employees.

DEFINED BENEFIT PLAN

A. Plan Description

All of the City and the San Diego Unified Port District (the "District") full-time employees participate in the City Employees' Retirement System ("CERS"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the City and the District. For the year ended June 30, 1990 the City's payroll for employees covered by CERS was approximately \$258,066,000 while the City's total payroll was approximately \$295,951,000.

The number of employees and covered membership are as follows:

Retiree and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	3,433
Fully vested active employees	2,653
Nonvested active employees	4,547

All full-time City employees are eligible to participate in CERS. General members who retire at or after age 62 or Safety members at or after age 55 with 10 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 1.67 percent for General members and 2 percent for Safety members of their final compensation. Final compensation is the members' compensation earnable based on the highest one-year period. Benefits fully vest on reaching 10 years of service. CERS also provides death and disability benefits. Benefits are established by the City's Municipal Code.

City employees are required to contribute a percentage of their annual salary to CERS. The City is required to contribute the remaining amounts necessary to fund CERS, using the actuarial basis specified by statute.

B. Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of CERS on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits, and is independent of the funding method used to determine contributions to CERS.

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1989. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8 percent a year compounded annually, (b) projected salary increases of 5 percent a year compounded annually, (c) up to a 2 percent per annum cost of living assumption, and (d) the Group Annuity Mortality Table with a 2 year setback for males.

Accumulated benefits and net assets for the City's defined benefit plan as of June 30, 1989, the most recent actuarial valuation date, are as follows:

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$326,693,212
Current employees:	
Accumulated employee contributions including allocated investment earnings	105,560,139
Employer-financed vested	304,140,089
Employer-financed nonvested	<u>21,542,877</u>
Total pension benefit obligation	757,936,317
Net assets available for benefits, at cost	<u>(717,225,319)</u>
Unfunded pension benefit obligation	<u>\$ 40,710,998</u>

The market value of the net assets was approximately \$751,000,000 at June 30, 1989.

C. Actuarially Determined Contribution Requirements and Contribution Made

Contributions to CERS from City employees vary according to entry age and salary. The City contributes a portion of the employees' share and the remaining amount necessary to fund the system based on an actuarial valuation at the end of the preceding year under the entry age normal cost method. The entry age normal cost method defines the normal cost as the level percent of payroll needed to fund benefits over the period from the date of participation to the date of retirement. Initial prior service costs are being amortized over a period of 30 years. Additional prior service costs due to plan changes in 1965 are being amortized over 30 years.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described above.

The contribution to CERS for 1990 of \$38,531,836 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 1988. (The June 30, 1989 valuation was not received by the City until March 27, 1990.) The contribution consisted of (a) \$36,495,814 normal cost (14.1 percent of current covered payroll) and (b) \$2,036,022 amortization of the unfunded actuarial accrued liability (.79 percent of covered payroll). The City contributed \$28,283,505 (11 percent of covered payroll); employees contributed \$10,248,331 (4.0 percent of covered payroll).

D. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten-year trend information may be found on page 17 of the City's Comprehensive Annual Financial Report. For the three fiscal years ended 1987, 1988, and 1989, respectively, available assets were sufficient to fund 95.8, 95.8 and 94.6 percent of the City's pension benefit obligation. Unfunded pension benefit obligation represented 13.4, 13.3, and 13.8 percent of the City's annual payroll for employees covered by CERS for 1987, 1988, and 1989, respectively. Showing unfunded pension benefit obligation as a percentage of annual covered City payroll approximately adjusts for the effects of inflation for analysis purposes. In addition for the three fiscal years ended 1987, 1988, and 1989, the City's contributions to CERS, all made in accordance with actuarially determined requirements, were 18.5, 16.1, and 10.0 percent respectively of annual covered payroll.

Plan data for the plan year ended June 30, 1990 is not yet available.

DEFINED CONTRIBUTION PLANS

- a. Pursuant to the City's withdrawal from the Federal Social Security System effective January 8, 1982, the City provides pension benefits for eligible full-time employees through a supplemental pension and savings plan, a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. State legislation requires that both the employee and the City contribute an amount equal to 3% of the employee's total salary each month. Participants in the plan hired before April 1, 1986 and on or after April 1, 1986 may voluntarily contribute up to an additional 4.5% and 3.05%, respectively, of total salary. The City also contributes an amount equal to the employee voluntary contributions. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years continuous service. City contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the City's future contribution requirements.

The City's total payroll in fiscal year 1990 was approximately \$295,951,000. The City's contributions were calculated using the salary amount of approximately \$197,300,000. The City and the covered employees each contributed approximately \$11,501,500 or approximately \$23,003,000 in total.

- b. In addition, the City provides pension benefits for all eligible full-time employees through the 401(k) Deferred Compensation Plan, also a defined contribution plan. Employees are eligible to participate twelve months after the date of employment. Employees make contributions to their 401(k) accounts through payroll deductions, and may also elect to have the City contribute to their 401(k) accounts through the City's Employees' Flexible Benefits Program.

The City's total payroll in fiscal year 1990 was approximately \$295,951,000. The City's contributions were calculated pursuant to various combination arrangements with employees. The City and the covered employees contributed approximately \$990,000 and approximately \$1,144,000 respectively, or approximately \$2,134,000 in total.

- c. Centre City Development Corporation ("CCDC") has a Money Purchase Pension Plan covering all full-time permanent employees. The plan is a defined contribution plan. Employees are eligible to participate from 90 days after the date of employment. During each plan year, CCDC contributes quarterly 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 continuing service.

CCDC's total payroll in fiscal year 1990 was approximately \$980,000. CCDC contributions were calculated using the base salary amount of approximately \$927,000. CCDC made the required 8% contribution, amounting to approximately \$67,000 (net of forfeitures) for fiscal 1990.

- d. In addition, CCDC has a Tax Deferred Annuity Plan covering all full-time permanent employees. The plan is a defined contribution plan. Employees are eligible to participate 90 days after the date of employment. During each plan year, CCDC contributes biweekly an amount equal to 10% of the total biweekly compensation for all employees. CCDC's contributions for each employee are fully vested at time of contribution.

CCDC's total payroll in fiscal year 1990 was approximately \$980,000. CCDC contributions were calculated using the base salary amount of approximately \$927,000. CCDC made the required 10% contribution, amounting to approximately \$93,000 for fiscal 1990.

- e. San Diego Convention Center Corporation, Inc. ("SDCCC") provides pension benefits for all its full-time employees through a defined contribution plan. Employees are eligible to participate 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 anniversary) during which they complete 1,000 hours of service. For each plan year, SDCCC contributes an amount equal to 10% of the total covered compensation of all eligible employees. SDCCC contributions for each employee are vested gradually over five years of continuing service with an eligible employee becoming fully vested after five years.

SDCCC's total payroll in fiscal year 1990 was approximately \$3,679,000. SDCCC contributions were calculated using the base salary amount of \$1,455,909. SDCCC funded \$122,594 of the required \$145,591 contribution for fiscal 1990.

- f. In accordance with the operating agreement with the City, San Diego Data Processing Corporation ("SDDPC") can accrue up to \$25,000 per year for a maximum of thirty years, to provide employees who transferred from the City to SDDPC with retirement benefits approximately equal to those under the City's retirement plan. In accordance with this provision, \$25,000 was charged to operations in the year ended June 30, 1990. SDDPC has invested these funds in a group annuity contract separate from the one covering the Money Purchase Pension Plan described below. The fair market value of the assets in this fund was approximately \$330,000 at June 30, 1990.

- g. SDDPC has a Money Purchase Pension Plan covering substantially all employees. The plan is a defined contribution plan. 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's contributions for each employee are fully vested after four years of continuing service.

SDDPC's total payroll in fiscal year 1990 was approximately \$7,000,000. As all employees are substantially covered, SDDPC contributions were calculated using this base salary amount. SDDPC made the required 20% contribution, amounting to approximately \$1,400,000 for fiscal year 1990.

- h. The Housing Authority ("Housing") provides pension benefits for all of its full-time employees through a defined contribution plan. Employees are eligible to participate 90 days from the date of employment. Housing contributes an amount equal to 12% of the employee's base salary bimonthly. Housing's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years' continuous service. Housing contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Housing's current-period contribution requirement.

Housing's total payroll in fiscal year 1990 was approximately \$5,932,000. Housing's contributions were calculated using the base salary amount of \$5,932,000. Housing made the required 12% contribution, amounting to approximately \$635,180.

- i. Southeast Economic Development Corporation ("SEDC") has a Simplified Employee Pension Plan covering all full-time, permanent employees. The plan is a defined contribution plan. Employees are eligible to participate 90 days after their date of employment. During each plan year, SEDC contributes monthly an amount equal to 12% of the employee's base salary. Such contributions are fully vested.

SEDC's total payroll in fiscal year 1990 was approximately \$453,000. SEDC contributions were calculated using the base salary amount of approximately \$422,000. SEDC made the required 12% contribution, amounting to approximately \$51,000 for fiscal 1990.

Postretirement Health Insurance

In addition to providing pension benefits, the City provides health insurance for retired general and safety members of CERS who retired on or after October 6, 1980. The cost of retiree health insurance is recognized as expenditures as claims are paid. For the year ended June 30, 1990, those costs were \$1,626,468.

11. INTERFUND RECEIVABLE AND PAYABLE BALANCES

Individual fund interfund working capital advances balances at June 30, 1990 were (in thousands):

Fund	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 25,017	\$ 0
Special Revenue Funds:		
City of San Diego Oversight Unit:		
Acquisition, Improvement and Operation	134	5
Environmental Growth Fund-		
One-Third Requirement	226	0
Transient Occupancy Tax	256	0
Grants	17	0

Fund	Advances to Other Funds	Advances from Other Funds
Special Revenue Funds (cont'd):		
Centre City Development Corporation	\$ 0	\$ 145
San Diego Convention Center Corporation	0	256
San Ysidro Revitalization	0	17
Southeast Economic Development Corporation	0	84
	<u>633</u>	<u>507</u>
Total Special Revenue Funds		
Capital Projects Funds:		
City of San Diego Oversight Unit:		
Special Gas Tax Street Improvement	120	0
Redevelopment Agency	229	0
	<u>349</u>	<u>0</u>
Total Capital Projects Funds		
Enterprise Funds:		
City of San Diego Oversight Unit:		
Airports	23	0
Sewerage Utility	4,337	0
Waste Disposal	926	553
Water Utility	6,946	0
	<u>12,232</u>	<u>553</u>
Total Enterprise Funds		
Internal Service Funds:		
City of San Diego Oversight Unit:		
Central Garage and Machine Shop	0	32,091
Print Shop Revolving	10	0
Self Insurance	0	1,200
Stores Revolving	0	3,351
	<u>10</u>	<u>36,642</u>
Total Internal Service Funds		
Trust and Agency Funds:		
City of San Diego Oversight Unit:		
Other Miscellaneous Agency	16	555
	<u>16</u>	<u>555</u>
Total	<u>\$ 38,257</u>	<u>\$ 38,257</u>

Individual fund interfund receivable and payable balances at June 30, 1990 are as follows (in thousands):

<u>Funds</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Capital Projects Funds:		
Capital Outlay	\$ 0	\$ 449
Enterprise Funds:		
Airports	398	0
Water Utility	<u>51</u>	<u>0</u>
Total	<u>\$ 449</u>	<u>\$ 449</u>

12. ENTERPRISE FUNDS SEGMENT INFORMATION

The City maintains Enterprise Funds which provide airport, sewer, water and other services. Segment information for the year ended June 30, 1990 is as follows (in thousands):

	<u>Airports</u>	<u>Building Inspection</u>	<u>Sewerage Utility</u>	<u>Waste Disposal</u>	<u>Water Utility</u>	<u>Subtotal</u>
Operating Revenues	\$ 1,775	\$ 13,949	\$116,916	\$ 19,711	\$112,528	\$ 264,879
Operating Expenses before Depreciation and Amortization	1,522	15,330	48,311	10,517	107,144	182,824
Depreciation and Amortization	215	20	7,595	26	6,698	14,554
Operating Income (Loss)	38	(1,401)	61,010	9,168	(1,314)	67,501
Operating Transfers In	0	26	821	4	439	1,290
Operating Transfers Out	0	0	(1,000)	0	(40)	(1,040)
Nonoperating Revenue	595	670	17,273	901	12,300	31,739
Nonoperating Expense	0	(13)	(947)	0	(48)	(1,008)
Net Income (Loss)	633	(718)	77,157	10,073	11,337	98,482
Grant Revenues	58	0	2,031	0	2,055	4,144
Capital Contributions	0	22	38,879	109	24,486	63,496
Net Fixed Asset Additions	(134)	3,296	44,653	311	22,795	70,921
Net Working Capital	2,632	2,565	222,856	12,764	157,866	398,683
Total Assets	8,316	14,385	799,997	19,457	569,043	1,411,198
Total Equity	7,603	6,926	696,897	14,886	517,728	1,244,040
Long-Term Liabilities:						
Bonds Payable	0	0	17,334	0	0	17,334
Other	0	0	2,105	0	1,402	3,507

ENTERPRISE FUNDS SEGMENT INFORMATION (cont'd)

	Subtotal (Previous Page)	San Diego Data Processing Corporation	San Diego Festivals, Inc.	Grand Total
Operating Revenues	\$ 264,879	\$ 24,995	\$ 1,928	\$ 291,802
Operating Expenses before Depreciation and Amortization	182,824	19,585	1,369	203,778
Depreciation and Amortization	14,554	5,410	0	19,964
Operating Income (Loss)	67,501	0	559	68,060
Operating Transfers In	1,290	0	0	1,290
Operating Transfers Out	(1,040)	0	(559)	(1,599)
Nonoperating Revenue	31,739	0	0	31,739
Nonoperating Expense	(1,008)	0	0	(1,008)
Net Income (Loss)	98,482	0	0	98,482
Grant Revenues	4,144	0	0	4,144
Capital Contributions	63,496	0	0	63,496
Net Fixed Asset Additions	70,921	(1,610)	0	69,311
Net Working Capital	398,683	(1,937)	0	396,746
Total Assets	1,411,198	18,952	0	1,430,150
Total Equity	1,244,040	11,356	0	1,255,396
Long-Term Liabilities:				
Bonds Payable	17,334	0	0	17,334
Other	3,507	6,133	0	9,640

13. FUND DEFICIT

The Internal Service Funds have a net fund equity deficit of approximately \$8,267,000 at June 30, 1990. This balance includes a fund equity deficit in the Self Insurance Fund of approximately \$25,488,000 which represents unfunded estimated claims settlements. It is anticipated that individual claim settlements will be funded through user charges subsequent to the filing of a claim and prior to its settlement.

14. COMMITMENTS

The City is currently obligated to transfer up to two-thirds of the annual franchise tax receipts in the Environmental Growth Fund (a Special Revenue Fund) to the San Diego Open Space Park Facilities District #1 (the "District") Fund (a Debt Service Fund) for the payment of debt service on the District's outstanding general obligation bonds. Such required debt service on the District's outstanding bond obligations of \$68,935,000 at June 30, 1990 is approximately \$6,200,000 for each of the subsequent five years ending June 30, 1995.

The City currently has guaranteed the payment of a revolving line of credit in the maximum amount of \$7,500,000 on behalf of various individuals through Great American Bank regarding the CDBG Housing Loan Leveraging Program.

The City has stipulated to upgrading its sewer treatment facilities in settlement of a portion of a suit filed by the United States and the State of California against the City. The cost is expected to be in excess of \$2 billion which will be borne by utility users fees.

15. CONTINGENCIES

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. City management believes such disallowances, if any, would not have a material effect on the City's financial statements.

The City is self-insured for workers' compensation, long-term disability and employee group health coverages. These are accounted for in the Internal Service Funds. At June 30, 1990 the City has recorded approximately \$27,113,000 for claims and potential claims related to such coverages. Each participating fund contributes an amount equal to an actuarially determined rate times the gross salaries of the fund. These payments are treated as operating expenditures in the contributing funds and operating revenues in the receiving funds.

The City is also self-insured for general liability claims. At June 30, 1990 the City has recorded approximately \$18,370,000 for such claims in the General Long-Term Debt Account Group and approximately \$3,630,000 in the Enterprise Funds. These amounts represent the City's determination of the probable ultimate cost of the claims. The City has set up a reserve for liability claims of approximately \$678,000 in the Internal Service Funds to indicate funds set aside to pay for claims in excess of the annual appropriations in the General Fund. Property insurance is maintained on selected capital assets based upon various factors including management's assessment of the risks of loss.

The City is co-signer on a \$4,064,108 note and is contingently liable for payment of this amount in the event of a default by the Housing Authority.

In September 1989, legislation was adopted (Assembly Bill No. 2080) which requires the Redevelopment Agency of the City of San Diego to fund Low and Moderate Housing Activity equivalent to at least 20% of tax increment revenue received after fiscal year 1985. In October, 1990 the Agency adopted a nine-year plan to fully fund the retroactive 20% requirement (Resolution No.'s 1911, 1912, and 1913). At June 30, 1990 the 20% requirement deficit remaining to be funded in future years is approximately \$4,784,000.

16. THIRD PARTY DEBT

The City has authorized the issuance of certain bonds in its name, to provide tax exempt status, because it perceives a substantial public benefit will be achieved through the use of the proceeds. 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.

Hospital Revenue Bonds

Hospital Revenue Bonds have been issued to provide funds to various non-profit health institutions to finance the cost of acquiring and installing equipment. This program provides low interest rate hospital bonds to non-profit hospitals to reduce health costs to citizens of the City of San Diego.

Industrial Development Revenue Bonds

Industrial Development Revenue Bonds have been issued to provide financial assistance for the acquisition, construction, and installation of 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, 1990 the status of all third party bonds issued is as follows (in thousands):

	Authorized	Issued	Outstanding
Mortgage Revenue	\$ 747,138	\$ 663,535	\$ 480,862
Hospital Revenue	71,250	69,250	53,210
Industrial Development Revenue	596,825	595,525	528,296
1911 Act Special Assessment	810	810	810
Totals	<u>\$1,416,023</u>	<u>\$1,329,120</u>	<u>\$ 1,063,178</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 the opinion of the City officials, these bonds are not payable from any revenues or assets of the City, and neither the full faith and 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 an agent for the property owners/bondholders in collecting and forwarding the funds. Accordingly, no liability has been recorded in the City's General Long-Term Debt Account Group.

17. OPERATING AGREEMENTS

City of San Diego and San Diego Data Processing Corporation

In September 1979 SDDPC entered into an operating agreement with the City. Under the terms of the agreement, as amended, SDDPC has agreed to provide data processing services needed to support the operational and planning requirements of the City. The rates charged for the various services are subject to adjustment each fiscal year. Included in data processing services and equipment sales revenue for the year ended June 30, 1990 is approximately \$13,700,000 for revenue charged to the City under this agreement.

During fiscal 1987 the operating agreement was amended to include SDDPC to provide and operate telecommunications services to the City. The rates charged for the various services are subject to adjustment each fiscal year.

In addition, the City has undertaken certain expenses in connection with the organization, staffing and commencement of operations of SDDPC and providing SDDPC with certain facilities, equipment and custodial and maintenance. Pursuant to the operating agreement with the City, SDDPC has agreed to pay "facilities rental" annually out of budgetary savings.

SDDPC is required to return annually any remaining "budgetary savings", as defined, pro-rata to each entity with which it has contracted, in proportion to their respective billings. In fiscal year 1990, budgetary savings were \$14,733.

During fiscal 1987 the City Council approved SDDPC's retention of \$1,125,000 of the owed "facilities rental". Such amount was spent in fiscal year 1988 for capital replacement and expansion as contemplated by the operating agreement between SDDPC and the City.

Library System

During fiscal year 1984 SDDPC entered into an agreement with the City of San Diego Public Library and the County of San Diego Public Library (the "libraries") for a five-year term, subject to annual appropriations, to purchase and operate an automated library system and to provide the related data processing services to support the operational requirements of the libraries. The libraries share the cost of operations based upon certain percentages of direct costs plus shared costs. The rates charged for the various services are subject to adjustment each fiscal year.

Included in data processing services and equipment sales revenue are the following amounts for the automated library system for the year ended June 30, 1990 (in thousands):

City of San Diego Public Library	\$ 739
County of San Diego Public Library	<u>532</u>
Total	<u>\$1,271</u>

Regional Urban Information System

During fiscal year 1984, SDDPC entered into an agreement with the City and the County of San Diego (the "County") for a ten-year term, subject to annual appropriations, to provide data processing services to implement and operate a data base system known as the Regional Urban Information System (RUIS). The long-range goal of RUIS is to provide the City and County with an information system that monitors, where feasible, all operations (current and future) that affect their jurisdictions.

The City and County share the costs of RUIS. The rates charged for the various services are subject to adjustment each fiscal year.

Included in data processing services and equipment sales revenue are the following amounts for RUIS for the year ended June 30, 1990 (in thousands):

City	\$2,004
County	<u>902</u>
Total	<u>\$2,906</u>

Automated Regional Justice Information System

During fiscal year 1985 SDDPC renewed, through June 1994, its agreement with a joint powers agency known as the Automated Regional Justice Information System ("ARJIS"). ARJIS was created to assist member agencies by providing and continuing the operation, maintenance, enhancement, and implementation of those telecommunications features initiated under a State Office of Criminal Justice grant agreement, and to pursue development of other computerized systems to meet law enforcement needs and requirements 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 data processing services and equipment sales revenue are the following for ARJIS for the year ended June 30, 1990 (in thousands):

City of San Diego Police Department	\$1,967
Other law enforcement agencies	<u>1,393</u>
Total	<u>\$3,360</u>

18. SUBSEQUENT EVENTS

On September 1, 1990, the City of San Diego issued \$4,171,931 of 1915 Act Special Assessment Bonds to fund the International Business Center Project.

SDDPC's Board of Directors approved the issuance of approximately \$9,200,000 of Certificates of Participation for the acquisition and installation of a new telecommunications system.

**TRUST AND AGENCY FUNDS
PENSION TRUST FUNDS
CITY OF SAN DIEGO OVERSIGHT UNIT
REQUIRED SUPPLEMENTARY INFORMATION - ANALYSIS OF FUNDING PROGRESS
LAST TEN FISCAL YEARS
(IN MILLIONS)**

<u>Fiscal Year Ended June 30</u>	<u>Net Assets Available For Benefits</u>	<u>Pension Benefit Obligation</u>	<u>Percentage Funded</u>	<u>Unfunded Pension Benefit Obligation</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Pension Benefit Obligation As a Percentage Of Annual Covered Payroll</u>
1981	\$ 263.9	\$ 362.0	72.9%	\$ 98.1	\$ 117.5	83.5%
1982	294.9	390.1	75.6	95.2	129.1	73.7
1983	341.1	433.3	78.7	92.2	141.9	65.0
1984	378.2	462.3	81.8	84.1	144.7	58.1
1985	429.7	496.5	86.6	66.8	153.7	43.5
1986	493.3	547.6	90.1	54.3	171.7	31.6
1987	590.7	616.9	95.8	26.2	195.4	13.4
1988	659.0	688.1	95.8	29.1	218.1	13.3
1989	746.0	786.5	94.8	40.5	241.4	16.8
1990	N/A	N/A	N/A	N/A	N/A	N/A

**REQUIRED SUPPLEMENTARY INFORMATION - REVENUE SOURCES
LAST TEN FISCAL YEARS
(IN THOUSANDS)**

<u>Fiscal Year Ended June 30</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Investment Income</u>	<u>Charges For Current Services</u>	<u>Total</u>	<u>Employer Contributions As a Percentage Of Covered Annual Payroll</u>
1981	\$ 7,476	\$ 20,535	\$ 19,780	\$ 19	\$ 47,810	19.7%
1982	5,185	24,970	20,200	19	50,374	21.3
1983	5,772	28,058	42,704	55	76,589	21.7
1984	5,950	27,633	29,993	35	63,611	19.5
1985	5,561	27,064	48,543	31	81,199	18.7
1986	4,917	30,051	64,922	46	99,936	19.6
1987	4,959	31,763	92,330	47	129,099	18.5
1988	5,781	31,545	65,665	43	103,034	16.1
1989	7,262	29,291	87,676	47	124,276	13.4
1990	10,760	30,230	63,652	71	104,713	12.5

**REQUIRED SUPPLEMENTARY INFORMATION - EXPENSES BY TYPE
LAST TEN FISCAL YEARS
(IN THOUSANDS)**

<u>Fiscal Year Ended June 30</u>	<u>Benefits</u>	<u>Administrative Expenses</u>	<u>Refunds</u>	<u>Total</u>
1981	\$ 17,656	\$ 439	\$ 1,573	\$ 19,668
1982	18,660	614	1,771	21,045
1983	20,340	750	3,396	24,486
1984	22,687	736	1,631	25,054
1985	24,815	1,071	1,138	27,024
1986 *	36,658	1,113	1,186	38,957
1987	29,370	1,297	997	31,664
1988	31,323	1,443	979	33,745
1989	34,093	1,951	943	36,987
1990	38,025	3,116	1,097	42,238

* Includes additional Supplemental Benefit from Andrews class settlement of \$9,944,542.

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APPENDIX C

FORM OF LEGAL OPINIONS

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March 21, 1991

Members of City Council
City of San Diego
Administration Building
202 "C" Street
San Diego, California 92101

Final Opinion of Bond Counsel Re:

\$25,500,000
City of San Diego
1991 General Obligation Bonds
(Public Safety Communications Project)

Dear Members of the City Council:

We have examined upon request certified copies of proceedings covering the issuance and sale of \$25,500,000 bonds of the City of San Diego, California. Said bonds are issued in accordance with Article 1, Chapter 4, Division 4, Title 4 (commencing with Section 43600) of the California Government Code and under and in conformity with the City Charter of the City of San Diego, as amended, are issued as authorized at an election held June 5, 1990, are designated "City of San Diego 1991 General Obligation Bonds (Public Safety Communications Project)," are dated March 1, 1991, bear interest payable commencing January 15, 1992 and semiannually thereafter on July 15 and January 15 at the following rates per annum and mature in consecutive numerical order on July 15 in the amounts for each of the several years as follows:

Maturity Date	Principal Amount	Interest Rate	Maturity Date	Principal Amount	Interest Rate
1992	\$ 140,000	5.00%	2002	\$1,230,000	6.00%
1993	755,000	5.00	2003	1,300,000	6.10
1994	795,000	5.10	2004	1,380,000	8.00
1995	830,000	5.25	2005	1,490,000	8.00
1996	880,000	5.30	2006	1,615,000	8.00
1997	925,000	5.50	2007	1,735,000	6.50
1998	975,000	5.80	2008	1,855,000	6.50
1999	1,030,000	5.80	2009	1,975,000	6.50
2000	1,095,000	6.00	2010	2,100,000	6.65
2001	1,155,000	6.10	2011	2,240,000	6.65

City of San Diego
March 21, 1991
Page 2

The bonds are not subject to redemption prior to their respective stated maturities.

Our services as Bond Counsel were limited to a review of the legal proceedings required for the authorization of the bonds, to a review of the statements of law and legal conclusions set forth in the Official Statement under the caption "The Bonds," and to rendering the opinions set forth herein on the validity of the bonds and the exclusion of interest on the bonds from gross income for federal income tax purposes and the exemption of such interest from present State of California personal income taxation. Assuming the correctness of the facts contained in the Official Statement under the aforementioned caption (which we have not independently verified), the statements of law and legal conclusions contained therein in our opinion are correct.

From such examination, we are of the opinion that the proceedings have been taken in accordance with the Constitution and laws of the State of California and the City Charter of the City of San Diego. We are further of the opinion that said bonds, having been issued in duly authorized form and executed by the proper officials and delivered to and paid for by the initial purchaser, constitute the valid and binding obligations of the City of San Diego, California, and except to the extent that the same may be payable from revenues of said City, the proper officials of said City are empowered and obligated to caused to be levied ad valorem taxes, without limitation as to rate or amount, upon all taxable property within said City for the payment of said bonds and the interest thereon. The foregoing obligations, however, may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights. We are further of the opinion that interest on said bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and is exempt from present State of California personal income taxes. Interest is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes; it should be noted, however, that for the purpose of computing alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is presently taken into account in determining adjusted current earnings.

Respectfully submitted,

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