

**ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015
RELATING TO**

**\$8,850,000
CITY OF SAN DIEGO
REASSESSMENT DISTRICT NO. 2003-1
LIMITED OBLIGATION REFUNDING BONDS**

(CUSIP Number 797283)

This Annual Report is being provided by the City of San Diego (the "City") on behalf of itself and the District for the above stated issuance (the "Bonds"), pursuant to the Continuing Disclosure Certificate (entered into to allow the respective underwriter to comply with Securities and Exchange Commission Rule 15c2-12) for the fiscal year ending June 30, 2015 (the "Annual Report").

This Annual Report, including any amendment or supplement hereto, will be electronically transmitted by the City acting as the Dissemination Agent to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB").

This Annual Report is provided in accordance with the terms of the Continuing Disclosure Certificate, and does not purport to provide full and complete information on the terms of the Bonds. The filing of this Annual Report does not constitute or imply any representation that no changes, circumstances or events have occurred since the end of the fiscal year to which this Annual Report relates (other than as contained in the Annual Report), or that no other information exists, which may have a bearing on the security for the Bonds, or an investor's decision to buy, sell or hold the Bonds. Certain information and data provided herein was obtained from sources other than the City (the "Outside Information"), as indicated by the source citations. Although the information contained in the Annual Report has been obtained from sources that are believed to be reliable, the City has not independently verified such Outside Information, and the City cannot guarantee its completeness or accuracy. No statements in this Annual Report should be construed as a prediction or representation about future financial performance of the City or Reassessment District No. 2003-1.

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

Any statements regarding the above stated issuance, other than a statement made by the City in an official release that is filed with the MSRB's EMMA system or posted on the City's investor information webpage, are not intended to be the basis of, nor should they be relied upon, in making an investment decision. The City is not responsible for the accuracy, completeness or fairness of any statements other than those obtained in the aforementioned locations.

DATED: February 26, 2016

CITY OF SAN DIEGO

By: _____

Mary Lewis
Mary Lewis
Chief Financial Officer

**CITY OF SAN DIEGO
REASSESSMENT DISTRICT NO. 2003-1
LIMITED OBLIGATION REFUNDING BONDS**

**Annual Report under the Continuing Disclosure Certificate
Fiscal Year Ending June 30, 2015**

This Annual Report includes information required by the Continuing Disclosure Certificate for City of San Diego Reassessment District No. 2003-1 Limited Obligation Refunding Bonds.

1. Financial Statements:

The requirement that the City file its audited financial statements as a part of the Annual Report has been included in the Disclosure Certificate solely to satisfy the provisions of Rule 15c2-12. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the City.

The City of San Diego's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015 (CAFR), which includes the City's Fiscal Year 2015 audited financial statements, was filed on the EMMA System of the MSRB on February 1, 2016. The capital improvements financed by District Funds are reported in the Required Supplementary Information section, under the Nonmajor Governmental Funds-Capital Projects, Special Assessment/Special Tax Bonds-Unbudgeted column, of the City's CAFR. The other remaining District Funds are included in the Required Supplementary Information section, under Fiduciary Funds-Agency Funds, Other Miscellaneous Agency. Additional information related to outstanding Special Assessment/Special Tax Bonds can be found in Note 18-Debt Without Governmental Commitment and Note 24-Subsequent Events of the City's CAFR.

2. Other financial information and operating data relating to the District contained in the Official Statement for the Bonds (all data as of December 31, 2015, except as noted in the attached tables):

2.1 Principal amount of Bonds outstanding: \$ 1,630,000

Source: City of San Diego, Debt Management

2.2 Balance in the Redemption Fund: \$ 78,902

Source: US Bank Fiscal Agent Statements; City of San Diego, Debt Management

2.3 Balance in the Reserve Fund: \$ 872,763

Source: US Bank Fiscal Agent Statements; City of San Diego, Debt Management

Reserve Requirement: \$871,435

Equal to the least of:

- (i) Maximum Annual Debt Service for the Bonds,
- (ii) One hundred twenty-five percent (125%) of Average Annual Debt Service for the Bonds, or
- (iii) Ten percent (10%) of the original principal amount of the Bonds less original issue discount, if any, plus original issue premium, if any, applicable to the Bonds.

Source: City of San Diego, Debt Management

2.4 Updates of the following tables in the Official Statement are attached:

Table 2 - Development Status and Land Use Summary

Table 4 - Assessed Value-To-Lien Ratio Ranges

Table 6 - Appraised Value-To-Lien Ratios by Property Owner (excluding the columns headed "Appraised Value" and "Appraised Value-To-Lien Ratio")

Table 11 - Delinquency History

3. The following is an update of certain information originally presented in the Official Statement for the Bonds regarding litigation:

Border Business Park, Inc. (aka De La Fuente Business Park, Inc.) v. City of San Diego

In November 2015, the City of San Diego and several Otay Mesa development entities agreed to settle five lawsuits and all existing and/or potential claims regarding the Border Business Park, the "Border Business Park Development Agreement" dated November 10, 1986, and the "Border Business Park Reimbursement Agreement" dated November 16, 1987 (also known as the "Otay Mesa Sewer Facilities Reimbursement Agreement with Border Business Park, Inc."). The settlement calls for the plaintiffs to correct all code compliance and health and safety violations and to make certain improvements to the Border Business Park property over a five-year period in exchange for a payment funded by the City's insurance of \$25 million to be paid over the same time period. In addition, the parties agreed to allow the San Diego Superior Court to retain jurisdiction through 2020 to allow the court to decide any disputes between the parties related to either the settlement or the Border Business Park property, including, but not limited to, current code violations, future violations, or new development applications and regulations.

Since this litigation has been settled, subsequent Annual Reports will not include further updates.

Source: City of San Diego, City Attorney's Office

Table 2
City of San Diego Reassessment District No. 2003-1
Development Status and Land Use Summary

Land Use ⁽¹⁾	Number of Parcels ⁽²⁾	2015-16 Assessed Values ⁽³⁾	Aggregate Remaining Reassessment Lien ⁽⁴⁾	Percentage of Parcels	Percentage of Lien	Assessed Value-to- Lien Ratio
Developed	91	\$117,572,069	\$1,055,206	66.42%	64.08%	111.42
Federal ⁽⁵⁾	2	0	9,830	1.46%	0.60%	N/A
Under Construction	0	0	0	0.00%	0.00%	N/A
Undeveloped	44	19,587,634	581,707	32.12%	35.32%	33.67
Grand Total	137	\$137,159,703	\$1,646,743	100.00%	100.00%	83.29

⁽¹⁾ Land Use data based on parcel permit searches from the Development Services - Project Tracking System as of June 30, 2015. There were no structure permits pulled since June 30, 2013.

⁽²⁾ Parcel count decreased by two from prior year due to prepayments.

⁽³⁾ Assessed Value includes land and improvement value per the San Diego County Fiscal Year 2015-16 Secured Roll as of January 1, 2015.

⁽⁴⁾ Debt Service payment was September 2, 2015; Aggregate Remaining Reassessment Lien as of September 3, 2015.

⁽⁵⁾ Includes two parcels owned by the United States of America with a zero assessed value.

Source: Willdan Financial Services

Table 4
City of San Diego Reassessment District No. 2003-1
Assessed Value to Lien Ratio Ranges

Assessed Value- to-Lien Range	Number of Parcels ⁽¹⁾	2015-16 Assessed Values ⁽²⁾			Aggregate Remaining Reassessment Lien ⁽³⁾	Assessed Value- to-Lien Ratio	Percentage of Lien
		Land	Improvement	Total			
20:1 and over	123	\$70,181,808	\$64,254,256	\$134,436,064	\$1,418,721	94.76	86.15%
10:1 to 19.99:1	10	24,374	1,826,805	1,851,179	124,878	14.82	7.58%
5:1 to 9.99:1	2	0	872,460	872,460	93,314	9.35	5.67%
3:1 to 4.99:1	0	0	0	0	0	N/A	0.00%
2:1 to 2.99:1	0	0	0	0	0	N/A	0.00%
1:1 to 1.99:1	0	0	0	0	0	N/A	0.00%
Less Than 1:1 ⁽⁴⁾	2	0	0	0	9,830	N/A	0.60%
Grand Total	137	\$70,206,182	\$66,953,521	\$137,159,703	\$1,646,743	83.29	100.00%

⁽¹⁾ Parcel count decreased by two from prior year due to prepayments.

⁽²⁾ Assessed Value includes land and improvement value per the San Diego County Fiscal Year 2015-16 Secured Roll as of January 1, 2015.

⁽³⁾ Debt Service payment was September 2, 2015; Aggregate Remaining Reassessment Lien as of September 3, 2015.

⁽⁴⁾ Includes two parcels owned by the United States of America with a zero assessed value.

Source: Willdan Financial Services

Table 6
City of San Diego Reassessment District No. 2003-1
Value to Lien Ratio Ranges for the Original Appraised Parcels by Owner

Owner ⁽¹⁾	Number of Parcels	Aggregate Remaining Reassessment Lien ⁽²⁾	Percentage of Lien ⁽³⁾	2015-16 Assessed Values ⁽⁴⁾	Assessed Value to Lien Ratio
GARCIA KARLA L	1	\$11,219	0.68%	\$543,661	48.46
OTAY CONCRETE PARKING L P	2	18,192	1.10%	346,582	19.05
OTAY MESA PROPERTY L P ⁽⁵⁾	4	69,618	4.24%	854,876	12.28
OTAY TRUCK PARKING L P ⁽⁵⁾	1	9,907	0.60%	176,921	17.86
UNIT 5 L P	1	49,804	3.02%	584,075	11.73
UNIT 7 L P	1	46,930	2.85%	443,178	9.44
UNITED STATES OF AMERICA ⁽⁶⁾	2	9,830	0.60%	0	N/A
Grand Total	12	\$215,500	13.09%	\$2,949,293	13.69

⁽¹⁾ Certain Parcels of the 14 Original Parcels as shown in the Official Statement have changed ownership and configuration. One parcel has paid its assessments in full.

⁽²⁾ Debt Service payment was September 2, 2015; Aggregate Remaining Reassessment Lien as of September 3, 2015.

⁽³⁾ Total Aggregate Remaining Reassessment Lien for all parcels is \$1,646,743.

⁽⁴⁾ Assessed Value includes land and improvement value per the San Diego County Fiscal Year 2015-16 Secured Roll as of January 1, 2015.

⁽⁵⁾ Reassessment Nos. 94, 95, 96, and 98 were reconfigured in 2005 into Reassessment Nos. 121, 122, 123, and 124. Reassessment No. 124 (APN 646-120-46-00) is exempt from the assessment lien. It has been included in the total number of parcels, however, it is exempt and provides no security for the lien and its assessed value has not been included.

⁽⁶⁾ Includes two parcels owned by the United States of America with a zero assessed value.

Source: Willdan Financial Services

Table 11
City of San Diego Reassessment District No. 2003-1
Delinquency History

Fiscal Year	Number of Parcels Assessed	Total Assessment Levy	Fiscal Year-End Delinquencies ⁽¹⁾		Amount Remaining Delinquent As of 2/18/2016 ⁽²⁾	Percent Remaining Delinquent As of 2/18/2016
			Amount Delinquent	Percent Delinquent		
2014-15	139	\$879,098	\$534	0.06%	\$361	0.04%
2013-14	139	900,803	17,242	1.91%	3,507	0.39%
2012-13	139	915,637	5,544	0.61%	0	0.00%
2011-12	139	923,081	24,502	2.65%	0	0.00%
2010-11	139	944,152	24,090	2.55%	0	0.00%
2009-10	136	946,732	53,150	5.61%	3,603	0.38%
2008-09	137	833,040	67,268	8.08%	3,171	0.38%
2007-08	137	903,030	7,157	0.79%	0	0.00%
2006-07	134	900,119	15,363	1.71%	0	0.00%
2005-06	121	936,205	8,825	0.94%	0	0.00%
2004-05	111	938,337	19,765	2.11%	0	0.00%
2003-04	121	991,921	17,272	1.74%	0	0.00%
2002-03	129	1,195,333	22,899	1.92%	0	0.00%
2001-02	127	1,232,834	36,527	2.96%	0	0.00%
2000-01	124	1,217,147	132,693	10.90%	0	0.00%
1999-00	128	1,230,942	42,374	3.44%	0	0.00%
1998-99	128	1,218,615	162,818	13.36%	0	0.00%
Total Amount Delinquent:					\$10,642	

⁽¹⁾ Reflects final fiscal year end data reported in August of each year; delinquent data prior to Fiscal Year 2004-05 are from reports generated by the County Auditor and Controller in either July or August of each year; data does not include penalties and interest.

⁽²⁾ Amount remaining delinquent as of February 18, 2016 does not include penalties and interest.

Summary of Delinquent Parcels Currently Meeting the Foreclosure Threshold:

The District has covenanted that it will commence judicial foreclosure proceedings against parcels with delinquent special assessments in excess of \$7,500 by November 1 following the close of each fiscal year in which such special assessments were due. As of February 18, 2016, there was one delinquent parcel that reached the foreclosure threshold after its first installment of Fiscal Year 2015-16 became delinquent. The parcel was referred to the City Attorney's Office to initiate the foreclosure process.

Source: City of San Diego, Debt Management based on San Diego County Delinquency Reports ST280190 and ST28009002