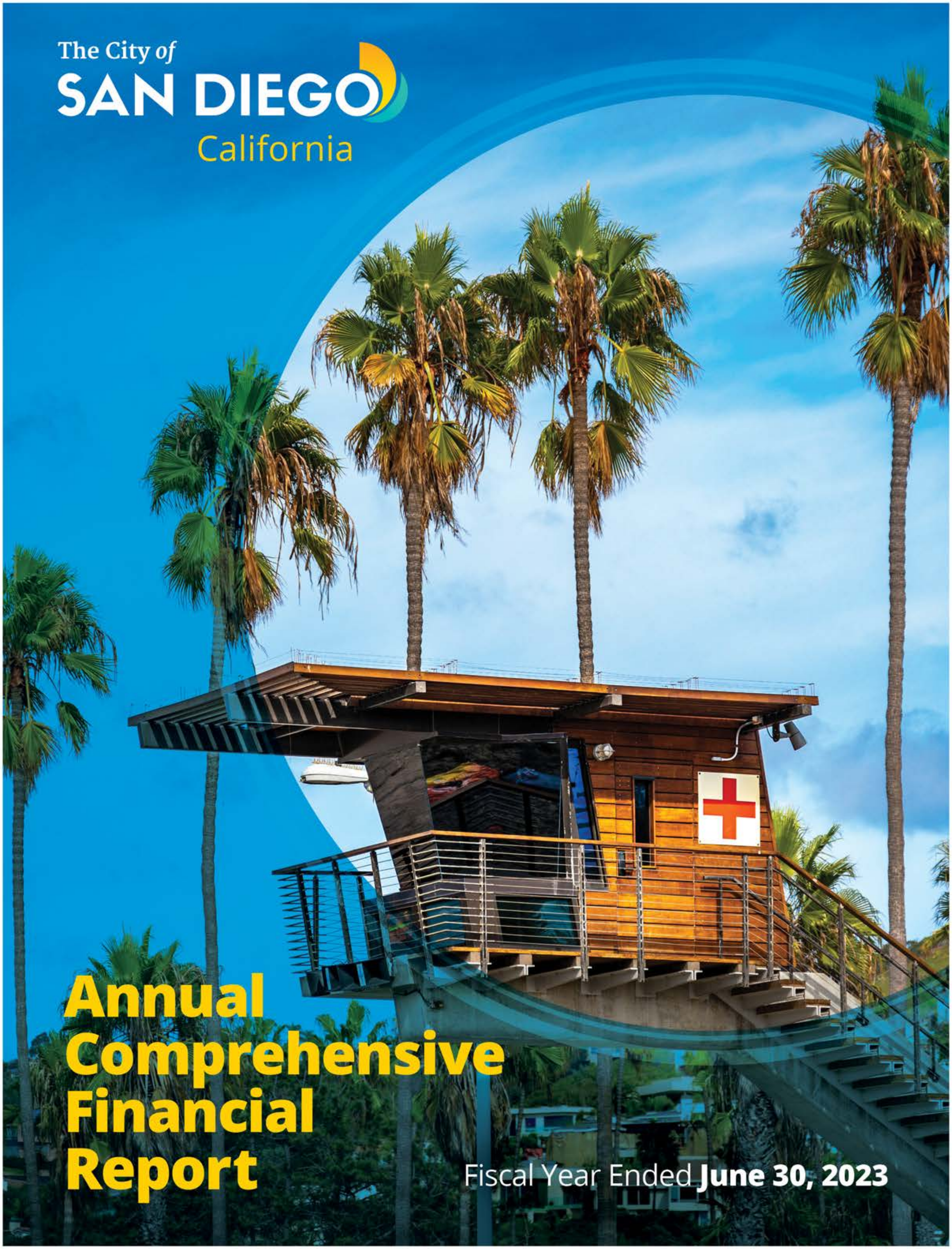
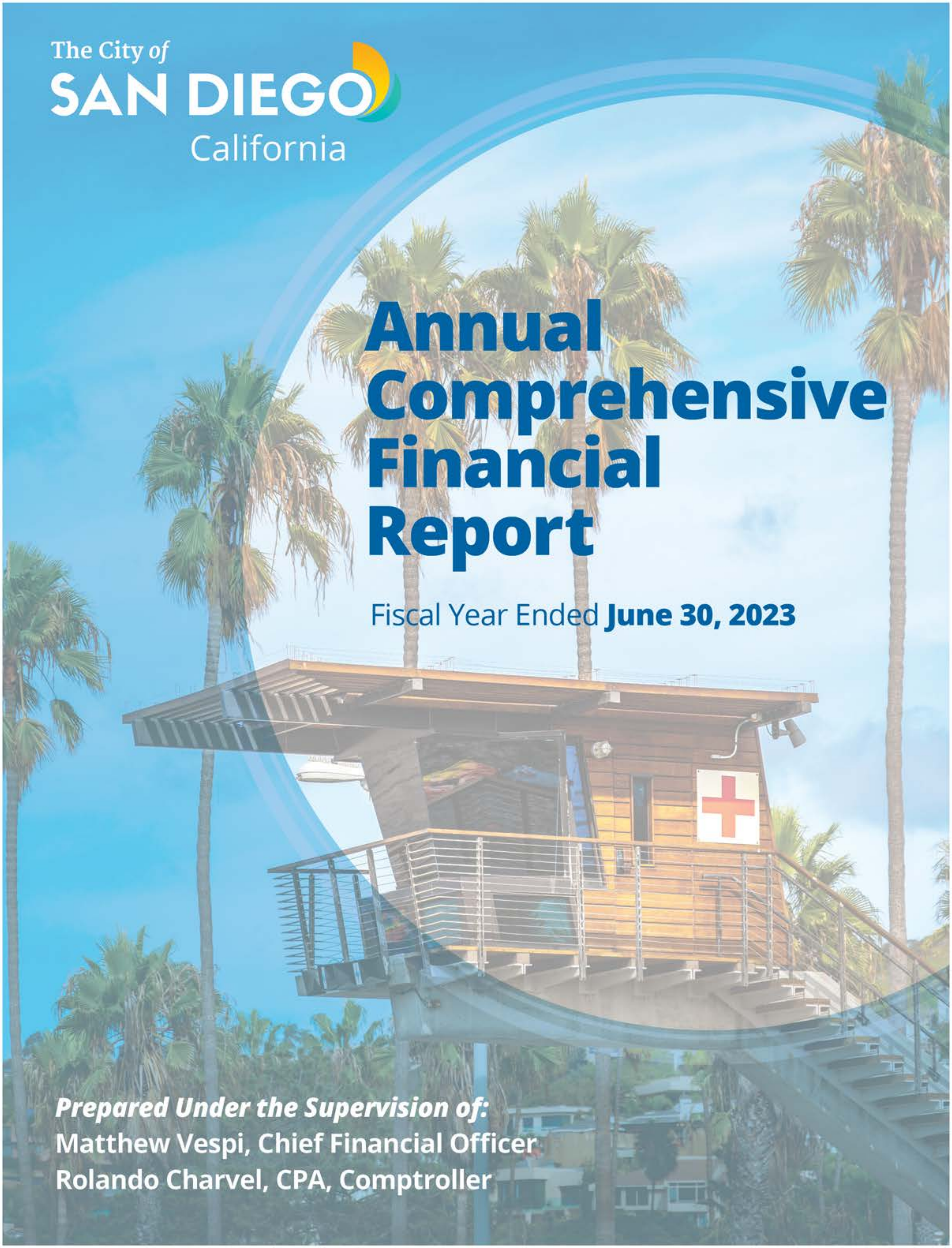
The City of
SAN DIEGO
California



Annual Comprehensive Financial Report

Fiscal Year Ended **June 30, 2023**



The City *of*
SAN DIEGO
California

Annual Comprehensive Financial Report

Fiscal Year Ended **June 30, 2023**

Prepared Under the Supervision of:
Matthew Vespi, Chief Financial Officer
Rolando Charvel, CPA, Comptroller

Table of Contents

Fiscal Year Ended June 30, 2023

INTRODUCTORY SECTION (UNAUDITED)

FINANCIAL SECTION

Table of Contents

Fiscal Year Ended June 30, 2023

FINANCIAL SECTION - CONTINUED

Table of Contents

Fiscal Year Ended June 30, 2023

STATISTICAL SECTION (UNAUDITED)

Table of Contents

Fiscal Year Ended June 30, 2023

STATISTICAL SECTION (UNAUDITED) - CONTINUED

FORWARD-LOOKING STATEMENTS

The Annual Comprehensive Financial Report (ACFR) of the City of San Diego (City) for the fiscal year ended June 30, 2023, including the Letter of Transmittal and Management's Discussion and Analysis, contains forward-looking statements regarding the City's business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in the ACFR. Additionally, statements concerning future matters such as City budgets and the financial outlook for future years, the level of City services, California state matters that may impact the City, contingencies, revenue and expense levels, expected completion dates for projects and other statements regarding matters that are not historical are also forward-looking statements.

Although forward-looking statements in the ACFR reflect the City's good faith judgment, such statements can only be based on facts and factors currently known by the City. Consequently, forward-looking statements are inherently subject to risks and uncertainties. The actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of the ACFR. The City undertakes no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of the ACFR. Readers are urged to carefully review and consider the various disclosures made in the ACFR which attempt to advise interested parties of factors that may affect the business, financial condition, results of operations and prospects of the City.

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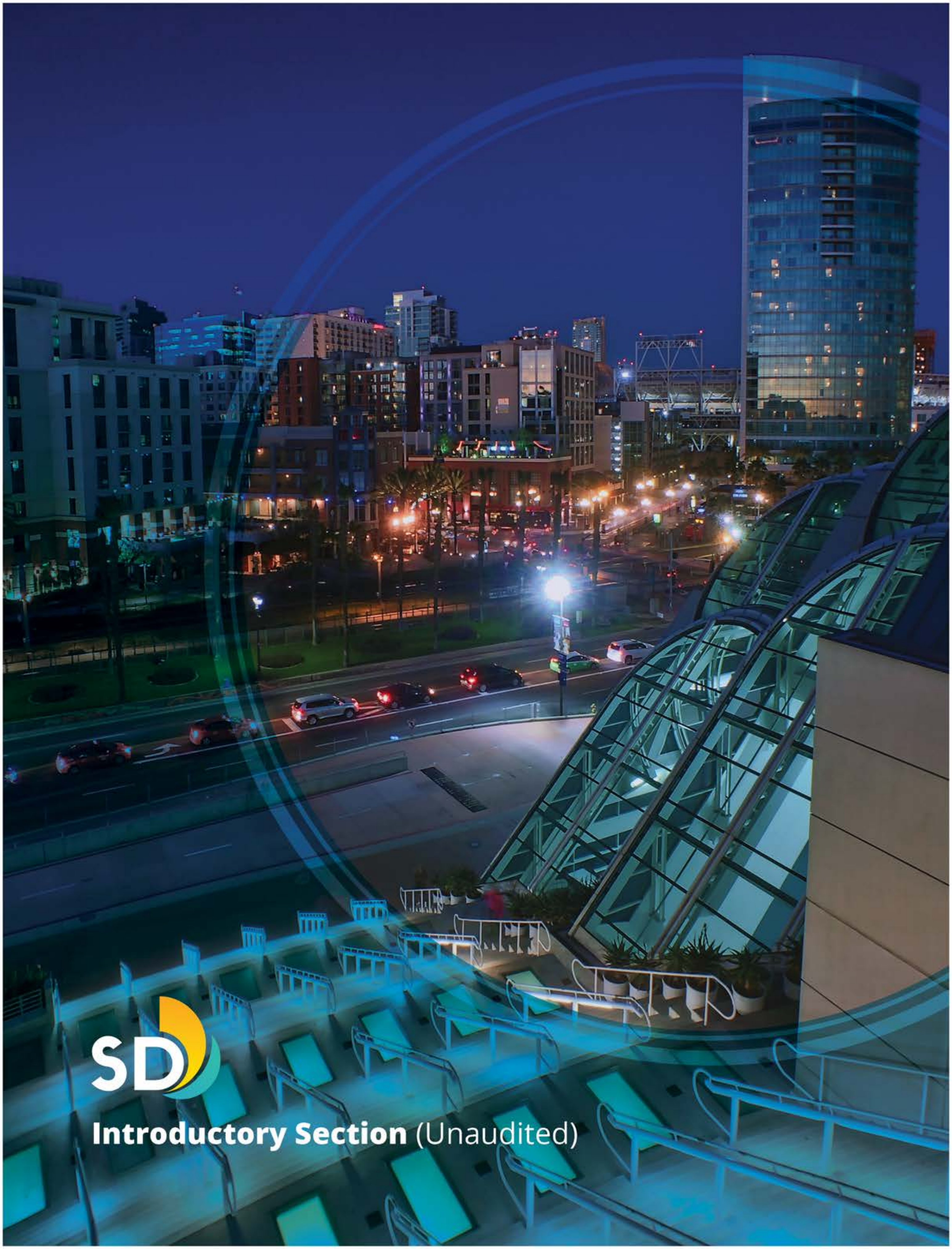

Introductory Section (Unaudited)

December 29, 2023

To the Honorable Mayor, Members of the City Council and Residents of the City of San Diego:

We are pleased to submit the ACFR of the City for the fiscal year ended June 30, 2023, in accordance with Section 111 of the City Charter (Charter).

The Annual Comprehensive Financial Report (ACFR) has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The City's management is responsible for the accuracy of the data, the completeness and fairness of the presentation and the adequacy of its disclosures. This includes the design, implementation and maintenance of internal controls over the preparation and fair presentation of financial statements that are free from material misstatement and for assurance that the assets of the City are protected from loss, theft or misuse. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatements. We believe that the information presented is complete and reliable in all material respects.

The independent audit firm of Macias Gini & O'Connell LLP has audited the fiscal year 2023 financial statements of the City and has issued an unmodified opinion on the basic financial statements. The independent auditor's report is located at the front of the financial section of this report.

A narrative introduction, overview and analysis of the financial statements can be found in the Management's Discussion and Analysis (MD&A), which immediately follows the independent auditor's report. The MD&A complements this letter of transmittal and both should be read in conjunction. The notes, along with the other financial and operational data included in the City's ACFR, must be read in their entirety to obtain a complete understanding of the City's financial position as of June 30, 2023, and the respective changes in its financial position. Readers of these financial statements should pay particular attention to Notes 12, 13, 17, and 18, concerning Pension Plans, Other Postemployment Benefits, Commitments, and Contingencies, respectively. These notes address certain issues underlying the City's financial condition as well as future potential or anticipated expenses/expenditures related to regulatory and environmental costs.

The financial statements included in this report present the balances and activity of the City and its blended, discretely presented and fiduciary component units. Blended component units are presented as funds of the City and include not-for-profit public benefit corporations and other financing authorities. In addition, the ACFR includes the San Diego Housing Commission, a discretely presented component unit. The San Diego City Employees' Retirement System (SDCERS) is reported as a fiduciary component unit. See Note 1a of the financial statements for more information on the reporting entities of the City.

It is important to note that the General Fund's presentation in the ACFR is different from the presentation in the City's annual budget. The General Fund in the ACFR incorporates the balances and activity of additional funds which do not meet the definition of special revenue funds. These funds are not included as part of the General Fund and are reported as separate funds in the budget. All references to the General Fund in the narrative below are based on the General Fund as reported in the ACFR.

PROFILE OF THE CITY OF SAN DIEGO

The City, incorporated in 1850, covers 326 square miles of land area and an additional 47 square miles of water area for an aggregate total of 372 square miles. The California Department of Finance estimated the City's population to be 1,368,395 as of January 2023, making it the eighth most populated city in the nation and the second most populated city in California.

The City operates under and is governed by the laws of the State of California and its own Charter, as periodically amended since its adoption by the electorate in 1931. The City operates under a Strong-Mayor form of government. The Mayor is elected at large to serve a four-year term and limited to two consecutive terms. The City Council is composed of nine members who are elected to staggered four-year terms and who are limited to two consecutive terms. The City Council is presided over in open meetings by the Council President, who is selected by a majority vote of the City Council. The Mayor presides over closed session meetings of the City Council. The City Attorney, who is elected to a four-year term, serves as the chief legal adviser and attorney for the City and all departments. The City Attorney is also limited to two consecutive terms in office.

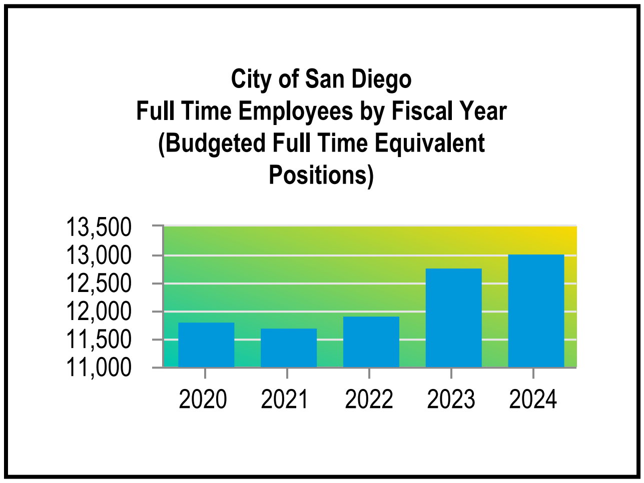
Under the Strong-Mayor form of government, the Mayor is the Chief Executive Officer of the City and has direct oversight of all City functions and services except for the City Council, Personnel, City Clerk, Independent Budget Analyst (IBA), City Attorney, Ethics Commission and City Auditor departments. Under this form of government, the Council has legislative authority; however, all City Council resolutions and ordinances are subject to a veto of the Mayor except for certain ordinances including emergency declarations and the City's annual Salary and Appropriations Ordinances. The City Council may override a Mayoral veto with six votes.

FEDERAL COVID-19 ASSISTANCE

On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA), was signed into law to provide $350 billion of emergency funding for state, local, territorial, and tribal governments in the form of Coronavirus State and Local Fiscal Recovery Funds (SLFRF). The City received two distributions of $149.9 million on June 1, 2021 and June 6, 2022. These funds may only be used to cover costs that: (1) respond to the public health emergency with respect to COVID-19 or its negative economic impacts; (2) respond to workers preforming essential work during the COVID-19 public health emergency by providing premium pay to eligible workers; (3) provide for government services to the extent of the reduction in revenue of the City due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year of the City prior to the emergency; and (4) make necessary investments in water, sewer or broadband infrastructure. The City may use SLFRF to cover eligible costs incurred during the period from March 3, 2021 to December 31, 2024, as long as the SLFRF are expended by December 31, 2026. The City is using these funds for the provision of government services due to the impact of COVID-19 on General Fund revenues. As of the end of fiscal year 2023, the City has expended $247.6 million of the SLFRF and budgeted the remaining $52.1 million of SLFRF in fiscal year 2024.

CITY SERVICES

The City, with 13,030 budgeted full-time equivalent (FTE) positions in fiscal year 2024, provides a full range of governmental services. In the Fiscal Year 2024 Adopted Budget, the City budgeted 253 additional positions compared to the prior fiscal year. This increase was primarily due to the addition of positions in the departments of Public Utilities, Development Services, Environmental Services, Purchasing and Contracting, Fire-Rescue, Police, and Parks & Recreation. The budget reflects a fiscally responsible, multi-year approach that uses federal relief funds and excess equity strategically while maintaining the following services to its residents and visitors:



BUDGETING SYSTEMS AND CONTROLS

The budget is created each fiscal year by the Mayor and presented to the City Council and the public by April 15, as required by the Charter. After a series of public meetings, input from the City Council and City residents, the Mayor may propose revisions to the originally proposed budget. The Charter requires that on or before June 15, the City Council approve the budget as submitted by the Mayor or with modifications to the proposed budget. Within five business days of City Council's approval, the Mayor has the discretion to line-item veto any budget modifications approved by the City Council. In turn, the City Council has five business days within which to override the Mayor's veto. The Appropriation Ordinance that enacts the budget into law is based on the approved budget and the adopted Salary Ordinance. The Charter requires that City Council adopt the Appropriation Ordinance for the following year by June 30. All subsequent amendments to the adopted budget require City Council approval except as delegated in the Appropriation Ordinance.

Budgetary control is established at the highest level by the Charter and further defined by the City Council through the annual Appropriation Ordinance. Budgetary control is exercised at the department level for the General Fund and at the fund level for all other funds. In addition, the budget authorized for personnel expenditures (salaries and wages) for a fund or department may not be used for non-personnel expenditures. The City's financial system incorporates embedded controls in which non-personnel expenditures cannot be incurred if a budget appropriation is not available. The City also uses an encumbrance system of accounting as a mechanism to accomplish effective budgetary control.

The City's Department of Finance (DoF) monitors fund balances, as well as revenue and expenditure projections throughout the fiscal year. The DoF prepares monthly and periodic reports to the City Council that summarize the year-to-date financial activity of the General Fund and other budgeted funds. Additionally, the DoF prepares an analysis of actual and projected financial activity for the fiscal year on a quarterly basis by issuing three budget monitoring reports during the year (First Quarter, Mid-Year, and Third Quarter Budget Monitoring Reports). Subsequent to the end of the fiscal year, the DoF prepares a report analyzing and explaining variances between year-end projections and unaudited year-end actual revenues and expenditures for the General Fund.

LOCAL ECONOMY

The State of California Employment Development Department (EDD) estimates the total civilian labor force for the San Diego/Carlsbad Metropolitan Statistical Area (MSA), which represents San Diego County, is approximately 1.58 million, of which about 1.52 million are non-farm jobs (see footnote below). Between September 2022 and September 2023, total non-farm employment increased by 28,900 jobs, or 2%. The September 2023 unemployment rate in the San Diego/Carlsbad MSA was 4%, down from 4.3% in August 2023, and above the prior year 3.6% estimate. This compares with an unadjusted unemployment rate of 4.9% for California and 3.6% for the nation during the same period. The table below provides estimates of total annual civilian non-farm employment by number of employees in each major industry category in the San Diego/Carlsbad MSA for 2021 through 2023.

San Diego / Carlsbad MSA [1]
Civilian Non-Farm Labor Force by Industry Sector

Industry Sector	2021	2022	2023	2023
Professional & Business Services	267,400	286,000	281,600	17.9%
Leisure & Hospitality	177,300	198,000	209,700	13.4%
Government				
State & Local Government	193,200	198,400	200,300	12.8%
Federal Government	47,500	46,900	47,900	3.1%
Healthcare & Social Assistance	189,600	199,900	210,000	13.4%
Trade				
Retail Trade	135,900	137,200	138,400	8.8%
Wholesale Trade	41,900	43,800	42,700	2.7%
Manufacturing	114,400	117,400	117,000	7.5%
Financial Activities	75,400	75,800	78,100	5.0%
Construction	84,300	87,900	89,600	5.7%
Other	134,600	147,900	152,800	9.7%
Total Non-Farm [2]	1,461,500	1,539,200	1,568,100	100%

[1] Based on California Employment Development Department data for the San Diego/Carlsbad Metropolitan Statistical Area for the month of September of each corresponding year (March Benchmark). Data excludes military uniformed personnel.
[2] Non-farm jobs exclude self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Federal Government employment in the previous table includes approximately 23,200 civilians employed by the United States Department of Defense, but excludes military uniformed personnel. In its 2022 Economic Impact Study, the San Diego Military Advisory Council (SDMAC) estimated a total of 147,000 active duty and civilians work as members of the Navy, Marine Corps, Reserves, Coast Guard, or Veterans Administration in San Diego County.

MAJOR INDUSTRIES

The City's 2023-2026 Economic Development Strategy identified four economic base industries in San Diego: (1) Manufacturing; (2) Tourism; (3) Trade; and (4) Military. San Diego's life sciences cluster spans the professional services, information, and manufacturing industries and creates $27 billion in annual regional economic impact according to a study done by San Diego Regional Economic Development Corporation. San Diego's manufacturing sector is diverse, including several manufacturing clusters: biotech; cleantech; defense and security systems; electronics and telecommunications; and food and beverage production.

The City's economic base is anchored by higher education and major scientific research institutions, which provide a foundation to create new manufacturing products. The top exports from the San Diego Area are computer and electronic parts, chemicals, machinery, transportation equipment, and other miscellaneous manufacturing goods. With its proximity to Mexico and the Pacific Rim, San Diego is in a unique geographical position that creates opportunities for growth in international trade. According to the Department of Commerce, the San Diego area was the 20th largest exporter among U.S. Metro areas with an export value of $24.7 billion in 2022.

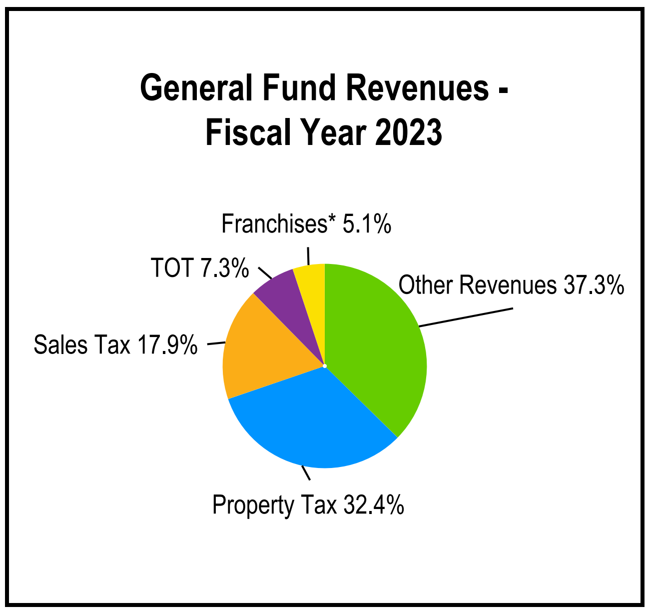
Calendar year 2022 marked the first full year of events at the San Diego Convention Center since the Covid-19 pandemic. In prior years during the pandemic, the Convention Center also served as a temporary emergency homeless shelter and emergency intake center for unaccompanied minors seeking asylum. The 100 plus events represented approximately $693.2 million in direct spending in 2022. These levels of direct spending nearly match pre-pandemic activity and represent a return to normal levels of tourism.

The military continues to play a significant role in the San Diego economy. In a study done by SDMAC, defense-related activities and spending will generate approximately $56.2 billion of Gross Regional Product (GRP) for San Diego County, or 24.5% of the region's total GRP in 2022. According to the SDMAC, the military was responsible for approximately 360,000 jobs in the region, or 23% of all employment in the region.

FINANCIAL AND ECONOMIC TRENDS

In fiscal year 2023, the General Fund's four major operating revenue sources - property tax, sales tax, transient occupancy tax (TOT), and franchise fees (unrestricted) - made up 62.7% of total General Fund revenues. Based on revenue projections for the first quarter of fiscal year 2024, major revenues for the General Fund are expected to increase by $43.1 million (3.1%) compared to major revenues reported for the General Fund in the fiscal year 2023 basic financial statements.

The table on the following page shows historical trends for the General Fund major revenues for the past four fiscal years and revenue projections for fiscal year 2024.



* Excludes the portion of San Diego Gas & Electric franchise fee revenue that is deposited into a special fund due to restrictions in the Charter to preserve and enhance the natural environment of the City.

General Fund Major Revenues by Fiscal Year
(Dollars in Thousands)

	2020	2021	2022	2023	2024 [1]
Property Tax	$ 609,297	$ 641,395	$ 663,142	$ 721,441	$ 771,900
Sales Tax [2]	292,525	313,858	387,872	397,517	385,200
TOT [3]	95,243	68,086	136,468	161,811	171,200
Franchise Fees [4]	77,357	77,826	91,403	113,138	108,700
TOTAL	$ 1,074,422	$ 1,101,165	$ 1,278,885	$ 1,393,907	$ 1,437,000

[1] Source: Fiscal Year 2024 First Quarter Budget Monitoring Report - Department of Finance, City of San Diego. Budgetary basis excludes safety sales tax.

[2] Includes Safety Sales Tax.

[3] Includes the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy). $146.3 million was deposited into the TOT Special Revenue Fund in fiscal year 2023.

[4] Excludes the portion of the San Diego Gas & Electric franchise fee revenue that is deposited in a special fund due to restrictions in the Charter to preserve and enhance the natural environment of the City.

The Federal Reserve has taken extraordinary actions in an effort to combat inflation and bring the Consumer Price Index (CPI) to a target rate of 2.0%. In July 2023, the Federal Open Market Committee (FOMC) increased the target range for the federal funds rate to between 5.25% and 5.5%. In all subsequent meetings during the calendar year, the FOMC voted to hold rates steady. This marks the third time since early 2022 that the FOMC opted not to raise rates. Increases to the federal funds rate may have a dampening effect on the economy, slowing growth and potentially resulting in recession. The primary economic drivers that impact both sales tax and transient occupancy tax (TOT) revenues are the unemployment rate and consumer confidence, which drive consumer spending including tourism. A slowing economy is likely to have a negative effect on consumer confidence and could increase unemployment levels, resulting in lower than projected sales tax and TOT for fiscal year 2024 and future years. The impact on sales tax and TOT will be dependent on the severity and duration of the economic slowdown if a slowdown were to occur.

Additionally, higher interest rates may impact property tax revenue. At the beginning of calendar year 2023, the City experienced high growth in both home prices, which has remained stable through the calendar year. The median home price reached an all-time high of $915,500 as of August 2023 and is projected to remain relatively steady through the remainder of the calendar year. Home sales, however, began to slow towards the end of calendar year 2022 and have continued to slow through calendar year 2023. Home sales have decreased by 25.8% when comparing September 2023 with September 2022. The decline in property sales is attributed to increasing interest rates, resulting in unfavorable lending conditions. When coupled with high median home prices, this has further reduced the affordability and availability of homes in the region.

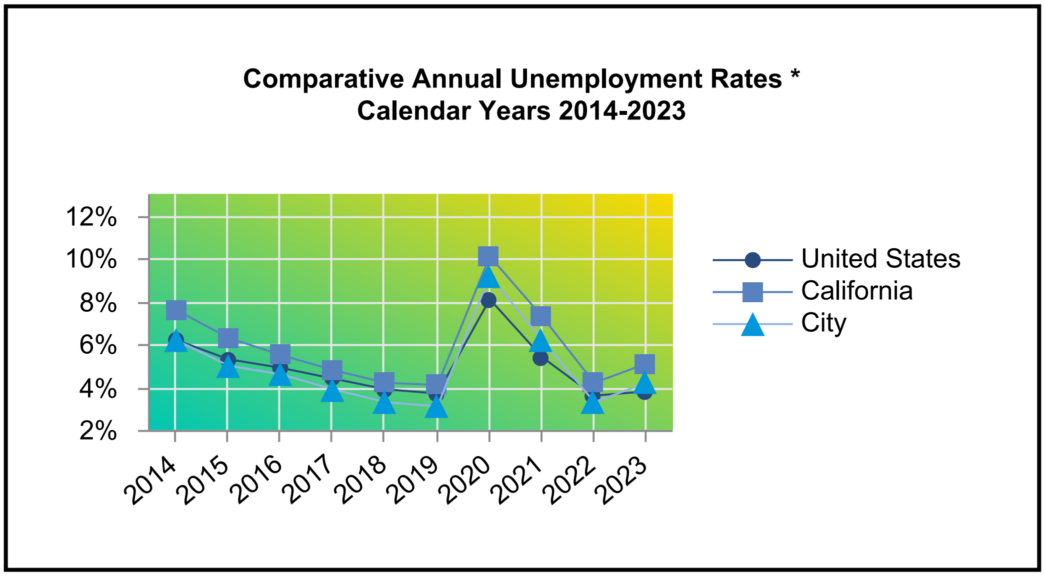
Property Tax

Property Tax revenue is the largest revenue source for the General Fund, representing 32.4% of total General Fund revenue recognized in fiscal year 2023. There is a 12 to 18 month lag between the time property values are assessed by the County of San Diego (County) to the time the property tax revenue is received by the City. Therefore, the property tax revenue received in fiscal year 2023 and the estimated revenue for fiscal year 2024 are based on assessments from January 1, 2021 and 2022, respectively. The 7.0% growth rate projected for property tax revenue in fiscal year 2024 is based on a year-over-year increase in the median home price of 3.6%. The fiscal year 2024 assessed valuation of properties not sold or otherwise improved, in accordance with limits established by Proposition 13, is based on the change in the California Consumer Price Index (CCPI) from October 2021 to October 2022. During this period, the CCPI increased by 5.8%. Furthermore, Proposition 13 limits the inflation factor to 2.0%, therefore the assessed valuation of properties not sold or otherwise improved will increase their taxable basis by 2.0%. Additionally, the City receives tax sharing distributions in accordance with redevelopment dissolution laws and a proportional share of residual property tax payments of funds remaining in the Redevelopment Property Tax Trust Fund (RPTTF) after Recognized Obligation Payments are made.

Sales Tax

The City's second largest revenue source for the General Fund is sales tax, representing 17.9% of total General Fund revenue recognized in fiscal year 2023. The total citywide sales tax rate in San Diego is 7.75%, of which the City receives approximately 1.0% for general purposes. The City also receives a portion of the 0.5% collected by the San Diego Association of Governments (SANDAG) for the TransNet program to fund transportation improvements throughout the City, and a portion of the 0.5% Safety Sales Tax to fund local public safety needs. General purpose and safety sales tax are deposited in the General Fund, while TransNet sales tax revenue is deposited in the TransNet Capital Projects Fund.

The major local economic drivers of the City's Sales Tax revenue include the unemployment rate, consumer confidence, and consumer spending. The unemployment rate for the City was 4.2% in August 2023, up from 3.3% in August 2022. A higher local unemployment rate generally decreases consumer confidence which, in turn, decreases the City's sales tax receipts. Additionally, as consumers shift from in-store purchases to online sales, the City receives a smaller portion of sales tax revenues. Online retailers are required to collect and remit sales tax based on point-of-sale. The City experienced a year-over-year increase of $9.6 million (2.5%) in sales tax receipts during fiscal year 2023. Based on the fiscal year 2024 projection, the City estimates a year-over-year decrease in sales tax revenue of approximately $12.3 million (3.1%) compared to fiscal year 2023 actual revenue recognized.



Source: Federal Bureau of Labor Statistics, California Employment Development Department.
* Unemployment rates for 2023 are based on August 2023 data.

Transient Occupancy Tax

The City's TOT is levied at 10.5% of daily room prices in hotels as well as motels and short-term vacation rentals used by visitors staying in San Diego for fewer than 30 consecutive days. TOT revenue is allocated pursuant to the City Municipal Code. Of the 10.5% collected, 5.5% is allocated to the General Fund and the remaining 5% is allocated to the TOT Special Revenue Fund (with 4% allocated to special programs to promote the City's tourism and the remaining 1% allocated for any purpose proposed by the Mayor and approved by the City Council). A portion of the revenue allocated to the TOT Special Revenue Fund can be used to reimburse the General Fund for tourism promotion costs or transferred to the General Fund for any purpose approved by the City Council. The TOT allocation to the General Fund of $161.8 million represented 7.3% of total General Fund revenue recognized in fiscal year 2023. In addition, the General Fund received reimbursements and transfers from the TOT Special Revenue Fund of $57.7 million and $28.7 million, respectively, in fiscal year 2023 for a combined total of $248.2 million.

Tourism Information - County of San Diego

	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
Visitors					
Total Visits (millions)	14.3	23.8	28.8	31.0 [1]	32.0 [1]
Overnight Visits (millions)	8.7	13.8	16.5	16.7 [1]	17.4 [1]
Hotel Sector					
Average Occupancy	48.7%	61.9%	72.6%	73.5% [2]	77.0% [2]
Average Daily Rate	$129.83	$164.54	$203.50	$207.62 [2]	$210.66 [2]
Revenue PAR [3]	$63.22	$101.79	$147.75	$152.50 [2]	$162.15 [2]
Room Demand (growth)	(40.8)%	36.4%	18.0%	1.3% [2]	5.2% [2]

Source: San Diego Tourism Authority and Tourism Economics, Inc.

[1] Travel Forecast August 2023 - Tourism Economics, Inc.

[2] Lodging Forecast July 2023 - Tourism Economics, Inc.

[3] Revenue per Available Room (Average Occupancy multiplied by Average Daily Rate).

Major economic drivers for TOT revenue include seasonal and non-seasonal tourism, business travel, and conventions. The preceding table reflects a continued recovery of San Diego tourism since the COVID-19 pandemic. While average occupancy and overnight visitation stats have nearly recovered to 2019 levels, total visitation remains weakened through 2025. The City's fiscal year 2024 projections continue to reflect positive growth in the tourism industry and include a year-over-year increase in TOT revenue of approximately $9.4 million (5.8%) compared to fiscal year 2023.

Franchise Fees

San Diego Gas and Electric (SDG&E), the single largest generator of franchise fee revenues for the General Fund, remits 3% of the gas and electricity gross sales within the City, 75% of which is unrestricted and 25% of which is restricted by the Charter to preserve and enhance the natural environment of the City. Both restricted and unrestricted SDG&E franchise fee revenues are reported in the General Fund. The City also collects 5% of gross revenues from Cox Communications, Spectrum (formerly Time Warner Cable), and AT&T for cable and broadband. Other franchise fee revenues include refuse hauler fees (based on the total amount of refuse hauled annually), and fees from the Police Department's vehicle tow program. Unrestricted franchise fee revenues of approximately $113.1 million represented 5.1% of total General Fund revenues recognized in fiscal year 2023. The fiscal year 2024 projection estimates a year-over-year decrease of $4.4 million, or 3.9% in unrestricted franchise fee revenues.

LONG-TERM FINANCIAL PLANNING AND FINANCIAL POLICIES

FIVE-YEAR OUTLOOK

Each year the City develops a Five-Year Financial Outlook (Outlook), which is the guiding document for long-range fiscal planning and serves as the framework for development of the next adopted budget. The Outlook is published annually and incorporates a range of information on items that influence projected revenues and anticipated appropriation needs over the next five fiscal years. These projections inform the City Council and the public of the long-term costs of programs in the context of the City’s overall General Fund budget and projected revenue growth. The Fiscal Year 2025-2029 Five-Year Outlook, released on November 19, 2023. The projections included in the General Fund Outlook show structural budget deficits, where ongoing baseline expenditures exceed ongoing baseline revenues, of $136.8 million in Fiscal Year 2025 growing to $141.2 million in Fiscal Year 2029. These projections are based on Fiscal Year 2024 service levels with some adjustments. A multi-year strategy will need to be developed to correct the projected structural deficits, including the potential for operational efficiencies, budget reductions or additional ongoing revenue enhancing initiatives to support the critical needs of the City. The General Fund Outlook can be obtained online at https://www.sandiego.gov/finance/financialrpts.

MULTI-YEAR CAPITAL IMPROVEMENT PROGRAM AND INFRASTRUCTURE

In January 2023, the City's Engineering and Capital Projects Department released its Five-Year Capital Infrastructure Planning Outlook (CIP Outlook) report. The CIP Outlook presents a comprehensive overview of the City's CIP including current driving factors, reviews of service level standards, a discussion of condition assessment impacts, and a cost analysis which spans over multiple fiscal years, including the cost of capital replacement of City assets which has been deferred in the past. The CIP Outlook is released on an annual basis and is used as a guide in developing the City's Annual Capital Improvement Program Budget.

CIP projects include, but are not limited to, public health and safety, right-of-way, neighborhood services and those required due to federal and state laws and mandates. According to the Fiscal Year 2024 CIP Adopted Budget Volume III (CIP Budget), the multi-year CIP budget citywide is $19.9 billion, with 49.0% supporting Water and Sewer CIP. This includes every active (Council-approved) CIP project (approximately 1,300 projects), with the timeline for completion ranging from one to three years with some lasting decades into the future, some of these projects are pending identification of eligible future funding sources. The CIP Outlook estimates capital needs for fiscal year 2024 through fiscal year 2028 at approximately $9.75 billion. The CIP outlook includes active CIP projects, which are included in CIP budget, and future requests which have not been formally prioritized or approved by Council and are not included in the CIP budget. The projected available funding in the CIP Outlook is estimated at approximately $4.57 billion, reflecting an estimated funding gap of $5.17 billion across the five years. This estimated funding gap relates to General Fund owned assets and does not assume funding gaps for enterprise funds such as Water and Sewer Utilities. These estimates are now likely higher due to inflationary impacts to construction costs. For the purposes of the CIP Outlook, capital programs related to the enterprise funds are assumed self-sufficient and will be supported by rates and fees upon completion of cost of service studies and the City Council approval of rates necessary to meet operational and capital projections.

Pure Water San Diego is the City's phased, multi-year program that will provide a safe, secure, and sustainable local water supply by turning recycled water into drinkable water through proven purification technology. The first phase, which includes a Pure Water Facility, is anticipated to produce 30 million gallons per day to reduce the use of imported water once operational. The project is financed by both the Water and Sewer Utilities and is budgeted in the Water and Sewer CIP budget.

The City owns and maintains depreciable assets, including but not limited to, streets, bridges, parks, public facilities, and airports. Over the years, the City deferred maintenance and capital expenditures related to some of these assets, which resulted in deterioration of segments of the City's infrastructure. A financial plan for addressing General Fund deferred capital costs and new facilities has been in place over the last ten years, in part through issuances of Lease Revenue Bonds. The General Fund Outlook incorporates projected long-term lease revenue bond issuances totaling $822.0 million and the majority of the related debt service costs. This includes a $180.0 million Lease Revenue Bond issuance in FY 2024 (with debt service beginning in FY 2025). It also includes $144.0 million Lease Revenue Bond issuances in both FY 2025 and FY 2027 to finance future required City matching funds for Stormwater's Water Infrastructure Finance and Innovation Act (WIFIA) loan (with debt service beginning in FY 2026 and FY 2028, respectively). Additionally, due to continued full use of the General Fund Commercial Paper (CP) Program, the debt service projections include subsequent bond issuances of $88.5 million each year in FY 2026 - FY 2029 to pay down (or "take-out") future outstanding CP notes, and related financing costs (except for the debt service associated with the FY 2029 bond issuance that will commence in FY 2030, which is beyond the outlook period). The actual timing and size of each of these bond issuances will be further evaluated based on cash needs and market conditions closer to issuance. Along with the $822.0 million in lease revenue bonds, the Outlook includes debt service for the $359.2 million WIFIA Loan which will finance priority Stormwater projects. Approximately $351.9 million of the total projected long-term lease revenue bond issuances are expected to finance prior appropriations. The remaining $470.1 million is expected to be utilized for the City matching funds required for the Stormwater WIFIA loan and other future appropriations.

Additionally, the DoF prepares semi-annual CIP Budget Monitoring Reports that highlight the effective cash management and streamlining efforts that enhance internal monitoring and execution of the CIP program. These reports are available at https://www.sandiego.gov/finance/financialrpts.

There are significant additional revenue sources restricted for capital projects and infrastructure including: TransNet; Gas Tax; proceeds from real property sales; developer impact fees; and capital grants, that are anticipated to be invested in City infrastructure and deferred maintenance. In 2016, San Diego residents passed Proposition H, a Charter amendment that established an Infrastructure Fund (Fund) to be used exclusively to pay for capital improvements and repair and maintenance of General Fund infrastructure. Beginning in fiscal year 2018, the City is required to deposit 50% of major revenue growth over the base year of fiscal year 2016 into the Fund for five years.

In addition to capital needs, the City has identified significant storm water capital projects in the Watershed Asset Management Plan needed to comply with more stringent water quality regulations (see Note 17). The City has continued to address the new projects and deferred capital costs through its multi-year financing plan and assess the condition of key asset classes.

The City has previously conducted condition assessments on streets, bridges, sidewalks, highest risk storm drains, and most General Fund-owned facilities. These condition assessments are updated on a periodic basis. The current condition assessments and CIP Outlook cover a subset of City assets and represent a portion of the City's deferred maintenance and infrastructure needs. Generally, the City has discretion on the condition levels at which City assets are maintained. Therefore, deferred maintenance on City assets does not constitute a liability of the City. There are, however, significant commitments and contingent liabilities related to infrastructure spending and other requirements disclosed in Notes 17 and 18. Spending priorities on asset maintenance and infrastructure are reassessed annually and incorporated into the budget to ensure that condition level goals are met in a manner that is balanced with other budget priorities and spending requirements.

RESERVES

The City has established what it has determined to be strong financial reserves that position the City to weather significant economic downturns more effectively and manage the consequences of outside agency actions that may result in revenue reductions. These reserves also serve to address unexpected emergencies such as natural disasters and catastrophic events, unanticipated critical expenditures, or legal judgments against the City. The City's approach to establishing and maintaining strong reserves across the spectrum of City operations, including General Fund, Risk Management, and enterprise fund (including Sewer and Water Utilities) operations, is contained in the City's Reserve Policy.

The City's Reserve Policy establishes policy goals, which represent the total reserve level that the City is trying to achieve for each of its reserves (Policy Goal). For those reserves that are not at Policy Goal, the City's Reserve Policy establishes incremental funding levels for each fiscal year (Target Goal) until arriving at full funding.

The following table identifies the Policy Goal, Target Goal (percentage and dollar), and current reserve levels as of the end of fiscal year 2023 for the General Fund, Risk Management, Pension Payment Stabilization, and Public Utility Rate Stabilization Reserves.

Reserve	Policy Goal	FY 23 Target % [4]	FY 23 Target (In Millions)	FY 23 Reserve (In Millions)
General Fund Emergency Reserve [1]	8% of the most recent three year average of annual audited General Fund operating revenues (budgetary basis)	7.43%	$107.6	$107.6
General Fund Stability Reserve [1]	8.7% of the most recent three year average of annual audited General Fund operating revenues (budgetary basis)	6.87%	$99.5	$99.5
Public Liability Reserve [2]	50% of outstanding public liability claims based on the annual actuarial liability valuations for the three most recent fiscal years	50%	$38.8	$38.8
Workers' Compensation Reserve [2]	12% of outstanding workers' compensation claims based on the annual actuarial liability valuations for the three most recent fiscal years	12%	$34.2	$34.2
Long-Term Disability Reserve [2]	100% of long-term disability claims based on the annual actuarial liability valuations for the three most recent fiscal years	100%	$4.9	$4.9
Pension Payment Stabilization Reserve [3]	8% of the average of the three most recent Actuarially Determined Contributions	0.5%	$1.8	$1.8
Water Rate Stabilization Fund Reserve	5% of prior fiscal year water system total operating revenue	5%	$28.4	$105.1
Wastewater Rate Stabilization Fund Reserve	5% of prior fiscal year wastewater system total operating revenue	5%	$19.1	$89.3

[1] For purposes of the General Fund Reserve Policy, the General Fund is the operational fund as presented in the City's annual budget document and excludes other funds which are consolidated with the General Fund for presentation in the ACFR in accordance with GASB 54.

[2] Public Liability, Workers' Compensation, and Long-Term Disability Reserves are based on cash on hand plus contributions receivable balances. The Public Liability Reserve is funded entirely by the General Fund whereas the Workers' Compensation and Long-Term Disability Reserves are citywide funded.

[3] This includes enterprise funds reserves of $1.8 million.

[4] See Note 1v for additional detail on reserves targets.

General Fund Reserves are comprised of two separate components: (1) the Emergency Reserve, established for the purpose of sustaining General Fund operations in the case of a public emergency; and (2) the Stability Reserve, established to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures. The Emergency Reserve may be expended only if an event is determined to be a public emergency by a two-thirds vote of the City Council, while appropriations from the Stability Reserve require approval by a simple majority of the City Council.

To determine the reserve dollar amount in accordance with the City's reserve policy, the City calculates the average operating revenues for the General Fund (budgetary basis) based on the three most recent years and applies a percentage to that average. In fiscal year 2017, the City increased its Policy Goal for the Stability Reserve from 6% to 8.7%, while maintaining the Emergency Reserve at 8%, to arrive at the total General Fund Reserve Policy Goal of 16.7%. In December 2022, the City Council approved updates to the Reserve Policy to modify the annual funding targets for the General Fund Emergency Reserve and Stability Reserve, while maintaining the ultimate policy goal of 16.7% for the General Fund by 2030. The City met its Emergency Reserve Target Goal for fiscal year 2023 of 7.43% or $107.6 million. In addition, the City met its Stability Reserve Target Goal for fiscal year 2023 of 6.87% or $99.5 million.

The General Fund's Emergency Reserve of $107.6 million is reported as GAAP restricted fund balance in the financial statements. The General Fund's GAAP unassigned fund balance as of June 30, 2023 was $140.9 million, of which $99.5 million represents the General Fund's Stability Reserve.

The City also maintains reserves to manage risk, including reserves for the payment of claims and judgments (Public Liability Reserve), a reserve for obligations related to workers' compensation claims (Workers' Compensation Reserve), and a reserve for long-term disability payments for City employees (Long-Term Disability Reserve). Balances exceeding targets are evaluated annually and are available to meet other operating fund needs if necessary. Public Liability and Workers' Compensation Reserves are reported in the financial statements as part of the General Fund's committed fund balance. The Long-Term Disability Reserve is reported as cash in the Miscellaneous Internal Service Fund. Liability claims paid after the end of fiscal year 2023 could reduce risk management reserve balances. The City met its Public Liability Reserve Target Goal for fiscal year 2023 of 50% or $38.8 million.

In April 2016, the City created the Pension Payment Stabilization Reserve. The purpose of this reserve is to mitigate service delivery risk by providing a source of funding for increases in the Actuarially Determined Contribution (ADC). The ADC is calculated by the SDCERS actuary as part of its annual Actuarial Valuation Report. Increases in the ADC could be caused by several factors, such as lower than expected investment returns, changes in actuarial assumptions approved by the SDCERS Board including a reduction in the discount rate, and other significant liability experience losses. The Fiscal Year 2023 Adopted Budget included the use of $7.9 million from the General Fund Pension Reserve and $0.9 million from the Enterprise Pension reserve to mitigate increases associated with Proposition B (See Note 12).

In addition to the reserves listed above, the City's Reserve Policy defines Excess Equity as unassigned fund balance that is not otherwise designated as General Fund Reserves and is available for appropriation. In fiscal year 2023, the General Fund had Excess Equity of $62.4 million, which excludes amounts assigned for use in the Fiscal Year 2024 Budget. Excess Equity is not treated as a part of the General Fund Reserves and may be used to fund one-time expenditures.

In fiscal year 2023, the Sewer Utility and Water Utility Funds reported balances of $89.3 million and $105.1 million, respectively, in the Rate Stabilization Fund (RSF) Reserves. Both funds are in excess of the reserve policy targets which equal 5% of prior fiscal year water and wastewater system total operating revenue. Transfers in and out of the RSFs are made to maintain stable debt service coverage ratios for outstanding debt obligations and mitigate major fluctuations in future rate increases. In fiscal year 2023, the Sewer Utility withdrew $9 million from RSF Reserves and the Water Utility withdrew $9 million to RSF Reserves. In addition to the RSF reserves, the Water and Sewer Utilities maintain various other policy reserves including the Emergency Operating Reserves, Emergency Capital Reserves, and Secondary Purchase Reserves (for Water Utility only), and there were no draws from these reserves in fiscal year 2023.

General Fund Cash Management

The City's General Fund expenditures are typically consistent from month to month over the course of each fiscal year, whereas some of the City's most significant General Fund revenues, such as property tax, fall largely to the second half of the fiscal year. To address this mismatch in receipts and expenditures, the City relies on cash balances from General Fund Reserves and from other eligible operating funds to smooth out the General Fund cash needs during the fiscal year. Additionally, the Charter permits interfund borrowing and the Chief Financial Officer has the authority under the annual Appropriation Ordinance to make interfund loans between funds to cover cash needs. As of June 30, 2023, the City's General Fund and other eligible operating funds had combined cash balance of $1.0 million, which is a portion of the $2.1 million cash for reported governmental activities on the Statement of Net Position. Comparatively, the cash balance for the General Fund and Operating Funds was $1 million as of June 30, 2022.

OTHER FINANCIAL POLICIES

In addition to policies related to reserves, budget development, budget monitoring, and the CIP Outlook, the City has adopted a comprehensive set of financial policies including policies on debt management, investments, Capital Improvement Program prioritization, and transparency, among others. A summary of these policies can be found within the City's current year adopted budget online at www.sandiego.gov/finance/annual/vol1.

MAJOR ACCOMPLISHMENTS AND INITIATIVES

Mayor Todd Gloria introduced the City's second Safe Sleeping Program site, focused on addressing homelessness by offering a safe, sanctioned camping for unsheltered individuals. Lot O, the site near Balboa Park, provides space for 400 tents accommodating two people each, along with essential services such as meals, restrooms, showers, and case management. This development follows the success of the first site which was established at 20th and B streets in June, and is currently offering 122 tents. The new site will be managed by Dreams for Change and the Downtown San Diego Partnership. The City has taken steps to ensure site readiness, including road expansions and platforms for insulated tents, and access to the program will be facilitated through outreach programs or the San Diego Police Department.

The City of San Diego was awarded a total of 97 grant awards with a combined total value of $306.5 million, which amounts to a 4% increase over the previous fiscal year and a 51% increase from fiscal year 2021. Since taking office, Mayor Gloria's administration has reported year over year increases in grant applications and awards, making fiscal year 2023 the highest level reported since the City began publishing the Citywide Grants Report in fiscal year 2019. The grants awarded will fund a wide variety of City priorities such as economic development, emergency response preparedness, homelessness services, road and bridge repair, public safety and enhanced water reliability.

The state of California awarded the San Diego Housing Commission (SDHC) $20.75 million in Homekey program funds for future projects to create additional permanent affordable homes to those experiencing homelessness. These funds will support the SDHC in producing 75 new affordable rental housing units with supportive services in District 2, for those who are experiencing homelessness. SDHC has applied for $63.5 million for the proposed purchase and rehabilitation of two additional properties that would ultimately produce 266 affordable housing units.

The United States Department of Transportation (USDOT) selected the City of San Diego to receive $680,000 in Federal funding to make San Diego streets safer for all. Created by the Bipartisan Infrastructure Law, the Safe Streets and Roads for All Grant Program supports initiatives to prevent roadway deaths and serious injuries. This $680,000 investment will help the City of San Diego add a comprehensive Speed Management Plan, Historically Disadvantaged Community Quick Build Program, and Slow Streets Program to the City’s existing Vision Zero Strategy.

The City is a leader and pioneer in adopting and updating its Climate Action Plan (CAP). First adopted in December 2015, the CAP has been officially revamped and updated with more ambitious goals, targets, and actions as of August 2022. The CAP's new strategies and goals will create a path forward focused on equity and environmental justice, to align with state goals of net zero emissions by 2035, and to incorporate the additional benefits of climate action. The CAP identifies six strategies along with a monitoring and reporting program, where the city will report annually depending on data availability. The six strategies proposed to reach this goal are: (1) Decarbonization of the Built Environment; (2) Access to Clean and Renewable Energy; (3) Mobility and Land Use; (4) Circular Economy and Clean Communities; (5) Resilient Infrastructure and Healthy Ecosystems; and (6) Emerging Climate Actions.

In February 2023, the City released a draft Climate Action Implementation Plan that organizes the City's processes and government structure around the net-zero goal - centering on equity, accountability, and transparency. The plan includes cost estimates to align the City’s future budgeting decisions with the CAP. Furthermore, the implementation plan lays out the tasks and responsibilities to be carried forward by departments and reported on through annual work plans.

The City has taken bold steps toward meeting the CAP goals with the implementation of San Diego Community Power (SDCP) and adoption of policies like Complete Communities. SDCP is a community choice energy service that will be responsible for purchasing wholesale clean electricity on behalf of customers in the Cities of San Diego, Chula Vista, Encinitas, La Mesa, Imperial Beach, and National City, as well as the County of San Diego. Complete Communities is an initiative that includes planning strategies that work together to create incentives to build homes near transit, provide more mobility choices, and enhance opportunities for places to walk, bike, relax and play. The City is committed to utilizing entirely clean and renewable electricity by 2035 or sooner, the first in the State to establish this goal.

Furthering efforts to address homelessness and housing affordability, the City has made an additional $20 million in funding available for the Bridge to Home program. This program provides gap financing for affordable housing projects. The total investment in Bridge to Home has helped fund 937 affordable homes in Rancho Bernardo, City Heights, El Cerrito, Downtown, Encanto and San Ysidro. 272 of those homes have attached supportive services for those who are experiencing homelessness.

The City continues to preserve core services while fully making the pension payment. Balancing the General Fund fiscal year 2024 budget involved making strategic decisions in order to support the City's strong commitment to fiscal sustainability. Effective financial oversight promotes a healthy financial future and the ability to provide outstanding service to communities throughout San Diego.

ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its ACFR for the fiscal year ended June 30, 2022. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized ACFR that satisfied both generally accepted accounting principles and applicable program requirements. In addition, the City has received awards of recognition for its latest budget document from GFOA and the California Society of Municipal Finance Officers.

A *Certificate of Achievement for Excellence in Financial Reporting* is valid for a period of one year. We believe our current ACFR continues to meet the requirements of the Certificate of Achievement for Excellence in Financial Reporting Program, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the dedication and professionalism of the entire staff of the City's Department of Finance. We wish to thank all City departments for their valuable contributions and thank the staff of San Diego Convention Center Corporation, San Diego Housing Commission and San Diego City Employees' Retirement System for providing component unit information which has been incorporated into this report. We also want to thank the City's independent auditors, Macias Gini & O'Connell LLP for their work. Finally, we would like to thank Mayor Todd Gloria for his support in maintaining the highest standards of professionalism in management of the City and the Audit Committee for their governance role over the audit of the ACFR.

Respectfully submitted,

Eric Dargan	Matthew Vespi	Rolando Charvel
Chief Operating Officer	Chief Financial Officer	City Comptroller

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Diego
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

City of San Diego Current Elected Officials

(Holding office as of the issuance date of this report)

Mayor Todd Gloria

District 1
Councilmember
Joe LaCava

District 6
Councilmember
Kent Lee

District 2
Councilmember
Jennifer Campbell

District 7
Councilmember
Raul Campillo

District 3
Councilmember
Stephen Whitburn

District 8
Councilmember
Vivian Moreno

District 4
Vacant

District 9
Council President
Sean Elo-Rivera

District 5
Councilmember
Marni von Wilpert

City Attorney
Mara W. Elliott

Other City Officials

Eric Dargan, Chief Operating Officer

Matthew Vespi, Chief Financial Officer

Rolando Charvel, Department of Finance Director/City Comptroller

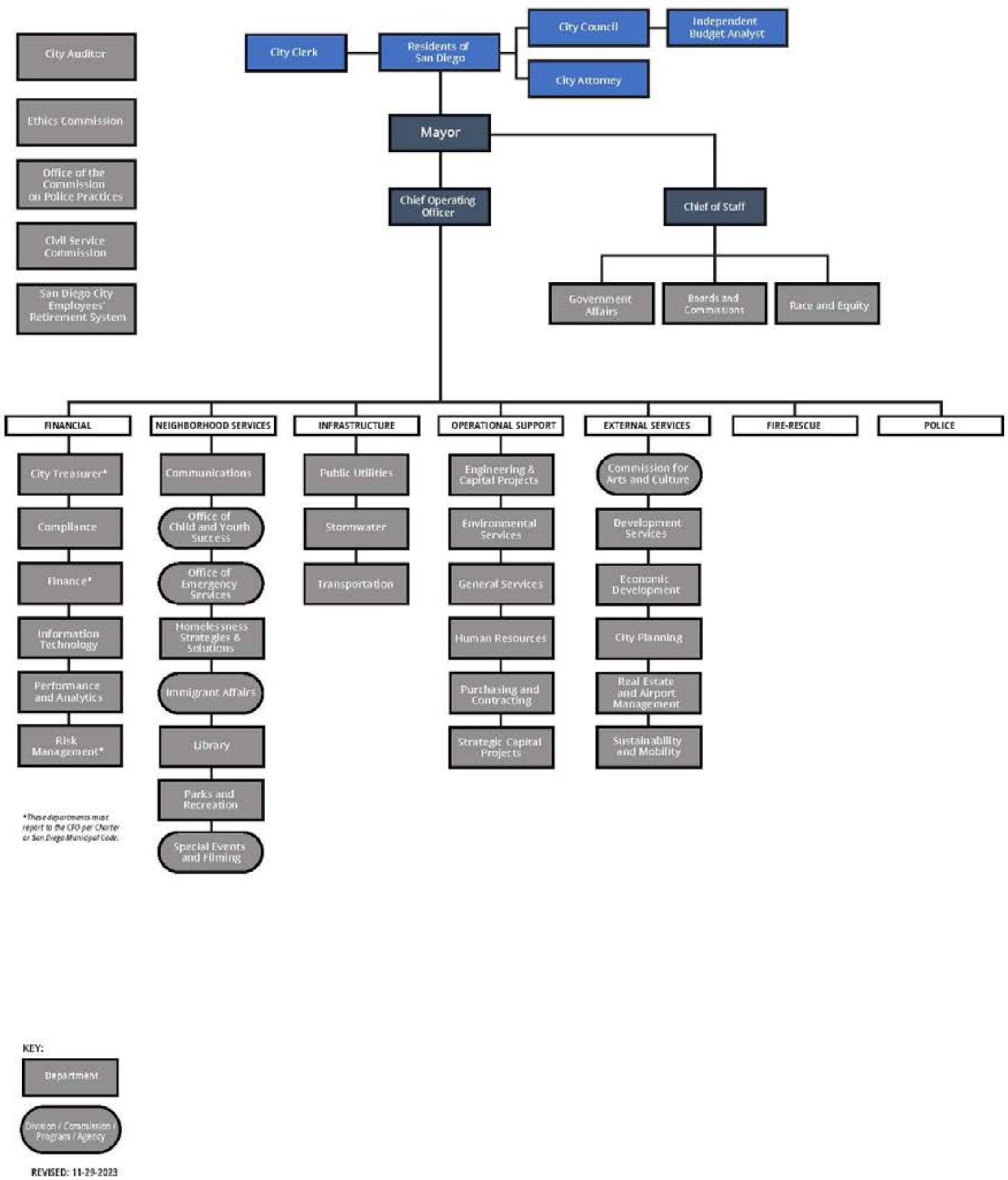
Elizabeth Correia, City Treasurer

Diana Fuentes, City Clerk

Charles Modica, Independent Budget Analyst

Andy Hanau, City Auditor

City of San Diego Organizational Structure



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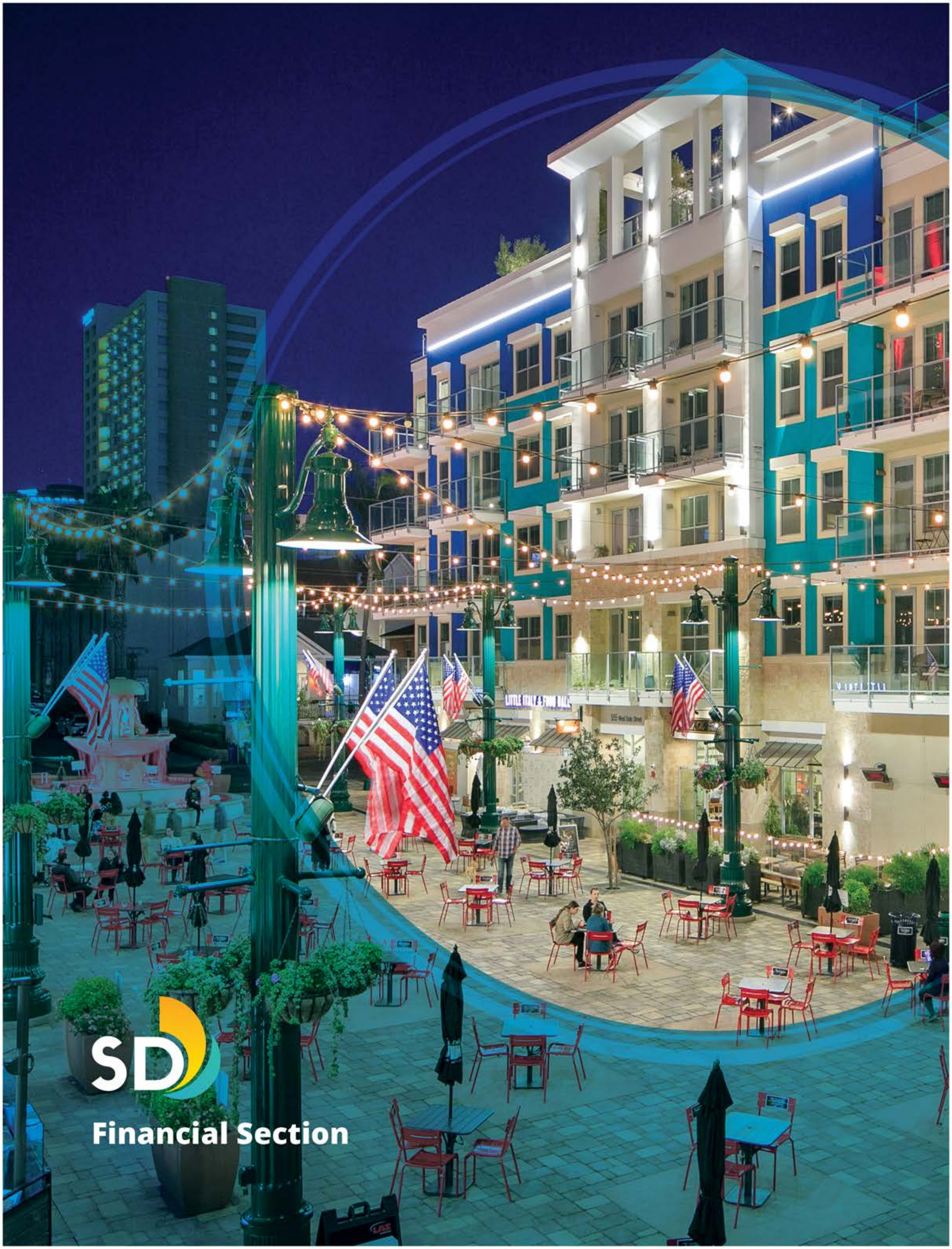

SD
Financial Section

MGO. Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
City of San Diego, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of San Diego, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the San Diego Housing Commission, a discretely presented component unit, which represent 100% of the assets, net position, and revenues of the discretely presented component unit as of June 30, 2023. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the San Diego Housing Commission, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

As discussed in Note 1.z to the basic financial statements, effective July 1, 2022, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 94, *Public-Private, and Public-Public Partnerships and Availability Payment Arrangements,* and No. 96, *Subscription-Based Information Technology Arrangements.* Our opinions are not modified with respect to this matter.

Macias Gini & O'Connell LLP
12264 El Camino Real, Suite 402
San Diego, CA 92130

www.mgocpa.com

As discussed in Note 12 to the basic financial statements, the City paid $37.5 million related to the unwinding Proposition B the defined pension plan, adding to the actuarially determined employer contribution amount, and recorded deferred outflows of resources as of June 30, 2023. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the schedule of changes in net pension liability and related ratios; the preservation of benefits plan schedule of changes in total pension liability; the pension plans schedule of employer contributions; the schedule of changes in net OPEB liability and related ratios; the OPEB plan schedule of employer contributions; and the general fund schedule of revenues, expenditures and changes in fund balance – budget and actual (budgetary basis) as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Macias Gini É O'Connell LLP

San Diego, California
December 29, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

As management of the City, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. We encourage the reader to consider the information presented here in addition to the information presented in the Letter of Transmittal.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The focus of the government-wide financial statements is on reporting the operating results and financial position of the City as an economic entity. These statements are intended to report the City's operational accountability to its readers, giving information about the probable medium and long-term effects of past decisions on the City's financial position.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual amount reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing changes in the City's net position during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The focus is on both gross and net costs of City functions, which are supported by general revenues. This statement also distinguishes functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include: General Government and Support; Public Safety-Police; Public Safety-Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; Neighborhood Services; and Interest on Debt Service. The business-type activities of the City include: Sewer Utility; Water Utility; Airports; Development Services; Refuse Disposal; Golf Course; Recycling; and the San Diego Convention Center Corporation (SDCCC).

The government-wide financial statements include the City (known as the primary government) and the San Diego Housing Commission (SDHC), a legally separate, discretely presented component unit. Financial information for this component unit is reported separately from the financial information presented for the primary government. The City also reports a fiduciary component unit, San Diego City Employees' Retirement System (SDCERS), which is not included in the government-wide financial statements. Blended component units, also legally separate entities, are considered a part of the City's operations for reporting purposes and are combined with the primary government.

Included within the primary government as blended component units are the following:

- Convention Center Expansion Financial Authority (CCEFA)
- Public Facilities Financing Authority (PFFA)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- Tobacco Settlement Revenue Funding Corporation (TSRFC)
- The Enhanced Infrastructure Financing District Public Financing Authority (EIFDPFA)
- San Diego Convention Center Corporation (SDCCC)

The government-wide financial statements can be found beginning on page 48 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statements of Revenues, Expenditures and Changes in Fund Balances for the General Fund, which is a major fund. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the Combining and Individual Fund Financial Statements and Schedules section of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget and is presented as required supplementary information.

The basic governmental funds financial statements can be found beginning on page 52 of this report.

PROPRIETARY FUNDS

The City maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its various business-type activities, such as Sewer and Water Utilities. Internal service funds, such as Central Stores, Fleet Operations, and Publishing Services, are used to report activities that provide centralized supplies and/or services to the City.

Proprietary funds statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Sewer and Water Utility funds, which are considered major funds of the City. Data for the nonmajor enterprise funds are combined into a single, aggregated presentation, and the internal service funds are combined into a single, aggregated presentation as well. Included in the Combining and Individual Fund Financial Statements and Schedules section of this report are individual fund data for the nonmajor enterprise funds and the internal service funds.

The basic proprietary funds financial statements can be found beginning on page 58 of this report.

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains three types of fiduciary funds: pension trust, private-purpose trust, and custodial funds. Pension trust funds consist of one fiduciary component unit, SDCERS, which is a defined benefit retirement plan. The private-purpose trust fund is used to account for activity of the Successor Agency of the Redevelopment Agency of the City of San Diego (Successor Agency). Custodial funds are used to account for assets held by the City as an agent for individuals, private organizations or other governments.

The basic fiduciary funds financial statements can be found beginning on page 64 of this report.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 67 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information regarding: changes in the City's Net Pension Liability (NPL); changes in the City's total pension liability for the Preservation of Benefits (POB) Plan; changes in the City's Net Other Postemployment Benefits (OPEB) Liability; employer contributions to the pension plan; and employer contributions to the postemployment healthcare benefits plan. The required supplementary information also includes a budgetary comparison schedule for the General Fund. Required supplementary information can be found beginning on page 179 of this report.

Immediately following the required supplementary information are the General Fund supplementary schedules on revenues and expenditures, which can be found beginning on page 195. The individual fund data referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and fiduciary funds begin on page 205.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

CITY OF SAN DIEGO'S CONDENSED STATEMENT OF NET POSITION
(Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Capital Assets	$ 5,587,925	$ 5,435,103	$ 7,450,438	$ 7,073,058	$ 13,038,363	$ 12,508,161
Other Assets	3,856,965	3,527,803	1,348,088	1,492,203	5,205,053	5,020,006
Total Assets	9,444,890	8,962,906	8,798,526	8,565,261	18,243,416	17,528,167
Deferred Outflows of Resources	427,231	576,228	166,526	193,285	593,757	769,513
Net Long-Term Liabilities	3,953,460	3,539,249	3,332,133	3,146,231	7,285,593	6,685,480
Other Liabilities	465,403	507,451	307,542	303,973	772,945	811,424
Total Liabilities	4,418,863	4,046,700	3,639,675	3,450,204	8,058,538	7,496,904
Deferred Inflows of Resources	847,971	1,389,608	54,126	167,760	902,097	1,557,368
Net Position						
Net Investment in Capital Assets	4,646,243	4,511,654	4,955,423	4,779,653	9,601,666	9,291,307
Restricted	1,971,669	1,877,864	13,170	12,246	1,984,839	1,890,110
Unrestricted	(2,012,625)	(2,286,692)	302,658	348,683	(1,709,967)	(1,938,009)
Total Net Position	$ 4,605,287	$ 4,102,826	$ 5,271,251	$ 5,140,582	$ 9,876,538	$ 9,243,408

As noted earlier in the overview of the government-wide financial statements, over time, changes in net position may serve as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $9,876,538 as of June 30, 2023, an increase of $633,130, or 7% over fiscal year 2022.

The City's Net Investment in Capital Assets is $9,601,666. This includes land, construction-in-progress, structures and improvements, equipment, infrastructure, right-to-use leased assets, and right-to-use subscription assets less any outstanding debt used to acquire these assets and the related deferred outflows/inflows of resources. The City uses these capital assets to provide services to citizens, and consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves are not generally used to liquidate these liabilities.

Restricted Net Position is $1,984,839, representing resources that are subject to external restrictions on how they may be used. The amount of ($1,709,967) represents the Unrestricted Net Position deficit. This deficit largely reflects the combined Pension Liabilities of $2,681,371, including liabilities reported in accordance with GASB Statement Nos. 68 and 73, as well as a liability for Proposition B, combined with the OPEB Liability of $403,706 reported in accordance with GASB Statement No. 75. Additional information regarding pension matters, including the City's funding policy, can be found in Note 12, and additional OPEB information can be found in Note 13.

The City's Deferred Outflows of Resources decreased by $175,756, or approximately 23%, and the City's Deferred Inflows of Resources decreased by $655,271, or approximately 42%. Both variances were primarily due to the net changes in pension related deferred outflows and inflows of resources. For more information on the components of Deferred Outflows and Inflows of Resources related to pensions, see Note 12.

Total Net Position resulting from governmental activities increased by $502,461, or approximately 12%. This was comprised of an increase in the Net Investment in Capital Assets of $134,589, or approximately 3%, an increase in Restricted Net Position of $93,805, or approximately 5%, and an increase in Unrestricted Net Position of $274,067, or approximately 12%. This increase in Unrestricted Net Position was primarily due to the net effect of changes in the NPL, OPEB liability, and related Deferred Outflows and Inflows of Resources. Another large portion of the increase was attributed to the continuing effects of San Diego's post-pandemic economic recovery on the General Fund's major revenue sources.

Total Net Position resulting from business-type activities remained stable, with an increase of $130,669, or approximately 3%. The Net Investment in Capital Assets increased by $175,770, or approximately 4%. The Restricted Net Position increased by $924, or approximately 8%. Unrestricted Net Position decreased by $46,025, or approximately 13%, which was mainly attributed to the use of Unrestricted Net Position to fund the additions of capital assets for the Sewer and Water Utility Funds. The decreases for Sewer and Water Utility Funds were partially offset by increases for Airports, Development Services, Golf Course, and Recycling Funds.

CITY OF SAN DIEGO'S CONDENSED STATEMENT OF ACTIVITIES
(Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues						
Charges for Services	$ 598,823	$ 541,973	$ 1,231,800	$ 1,198,516	$ 1,830,623	$ 1,740,489
Operating Grants and Contributions	334,629	399,402	11,792	79,156	346,421	478,558
Capital Grants and Contributions	64,055	59,030	79,930	88,266	143,985	147,296
General Revenues						
Property Taxes	745,039	684,513	—	—	745,039	684,513
Transient Occupancy Taxes	312,437	259,231	—	—	312,437	259,231
Sales Taxes - Shared State Revenue	445,659	434,719	—	—	445,659	434,719
Franchises	145,741	114,722	—	—	145,741	114,722
Other Local Taxes	79,593	75,660	—	—	79,593	75,660
Investment Income	45,273	(21,964)	19,873	(17,019)	65,146	(38,983)
Other	118,841	105,749	40,518	29,020	159,359	134,769
Total Revenues	2,890,090	2,653,035	1,383,913	1,377,939	4,274,003	4,030,974
Expenses:						
General Government and Support	445,390	380,023	—	—	445,390	380,023
Public Safety-Police	554,899	532,695	—	—	554,899	532,695
Public Safety-Fire and Emergency Services	339,715	305,596	—	—	339,715	305,596
Parks, Recreation, Culture and Leisure	431,442	339,222	—	—	431,442	339,222
Transportation	261,215	244,789	—	—	261,215	244,789
Sanitation and Health	173,645	108,419	—	—	173,645	108,419
Neighborhood Services	146,642	285,879	—	—	146,642	285,879
Interest on Debt Service	32,255	29,449	—	—	32,255	29,449
Sewer Utility	—	—	394,721	353,774	394,721	353,774
Water Utility	—	—	608,842	620,436	608,842	620,436
Airports	—	—	5,897	9,713	5,897	9,713
Development Services	—	—	102,766	89,594	102,766	89,594
Refuse Disposal	—	—	47,873	48,592	47,873	48,592
Golf Course	—	—	24,397	22,174	24,397	22,174
Recycling	—	—	25,542	25,137	25,542	25,137
San Diego Convention Center Corporation	—	—	45,632	36,304	45,632	36,304
Total Expenses	2,385,203	2,226,072	1,255,670	1,205,724	3,640,873	3,431,796
Transfers	(2,426)	(10,113)	2,426	10,113	—	—
Extraordinary Loss	—	(108,636)	—	(36,114)	—	(144,750)
Change in Net Position	502,461	308,214	130,669	146,214	633,130	454,428
Net Position - July 1	4,102,826	3,794,612	5,140,582	4,994,368	9,243,408	8,788,980
Net Position - June 30	$ 4,605,287	$ 4,102,826	$ 5,271,251	$ 5,140,582	$ 9,876,538	$ 9,243,408

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City’s net position by $502,461 during fiscal year 2023. Variances from fiscal year 2022 exceeding 10% and $5,000 are discussed below.

- Charges for Services increased by $56,850, or approximately 10%, primarily due to the City's implementation of a Short-Term Residential Occupancy License Fee. The continued recovery of San Diego's tourism industry also contributed to this variance with increased General Fund reimbursements from the Transient Occupancy Tax Fund for safety and maintenance of visitor-related facilities, increased assessments for the Tourism Marketing District, and increased reimbursements for police services directly associated with special events at Petco Park.

- Operating Grants and Contributions decreased by $64,773, or approximately 16%, primarily due to the majority of Emergency Rental Assistance funds being distributed to the City in fiscal year 2022. This decrease was partially offset by the recognition of American Rescue Plan Act (ARPA) funds and increased underground surcharge fees collected from SDG&E.

- Transient Occupancy Taxes increased by $53,206, or approximately 21%, primarily due to the continued effects of the post-pandemic recovery, combined with higher average room rates and longer average stays.

- Franchises increased by $31,019, or approximately 27%, primarily due to an increase in San Diego Gas and Electric (SDG&E) franchise fee revenue as a result of a rate increases for both electricity and natural gas, as well as increased usage.

- Investment Income increased by $67,237, or approximately 306%, primarily due to the net change in unrealized gains and losses.

- General Government and Support expense increased by $65,367, or approximately 17%, primarily due to negotiated pay increases and filling vacant positions, as well as increased expenses for liability claims.

- Public Safety-Fire and Emergency Services expense increased by $34,119, or approximately 11%, primarily due to increases in pension expense and salaries associated with overtime, negotiated pay increases, and filling vacant positions.

- Parks, Recreation, Culture and Leisure expense increased by $92,220, or approximately 27%, primarily due to increased services provided for safety and maintenance of visitor-related facilities and the transfer of duties associated with the Animal Services Program from Purchasing & Contracting to Parks & Recreation. Increases in salaries associated with negotiated pay increases and filling vacant positions also contributed to the increase.

- Sanitation and Health expense increased by $65,226, or approximately 60%, primarily due to an increase in salaries associated with negotiated pay increases and filling vacant positions, combined with an increase in expenses related to SB 1383 compliance.

- Neighborhood Services decreased by $139,237, or approximately 49%, primarily due to the conclusion of the COVID-19 Housing Stability Assistance Program.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City’s net position by $130,669 during fiscal year 2023. Variances from fiscal year 2022 exceeding 10% and $5,000 are discussed below.

- Operating Grants and Contributions decreased by $67,364, or approximately 85%, primarily due to one-time payments received during fiscal year 2022, including a COVID-19 relief payment received from the California Water Arrearage Payment Program, and revenue from the State's 2021 Budget Act to assist with Pure Water projects.

- Investment income increased by $36,892, or approximately 217%, primarily due to the net change in unrealized gains and losses.

- Sewer Utility expense increased by $40,947, or approximately 12%, primarily due to an increase in debt service interest payments related to the issuance of Sewer Revenue Bonds, Series 2022A, an increase in pension expense, and an increase in salaries associated with negotiated pay increases.

- Development Services expense increased by $13,172, or approximately 15%, primarily due to positions added in support of the Housing Program and Right-of-Way and Subdivision Ministerial Inspections.

- San Diego Convention Center expense increased by $9,328, or approximately 26%, primarily due to increased salaries resulting from pay increases, as well as the addition of a new Engineering and Capital Planning Department to address long-term building rehabilitation and maintenance needs.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, governmental fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported. As of the end of fiscal year 2023, the City's governmental funds reported combined ending fund balances of $2,329,941, an increase of $161,479 from fiscal year 2022. The General Fund and Other Governmental Funds had unassigned fund balances/(deficits) of $140,862 and $(83,859), respectively, with a combined unassigned fund balance of $57,003. The General Fund unassigned fund balance of $140,862 includes the Stability Reserve of $99,500. The restricted, committed, and assigned fund balances are (1) to liquidate contracts and purchase orders of the period, (2) to pay debt service, (3) to generate income to pay for the perpetual funding of various programs, (4) for use in the subsequent year's budget, (5) for emergency reserves, or (6) for a variety of other purposes, and are not available for new spending.

The General Fund is the principal operating fund of the City. Total Fund Balance for the General Fund was $529,419. General Fund revenues totaled $2,224,861, which was an increase of $267,235 over fiscal year 2022. This increase was attributed to several categories, including Property Taxes with an increase of $58,299, TOT with an increase of $25,343, and Charges for Current Services with an increase of $49,299. These revenue increases were directly related to the recovery of San Diego's overall economy, including the tourism industry, after the COVID-19 pandemic. Franchises increased by $31,012, primarily due to SDG&E rate increases for electricity and natural gas, and Revenue from Federal Agencies increased by $49,252, due to the increased recognition of ARPA funds to support City services. General Fund expenditures totaled $2,137,323, which was an increase of $260,034 over fiscal year 2022. This was mainly attributed to negotiated salary increases and related fringe benefit costs for the City's six Recognized Employee Organizations.

PROPRIETARY FUNDS

The City's proprietary fund statements provide the same type of information found in business-type activities in the government-wide financial statement, but in more detail.

As of the end of fiscal year 2023, total Net Position for the Sewer Utility Fund remained stable at $2,787,709, an increase of $49,408, or approximately 2% over fiscal year 2022. The Net Investment in Capital Assets increased by $65,486, or approximately 3%. This was comprised of: a net increase in capital assets of $137,530 mainly in the Infrastructure category; a net increase in capital related debt of $65,826; a decrease in associated deferred outflows of resources of $6,218. Unrestricted Net Position was $114,811, which was a decrease of $17,479 or approximately 13% from fiscal year 2022. This was primarily due to the use of Unrestricted Net Position to fund the additions of capital assets.

Total Net Position for the Water Utility Fund remained stable as well, at $2,296,807, an increase of $28,220, or approximately 1% over fiscal year 2022. The Net Investment in Capital Assets increased by $109,990, or approximately 5%. This was comprised of: a net increase in capital assets of $240,445, mainly in the Infrastructure category; a net increase in capital related debt of $127,723; a decrease in related deferred outflows of resources of $3,566; and a decrease in related deferred inflows of resources of $834. Unrestricted Net Position was $170,174, which was a decrease of $81,953, or approximately 33% from fiscal year 2022. This was primarily due to the use of Unrestricted Net Position to fund the additions of capital assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

The following General Fund budgetary highlights include only those funds associated with General Fund operations as reported in the City's budget, and exclude the additional budgeted funds included with the General Fund for Generally Accepted Accounting Principles (GAAP) reporting purposes.

Actual revenues earned in the General Fund were $60,220 higher than budgeted. Property Taxes were over budget by $15,199 mainly due to growth in the number of home sales, assessed values in properties, the redevelopment and new construction of residential and non-residential properties, and an unanticipated increase in recaptured revenue from Proposition 8 properties from prior years. Sales Taxes were over budget by $4,488, which was primarily due to the ongoing trend of consumers purchasing goods at record rates and the effects of elevated inflation on consumer products. Transient Occupancy Tax (TOT) revenues were over budget by $13,745, which was primarily due to sustained elevated room prices driven by inflation, and continued pent-up demand for leisure travel. Franchise Fees were over budget by $17,543, primarily attributed to a clean-up payment from San Diego Gas & Electric received in February 2023 which was higher than anticipated. Licenses and permits were under budget by $9,987 which was primarily due to a reduction in recreational cannabis business tax caused by a continued decline in monthly gross receipts reported by outlets. This decline is due to increased competition in neighboring municipalities and delivery services. Revenue from Use of Money and Property was over budget by $12,665 which was primarily due to lease and concession revenue generated from City-owned properties including Mission Bay. Other Revenue was over budget by $15,664 which was primarily due to settlement proceeds from Hughes Marino relating to the CCP and 101 Ash Street properties.

Actual expenditures for the General Fund were $12,202 under budget, primarily in the General Government and Support related departments. This was mainly due to vacancies and slower than anticipated filling of positions.

CAPITAL ASSET AND DEBT ADMINISTRATION

CITY OF SAN DIEGO'S CAPITAL ASSETS
(Net of Accumulated Depreciation)
(Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Land and Rights of Way	$ 1,945,604	$ 1,904,424	$ 107,446	$ 107,464	$ 2,053,050	$ 2,011,888
Easements	9,082	7,885	9,809	5,337	18,891	13,222
Artwork/Historical Treasures	5,052	5,052	1,875	1,875	6,927	6,927
Construction in Progress	523,090	434,595	1,260,215	923,191	1,783,305	1,357,786
Structures and Improvements	729,169	840,634	1,365,642	1,398,552	2,094,811	2,239,186
Equipment	288,815	255,431	128,841	131,576	417,656	387,007
Intangible Equipment	19,394	21,590	31,440	28,863	50,834	50,453
Distribution and Collection Systems	—	—	4,528,662	4,462,324	4,528,662	4,462,324
Infrastructure	1,966,218	1,891,433	—	—	1,966,218	1,891,433
Right-to-Use Leased Assets	86,624	74,059	13,147	13,876	99,771	87,935
Right-to-Use Leased Subscriptions	14,877	—	3,361	—	18,238	—
Totals	$ 5,587,925	$ 5,435,103	$ 7,450,438	$ 7,073,058	$ 13,038,363	$ 12,508,161

CAPITAL ASSETS

In accordance with GAAP, all major assets such as land, structures, streets, signals, bridges, storm drains, distribution and collection systems for water and sewer, and intangible assets are capitalized by the City in the government-wide statements. While capital assets of both governmental and proprietary funds are capitalized at the government-wide level, only the proprietary funds report capital assets at the fund level. Governmental funds are reported on a modified accrual basis. Differences between reporting at the fund level and government-wide level for these governmental assets are explained in both the reconciliation and the accompanying notes to the basic financial statements.

The City's investment in capital assets (including infrastructure) for governmental and business-type activities as of June 30, 2023 was $13,038,363 (net of accumulated depreciation/amortization), which was an increase of $530,202 over fiscal year 2022. Readers interested in more detailed information on capital asset activity should refer to Note 4.

HIGHLIGHTS OF FISCAL YEAR 2023 CAPITAL IMPROVEMENT PROGRAM (CIP) ACTIVITIES

Governmental Activities

- The asphalt overlay of approximately 50 miles of roads citywide was completed during fiscal year 2023. These projects provided for resurfacing and reconstruction of City streets to maintain the streets in serviceable condition and mitigate roadway deterioration. These projects were funded with various sources including TransNet, Trench Cut Fees, Commercial Paper, and Gas Tax funds. Fiscal year 2023 expenditures for these projects totaled $41,779.

- The annual allocation for drainage projects provides for reconstruction and replacement of failing drainage facilities citywide. There are currently over 900 miles of storm drains in the City of San Diego. Fiscal year 2023 expenditures for drainage projects totaled $25,649.

- Construction continued on the West Mission Bay Drive Bridge over the San Diego River. This project replaced the former four-lane bridge with a six-lane bridge, sidewalk, bike lanes and shoulder improvements. Construction of the Western portion of the bridge was completed in fiscal year 2023. The scope includes approximately 12 acres of compensatory mitigation work, concurrent with the construction of the bridge. The project is anticipated to be completed during fiscal year 2025. Fiscal year 2023 expenditures for this project totaled $12,163.

- The Pacific Highlands Ranch Branch Library project provides for a new branch library facility on a 1.5-acre site in Pacific Highlands Ranch to serve the entire North City Future Urbanizing Area (NCFUA). Land acquisition was completed in fiscal year 2015, design began in fiscal year 2017, and was completed in fiscal year 2022. Construction began in fiscal year 2023 and is anticipated to be completed in fiscal year 2024. Fiscal year 2023 expenditures for this project totaled $9,453.

- The Balboa Park Botanical Building Improvements project provides for the enhancement and restoration of the Balboa Park Botanical Building. Improvements include: the restoration of the window arcades, fabrication and installation of the arched store front and doors, restoration of the cupola, lattice work, structural repairs and upgrades, addition of a storage and maintenance area, hardscape and landscape improvements, lighting and electrical upgrades, and accessibility enhancements. Fiscal year 2023 expenditures for this project totaled $7,170.

- The Torrey Pines Fire Station project provides for the design and construction of a new permanent 3-bay fire station of approximately 14,664 square feet. The facility will accommodate a crew of nine to eleven fire personnel, and onsite surface parking for Fire-Rescue personnel. This facility will allow for an EV fire engine including electric vehicle charging stations. Fiscal year 2023 expenditures for this project totaled $6,687.

Business-Type Activities

- The Water Main Replacements Annual Allocation allows for the installation/replacement of water mains at various locations throughout the City. Water mains require replacement due to their deteriorated condition or size limitation. The existing pipeline is either approaching or has exceeded its expected life. The replacement of cast iron pipes is mandated by the California Department of Public Health's (CDPH) Compliance Order. Fiscal year 2023 expenses for these projects totaled $86,188.

- The Sewer Main Replacements Annual Allocation provides for the installation/replacement of sewer mains at various locations within the Municipal Wastewater System. Sewer mains require replacement due to their deteriorated condition or to their undersized condition. Fiscal year 2023 expenses for these projects totaled $61,339.

- The Pure Water Program reduces reliance on external water sources by providing an uninterruptable local water supply. The Pure Water Program will be implemented in two phases. Phase I of the Program includes the design and construction of several facilities, two of which are the North City Water Reclamation Plant, and the upgrade to the Metro Biosolids Center (MBC) Facility.

The capacity and location of the Phase II Pure Water project will be determined once Phase II Pure Water Program validation is complete. Fiscal year 2023 expenses for these projects totaled $264,699.

- The Metro Biosolids Center Equipment Upgrades Project consists of replacing aging equipment throughout various process areas to ensure the plant operates reliably. Improvements include installation of new raw solids feed pumps, replacement of existing thickening centrifuges, upgrades to anaerobic digesters, improvements to the sludge dewatering system. Approximately 33 percent of all Metro Sewer Utility Fund expenditures related to this project are funded by Participating Agencies. Fiscal year 2023 expenses for this project totaled $13,086.

- The Otay 1st and 2nd Pipeline West of Highland Ave project provides for replacement of the Otay 1st and 2nd Pipeline (west of Highland Avenue, along the existing Otay 2nd alignment). It will replace 26,090 linear feet of existing cast iron and asbestos cement transmission mains and distribution mains with new mains. Fiscal year 2023 expenses for this project totaled $6,876.

COMMITMENTS AND RESTRICTIONS

The City has contractual commitments related to its CIP program which have been encumbered in the applicable funds. The following table provides a breakdown of these commitments:

General Fund [1]	$	19,493
Nonmajor Governmental Funds		235,716
Sewer Utility		318,667
Water Utility		371,210
Nonmajor Enterprise Funds		26,530
Internal Service Funds		1,283
Total Contractual Commitments	$	972,899

[1] General Fund amount includes funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB 54.

Total Contractual Commitments at the end of fiscal year 2023 were $972,899, which was an increase of $294,278, or 43%, from fiscal year 2022, primarily due to the timing of contract awards and progress of continuing projects.

In addition, there are restrictions on City financial resources externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provision or enabling legislation, including the Charter. Note 21 identifies restrictions on governmental fund balances. Additional restrictions exist related to revenues of enterprise funds which can only be used for costs related to the particular enterprise.

LONG-TERM DEBT

At the end of fiscal year 2023, the City, including blended component units, had total long-term and commercial paper debt outstanding of $3,096,477 as follows:

CITY OF SAN DIEGO'S OUTSTANDING DEBT
(Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Leases Payable	$ 90,594	$ 74,333	$ 13,580	$ 13,848	$ 104,174	$ 88,181
SBITAs Payable	12,754	—	3,043	—	15,797	—
Financed Purchase Obligations	89,488	217,273	—	—	89,488	217,273
QECB Lease Obligations	3,011	3,968	—	—	3,011	3,968
Notes Payable	—	—	—	2	—	2
Loans Payable	27,149	27,635	432,256	312,814	459,405	340,449
Section 108 Loans Payable	942	1,372	—	—	942	1,372
Commercial Paper Notes Payable	—	—	—	195,092	—	195,092
Revenue Bonds/Lease Revenue Bonds	639,360	557,825	1,739,435	1,629,530	2,378,795	2,187,355
Tobacco Settlement Asset-Backed Bonds	44,865	54,250	—	—	44,865	54,250
Totals	$ 908,163	$ 936,656	$ 2,188,314	$ 2,151,286	$ 3,096,477	$ 3,087,942

Governmental Activities

On April 11, 2023, the City and PFFA issued $114,990 of Lease Revenue Bonds, Series 2023A (2023 Bonds) to pay for the outstanding Lease Revenue Commercial Paper Notes, Series A of $53,659 and to finance the costs of the acquisition, design, construction, installation, improvement, replacement and equipping of certain capital improvement projects of the City and pay costs of issuance incurred in connection with the issuance of the 2023 Bonds. The 2023 bonds are payable from revenues derived from the Base Rental Payments paid by the City for the use and occupancy of the leased property.

Total principal payments on long-term debt were $261,466. Included in this amount were $42,840 for bonds payable, $53,659 for General fund CP Notes, $8,971 for leases payable, $6,616 for SBITAs payable, $916 for loans payable, $957 for Qualified Energy Conservation Bonds (QECB), and $147,508 for financed purchase obligations.

Readers interested in more detailed information regarding governmental activities long-term liabilities should refer to Note 5.

Business-Type Activities

The City's Sewer and Water Utility Funds received SRF loan disbursements of $26,043 from the California State Water Resources Control Board for Pump Station 2, Pure Water Morena Blvd, Pure Water Conveyance System, Pure Water Plant Expansion, Pure Water Metro Biosolids Center, and 69th & Mohawk projects.

In November 2018, the City and the United States Environmental Protection Agency (USEPA) executed the WIFIA loan agreement in an amount up to $614,000 payable from net system revenues of the Water Utility Fund. This WIFIA Loan will fund a portion of the Water Utility's cost of the Pure Water Program Phase I. This agreement was replaced in September 2020 (First WIFIA Loan), which kept the same terms with some administrative updates, but at a lower interest rate. During fiscal year 2023, the City received additional loan proceeds in the amount of $105,265 at a rate of 1.29%.

On December 16, 2016, the City and PFFA adopted resolutions authorizing the issuance of $250,000 in tax-exempt subordinate Water Commercial Paper Notes (Water CP Notes) in one or more series. On November 10, 2021 and November 2, 2021, the City and PFFA, respectively, ratified, reauthorized, and reapproved the prior request of the Authority to issue tax-exempt CP Notes from time to time, and the form and content of the Initial Financing Documents. The City selected Bank of America, N.A. as the letter of Credit (LOC) provider and Series A and Series B were combined under one series. During fiscal year 2023, the City issued two Water CP Notes in the amounts of

$7,643 and $32,090 at 1.77% and 2.73% interest rates, respectively. These notes, along with other outstanding notes previously issued in prior fiscal years, were paid off by the Senior Water Revenue Bonds, Series 2023A.

On April 13, 2023, PFFA issued tax-exempt Senior Water Revenue Bonds, Series 2023A (2023A Water Bonds) in the amount of $223,155. The proceeds of the 2023A Water Bonds were used to finance the Water Utility's Capital Improvement Program (CIP) projects including paying the outstanding Water CP Notes. The 2023A Water Bonds are payable solely from Subordinated Installment Payments secured by the Net System Revenues of the Water Utility Fund. The final maturity date for the 2023A Water Bonds is August 1, 2052.

Total principal payments on long-term debt were $366,313. Included in this amount was $4,158 for leases payable, $2,212 for SBITAs payable, $2 for SDCCC's notes payable, $11,866 for loans payable, $234,825 for commercial paper, and $113,250 for bonds payable.

Readers interested in more detailed information regarding business-type activities long-term liabilities should refer to Note 6.

As of the issuance of this report, the City's Implied General Obligation (GO) / Issuer Credit Ratings and credit ratings on outstanding Lease Revenue Bonds and Revenue Bonds are as follows:

	Fitch Ratings	Moody's Investors Service	Standard & Poor's
Implied GO/Issuer Credit Rating	AA	Aa2	AA
Outlook	Stable	Stable	Stable
Lease Revenue Bonds	AA-	—	AA-
Outlook	Stable	—	Stable
Wastewater System Bonds (Senior Bonds)	AA	—	AA+
Outlook	Stable	—	Stable
Wastewater System Bonds (Subordinate Bonds)	AA	—	AA
Outlook	Stable	—	Stable
Water System Bonds (Senior Bonds) [1]	AA	Aa2	—
Outlook	Stable	Stable	—
Water System Bonds (Subordinate Bonds)	AA-	Aa3	—
Outlook	Stable	Stable	—

[1] In addition, the Water System Senior Bonds are rated by Kroll Bond Rating Agency with an AA+ Rating and a Stable outlook.

Additional information on the City's long-term debt can be found in the accompanying notes to the financial statements.

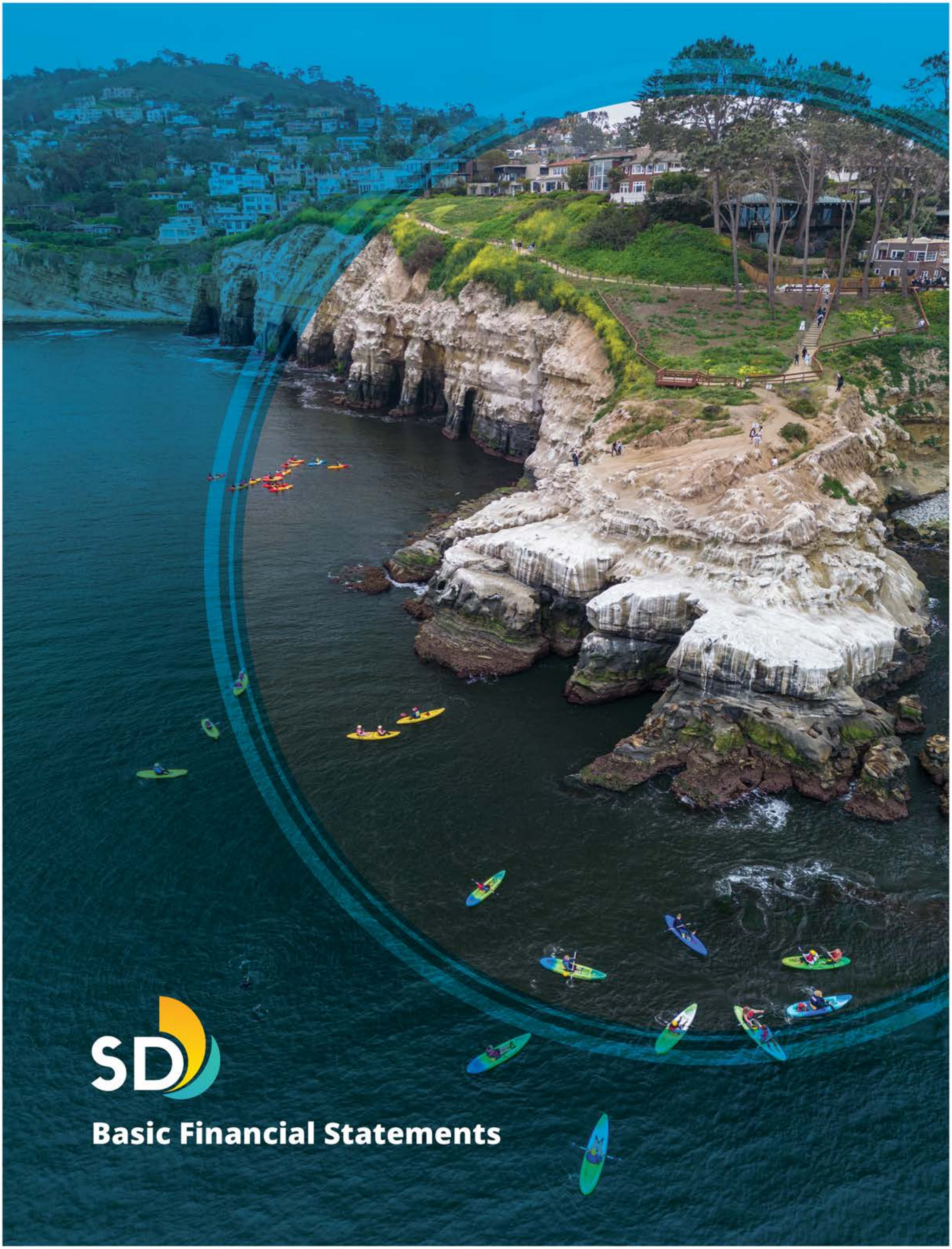
OTHER INFORMATION

Recognized Employee Organization (REO) Agreements

City employees are represented by six REOs. The City reached successor collective bargaining agreements with the Municipal Employees Association (MEA), American Federation of State, County, and Municipal Employees (AFSCME Local 127), Police Officers Association (POA), International Association of Firefighters (Local 145), and Teamsters (Local 911), and the Deputy City Attorneys Association (DCAA). Employees represented by these REOs will receive general salary increases ranging between 5% and 10% in fiscal year 2024. In addition, the bargaining agreements include special salary adjustments for multiple job classifications ranging between 5.1% and 10% in addition to other compensation and benefit adjustments in fiscal year 2024.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be sent to the Department of Finance at DOF@sandiego.gov. This financial report, and several other finance related reports, is also available on the City's website at www.sandiego.gov, under the Department of Finance. Additional information intended for the investor community is available on the Investor Relations page also located on the City's website listed above.



Basic Financial Statements

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STATEMENT OF NET POSITION
June 30, 2023
(Dollars in Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	San Diego Housing Commission
ASSETS				
Cash and Investments	$ 2,130,587	$ 774,627	$ 2,905,214	$ 179,266
Receivables:				
Taxes - Net of Allowance for Uncollectibles	217,360	—	217,360	—
Accounts - Net of Allowance for Uncollectibles	57,351	291,187	348,538	50,022
Claims	28,230	—	28,230	—
Contributions	3,604	—	3,604	—
Special Assessments	4,718	—	4,718	—
Notes	312,692	—	312,692	443,497
Loans	63,993	—	63,993	—
Accrued Interest	7,670	3,171	10,841	75,254
Grants	113,897	1,917	115,814	—
Leases	695,062	33,556	728,618	92,933
PPPs Receivable	90,354	7,099	97,453	—
Advances to Other Agencies	30,685	—	30,685	—
Internal Balances	(11,898)	11,898	—	—
Prepaid Expenses	—	36,014	36,014	3,090
Inventories	1,619	110,057	111,676	—
Land Held for Resale	17,769	—	17,769	—
Restricted Cash and Investments	93,272	78,426	171,698	12,099
Other Assets	—	136	136	3,443
Capital Assets - Non-Depreciable	2,482,828	1,379,345	3,862,173	114,831
Capital Assets - Depreciable	3,105,097	6,071,093	9,176,190	317,360
TOTAL ASSETS	9,444,890	8,798,526	18,243,416	1,291,795
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Refunding	12,154	74,966	87,120	—
OPEB Related	39,403	10,395	49,798	—
Pension Related	375,674	81,165	456,839	—
TOTAL DEFERRED OUTFLOWS OF RESOURCES	427,231	166,526	593,757	—
LIABILITIES				
Accounts Payable	188,728	174,240	362,968	23,294
Accrued Wages and Benefits	67,522	15,825	83,347	2,814
Other Accrued Liabilities	40,404	26,544	66,948	12,710
Interest Accrued on Long-Term Debt	7,236	28,646	35,882	14,895
Long-Term Liabilities Due Within One Year	213,514	158,389	371,903	9,699
Due to Other Agencies	2	—	2	—
Unearned Revenue	161,386	36,480	197,866	14,055
Notes Payable	—	43,400	43,400	—

STATEMENT OF NET POSITION (Continued)
June 30, 2023
(Dollars in Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	San Diego Housing Commission
LIABILITIES (Continued)				
Sundry Trust Liabilities	$ 125	$ —	$ 125	$ —
Liabilities Payable from Restricted Assets:				
Customer Deposits Payable	—	17,599	17,599	3,363
Deposits/Advances from Others	—	8,208	8,208	—
Long-Term Liabilities Due After One Year:				
Compensated Absences	44,705	10,581	55,286	—
Liability Claims	309,476	156,036	465,512	—
Reimbursement Agreement Obligations	20,968	—	20,968	—
Leases Payable	79,444	8,503	87,947	—
SBITAs Payable	7,556	1,526	9,082	2,517
Financed Purchase Obligations	68,238	—	68,238	—
QECB Lease Obligations	2,031	—	2,031	—
Notes Payable	—	—	—	262,634
Loans Payable	26,824	420,803	447,627	—
Section 108 Loans Payable	485	—	485	—
Net Bonds Payable	695,174	1,873,243	2,568,417	—
Estimated Landfill Closure and Postclosure Care	—	59,620	59,620	—
Net Other Postemployment Benefits Liability	312,336	91,370	403,706	—
Pension Liabilities	2,172,709	508,662	2,681,371	—
TOTAL LIABILITIES	4,418,863	3,639,675	8,058,538	345,981
DEFERRED INFLOWS OF RESOURCES				
Gain on Refunding	—	3,337	3,337	—
Pension Related	69,027	11,049	80,076	—
Lease Related	690,375	32,747	723,122	91,099
PPP Related	88,569	6,993	95,562	—
TOTAL DEFERRED INFLOWS OF RESOURCES	847,971	54,126	902,097	91,099
NET POSITION				
Net Investment in Capital Assets	4,646,243	4,955,423	9,601,666	180,419
Restricted for:				
Capital Projects	794,701	—	794,701	—
Debt Service	—	11,322	11,322	—
Low-Moderate Income Housing	370,816	—	370,816	—
Nonexpendable Permanent Endowments	18,942	—	18,942	—
Grants	76,666	—	76,666	—
Other	710,544	1,848	712,392	281,528
Unrestricted (Deficit)	(2,012,625)	302,658	(1,709,967)	392,768
TOTAL NET POSITION	$ 4,605,287	$ 5,271,251	$ 9,876,538	$ 854,715

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

STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government and Support	$ 445,390	$ 210,263	$ 172,176	$ 7,054
Public Safety - Police	554,899	43,841	3,038	167
Public Safety - Fire and Emergency Services	339,715	60,400	12,192	—
Parks, Recreation, Culture and Leisure	431,442	145,977	6,562	18,469
Transportation	261,215	71,171	88,786	37,016
Sanitation and Health	173,645	21,391	1,844	774
Neighborhood Services	146,642	45,780	50,031	575
Debt Service - Interest	32,255	—	—	—
TOTAL GOVERNMENTAL ACTIVITIES	2,385,203	598,823	334,629	64,055
Business-Type Activities:				
Sewer Utility	394,721	382,225	8,149	43,010
Water Utility	608,842	569,337	2,928	36,920
Airports	5,897	6,836	163	—
Development Services	102,766	119,581	7	—
Refuse Disposal	47,873	42,271	—	—
Golf Course	24,397	34,464	—	—
Recycling	25,542	35,056	545	—
San Diego Convention Center Corporation	45,632	42,030	—	—
TOTAL BUSINESS-TYPE ACTIVITIES	1,255,670	1,231,800	11,792	79,930
TOTAL PRIMARY GOVERNMENT	$ 3,640,873	$ 1,830,623	$ 346,421	$ 143,985
Component Unit:				
San Diego Housing Commission	$ 443,210	$ 77,443	$ 387,355	$ 20,047

General Revenues:
- Property Taxes
- Transient Occupancy Taxes
- Sales Taxes - Shared State Revenue (Unrestricted)
- Franchises
- Other Local Taxes
- Developer Contributions
- Grants and Contributions not Restricted to Specific Programs
- Investment Income
- Gain on Sale of Capital Assets
- Miscellaneous

Transfers, Net

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

Net Position at Beginning of Year

NET POSITION AT END OF YEAR

Net Revenue/(Expense) and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	San Diego Housing Commission
$ (55,897)	$ —	$ (55,897)	$ —
(507,853)	—	(507,853)	—
(267,123)	—	(267,123)	—
(260,434)	—	(260,434)	—
(64,242)	—	(64,242)	—
(149,636)	—	(149,636)	—
(50,256)	—	(50,256)	—
(32,255)	—	(32,255)	—
(1,387,696)	—	(1,387,696)	—
—	38,663	38,663	—
—	343	343	—
—	1,102	1,102	—
—	16,822	16,822	—
—	(5,602)	(5,602)	—
—	10,067	10,067	—
—	10,059	10,059	—
—	(3,602)	(3,602)	—
—	67,852	67,852	—
(1,387,696)	67,852	(1,319,844)	—
—	—	—	41,635
745,039	—	745,039	—
312,437	—	312,437	—
445,659	—	445,659	—
145,741	—	145,741	—
79,593	—	79,593	—
57,999	—	57,999	—
636	—	636	—
45,273	19,873	65,146	17,585
9,505	—	9,505	—
50,701	40,518	91,219	—
(2,426)	2,426	—	—
1,890,157	62,817	1,952,974	17,585
502,461	130,669	633,130	59,220
4,102,826	5,140,582	9,243,408	795,495
$ 4,605,287	$ 5,271,251	$ 9,876,538	$ 854,715

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

GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2023
(Dollars in Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	$ 558,885	$ 1,424,642	$ 1,983,527
Receivables:			
Taxes - Net of Allowance for Uncollectibles	133,681	83,679	217,360
Accounts - Net of Allowance for Uncollectibles	43,307	12,809	56,116
Claims	—	28,230	28,230
Special Assessments	—	4,718	4,718
Notes	—	312,692	312,692
Loans	—	63,993	63,993
Accrued Interest	2,650	4,939	7,589
Grants	—	113,897	113,897
From Other Funds	27,857	—	27,857
Contributions	1,998	—	1,998
Interfund Loan Receivable	—	26,167	26,167
Leases	689,398	5,664	695,062
PPPs	78,688	11,666	90,354
Advances to Other Agencies	674	30,011	30,685
Land Held for Resale	—	17,769	17,769
Restricted Cash and Investments	3,204	90,068	93,272
TOTAL ASSETS	$ 1,540,342	$ 2,230,944	$ 3,771,286
LIABILITIES			
Accounts Payable	$ 77,183	$ 103,735	$ 180,918
Accrued Wages and Benefits	63,999	623	64,622
Other Accrued Liabilities	14,958	25,316	40,274
Due to Other Funds	—	27,857	27,857
Due to Other Agencies	—	2	2
Unearned Revenue	55,245	106,141	161,386
Sundry Trust Liabilities	125	—	125
Interfund Loan Payable	—	26,167	26,167
TOTAL LIABILITIES	211,510	289,841	501,351
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	18,286	43,862	62,148
Unavailable Revenue - Grants	—	69,299	69,299
Unavailable Revenue - Other	19,078	10,525	29,603
Lease Related	684,969	5,406	690,375
PPP Related	77,080	11,489	88,569
TOTAL DEFERRED INFLOWS OF RESOURCES	799,413	140,581	939,994

GOVERNMENTAL FUNDS
BALANCE SHEET (Continued)
June 30, 2023
(Dollars in Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES			
Nonspendable	$ —	$ 18,942	$ 18,942
Restricted	200,738	1,764,561	1,965,299
Committed	121,699	100,878	222,577
Assigned	66,120	—	66,120
Unassigned (Deficit)	140,862	(83,859)	57,003
TOTAL FUND BALANCES	529,419	1,800,522	2,329,941
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,540,342	$ 2,230,944	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported at the fund level.	5,345,629
Deferred outflows of resources are not financial resources (uses), and therefore, are not reported at the fund level.	415,863
Unavailable revenues are not financial resources, and therefore, are reported as deferred inflows of resources.	161,050
Internal service funds are used by management to charge the costs of activities such as Fleet Operations, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of certain internal service funds are included in the governmental activities in the Statement of Net Position.	193,553
Certain liabilities and deferred inflows of resources, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	(3,840,749)
Net Position of Governmental Activities (page 49)	$ 4,605,287

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

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property Taxes	$ 721,441	$ 22,859	$ 744,300
Special Assessments	—	79,193	79,193
Sales Taxes - Shared State Revenue	397,517	47,008	444,525
Transient Occupancy Taxes	161,811	146,264	308,075
Franchises	145,633	96,668	242,301
Other Local Taxes	77,878	—	77,878
Licenses and Permits	46,483	73,851	120,334
Fines, Forfeitures and Penalties	29,459	8,964	38,423
Revenue (Loss) from Use of Money and Property	85,669	42,775	128,444
Revenue from Federal Agencies	149,375	52,163	201,538
Revenue from Other Agencies	7,381	68,653	76,034
Revenue from Private Sources	142	5,552	5,694
Charges for Current Services	371,448	27,042	398,490
Other Revenue	30,624	4,939	35,563
TOTAL REVENUES	2,224,861	675,931	2,900,792
EXPENDITURES			
Current:			
General Government and Support	519,819	23,579	543,398
Public Safety - Police	570,293	8,621	578,914
Public Safety - Fire and Emergency Services	346,975	12,330	359,305
Parks, Recreation, Culture and Leisure	224,206	174,287	398,493
Transportation	157,663	26,811	184,474
Sanitation and Health	151,211	21,076	172,287
Neighborhood Services	56,698	90,929	147,627
Capital Outlay	52,547	218,866	271,413
Debt Service:			
Principal Retirement	54,180	192,999	247,179
Cost of Issuance	—	573	573
Interest	3,731	27,984	31,715
TOTAL EXPENDITURES	2,137,323	798,055	2,935,378
EXCESS OF REVENUES OVER EXPENDITURES	87,538	(122,124)	(34,586)

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Continued)
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	$ 41,664	$ 144,447	$ 186,111
Transfers to Proprietary Funds	(407)	(16,392)	(16,799)
Transfers to Other Funds	(107,804)	(78,307)	(186,111)
Proceeds from the Sale of Capital Assets	7	2,433	2,440
Leases	25,232	—	25,232
SBITAs	1,690	2,227	3,917
Proceeds from Financed Purchases	839	—	839
Commercial Paper Notes Issued	—	53,659	53,659
Lease Revenue Bonds Issued	—	114,990	114,990
Premium on Bonds Issued	—	11,787	11,787
TOTAL OTHER FINANCING SOURCES (USES)	(38,779)	234,844	196,065
NET CHANGE IN FUND BALANCES	48,759	112,720	161,479
Fund Balances at Beginning of Year	480,660	1,687,802	2,168,462
FUND BALANCES AT END OF YEAR	$ 529,419	$ 1,800,522	$ 2,329,941

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

Net Change in Fund Balances of Governmental Funds (page 55)	$	161,479
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/ amortization expense. Donated assets are not financial resources, and therefore, are not reported in the funds. This is the amount by which capital outlays and donated assets exceeded depreciation/amortization in the current period.		119,012
The net effect of various miscellaneous transactions involving capital assets (e.g., retirements and transfers) is to decrease net position.		(5,536)
Revenues available to liquidate liabilities of the current period were recognized in the governmental funds during the current year; however, such amounts were recognized as revenue in the Statement of Activities in the prior year.		24,300
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		48,541
Some expenses reported in the Statement of Activities do not require the use of current financial resources (e.g., compensated absences, NPL), and therefore, are not accrued as expenditures in governmental funds.		114,932
Internal service funds are used to charge the costs of activities such as Fleet Operations, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The net income of certain internal service activities is reported with governmental activities.		39,733
Change in Net Position of Governmental Activities (page 51)	$	502,461

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

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PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
June 30, 2023
(Dollars in Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current Assets:					
Cash and Investments	$ 268,412	$ 271,626	$ 232,425	$ 772,463	$ 149,224
Receivables:					
Accounts - Net of Allowance for Uncollectibles	101,799	174,362	15,026	291,187	1,235
Contributions	—	—	—	—	1,606
Accrued Interest	961	1,199	1,010	3,170	82
Grants	—	1,917	—	1,917	—
Leases	—	811	468	1,279	—
PPPs	—	—	648	648	—
Inventories	—	100,054	53	100,107	11,569
Total Current Assets	371,172	549,969	249,630	1,170,771	163,716
Non-Current Assets:					
Restricted Cash and Investments	12,296	6,370	59,760	78,426	—
Prepaid Expenses	7,807	27,060	1,147	36,014	—
Leases Receivable	—	17,430	14,847	32,277	—
PPP Receivable	—	—	6,451	6,451	—
Other Assets	—	—	136	136	—
Capital Assets - Non-Depreciable	566,662	781,068	31,615	1,379,345	5,155
Capital Assets - Depreciable	2,998,017	2,905,863	167,213	6,071,093	237,141
Total Non-Current Assets	3,584,782	3,737,791	281,169	7,603,742	242,296
TOTAL ASSETS	3,955,954	4,287,760	530,799	8,774,513	406,012
DEFERRED OUTFLOWS OF RESOURCES					
Loss on Refunding	37,702	37,264	—	74,966	—
OPEB Related	3,348	3,122	3,925	10,395	1,412
Pension Related	24,214	27,927	29,024	81,165	9,956
TOTAL DEFERRED OUTFLOWS OF RESOURCES	65,264	68,313	32,949	166,526	11,368
LIABILITIES					
Current Liabilities:					
Accounts Payable	64,070	98,765	10,515	173,350	8,696
Accrued Wages and Benefits	4,839	4,889	6,097	15,825	2,900
Interest Accrued on Long-Term Debt	7,788	20,796	62	28,646	385
Other Accrued Liabilities	16,838	7,366	2,340	26,544	130
Long-Term Liabilities Due Within One Year	80,002	64,980	13,407	158,389	23,798
Unearned Revenue	1,454	2,432	32,594	36,480	—
Notes Payable	43,400	—	—	43,400	—
Current Liabilities Payable from Restricted Assets:					
Customer Deposits Payable	—	2,153	15,446	17,599	—
Total Current Liabilities	218,391	201,381	80,461	500,233	35,909

PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION (Continued)
June 30, 2023
(Dollars in Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
Non-Current Liabilities:					
Non-Current Liabilities Payable from Restricted Assets:					
Deposits/Advances from Others	$ —	$ —	$ 8,208	$ 8,208	$ —
Compensated Absences	2,522	3,889	4,170	10,581	1,269
Liability Claims	20,911	126,641	8,484	156,036	9,695
Leases Payable	2,461	2,461	3,581	8,503	20,063
SBITAs Payable	—	—	1,526	1,526	—
Financed Purchase Obligations	—	—	—	—	44,344
Loans Payable	146,356	252,878	21,569	420,803	—
Net Revenue Bonds Payable	629,432	1,243,811	—	1,873,243	—
Estimated Landfill Closure and Postclosure Care	—	—	59,620	59,620	—
Net Other Postemployment Benefits Liability	33,787	31,631	25,952	91,370	15,906
Pension Liabilities	174,344	172,338	161,980	508,662	70,821
Total Non-Current Liabilities	1,009,813	1,833,649	295,090	3,138,552	162,098
TOTAL LIABILITIES	1,228,204	2,035,030	375,551	3,638,785	198,007
DEFERRED INFLOWS OF RESOURCES					
Gain on Refunding	—	3,337	—	3,337	—
Pension Related	5,305	3,273	2,471	11,049	2,697
Leases Related	—	17,626	15,121	32,747	—
PPP Related	—	—	6,993	6,993	—
TOTAL DEFERRED INFLOWS OF RESOURCES	5,305	24,236	24,585	54,126	2,697
NET POSITION					
Net Investment in Capital Assets	2,665,771	2,122,438	167,214	4,955,423	162,450
Restricted for Debt Service	7,127	4,195	—	11,322	—
Restricted for Closure/Postclosure Maintenance	—	—	1,848	1,848	—
Unrestricted (Deficit)	114,811	170,174	(5,450)	279,535	54,226
TOTAL NET POSITION	$ 2,787,709	$ 2,296,807	$ 163,612	5,248,128	$ 216,676
Adjustments to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds:					
Current Assets				2,165	
Internal Balances				11,898	
Inventories				9,950	
Current Liabilities				(890)	
Net position of business-type activities (page 49)				$ 5,271,251	

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

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES					
Sales of Water	$ —	$ 557,681	$ —	$ 557,681	$ —
Charges for Services	373,994	5,084	271,899	650,977	178,651
Revenue from Use of Property	—	—	598	598	—
Other	8,231	5,464	7,006	20,701	202
TOTAL OPERATING REVENUES	382,225	568,229	279,503	1,229,957	178,853
OPERATING EXPENSES					
Salaries and Employee Benefits	96,805	96,953	135,581	329,339	37,265
Materials and Supplies	42,463	223,264	6,598	272,325	29,897
Contractual Services	91,392	151,530	64,266	307,188	7,987
Information Technology	11,781	11,975	10,657	34,413	3,304
Energy and Utilities	34,545	13,651	13,246	61,442	17,077
Depreciation and Amortization	84,877	69,612	19,137	173,626	34,707
Benefit and Claim Expenses	—	—	—	—	20,321
Other Expenses	737	3,246	7,276	11,259	40
TOTAL OPERATING EXPENSES	362,600	570,231	256,761	1,189,592	150,598
OPERATING INCOME	19,625	(2,002)	22,742	40,365	28,255
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments	6,518	9,767	3,601	19,886	285
Federal Grant Assistance	8,149	947	163	9,259	—
Other Agency Grant Assistance	—	1,981	552	2,533	541
Gain (Loss) on Sale/Retirement of Capital Assets	(1,138)	6,266	3,270	8,398	1,416
Leases	—	1,108	—	1,108	—
PPPs	—	—	735	735	—
Debt Service Interest Expense	(32,949)	(46,695)	(1,025)	(80,669)	(1,377)
Other	7,876	20,245	12,397	40,518	1,933
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(11,544)	(6,381)	19,693	1,768	2,798
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	8,081	(8,383)	42,435	42,133	31,053
Capital Contributions	43,010	36,920	—	79,930	487
Transfers from Other Funds	—	3	834	837	2,000
Transfers from Governmental Funds	—	—	2,655	2,655	14,144
Transfers to Other Funds	(1,683)	(320)	(834)	(2,837)	—
TOTAL CONTRIBUTIONS AND TRANSFERS	41,327	36,603	2,655	80,585	16,631
CHANGE IN NET POSITION	49,408	28,220	45,090	122,718	47,684
Net Position at Beginning of Year	2,738,301	2,268,587	118,522		168,992
NET POSITION AT END OF YEAR	$ 2,787,709	$ 2,296,807	$ 163,612		$ 216,676
Adjustments to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds:					
Allocated Operating Income				5,964	
Losses on Investments				(13)	
Transfers, Net				2,000	
Change in net position of business-type activities (page 51)				$ 130,669	

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

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PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	$ 362,932	$ 542,165	$ 291,032	$ 1,196,129	$ 34,184
Receipts from Interfund Services Provided	2,942	5,129	10,049	18,120	145,120
Payments to Suppliers	(191,860)	(408,255)	(80,513)	(680,628)	(53,339)
Payments to Employees	(106,243)	(103,878)	(158,352)	(368,473)	(63,821)
Payments for Interfund Services Used	(7,678)	(12,445)	(9,777)	(29,900)	(1,237)
NET CASH PROVIDED BY OPERATING ACTIVITIES	60,093	22,716	52,439	135,248	60,907
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	—	3	834	837	2,000
Transfers from Governmental Funds	—	—	2,655	2,655	14,144
Transfers to Other Funds	(1,683)	(320)	(834)	(2,837)	—
Operating Grants	8,149	1,972	1,962	12,083	541
Proceeds from Advances and Deposits	—	—	2,608	2,608	—
Payments for Advances and Deposits	—	(1,315)	(1)	(1,316)	—
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	6,466	340	7,224	14,030	16,685
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Loans	69,143	105,566	—	174,709	—
Proceeds from Commercial Paper	—	39,733	—	39,733	—
Proceeds from Revenue Bonds	—	250,175	—	250,175	—
Proceeds from Capital Grants and Contributions	39,252	27,180	—	66,432	—
Proceeds from the Sale of Capital Assets	1,893	8,025	3,515	13,433	1,811
Collections from Leasing Activity	—	796	—	796	—
Collections from PPP Activity	—	—	629	629	—
Acquisition of Capital Assets	(195,196)	(276,279)	(14,062)	(485,537)	(40,447)
Principal Payments on Leases	(100)	(100)	(3,958)	(4,158)	(471)
Principal Payments on SBITAs	—	(208)	(2,004)	(2,212)	—
Principal Payments on Financed Purchases	—	—	—	—	(13,138)
Principal Payments on Notes	—	—	(2)	(2)	—
Principal Payments on Loans	(6,217)	(4,641)	(813)	(11,671)	—
Principal Payments on Commercial Paper	—	(234,825)	—	(234,825)	—
Principal Payments on Revenue Bonds	(74,980)	(38,270)	—	(113,250)	—
Interest Paid on Long-Term Debt	(33,962)	(50,143)	(990)	(85,095)	(1,270)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(200,167)	(172,991)	(17,685)	(390,843)	(53,515)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales of Investments	190,152	1,758,861	4,670	1,953,683	—
Purchases of Investments	(120,791)	(1,759,070)	(10,949)	(1,890,810)	—
Interest Received on Investments	5,911	9,073	2,845	17,829	224
NET CASH PROVIDED BY INVESTING ACTIVITIES	75,272	8,864	(3,434)	80,702	224
Net Increase (Decrease) in Cash and Cash Equivalents	(58,336)	(141,071)	38,544	(160,863)	24,301
Cash and Cash Equivalents at Beginning of Year	335,082	414,848	230,895	980,825	124,923
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 276,746	$ 273,777	$ 269,439	$ 819,962	$ 149,224
Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Fund Net Position:					
Cash and Investments	$ 268,412	$ 271,626	$ 232,425	$ 772,463	$ 149,224
Restricted Cash and Investments	12,296	6,370	59,760	78,426	—
Less Investments Not Meeting the Definition of Cash Equivalents	(3,962)	(4,219)	(22,746)	(30,927)	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 276,746	$ 273,777	$ 269,439	$ 819,962	$ 149,224

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (Continued)
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income	$ 19,625	$ (2,002)	$ 22,742	$ 40,365	$ 28,255
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation and Amortization	84,877	69,612	19,137	173,626	34,707
Other Nonoperating Revenues	7,876	20,245	12,397	40,518	1,933
Increase in Assets:					
Accounts Receivable - Net	(14,950)	(35,240)	7,912	(42,278)	(982)
Contributions Receivable	—	—	—	—	(504)
Inventories	—	(17,796)	—	(17,796)	(1,092)
Prepaid Expenses	(5,918)	(8,377)	(205)	(14,500)	—
Increase (Decrease) in Liabilities and Net Deferred Outflows/Inflows of Resources:					
Accounts Payable	(15,112)	(5,941)	(1,296)	(22,349)	2,075
Accrued Wages and Benefits	551	1,237	1,489	3,277	552
Other Accrued Liabilities	—	—	622	622	—
Due to Other Agencies	700	(126)	—	574	—
Unearned Revenue	(10,238)	(5,941)	1,269	(14,910)	—
Contract Deposits	960	—	—	960	—
Compensated Absences	28	835	1,693	2,556	1,052
Liability Claims	1,130	17,297	(1,885)	16,542	(320)
Estimated Landfill Closure and Postclosure Care	—	—	4,755	4,755	—
Net Other Postemployment Benefits Liability and Related Changes in Deferred Outflows/Inflows of Resources	(3,445)	(3,208)	(4,051)	(10,704)	(1,475)
Pension Liabilities and Related Changes in Deferred Outflows/Inflows of Resources	(5,991)	(7,879)	(12,140)	(26,010)	(3,294)
Total Adjustments	40,468	24,718	29,697	94,883	32,652
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 60,093	$ 22,716	$ 52,439	$ 135,248	$ 60,907
Noncash Investing, Capital, and Financing Activities:					
Capital Assets Acquired through Financed Purchases	$ —	$ —	$ —	$ —	$ 18,884
Developer Contributed and Donated Capital Assets	13,354	9,740	—	23,094	187
Acquisition of Capital Assets	550	7,421	—	7,971	—
Capital Asset Acquisitions Related to Accounts Payable	14,953	16,505	(1,166)	30,292	(145)
Carrying Value of Retired Capital Assets	(3,031)	(1,755)	(16)	(4,802)	(395)
Amortization of Bond Premiums, Discounts and Refundings	2,705	5,310	—	8,015	—
Change in Fair Value of Investments	293	2,171	(1,403)	1,061	(60)
Interest and Reserve Fund Credits for Debt Service Payments	31	45	—	76	—
Transfers of Capital Assets (To) From Governmental Activities	—	—	(229)	(229)	301
Transfers of Capital Assets (To) From Other Funds	3	(3)	—	—	—
Adjustment of Loan Principal	(194)	—	—	(194)	—

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

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2023
(Dollars in Thousands)

	Trust Funds		
	Pension	Private-Purpose	Custodial Funds
ASSETS			
Cash and Investments	$ 1,034	$ 59,430	$ 712
Cash and Investments with Custodian/Fiscal Agent	253,718	—	—
Investments at Fair Value:			
Domestic Fixed Income Securities	2,452,046	—	—
International Fixed Income Securities	309,378	—	—
Domestic Equity Securities	2,628,449	—	—
International Equity Securities	1,657,275	—	—
Global Fixed Income Securities	440,558	—	—
Global Equity Securities	377,099	—	—
Real Estate	1,215,499	—	—
Private Equity and Infrastructure	1,652,528	—	—
Receivables:			
Special Assessments	—	—	208
Contributions	6,592	—	—
Accrued Interest	13,670	217	9
Notes and Contracts	—	3,913	—
Securities Sold	898,181	—	—
Advances to Other Agencies	—	2,579	—
Prepaid Expenses	258	264	—
Securities Lending Collateral	120,672	—	—
Restricted Cash and Investments	—	34,571	11,985
Capital Assets - Non-Depreciable	—	14,523	—
Capital Assets - Depreciable	1,811	37,075	—
TOTAL ASSETS	12,028,768	152,572	12,914
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Refunding	—	18,486	—
LIABILITIES			
Accounts Payable	3,258	820	—
Accrued Wages and Benefits	1,256	—	—
Interest Accrued on Long-Term Debt	—	81,837	—
Sundry Trust/Agency Liabilities	—	479	—
Supplemental Benefits Payable	11,890	—	—
Securities Lending Obligations	120,661	—	—
Securities Purchased	1,285,618	—	—
Plan Sponsor Contribution Advance	19,203	—	—
Long-Term Liabilities Due After One Year:			
Liability Claims	—	63,515	—
Due to Bondholders	—	282,236	12,780
TOTAL LIABILITIES	1,441,886	428,887	12,780
DEFERRED INFLOWS OF RESOURCES			
Gain on Refunding	—	1,918	—
NET POSITION (DEFICIT)			
Restricted for Pension Benefits	10,586,882	—	—
Held in Trust for Other Purposes	—	(259,747)	—
Restricted for Others	—	—	134
TOTAL NET POSITION (DEFICIT)	$ 10,586,882	$ (259,747)	$ 134

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

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Trust Funds: Pension	Trust Funds: Private-Purpose	Custodial Funds
ADDITIONS			
Employer Contributions	$ 449,989	$ —	$ —
Plan Member Contributions:			
Employee Contributions	335,747	—	—
DROP Contributions	5,330	—	—
Redevelopment Property Tax Trust Fund	—	60,295	—
Special Assessments	—	—	6,794
Fines, Forfeitures and Penalties	—	—	6
Earnings (Losses) on Investments:			
Investment Income	153,580	1,529	359
Investment Expense	(44,424)	—	—
Net Depreciation in Fair Value of Investments	404,877	—	—
Net Investment Income (Loss)	514,033	1,529	359
Securities Lending Income:			
Gross Earnings	10,356	—	—
Borrower Rebates and Bank Charges	(9,316)	—	—
Net Securities Lending Income	1,040	—	—
Other Income	—	1,509	3,226
TOTAL ADDITIONS	1,306,139	63,333	10,385
DEDUCTIONS			
Enforceable Obligation Payments	—	6,152	—
Interest on Long-Term Debt	—	12,395	—
DROP Interest Expense	19,965	—	—
Benefit and Claim Payments	672,680	—	—
Paid to Bondholders	—	—	10,278
Administration	14,619	—	99
Depreciation	—	1,813	—
Other Expenses	—	—	80
TOTAL DEDUCTIONS	707,264	20,360	10,457
CHANGE IN NET POSITION	598,875	42,973	(72)
Net Position (Deficit) at Beginning of Year	9,988,007	(302,720)	206
NET POSITION (DEFICIT) AT END OF YEAR	$ 10,586,882	$ (259,747)	$ 134

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Dollars in Thousands)

The City adopted its current charter on April 7, 1931, and operates as a municipality in accordance with State laws. Since adoption, the Charter has been amended many times.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the City's significant accounting policies:

a. Financial Reporting Entity

As required by GAAP, these financial statements present the primary government and its component units. The City is the primary government, while entities for which the primary government is considered to be financially accountable represent its component units. Component units can be blended with the primary government or discretely presented.

A blended component unit is a legally separate entity whose functions are an integral part of the primary government. A component unit is considered to be an integral part of the primary government, and hence a blended component unit, in any of these circumstances: (1) the entity and the primary government substantively have the same governing body and a financial benefit/burden relationship exists; (2) the entity and the primary government substantially have the same governing body and management of the primary government has operational responsibility for the entity; (3) the entity exists to serve or benefit exclusively (or almost exclusively) the primary government; (4) the total debt of the entity is repayable entirely (or almost entirely) from resources of the primary government; or (5) the entity is organized as a not-for-profit corporation in which the primary government is the sole corporate member, as identified in the entity's articles of incorporation or bylaws. Blended component units are reported as funds of the primary government.

A discretely presented component unit does not function as an integral part of the primary government. It is reported in the government-wide financial statements in a column separate from the primary government. The City also reports fiduciary component units which are not included in the government-wide financial statements. Fiduciary component units are not part of the primary government and are reported as fiduciary funds to account for assets held in a trustee or custodial capacity for others that cannot be used to support the government's own programs.

Included within the reporting entity as blended component units are the following:

- Convention Center Expansion Financing Authority
- Public Facilities Financing Authority of the City of San Diego
- San Diego Convention Center Corporation, Inc.
- Otay Mesa Enhanced Infrastructure Financing District Public Financing Authority
- City of San Diego Tobacco Settlement Revenue Funding Corporation

A brief description of each blended component unit follows:

- The Convention Center Expansion Financing Authority (CCEFA) was established in 1996 by the City and the San Diego Unified Port District (Port) to acquire and construct the expansion of the existing convention center. The CCEFA is governed by a board consisting of the Mayor, the City Manager (Chief Operating Officer), the President/CEO of the Port, and a member of the Board of Commissioners for the Port. The CCEFA provides services which primarily benefit the City. CCEFA is reported as a governmental fund.

- The Public Facilities Financing Authority of the City of San Diego (PFFA) was established in 1991 by the City and the former Redevelopment Agency to acquire and construct public capital improvements. The members consist of the City, the Successor Agency, and the Housing Authority of the City of San Diego. PFFA is governed by a board of commissioners composed of the members of the City Council. PFFA provides services exclusively to the City. Financing for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity.

- San Diego Convention Center Corporation, Inc. (SDCCC) is a not-for-profit public benefit corporation, originally organized to market, operate, and maintain the San Diego Convention Center. The City is the sole member of SDCCC and acts through the San Diego City Council in accordance with the Charter and the City's Municipal Code. The City appoints all seven voting members to the Board of Directors of SDCCC. In accordance with the management agreement with SDCCC, the City allocates to SDCCC approved budgetary amounts for marketing, promotion, and capital projects for the Convention Center. SDCCC is reported as an enterprise fund. Complete stand-alone financial statements are available at www.visitsandiego.com.

- The Otay Mesa Enhanced Infrastructure Financing District (EIFD) and the Otay Mesa Enhanced Infrastructure Financing District Public Financing Authority (EIFDPFA) were both established in 2017 by the City to finance certain Otay Mesa public infrastructure and community benefit projects authorized under the Enhanced Infrastructure Financing District (EIFD) Law Government Code sections 53398.50 through 53398.88. The EIFDPFA board, which acts as the governing board of the EIFD, consists of three members of the City Council and two members of the public, all of whom are appointed by the City Council. Services provided primarily benefit the Otay Mesa area of the City. Financing is reported as a governmental activity.

- The City of San Diego Tobacco Settlement Revenue Funding Corporation (TSRFC) is a not-for-profit public benefit corporation established in 2006 for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. TSRFC purchased from the City the rights to receive future tobacco settlement revenues due to the City. TSRFC is governed by a board of directors, which consists of the Chief Operating Officer, the Chief Financial Officer, and one independent director. The independent director is appointed by the Mayor or the remaining directors. TSRFC is reported as a governmental fund.

The City has one fiduciary component unit:

- The San Diego City Employees' Retirement System (SDCERS) was established in 1927 by the City and administers independent, qualified, single employer governmental defined benefit plans and trusts for the City, the Port, and the San Diego County Regional Airport Authority (Airport). SDCERS' Board of Administration (SDCERS Board) adopted a Declaration of Group Trust, effective July 1, 2007. Under the Group Trust, the City, Port and Airport plans are treated as separate plans, with assets pooled for investment purposes only. SDCERS also processes certain postemployment healthcare activities on behalf of the City. SDCERS is a legally separate, fiduciary component unit of the City. It is governed by a 13 member Board of Administration, eight of which are appointed by the City, and a Pension Administrator who does not report to or work under the direction of the elected officials or appointed managers of the City. As such, the City does not maintain direct operational oversight of SDCERS or its financial reports. SDCERS provides services primarily to the City and is reported as a pension trust fund. Complete stand-alone financial statements are available at www.sdcers.org.

The City has one discretely presented component unit:

- The San Diego Housing Commission (SDHC) is a governmental agency, which was formed by the City under Ordinance No. 2515 on December 5, 1978, in accordance with the Housing Authority Law of the State of California. SDHC's priority is to serve low and moderate income persons by providing rental assistance payments, rental housing, loans and grants to families, individuals and not-for-profit organizations to create and preserve affordable housing. SDHC is governed by the San Diego Housing Authority (Housing Authority), which is composed of the nine members of the San Diego City Council. The Housing Authority is assisted by a Board of Commissioners, a seven-member advisory body appointed by the Mayor and confirmed by the City Council. The Housing Authority has final authority over the SDHC's budget and major policy changes. SDHC is discretely presented because the City appoints the voting members of the SDHC Board, is financially accountable for SDHC, and SDHC provides its services directly to the public.

  SDHC has eight blended component units and twenty-three discretely presented component units which are included in the City's basic financial statements. The discretely presented component units are financially and legally separate entities from SDHC. SDHC's discretely presented component units reflect the financial reporting entity of consolidated Housing Development Partners, which includes the following legal entities:

Housing Development Partners of San Diego (HDP)	HDP New Palace Management, LLC
HDP Mason Housing Corporation	HDP Village North, LLC
Casa Colina, LP	HDP West Park, LP

Logan Development II, LP
HDP Broadway, LP
HDP Churchill, LP
HDP Parker Kier, LLC
HDP New Palace, LP
Logan Development Management, LLC
HDP Broadway Management, LLC
HDP Churchill, LLC
HDP Island Village, LLC
HDP West Park Management, LLC
HDP Quality Inn, LLC
HDP Town and Country, LP
HDP Town and Country, LLC
HDP Mariner's Village, LP
HDP Mariner's Village Management, LLC
HDP Casa Colina Management, LLC
HDP ADU, LLC

Complete stand-alone financial statements are available at www.sdhc.org.

Each blended and discretely presented component unit of the City has a June 30 fiscal year-end, with the exception of SDHC's discretely presented component units, which have a December 31 fiscal year-end.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City and its blended and discretely presented component units. Governmental activities are normally supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on user fees and charges for services. The primary government is reported discretely from SDHC, a legally separate component unit for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific function or segment. Direct expenses reported include administrative and overhead charges. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenues that do not qualify as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, the latter of which are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other interfund services provided and used between functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the related functions.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues which are considered susceptible to accrual include: real and personal property taxes; special assessments collected via property taxes; sales taxes; transient occupancy taxes; other local taxes; franchise fees; fines, forfeitures and penalties; rents and concessions; interest; and state and federal grants and subventions, provided they are received within 60 days from the end of the fiscal year.

Licenses and permits, parking citations, and some miscellaneous revenues are recorded as revenues when received in cash because they generally are not measurable until actually received.

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

The governmental funds financial statements do not present long-term debt, but the related debt is shown in the reconciliation of the governmental funds Balance Sheet to the government-wide Statement of Net Position. Issuance of long-term debt, bond premiums, and discounts are reflected as other financing sources (uses) and recognized in the period in which they are issued.

Permanent funds, commonly referred to as endowment funds, are governmental funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs. The City has received endowments for various programs, a list of which can be found in the Permanent Funds section of the Combining and Individual Fund Financial Statements and Schedules. The corpus of permanent funds is reported as Nonspendable Fund Balance. Investment earnings available for expenditure are reported as Restricted Fund Balance in the fund level financial statements, and as Net Position Restricted for Nonexpendable Permanent Endowments in the Statement of Net Position. Funds are spent in accordance with the City budget, subject to State law governing the spending of endowment fund investment earnings in California Probate Code Section 18504.

The following is the City's only major governmental fund:

General Fund - The General Fund is the principal operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

Proprietary funds financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The City has two types of proprietary funds: enterprise funds and internal service funds.

The City has two major enterprise funds:

Sewer Utility Fund - The Sewer Utility Fund is used to account for the operation, maintenance and development of the City's sewer system. The City's Sewer Utility Fund includes activities related to the performance of services for several local municipalities and other utility districts (Participating Agencies).

Water Utility Fund - The Water Utility Fund is used to account for operating and maintenance costs, replacements, betterments, expansion of facilities, and payments necessary in obtaining water from the Colorado River, the State Water Project, and local sources, and supplying water to its customers.

Internal Service Funds - These funds account for fleet vehicles and transportation, printing, and storeroom services provided to City departments on a cost-reimbursement basis. Internal service funds also account for the energy conservation, risk management, unemployment insurance, unused compensatory time, unused sick leave, and long-term disability programs, which derive revenues from rates charged to benefiting departments. The public utilities' inventory fund is also reported as an internal service fund.

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as a custodian for individuals, private organizations, and/or other governmental units, and include the pension trust, private-purpose trust, and custodial funds. Fiduciary funds are reported using the economic resources measurement focus and the full accrual basis of accounting.

Fiduciary funds and fiduciary component units are excluded from the government-wide financial statements. The City has three types of fiduciary funds: pension trust; private-purpose trust; and custodial funds.

Pension Trust Funds - These funds account for SDCERS, a fiduciary component unit which provides retirement, disability, and death benefits for the City, Port, and Airport Authority.

Private-Purpose Trust Fund - This fund was established to account for the ongoing activity and obligations of the Successor Agency. The Successor Agency was established to hold the former Redevelopment Agency of the City of San Diego's (RDA) assets until they are distributed to other units of state and local government, or where appropriate, to private parties, and to administer the payments of the former RDA's obligations. Pursuant to ABX1 26, redevelopment agencies and their successor agencies in the State of California generally cannot enter into new projects, obligations or commitments. In January 2012, the City was designated to serve as the Successor Agency subject to control by an oversight board.

Custodial Funds - These funds account for assets held by the City as a custodian for individuals, private organizations, and other governments, including asset forfeitures and Community Facilities Districts.

d. Property Taxes

The County of San Diego (County) assesses, bills, and collects property taxes on behalf of numerous special districts and incorporated cities, including the City. The City receives the current year's taxes through periodic apportionments from the County.

The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1, based on the assessed values as of the lien date, are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Since the passage of California's Proposition 13, beginning with fiscal year ended 1979, general property taxes are based on either (1) a flat 1% rate applied to the 1975-76 full value of the property or (2) 1% of the sales price of any property sold or of the cost of any new construction after the 1975-76 valuation. Taxable values of properties (exclusive of increases related to sales and new construction) can increase by a maximum of 2% per year. The Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13).

At the government-wide level, property tax revenue is recognized in the fiscal year for which the taxes have been levied. Property taxes received after the fiscal year which do not meet the 60 day availability criterion are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are recorded as deferred inflows of resources in the governmental funds. The City provides an allowance for uncollectible property taxes, which is analyzed each year against the most recent data from the County. For fiscal year 2023, the allowance amount was $3,576. Property owners can appeal the assessment value of their property to the County Assessment Appeals Board. If successful, the County Assessor may reduce the taxable value of a property and/or provide a refund to affected property owners. Reductions of taxable property value within the City have a negative impact on future tax collections until assessed valuations increase.

e. Cash and Investments

The City's cash and cash equivalents for the Statement of Cash Flows purposes include cash on hand, demand deposits, restricted cash, and investments held in the City Treasurer's Pooled Investment Fund (the Pool) and are reported at fair value. Cash equivalents reported in the Statement of Cash Flows for the Enterprise Funds do not include restricted investments represented as Restricted Cash and Investments with an original maturity date greater than ninety days from the time of purchase.

The City's cash resources are combined to form a cash and investment pool managed by the City Treasurer. The City is not required to register the Pool as an investment company with the Securities and Exchange Commission (SEC). The investment activities of the City Treasurer in managing the Pool are governed by California Government Code § 53601 and the City of San Diego City Treasurer's Investment Policy, which is reviewed by the City Treasurer's Investment Advisory Committee and presented annually to the City Council. Interest earned on pooled investments is allocated to participating funds and entities based upon their average daily cash balance during the allocation month. Fair value adjustments to the Pool are recorded annually. The Pool participates in the California State Treasurer's Local Agency Investment Fund (LAIF). Investments in LAIF are governed by State statutes and overseen by a five member Local Investment Advisory Board. The fair value of the City's position in LAIF may be greater or less than the value of the shares. Investments in LAIF are valued in the financial statements using a fair value factor provided by LAIF applied to the value of the City's shares in the investment pool.

Certain governmental funds maintain investments outside of the Pool. These funds are supervised and controlled by a five member Funds Commission comprised of three members appointed by the Mayor and confirmed by the City Council and the City Attorney and City Treasurer, ex officio. The Funds Commission engages money managers to direct the investments of these funds. Additionally, the City and its component units maintain individual accounts pursuant to bond issuances and major construction contracts, which may or may not be related to debt issuances. The investment of these funds is governed by the policies set forth in the individual indenture and trustee agreements. Certain component units of the City also participate in LAIF separately from the Pool.

All City investments are reported at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application (GASB Statement No. 72).* Note 3 contains additional information on permissible investments per the City Treasurer's Investment Policy and other policies applicable to the cash and investments reported herein.

The discharge of fiduciary duties by the SDCERS Board is governed by Section 144 of the Charter and Article XVI, Section 17 of the California State Constitution. The SDCERS Board has the authority to delegate investment management duties to outside advisors, to seek the advice of outside investment counsel, and to provide oversight and monitoring of the investment managers it hires. Additional discretion beyond the Charter is provided for under the California State Constitution and other relevant authorities whereby the Board may, at its discretion, invest funds in any form or type of investment, financial instrument, or financial transaction. SDCERS' investment managers manage all investments, which are held in SDCERS' name.

SDCERS' investments are reported at fair value or net asset value (NAV), in accordance with GASB Statement No. 72, in the Statement of Fiduciary Net Position. SDCERS' custodial bank, State Street Bank & Trust Company, provides the fair values of exchange traded assets. Through its agents, SDCERS also holds investments in non-publicly traded institutional investment funds. These institutional investment funds are comprised of exchange traded securities, the fair values of which are provided by the respective investment managers. Directly-owned real estate assets are stated at appraised values as determined by SDCERS' real estate managers and third party appraisal firms. Private equity and infrastructure assets are measured at fair value using the NAV per share or its equivalent by their respective investment managers, giving consideration to the financial condition and operating results of the portfolio companies, and other factors deemed relevant. These values are reviewed by the real estate, private equity and infrastructure consultants, the underlying investment managers and SDCERS' investments staff. Where fair value information as of June 30, 2023, was not available at the time of these financial statements, SDCERS has estimated fair value by using the most recent fair value information available from the fund manager/general partner and adding any contributions and/or deducting any distributions to/from the investment from the date of the most recent fair value information to June 30, 2023.

f. Receivables

The City's receivables are comprised mainly of notes, loans, accounts and taxes. Long-term notes and loans receivable consist primarily of former RDA agreements with terms that provide for limited cash flows, e.g. residual receipts from Low and Moderate Housing developer loans. These receivables are reported in the governmental fund statements and are recorded with an offset to restricted fund balance as resources are not available for expenditure. Accounts receivable and taxes receivable are reported net of an allowance for uncollectible amounts. The allowance amounts as of June 30, 2023, are as shown on the following page:

Fund	Accounts Receivable Allowance	Taxes Receivable Allowance
General Fund	$ 13,669	$ 3,493
Nonmajor Governmental Funds	7,293	83
Sewer Utility	8,638	—
Water Utility	12,800	—
Nonmajor Enterprise Funds	3,743	—
Internal Service Funds	980	—
Total	$ 47,123	$ 3,576

g. Inventories

Inventories reported in the government-wide financial statements and the proprietary funds financial statements, which consist primarily of water in storage intended for resale, are valued at the lower of cost or market. Such inventories are expensed when consumed using primarily the first-in, first-out (FIFO) and weighted-average methods for inventories of water in storage and supplies, respectively. Inventory supplies of governmental funds are recorded as expenditures when purchased.

h. Land Held for Resale

Land Held for Resale is reported in the government-wide and fund financial statements at the lower of cost or net realizable value. In the governmental funds financial statements, fund balances associated with properties held for resale are reported as restricted fund balances as proceeds from the sale of such properties are restricted for the purpose of affordable housing as codified in the California Health and Safety Code. Land is originally recorded at historical cost and adjusted to net realizable value when a property is impaired, when the determination is made that a property will be sold for less than its cost, or when property values decrease due to market conditions.

i. Deferred Outflows/Inflows of Resources

The Statement of Net Position reports separate sections for deferred outflows and inflows of resources. A deferred outflow of resources represents a consumption of net assets that is applicable to future reporting periods and will not be recognized as an expense/expenditure until then. A deferred inflow of resources represents an acquisition of net assets that is applicable to future reporting periods and will not be recognized as revenue until then.

A gain or loss on refunding results from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. If the reacquisition price of the refunded debt exceeds its net carrying value, it results in a deferred outflow of resources (loss on refunding.) If the net carrying value of the refunded debt exceeds the reacquisition price, it results in a deferred inflow of resources (gain on refunding.)

Deferred outflows and inflows of resources related to pension and OPEB include differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

Deferred inflows of resources related to leases and public-private partnerships (PPP) are reported for contracts in which the City is the lessor or transferor, respectively. At the commencement of the contract, either a lease receivable or PPP receivable is reported, along with a deferred inflow of resources. The deferred inflow of resources is amortized and recognized as inflows of resources (revenue) over the contract term.

The Governmental Funds Balance Sheet and Enterprise Funds Statement of Net Position also report a separate section for deferred inflows of resources. Lease and PPP related deferred inflows of resources are reported at the fund level. In addition, deferred inflows of resources are reported for governmental revenues which have been earned but have not met the recognition criteria based on the modified accrual basis of accounting. These amounts are deferred and recognized as inflows of resources (revenue) in the period that the amounts become available.

j. Capital Assets

Capital assets, when purchased or constructed, are recorded at historical cost or estimated historical cost, with the exception of right-to-use leased assets, which are discussed in section (p) below. Donated capital assets are recorded at acquisition value or estimated acquisition value on the date received. Costs for routine maintenance are expensed as incurred. Capital assets are reported in the applicable Governmental or Business-Type Activities column in the government-wide financial statements, as well as in the proprietary funds and fiduciary funds financial statements.

Non-Depreciable Capital Assets include land, rights of way, permanent easements, and construction in progress. Works of art and historical treasures are also included since they are capitalized, but not depreciated. These assets are maintained for public exhibition, education, or research and are being preserved for future generations. The proceeds from sales of works of art are used to purchase other items for the collection.

Depreciable Capital Assets, which include structures and improvements, equipment/vehicles, intangible assets, distribution and collection systems, infrastructure, and right-to-use leased assets are reported net of accumulated depreciation/ amortization. The City considers capital expenditures as those that result in assets that are used in City operations and have a useful life in excess of one year. The following table shows the City's capitalization thresholds for each asset category:

Asset Category	Capitalization Threshold
Non-Depreciable:	
Land and Rights of Way	$ —
Easements (Intangible)	50
Artwork/Historical Treasures	5
Depreciable:	
Buildings	50
Building Improvements	50
Equipment/Vehicles	5
Software (Intangible)	100
Distribution and Collection Systems	25
Infrastructure	25
Right-to-Use Leased Assets	100
Right-to-Use SBITA Assets	300

Depreciation/amortization of capital assets is computed using the straight-line method over the estimated useful life of the asset or the remaining lease term as follows:

Asset Category	Useful Life (In Years)	Right-to-Use Leased Asset Category	Remaining Term (in Years)
Structures and Improvements:		Land	1 - 14
Buildings	10 - 50	Buildings	1 - 24
Building Improvements	3 - 50	Equipment	1 - 3
Vehicles	4 - 20	Subscriptions	1 - 6
General Machinery and Office Equipment	2 - 50		
Intangible Assets	5 - 25		
Distribution and Collection Systems:			
Sewer and Water Infrastructure	15 - 75		
Dams and Reservoirs	50 - 150		
Infrastructure:			
Pavement, Sidewalks, and Lighting	12 - 50		
Bridges	30 - 75		
Flood Control Assets	40 - 75		

k. Leases Receivable and PPPs

The City is a lessor for various noncancellable leases of land and buildings. The City is also a transferor of land and buildings for PPPs. A PPP is an arrangement in which the City contracts with an operator to provide public services by conveying control of the right to operate or use a City-owned capital asset. The City has two types of PPPs: Service Concession Arrangements (SCA); and Non-SCAs. In order to qualify as a SCA, a PPP must meet the following criteria: (1) The operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

The accounting treatment is very similar for leases (where City is lessor) and PPPs. In each case, the City recognizes both a receivable and a deferred inflow of resources in the Government-wide, Governmental, and Proprietary Fund financial statements.

At the commencement of a lease or PPP, the City measures the receivable at the present value of payments expected to be received over the course of the contract term. Subsequently, the receivable is reduced by the principal portion of payments received. The deferred inflow of resources is measured as the initial amount of the receivable, adjusted for any payments received at or before the contract commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the contract term.

Key estimates and judgments related to leases where the City is lessor and PPPs are as follows:

- The City recognizes receivables with an initial, individual value of $500 or more.
- The City uses its incremental borrowing rate as the discount rate for leases and PPPs when there is no stated rate in the contract, or there is no basis to determine the implied rate.
- The contract term includes the noncancellable period of the lease/PPP plus all available extension options, unless it is reasonably certain they will not be exercised.
- Projected revenues included in the measurement of the receivable are comprised of fixed payments required per the contract terms.
- Contracts with rent payments that depend on an index or rate, such as the Consumer Price Index or current market rate, are initially measured using the index or rate as of the commencement of the contract term.
- Contracts with periodic percentage rent increases or flat rate rent increases that are specified in the terms are included in the measurement of the receivable.

The City monitors changes in circumstances that would require a remeasurement of its leases or PPPs and will remeasure the receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the receivables.

l. Unearned Revenue

In the government-wide and fund level financial statements, unearned revenue represents amounts received, which have not been earned. Examples include Development Services' customer accounts with surplus balances, and grant revenues received in advance.

m. Interfund Transactions

The City has the following types of interfund transactions:

Loans represent amounts provided with a requirement for repayment. Interfund loans are normally reported as interfund receivables (i.e. Due from Other Funds) in lender funds and interfund payables (i.e. Due to Other Funds) in borrower funds. The non-current portions of long-term interfund loans receivable are reported as advances.

Services provided and used represent sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds.

Reimbursements represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. The reimbursement is reported as an expenditure or expense in the reimbursing fund and a reduction of expenditures or expenses in the fund that initially incurred the expense.

Transfers represent flows of assets, such as cash or goods, without equivalent flows of assets in return, and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

n. Long-Term Liabilities

In the government-wide, proprietary, and fiduciary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statements of Net Position. Capital appreciation bond accretion and bond premiums and discounts are amortized over the life of the bonds. Capital appreciation bond accretion uses a method which approximates the effective interest method and bond premiums and discounts use the straight line method. Net bonds payable reflects unamortized bond discounts and premiums.

o. Compensated Absences

The City provides combined annual leave to cover both vacation and sick leave. It is the City's policy to permit employees to accumulate between 8.75 weeks and 17.5 weeks of earned but unused annual leave, depending on hire date. Accumulation of these earnings will be paid to employees upon separation from service.

The liability for compensated absences reported in the government-wide and proprietary funds financial statements consists of unpaid accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g. Medicare Tax). The short-term portion is an estimate calculated based on leave taken in the prior year, as a percentage of total outstanding balances. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

p. Leases Payable and Subscription Based Information Technology Arrangements (SBITAs)

The City is a lessee for various noncancellable leases of land, buildings, and equipment. The City also has various SBITAs. A SBITA is a contract that conveys control of the right to use a vendor's software, alone or in combination with hardware. The accounting treatment is very similar for leases (where the City is lessee) and SBITAs. In each case, the City recognizes both a liability and an intangible right-to-use asset in the Government-wide, Proprietary, and Fiduciary Fund financial statements. Right-to-Use assets are reported with depreciable capital assets and the liabilities for leases and SBITAs are reported with long-term liabilities.

At the commencement of a lease or SBITA, the City measures the liability at the present value of payments expected to be made over the course of the contract term. Subsequently, the liability is reduced by the principal portion of payments made. The right-to-use asset is measured as the initial amount of the liability, adjusted for any payments made at or before the contract commencement date, plus certain initial direct costs. Subsequently, the right-to-use asset is amortized on a straight-line basis over the contract term.

Key estimates and judgments related to leases in which the City is lessee and SBITAs are as follows:

- The City recognizes lease liabilities with an initial, individual value of $100 or more and SBITA liabilities with an initial, individual value of $300 or more.

- The City uses the interest rate charged by the lessor/vendor as the discount rate. When the interest rate charged by the lessor/vendor is not stated, the City uses its incremental borrowing rate as the discount rate for leases and SBITAs.
- The term includes the noncancellable period of the contract plus all available extension options, unless it is reasonably certain they will not be exercised.
- Projected payments included in the measurement of the liability are comprised of fixed payments required per the contract terms.
- Contracts with payments that depend on an index or rate, such as the Consumer Price Index or current market rate, are initially measured using the index or rate as of the commencement of the contract term.
- Contracts with periodic percentage rent increases or flat rate rent increases that are specified in the terms are included in the measurement of the liability.

The City monitors changes in circumstances that would require remeasurement of its leases or SBITAs and will remeasure the right-to-use assets and liabilities if certain changes occur that are expected to significantly affect the amount of the liabilities.

q. Claims and Judgments

The costs of claims and judgments are accrued when incurred and measurable in the government-wide, proprietary and fiduciary funds financial statements. In governmental funds, the costs of claims and judgments are recorded as expenditures when payments are due and payable.

r. Non-Monetary Transactions

The City, as part of approving new development in the community planning process, collects Development Impact Fees (DIFs) that provide a funding source for public infrastructure facilities associated with the growth of the City. In certain instances, the public infrastructure facilities are constructed by private developers via reimbursement agreements. These agreements typically contain provisions that provide developers with credits (also referred to as FBA/DIF/RTCIP credits) for future permit fees. These credits are earned by the developer upon successful completion of construction phases and when City engineers have accepted the work. The credits are recognized as permit revenue upon issuance and a corresponding capital asset is recorded in the government-wide financial statements. See Note 5 for additional detail on reimbursement agreements.

s. Pensions

For purposes of measuring the Net Pension Liability (NPL), deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's SDCERS plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by SDCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value or NAV. See Note 12 for additional detail on Pension Plans.

t. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value or NAV. See Note 13 for additional detail on OPEB.

u. Net Position

For government-wide, proprietary, and fiduciary fund reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net Position is categorized as follows:

- **Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation, reduced by outstanding debt and deferred outflows/inflows of resources attributed to the acquisition, construction or improvement of those assets.

- **Restricted Net Position** consists of assets that have external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments, reduced by liabilities related to those assets. It is the City's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position components are available. As of June 30, 2023, the amount of restricted net position due to enabling legislation was approximately $328,411.

- **Unrestricted Net Position** is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that that does not meet the definition of Net Investment in Capital Assets or Restricted Net Position.

v. Fund Balances

In governmental fund types, the amount of assets, less liabilities and deferred inflows of resources, is referred to as fund balance. The City categorizes fund balances as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the City is bound to observe constraints imposed on the use of resources.

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- **Committed fund balance** - amounts that can only be used for specific purposes imposed by formal action of the City Council. The City Council uses ordinances or resolutions to commit fund balances. Ordinances and resolutions both meet the criteria to establish a commitment since the limitations on the redeployment of those resources for other purposes is the same. Committed amounts cannot be used for other purposes unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- **Assigned fund balance** - amounts that are constrained by the City's intent to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. City Council may assign fund balance through approval of budget appropriations. The Mayor and his/her designees are authorized by the Charter to assign fund balance through the encumbrance process. Designees generally include the Chief Operating Officer, Assistant Chief Operating Officer, Deputy Chief Operating Officers and Department Directors.

- **Unassigned fund balance** - the residual classification for the City's General Fund that includes amounts not included in other classifications. In funds other than the General Fund, the unassigned classification is used only for deficit fund balances.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by committed, assigned and unassigned as they are needed.

w. Reserves

The City's formal reserve policy, which was adopted in fiscal year 2008 via City Council ordinance, and last amended in December 2022, was created in accordance with Charter Section 91 and defines the General Fund Reserve. The City's General Fund Reserve is comprised of two separate components: (1) the Emergency Reserve and (2) the Stability Reserve. For the purpose of the policy, the General Fund is the operational fund as presented in the City's annual budget document.

- **Emergency Reserve** - maintained for the purpose of sustaining General Fund operations in the case of a public emergency such as a natural disaster or other unforeseen catastrophic event. This reserve may be expended when an event is determined to be a public emergency by a two-thirds vote of the City Council, when such expenditures are necessary to ensure the safety of the City's residents and their property. This reserve is reported as restricted fund balance.

- **Stability Reserve** - maintained to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures. The purpose of this reserve is to provide budgetary stabilization and not serve as an alternative funding source for new programs. Recommendations to appropriate from the Stability Reserve are brought forward by the Mayor and require approval by a majority of the City Council. This reserve is a component of unassigned fund balance.

The policy level for total General Fund Reserves is 16.7% of the most recent three-year average of annual audited General Fund operating revenues (budgetary basis), as reported in the ACFR. The Emergency Reserve is set at a policy level of 8%, and the Stability Reserve is set at a policy level of 8.7%. The City's reserve policy established funding targets for each fiscal year ending 2016 to 2025 to reach policy levels. For fiscal year 2023, the Emergency Reserve funding target was 7.43%, or $107,600, and the Stability Reserve funding target was also 6.87%, or $99,500. The balances of the Emergency Reserve and the Stability Reserve as of June 30, 2023 were $107,600 and $99,500, respectively. Spendable unassigned fund balance that is not part of General Fund Reserves is available for appropriation.

The Pension Payment Stabilization Reserve was established to mitigate service delivery risk due to increases in the annual pension payment, the ADC. The purpose of this reserve is to provide a source of funding for the ADC when these conditions occur and the ADC has increased year over year. After the 16.7% reserve target for the General Fund Reserve is met, the Pension Payment Stabilization Reserve is established at a policy level up to 8% of the average of the last three ADCs to the pension system. The fiscal year 2023 adopted budget included the use of Pension Payment Stabilization Reserves to mitigate costs associated with the unwinding of Proposition B.

The City also maintains reserves to manage risk, including public liability reserves for the payment of claims and judgments, a reserve for obligations related to workers' compensation claims, and a reserve for long-term disability payments for City employees. In addition, the City maintains reserves for the following enterprise funds: the Water and Sewer Utility Funds; Development Service Fund; Refuse Disposal Fund; and the Golf Course Fund. Information regarding reserves maintained by the City is contained in Council Policy No. 100-20.

x. Participating Agencies Revenue Recognition

The Regional Wastewater Disposal Agreement between the City and the Participating Agencies (PA) in the Metropolitan Sewerage System allows for quarterly invoicing of local area member municipalities and utility districts to collect and process sewage waste using the City's facilities. The invoicing is based on an estimated allocation of costs associated with each PA and may not represent each PA's proportionate allocation of actual maintenance and operating costs of the sewage system, resulting in an overstatement or understatement of revenue reported in the Sewer Utility Statement of Revenues, Expenses and Changes in Fund Net Position.

y. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

z. New Governmental Accounting Standards Implemented During Year Ended June 30, 2023

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have a material impact on the financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that my include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. As a result of the implementation of GASB Statement No. 94, receivables and deferred inflows of resources as of June 30, 2022 were each restated by $99,176, with no impact to beginning net position.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. As a result of the implementation of GASB Statement No. 96, capital assets and long-term liabilities as of June 30, 2022 were each restated by $20,168, with no impact to beginning net position.

In April 2022, GASB issued Statement No. 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The following practice issues addressed by this Statement will become effective in fiscal year 2023: clarification of provisions in Statement No. 87, Leases; clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements; and clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements.

aa. Upcoming Governmental Accounting Standards Implementation

The requirements of the following accounting standards become effective in future periods, if applicable to the City. Management is currently in the process of evaluating the potential impacts to the City's basic financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to financial guarantees and the practice issues related to classification and reporting of derivative instruments within the scope of Statement 53, A*ccounting and Financial Reporting for Derivative Instruments,* will become effective in fiscal year 2024.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective in fiscal year 2024.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the informational needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective in fiscal year 2025.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Dollars in Thousands)

Certain adjustments are necessary to reconcile governmental funds to governmental activities (which includes all internal service funds except the Public Utilities Inventory Fund, which is reported with Business-Type Activities). The reconciliation of these adjustments is as follows:

a. Explanation of differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position:

The Governmental Funds Balance Sheet includes a reconciliation between “Total Fund Balances” and “Net Position of Governmental Activities” as reported in the Government-Wide Statement of Net Position. One element of the reconciliation states, "Capital assets used in governmental activities are not financial resources, and therefore, are not reported at the fund level." The details of this $5,345,629 difference are as follows:

Non-Depreciable Capital Assets	$ 2,477,673
Depreciable Capital Assets	6,727,216
Less: Accumulated Depreciation	(3,859,260)
Total Depreciable Capital Assets - net of Depreciation	2,867,956
Net Adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	$ 5,345,629

Another element of the reconciliation states, “Deferred outflows of resources are not financial resources (uses), and therefore, are not reported at the fund level.” The details of this $415,863 difference are as follows:

Unamortized Loss on Refunding	$ 12,154
Deferred Outflows of Resources Related to Other Postemployment Benefits	37,991
Deferred Outflows of Resources Related to Pensions	365,718
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	$ 415,863

Another element of the reconciliation states: “Unavailable revenues are not financial resources, and therefore, are reported as deferred inflows of resources.” The details of this $161,050 difference are as follows:

Deferred Inflows of Resources - Unavailable Revenue:	
Taxes Receivable	$ 62,148
Grants Receivable	69,299
Special Assessments Receivable	4,718
Revenue from Other Agencies	6,814
Charges for Services	15,163
Other	2,908
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	$ 161,050

Another element of the reconciliation states: "Certain liabilities and deferred inflows of resources, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds." The details of this $(3,840,749) difference are as follows:

Liabilities:	
Interest Accrued on Long-Term Debt	$ (6,855)
Compensated Absences	(82,479)
Liability Claims	(381,475)
Reimbursement Agreement Obligations	(20,968)
Leases Payable	(70,036)
SBITAs Payable	(12,754)
Financed Purchase Obligations	(30,202)
QECB Lease Obligation	(3,011)
Loans Payable	(27,149)
Section 108 Loans Payable	(942)
Net Bonds Payable	(740,230)
Net Other Postemployment Benefits Liability	(296,430)
Pension Liabilities	(2,101,888)
Total Liabilities	(3,774,419)
Deferred Inflows of Resources:	
Deferred Inflows Related to Pensions	(66,330)
Net adjustment to decrease "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	$ (3,840,749)

Another element of the reconciliation states: "Internal service funds are used by management to charge the costs of activities such as Fleet Operations, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are included in the governmental activities in the Statement of Net Position." The details of this $193,553 difference are as follows:

Assets:	
Capital Assets - Non-Depreciable	$ 5,155
Capital Assets - Depreciable	237,141
Internal Balances	(11,898)
Current Assets	151,601
Total Assets	381,999
Deferred Outflows of Resources	11,368
Liabilities:	
Compensated Absences	(6,892)
Liability Claims	(12,433)
Leases Payable	(20,558)
Financed Purchase Obligations	(59,286)
Net Other Postemployment Benefits Liability	(15,906)
Pension Liabilities	(70,821)
Current Liabilities	(11,221)
Total Liabilities	(197,117)
Deferred Inflows of Resources	(2,697)
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	$ 193,553

b. Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities:

The Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between “Net Change in Fund Balances of Governmental Funds” and “Change in Net Position of Governmental Activities” as reported in the Government-Wide Statement of Activities. One element of that reconciliation explains: “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation/amortization expense. Donated assets are not financial resources, and therefore, are not reported in the funds.” The details of this $119,012 difference are as follows:

Capital Outlay	$ 271,413
Donated Capital Assets	23,246
Depreciation/Amortization Expense	(175,647)
Net adjustment to increase "Net Change in Fund Balances" of Governmental Funds to arrive at "Change in Net Position" of Governmental Activities	$ 119,012

Another element of the reconciliation states: “The net effect of various miscellaneous transactions involving capital assets (e.g., retirements and transfers) is to decrease net position.” The details of this $(5,536) are as follows:

In the Statement of Activities, only the gain (loss) on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the net book value of the capital assets sold/retired.	$ (5,464)
Transfers of capital assets from business-type activities and internal service funds increase net position on the Statement of Activities, but do not appear in the governmental funds because they are not financial uses.	(72)
Net adjustment to decrease "Net Change in Fund Balances" of Governmental Funds" to arrive at "Change in Net Position" of Governmental Activities	$ (5,536)

Another element of the reconciliation states: “Internal service funds are used to charge the costs of activities such as Fleet Operations, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The net income of certain internal service activities is reported with governmental activities.” The details of this $39,733 are as follows:

Allocated Operating Income	$ 22,291
Nonoperating Revenues:	
Gain on Sale/Retirement of Capital Assets	1,416
Other Agency Grant Assistance	541
Other Nonoperating Expenses, net	854
Capital Contributions	186
Capital Asset Transfers, net	301
Transfers, net	14,144
Net adjustment to increase "Net Change in Fund Balances" of Governmental Funds to arrive at "Change in Net Position" of Governmental Activities	$ 39,733

Another element of the reconciliation states: “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this $48,541 difference are as follows:

Debt Issued or Incurred:	
Leases Payable	$ (25,232)
SBITAs Payable	(3,917)
Financed Purchase Obligations	(839)
Commercial Paper Notes Payable	(53,659)
Lease Revenue Bonds	(114,990)
Total Debt Issued or Incurred	(198,637)
Principal Repayments:	
Leases Payable	7,820
SBITAs Payable	6,616
Financed Purchase Obligations	134,370
QECB Lease Obligations	957
Loans Payable	486
Section 108 Loans Payable	430
Commercial Paper	53,659
Lease Revenue Bonds	33,455
Tobacco Settlement Asset-Backed Bonds	9,385
Total Principal Repayments	247,178
Net adjustment to increase "Net Change in Fund Balances" of Governmental Funds to arrive at "Change in Net Position" of Governmental Activities	$ 48,541

Another element of the reconciliation states: “Some expenses reported in the Statement of Activities do not require the use of current financial resources (e.g., compensated absences, NPL), and therefore, are not accrued as expenditures in governmental funds.” The details of this $114,932 difference are as follows:

Compensated Absences	$ (6,352)
Liability Claims	(24,347)
Net Other Postemployment Benefit Obligation and Related Deferred Outflows/Inflows of Resources	39,119
Pension Liabilities and Related Deferred Outflows/Inflows of Resources	117,460
Interest Accrued on Long-Term Debt	(1,163)
Current Year Premiums and Loss on Refunding Less Amortization of Bond Premiums, Discounts, and Loss on Refunding	(9,785)
Net adjustment to increase "Net Change in Fund Balances" of Governmental Funds to arrive at "Change in Net Position" of Governmental Activities	$ 114,932

3. CASH AND INVESTMENTS (Dollars in Thousands)

The following is a summary of the carrying amount of cash and investments as of June 30, 2023:

	Governmental Activities	Business-Type Activities	Fiduciary Funds other than SDCERS	Subtotal	SDCERS Fiduciary Fund	Grand Total
Cash or Equity in Pooled Cash and Investments	$ 2,131,832	$ 816,325	$ 60,142	$ 3,008,299	$ 1,034	$ 3,009,333
Cash and Investments with Custodian, Fiscal Agents, and Trustees	66,166	36,728	46,556	149,450	253,718	403,168
Investments at Fair Value	25,861	—	—	25,861	10,732,832	10,758,693
Securities Lending Collateral	—	—	—	—	120,672	120,672
Total	$ 2,223,859	$ 853,053	$ 106,698	$ 3,183,610	$ 11,108,256	$ 14,291,866

a. Cash or Equity in Pooled Cash and Investments

Cash or Equity in Pooled Cash and Investments represents petty cash and cash held with banks in demand deposit and/or savings accounts. Furthermore, it represents equity in pooled cash and investments, which is discussed in further detail below.

As provided for by California Government Code, the cash balances of substantially all funds and certain outside entities are pooled and invested by the City Treasurer for the purpose of increasing interest earnings through investment activities. The respective funds' shares of the total pooled cash and investments are included in the table above, under the caption Cash or Equity in Pooled Cash and Investments.

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

Cash on Hand - Petty Cash	$ 191
Deposits - Other Cash and Cash Equivalents	6,425
City Treasurer's Pooled Investments and Deposits	3,001,683
SDCERS Cash Deposits	1,034
Total Cash or Equity in Pooled Cash and Investments	$ 3,009,333

A summary of the investments held by the City Treasurer's Investment Pool as of June 30, 2023 is presented in the table below:

Investment Type	Fair Value	Book Value	Interest Rate % Range	Maturity Range
Asset Backed Securities	$ 232,800	$ 236,494	0.55 - 5%	7/15/2026 - 04/15/2028
Commercial Paper	174,979	174,005	4.75 - 5.13%	7/1/2023 - 7/3/2023
Corporate Notes and Bonds	326,425	329,096	0.35 - 5.15%	8/14/2023 - 1/20/2027
Repurchase Agreements	426,000	426,000	5.03 - 5.05%	7/3/2023
State Local Agency Investment Fund (LAIF) [1]	6,868	6,973	3.15%	3/16/2024
U.S. Treasury Obligations - Bills and Notes	1,868,948	1,930,117	0.125 - 4.25%	9/15/2023 - 2/15/2026
Total	$ 3,036,020	$ 3,102,685		

[1] LAIF - The State Treasurer's pooled investment program values participants' shares based on amortized cost. This has been adjusted to fair value using the LAIF Factor. Maturity range is based on weighted average maturity of 260 days as of June 30, 2023. LAIF is part of the California Pooled Money Investment Account (PMIA) which is not SEC-registered, but is regulated under the California Government Code. At June 30, 2023, the PMIA fair value with accrued interest was $177,045,533. The PMIA portfolio does not invest in derivatives.

b. Cash and Investments with Custodian, Fiscal Agents, and Trustees

Cash and Investments with Custodian, Fiscal Agents, and Trustees include cash and investments held by trustees resulting from bond issuances. These funds represent bond funds, including but not limited to: debt service reserve funds; construction funds; costs of issuance funds; and liquid investments held by trustees as legally required by bond issuances and construction contract retention deposits held in escrow accounts. Additionally, Cash with Custodian/Fiscal Agent includes SDCERS' transaction settlements, held in each investment manager's portfolio, which are invested overnight by SDCERS' custodial bank. Furthermore, it represents the SDCERS portion of funds held as cash collateral for SDCERS' cash overlay program.

c. Investments at Fair Value

Investments at Fair Value represents investments of SDCERS, investments managed by the City Treasurer (which are not part of the City Treasurer's Investment Pool) and investments managed by the Funds Commission. Investments under the management of the Funds Commission are reported in the Permanent funds (Cemetery Perpetuity Fund, Los Penasquitos Canyon Preserve Fund, Effie Sergeant Library Fund, and the Phillip L. Green Memorial Fund) and in the Other Special Revenue-Unbudgeted funds (Edwin A. Benjamin Fund, Jane Cameron Estate, and the Gladys Edna Peters Fund).

d. Investment Policy

In accordance with Charter Section 45, the City Treasurer is responsible for the safekeeping and investment of the unexpended cash in the City Treasury. The City Treasurer is also responsible for maintaining the City of San Diego City Treasurer's Investment Policy (Investment Policy), which is presented to City Council annually. This Investment Policy applies to all of the investment activities of the City except for: pension trust funds; proceeds of certain debt issues (which are managed and invested at the direction of the City Treasurer in accordance with the applicable indenture or by Trustees appointed under indenture agreements or by fiscal agents); and assets of funds placed in the custody of the Funds Commission by Council action.

City Treasurer reviews the Investment Policy annually and may make revisions based upon changes to the California Government Code and the investment environment. These suggested revisions are presented to the City Treasurer's Investment Advisory Committee (IAC) for review and comment. The IAC consists of two City finance experts and three outside investment professionals with market and portfolio expertise. The City Council reviews the Investment Policy and considers acceptance on an annual basis.

The Investment Policy is governed by the California Government Code (CGC), § 53600 et seq. Within the investments permitted by the CGC, the City has further restricted eligible investments in its Investment Policy. In the event a discrepancy exists between the CGC and City Investment Policy, the more restrictive parameters will take precedence.

The following table presents the authorized investments, requirements, and restrictions per the CGC and the Investment Policy:

	Maximum Maturity [1]		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating [7]	
Investment Type [8]	CGC	City Policy	CGC	City Policy	CGC	City Policy	CGC	City Policy
U.S. Treasury Obligations (bills, bonds, or notes)	5 years	5 years	None	None	None	None	None	None
U.S. Agencies	5 years	5 years	None	(2)	None	(2)	None	None
Supranationals	5 years	5 years	30%	30%	30%	10%	AA	AA
Bankers' Acceptances [6]	180 days	180 days	40%	40%	30%	10%	None	(3)
Commercial Paper [6, 9]	270 days	270 days	40%	40%	10%	10%	P-1	P-1
Negotiable Certificates of Deposit [6]	5 years	5 years	30%	30%	None	10%	None	(3)
Repurchase Agreements	1 year	1 year	None	None	None	None	None	None
Reverse Repurchase Agreements [4]	92 days	92 days	20%	20%	None	None	None	None
Local Agency Investment Fund [10]	N/A	N/A	None	(10)	None	None	None	None
Non-Negotiable Time Deposits [6]	5 years	5 years	None	25%	None	10%	None	(3)
Medium Term Notes/Bonds [6]	5 years	5 years	30%	30%	10%	10%	A	A
Municipal Securities of California Local Agencies [6]	5 years	5 years	None	20%	None	10%	None	A
Mutual Funds	N/A	N/A	20%	20%	10%	5%	AAA	AAA
Notes, Bonds, or Other Obligations	5 years	5 years	None	None	None	None	None	AA
Mortgage and Asset-Backed Securities	5 years	5 years	20%	20%	None	None	AA	AAA
Financial Futures [5]	N/A	None	N/A	None	N/A	None	N/A	None

[1] In the absence of a specified maximum, the maximum is 5 years.

[2] No more than one-third of the cost value of the total portfolio at time of purchase can be invested in the unsecured debt of any one agency.

[3] Maturity and Credit Rating Criteria must be in accordance with Section XII of the City Treasurer's Investment Policy.

[4] Maximum percentage of portfolio for Reverse Repurchase Agreements is 20% of base value.

[5] Financial futures transactions would be purchased only to hedge against changes in market conditions for the reinvestment of bond proceeds.

[6] Investment types with a 10% maximum with one issuer are further restricted per the City Treasurer's Investment Policy: 5% per issuer and an additional 5% with authorization by the City Treasurer.

[7] Minimum credit rating categories include modifiers (+/-).

[8] The City's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, the City seeks to further restrict eligible investments to the guidelines listed above. In the event a discrepancy is found between this Policy and the Summary Table above, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

[9] The provision allowing up to 40% of the cost value of the portfolio to be invested in commercial paper sunsets on January 1, 2026, at which time the maximum percentage allowed will drop to 25% of the cost value of the portfolio.

[10] The maximum percentage of the portfolio is based on the investment limit established by LAIF for each account, not by City policy.

According to the Investment Policy, the City may enter into repurchase and reverse repurchase agreements only with primary dealers of the Federal Reserve Bank of New York with which the City has entered into a master repurchase agreement.

Additionally, the Investment Policy authorizes investment in other specific types of securities. The City may invest in floating-rate securities whose coupon resets are based upon a single fixed income index which would be representative of an eligible investment, provided that the security is not leveraged or has a coupon that resets inversely to the underlying index. Securities issued by U.S. Government agencies that contain embedded calls or options are authorized provided those securities are not inverse floaters, range notes, or interest only strips derived from a pool of mortgages. A maximum of 8% of the "cost value" of the pooled portfolio may be invested in structured notes at the time of purchase. The City may invest in securities issued by, or backed by, the United States government that could result in zero or negative interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates.

Ineligible investments prohibited from use in the portfolio include, but are not limited to, common stocks and long-term corporate notes/bonds. The City shall not purchase any investment issued directly by a corporation that engages in the exploration, production, drilling or refining of coal, petroleum, or natural gas. The Investment Policy is available online at the following website address: www.sandiego.gov/treasurer/investments/invpolicy.

Other Investment Policies

The City Funds Commission was established by the Charter to supervise and control all trust, perpetuity, and investment funds of the City and such pension funds as shall be placed in its custody. The statutory authority for the Funds Commission is created in Charter Article V, Section 41(a). While the duties described in the creation document form broad authority for the Funds Commission, in practice, the Funds Commission only oversees investments related to a small number of endowment funds. The allowable investments for these funds are different than those prescribed in the City of San Diego City Treasurer's Investment Policy and are governed by the respective investment policy.

The City and its component units have funds invested in accordance with various bond indenture and trustee agreements. The investment of these bond issuances is in accordance with the Permitted Investments section and applicable account restrictions outlined in the Indenture of each bond issuance. The Permitted Investments section in each Indenture will vary based upon the maturity, cash flow demands, and reserve requirements associated with each issuance. In general, the Permitted Investments section of each Indenture will closely resemble the Investment Policy, but may include certain investment options not authorized by applicable law for the Investment Policy (CGC § 53601).

e. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the City's custodian banks. The City does not value any of its investments using Level 3 inputs.

The table below represents the City's fair value hierarchy as of June 30, 2023:

	Fair Value Measurements			
	Level 1	Level 2	Not Categorized	Total
City Treasurer's Investment Pool:				
Asset Backed Securities	$ —	$ 232,800	$ —	$ 232,800
Commercial Paper	—	174,979	—	174,979
Corporate Notes and Bonds	—	326,425	—	326,425
Repurchase Agreements	—	—	426,000	426,000
State Local Agency Investment Fund (LAIF)	—	—	6,868	6,868
U.S. Treasury Obligations - Bills and Notes	—	1,868,948	—	1,868,948
	—	2,603,152	432,868	3,036,020
Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units:				
Commercial Paper	—	22,167	—	22,167
Corporate Notes and Bonds	—	7,364	—	7,364
Exchange Traded Funds - Equity	3,097	—	—	3,097
Exchange Traded Funds - Fixed Income	4,706	—	—	4,706
Government Mortgage-Backed Securities	—	1	—	1
Guaranteed Investment Contracts	—	—	9,223	9,223
Money Market Mutual Funds	—	—	65,996	65,996
Municipal Bonds	—	1,217	—	1,217
Mutual Funds - Equity	—	10,734	—	10,734
Mutual Funds - Fixed Income	—	6,530	—	6,530
Negotiable Certificates of Deposit	—	5,717	—	5,717
Repurchase Agreements	—	—	1,600	1,600
U.S. Agencies - Federal Home Loan Mortgage Corp	—	1,402	—	1,402
U.S. Agencies - Federal National Mortgage Association	—	3,516	—	3,516
U.S. Treasury Obligations - Bills and Notes	—	2,732	—	2,732
	7,803	61,380	76,819	146,002
Total Investments & Cash Equivalents	$ 7,803	$ 2,664,532	$ 509,687	$ 3,182,022

Total Investments & Cash Equivalents by Fair Value Level	$ 2,672,335
Total Investments & Cash Equivalents exempt from Fair Value Hierarchy	509,687
Total Investments & Cash Equivalents	$ 3,182,022

Asset backed securities, commercial paper, corporate notes and bonds, government mortgage-backed securities, municipal bonds, mutual funds, negotiable certificates of deposit, investments in U.S. Agencies, and U.S. Treasury obligations are all classified in Level 2 of the fair value hierarchy. These investments are valued using either bid evaluation or matrix pricing techniques. Bid evaluation may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value the securities based on the securities' relationship to benchmark quoted prices which are maintained by various pricing vendors.

Investments in guaranteed investment contracts are valued at cost and exempt from the fair value hierarchy. Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) are not classified in the fair value hierarchy. The City values investments in money market mutual funds at NAV based on amortized cost. Repurchase agreements are held at amortized cost and also exempt from the fair value hierarchy. The City also has investments in LAIF which are reported based upon the application of a fair value factor to each one dollar share invested, and therefore are not included in the fair value hierarchy.

City of San Diego - Disclosures for Specific Risks

f. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk for the City Treasurer's Investment Pool is intended to be mitigated by establishing two portfolios: a liquidity portfolio and a core portfolio. Target durations are based upon the expected short and long-term cash needs of the City. The liquidity portfolio is structured with an adequate mix of highly liquid securities and maturities to meet major cash outflow requirements for at least six months (per CGC § 53646). The liquidity portfolio uses the Bloomberg Barclays US T-Bills 3-6 month Index, or equivalent, as a benchmark with a target duration of plus or minus 40% of that benchmark.

The core portfolio uses the Bloomberg Barclays US Treasury 1-3 year Index, or equivalent, as a benchmark with a target duration of plus or minus 20% of that benchmark. It consists of high quality liquid securities with a maximum maturity of five years and is structured to meet the longer-term cash needs of the City. Information about the sensitivity of the fair value of the City's investments to market interest rate fluctuations is presented in the table on the following page.

As of June 30, 2023, the City's investments (dollars in thousands) by maturity are as follows:

	Years				
	Under 1	1-3	3-5	Over 5	Fair Value
City Treasurer's Investment Pool:					
Asset Backed Securities	$ —	$ —	$ 232,800	$ —	$ 232,800
Commercial Paper	174,979	—	—	—	174,979
Corporate Notes and Bonds	91,906	200,555	33,964	—	326,425
Repurchase Agreements	426,000	—	—	—	426,000
State Local Agency Investment Fund (LAIF)	6,868	—	—	—	6,868
U.S. Treasury Obligations - Bills and Notes	519,678	1,349,270	—	—	1,868,948
	1,219,431	1,549,825	266,764	—	3,036,020
Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units:					
Commercial Paper	22,167	—	—	—	22,167
Corporate Notes and Bonds	1,802	4,976	586	—	7,364
Exchange Traded Funds - Equity [1]	3,097	—	—	—	3,097
Exchange Traded Funds - Fixed Income	—	—	—	4,706	4,706
Government Mortgage-Backed Securities	—	—	—	1	1
Guaranteed Investment Contracts	9,223	—	—	—	9,223
Money Market Mutual Funds [1]	65,996	—	—	—	65,996
Municipal Bonds	—	1,086	131	—	1,217
Mutual Funds - Equity [1]	10,734	—	—	—	10,734
Mutual Funds - Fixed Income	202	—	—	6,328	6,530
Negotiable Certificates of Deposit	5,717	—	—	—	5,717
Repurchase Agreements	1,600	—	—	—	1,600
U.S. Agencies - Federal Home Loan Mortgage Corp	—	1,402	—	—	1,402
U.S. Agencies - Federal National Mortgage Association	—	3,516	—	—	3,516
U.S. Treasury Obligations - Bills and Notes	967	1,075	690	—	2,732
	121,505	12,055	1,407	11,035	146,002
Total Investments	$ 1,340,936	$ 1,561,880	$ 268,171	$ 11,035	3,182,022
Cash on Hand - Petty Cash					191
Deposits - Pooled and Other Cash and Cash Equivalents, Cash with Fiscal Agents/Trustees and Cash with Fiscal Agents/Trustees Held in Escrow Accounts					1,397
Total Investments, Cash on Hand, and Deposits					$ 3,183,610

[1] Equity exchange traded funds, equity mutual funds, and money market mutual funds are categorized based on weighted average maturity.

g. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill their obligation to the holder of the investment. This is measured by the assignment of a rating by a Nationally Recognized Statistical Rating Organization (NRSRO). The City mitigates credit risk through its Investment Policy. Section (d) outlines the authorized investments, requirements, and restrictions per the City's Investment Policy. An investment listed as "Not Rated" indicates that no rating is available from that rating agency. The City provides the credit rating of either Moody's or S&P as a primary rating agency; "Not Provided" has been notated for the secondary rating agency. Per GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, U.S. Treasury Obligations do not require disclosure of credit quality and are listed as "Exempt".

As of June 30, 2023, the City's investments and corresponding credit ratings are as follows:

	Moody's	S&P	Fair Value	Percentage
City Treasurer's Investment Pool:				
Asset Backed Securities	Aaa	Not Rated	$ 80,617	2.66 %
Asset Backed Securities	Not Rated	AAA	152,183	5.01 %
Commercial Paper	P-1	Not Provided	174,979	5.76 %
Corporate Notes and Bonds	Aaa	Not Provided	38,010	1.25 %
Corporate Notes and Bonds	Aa3	Not Provided	28,229	0.93 %
Corporate Notes and Bonds	A1	Not Provided	180,868	5.96 %
Corporate Notes and Bonds	A2	Not Provided	57,489	1.89 %
Corporate Notes and Bonds	A3	Not Provided	21,829	0.72 %
Repurchase Agreements [1]	Not Rated	Not Rated	426,000	14.03 %
State Local Agency Investment Fund (LAIF)	Not Rated	Not Rated	6,868	0.23 %
U.S. Treasury Obligations - Bills and Notes	Exempt	Exempt	1,868,948	61.56 %
			3,036,020	100.00 %
Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units:				
Commercial Paper [1]	P-1	A-1+	19,852	13.60 %
Commercial Paper	Not Provided	A+	2,315	1.59 %
Corporate Notes and Bonds	Not Provided	A	1,551	1.06 %
Corporate Notes and Bonds	Not Provided	A-	2,208	1.51 %
Corporate Notes and Bonds	Not Provided	A+	2,252	1.54 %
Corporate Notes and Bonds	Not Provided	AA-	460	0.31 %
Corporate Notes and Bonds	Not Provided	AA+	448	0.31 %
Corporate Notes and Bonds	Not Provided	AAA+	445	0.30 %
Exchange Traded Funds - Equity	Not Rated	Not Rated	3,097	2.12 %
Exchange Traded Funds - Fixed Income	Not Rated	Not Rated	4,706	3.22 %
Government Mortgage-Backed Securities	Not Rated	Not Rated	1	— %
Guaranteed Investment Contracts [1]	Not Rated	Not Rated	9,223	6.32 %
Money Market Mutual Funds	Aaa	Not Rated	61,795	42.32 %
Money Market Mutual Funds	Not Rated	Not Rated	4,201	2.88 %
Municipal Bonds	Aa1	Not Rated	514	0.35 %
Municipal Bonds	Aa2	AA	216	0.15 %
Municipal Bonds	Aa3	AA	392	0.27 %
Municipal Bonds	Aaa	AAA	95	0.07 %
Mutual Funds - Equity	Not Rated	Not Rated	10,734	7.35 %
Mutual Funds - Fixed Income	Not Rated	Not Rated	6,530	4.47 %
Negotiable Certificates of Deposit	Not Provided	A-1	5,717	3.92 %
Repurchase Agreements	Not Rated	AA-	425	0.29 %
Repurchase Agreements	Not Rated	AAA	250	0.17 %
Repurchase Agreements	Not Rated	AAA+	925	0.63 %
U.S. Agencies - Federal Home Loan Mortgage Corp	Not Provided	AA+	1,402	0.96 %
U.S. Agencies - Federal National Mortgage Association	Not Provided	AA+	3,516	2.41 %
U.S. Treasury Obligations - Bills and Notes	Exempt	Exempt	299	0.21 %
U.S. Treasury Obligations - Bills and Notes	Not Provided	AA+	2,433	1.67 %
			146,002	100.00 %
Total Investments			$ 3,182,022	

[1] More than 5% of total investments with a single issuer are with Repurchase Agreements, Commercial Paper and Guaranteed Investment Contracts, whose debt is not guaranteed by the U.S. Government.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. GASB Statement No. 40 requires disclosure of certain investments in any one issuer that represents 5% or more of total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt. As of June 30, 2023, the City exceeded the 5% limit of total investments in issuers of Repurchase Agreements (J.P. Morgan), Commercial Paper (Toyota Motor Credit Corporation), and Guaranteed Investment Contracts (Security Benefit). Investments exceeding the 5% limit are referenced in the credit ratings table above.

h. <u>Custodial Credit Risk</u>

Custodial credit risk is the risk that if a financial institution or counterparty fails, the City would not be able to recover the value of its deposits or investments. The City does not have a specific policy relating to custodial credit risk. The City's exposure to custodial credit risk is further discussed below.

Deposits

At June 30, 2023, the carrying amount of the City's deposits was approximately ($22,153) and the bank balance was $16,325 the difference is substantially due to outstanding checks. For the balance of cash deposits in financial institutions, approximately $880 was covered by federal depository insurance and approximately $15,445 was uninsured. Pursuant to the California Government Code, California banks and savings and loan associations are required to secure the City's deposits not covered by federal depository insurance by pledging government securities as collateral. As such $15,445, of the City's deposits are pledged at 110% and held by a bank acting as the City's agent in the City's name.

The City also has deposits held in escrow accounts with a carrying amount and bank balance of approximately $24,089. For the balance of deposits in escrow accounts, approximately $2,121 was covered by federal depository insurance. The remaining balance of $21,968, was uninsured, but collateralized and pledged at 110%.

Investments

At June 30, 2023, all of the City's investments were held in the City's name and were not exposed to custodial credit risk.

i. Restricted Cash and Investments

Cash and investments at June 30, 2023 restricted by legal or contractual requirements are comprised of the following:

Governmental Funds		
General Fund	$	3,204
Special Revenue		1,255
Debt Service		11,553
Capital Projects		54,945
Permanent Endowments		22,315
Total Governmental Funds		93,272
Sewer Utility Enterprise Fund		
Interest and Redemption Funds		12,296
Water Utility Enterprise Fund		
Customer Deposits		2,151
Interest and Redemption Funds		4,219
Total Water Utility Enterprise Fund		6,370
Nonmajor Enterprise Funds		
Airports Fund - Deposits and Advances		73
Development Services Fund - Deposits and Advances		8,135
Refuse Disposal Fund - Funds set aside for landfill site closure and maintenance costs		36,147
Recycling Fund - Customer deposits		15,405
Total Nonmajor Enterprise Funds		59,760
Private-Purpose Trust Fund		34,571
Custodial Funds		
Community Facilities Districts		11,985
Total Restricted Cash and Investments	$	218,254

Summary of Total Cash and Investments

Total Unrestricted Cash and Investments	$	14,073,612
Total Restricted Cash and Investments		218,254
Total Cash and Investments	$	14,291,866
Total Governmental Activities	$	2,223,859
Total Business-Type Activities		853,053
Total Fiduciary Activities		11,214,954
Total Cash and Investments	$	14,291,866

San Diego City Employees' Retirement System (SDCERS) - Disclosures for Policy and Specific Risks

Narratives and tables presented in the following sections (j. through u.) are taken directly from the annual comprehensive financial report of the San Diego City Employees' Retirement System as of June 30, 2023 (certain terms have been modified to conform to the City's ACFR presentation).

Summary of Cash and Investments - SDCERS

Cash on Deposit with Wells Fargo Bank	$ 1,034
Cash and Cash Equivalents on Deposit with Custodial Bank and Fiscal Agents	253,718
Investments at Fair Value:	
Domestic Fixed Income Securities	2,452,046
International Fixed Income Securities	309,378
Global Fixed Income Securities	440,558
Domestic Equity Securities	2,628,449
International Equity Securities	1,657,275
Global Equity Securities	377,099
Real Estate	1,215,499
Private Equity and Infrastructure	1,652,528
Securities Lending Collateral	120,672
Total Cash and Investments for SDCERS	$ 11,108,256

j. Investment Policy and Portfolio Risk

The SDCERS Board has exclusive authority over the administration and investment of SDCERS' Group Trust assets pursuant to Section 144 of the Charter and the California State Constitution Article XVI, Section 17. The SDCERS Board is authorized to invest in bonds, notes or other obligations, derivative securities, common stock, preferred stock, real estate investments, private equity, infrastructure and pooled vehicles. The risks and correlations of each asset class and investment manager are considered relative to an entire portfolio. Investment policies permit the SDCERS Board to invest in financial futures contracts provided the contracts do not hedge SDCERS' Group Trust portfolio. Financial futures contracts are recorded at fair value each day and must be settled at expiration date. Changes in the fair value of the contracts result in the recognition of a gain or loss.

Net investment income includes the net appreciation (depreciation) in the fair value of investments, interest income, dividend income, and other income not included in the appreciation (depreciation) in the fair value of investments, less total investment expenses, including investment management and custodial fees and all other significant investment-related costs. SDCERS' net realized gains totaled $473,200 for the fiscal year ended June 30, 2023. Realized gains and losses are independent of the calculation of net appreciation (depreciation) in the fair value of investments. Unrealized gains and losses on investments sold in the current year that had been held for more than one year were included in net appreciation (depreciation) in the fair value of the investments reported in the prior year and current year. Pursuant to the City, Port and Airport plan documents, realized gains and losses determine whether certain contingent benefits will be paid each fiscal year. Realized gains and losses are reported in the net appreciation (depreciation) in the fair value of investments in the financial statements.

SDCERS' Policy in regard to the allocation of invested assets is established and may be amended by the SDCERS Board. The asset allocation policy is reviewed and approved on an annual basis. Through its investment objectives and policies, the SDCERS Board emphasizes generating a rate of return above inflation and the preservation of capital. Investments are made only after the risk/reward trade-offs are evaluated. SDCERS' assets are managed on a total return basis, which takes into consideration both investment income and capital appreciation. While SDCERS recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns.

The following was SDCERS' adopted asset allocation policy as of June 30, 2023:

Asset Class	Target Allocation
Domestic Equity	19.0 %
International Equity	12.0
Global Equity	8.0
Domestic Fixed Income	22.0
Return-Seeking Fixed Income	5.0
Real Estate	11.0
Private Equity	10.0
Infrastructure	3.0
Opportunity Fund	10.0
Total	100.0 %

For the fiscal year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 5.01%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

SDCERS' investment portfolio includes fixed income strategies to diversify the investment portfolio. The percentage allocated to these strategies is based on information derived from the Asset/Liability Study performed every three years. The returns of fixed income strategies vary less than equity returns. SDCERS' target asset allocation policy is reviewed each year. SDCERS' long-term target allocation to fixed income strategies as of June 30, 2023, was 27.0%, which includes domestic fixed income and return-seeking fixed income. The fixed income allocation is externally- managed and is comprised as follows: 22.0% to core domestic fixed income, which is benchmarked against the Bloomberg Intermediate Aggregate Bond Index; and 5% to return-seeking fixed income, which is benchmarked 33.3% to the ICE Bank of America/Merrill Lynch U.S. High Yield Master II Constrained Index, 33.3% to the Morningstar Leveraged Loan Index, 10.0% to JP Morgan Emerging Market Bond Index Global Diversified and 13.3% to JP Morgan Government Bond Index-Emerging Market Global Diversified, and 10% to the JP Morgan CEMBI Broad Diversified Index. SDCERS' overall portfolio diversification limits the fixed income invested in the debt security of any one issuer to 10% of the portfolio at the time of the initial commitment, except for U.S. Government obligations (or agencies and instruments of the U.S. Government) to minimize overall market and credit risk.

A copy of the SDCERS' investment policy and additional details on the results of SDCERS' investment activities are available at 401 West A Street, Suite 800, San Diego, CA 92101 or online at: https://www.sdcers.org/Financials-Investments/Objectives.aspx

k. Fair Value Hierarchy

SDCERS categorizes their fair value measurements within the fair value hierarchy established by GAAP set forth in GASB Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1: Unadjusted quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3: Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent), such as commingled fund investments, are not classified in the fair value hierarchy.

Where inputs used to measure fair value fall into different fair value levels, fair value measurements are categorized based on the lowest level input that is significant to the valuation. SDCERS' assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The table on the following page shows the fair value leveling of the investments for the pension system.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

The following table represents SDCERS' fair value hierarchy as of June 30, 2023:

Investments	Fair Value	Level 1	Level 2	Level 3
Short-Term Securities	$ 153,552	$ —	$ 153,552	$ —
Fixed Income Securities:				
Asset-Backed Securities	36,506	—	36,506	—
Commercial Mortgage-Backed Securities	45,298	—	45,298	—
Collateralized Mortgage Obligations	36,795	—	36,795	—
Corporate Bonds	320,697	—	320,697	—
Government & Agency Obligations	491,193	—	491,193	—
Mortgage-Backed Securities	550,465	—	550,465	—
Total Fixed Income Securities	1,480,954	—	1,480,954	—
Equity Securities:				
Consumer Discretionary	286,894	286,894	—	—
Consumer Staples	140,125	140,125	—	—
Energy	95,900	95,900	—	—
Financials	224,913	224,913	—	—
Healthcare	307,888	307,888	—	—
Industrials	205,715	205,715	—	—
Information Technology	571,983	571,983	—	—
Materials	72,631	72,631	—	—
Real Estate Investment Trust	52,443	52,443	—	—
Telecommunication Services	38,618	38,618	—	—
Utilities	42,115	42,115	—	—
Total Equity Securities	2,039,225	2,039,225	—	—
Real Estate	2,433	2,061	—	372
Investment Derivative Instruments				
Fixed Income Securities:				
Credit Default Swaps	(1,239)	—	(1,239)	—
Foreign Currency Forwards	1,895	—	1,895	—
Interest Rate Swaps	756	—	756	—
Options - Fixed Income	(1,339)	—	(1,339)	—
Equity Securities:				
Warrants	323	—	323	—
Total Investment Derivative Instruments	396	—	396	—
Total Investments by Fair Value Level [1]	$ 3,676,560	$ 2,041,286	$ 1,634,902	$ 372

[1] Total Investments measured at fair value differs from the total investments including securities lending collateral on the Fiduciary Statement of Net Position because of investment receivables and payables unrealized gains and losses. Total investments at fair value excludes $137 of unrealized gains as of June 30, 2023.

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt and fixed income derivative securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Index linked fixed income securities are valued by multiplying the external market price by the applicable day's Index Ratio. Level 2 fixed income securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities.

Real estate assets classified in Level 3 are real estate investments generally valued using the income approach or appraisal approach by SDCERS' real estate managers and third-party appraisal firms. SDCERS' policy is to obtain an external appraisal a minimum of every three years for properties or portfolios that the retirement system has some degree of control or discretion. Appraisals are performed by an independent appraiser with preference for Member Appraisal Institute (MAI) designated appraisers. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments Measured at NAV	NAV	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity Investments:				
Commingled Domestic Equity Funds	$ 1,103,422	$ —	Daily	0-5 Days
Commingled International Equity Funds	1,432,627	—	Daily, Monthly	0-30 Days
Commingled Global Equity Funds	85,193	—	Daily	None
Total Equity Investments Measured at NAV	2,621,242	—		
Fixed Income Investments:				
Commingled Domestic Fixed Income Funds	970,723	—	Daily	None
Commingled International Fixed Income Funds	207,751	—	Daily	0-5 Days
Commingled Global Fixed Income Funds	388,764	40,721	Daily, Monthly, Quarterly	0-60 Days
Total Fixed Income Investments Measured at NAV	1,567,238	40,721		
Real Estate Investments:				
Real Estate Limited Partnerships	303,345	171,183	Not Eligible	N/A
Commingled Real Estate Funds	911,782	29,928	Monthly	None
Total Real Estate Investments Measured at NAV	1,215,127	201,111		
Private Equity & Infrastructure Investments:				
Commingled Private Equity & Infrastructure Funds	1,652,528	791,125	Not Eligible	N/A
Invested Securities Lending Collateral:				
Commingled Equity Securities	20,625	—	Daily	3 Days
Commingled Fixed Income Securities	100,047	—	Daily	3 Days
Total Invested Securities Lending Collateral Measured at NAV	120,672	—		
Total Investments Measured at NAV	$ 7,176,807	$ 1,032,957		

Investments that are measured at NAV are not classified in the fair value hierarchy but are disclosed in the table above.

Commingled Domestic Equity Funds consist of a large cap passive index fund, and two funds that invest in managed futures. The Commingled International Equity Funds consist of a broad international passive equity index fund with exposure to both developed and emerging markets, a fund that invests in international large cap growth equities, two funds that invest in emerging market equities, a fund that invests in non-U.S. small and mid-cap equities, and one fund that invests in international small cap equities. The Commingled Global Equity Funds consist of one fund that invests in both international and U.S. equities and another fund constituting the international component of a separately managed global equity portfolio. The fair values of amounts in these investment types have been determined using the NAV per share (or its equivalent).

The Commingled Domestic Fixed Income Funds consist of four funds that invest in domestic fixed income securities and one broad based domestic fixed income passive index fund. The Commingled International Fixed Income Funds consist of three funds that invest in international credit strategies. The Commingled Global Fixed Income Funds consist of three funds that invest in global multi-asset credit strategies. The fair values of the investments in these types have been determined using the NAV per share (or its equivalent).

The Commingled Real Estate Funds consist of 12 open-ended commingled funds and 24 real estate limited partnerships that are invested in apartments, retail, industrial and office assets throughout the United States, Europe and Asia. Although the open-ended commingled funds are private investments, they can be redeemed on a monthly basis, subject to available liquidity, and the fair value of these investments has been determined using the NAV per share (or its equivalent). Investments in the limited partnerships can never be redeemed with the funds. Instead, the nature of these investment funds is that distributions from each investment will be received as the underlying investments are liquidated. The average fund life for these investments is approximately ten years. Because it is not probable that any individual investment will be sold, the fair value of SDCERS' ownership interest in partner's capital has been determined using the NAV per share (or its equivalent).

The Commingled Private Equity and Infrastructure Funds consist of two limited partnerships that are managed by two discretionary advisors. Generally, the limited partnerships invest in venture capital, growth equity, buyouts, special situations, mezzanine, and distressed debt. These investments are considered illiquid and cannot be redeemed during the lives of the partnerships. Instead, the nature of these investments is that distributions from each investment will be received as the underlying investments are liquidated. Because it is not probable that any individual investment will be sold, the fair value of SDCERS' ownership interest in partner's capital has been determined using the NAV per share (or its equivalent).

I. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Fixed income portfolios use duration to measure how a change in interest rates will affect the value of the portfolio. SDCERS does not have a general investment policy that addresses interest rate risk. Rather, each investment manager's specific investment guidelines place limits on each portfolio to manage interest rate risk.

The following table identifies the effective durations of SDCERS' domestic and international fixed income strategies based on portfolio holdings as of June 30, 2023:

Type of Security	Effective Duration (in years) [2]	Fair Value [1]
Asset-Backed Securities	1.24	$ 36,506
Commercial Mortgage-Backed Securities	3.12	45,298
Collateralized Mortgage Obligations	0.67	36,795
Corporate Bonds	3.37	320,697
Government and Agency Obligations		
Foreign Securities	0.51	37,967
Treasury Securities	3.06	453,226
Mortgage-Backed Securities	6.35	550,465
Total		$ 1,480,954

[1] Fair Value does not include convertible bonds, mutual funds and derivative instruments of $1,721,028. These securities do not exhibit interest rate risk and/or duration cannot be calculated.

[2] Duration could not be calculated for the derivative instruments, short-term instruments and mutual funds of $1,721,028 within the Short-Term/Other Category. Although the duration was not available for these securities, the weighted average maturity was calculated for the mutual funds. The following table depicts the weighted average maturity for the mutual funds.

The following table depicts the weighted average maturity for the commingled fixed income mutual funds as of June 30, 2023:

Name of Institutional Mutual Fund		Fair Value	Weighted Average Maturity (in years)
Apollo MAC	$	126,734	6.3
Ares MAC		101,367	5.7
BlackRock Intermediate Aggregate Index		683,187	6.9
Davidson Kempner Special Opportunities Fund III [1]		3,395	—
Davidson Kempner Special Opportunities Fund IV [1]		19,316	—
GCM WindandSea Fund		185,040	1.9
Metropolitan West Floating Rate		10,289	4.0
Metropolitan West High Yield Bond Fund		10,163	5.0
PIMCO FDS Pac Invt Mgmt Ser		34,495	2.9
PIMCO MAC		139,477	8.6
PIMCO PAPS Short-Term Floating NAV II Portfolio		232,589	0.1
Wellington Trust Company CIF II Opportunistic		101,529	9.6
Total	$	1,647,581	

[1] The weighted average maturity is not applicable for the current underlying investments.

m. Investments Highly Sensitive to Interest Rate Changes

Certain terms in fixed income securities may increase the sensitivity of their fair values to changes in interest rates. The Portfolio Duration Analysis table on the previous page discloses the degree to which SDCERS' investments are sensitive to interest rate changes due simply to the remaining term to maturity. The total value of securities, as of June 30, 2023, that are highly sensitive to interest rate changes due to factors other than term to maturity are shown in the following table.

Type of Security		Fair Value	Percent of Fixed Income Portfolio
Adjustable Rate Notes	$	81,217	2.5 %
Asset-Backed Securities		16,307	0.5
Floating Rate Notes		86,009	2.7
Range Notes		2,958	0.1
Total	$	186,491	5.8 %

Although SDCERS does not have an investment policy that pertains directly to investments that are highly sensitive to interest changes, this risk is mitigated by diversification of issuer, credit quality, maturity and security selection.

n. Credit Risk

Credit risk is the risk that an issuer or other underlying borrower to a debt instrument will not fulfill its obligations. Nationally recognized statistical rating organizations (NRSROs) assign ratings to measure credit risk. These rating agencies assess a firm's or government's willingness and ability to repay its debt obligations based on many factors.

SDCERS employs two core bond managers that invest primarily in U.S. fixed income and derivative securities, fixed income mutual funds and some non-U.S. fixed income securities. SDCERS also invests in one passive core U.S. fixed income index fund, five return-seeking fixed income managers that invest in multi-asset credit strategies, and three opportunistic global credit funds. The investment management agreements between SDCERS and its two core bond managers contain specific investment guidelines that identify permitted fixed income investments. Two of SDCERS' domestic core fixed income managers have limited tactical discretion to invest in non-U.S. fixed income securities.

The permitted securities and derivatives for the two domestic core fixed income managers include U.S. Government and agency obligations, collateralized mortgage obligations, U.S. corporate securities, commercial mortgage-backed securities, asset-backed securities, futures, forwards, options, interest rate swaps and credit default swaps. Investment guidelines include minimum average portfolio quality of A1/A+ rating (fair value weighted) for both of SDCERS' domestic fixed income managers and a minimum credit quality at time of purchase of BBB- for the two domestic fixed income managers.

The following table identifies the credit quality of SDCERS' fixed income strategies based on portfolio holdings as of June 30, 2023.

S&P Quality Rating [4]	Total Fair Value	Asset-Backed Securities	Commercial Mortgage-Backed Securities	Collateralized Mortgage Obligations	Corporate Bonds [1]	Government and Agency Obligations [2]	Mortgage-Backed Securities	Short-Term/ Other
U.S. Treasuries	$ 219,815	$ —	$ —	$ —	$ —	$ 219,815	$ —	$ —
GNMA Securities	39,183	—	—	13,795	—	—	25,388	—
AAA	39,170	12,643	12,388	14,139	—	—	—	—
AA+	577,532	2,610	—	3,208	—	46,637	525,077	—
AA	2,915	2,459	456	—	—	—	—	—
AA-	5,973	1,308	—	35	4,630	—	—	—
A+	10,062	185	—	876	9,001	—	—	—
A	13,007	1,252	—	1,898	8,696	1,161	—	—
A-	74,118	3,643	—	112	70,363	—	—	—
BBB+	80,472	1,715	—	—	75,943	2,814	—	—
BBB	61,210	578	—	—	60,632	—	—	—
BBB-	70,925	—	442	—	70,483	—	—	—
BB+	7,174	—	—	463	5,272	1,439	—	—
BB	581	581	—	—	—	—	—	—
BB-	1,422	—	—	—	1,422	—	—	—
B+	12	—	—	12	—	—	—	—
B-	714	714	—	—	—	—	—	—
CC	2,088	2,088	—	—	—	—	—	—
NR [5]	1,995,609	6,730	32,012	2,257	14,255	219,327	—	1,721,028 [3]
Totals	$ 3,201,982	$ 36,506	$ 45,298	$ 36,795	$ 320,697	$ 491,193	$ 550,465	$ 1,721,028

[1] Corporate Bonds include convertible bonds from SDCERS' convertible bond manager.

[2] Includes international and municipal holdings.

[3] Includes fixed income mutual fund investments of $1,647,581. These institutional quality fund investments are not directly rated by major credit rating agencies.

[4] Credit ratings with qualifiers and ratings outlooks have been combined to show the credit rating as of June 30, 2023.

[5] NR represents those securities that are not rated by one of the NRSROs.

Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk.

o. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. As of June 30, 2023, SDCERS had no single issuer that exceeded 5% of total investments or that exceeded 5% of fiduciary net position (excluding investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments). SDCERS' investment manager guidelines state that not more than 5% of the investment portfolio shall be invested in the security of any one issuer at the time of initial commitment, except for U.S. Government and Agency obligations. While SDCERS does not have a general investment policy on the concentration of credit risk by issuer, each manager's specific investment guidelines place limitations on the maximum holdings in any one issuer.

p. Custodial Credit Risk

Custodial credit risk is the risk that if a financial institution or counterparty fails, SDCERS would not be able to recover the value of its deposits, investments, or securities. SDCERS' exposure to custodial credit risk is further discussed in the following paragraphs.

Deposits

As of June 30, 2023 SDCERS' cash balance was $1,034. Cash and cash equivalents on deposit with custodial bank and fiscal agents was $253,718, which includes cash collateral for SDCERS' cash overlay program of $91,600 and residual cash held in each manager's portfolio of $162,100, which is invested overnight by SDCERS' custodial bank. SDCERS does not have a target allocation to cash; any cash or cash equivalent balances on deposit are reserved for paying benefits and SDCERS' operational expenses.

SDCERS' un-invested cash balances held in a demand deposit account (DDA) are subject to custodial credit risk. Such a balance or deposit with the bank establishes a debtor-creditor relationship and is not subject to the protection afforded SDCERS' other investments. Cash balances held in Short-Term Investment Funds (STIF) at State Street Bank are held in SDCERS' name and are not subject to custodial credit risk. As of June 30, 2023, SDCERS held $227,400 in STIF and a DDA cash balance of $26,300 on deposit with the custodial bank. SDCERS does not have a specific policy relating to custodial credit risk because the majority of SDCERS' assets are held in SDCERS' name and are not available to satisfy the obligations of State Street to its creditors.

Investments

As of June 30, 2023, 100% of SDCERS' investments were held in SDCERS' name. SDCERS is not exposed to custodial credit risk related to these investments.

Securities Lending Collateral

SDCERS' custodial bank acts as its securities lending agent. SDCERS is exposed to custodial credit risk for the securities lending collateral such that certain collateral is received in the form of letters of credit, tri-party collateral or securities collateral. The fair value of non-cash collateral totaled $60,300 as of June 30, 2023. The non-cash collateral is not held in SDCERS' name and cannot be sold without a borrower default. The cash collateral held by SDCERS' custodian in conjunction with the securities lending program, which totaled $120,700 as of June 30, 2023, is also at risk as it is invested in pooled vehicles managed by the custodian. The investment characteristics of the collateral pools are disclosed in the Securities Lending section of this note.

q. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The following table represents SDCERS' securities held in a foreign currency as of June 30, 2023.

Local Currency Name	Cash	Equity	Fixed Income	Total
Argentine Peso	$ 12	$ —	$ —	$ 12
Australian Dollar	(4)	3,305	799	4,100
Brazilian Real	64	1,534	328	1,926
British Pound	2,460	55,332	14,920	72,712
Canadian Dollar	154	9,386	—	9,540
Danish Krone	—	7,136	—	7,136
Euro Currency	1,286	156,412	17,631	175,329
Hong Kong Dollar	—	7,379	—	7,379
Japanese Yen	(599)	47,586	33,953	80,940
Mexican Peso	—	2,384	—	2,384
New Taiwan Dollar	—	1,517	—	1,517
Peruvian Sol	—	—	2,814	2,814
South Korean Won	—	2,391	—	2,391
Swiss Franc	—	29,962	—	29,962
Total	$ 3,373	$ 324,324	$ 70,445	$ 398,142

This schedule does not include the foreign currency exposure to three international equity, one global equity, two emerging market equity and two emerging market debt (fixed income) institutional commingled mutual fund investments.

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is not held by SDCERS as an investment. Foreign currency is held temporarily in foreign accounts until it is able to be repatriated or expended to settle trades. An important component of the diversification benefit of international investments comes from foreign currency exposure. SDCERS does not have a general investment policy in place to manage foreign currency risk or to hedge against fluctuations in foreign currency exposure. Instead, SDCERS' investment managers may hedge currencies at their discretion pursuant to their specific investment guidelines included in each of their investment management agreements.

r. Derivative Instruments

As of June 30, 2023, the derivative instruments held by SDCERS are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized in the Statement of Changes in Fiduciary Net Position within the net appreciation (depreciation) in fair value of investments.

SDCERS' investment managers, as permitted by their specific investment guidelines, may enter into transactions involving derivative financial instruments, consistent with the objectives established by the SDCERS' Investment Policy Statement. These instruments include futures, options, swaps, forwards, warrants and rights. By Board policy, these investments may not be used to leverage SDCERS' portfolio, i.e., use derivatives to increase the portfolio's notional exposure to any given asset class. These instruments are used in an attempt to enhance the portfolio's performance and/or reduce the portfolio's risk.

All investment derivatives discussed on the following page are included in the investment risk discussion (section j). Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

The following table provides a summary of the derivative instruments outstanding as of June 30, 2023:

		Fair Value at June 30, 2023		
Investment Derivative Instruments	Net Appreciation (Depreciation) in Fair Value	Classification	Amount	Notional (Dollars)
Credit Default Swaps	$ (934)	Domestic Fixed Income	$ (1,239)	$ 81,300
Fixed Income Futures	(32,008)	Domestic Fixed Income	—	443,891
Fixed Income Options	290	Domestic Fixed Income	(471)	(84,800)
Foreign Currency Futures	(289)	Domestic Fixed Income	—	3,400
Futures Options	(589)	Domestic Fixed Income	(868)	(408)
Foreign Currency Forwards	3,480	Domestic Fixed Income	1,895	138,974
Index Futures	2,697	Domestic Fixed Income	—	36
Interest Rate Swaps	3,474	Domestic Fixed Income	756	278,795
Warrants	3	Domestic Equity	323	9
Total Derivative Instruments	$ (23,876)		$ 396	$ 861,197

Some derivative instruments, such as credit default swaps and interest rate swaps, are not exchange traded and are priced using quarterly Over-the-Counter trading data.

Futures contracts are financial instruments that derive their value from underlying indices or reference rates and are marked-to-market at the end of each trading day. Daily settlement of gains and losses occur on the following business day. As a result, the futures contracts do not have a fair value as of June 30, 2023. Daily settlement of gains and losses is a risk control measure to limit counterparty credit risk. Futures variation margin amounts are settled each trading day and recognized in the financial statements under net appreciation (depreciation) in fair value of investments as they are incurred.

Foreign currency forward contracts are obligations to buy or sell a currency at a specified exchange rate and quantity on a specific future date. The fair value of the foreign currency forwards is the unrealized gain or loss calculated based on the difference between the specified exchange rate and the closing exchange rate at June 30, 2023.

Counterparty Credit Risk

The following table illustrates the counterparty credit ratings of SDCERS' non-exchange traded investment derivative instruments outstanding and subject to loss at June 30, 2023:

Counterparty Name	Fair Value	S&P Rating
BNP	$ 226	A+
BNP Paribas SA	81	A+
Citibank N.A.	13	A+
Goldman Sachs Bank USA	52	BBB+
Goldman Sachs International	3	A+
JPMorgan Chase Bank N.A.	2	A+
Morgan Stanley CME	2,315	A-
Morgan Stanley ICE	23	A-
Morgan Stanley LCH	2,241	A-
Standard Chartered Bank	1	A+
State Street Bank and Trust Company	1,503	AA-
Toronto Dominion Bank	12	AA-
UBS AG	995	A+
Total	$ 7,467	

The aggregate fair value of investment derivative instruments in an asset position subject to counterparty credit risk at June 30, 2023, was $7,467. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. At June 30, 2023, SDCERS did not have any significant exposure to counterparty credit risk with any single party. SDCERS does not have any specific policies relating to the posting of collateral or master netting agreements.

Custodial Credit Risk

At June 30, 2023, all of SDCERS' investments in derivative instruments were held in SDCERS' name and were not exposed to custodial credit risk.

Interest Rate Risk

At June 30, 2023, SDCERS was exposed to interest rate risk on its investments in interest rate swaps, options, and credit default swaps. The table below illustrates the maturity periods of these derivative instruments.

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Credit Default Swaps	$ (1,239)	$ 4	$ (1,243)	$ —	$ —
Fixed Income Options	(471)	(471)	—	—	—
Interest Rate Swaps	756	(10)	(2,022)	(401)	3,189
Total	$ (954)	$ (477)	$ (3,265)	$ (401)	$ 3,189

Derivative Instruments Highly Sensitive to Interest Rate Changes

Credit default swaps, fixed income futures, options and interest rate swaps are highly sensitive to changes in interest rates. The table below reflects the fair value and notional amount of these derivative instruments as of June 30, 2023.

Investment Type	Fair Value	Notional
Credit Default Swaps	$ (1,239)	$ 81,300
Fixed Income Futures	—	443,891
Fixed Income Options	(471)	(84,800)
Interest Rate Swaps	756	278,795
Total	$ (954)	$ 719,186

Foreign Currency Risk

At June 30, 2023, SDCERS was exposed to foreign currency risk on its investments in options, currency forward contracts and interest rate swaps denominated in foreign currencies.

		Foreign Currency Forwards			
Currency Name	Options/Rights/ Warrants	Net Receivables	Net Payables	Swaps	Total
Australian Dollar	$ —	$ 4	$ (17)	$ —	$ (13)
Brazilian Real	—	52	—	328	380
Euro Currency	—	(55)	(153)	(800)	(1,008)
Pound Sterling	—	8	(448)	(1,604)	(2,044)
Japanese Yen	—	(4)	2,527	1,400	3,923
Peruvian Sol	—	13	(32)	—	(19)
Subtotal	—	18	1,877	(676)	1,219
Investments Denominated in USD	(1,016)	—	—	193	(823)
Total	$ (1,016)	$ 18	$ 1,877	$ (483)	$ 396

In addition to the investments listed in the previous table, SDCERS has investments in foreign futures contracts with a total notional value of ($2,600). As indicated previously, futures variation margin amounts are settled each trading day and recognized as realized gains/losses as they are incurred. As a result, the foreign futures contracts have no fair value at June 30, 2023.

Contingent Features

At June 30, 2023, SDCERS did not hold any positions in derivatives containing contingent features.

s. Private Equity and Infrastructure

Private Equity assets are generally defined as direct investments in projects or companies that are privately negotiated and typically do not trade in a capital market. The risk is that these instruments are usually equity interests, generally illiquid and long-term in nature.

Infrastructure is defined as permanent essential assets society requires to facilitate the orderly operation of the economy, such as roads, water supply, sewers, power and telecommunications. The risk is that these investments are usually equity interests that are generally illiquid and long-term in nature.

SDCERS' target allocation to private equity and infrastructure is 13%, with a portfolio composition focused on value and current income producing strategies. SDCERS utilizes two discretionary advisors to invest in private equity and infrastructure through two limited partnership vehicles. Unfunded capital commitments as of June 30, 2023, totaled $791,125 and private equity and infrastructure investments totaled $1,652,528.

t. Real Estate

SDCERS' long-term target allocation to real estate is 11%. The Board has established that the composition of the real estate portfolio is 100% to private real estate investments. The portfolio is diversified with a target of 70% in core real estate and 30% in non-core real estate. No more than 15% of SDCERS' real estate portfolio is allocated to non-U.S. real estate investment opportunities.

Certain real estate investments are leveraged. In those cases, partnerships have been established to purchase properties through a combination of equity contributions from SDCERS, other investors and through the utilization of debt. SDCERS engages real estate advisors and operating partners who are responsible for managing a portfolio's daily activities, performance and reporting. As of June 30, 2023, real estate investments totaled $1,215,127 and unfunded capital commitments totaled $201,111. Pursuant to a policy, SDCERS has established a maximum leverage limit of 45% at the portfolio level. As of June 30, 2023, SDCERS' real estate portfolio had leverage of 31.5%.

u. Securities Lending

SDCERS has entered into an agreement with State Street, its custodial bank, to lend domestic and international equity and fixed income securities to broker-dealers and banks in exchange for pledged collateral that will be returned for the same securities plus a fee in the future. All securities loans can be terminated on demand by either the lender or the borrower.

State Street manages SDCERS' securities lending program and receives cash and/or securities as collateral. Borrowers are required to deliver collateral for each loan equal to at least 102% for domestic loans and 105% for international loans. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default. During fiscal year 2023, SDCERS had no credit risk exposure to borrowers because the amounts provided to State Street on behalf of SDCERS, in the form of collateral plus accrued interest, exceeded the amounts broker-dealers and banks owed to State Street on behalf of SDCERS for securities borrowed. State Street has indemnified SDCERS by agreeing to purchase replacement securities or return cash collateral if a borrower fails to return or pay distributions on a loaned security. SDCERS incurred no losses during the fiscal year resulting from any reported default of the borrowers or State Street. Non-cash collateral (securities and letters of credit) are not reported in SDCERS' financial statements.

When lending its securities on a fully collateralized basis, SDCERS may encounter various risks related to securities lending agreements. These risks include operational risk, borrower or counterparty default risk, and collateral reinvestment risk. State Street is required to maintain its securities lending program in compliance with applicable laws of the United States and all countries in which lending activities take place, as well as all rules, regulations, and exemptions from time to time promulgated and issued under the authority of those laws.

As of June 30, 2023, securities on loan collateralized by cash had a fair value of $118,400 and SDCERS received cash collateral of $120,700, which was reported as securities lending obligations in the accompanying Statement of Fiduciary Net Position. The collateral value exceeds the fair value of the securities on loan because borrowers are required to deliver collateral for each loan up to 102% for domestic loans and 105% for international loans. As of June 30, 2023, securities on loan collateralized by securities, irrevocable letters of credit, or tri-party collateral had a fair value of $54,500 and a collateral value of $60,300, which were not reported as assets or liabilities in the accompanying Statement of Fiduciary Net Position. The total collateral pledged to SDCERS at June 30, 2023, for its securities lending activities was $181,000.

SDCERS and the borrowers maintain the right to terminate securities lending transactions upon notice. The cash collateral received for lent securities was invested by State Street, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment fund, or collateral pool. State Street maintains two collateral pools: a liquidity pool and a duration pool. As of June 30, 2023, these collateral pools were not rated by the NRSROs.

As of June 30, 2023, SDCERS had $120,700 invested in the Compass Fund, which was formerly known as the Quality D liquidity collateral pool. The Compass Fund had a weighted average maturity of 7.2 days and an average weighted final maturity of 107.1 days. Duration is the weighted time average until cash flows are received in the collateral pool and is measured in days. Alternatively, the weighted average final maturity measures when all final maturities in the portfolio will occur. The duration of the investments made with cash collateral does not generally match the duration of the loans. This is because the loans are terminable at any time by SDCERS or the borrower.

Discretely Presented Component Unit - Disclosures for Policy and Specific Risks

Narratives and tables presented in the following section are taken directly from the audited annual comprehensive financial report of the San Diego Housing Commission (SDHC) as of June 30, 2023 (certain terms have been modified to conform to the City's ACFR presentation)

v. San Diego Housing Commission

Cash, cash equivalents, and investments at June 30, 2023 consisted of the following:

	SDHC	Component Units [1]	Total
Deposits and Petty Cash	$ 15,518	$ 21,931	$ 37,449
U.S. Agency Bonds	107,806	—	107,806
San Diego County Investment Pool	17,774	—	17,774
State Local Agency Investment Fund	16,237	—	16,237
Total Cash and Investments	157,335	21,931	179,266
Restricted Cash and Cash Equivalents	3,581	8,518	12,099
Total	$ 160,916	$ 30,449	$ 191,365

[1] Disclosures for San Diego Housing Commission's Discretely Presented Component Units are not included in the narratives following this table.

Deposits

The carrying amount of the SDHC's cash deposits and petty cash was $19,099 at June 30, 2023. The bank balances were insured by the Federal Deposit Insurance Corporation (FDIC) up to $250. For amounts over $250, bank balances were collateralized with securities held by the pledging financial institutions in SDHC's name. As of June 30, 2023, $19,084 was collateralized and the remaining $15 was uncollateralized cash deposits and cash equivalents. The California Government Code requires California financial institutions to secure cash deposits of public institutions not covered by federal deposit insurance by pledging securities as collateral. California Government Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. As a result, for the purpose of custodial credit risk, the collateral for cash deposits is considered to be held in SDHC's name.

The fair value of pledged securities must equal at least 110% of SDHC's cash deposits. California law also allows financial institutions to secure SDHC's deposits by pledging first trust deed mortgage notes having a value of 150% of SDHC's total cash deposits.

Investment Policy

In accordance with state statutes and Housing and Urban Development (HUD) regulations, SDHC has authorized its Chief Financial Officer or designee to invest in obligations of the U.S. Treasury, U.S. Government agencies or other investments as outlined in the SDHC Investment Policy.

SDHC utilizes the services of an experienced financial advisor to aid in making investment decisions. The advisor provides guidance on creating a diversified portfolio and a secure investment mix. The advisor's ongoing role is to provide staff with sound investment opportunities that will maximize liquidity and yield without sacrificing principal value and safety of the investment securities.

Investments in the State's Local Agency Investment Fund (LAIF) and the San Diego County Investment Pool (SDCIP) represent SDHC's equity in pooled investments. Other investments such as CDs, bonds, government agency securities and demand deposit accounts are safe kept with commercial banking institutions.

Investments

As of June 30, 2023, SDHC had investments in agency bonds, SDCIP, and LAIF. The following paragraphs provide further detail for each investment.

GASB Statement No. 72 establishes a hierarchy for ranking the quality and reliability of information used to determine fair values of assets and liabilities. SDHC's management has determined, through implementation of GASB Statement No. 72, those investments in SDCIP and LAIF are reported based upon the application of a fair value factor to each one dollar share invested and are not included in the fair value hierarchy.

The following table summarizes the valuation of SDHC's fair value measurements in accordance with authoritative guidance at June 30, 2023:

Investment Type	Fair Value	Level 1	Level 2
U.S. Agency Bonds	$ 107,806	$ —	$ 107,806

Investments in U.S. Agency bonds are classified as Level 2 as there are no quoted market prices published. The valuation technique used to determine the fair value on the actively traded secondary market is the pricing provided on the secondary market.

SDHC's investments under U.S. Government Agency bonds are Mortgage-Backed Security (MBS) bonds and debentures traded on an active secondary market. MBS Bonds are a security or debt obligation that represents a claim on the monthly cash flows from mortgage loans. They represent investments in securities that are backed by pools of high quality multi-family mortgages guaranteed by a government agency or Government Sponsored Enterprises (GSE). Government Agency

Debentures are also bonds traded on an active secondary market and represent a security or debt obligation of the issuer. While Standard & Poor's and Moody's do not specifically rate MBS, they carry an implied rating based on the credit worthiness of Federal National Mortgage Association (FNMA), Federal Home Loans Money Corporation (FHLMC) and Freddie Mac Small Balance Loans (FRESB). Moody's rates FNMA, FHLMC and FRESB as AAA while Standard and Poor's rates FNMA, FHLMC, and FRESB as AA+. At June 30, 2023, SDHC had $107,806 invested in Agency MBS bonds.

SDHC voluntarily participates in the San Diego County Investment Pool (SDCIP), a Standard & Poor's AAA- rated fund managed by the San Diego County Treasurer-Tax Collector. The fair value of SDCIP's investment portfolio at June 30, 2023 was $15,218,221. The investment portfolio had a weighted average yield to maturity of 3.50%, weighted average days to maturity of 438 days and an effective duration of 1.02 years. As of June 30, 2023, SDHC had $17,774 invested in SDCIP.

In addition to SDCIP, SDHC participates in the State's LAIF. LAIF is part of the State of California Pooled Money Investment Account (PMIA) and is protected by statute ensuring invested funds remain SDHC's assets. PMIA is not registered with the SEC but is required to invest in accordance with California Government Code. As of June 30, 2023, the average maturity of PMIA investments was 260 days and the fair value with accrued interest of the investment portfolio of PMIA was approximately $177,045,533. SDHC had $16,237 invested with LAIF as of June 30, 2023.

Investment Risk Factors

SDHC's investment policy allows the agency to invest surplus funds in accordance with the provisions of HUD Notice PIH 96 - 33 and California Government Code Sections 5922 and 53601. The investment policy's foremost objective is the safety of principal, which is achieved by mitigating credit risk and interest rate risk. These risks, along with custodial risk, concentration of credit risk and market risk, all affect the value of investments to a varying degree. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risk and changes in interest rates.

Market Risk

Market risk is the risk that the value of an investment will change due to changes in the financial market. Changes in market conditions can increase Interest Rate Risk, Liquidity Risk and Reinvestment Risk.

- *Interest Rate Risk* is the risk associated with declines or rises in interest rates, which cause an investment in a fixed-income security to increase or decrease in value. The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. SDHC does not have a formal policy related to interest rate risk.

- *Liquidity Risk* is the risk of being unable to liquidate an investment prior to maturity. Related to liquidity risk is the concept of marketability, or the ability to sell an instrument on short notice without incurring a meaningful loss in price.

- *Reinvestment Risk* is the risk that the proceeds from a fixed income security cannot be reinvested at less than the same rate of return currently generated by that holding. This risk is common with securities that are callable.

In accordance with its investment policy, SDHC manages market risk by matching portfolio maturities to projected liabilities and monitoring the weighted average maturity of its portfolio. This is done by maintaining a portion of the portfolio in readily available funds and investing in securities with limited call features and an active secondary market. These measures ensure that appropriate liquidity is maintained in order to meet ongoing operations, maximize return and limit exposure to changing market conditions.

SDHC's exposure to interest rate risk as of June 30, 2023 is shown in the table below:

	Maturities as of June 30, 2023			
	Less Than 3 Months	4-12 Months	1-5 Years	Total Fair Value
Cash and Cash Equivalents: [1]				
Deposits	$ 15,503	$ —	$ —	$ 15,503
Petty Cash	15	—	—	15
Restricted Cash and Cash Equivalents	3,581	—	—	3,581
Total Cash and Cash Equivalents	19,099	—	—	19,099
Short-Term Investments:				
San Diego County Investment Pool	—	—	17,774	17,774
State Local Agency Investment Fund	—	16,237	—	16,237
U.S. Agencies - Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	151	859	—	1,010
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program (Fannie Mae DUS) Securities	—	1,501	—	1,501
U.S. Agencies - Freddie Mac Federal Home Loan Mortgage Corporation K Series Securities	1,658	—	—	1,658
U.S. Agencies - Freddie Mac Small Balance Loans	—	473	—	473
Total Short-Term Investments	1,809	19,070	17,774	38,653
Long-Term Investments:				
U.S. Agencies - Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	—	—	21,186	21,186
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program (Fannie Mae DUS) securities	—	—	23,958	23,958
U.S. Agencies - Fannie Mae Mortgage Backed Securities	—	—	9,903	9,903
U.S. Agencies - Freddie Mac Federal Home Loan Mortgage Corporation K Series Securities	—	—	46,783	46,783
U.S. Agencies - Freddie Mac Small Balance Loans	—	—	1,334	1,334
Total Long-Term Investments	—	—	103,164	103,164
Total Cash, Cash Equivalents, and Investments	$ 20,908	$ 19,070	$ 120,938	$ 160,916

[1] Cash and Cash Equivalents do not have maturities.

Credit Risk

Fixed income securities are subject to credit risk, which is the risk that an issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. Certain fixed income securities, including obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government are considered to have minimal credit risk. SDHC minimizes credit risk by limiting investments to those listed in its investment policy. In addition, SDHC pre-qualifies the financial institutions, broker/dealers, intermediaries, and advisors with which SDHC will do business in accordance with the investment policy. SDHC diversifies the investment portfolio to minimize potential losses from any one type of security or issuer.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing SDHC to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the custodian, the investments may not be recovered. All bonds are purchased through SDHC's primary financial institution's clearing account in SDHC's name where all securities are held in safekeeping and certificates of deposit are purchased at values less than the federally insured limit.

The exposure of SDHC's debt securities to credit risk as of June 30, 2023 is as follows:

	Standard & Poor's Credit Rating		
	AA+	Rating Not Provided	Total Fair Value
Short-Term Investments			
San Diego County Investment Pool	$ 17,774	$ —	$ 17,774
State Local Agency Investment Fund	—	16,237	16,237
U.S. Agencies - Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	1,010	—	1,010
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program (Fannie Mae DUS) Securities	1,501	—	1,501
U.S. Agencies - Freddie Mac Federal Home Loan Mortgage Corporation K Series Securities	1,658	—	1,658
U.S. Agencies - Freddie Mac Small Balance Loans	473	—	473
Total Short-Term Investments	22,416	16,237	38,653
Long-Term Investments			
U.S. Agencies - Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	21,186	—	21,186
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program (Fannie Mae DUS) securities	23,958	—	23,958
U.S. Agencies - Fannie Mae Mortgage Backed Securities	9,903	—	9,903
U.S. Agencies - Freddie Mac Federal Home Loan Mortgage Corporation K Series Securities	46,783	—	46,783
U.S. Agencies - Freddie Mac Small Balance Loans	1,334	—	1,334
Total Long-Term Investments	103,164	—	103,164
Total Investments	$ 125,580	$ 16,237	$ 141,817

The U.S. Government Agency securities in SDHC's portfolio include Fannie Mae Federal National Mortgage Association (FNMA/FNA) and Freddie Mac Federal Home Loan Mortgage Corporation (FHMS). Of the $107,806 invested in agency bonds and debentures as of June 30, 2023, all are mortgage-backed securities (MBS) issued either by Freddie Mac Federal Home Loan Mortgage Corporation K series, Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE), Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) or Freddie Mac Small Balance Loans.

MBS are not rated by credit rating agencies. While the rating agencies do not specifically rate MBS, they carry an implied AA+ rating based on the collateral that backs the bond and AA+ rating of the Agency that issues/guarantees them. MBS are not considered subject to concentration of credit risk.

SDHC may choose to maintain 100% of its investment portfolio in U.S. Treasury Bills, notes, bonds and collateralized certificates of deposit. Certificates of deposit are, according to SDHC's Investment Policy, to be collateralized at 100% of the amount that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to SDHC. The security cannot be released, substituted or sold without the approval of SDHC.

4. CAPITAL ASSETS (Dollars in Thousands)

Capital asset activities for the year ended June 30, 2023 are as follows:

	Primary Government				
	Beginning Balance [1]	Increases	Decreases	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Non-Depreciable Capital Assets:					
Land and Rights of Way	$ 1,904,423	$ 10,006	$ (2,165)	$ 33,340	$ 1,945,604
Easements (Intangible)	7,886	22	—	1,174	9,082
Artwork/Historical Treasures	5,052	—	—	—	5,052
Construction in Progress	434,595	200,504	(5,720)	(106,289)	523,090
Total Non-Depreciable Capital Assets	2,351,956	210,532	(7,885)	(71,775)	2,482,828
Depreciable Capital Assets:					
Structures and Improvements	1,556,725	2,263	(6,155)	(76,564)	1,476,269
Equipment	579,051	61,165	(11,899)	18,479	646,796
Equipment (Intangible)	56,608	—	(596)	—	56,012
Infrastructure	4,709,562	50,882	(2,289)	130,105	4,888,260
Right-to-Use Leased Land	17,349	—	(401)	—	16,948
Right-to-Use Leased Structures	63,316	25,232	(19)	—	88,529
Right-to-Use Leased Equipment	3,460	—	(1,471)	—	1,989
Right-to-Use Leased Subscriptions [1]	15,453	3,917	—	—	19,370
Total Depreciable Capital Assets	7,001,524	143,459	(22,830)	72,020	7,194,173
Less Accumulated Depreciation/Amortization:					
Structures and Improvements	(716,091)	(42,142)	11,133	—	(747,100)
Equipment	(323,620)	(45,709)	11,364	(16)	(357,981)
Equipment (Intangible)	(35,018)	(1,731)	131	—	(36,618)
Infrastructure	(2,818,129)	(104,290)	377	—	(2,922,042)
Right-to-Use Leased Land	(1,517)	(1,385)	401	—	(2,501)
Right-to-Use Leased Structures	(6,994)	(9,596)	—	—	(16,590)
Right-to-Use Leased Equipment	(1,555)	(1,008)	812	—	(1,751)
Right-to-Use Leased Subscriptions	—	(4,493)	—	—	(4,493)
Total Accumulated Depreciation	(3,902,924)	(210,354)	24,218	(16)	(4,089,076)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	3,098,600	(66,895)	1,388	72,004	3,105,097
Governmental Activities Capital Assets, Net	$ 5,450,556	$ 143,637	$ (6,497)	$ 229	$ 5,587,925

	Primary Government				
	Beginning Balance [1]	Increases	Decreases	Transfers	Ending Balance
BUSINESS-TYPE ACTIVITIES					
Non-Depreciable Capital Assets:					
Land and Rights of Way	$ 107,464	$ —	$ (18)	$ —	$ 107,446
Easements (Intangible)	5,337	4,472	—	—	9,809
Artwork/Historical Treasures	1,875	—	—	—	1,875
Construction in Progress	923,191	479,999	(261)	(142,714)	1,260,215
Total Non-Depreciable Capital Assets	1,037,867	484,471	(279)	(142,714)	1,379,345
Depreciable Capital Assets:					
Structures and Improvements	2,208,784	1,117	(4,731)	11,388	2,216,558
Equipment	509,745	7,853	(2,153)	5,999	521,444
Equipment (Intangible)	58,368	601	(838)	4,355	62,486
Distribution and Collection Systems and Other Infrastructure	6,199,412	52,850	(6,361)	120,727	6,366,628
Right-to-Use Leased Structures	3,666	3,890	—	—	7,556
Right-to-Use Leased Equipment	14,631	—	(112)	—	14,519
Right-to-Use Leased Subscriptions [1]	4,715	539	—	—	5,254
Total Depreciable Capital Assets	8,999,321	66,850	(14,195)	142,469	9,194,445
Less Accumulated Depreciation/Amortization:					
Structures and Improvements	(810,232)	(43,489)	2,805	—	(850,916)
Equipment	(378,169)	(16,263)	1,813	16	(392,603)
Equipment (Intangible)	(29,505)	(2,236)	695	—	(31,046)
Distribution and Collection Systems and Other Infrastructure	(1,737,088)	(105,125)	4,247	—	(1,837,966)
Right-to-Use Leased Structures	(610)	(845)	—	—	(1,455)
Right-to-Use Leased Equipment	(3,811)	(3,774)	112	—	(7,473)
Right-to-Use Leased Subscriptions	—	(1,893)	—	—	(1,893)
Total Accumulated Depreciation	(2,959,415)	(173,625)	9,672	16	(3,123,352)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	6,039,906	(106,775)	(4,523)	142,485	6,071,093
Business-Type Activities Capital Assets, Net	$ 7,077,773	$ 377,696	$ (4,802)	$ (229)	$ 7,450,438

[1] Beginning Balances for Right-to-Use Leased Subscriptions have been restated as a result of GASB Statement No. 96 implementation, with offsetting restatements to SBITAs Payable in Notes 5 and 6.

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

GOVERNMENTAL ACTIVITIES		
General Government and Support	$	20,445
Public Safety - Police		17,547
Public Safety - Fire and Life Safety and Homeland Security		14,222
Parks, Recreation, Culture and Leisure		50,677
Transportation		84,422
Sanitation and Health		20,775
Neighborhood Services		2,266
Total Depreciation Expense	$	210,354
BUSINESS-TYPE ACTIVITIES		
Sewer Utility	$	84,877
Water Utility		69,612
Airports		3,661
Development Services		2,231
Refuse Disposal		6,512
Golf Course		3,640
Recycling		171
SDCCC		2,922
Total Depreciation Expense	$	173,626

Capital asset activities for the City's Successor Agency for the fiscal year ended June 30, 2023 are as follows:

	Successor Agency Private-Purpose Trust Fund			
	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Capital Assets:				
Land and Rights of Way	$ 13,279	$ —	$ —	$ 13,279
Construction in Progress	999	245	—	1,244
Total Non-Depreciable Capital Assets	14,278	245	—	14,523
Depreciable Capital Assets:				
Structures and Improvements	64,425	—	—	64,425
Equipment	819	—	—	819
Infrastructure	3	—	—	3
Total Depreciable Capital Assets	65,247	—	—	65,247
Less Accumulated Depreciation for:				
Structures and Improvements	(25,540)	(1,813)	—	(27,353)
Equipment	(819)	—	—	(819)
Total Accumulated Depreciation	(26,359)	(1,813)	—	(28,172)
Total Depreciable Capital Assets - Net of Depreciation	38,888	(1,813)	—	37,075
Capital Assets, Net	$ 53,166	$ (1,568)	$ —	$ 51,598

Discretely Presented Component Unit - San Diego Housing Commission

Capital asset activities for SDHC for the fiscal year ended June 30, 2023 are as follows:

	Discretely Presented Component Unit - San Diego Housing Commission			
	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Capital Assets:				
Land	$ 108,617	$ —	$ —	$ 108,617
Construction in Progress	550	1,075	(120)	1,505
Total Non-Depreciable Capital Assets	109,167	1,075	(120)	110,122
Depreciable Capital Assets:				
Structures and Improvements	264,723	2,192	(32)	266,883
Equipment	6,684	223	36	6,943
Right-to-Use Leased Subscriptions	—	5,225	—	5,225
Total Depreciable Capital Assets	271,407	7,640	4	279,051
Less Accumulated Depreciation for:				
Structures and Improvements	(75,428)	(9,699)	3	(85,124)
Equipment	(4,525)	(652)	67	(5,110)
Right-to-Use Leased Subscriptions	—	(829)	—	(829)
Total Accumulated Depreciation	(79,953)	(11,180)	70	(91,063)
Total Depreciable Capital Assets - Net of Depreciation	191,454	(3,540)	74	187,988
Capital Assets, Net	$ 300,621	$ (2,465)	$ (46)	$ 298,110

Capital assets for the discretely presented component units of SDHC as of December 31, 2022 are as follows:

Non-Depreciable Capital Assets:	
Land	$ 4,477
Construction in Progress	232
Total Non-Depreciable Capital Assets	4,709
Depreciable Capital Assets:	
Structures and Improvements	150,064
Equipment	8,634
Total Depreciable Capital Assets	158,698
Less Accumulated Depreciation	(29,326)
Total Depreciable Capital Assets - Net of Depreciation	129,372
Capital Assets, Net	$ 134,081

5. GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES (Dollars in Thousands)

a. Long-Term Liabilities

The composition of the governmental long-term liabilities as of June 30, 2023, is reflected in the table below:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2023
Compensated Absences				$ 89,371
Liability Claims				393,908
Reimbursement Agreement Obligations				20,968
Leases Payable				90,594
SBITAs Payable				12,754
Financed Purchase Obligations:				
Equipment Vehicle Financing Program (EVFP)				
MLA 2014	0.71 - 2.06	2023	$ 31,934	—
MLA 2016	1.39 - 2.05	2025	28,452	4,835
MLA 2017	1.93 - 2.79	2026	7,741	2,747
MLA 2017B	2.32 - 2.61	2026	28,045	7,376
MLA 2018	2.26 - 2.66	2029	19,807	11,623
MLA 2019	0.64 - 1.82	2031	33,993	23,717
MLA 2020	0.76 - 1.19	2032	26,993	24,834
101 Ash, LLC	3.503	2037	77,440	—
CCP 1200, LLC	3.4	2035	44,000	—
Other Financed Purchase Obligations	1.36 - 3.29	2033	18,516	14,356
Total Financed Purchase Obligations				89,488
QECB Lease Obligation	6.16 [1]	2026	13,142	3,011
Loans Payable:				
California Energy Resources Conservation and Development Commission:				
Issued December 2011	3.0	2024	2,987	170
Issued December 2012	1.0	2029	1,415	812
SANDAG	0.19 - 0.24	2029	26,167	26,167
Total Loans Payable				27,149
Section 108 Loans Payable		2025	5,910	942
Lease Revenue Bonds:				
PFFA CIP Bonds, Series 2012A	2.0 - 5.0 [2]	2024	72,000	1,845
PFFA Fire and Life Safety Refunding Bonds, Series 2012B	2.0 - 5.0 [2]	2032	18,745	10,455
PFFA CIP/Old Town Light Rail Extension Refunding Bonds, Series 2013A	2.0 - 5.0 [2]	2043	43,245	27,775
PFFA Balboa Park/Mission Bay Park Refunding Bonds, Series 2013B	2.0 - 5.0 [2]	2024	6,285	720
PFFA CIP Bonds, Series 2015A	5.0	2045	62,260	62,260
PFFA CIP Bonds, Series 2015B	5.0	2033	45,030	29,800
PFFA Ballpark Refunding Bonds, Series 2016	2.0 - 5.0 [2]	2032	103,255	67,340
PFFA Refunding Bonds, Series 2018A	2.57 - 4.23 [2]	2039	129,320	93,475
PFFA Refunding Bonds, Series 2020A	0.85 - 3.43 [2]	2042	60,745	58,440
CCEFA Refunding Bonds, Series 2020A	0.99 - 2.36 [2]	2028	70,750	56,855
PFFA Revenue Bonds, Series 2021A	4.00 - 5.00 [2]	2051	117,145	115,405
PFFA Revenue Bonds, Series 2023A	4.00 - 5.25 [2]	2053	114,990	114,990
Total Lease Revenue Bonds				639,360
Tobacco Settlement Bonds:				
TSRFC Bonds, Series 2018A	2.13 - 4.02 [2]	2028	70,510	33,365
TSRFC Bonds, Series 2018C	4.0	2032 [3]	25,345	11,500
Total Tobacco Settlement Bonds				44,865
Total Bonds Payable				684,225

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2023
Net OPEB Liability				$ 312,336
Pension Liabilities (Retirement)				2,160,362
Total Pension Liability (POB)				12,347
Total Governmental Activities Long-Term Liabilities				$ 3,897,455

[1] Nominal interest rate of 6.16% with a net effective rate of 2.62% inclusive of QECB federal subsidy and 5.7% subsidy sequestration calculated by the Federal Office of Management and Budget for fiscal year 2023. These rates have remained consistent since fiscal year 2021.

[2] Interest rates are fixed and reflect the range of coupon rates for various maturities from the date of issuance to maturity.

[3] Final maturity date is June 1, 2032. The date listed reflects final turbo redemption payment date projected at the time of issuance.

Liability claims are primarily liquidated by the General Fund, Long-Term Disability Internal Service Fund, and Enterprise Funds. Compensated absences are generally liquidated by the General Fund, Enterprise Funds, and certain Internal Service Funds. Pension and OPEB liabilities are paid out of operating funds based on a percentage of covered payroll.

Reimbursement Agreements have contractual provisions whereby a developer either constructs or provides funding towards a public improvement project, which is included as part of an approved City Public Facilities Financing Plan. Typical improvements constructed under this program include transportation projects, parks, fire stations, and libraries. A developer is obligated to provide the infrastructure and is later reimbursed with cash or provided program credits against future Facilities Benefit Assessment (FBA), Development Impact Fees (DIF), or Regional Transportation Congestion Improvement Program (RTCIP) payments up to the amount of the eligible infrastructure costs as stated in an approved reimbursement agreement. Reimbursement agreements do not have annual repayment schedules and instead only allow for FBA/DIF/RTCIP cash reimbursement based on the availability of funds.

Leases payable represent obligations owed for noncancellable leases of land, office space, and equipment. The General Fund, Engineering and Capital Projects Fund, and Fleet Operations Fund primarily benefit from leased assets.

SBITAs payable represent obligations owed for noncancellable subscriptions for software. The General Fund primarily benefits from SBITAs.

Financed Purchase Obligations are direct borrowing agreements with lenders to finance the acquisition of governmental assets including equipment, vehicles, and buildings for City staff and operations. Repayments are secured from revenues of the General Fund for the General Fund Financed Purchase Obligations, and from charges for services for the Internal Service Fund Financed Purchase Obligations, which primarily come from the General Fund. The General Fund primarily benefits from the finance-purchased assets.

Taxable Qualified Energy Conservation Bonds (QECB) were issued pursuant to the American Recovery and Reinvestment Act of 2009. QECB financing is eligible for the direct interest subsidy payment from the U.S. Department of the Treasury within Section 54(D)a of the Internal Revenue Code of 1986, as amended. The QECBs were issued to fund the Broad Spectrum Street Lighting Conversion Program and are paid from annual appropriations of any source of legally available funds.

Loans Payable represent obligations owed for energy conservation loans received for qualifying energy efficiency retrofits and improvements for certain City facilities. Repayments are secured from the General Fund functions that benefit from the facility improvements. Loans Payable also represent obligations owed to the SANDAG Commercial Paper Program to support the construction phase of the West Mission Bay Drive Bridge project, and are secured by future TransNet revenues to the City. Repayments are expected to be made from the West Mission Bay Bridge Construction federal grant through cost reimbursement.

Section 108 loans are the loan guarantee provisions of the Community Development Block Grant (CDBG) program. Section 108 loans provide the community with a source of financing for economic development, housing rehabilitation, public facilities, and capital improvement and infrastructure projects. The loans are arranged through the U.S. Department of Housing and Urban Development (HUD) and a fixed repayment schedule is provided that allocates a portion of the total obligation issued to each borrower, including the City, as well as other municipalities. Although no interest rate is stated on the repayment schedule, the City pays a portion of the interest as allocated by HUD.

Lease revenue bonds are lease obligations secured by a lease-back arrangement with a public entity. General operating revenues are pledged to make the lease payments, which are in turn used to pay debt service on the bonds. Lease revenue bonds provide long-term financing through a lease agreement and accordingly, do not constitute indebtedness under the state constitutional debt limitation and are not subject to other statutory requirements applicable to bonds.

Tobacco Settlement Bonds are limited obligations of the TSRFC, which is a separate legal entity established by the City. The TSRFC purchased from the City the rights to receive future tobacco settlement revenues (TSRs) due to the City. The Tobacco Settlement Bonds are payable from and secured solely by pledged TSRs.

The PFFA Lease Revenue Commercial Paper Notes (Lease Revenue CP Notes) are used to finance the costs of the acquisition, design, construction, installation, improvement, replacement, and equipping of certain capital improvement projects of the City. The Lease Revenue CP Notes are payable from the base rental payments to be made by the City pursuant to the lease between the City and the PFFA. These base rental payments are derived from the funds and accounts pledged under the Indenture. As of June 30,2023 there are no outstanding balances for the Lease Revenue CP Notes.

b. Amortization Requirements

The annual requirements to amortize the long-term debt outstanding as of June 30, 2023, including interest payments to maturity, are as follows:

Year Ending June 30	Leases Payable		SBITAs Payable		EVFP		Other Financed Purchase Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 11,149	$ 1,192	$ 5,198	$ 314	$ 19,441	$ 1,504	$ 1,809	$ 459
2025	10,643	1,050	3,215	189	14,807	1,094	1,665	397
2026	8,867	920	2,139	109	12,525	804	1,723	339
2027	8,334	829	1,096	57	10,202	557	1,565	279
2028	8,387	740	546	29	9,225	343	1,430	222
2029-2033	26,049	2,512	560	15	8,932	232	6,164	431
2034-2038	7,573	1,357	—	—	—	—	—	—
2039-2043	4,950	767	—	—	—	—	—	—
2044-2048	4,642	218	—	—	—	—	—	—
Total	$ 90,594	$ 9,585	$ 12,754	$ 713	$ 75,132	$ 4,534	$ 14,356	$ 2,127

Year Ending June 30	QECB Lease Obligation		CEC Loans Payable		SANDAG Loan Payable		Section 108 Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest [1]	Principal	Interest
2024	$ 980	$ 185	$ 325	$ 10	$ —	$ —	$ 457	$ 43
2025	1,004	126	156	6	436	—	485	14
2026	1,027	63	158	5	5,233	—	—	—
2027	—	—	159	3	5,233	—	—	—
2028	—	—	161	2	5,234	—	—	—
2029-2033	—	—	23	—	10,031	—	—	—
Total	$ 3,011	$ 374	$ 982	$ 26	$ 26,167	$ —	$ 942	$ 57

Year Ending June 30	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Tobacco Settlement Bonds Principal [2]	Tobacco Settlement Bonds Interest
2024	$ 35,165	$ 26,757	$ 6,465	$ 1,735
2025	35,715	25,471	6,490	1,503
2026	36,960	24,240	6,570	1,260
2027	38,270	22,915	6,760	1,009
2028	35,565	21,578	7,080	744
2029-2033	125,010	89,562	11,500	1,840
2034-2038	107,105	64,662	—	—
2039-2043	100,925	39,952	—	—
2044-2048	67,770	19,925	—	—
2049-2053	56,875	5,843	—	—
Total	$ 639,360	$ 340,905	$ 44,865	$ 8,091

[1] The interest on the SANDAG Loan Payable does not have a fixed repayment schedule and is determined based on SANDAG's rate of borrowing and the number of participating agencies under their CP program.

[2] The Tobacco Settlement Bonds' principal debt service requirements shown reflect turbo redemption payments made on the Series 2018C Bonds since the issue date.

c. Change in Long-Term Liabilities

The following is a summary of changes in governmental activities long-term liabilities for the year ended June 30, 2023. The effect of bond issuance premiums and discounts are reflected as adjustments to the carrying value of long-term liabilities.

	Governmental Activities				
	Beginning Balance [6]	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	$ 81,967	$ 87,736	$ (80,332)	$ 89,371	$ 44,666
Liability Claims	386,527	78,958	(71,577)	393,908	84,432
Reimbursement Agreement Obligations	20,968	13,473	(13,473)	20,968	—
Leases Payable	74,333	25,232	(8,971)	90,594	11,150
SBITAs Payable [6]	15,453	3,917	(6,616)	12,754	5,198
Financed Purchase Obligations:					
EVFP [1]	75,889	18,884	(19,641)	75,132	19,441
101 Ash, LLC	79,723	—	(79,723)	—	—
CCP 1200, LLC	46,340	—	(46,340)	—	—
Other Financed Purchase Obligations [2]	15,321	839	(1,804)	14,356	1,809
Total Financed Purchase Obligations [3]	217,273	19,723	(147,508)	89,488	21,250
QECB Lease Obligation [3]	3,968	—	(957)	3,011	980
Loans Payable:					
California Energy Resource Conservation and Development Commission	1,468	—	(486)	982	325
SANDAG [4]	26,167	—	—	26,167	—
Total Loans Payable [3]	27,635	—	(486)	27,149	325
Section 108 Loans Payable	1,372	—	(430)	942	457
Lease Revenue CP Notes [5]	—	53,659	(53,659)	—	—
Lease Revenue Bonds	557,825	114,990	(33,455)	639,360	35,165
Unamortized Bond Premiums and Discounts	47,710	11,787	(3,492)	56,005	3,426
Net Lease Revenue Bonds	605,535	126,777	(36,947)	695,365	38,591
Tobacco Settlement Bonds	54,250	—	(9,385)	44,865	6,465
Net Other Postemployment Benefits Liability	332,792	45,248	(65,704)	312,336	—
Pension Liabilities (Retirement)	1,716,801	802,568	(359,007)	2,160,362	—
Total Pension Liability (POB)	15,828	525	(4,006)	12,347	—
Total	$ 3,554,702	$ 1,257,816	$ (859,058)	$ 3,953,460	$ 213,514

[1] City's unused line of credit for EVFP is $30,000.

[2] Other Financed Purchase Obligations include GE Government Finance Lease & Hewlett-Packard Lease.

[3] City's direct borrowings.

[4] City's unused line of credit for SANDAG is $13,833.

[5] City's unused authorization for General Fund CP Notes is $88,500.

[6] Beginning Balance for SBITAs Payable has been restated as a result of GASB 96 implementation, with an offsetting restatement to capital assets (See Note 4)

During fiscal year 2023, the City executed multiple new leases and amendments to existing leases for office space. Under various agreements with different entities, the obligations total $25,232 plus interest, to be paid over lease terms ranging from three to ten years, at rates between 0.71% and 3.12%. The City also executed new SBITAs. Under various agreements with different vendors, the obligations total $3,917 plus interest, to be paid over contract terms ranging from one to five years, at rates between 1.84% and 2.52%.

During fiscal year 2023, the City finance-purchased various public safety and support vehicles. Under various agreements with Bank of America Public Capital Corp., the obligations totaled $18,884, to be financed over periods ranging from five to seven years at rates between 2.87% and 3.60%.

On July 26, 2022 the City Council approved a settlement agreement for the City's acquisition of real properties commonly known as Civic Center Plaza (CCP) and 101 Ash Street. Escrow closed on the properties on August 4, 2022. The debts associated with these properties were previously reported as financed purchase obligations.

On June 22, 2023, the City finance-purchased various office equipment with Hewlett-Packard Financial Services Company in the amount of $839, to be financed for five years at a rate of 7.08%.

On August 9, 2022, PFFA entered into a master agreement with USEPA for a WIFIA loan in an amount up to $359,200 to fund stormwater capital improvement projects. Under the master agreement, a credit agreement was executed to draw up to $225,110 at a rate of 3.11%. The WIFIA loan may fund up to 49% of eligible project costs and requires a City match for the remaining 51%. As of June 30, 2023, there have been no draws on the available $225,110 executed credit agreement.

On November 24, 2021, the City and PFFA extended the Letter of Credit with Wells Fargo Bank for the Lease Revenue CP Notes in the amount of $88,500. The new LOC expiration date is November 29, 2024. During fiscal year 2023, PFFA issued General Fund CP Notes of $53,659 at rates between 1.60% and 2.15%, which were paid down by PFFA Lease Revenue Bonds, Series 2023A in the same fiscal year.

On April 11, 2023, PFFA issued $114,990 of Lease Revenue Bonds, Series 2023A (2023 Bonds) to pay down outstanding General Fund CP Notes, Series A of $53,659, and to finance the costs of the acquisition, design, construction, installation, improvement, replacement, and equipping of certain capital improvement projects of the City, and pay costs of issuance incurred in connection with the issuance of the 2023 Bonds. The 2023 Bonds are payable from revenues derived from the Base Rental Payments paid by the City for the use and occupancy of the leased property.

d. Legal Debt Margin

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation for each City. As of June 30, 2023, the limit for the City was $41,288,414, and the amount of City debt subject to the limit was $0 (See Statistical Table 13). The limit is only applicable to General Obligation Bonds, of which the City has none outstanding as of June 30, 2023.

e. Event of Default Provisions

The City's outstanding Financed Purchased Obligations of $89,488 contain provisions that in the event of default, the lessor may recover unpaid amounts and terminate the financing agreement(s). The lease revenue bond obligations of $639,360 contain provisions that in the event of default, bondholders may bring suit against the City and receive any funds held by the Trustee to pay principal and interest on the bonds when due. The bonds are secured by lease payments made under leases of various governmental assets, including but not limited to, certain fire and police stations, libraries, and leases of City-owned land. The outstanding Tobacco Settlement Revenue Bonds of $44,865 contain event of default provisions that all revenues held or thereafter received by the Trustee shall be applied in order of lien priority, however, as these bonds are payable from pledged TSRs, bondholders have no recourse to any income, or revenues of the City. There are no clauses to accelerate payment of principal amounts with any of the governmental direct borrowing and direct placement obligations.

f. Leases and Subscription Based Information Technology Arrangements Payable

The City is a lessee in various noncancellable leases of land, office space, and equipment. The City also has various SBITAs for noncancellable software subscriptions. As of June 30, 2023, the Governmental Activities' leases payable and SBITAs payable of $90,594 and $12,754, respectively, were comprised of the following:

Type of Obligation	Interest Rates	Remaining Term	Fiscal Year 2023 Principal and Interest Paid	Balance Outstanding at 6/30/23
Leases Payable:				
Land	0.34% - 1.59%	9 Months - 14 Years	$ 1,509	$ 14,438
Office Space	0.34% - 3.12%	1 Year - 24 Years	7,068	76,123
Equipment	0.34%	9 Months	888	33
Total Leases Payable			$ 9,465	$ 90,594
SBITAs Payable	1.84% - 2.62	6 Months - 6 Years	$ 6,796	$ 12,754

g. Long-Term Pledged Liabilities

Governmental long-term pledged liabilities as of June 30, 2023 are comprised of the following:

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Pledged Development Impact Fee (DIF) Revenue:				
Quarry Falls (Civita) Neighborhood Parks Reimbursement Agreement		$ 17,528	$ —	$ —
Pledged Facilities Benefit Assessment (FBA) Revenue:				
Facilities Financing Reimbursement Agreement Obligations		870	13,473	13,473
Pledged Regional Transportation Congestion Improvement Program (RTCIP):				
Quarry Falls (Civita) Neighborhood Parks Reimbursement Agreement		2,570	—	—
Naval Training Center Civic, Arts and Cultural Center (Section 108)	2025	942	999	999
Pledged Tobacco Settlement Revenue:				
TSRFC Bonds, Series 2018 A,C	2032	52,956	11,453	10,714
Pledged TransNet Revenue:				
SANDAG Loan	2029	26,167	724	724
Total		$ 101,033	$ 26,649	$ 25,910

6. BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES (Dollars in Thousands)

a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2023 are comprised of the following:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount [4]	Balance Outstanding June 30, 2023
Compensated Absences				$ 20,861
Liability Claims				169,828
Leases Payable				13,580
SBITAs Payable				3,043
Notes Payable	—	2023	$ 22	—
Loans Payable:				
SDCCC:				
California Infrastructure and Economic Development Bank (I-Bank)	3.59 [1]	2042	25,500	22,411
Sewer Utility - State Water Resources Control Board				
Point Loma Digesters Project C1 and C2, October 3, 2002	1.80 [2]	2023	8,068	—
Environment Monitoring and Technical Svcs, December 14, 2005	1.89 [2]	2024	10,093	626
Point Loma 4th Sludge Pump Project, October 15, 2006	1.99 [2]	2024	3,858	252
Point Loma Digesters S1 and S2, February 28, 2007	1.89 [2]	2026	11,068	2,020
Point Loma Digesters Grit Processing, February 17, 2012 [3]	—	2036	31,514	22,294
Sewer Pipeline Rehab Project MNOP, July 10, 2012 [3]	—	2033	18,914	8,868
Metro Biosolids Center Storage Silos, August 6, 2015 [3]	—	2035	7,204	4,611
MBC Odor Control Facilities Upgrades, July 15, 2015	1.70 [1]	2035	6,840	4,589
MBC Dewatering Centrifuge Replacement, July 8, 2015	1.70 [1]	2039	10,969	9,040
Sewer Pipeline Rehab Project-Q, June 26, 2013	2.20 [1]	2034	4,791	1,458
Sewer Pipeline Rehab Project-RS, August 22, 2013 [3]	—	2034	8,924	4,925
Sewer Pipeline Rehab Project-T, July 12, 2016	1.70 [1]	2036	2,314	1,578
MBC Chemical Systems Improvement Phase II, July 12, 2016	1.70 [1]	2037	5,284	3,838
Pump Station 2 Power Reliability/ Surge Protection, September 12, 2018	1.80 [1]	2054	62,991	62,991
Pure Water Conveyance System Project, April 15, 2022	0.80 [1]	2056	3,680	3,680
Pure Water Morena Blvd Pump Station Project, April 18, 2022	0.80 [1]	2056	9,739	9,739
Pure Water Reclamation Plant Expansion Project, April 27, 2022	1.10 [1]	2055	10,888	10,888
Pure Water Metropolitan Biosolids Center Project, April 27, 2022	0.80 [1]	2056	824	824
Total Sewer Utility Loans Payable				152,221
Water Utility - State Water Resources Control Board				
Alvarado Water Treatment Plant, May 30, 2011	2.31 [1]	2032	12,000	5,777
Miramar Water Treatment Plant, September 26, 2011	2.31 [1]	2032	20,000	9,628
Otay Water Treatment Plant, December 22, 2011	2.50 [1]	2032	18,000	9,211
Harbor Drive Pipeline Replacement Project, January 29, 2013	2.09 [1]	2036	10,561	7,385
Lindbergh Field Pipeline Replacement Project, January 29, 2013	2.09 [1]	2036	3,262	2,277
University Avenue Pipeline Replacement Project, June 7, 2016	2.09 [1]	2039	25,300	21,107
69th Street & Mohawk Pump Station Project, June 14, 2018	1.70 [1]	2050	14,116	13,022
Water Utility - WIFIA Loan Agreement, September 24, 2020	1.29 [1]	2059	189,217	189,217
Total Water Utility Loans Payable				257,624
Total Loans Payable				432,256

(Continued on Next Page)

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount [4]	Balance Outstanding June 30, 2023
(Continued from Previous Page)				
Revenue Bonds Payable:				
Senior Sewer Revenue Refunding Bonds, Series 2015	2.0-5.0 [1]	2027	$ 313,620	$ 170,335
Senior Sewer Revenue Refunding Bonds, Series 2016 A	4.0-5.0 [1]	2039	403,280	270,130
Subordinated Water Revenue Bonds, Series 2016 A	3.0-5.0 [1]	2046	40,540	35,920
Subordinated Water Revenue Bonds, Refunding Series 2016 B	5.0 [1]	2040	523,485	349,835
Subordinated Water Revenue Bonds, Refunding Series 2018 A	5.0-5.25 [1]	2048	243,180	226,705
Senior Water Revenue Bonds, Series 2020 A	3.0-5.0 [1]	2050	221,420	208,185
Senior Water Revenue Refunding Bonds, Series 2020 B	1.03-2.33 [1]	2033	114,195	89,515
Subordinated Sewer Revenue Bonds, Series 2022 A	5.0 [1]	2052	168,250	165,655
Senior Water Revenue Bonds, Series 2023A	4.0-5.25 [1]	2053	223,155	223,155
Total Revenue Bonds Payable				1,739,435
Estimated Landfill Closure and Postclosure Care				59,620
Net Other Postemployment Benefits Liability				91,370
Pension Liabilities (Retirement)				507,256
Total Pension Liability (POB)				1,406
Total Business-Type Activities Long-Term Liabilities				$ 3,038,655

[1] Interest rates are fixed and reflect the range of rates for various maturities from the date of issuance to maturity.

[2] Effective rate.

[3] Effective in fiscal year 2022, the State applies a small Community Grant Fee in lieu of interest.

[4] For Loans Payable, the Original Amount is based on the amount disbursed to date and may include capitalized interest.

b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2023, including interest payments to maturity, are as follows:

Year Ending June 30	Leases Payable		SBITAs Payable		Loans Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 5,077	$ 138	$ 1,517	$ 70	$ 11,453	$ 4,921	$ 99,305	$ 78,606
2025	4,294	60	1,307	36	10,313	2,290	109,500	76,018
2026	820	27	108	5	10,553	2,123	94,905	70,747
2027	788	21	111	3	10,101	1,951	97,585	66,655
2028	794	16	—	—	10,340	1,787	85,370	61,980
2029-2033	1,807	15	—	—	51,295	6,399	336,985	257,988
2034-2038	—	—	—	—	28,219	3,104	327,540	182,321
2039-2043	—	—	—	—	10,132	925	240,065	105,342
2044-2048	—	—	—	—	2,785	232	221,050	54,632
2049-2053	—	—	—	—	1,182	25	127,130	12,404
Unscheduled [1]	—	—	—	—	285,883	—	—	—
Total	$ 13,580	$ 277	$ 3,043	$ 114	$ 432,256	$ 23,757	$ 1,739,435	$ 966,693

[1] The loans payable to the State Water Resources Control Board in the amount of $96,666 and to the Unites States Environmental Protection Agency in the amount of $189,217 do not have fixed annual repayment schedules until construction of the projects are completed and final billing submitted.

c. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2023. The effects of bond premiums and discounts are reflected as adjustments to long-term liabilities.

	Business-Type Activities				
	Beginning Balance [4]	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	$ 18,306	$ 20,076	$ (17,521)	$ 20,861	$ 10,280
Liability Claims	153,282	24,582	(8,036)	169,828	13,792
Leases Payable	13,848	3,890	(4,158)	13,580	5,077
SBITAs Payable [4]	4,715	540	(2,212)	3,043	1,517
Notes Payable [1]	2	—	(2)	—	—
Loans Payable [1, 2]	312,814	131,308	(11,866)	432,256	11,453
Water CP Notes, Series A [3]	195,092	39,733	(234,825)	—	—
Revenue Bonds Payable	1,629,530	223,155	(113,250)	1,739,435	99,305
Unamortized Bond Premiums and Discounts	240,023	27,020	(16,965)	250,078	16,965
Net Revenue Bonds Payable	1,869,553	250,175	(130,215)	1,989,513	116,270
Estimated Landfill Closure/Postclosure Care	54,865	4,755	—	59,620	—
Net Other Postemployment Benefits Liability	96,927	12,291	(17,848)	91,370	—
Pension Liabilities (Retirement)	429,826	140,090	(62,660)	507,256	—
Total Pension Liability (POB)	1,716	47	(357)	1,406	—
Totals	$ 3,150,946	$ 627,487	$ (489,700)	$ 3,288,733	$ 158,389

[1] City's direct borrowings.

[2] City's unused lines of credit for MBC Dewatering Centrifuge, Pump Station 2, Pure Water Conveyance System, Pure Water Morena Blvd, Pure Water Plant Expansion, Pure Water Metro Biosolids Center, and WIFIA loans are $1,369, $7,009, $221,320, $145,367, $263,389, $9,094, and $544,283, respectively.

[3] City's unused authorization for Water CP Notes is $250,000

[4] Beginning Balance for SBITAs has been restated as a result of GASB Statement No. 96 implementation, with an offsetting increase to capital assets (See Note 4)

During fiscal year 2023, the City executed one lease amendment to extend the term of an existing office space lease at 525 B Street. The Public Utilities Department's share of the lease obligation increased by $2,768 and will be paid over the next 7 years at a rate of 0.71%. SDCCC entered into a noncancelable lease effective April 1, 2023 for their truck marshalling yard and warehouse space with an obligation totaling $1,122. The lease will be paid over two years at an interest rate of 9.0%.

The City executed one new SBITA for a Noise and Operating Monitoring System (NOMS) for Airports, with an obligation totaling $540, to be paid over a four year term, at an interest rate of 2.52%.

During fiscal year 2023, the Sewer Utility and Water Utility Funds received additional loan proceeds through State Revolving Fund (SRF) loan agreements with the State Water Resources Control Board (SWRCB) totaling approximately $26,043. The repayment period of these loans are 30 years from completion of construction at rates between 0.80% to 1.80%.

During fiscal year 2023, the Water Utility received additional loan proceeds through the Water Infrastructure Finance Innovation Act (WIFIA) agreement totaling $105,265 at a rate of 1.29%. The First WIFIA Loan will fund a portion of the Water Utility's cost of the Pure Water Program Phase I. The repayment period of this loan is 35 years with a final maturity date of August 1, 2058.

On November 10, 2021 and November 2, 2021, the City and PFFA, respectively, ratified, reauthorized, and reapproved the prior request to issue tax-exempt Water Revenue Commercial Paper Notes (Water CP Notes), and the form and content of the initial financing documents. The City selected Bank of America, N.A. as the letter of Credit (LOC) provider for the full $250 million Water CP Notes program, with an LOC expiration date of January 31, 2025. During fiscal year 2023, the City issued two Water CP Notes in the amounts of $7,643 and $32,090 at 1.77% and 2.73% interest rates, respectively. These notes, along with other outstanding notes previously issued in prior fiscal years, were paid off by the Senior Water Revenue Bonds, Series 2023A.

On April 13, 2023, PFFA issued tax-exempt Senior Water Revenue Bonds, Series 2023A (2023A Water Bonds) in the amount of $223,155. The proceeds of these bonds, along with the original issue premium of $27,020, were used to finance the Water Utility's Capital Improvement Program (CIP) projects including paying the outstanding Water CP Notes. The 2023A Water Bonds are payable solely from installment payments secured by the Net System Revenues of the Water Utility Fund. The final maturity date for these bonds is August 1, 2052.

d. Redemption and Defeasance of Debt

In fiscal year 2020, the Senior Water Revenue Refunding Bonds, Series 2020B were issued to refund the 2012A Water Revenue Bonds. On August 1, 2022, the 2012A Water Bonds were redeemed.

e. Event of Default Provisions

The governing documents of the loans payable of $432,256 contain event of default provisions allowing the lenders to terminate the funding agreements if not cured within 30 days, and are subject to acceleration clauses making outstanding amounts immediately payable. The governing documents of the Revenue Bonds Payable of $1,739,435 contain provisions that in the event of default, the Trustee may declare that all principal and interest accrued be immediately due and payable, or bondholders may bring suit against the City and receive any funds held by the Trustee to pay principal and interest on the bonds.

The Water CP Notes contain provisions that in the event of default, the principal of all outstanding notes may be declared due and payable. With the Water CP Notes, the LOC bank may, in their sole discretion, either terminate or suspend the authority to issue additional CP Notes, terminate the LOC, or enforce the rights and obligations of the City, or exercise any other remedies available at law or in equity.

f. Leases and Subscription Based Information Technology Arrangements Payable

The City is a lessee in various noncancellable leases of office space and equipment. The City also has various SBITAs for noncancellable software subscriptions. As of June 30, 2023, the Business-Type Activities' leases payable and SBITAs payable of $13,580 and $3,043, respectively, were comprised of the following:

Type of Obligation	Interest Rates	Remaining Term	Fiscal Year 2023 Principal and Interest Paid	Balance Outstanding at 6/30/23
Leases Payable:				
City of San Diego:				
Office Space	0.71%	7 Years	$ 239	$ 5,641
Equipment	0.09% - 0.65%	2 - 3 Years	3,886	6,943
SDCCC	9.0%	2 years	151	996
Total Leases Payable			$ 4,276	$ 13,580
SBITAs Payable	2.23% - 2.52%	7 Months - 4 Years	$ 2,235	$ 3,043

g. Long-Term Pledged Liabilities

Business-type activities long-term pledged liabilities as of June 30, 2023, are comprised of the following:

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Pledged Net Sewer Systems Revenue:				
Loans - State Water Resources Control Board				
Point Loma Digesters Project C1 and C2, October 3, 2002	2023	$ —	$ 484	$ 484
Environment Monitoring and Technical Svs, December 14, 2005	2024	637	637	637
Point Loma 4th Sludge Pump Project, October 15, 2006	2024	257	257	257
Point Loma Digesters S1 and S2, February 28, 2007	2026	2,096	699	699
Point Loma Digesters Grit Processing, February 17, 2012	2036	22,294	1,416	1,416
Sewer Pipeline Rehab Project MNOP, July 10, 2012	2033	8,868	785	785
Metro Biosolids Center-Storage Silos, August 6, 2015	2035	4,611	344	344
MBC Odor Control Facilities Upgrades, July 15, 2015	2035	5,111	426	426
MBC Dewatering Centrifuge Replacement, July 8, 2015	2038	9,194	650	650
Sewer Pipeline Rehab Project-Q, June 26, 2013	2034	1,657	151	151
Sewer Pipeline Rehab Project-RS, August 22, 2013	2034	4,925	392	392
Sewer Pipeline Rehab Project-T, July 12, 2016	2036	1,772	137	137
MBC Chemical Systems Improvement Phase II, July 12, 2016	2037	4,345	310	310
Pump Station 2 Power Reliability and Surge Protection, September 12, 2018	2054	62,991	194	194
Pure Water Conveyance System Project, April 15, 2022	2056	3,680	—	—
Pure Water Morena Blvd Pump Station Project, April 18, 2022	2056	9,739	—	—
Pure Water Reclamation Plant Expansion Project, April 27, 2022	2055	10,888	—	—
Pure Water Metropolitan Biosolids Center Project, April 27, 2022	2056	824	—	—
Revenue Bonds				
Senior Sewer Revenue Refunding Bonds, Series 2015	2027	186,553	84,008	84,008
Senior Sewer Revenue Refunding Bonds, Series 2016 A	2039	401,679	13,507	13,506
Subordinated Sewer Revenue Refunding Bonds, Series 2022 A	2052	317,281	10,937	10,908
Total Pledged Net Sewer Systems Revenue		1,059,402	115,334	115,304
Pledged Net Water Systems Revenue:				
Loans - State Water Resources Control Board				
Alvarado Water Treatment Plant, May 30, 2011	2032	6,396	753	753
Miramar Water Treatment Plant, September 26, 2011	2032	10,656	1,253	1,253
Otay Water Treatment Plant, December 22, 2011	2032	10,344	1,149	1,149
Harbor Drive Pipeline Replacement Project, January 29, 2013	2036	8,474	652	652
Lindbergh Field Pipeline Replacement Project, January 29, 2013	2036	2,613	201	201
University Avenue Pipeline Replacement Project, June 7, 2016	2039	24,932	1,558	1,558
69th Street & Mohawk Pump Station Project, June 14, 2018	2050	16,293	597	597
WIFIA Loan Agreement, September 24, 2020	2059	191,515	1,188	1,188
Revenue Bonds				
Subordinated Water Revenue Bonds, Series 2016 A	2046	60,098	2,613	2,611
Subordinated Water Revenue Bonds, Refunding Series 2016 B	2040	485,271	39,114	39,093
Subordinated Water Revenue Bonds, Refunding Series 2018 A	2048	400,590	16,026	16,018
Senior Water Revenue Bonds, Series 2020 A	2050	335,306	12,419	12,408
Senior Water Revenue Refunding Bonds, Series 2020 B	2033	99,354	9,940	9,938
Senior Water Revenue Bonds, Series 2023A	2053	419,996	—	—
Total Pledged Net Water Systems Revenue		2,071,838	87,463	87,419
Total Pledged Revenues		$ 3,131,240	$ 202,797	$ 202,723

7. DISCRETELY PRESENTED COMPONENT UNIT LONG-TERM LIABILITIES (Dollars in Thousands)

Narratives and tables presented in the following sections are taken from the audited annual comprehensive financial report of the San Diego Housing Commission as of June 30, 2023.

San Diego Housing Commission

Long-term liabilities of SDHC as of June 30, 2023, are comprised of the following:

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2023 [1]	Due Within One Year
Compensated Absences				$ 4,331	$ 4,331
SBITAs				3,785	1,268
Notes Payable:					
Direct Borrowing Debts of SDHC:					
Key Bank Real Estate Capital - Smart Corner * Note converted to variable interest November 2021	6.08 %	2027	$ 15,000	784	54
City of San Diego - Hotel Sandford Forgivable loan with accrued interest totaling $715	1.00 %	2065	6,095	5,843	—
State of California - Housing Loan Conv Program 12-HLCP 0004	3.00 %	2068	—	1,405	—
State of California - Housing Loan Conv Program 12-HLCP 0003	3.00 %	2068	—	3,150	—
Red Capital Mortgage, LLC - Courtyard Apartments	4.92 %	2030	—	3,839	76
JP Morgan Chase - Hotel Circle	3.29 %	2030	32,840	28,329	628
JP Morgan Chase - Kearny Vista	3.39 %	2030	17,426	6,588	144
Debts of the LLCs:					
Greystone Servicing Corp, Inc. - Belden SDHC FNMA, LLC	7.32 %	2040	12,320	9,737	313
Greystone Servicing Corp, Inc. - Northern SDHC FNMA, LLC	7.32 %	2040	10,810	8,545	275
Greystone Servicing Corp, Inc. - Central SDHC FNMA, LLC	7.32 %	2040	14,010	—	—
PNC Bank, NA FHA Southern SDHC FHA, LLC	3.76 %	2046	25,017	19,372	568
PNC Bank, NA FHA - Northern SDHC FHA, LLC	3.76 %	2046	17,500	13,552	397
PNC Bank, NA FHA - Central SDHC FHA, LLC	3.65 %	2046	15,726	12,151	359
Total Notes Payable				113,295	2,814
Less: unamortized debt issuance costs				(1,017)	—
Total				$ 120,394	$ 8,413

[1] Long-term liabilities of $154,456 for the discrete component units of SDHC are not included ($1,286 short-term and $153,170 long-term)

At June 30, 2023, the current portion of notes payable was $2,814 and the noncurrent portion, net, was $109,464. Debt issuance costs associated with the LLC loans totaled $2,120, less accumulated amortization of $1,103 at June 30, 2023. For fiscal year 2023, amortization totaled $203. Under guidance issued by the GASB, these fees would be expensed as incurred. However, as the LLCs are not governmental agencies, they follow the standards issued by the FASB. In accordance with FASB's Accounting Standards Update (ASU) 2015-03, debt issuance costs are capitalized and presented as a direct reduction of notes payable. In addition, the debt issuance costs are amortized over the life of the loan using the effective interest method.

The American Recovery and Reinvestment Act of 2009 created the new Build America Bonds (BABs) program. State and local governments receive subsidy payments directly from the U.S. Treasury for a portion of their borrowing costs on BABs, equal to 35% of the total coupon interest paid less reductions in federal appropriations. The subsidy stream is paid for the full term of the bonds. The Belden SDHC FNMA LLC, Northern SDHC FHA LLC and Southern SDHC FHA LLC loans have been approved as qualified direct subsidy BABs loans. SDHC received subsidy payments of $637 in fiscal year 2023.

The Central SDHC FNMA LLC note was paid off in it's entirety in fiscal year 2023. Additionally, Kearny Vista and Valley Vista notes were partially retired in the amounts of $10,000 and $2,879, respectively. The projected annual principal and interest payment requirements for all of SDHC's notes payable are noted in the table below. These amounts include a forgivable loan of $5,843 which will be forgiven at maturity in 2065. Accrued interest on the forgivable loan was $715 as of June 30, 2023.

Year Ended June 30	Principal	Interest	Total
2024	$ 2,814	$ 4,359	$ 7,173
2025	2,950	4,224	7,174
2026	3,087	4,085	7,172
2027	3,759	3,929	7,688
2028	3,300	3,779	7,079
2029-2033	47,716	13,584	61,300
2034-2038	17,458	6,913	24,371
2039-2043	15,325	2,551	17,876
2044-2048	6,488	270	6,758
2049-2053	—	—	—
2054-2068	4,555	—	4,555
Subtotal	107,452	43,694	151,146
Forgivable loans	5,843	—	5,843
Total Notes Payable	$ 113,295	$ 43,694	156,989
Less: Unamortized debt issuance costs			(1,017)
Total Notes Payable, Net			$ 155,972

Subscription Based Information Technology Arrangements

In fiscal year 2023, SDHC implemented GASB Statement No. 96. SDHC identified nine software arrangements that require recognition under GASB Statement No. 96. These SBITAs are reported as intangible right-to-use capital assets and subscription liabilities. As interest rates implicit in SDHC's subscription arrangements are not readily determinable, SDHC uses the State of California incremental borrowing rates. The terms are calculated to include option periods.

SDHC's SBITAs are with various vendors, with terms ranging from 24 to 60 months, at an interest rate of 2.4%. The annual requirements for subscription liabilities as of June 30, 2023, including interest payments, are as follows:

Year Ending June 30	Principal	Interest
2024	$ 1,268	$ 61
2025	1,047	44
2026	766	22
2027	704	2
Total	$ 3,785	$ 129

For further details on SDHC's long-term liabilities, refer to SDHC's Annual Comprehensive Financial Report at www.sdhc.org.

8. SHORT-TERM LIABILITIES (Dollars In Thousands)

a. Sewer Utility Fund Interim Financing

On December 14, 2022, the City, PFFA, and Wells Fargo Bank, National Association executed an agreement for an interim financing note to provide liquidity for the Sewer Utility Fund's costs related to the first phase of the Pure Water project. The note has a variable interest rate and an amount up to $150,000 payable from net system revenues of the Sewer Utility Fund. Principal and interest payments on this note will be paid in fiscal year 2024 after proceeds of the Pure Water State Revolving Fund loans secured by net system revenues of the Sewer Utility Fund are received. For the fiscal year ended June 30, 2023, the City received and expended $43,400 from Wells Fargo at an initial interest rate of 4.35%.

b. Changes in Short-Term Liabilities

The following is a summary of changes in short-term liabilities for the year ended June 30, 2023:

Type of Obligation	Beginning Balance	Additions	Reductions	Ending Balance
Subordinated Sewer Revenue Note, Series 2022A	$ —	$ 43,400	$ —	$ 43,400

9. JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Dollars in Thousands)

San Diego Geographic Information Source (SanGIS)

SanGIS was created in 1997 as a joint powers agreement between the City and the County. The agreement was amended and restated in 2016 to update its provisions and to reflect the current status of the structure and operations of SanGIS. SanGIS objectives are to create and maintain a geographic information system, to market and license digital geographic data and software, to provide technical services, and to publish geographical and land-related information for the City and County, other public agencies, and the private sector. SanGIS is governed by a Board of Directors consisting of one voting member from the City and one from the County. The Board approves the annual budget and fiscal audit, sets long range plans and strategic goals, and authorizes major project funding. All initiatives and decisions must be approved by a consensus of both members of the Board before being implemented. The SanGIS fiscal year 2023 annual budget of $1,600 was funded primarily by equal contributions from the City and County. In its latest audited report, SanGIS reported a decrease in net position of $30 and an ending net position of $694 for the fiscal year ended June 30, 2022. Complete stand-alone financial statements are available at www.sangis.org.

San Diego Workforce Partnership (SDWP)

In 1974, the City and County jointly formed a Consortium to provide regional employment and training services throughout San Diego County. In 2016, a revised Joint Powers Authority (JPA) agreement was approved to achieve compliance with Workforce Innovation and Opportunity Act federal legislation. The City and County jointly govern the Consortium. The Consortium's Board of Directors consists of two members of the City Council, two members from the County Board of Supervisors, and one member of a charitable organization. The Consortium is empowered to make applications for and receive grants from governmental or private sources. The Board assigned the non-profit San Diego Workforce Partnership, Inc. as the grant recipient and administrative entity to operate the Consortium. To the extent that law mandates any responsibility upon the City and County for debt obligation or liability, the City and the County have agreed to share equally the payment of such an obligation. In its latest audited report, SDWP reported an increase in net position of $1,192 and ending net position of $2,179 for the fiscal year ended June 30, 2022. Complete stand-alone financial statements can be requested from San Diego Workforce Partnership, Inc. 9246 Lightwave Ave., San Diego, CA 92123.

San Dieguito River Valley Regional Open Space Park

The San Dieguito River Valley Regional Open Space Park Joint Powers Authority (JPA) was formed in 1989 by the City and County and the Cities of Del Mar, Escondido, Poway, and Solana Beach to create, preserve and enhance the San Dieguito River Valley Regional Open Space Park for the benefit of the public. In 2015, an amended and restated agreement was executed, continuing the JPA for fifty years. The JPA Board is composed of two elected officials each from the County and the City, one elected official each from the Cities of Del Mar, Escondido, Poway, and Solana Beach, and one public member representing the Citizens Advisory Committee. The JPA's funding is primarily comprised of operating grants, contributions, and agency assessments based on population and jurisdictional area. The JPA's fiscal year 2023 annual budget for agency contributions was $1,175 of which the City's share was $376, or 32%. In its latest audited report for the fiscal year ended June 30, 2022, the JPA reported a decrease in net position of $1,066, a restatement of net position of $120, and an ending net position of $53,160. The debts, liabilities, and obligations of the JPA belong to the JPA, and not the agencies. Upon termination of the agreement or existence of the JPA, real property owned by the JPA will be distributed to the jurisdiction on which the land is located, while remaining assets and liabilities will be divided among the agencies based on the contribution calculation percentages. Complete stand-alone financial statements are available at www.sdrp.org.

San Diego Community Power (SDCP)

In September 2019, an ordinance and resolution were adopted to form SDCP, a California joint powers agency (JPA). As a Community Choice Aggregator, SDCP will pool the electricity needs of its customers and purchase power on their behalf. San Diego Gas & Electric will continue to deliver the electricity through its existing power lines, and will continue to provide meter reading, billing, and line maintenance services to customers. SDCP's Board is comprised of elected representatives from each member jurisdiction, which currently includes the Cities of San Diego, Chula Vista, Encinitas, La Mesa, Imperial Beach, and National City, as well as the County. These jurisdictions may expand if new communities in the surrounding area decide to join

SDCP. The Board is publicly accountable to SDCP ratepayers and hosts monthly Board meetings to establish policy, set rates, determine power options and maintain fiscal oversight. Additional information can be found at www.sdcommunitypower.org.

10. LEASES AND PPPs RECEIVABLE (Dollars in Thousands)

The City is a lessor in various noncancellable leases of land and buildings. During fiscal year 2023, the City recognized $26,793 in lease revenue and $15,693 in lease interest revenue.

The City is also a transferor in four PPPs, including Petco Park, and three Service Concession Arrangements for Belmont Park, Pechanga Arena, and Torrey Pines Pro Shop and Driving Range. As a result of the implementation of GASB Statement No. 94, PPPs Receivable and Deferred Inflows of Resources were each restated by $99,176, with no effect to beginning net position. During fiscal year 2023, the City recognized $3,615 in PPP revenue and $2,032 in PPP interest revenue.

As of June 30, 2023, the City's leases receivable and PPPs receivable balances of $728,618 and $97,453, respectively, were comprised of the following:

Leases Receivable	Interest Rates	Remaining Term	Fiscal Year 2023 Payments Received	Receivable Balance at 6/30/23
Governmental Activities				
Land	0.20% - 2.15%	2 Months - 64 Years	$ 36,352	$ 682,519
Buildings	0.99% - 1.49%	5 Years - 12 Years	1,543	12,543
Total Governmental Activities			37,895	695,062
Business-Type Activities				
Land	0.59% - 2.15%	3 Years - 29 Years	1,929	33,556
Total Leases Receivable			$ 39,824	$ 728,618

PPPs Receivable	Interest Rates	Remaining Term	Fiscal Year 2023 Payments Received	Receivable Balance at 6/30/23
Governmental Activities				
Petco Park	3.66%	20 Years	$ 704	$ 10,110
Service Concession Arrangements:				
Belmont Park [1]	1.73% - 3.75%	47 Years	1,453	79,440
Pechanga Arena	2.23%	1 Year	730	804
Total Governmental Activities			2,887	90,354
Business-Type Activities				
Service Concession Arrangements:				
Torrey Pines Pro Shop and Driving Range	3.28%	9 Years	869	7,099
Total PPPs Receivable			$ 3,756	$ 97,453

[1] Interest rate used for Belmont Park is an implied rate of 1.73%.

The leases and PPPs receivable are expected to be received in subsequent years as follows:

	Leases Receivable				PPPs Receivable			
Year Ending	Governmental Activities		Business-Type Activities		Governmental Activities		Business-Type Activities	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 23,174	$ 14,320	$ 1,279	$ 654	$ 1,170	$ 1,772	$ 649	$ 220
2025	18,781	13,860	1,306	632	546	1,743	670	199
2026	19,199	13,485	1,327	612	536	1,727	692	177
2027	19,622	13,103	1,242	590	590	1,710	715	154
2028	20,005	12,746	1,267	570	641	1,697	738	131
2029-2033	100,659	57,544	6,088	2,514	4,150	8,147	3,635	276
2034-2038	104,596	46,932	5,227	1,961	5,921	7,484	—	—
2039-2043	111,305	35,624	5,139	1,446	8,050	6,609	—	—
2044-2048	115,725	23,597	6,207	848	7,191	5,720	—	—
2049-2053	54,974	14,156	4,474	178	9,151	5,012	—	—
2054-2058	33,637	9,419	—	—	11,882	4,096	—	—
2059-2063	21,217	6,578	—	—	15,111	2,921	—	—
2064-2068	16,311	4,721	—	—	18,915	1,441	—	—
2069-2073	8,203	3,389	—	—	6,500	91	—	—
2074-2078	8,946	2,486	—	—	—	—	—	—
2079-2083	9,950	1,482	—	—	—	—	—	—
2084-2088	8,758	387	—	—	—	—	—	—
Total	$ 695,062	$ 273,829	$ 33,556	$ 10,005	$ 90,354	$ 50,170	$ 7,099	$ 1,157

The City has deferred inflows of resources associated with leases and PPPs that will be recognized as revenue over the remaining contract terms. As of June 30, 2023, the balance of the deferred inflows of resources for leases and PPPs were $723,122 and $95,562, respectively.

Many of the City's leases have variable components, or contract terms that require tenants to pay the greater of either of a monthly minimum rent, or a percentage rent based on revenues generated by the lessee. Percentage rents and other variable payments in excess of the minimum guaranteed rent are not included in the measurement of the lease receivable. During fiscal year 2023, inflows of resources for percentage or variable rents totaled $14,084 and were comprised of the following:

Governmental Activities	
Various land leases with contract terms that require payment of either a monthly minimum rent, or a percentage rent, whichever is greater. Interest rates range from 0.99% to 2.15%, with remaining lease terms ranging from 8 to 64 years.	$ 12,800
One land lease with contract terms requiring payment of a fixed rent amount plus percentage rent, at an interest rate of 1.90%, with a remaining lease term of 24 years.	40
Various leases with contract terms requiring fixed rent amounts with periodic CPI adjustments, at interest rates ranging from 0.20% to 1.90%, with remaining lease terms ranging from 2 to 23 years.	63
Total Governmental Activities	12,903
Business-Type Activities	
Various land leases with contract terms requiring payment of either a monthly minimum rent, or a percentage rent, whichever is greater. Interest rates range from 1.13% to 2.15%, with remaining lease terms ranging from 9 to 32 years.	1,167
Three land leases with contract terms requiring payment of a fixed rent amount, plus percentage rent, at interest rates ranging from 1.23% to 2.15%, with remaining lease term of 10 to 29 years.	14
Total Business-Type Activities	1,181
Total Inflows of Resources	$ 14,084

The City has various aeronautical leasing agreements for land and hangar space at Montgomery-Gibbs Executive Airport and Brown Field Municipal Airport. These qualify as regulated leases and are not included in the measurement of lease receivables, in accordance with the requirements of GASB Statement No. 87. The City recognized $1,020 in lease revenue during fiscal year 2023 for these leases, which have interest rates ranging from 1.23% to 2.15%, and remaining terms ranging from 18 to 38 years. As of June 30, 2023, the minimum payments expected to be received over the remaining lease terms totaled $33,654, as shown in the table below:

Fiscal Year	Expected Minimum Payments
2024	$ 1,020
2025	1,020
2026	1,020
2027	1,020
2028	1,020
2029-2033	5,098
2034-2038	5,098
2039-2043	4,739
2044-2048	3,965
2049-2053	3,965
2054-2058	3,965
2059-2063	1,724
Total	$ 33,654

Discretely Presented Component Unit - San Diego Housing Commission

SDHC, as a lessor, has entered into lease agreements for the use of certain SDHC land and commercial spaces. As an interest rate implicit in SDHC's leases is not readily determinable, SDHC uses the State of California's incremental borrowing rate. As of June 30, 2023, SDHC held the following leases:

	Leases Receivable Current Portion	Leases Receivable Noncurrent Portion	Deferred Inflows	Lease Revenue	Lease Interest Revenue
Commercial leases	$ 837	$ 2,703	$ 3,480	$ 1,006	$ 34
Land Leases:					
Non-Related	657	62,692	61,917	1,094	951
Related Party	286	25,758	25,702	545	395
Total	$ 1,780	$ 91,153	$ 91,099	$ 2,645	$ 1,380

Minimum lease payments receivable are as follows:

Year Ending June 30	Lease Principal	Lease Interest
2024	$ 1,780	$ 1,367
2025	1,819	1,348
2026	1,367	1,330
2027	1,227	1,312
2028	1,269	1,294
2029-2033	6,054	6,283
2034-2038	5,222	5,858
2039-2043	5,627	5,459
2044-2048	6,063	5,030
2049-2112	62,505	20,949
Total	$ 92,933	$ 50,230

For further details on SDHC's Leases Receivable, refer to SDHC's Annual Comprehensive Financial Report at www.sdhc.org.

11. DEFERRED COMPENSATION PLAN (Dollars in Thousands)

The City, SDCCC, and SDHC each offer their employees a deferred compensation plan, created in accordance with Internal Revenue Service Code Section 457, State and Local Government Deferred Compensation Plans. These plans permit eligible employees to defer, pre-tax, a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, disability, or an unforeseeable emergency. All assets and income of the deferred compensation plans are held in trust for the exclusive benefit of plan participants and their beneficiaries.

In accordance with GASB Statement No. 84, *Fiduciary Activities,* the deferred compensation plans are not considered part of the City's financial reporting entity.

12. PENSION PLANS (Dollars in Thousands)

The City has a defined benefit pension plan (Pension Plan), a Preservation of Benefits Plan (POB), which is a single-employer qualified governmental excess benefit arrangement (QEBA), and various defined contribution pension plans covering substantially all of its employees. The following is a summary of balances for the defined benefit plans as of June 30, 2023:

	SDCERS	Preservation of Benefits	Proposition B	Total
Net Pension Liability	$ 2,548,407	$ 13,753	$ —	$ 2,562,160
Proposition B Make-Whole Provision	—	—	119,211	119,211
Deferred Outflows - Pension Related	418,030	1,309	37,500	456,839
Deferred Inflows - Pension Related	78,616	1,460	—	80,076
Pension Expenses	297,599	1,533	—	299,132

UNWINDING OF PROPOSITION B

On June 5, 2012, City of San Diego voters approved Proposition B, a pension reform initiative amending the Charter. While in effect, Proposition B prevented all employees hired on or after July 20, 2012, other than sworn police officers, from participating in the Pension Plan. Instead, those employees were only eligible to participate in a defined contribution plan, Supplemental Pension Savings Plan-H (SPSP-H Plan). In early 2021, the California Superior Court invalidated Proposition B. Since then, the City has struck the Proposition B provisions from the Charter and has conformed the San Diego Municipal Code (Municipal Code) and any related enactments accordingly.

The City also complied with the court ruling requiring that the City meet and confer with the Recognized Employee Organizations (REOs) over the effects of Proposition B and its invalidation, and that the City pay the impacted current and former employees represented by the REOs the difference, plus 7% annual interest (Interest Penalty), between the compensation (including retirement benefits) those employees would have received prior to when Proposition B took effect and the compensation they actually received after Proposition B took effect (Make-Whole Provision). Most Interest Penalty payments to active employees were made in fiscal year 2023, and most Interest Penalty payments to separated employees are expected to be made in fiscal year 2024.

On June 22, 2021, the City Council approved amendments to both the Municipal Code and the SPSP-H Plan so that most employees hired after July 9, 2021 now enter the San Diego City Employees' Retirement System (SDCERS). Subsequently, the City entered into labor agreements with all its REOs except for the San Diego Police Officers Association.

The agreements provide Municipal Employees Association (MEA) and Local 127-represented employees with a one-time, irrevocable option for participants to remain in an amended SPSP-H Plan in lieu of participating in SDCERS, prospectively. Those employees who elect to participate in SDCERS were required to purchase all missed years of service credit for the time they were employed by the City in an eligible standard hour position, but excluded from participation in SDCERS due to Proposition B. The purchases of service credit were accomplished through mandatory transfers of SPSP-H account balances, with the City responsible for any shortfall in funding if the SPSP-H account balances were insufficient to fully purchase the service credit. The Interest Penalty was calculated on an individual basis, then combined as an aggregate amount by REO following inclusion of adjustments to the Make-Whole Provision amounts and was reallocated to all impacted employees based on years of service. The City Council extended the terms of the joint MEA and Local 127 agreement to unclassified, unrepresented employees, with the exception of the Interest Penalty.

Employees represented by Deputy City Attorneys Association (DCAA), Local 911, and Local 145 must participate in SDCERS, prospectively. The agreements do not provide these employees with an option to remain participants in the modified SPSP-H Plan. DCAA, Local 911, and Local 145-represented employees, like MEA and Local 127-represented employees, were required to purchase all missed years of service credit for the time they were employed by the City in an eligible standard hour position, but excluded from participation in SDCERS due to Proposition B. The purchases were accomplished through mandatory transfers of

SPSP-H account balances, with the City responsible for any shortfall in funding. The Interest Penalty for these employees is being calculated and paid on an individual employee basis.

The estimated one-time cost for unwinding Proposition B for current employees is $142.0 million citywide ($80.1 million for the General Fund), which comprises the unfunded liability costs related to Proposition B-affected employees owed to SDCERS (approximately $119.0 million), and the costs to comply with the court-ordered Interest Penalty and the Make-Whole Provision (approximately $22.8 million). While these costs represent the most significant portion of the costs associated with unwinding Proposition B, the final costs will vary based on negotiations with the REOs regarding employees who are eligible to receive benefits under the Make-Whole Provision but have left the City (1,908 individuals).

In Fiscal Year 2023, the City paid, in full, $22.8 million in one-time costs related to the Interest Penalty payments mandated by the court, of which $14.0 million is allocable to the General Fund, as well as $37.5 million in unpaid normal costs associated with fiscal year 2022 and fiscal year 2023, of which $23.1 million is allocable to the General Fund. Costs associated with employees who have separated from the City cannot be reasonably estimated at this time.

In January 2023, the SDCERS Board approved the amortization of the $119.0 million unfunded pension liability for Proposition B-impacted employees over a 20-year period, commencing with the ADC payment due on July 1, 2023. The estimated increase to the ADC resulting from the amortization is approximately $10.8 million per fiscal year ($6.6 million allocable to the General Fund). In addition, fiscal year 2024 normal costs for Proposition B-impacted employees is estimated to be $36.8 million.

DEFINED BENEFIT PLAN

a. <u>Pension Plan Description and Benefits Provided</u>

SDCERS is a public employee retirement system established in fiscal year 1927 by the City, authorized by Article IX of the Charter. SDCERS administers independent, qualified, single employer governmental defined benefit plans and trusts for the City, the San Diego Unified Port District (Port), and the San Diego County Regional Airport Authority (Airport). The assets of the three separate plans and trusts are pooled in the SDCERS Group Trust for investment purposes. These plans are administered by the SDCERS Board of Administration (SDCERS Board) to provide retirement, disability, death and survivor benefits for its members. Amendments to the City's benefit provisions require City Council approval and amendments to retirement benefits require a majority vote by those SDCERS members who are also eligible City employees or retirees. Benefit increases also require a majority vote of the public. All approved benefit changes are codified in the City's Municipal Code.

The plans cover all eligible employees of the City, the Port, and the Airport. All City employees working half time or greater, except those employees who elected to remain in the Defined Contribution Plan after Proposition B was unwound, and full-time employees of the Port and Airport are eligible for membership and are required to join SDCERS. The Port and Airport are not component units of the City; however, the financial statements of the SDCERS Pension Trust do include the Port and Airport activity and are reported in the fiduciary funds section of this report.

The information disclosed in this note relates solely to the City's participation in SDCERS. City employment classes participating in the City's Pension Plan are elected officers, general employees and safety employees (including police, fire and lifeguard members). These classes are represented by various REOs depending on the type and nature of work performed, except for elected officials, unclassified and unrepresented employees.

As a defined benefit plan, retirement benefits are determined under the Pension Plan primarily by a member's class, hire date, age at retirement, number of years of creditable service, and the member's final compensation. The Pension Plan provides annual cost-of-living adjustments not to exceed 2% to retirees, which is factored into the actuarial assumptions. Increases in retirement benefits due to cost-of-living adjustments do not require voter approval.

Final compensation is based upon either the highest salary earned over a consecutive twelve month period, the highest average salary earned over three one-year periods, or the highest salary earned over a consecutive 36 month period, depending on the member's class and hire date. To qualify for a service retirement benefit, the Pension Plan requires ten years of service at age 62 for general members (55 for safety members) or 20 years of service at age 55 for general members

(50 for safety members), which could include certain service purchased or service earned at a reciprocating government entity. Members in the Elected Officers' Retirement Plan require four years of service at age 55 or eight years of service at any age. Sworn police officers hired after July 1, 2013 have a reduction of 3.0% per year if retiring earlier than age 55. Retirement benefits are awarded at various rates, ranging from 1.0% to 3.5% per year of service multiplied by final compensation depending on the member's plan and hire date. The actual percentage of final compensation per year served component of the calculation rises as the employee's retirement age increases, with the exception of some safety employees and all elected officials, and depends on the retirement option selected by the employee. Some safety members also have the option to elect 3.0% per year of service at age 50 and above, not to exceed 90% of final compensation, as part of the formula to calculate their retirement benefits. The maximum percentage of final compensation per year served is 2.8% for general members, 3.0% for safety members and 3.5% for elected officers. Depending on the number of years of service, participants of the Elected Officer's Retirement Pension component of the Pension Plan can retire earlier than the age of 55; however, their retirement allowance is reduced by 2.0% for each year under the age of 55.

At June 30, 2022, the most recent actuarial valuation, the following employees were covered by the benefit terms:

Employees or Beneficiaries Currently Receiving Benefits [1]	11,029
Inactive (Terminated) Employees Entitled to but not yet Receiving Benefits	2,935
Active Employees	5,555
Total	19,519

[1] Includes Disabled, Retired, and DROP participants.

Due to the unwinding of Proposition B as discussed above, a significant number of additional employees elected to join SDCERS. These additional employees will be added into the June 30, 2023 actuarial valuation.

Deferred Retirement Option Plan (DROP)

DROP is a program designed to allow members an alternate method of accruing additional retirement benefits from the Pension Plan while they continue to work for the City. Only members hired before July 1, 2005 are eligible to participate in DROP. A member must be eligible for a service retirement to enter DROP. In addition, the member may only participate in the program up to a maximum of five years. Members of Local 145 are permitted to extend the five year period by the amount of unused annual leave remaining at the end of the member's DROP period earned after July 1, 2002. A DROP participant must agree to end employment with the City on or before the end of the selected DROP participation period. The member's decision to enter DROP is irrevocable.

Upon entering DROP, the participant stops making pension contributions to SDCERS and stops earning service credit. Instead, amounts equivalent to the participant's retirement benefit plus additional DROP contributions are credited to an interest bearing individual account held in the participant's name. Since 2013, the DROP account interest rate calculation is based on the weighted composite of two indices: 75% of the five-year US Treasury Rate, and 25% of the five-year HQC Bond using the 12-month average ending September 30th of the calendar year preceding the adjustment, which becomes effective on January 1 of the following calendar year. Effective January 1, 2023, the DROP interest crediting rate used to value the liability for account balances increased from 0.8% to 2.5% reflect the SDCERS Board's adoption of these rates at the November 2022 meeting.

Purchase of Service Credits

Pension Plan members hired prior to July 1, 2005, are permitted to purchase service credits to be used in determining retirement allowances. Members hired after July 1, 2005, are only permitted to purchase service credits related to certain employee absences such as military leave, long-term disability leave and leave taken under the Family and Medical Leave Act. The cost of purchased service credits is determined by the SDCERS Board consistent with the requirements of the San Diego Municipal Code (SDMC).

Supplemental Cost-of-Living Benefit

On August 5, 2013, the City Council amended the San Diego Municipal Code (SDMC) to provide a method for funding a supplemental cost-of-living benefit (the “Supplemental COLA”) previously given to a closed group of retirees who retired on or before June 30, 1982. SDCERS holds a reserve within the plan assets, and pays Supplemental COLA benefits from this reserve. On a yearly basis, the City cash funds the Supplemental COLA reserve based on an estimate of benefits to be paid during the fiscal year. In fiscal year 2023, the City contributed $1,320 towards the Supplemental COLA reserve and paid approximately $1,321 in benefits. As of June 30, 2023, the City's Supplemental COLA reserve had an unspent balance of $131.

b. Funding Policy and Contribution Rates

Charter Article IX Section 143 requires employees and employers to contribute to the Pension Plan. The Charter section stipulates that funding obligations of the City shall be determined by the SDCERS Board and are not subject to modification by the City. The section also stipulates that under no circumstances may the City and SDCERS Board enter into any multi-year funding agreements that delay full funding of the Pension Plan. The City’s Actuarially Determined Contribution (ADC) is calculated by SDCERS’ actuary and approved by the SDCERS Board. The Charter requires that employer contributions for normal retirement allowances be substantially equal to employee contributions.

Pursuant to the Charter, City employer contribution rates, adjusted for payment at the beginning of the year, are actuarially determined rates and are expressed as a fixed ADC. The administrative component was assumed to be $11.9 million for fiscal year 2024, increasing by 2.5% per year, and included as part of the ADC.

The following table shows the City’s contribution rates (weighted average of each employee group) for fiscal year 2023, based on the June 30, 2021 actuarial valuation, expressed as percentages of expected payroll:

	Employer Contribution Rates	
	Non-Safety Members	Safety Members
Normal Cost [1]	11.92%	17.4%
Amortization Payment [2]	63.58%	63.38%
Administrative Expense [3]	2.35%	2.51%
Normal Cost Adjusted for Amortization Payment [3]	77.85%	83.29%
City Contribution Rates Adjusted for Payment at the Beginning of the Year	75.43%	80.71%

[1] Normal Cost = The actuarial present value of pension plan benefits allocated to the current year actuarial cost method.

[2] Amortization Payment = The portion of the pension plan contribution, which is designed to pay interest on and amortize the unfunded actuarial accrued liability.

[3] Rates assume that contributions are made uniformly during the Plan year.

Members are required to contribute a percentage of their annual salary to the Pension Plan on a biweekly basis. Rates vary according to entry age. For fiscal year 2023, the City employee weighted average contribution rates as a percentage of annual covered payroll were 12.32% for general members and 17.67% for safety members.

In accordance with Chapter 2, Article 4, Division 15 of the SDMC, earnings in excess of the assumed actuarial rate of return are distributed to various SDCERS system reserves and contingent benefits. The order of distribution and a more detailed discussion of each distribution follows: 1) Pension Plan assets are used to credit interest, at a rate determined by the SDCERS Board, which was 6.50% for fiscal year 2023, to the Employer and Employee Contribution Reserves and between 0.8% - 2.5% to the DROP member accounts; and 2) Pension Plan assets are distributed for supplemental or contingent payments or transfers to reserves. These items include in priority order: 1) Annual Supplement Benefit Payment paid to retirees and their continuances, which ranges from $30 to $75 (whole dollars) times the number of years of service credit; and 2) Corbett

Settlement Payment paid to retirees who terminated employment prior to July 1, 2000 (Corbett Settlement payments not paid in any one year accrue and remain an obligation of SDCERS until paid).

In January 2019, the SDCERS Board voted to set minimum annual pension payments of the City's Unfunded Actuarial Liability (UAL). This minimum payment is also referred to as a "floor;" meaning even if the ADC in a given year is less than the floor, the floor amount must still be paid for that year. The ADC for fiscal year 2024 will be $400,500, based on the June 30, 2022 actuarial valuation. The floor payment for the City was set at $275,495, representing the UAL component of the fiscal year 2024 ADC, and will remain at that level until the system is 100% funded or there is a vote of the SDCERS Board to change it. The floor amount was established based on the June 30, 2018 actuarial valuation and the calculated fiscal year 2020 payment to SDCERS. The SDCERS Board also voted to prospectively limit the long-term impacts of changes to the assumed rate of return (i.e., the discount rate), retirement rates, life expectancy and other assumptions to a 20-year period from the previous 30-year period. Experience gains and losses will continue to be amortized over a 15-year period.

c. <u>Net Pension Liability</u>

The City has relied on the work of the SDCERS actuary (actuary) to determine the City's NPL, and considers the underlying assumptions used by the actuary to be reasonable. The NPL is measured as of June 30, 2022, based on the plan net position as of June 30, 2022 and the Total Pension Liability as of the valuation date, June 30, 2021, updated to June 30, 2022. As of the measurement date June 30, 2022, the NPL increased by $523,722 since the prior measurement date, primarily due to the return on investments being approximately $760,000 less than expected. The service cost and interest cost increased the NPL by approximately $862,487, while contributions less the investment loss and administrative expenses decreased the NPL by approximately $346,986. There were actuarial liability experience losses during the year which increased the NPL by approximately $8,221.

A summary of the key assumptions as of the June 30, 2021 actuarial valuation, and the economic experience study is shown below:

Description	Actuarial Assumption
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Funding Method	Entry Age Normal (EAN)
Amortization Method	Closed Periods; Level % (Police), Level $ (non-Police)
Annual Rate of Return on Investments [1]	6.50% net of investment expense
Inflation Rate	3.05% per year, compounded annually
Cost of Living Adjustment	1.9% per year, compounded annually
Projected Salary Increases due to Inflation [2]	3.05%
Mortality	Healthy retired members use Society of Actuaries Tables (SOA); Disabled use CalPERS for General and SOA for Safety

[1] Represents nominal rate of return on investments (includes inflation factor).

[2] Additional merit salary increases of 0.75% to 10.00% based on a participant's years of service, and membership group are also assumed.

The SDCERS Board has the authority to select economic and demographic assumptions for the Plan. The assumptions used in this report reflect the results of an experience study performed by the actuary covering the period July 1, 2015 through June 30, 2019 and adopted by the SDCERS Board in July 2020.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, permits the use of the assumed annual rate of return on investments (6.50%) as the discount rate to measure the projected benefit payments used to calculate the NPL, without regard to the funding level of the pension system, if (i) the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (ii) pension plan assets are expected to be invested using a strategy to achieve that return. In determining whether condition (i) is satisfied, the actuary can incorporate all projected cash flows for contributions from the City and from current active employees.

To determine the Pension Plan's projected fiduciary net position, the actuary has assumed that employees will continue to contribute to SDCERS at the current rates and that the City will continue its historical practice (since 2006) of contributing to SDCERS based on an actuarially determined contribution. Accordingly, the City has calculated its NPL using a discount rate of 6.50%.

d. Long-Term Expected Real Rate of Return

The target allocation and the best estimates for long-term expected real rates of return for each major asset class of the Pension Plan, as of the June 30, 2022 measurement date, are summarized in the table on the following page:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	19.0 %	4.9%
International Equity	12.0 %	5.5%
Global Equity	8.0 %	5.3%
Domestic Fixed Income	22.0 %	1.0%
Return-Seeking Fixed Income	5.0 %	4.4%
Real Estate	11.0 %	3.2%
Private Equity and Infrastructure	13.0 %	7.5%
Opportunity Fund	10.0 %	4.6%
Total	100.0 %	

Source: SDCERS ACFR Fiscal Year 2022

Expected return estimates for equity and fixed income were developed using a geometric (long-term compounded) building block approach: 1) expected returns are based on observable information in the equity and fixed income markets and consensus estimates for major economic and capital market inputs, such as earnings and inflation, and 2) where necessary, judgment-based modifications are made to these inputs. Return assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment from SDCERS' general investment consultant specialist research teams.

e. Changes in the Net Pension Liability

Pursuant to GASB Statement No. 68, the following table shows the changes in NPL based on the actuarial information provided to the City:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2021	$ 11,470,390	$ 9,445,705	$ 2,024,685
Changes for the Year:			
Service Cost	132,557	—	132,557
Interest	729,930	—	729,930
Differences Between Expected and Actual Experience	8,221	—	8,221
Contributions - Employer	—	418,924	(418,924)
Contributions - Employee	—	77,518	(77,518)
Net Investment Income	—	(137,053)	137,053
Benefit Payments, Including Refunds of Employee Contributions	(621,631)	(621,631)	—
Administrative Expense	—	(12,403)	12,403
Net Changes	249,077	(274,645)	523,722
Balances at June 30, 2022	$ 11,719,467	$ 9,171,060	$ 2,548,407

The required schedule of changes in the NPL and related ratios immediately following the notes to the financial statements presents the beginning and ending balances of the total pension liability, the plan net position available for pension benefits, and the NPL, as well as the itemized changes in those amounts during the fiscal year. The schedule also reports a ratio of plan fiduciary net position divided by the total pension liability, the payroll amount for current employees in the plan (covered payroll), and a ratio of the NPL divided by covered payroll. Nine years of information is presented and will build to 10 years of information on a prospective basis.

The required schedule of employer contributions immediately following the notes to the financial statements presents the City's actuarially determined contribution to the Pension Plan, the City's actual contribution, the difference between the actual and actuarially determined contributions, and a ratio of actual contributions divided by covered payroll.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - Pursuant to GASB Statement No. 68, the following table presents the NPL of the City, calculated using the discount rate of 6.50% as well as what it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Total Pension Liability	$ 13,160,683	$ 11,719,467	$ 10,537,990
Plan Fiduciary Net Position	9,171,060	9,171,060	9,171,060
Net Pension Liability	$ 3,989,623	$ 2,548,407	$ 1,366,930

Pension Plan Fiduciary Net Position - Detailed information about the Pension Plan's Fiduciary Net Position is available in the separately issued SDCERS financial reports available at www.sdcers.org.

f. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

Pursuant to GASB Statement No. 68 as defined, for the measurement period ended June 30, 2022, the City recognized pension expense of $297,599. As of the measurement period June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	$ 425,560	$ —
Differences Between Expected and Actual Experience	29,970	—
Net Difference Between Projected and Actual Earnings on Pension Plan Assets	—	78,616
Total	$ 455,530	$ 78,616

Pursuant to GASB Statement No. 68, $425,560 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date of June 30, 2022 will be recognized as a reduction of the NPL in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense in subsequent fiscal years as follows:

Fiscal Year Ending June 30	Amount
2024	$ (12,457)
2025	(44,857)
2026	(143,395)
2027	152,063

g. Preservation of Benefits Plan

The POB Plan is a single-employer qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of promised pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). As provided in SDMC Section 24.1606 and required by federal tax law, the POB Plan is unfunded within the meaning of the federal tax laws. The City may not pre-fund the POB Plan to cover future liabilities beyond the current year as it can with an IRC section 401(a) pension plan. Because the POB Plan is not administered through trusts that meet the criteria specified in GASB Statement No. 68, it is reported pursuant to requirements of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement No 67 and 68*, which extends the approach to accounting and financial reporting established in GASB Statement No. 68 to pension plans that are not similarly administered. SDCERS facilitates the payment of these benefits on a pay-as-you-go basis, which is funded by the City. The number of participants in any given year for the POB Plan is determined by the number of Pension Plan participants who exceed the current year's section 415(b) limitations as calculated by SDCERS' actuary. The maximum annual participant payment from a defined benefit plan for calendar year 2023 was $265.

Preservation of Benefits Plan Total Pension Liability

The City's POB Plan pension cost, prepared by the SDCERS actuary for June 30, 2023, is based on the June 30, 2022 measurement date, a valuation date of June 30, 2021, and updated to June 30, 2022. The Total Pension Liability is the actuarial liability calculated under the entry age actuarial cost method.

A summary of the updated actuarial assumptions as of the June 30, 2021 actuarial valuation and economic experience study is shown below:

Description	Actuarial Assumption
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Funding Method	Entry Age Actuarial Cost
Amortization Method	Closed Period; Level % (Police), Level $ (non-Police)
Inflation Rate	3.05% per year, compounded annually
Cost of Living Adjustment	1.9% per year, compounded: Active and Deferred Vested
	2.0% per year, compounded: Members in Payment Status
Projected Salary Increases due to Inflation [1]	3.05%
Mortality	Healthy retired members use Society of Actuaries Mortality Tables (SOA); Disabled use CalPERS for General and SOA for Safety

[1] Additional merit salary increases of 0.75% to 10.00% based on a participant's years of service, and membership group are also assumed.

GASB Statement No. 73 allows for a discount rate of a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The Municipal Bond yield for the Bond Buyer 20 year GO index was 2.16% as of the measurement date of June 30, 2021, and 3.54% as of June 30, 2022.

Changes in the Total Pension Liability

Pursuant to GASB Statement No. 73, the following table shows the changes in the total pension liability for POB based on the actuarial information provided to the City.

	Total Pension Liability
Balances at June 30, 2021	$ 17,544
Changes for the Year:	
Service Cost	206
Interest	366
Differences Between Expected and Actual Experience	(622)
Changes in assumptions	(2,299)
Benefit Payments	(1,442)
Net Changes	(3,791)
Balances at June 30, 2022	$ 13,753

The required schedule of changes in the total pension liability immediately following the notes to the financial statements presents the beginning and ending balances of the total pension liability as well as the itemized changes in those amounts during the fiscal year. The schedule also reports the payroll amount for current employees in the plan (covered payroll), and a ratio of the NPL divided by covered payroll. Seven years of information is presented and will build to 10 years of information on a prospective basis.

Sensitivity of the Total Pension Liability to Changes in the Discount Rate - Pursuant to GASB Statement No. 73, the following table presents the NPL of the City, calculated using the discount rate of 3.54%, as well as what it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.54)%	Discount Rate (3.54)%	1% Increase (4.54)%
Total Pension Liability	$ 15,342	$ 13,753	$ 12,485

Pension Expense and Deferred Outflows/Inflows of Resources Related to POB

Pursuant to GASB Statement No. 73, for the measurement period ended June 30, 2022, the City recognized pension expense of $1,533. As of the measurement period June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
POB Contributions Subsequent to Measurement Date	$ 974	$ —
Differences Between Expected and Actual Experience	292	311
Changes in assumptions	43	1,149
Total	$ 1,309	$ 1,460

Pursuant to GASB Statement No. 73, $974 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date of June 30, 2022, will be recognized as a reduction of the total pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense in subsequent fiscal years as follows:

Fiscal Year Ending June 30	Amount
2024	$ (1,125)

DEFINED CONTRIBUTION PLANS

a. Supplemental Pension Savings Plan - City

Pursuant to the City's withdrawal from the Federal Social Security System effective January 8, 1982, the City established the Supplemental Pension Savings Plan (SPSP). Pursuant to the Federal Government's mandate of a Social Security Medicare tax for all employees not covered by Social Security hired on or after April 1, 1986, the City established the Supplemental Pension Savings Plan-Medicare (SPSP-M). The SPSP and SPSP-M were merged into a single plan (SPSP) on November 12, 2004 for administrative simplification, without a change in benefits. Pursuant to the requirements of the Omnibus Budget Reconciliation Act of 1990 (OBRA-90) requiring employee coverage under a retirement system in lieu of coverage under the Federal Insurance Contributions Act (FICA) effective July 1, 1991, the City Council established the Supplemental Pension Savings Plan-Hourly (SPSP-H). These supplemental plans are defined contribution plans administered by Principal to provide pension benefits for eligible employees. The City Council can amend any provisions of the plans that are not part of any employee's vested retirement benefit. If the City amends any non-legally mandated provisions, it must first comply with procedural requirements, including collective bargaining under the Meyers-Milias-Brown Act and for the SPSP plan, after approval by a simple majority vote of all active members. There are no plan members who belong to an entity other than the City. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings, less investment losses. The City's general members, lifeguard members and elected officers participate in the plan. Eligible employees may participate from the date of employment; however, the SPSP plan was closed to general and lifeguard members hired on or after July 1, 2009 and January 1, 2011, respectively. The following table details plan participation as of June 30, 2023:

Plan	Participants
SPSP	4,609
SPSP-H	7,297

The SPSP requires that both the employee and the City contribute an amount equal to 3% of the employee's total salary each pay period. Participants in the plan hired before July 1, 1986, may voluntarily contribute up to an additional 4.5% and participants hired on or after July 1, 1986, may voluntarily contribute up to an additional 3.05% of total salary, with the City matching each. Hourly employees contribute 3.75% on a mandatory basis, which is matched by City contributions except for employees represented by the MEA and the California Teamsters Local 911. The City contribution for these employees is 6%. Under the SPSP, the City's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service at a rate of 20% for each year of service. Hourly employees are immediately 100% vested. The unvested portion of City contributions and interest forfeited by employees who leave employment before five years of service are used to reduce the City's SPSP cost.

401(a) Plan Under Proposition B - Proposition B amended the Charter to provide all new City employees initially hired on or after July 20, 2012, except sworn police officers, with a 401(a) plan that is administered along with SPSP but with different contribution rates, vesting periods and employer match. Non-public safety employees contribute an amount equal to 9.2% of salary, and firefighters, lifeguards, and police recruits contribute 11% of salary (including overtime) on a mandatory basis. The City matches all such contributions and contributions are fully vested immediately upon employment. Police recruits participate in SDCERS upon acceptance of full-time police employment. Due to ongoing litigation regarding Proposition B, the City has not established a new plan for eligible employees. Instead, the City has contributed funds to SPSP-H, an existing 401(a) plan, for eligible employees in accordance with the SPSP-H plan provisions. As part of the unwinding of Proposition B, most employees currently enrolled in this plan are expected to join SDCERS instead. The City will continue to contribute funds for those employees who elect to stay in the defined contribution plan through the SPSP-H (see Unwinding of

Proposition B section for additional information). In fiscal year 2023, the City and the covered employees contributed $21,474 and $21,669, respectively, including contributions made under the 401(a) Plan under Proposition B. As of June 30, 2023, the plan fiduciary net position totaled $903,829.

b. <u>401(a) Plan - City</u>

The City Council established a 401(a) Plan for all General Member employees hired on or after July 1, 2009, and before July 20, 2012, as well as those hired on or after July 20, 2012 who elected to join SDCERS after the reversal of Proposition B. The 401(a) Plan is a defined contribution plan administered by Principal to provide pension benefits for eligible employees. In May 2021, the administration of the City's SPSP, SPSP-H, 401a and 401k plans transitioned from Wells Fargo to Principal. Employees are eligible to participate from the date of employment and are immediately 100% vested. Employees contribute 1% on a mandatory basis, which is matched by City contributions. Additionally, employees can make voluntary contributions to their 401(a) Plan accounts through payroll deductions not to exceed IRS limits. Voluntary contributions to the plan are not matched by the City. The City Council can amend any provisions of the plan that are not part of any employee's vested retirement benefit. However, if the City amends any non-vested provisions, it must first comply with procedural requirements, including collective bargaining under the Meyers-Milias-Brown Act.

The City and employees contributed $3,355 and $4,045, respectively, during the fiscal year ended June 30, 2023. As of June 30, 2023, the plan fiduciary net position totaled $42,735.

c. <u>401(k) Plan - City</u>

The City Council established a 401(k) Plan effective July 1, 1985. The 401(k) Plan is a defined contribution plan administered by Principal to provide retirement benefits for eligible employees. Employees are eligible to participate from the date of employment. Employees make contributions to their 401(k) Plan accounts through payroll deductions. The City Council can amend any provisions of the plan that are not part of any employee's vested retirement benefit. However, if the City amends any non-vested provisions, it must first comply with procedural requirements, including collective bargaining under the Meyers-Milias-Brown Act.

The employees' 401(k) contributions are based on IRS calendar year limits. Employees contributed $42,961 during the fiscal year ended June 30, 2023. There is no City contribution towards the 401(k) Plan. As of June 30, 2023, the plan fiduciary net position totaled $576,233.

Narratives presented in the following sections (d. through e.) are taken directly from the fiscal year 2023 annual financial reports of the corresponding entity (certain terms have been modified to conform to the City's ACFR presentation).

d. <u>Pension Plan - San Diego Convention Center Corporation</u>

The San Diego Convention Center Corporation's Money Purchase Pension Plan (SDCCC Plan) is a governmental plan under section 414(d) of the Internal Revenue Code, which was established effective January 1, 1986, by SDCCC's Board of Directors. The SDCCC Plan is administered by SDCCC through a Defined Contribution Committee, represented by the SDCCC Board and staff, who act by a majority of its members in office to carry out the general administration of the SDCCC Plan. Any recommended SDCCC Plan amendments are subject to the approval and adoption by SDCCC's Board of Directors. As part of the SDCCC Plan, SDCCC through Board action selected Wells Fargo & Company as Trustee, to hold and administer the SDCCC Plan assets subject to the terms of the SDCCC Plan. The SDCCC Plan is a qualified defined contribution plan and, as such, benefits depend on amounts contributed to the SDCCC Plan plus investment earnings less allowable plan expenses. The SDCCC Plan covers all employees who have completed at least 1,000 hours of service in one year and are not covered through a union retirement plan.

Full-time employees are eligible to participate in the SDCCC Plan on the first day of the month after completing 1,000 hours of service and receive contributions on a bi-weekly basis thereafter. Part-time employees not covered through a union retirement planer are eligible to participate in the SDCCC Plan after completion of 1,000 hours and receive contributions annually once they meet the 1,000 hours threshold requirement each year. For each SDCCC Plan year, SDCCC contributes 10% of compensation paid after the employee becomes an eligible participant, which is transferred to the trustee on behalf of each qualifying individual.

SDCCC's Plan year is defined as a calendar year. The balance in the SDCCC Plan for each eligible employee is vested gradually over five years of continuing service, with an eligible employee becoming fully vested after five years. Forfeitures and SDCCC Plan expenses are allocated in accordance with SDCCC Plan provisions. For the year ended June 30, 2023, pension expense amounted to $1,287, with no employee contributions made to the SDCCC Plan. Included in pension expense were forfeitures in the amount of $139. SDCCC records pension expense during the fiscal year based upon employee compensation that is included in qualified gross compensation.

The City does not act in a trustee or agency capacity for the SDCCC Plan; therefore, the SDCCC Plan is not reported within the City's basic financial statements.

e. Pension Plan - San Diego Housing Commission

SDHC provides a deferred compensation plan (SDHC Plan) which is a defined contribution plan as permitted under Section 457 of the Internal Revenue Code (IRC). The SDHC Plan intended to be a "governmental plan" as defined by Sections 411(s)(1)(A) and 414(d) of the IRC and Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The SDHC Plan is available to all permanent and temporary non-benefited employees of the SDHC who have completed one hour of service (qualified employees) and it permits qualified employees to defer a portion of their salary until future years.

SDHC is required to contribute 3.75% of defined earnings for each temporary non-benefited employee and 1% of defined earnings for each permanent employee. SDHC also contributes a 100% matching contribution of elective deferrals up to a maximum of 1.5% for each permanent employee. All contributions by SDHC and the qualified employees are fully vested at the time of contribution. For the fiscal year ended June 30, 2023, SDHC's covered payroll was $35,647. Deferred compensation expense related to SDHC's required contribution was $809 and plan members contributed $2,710 for the fiscal year ended June 30, 2023.

At June 30, 2023, there were 826 employees in the plan, including: 18 inactives receiving benefits, 372 inactives not yet receiving benefits and 427 active participants, inclusive of 9 participants with a zero ending balance.

Participants in the deferred compensation plan generally may borrow up to 50% of their vested account balance, subject to certain restrictions. These participant loans bear a reasonable interest rate, which is determined at the time the loan is advanced. Participants are entitled to their deferred compensation upon termination, retirement, death, disability or an unforeseeable emergency.

In fiscal year 2021, SDHC adopted several provisions of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). This allowed eligible individuals to receive coronavirus-related distributions, increase available loan amounts, extend the period for loan repayments, suspend required minimum distributions, and delay the commencement date for required minimum distributions.

Great-West Life & Annuity Insurance Company (Great-West) is the third party trustee of the deferred compensation plan and Retirement Benefits Group is the third party fiduciary. All assets and income of the deferred compensation plan are held in trust by a third party for the exclusive benefit of the participants and their beneficiaries, and per federal law, are not available to SDHC or its creditors. As a result, the plan's assets are not included in SDHC's basic financial statements. The plan assets, however, are included in the Fiduciary Fund basic financial statements. The assets held by the plan had a market value of $28,642 at June 30, 2023. The plan is audited by an outside firm, and a copy of the audit can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, CA 92101.

The City does not act in a trustee or agency capacity for the SDHC pension plan; therefore, these assets are not reported within the City's basic financial statements.

13. OTHER POSTEMPLOYMENT BENEFITS (Dollars in Thousands)

The City provides postemployment healthcare benefits, also known as other postemployment benefits (OPEB), to qualifying general, safety and elected members through a variety of defined benefit and defined contribution plans. OPEB benefits are established pursuant to the SDMC. Plan determination is based on several factors including hire date, termination date and individual employee election as provided for in SDMC Sections 24.1201 through 24.1204 and 29.0101 through 29.0105 (OPEB Plan).

In fiscal year 2012, the City entered into a 15-year memorandum of understanding with the REOs through fiscal year 2027 (Healthcare MOU). Pursuant to the Healthcare MOU, members retiring after April 1, 2012 were required to make an irrevocable election between three retiree healthcare benefit plan options, Options A, B, and C. Options A and B are defined benefit plans and Option C is a defined contribution plan. A significant group of participants elected Option C, substantially reducing the City's OPEB Plan's unfunded actuarially accrued liability in fiscal year 2012. Beginning in fiscal year 2015, the terms of the Healthcare MOU could be renegotiated by either the City or the employees' collective bargaining units, subject to a six-vote approval by the City Council. Any modification of the Healthcare MOU would apply only to active employees and not to retirees or those who have already had the Option C defined contribution plan funded by the City.

The City's defined benefit plans and the Option C defined contribution plan are closed to employees hired on or after July 1, 2005. For general members hired on or after July 1, 2009, the City established a new defined contribution plan through a trust vehicle (Retiree Medical Trust Plan).

As of the June 30, 2022 actuarial valuation, the following table shows the active and retired employee composition of the defined benefit OPEB Plan:

Inactive Employees or Beneficiaries Currently Receiving Benefits [1]	5,843
Inactive (Terminated) Employees Entitled to but not yet Receiving Benefits	165
Active Employees	212
Total	6,220

[1] Inactive employees include Disabled, Retired, and DROP participants.

The City has pre-funded future postemployment healthcare benefits for defined benefit plan costs through the California Employers' Retiree Benefit Trust (CERBT), an investment trust administered by the California Public Employees' Retirement System (CalPERS). The CERBT is an agent multiple-employer plan as defined by GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* with pooled administrative and investment functions. The purpose of the trust is to receive contributions from participating employers and establish separate employer prefunding accounts to pay for retiree healthcare benefits in accordance with the terms of the participating employer's plans, including the City's defined benefit plans. Contributions to the CERBT are voluntarily determined by each participating employer, and there are no long-term contracts for contributions to the CERBT. CalPERS issues a publicly available ACFR that includes financial statements and required supplementary information for the CERBT, which can be found online at www.calpers.ca.gov. The City's OPEB Plan does not issue a separate annual financial report.

DEFINED BENEFIT PLANS

a. Plan Description

Pursuant to the SDMC, SDCERS processes health insurance premium payments and healthcare reimbursement requests pertaining to the City's retiree healthcare defined benefit plans for eligible retirees. This activity and related balances are reported in the SDCERS basic financial statements as a custodial fund. Postemployment healthcare benefits for members retiring from City employment are based on their health eligibility status. Members receiving defined retiree healthcare benefits can be categorized into four main groups as described below:

I. Limited Retiree Health Benefit - Members who retired before October 6, 1980 and are eligible to receive a retirement allowance from SDCERS are entitled to be reimbursed up to $1,200[1] per year for health insurance costs. The retired members are not reimbursed more than the actual health premium or medical costs he or she incurs. This amount does not increase.

II. Plan for members who retired between 1980 and 2012 - Members who retired between October 6, 1980 and March 31, 2012 require 10 years of service with the City to receive 50% of the retiree health reimbursement allowance and receive an additional 5% per year of service in excess of 10 years, resulting in a maximum benefit of 100% at 20 years of service. Reimbursement allowances vary based on retirement date and Medicare eligibility. Medicare eligible retirees under this plan are entitled to receive reimbursement of healthcare premiums, ranging from approximately $8,366[1] to $16,669[1] per year. Retirees who are not eligible for Medicare are entitled to receive reimbursement of healthcare premiums, ranging from approximately $8,884[1] to $17,701[1] per year. Retirees under this plan can obtain 4health insurance coverage with the plan of their choice, including any City sponsored, REO sponsored, or privately secured health plan. Reimbursements for certain retirees under this plan are adjusted annually based upon the projected increase for National Health Expenditures by the Centers for Medicare and Medicaid Services (Annual Inflator). Annual adjustments may not exceed 10% for any plan year. In addition, 100% of Medicare Part B premiums are reimbursed, including income related increases to the standard Part B premium amount. Disabled retirees are eligible for the maximum allowance regardless of years of eligible service credit.

III. Option A Plan - Members not retired by April 1, 2012 who elected Option A under the Healthcare MOU are paid or reimbursed for health insurance premiums by the City up to $10,829[1] annually. Option A was available only to those members who had 25 years of service or were eligible to retire as of April 1, 2012. This benefit amount increases 2% per year. Employees under the Option A Plan are required to pay bi-weekly contributions annually totaling $835[1] for General Members and $877[1] for Safety Members while active or in DROP status in order to receive retiree medical benefits. Employee contribution amounts do not change and cannot be refunded.

IV. Option B Plan - Members not retired by April 1, 2012 who elected Option B under the Healthcare MOU are paid or reimbursed for health insurance premiums by the City up to $5,500[1] annually. The benefit amount for Option B does not change. Option B retirees with 10 years of service receive 50% of the retiree health reimbursement allowance and receive an additional 5% per year of service in excess of 10 years, resulting in a maximum benefit of 100% at 20 years of service. Employees under the Option B Plan are required to pay bi-weekly contributions annually totaling $417[1] for General Members and $443[1] for Safety Members while active or in DROP status in order to receive retiree medical benefits. Employee contribution amounts do not change and cannot be refunded.

[1] Reported as whole dollars.

b. Contributions and Reserves

In accordance with SDMC Section 24.1204, postemployment healthcare benefits are to be paid directly by the City from any source available to it other than the Pension Plan. Each year, the City establishes a retiree healthcare employer contribution amount through the annual budgetary process (Annual Employer Contribution), allocating these costs to various City funds based on employee payroll. Member contributions for the Option A and Option B Plans are collected by the City and deposited in the Postemployment Healthcare Benefit Plan trust fund. Member contributions are not refundable and are used by the City to cover a portion of the City's defined benefit plan costs.

Other than the amounts pre-funded through the CERBT, the City pays for retiree healthcare costs on a pay-as-you-go basis. If the Annual Employer Contribution and employee contributions for the Option A and B Plans do not fully cover the annual costs of the defined benefit plans and Option C Plan, the City withdraws funds from the CERBT to cover the difference.

In fiscal year 2023, the City's Annual Employer Contribution was $63,324. The following table provides the fiscal year 2023 contribution breakdown by fund:

General Fund	$	47,916
Nonmajor Governmental Funds		555
Sewer Utility		4,098
Water Utility		3,903
Nonmajor Enterprise Funds		5,045
Internal Service Funds		1,807
Total Healthcare MOU Contributions	$	63,324

Contributions from the various City funds are recorded in the Postemployment Healthcare Benefit Plan trust fund to pay for defined benefit plan costs or in the General Fund to pay for Option C plan costs (Retiree Medical Trust Plan contributions are funded separately). In fiscal year 2023, employees contributed $186 for Options A and B.

As of June 30, 2023, the fair value of the City's investments in the CERBT was approximately $126,227. This balance is net of all plan activity during fiscal year 2023, including net annual investment earnings and administrative expenses amounting to approximately $4,478 and $104, respectively.

The following table summarizes the sources used to satisfy fiscal year 2023 pay-as-you-go costs of the defined benefit plans, including a portion of the Annual Employer Contribution, Option A and B contributions from employees and a withdrawal from the CERBT:

Annual Employer Contribution [1]	$	37,855
Employee Contributions - Options A&B		186
CERBT Withdrawal		—
Total Defined Benefit Pay-as-you-go Costs [2]	$	38,041

[1] The remaining $25,469 of the total $63,324 Annual Employer Contribution is used for Option C Plan costs, which is a defined contribution plan.

[2] Includes administrative costs of $919.

c. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2022, based on the following actuarial methods and assumptions:

Description	June 30, 2022 Valuation Date
Actuarial Cost Method	Entry Age Normal, Level Percent of Pay
Discount Rate	6.28%
Consumer Price Index	2.50%
Salary Increases	3.05%, and additional merit scale that varies by service.
Healthcare Cost Trend Rates	7.5% pre-65 and 6.5% post-65 initial trend rates for fiscal year 2023. Decreasing until ultimate rate of 4.5% is reached in fiscal year 2035 for pre-65 and post-65.
Mortality	The base mortality rates are based on the Society of Actuaries Pub-2010 Mortality Rates Table, except for Safety Retires which adjusts the Pub-2010 Mortality Rates Table by 90% for males and no adjustment for females and for General Disabled Retirees, which is based on CalPERS Industrial-Related Disability Retirees Mortality Table CalPERS Mortality Tables from a 2017 experience study.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the City and plan members through June 30, 2022. Additionally, actuarial calculations reflect a long-term perspective and include methods and assumptions that are designed to reduce short-term volatility of actuarial accrued liabilities and the relative value of plan assets. The City has relied on the work of the City's actuary to determine the City's net OPEB Liability, and considers the underlying assumptions used by the actuary to be reasonable.

To determine the OPEB Plan's projected net position, the City's actuary has assumed that the City will continue to contribute to the OPEB Plan at the current rates defined in the Healthcare MOU until additional funding for the defined benefits valued in the actuarial report is no longer needed. At this point the projected City contribution will be reduced to the projected contribution required for Option C participants.

d. Long-Term Expected Rate of Return

The valuation uses a discount rate of 6.28% per year, net of investment expenses and including inflation. This is the long-term rate of return assumption on plan assets. This rate is based on the general inflation rate and expected real rate of return required for CalPERS reporting for use by employers who elect certain investment strategies as participants in CERBT. The target allocation and best estimates for long-term expected real rates of return for each major asset class, as of the June 30, 2022 measurement date, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Real Rate of Return
Public Equity	40.0 %	4.5%
Fixed Income	43.0 %	1.4%
REITs	8.0 %	3.70%
TIPS	5.0 %	0.5%
Commodities	4.0 %	1.1%
Total	100.0 %	

Source: CalPERS

e. <u>Changes in the Net OPEB Liability</u>

The following table shows the changes in the Net OPEB Liability as of the measurement date of June 30, 2022, based on the actuarial information provided to the City. The OPEB Plan's Net Position (NP) as a percentage of the Total OPEB Liability is 23.19%.

	Increase/Decrease		
	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021	$ 571,244	$ 141,525	$ 429,719
Changes for the Year:			
Service Cost	449	—	449
Interest	35,191	—	35,191
Differences between Expected and Actual Experience	4,381	—	4,381
Changes in Assumptions	(46,552)	—	(46,552)
Contributions - Employer	—	37,000	(37,000)
Contributions - Employee	—	228	(228)
Net Investment Income	—	(17,710)	17,710
Benefit Payments	(39,091)	(39,091)	—
Administrative Expense	—	(36)	36
Net Changes	(45,622)	(19,609)	(26,013)
Balances at June 30, 2022	$ 525,622	$ 121,916	$ 403,706

The assumptions, methods, and plan provisions used were the same as those in the City of San Diego's Postretirement Health Plan Actuarial Valuation Report for reporting under GASB Statement No.75 for fiscal year ending June 30, 2022, dated June 17, 2022, except for the following:

- The census data used was updated with information available as of June 30, 2022. This increased the Total OPEB Liability (TOL) by $6.5M.
- The per capita claims costs were updated to reflect enrollment information and premiums effective for the calendar year ending in 2023. This lowered the TOL by $69M.
- Health care cost trend rates were updated to be more in line with recent healthcare trend survey assumptions. This increased the TOL by $17.9M.
- The long-term expected rate of return and discount rate was lowered from 6.37% to 6.28%. This change was based on the CERBT Investment Policy effective October 1, 2022, applied to the City's expected cash flows and contributions to calculate a single equivalent rate of return. This increased the TOL by $4.5M.
- The TOL decreased by $5.6M due to the passage of time from the previous valuation date to the current date.

The TOL decreased from June 30, 2021 to June 30, 2022 by $45.6M.

The required schedule of changes in the net OPEB liability and related ratios immediately following the notes to the financial statements presents the beginning and ending balances of the total OPEB liability, the plan net position available for OPEB benefits, and the net OPEB liability, as well as the itemized changes in those amounts during the fiscal year. The schedule also reports a ratio of plan net position as a percentage of the total OPEB liability, the payroll amount for current employees in the plan (covered-employee payroll), and a ratio of the net OPEB liability as a percentage of the covered-employee payroll. Six years of information is presented and will build to 10 years of information on a prospective basis. The required schedule of employer contributions immediately following the notes to the financial statements presents the City's actuarially determined contribution to the OPEB Plan, the City's actual contribution, the difference between the actual and actuarially determined contributions, and a ratio of actual contributions as a percentage of covered-employee payroll. Nine years of information is presented and will build to 10 years of information on a prospective basis.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - Pursuant to GASB 75, the following table presents the net OPEB liability of the City, calculated using the current discount rate of 6.28% as well as what it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Net OPEB Liability	$ 458,291	$ 403,706	$ 357,271

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Pursuant to GASB 75, the following table presents the net OPEB liability of the City, calculated using the current health care cost trend rate of 7.5% as well as what it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
	(6.5% pre-65 / 5.5% post-65 decreasing to 3.50% pre-65 / post-65)	(7.5% pre-65 / 6.5% post-65 decreasing to 4.50% pre-65 / post-65)	8.5% pre-65 / 7.5% post-65 decreasing to 5.50% pre-65 / post-65)
Net OPEB Liability	$ 362,104	$ 403,706	$ 447,806

f. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the measurement period ended June 30, 2022, the City recognized OPEB expense of $(13,443). As of the measurement period June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	$ 37,855	$ —
Net Difference Between Projected and Actual Investment Earnings	11,943	—
Total	$ 49,798	$ —

Pursuant to GASB 75, $37,855 reported as deferred outflows of resources related to OPEB contributions made subsequent to the measurement date of June 30, 2022, will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2024. Other amounts reported as deferred inflows of resources will be recognized as OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2024	$ 2,204
2025	2,321
2026	2,074
2027	5,344

DEFINED CONTRIBUTION PLAN

The City provides three defined contribution plans to eligible employees as described below:

a. Option C Plan - For employees hired prior to July 1, 2005 and who elected to participate in the Option C Plan, the City provides a lump sum distribution, estimated by an actuary to yield approximately $8,500 (whole dollars) annually during the member's life expectancy after retirement. The distribution is made when the member first becomes eligible to retire, based on age and Service Credit. There is no member contribution to this plan. Retirees with 10 years of service receive 50% of the distribution, with additional City annual contributions each year thereafter until reaching 20 years. Contributions to the Option C Plan are reported in the General Fund, along with a liability for amounts to be remitted to plan administrators. Option C is administered by various third parties depending on employee classification and/or membership in the REOs. Total City contributions for the Option C Plan in fiscal year 2023 were $25,469.

b. Retiree Medical Trust Plan - For general members hired on or after July 1, 2009, the City established a trust vehicle for a defined contribution plan, which requires a mandatory employee contribution of 0.25% of gross salary with a corresponding 0.25% match by the City. Contributions to the Retiree Medical Trust Plan are reported in the General Fund, along with a liability for amounts to be remitted to plan administrators. The Retiree Medical Trust Plan is administered by Voya Financial on behalf of the City. Elected and safety members are ineligible for this plan. The City and employees each contributed $981 to the Retiree Medical Trust Plan in fiscal year 2023.

c. Southern California Firefighters Benefit Trust - The City and International Association of Firefighters ("IAFF") Local 145 agreed to amend the Post-Employment Health Benefits MOU for the purpose of adding a City contribution of $25 per pay period for each active IAFF Local 145 member (except Fire Recruits) to the Southern California Firefighters Benefit Trust ("Firefighters Benefit Trust"), effective July 1, 2016. The Firefighters Benefit Trust is not managed by the City. The City contributed $635 to the Firefighters Benefit Trust in Fiscal Year 2023.

14. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Dollars in Thousands)

Short-term loans between funds that are expected to be repaid during the next fiscal year, as well as amounts due for services provided are reported as Receivables: From Other Funds and Due To Other Funds. The $27,857 balance is composed of several items, including:

- Loans of $161 and $8,438 from the General Fund to the Commercial Paper Capital Projects Fund and the Debt Funded CIP Capital Projects Fund, respectively, to cover negative cash related to capital project expenditures prior to commercial paper reimbursement.

- A loan of $19,214 from the Road Maintenance and Rehabilitation Fund to the Capital Grants Fund to cover negative cash resulting from deferred inflows of resources (unavailable grant revenue).

	Benefiting Fund (Payable)
Contributing Fund (Receivable)	Nonmajor Governmental
General Fund	$ 27,857

The SANDAG TransNet Commercial Paper Program is in place in order to ensure necessary cash flows to support the West Mission Bay Drive Bridge construction project until grant reimbursements are received from the Caltrans Highway Bridge Program (HBP) . The HBP grant is only reimbursable up to $20 million per year, therefore TransNet commercial paper will be loaned on a recurring basis. The balance of the interfund loan between the TransNet Capital Projects Fund and the Capital Grants Fund as of June 30, 2023, was $26,167.

	Benefiting Fund (Payable)
Contributing Fund (Receivable)	Nonmajor Governmental
Nonmajor Governmental	$ 26,167

Interfund transfers result from the transfer of assets without the expectation of repayment. Transfers are most commonly used to (1) move revenues from the fund in which it is legally required to collect them into the fund which is legally required to expend them, including TOT and TransNet funds collected in said funds but legally spent within the General Fund, (2) utilize unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, in accordance with budgetary authorizations, and (3) move tax revenues collected in the special revenue funds to capital projects and debt service funds to pay for capital projects and debt service needs during the fiscal year. Interfund transfer balances for the year ended June 30, 2023 were as follows:

	Benefiting Fund					
Contributing Fund	General Fund	Nonmajor Governmental	Water Utility	Nonmajor Enterprise	Internal Service	Total
General Fund	$ —	$ 107,804	$ —	$ —	$ 407	$ 108,211
Nonmajor Governmental	41,664	36,643	—	2,655	13,737	94,699
Sewer Utility	—	—	3	—	1,680	1,683
Water Utility	—	—	—	—	320	320
Nonmajor Enterprise	—	—	—	834	—	834
Total	$ 41,664	$ 144,447	$ 3	$ 3,489	$ 16,144	$ 205,747

15. RISK MANAGEMENT (Dollars in Thousands)

The City is exposed to various risks of loss related to torts, including theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, cybersecurity, and natural disasters. The City is self-insured for general liability, workers' compensation and long-term disability (LTD) claims, and maintains contracts with various insurance companies to manage its risks.

The City's Self Insured Retention (SIR) amount for general liability is $5,000 per occurrence. The City maintains excess general liability insurance policies in collaboration with a statewide joint powers authority risk pool, Public Risk Innovation, Solutions, and Management or "PRISM", for amounts up to $50,000 per occurrence (inclusive of the $5,000 self-insured retention).

The City is self-insured up to $5,000 for its workers' compensation program with statutory excess limits above that. All operating funds of the City contribute an amount equal to a specified rate multiplied by the gross salaries of the fund. These payments are treated as operating expenses in the contributing funds and operating revenues in the General Fund. The City is fully self-insured for its long-term disability program. The Long-Term Disability Fund is reported in the Miscellaneous Internal Service Fund. Similar to workers' compensation, all operating departments of the City contribute an amount equal to a specified rate multiplied by the gross salaries of the fund. These payments are treated as operating expenses in the contributing funds and operating revenues in the Miscellaneous Internal Service Fund.

Estimated liabilities for general liability, workers' compensation, and long-term disability as of June 30, 2023, were determined based on results of independent actuarial valuations and include amounts for claims incurred but not reported. Claims liabilities were calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Non-incremental claims adjustment expenses have been included in the actuarial calculations for general liability. Estimated liabilities for general liability claims have been reported in the government-wide financial statements, Sewer Utility Fund, Water Utility Fund, and the Successor Agency Private-Purpose Trust Fund. Estimated liabilities for workers' compensation claims have been recorded in the government-wide financial statements, the Water Utility Fund, Sewer Utility Fund, Nonmajor Enterprise Funds, and Internal Service Funds. Estimated liabilities for long-term disability claims are recorded in the Miscellaneous Internal Service Fund.

A reconciliation of total liability claims for the City's general liability, workers' compensation, and long-term disability obligations, showing current and prior year activity is presented below:

	General Liability	Workers' Compensation & Long-Term Disability	Total
Balance, July 1, 2021	$ 233,761	$ 301,214	$ 534,975
Claims and Changes in Estimates	118,880	49,353	168,233
Claim Payments	(58,842)	(40,149)	(98,991)
Balance, June 30, 2022	293,799	310,418	604,217
Claims and Changes in Estimates	39,908	63,632	103,540
Claim Payments	(35,360)	(45,146)	(80,506)
Balance, June 30, 2023	$ 298,347	$ 328,904	$ 627,251

The City, in collaboration with PRISM, maintains an "All Risk" property policy, which includes flood coverage, for amounts up to $25,000 per occurrence under the primary policy and with access to additional excess limits. The policy is subject to a $50 deductible. Additional excess limits are available as part of the City's insurance property program through PRISM, where coverage "towers" with designated coverage limits are provided. Coverage towers are groups of properties, which are diversified based on occupancy (risk-pool members) and geographical location. The City participates in four coverage towers with dedicated coverage limits of $600,000 for "All Risk" and Flood. If tower limits are exhausted, additional coverage may be accessible by any of the towers in the risk-pool. These additional coverage limits are shared by all towers in the risk-pool and may not exceed an aggregate amount of $600,000 for "All Risk" for all claims made by all towers during the coverage period. Limits include coverage for business interruption losses for designated leased properties for various financings. There is no sharing of limits among the City and member counties of the PRISM pool, unless the City and member counties are mutually subject to losses from the same occurrence. Limits and coverage may be adjusted periodically in response to the requirements of bond financed projects, grant requirements, acquisitions, and in response to changes in the insurance marketplace.

PRISM's insurance property program structure of dedicated tower limits also applies to earthquake coverage. The City participates in four coverage towers. Earthquake coverage is provided for designated buildings/structures in the amount of $100,000 under primary policies per tower. If tower limits are exhausted, additional coverage may be accessible by any of the towers in the risk pool. The additional coverage limits are shared by all towers in the risk-pool and may not exceed an aggregate amount of $465,000 for all claims made by all towers during the coverage period, including coverage for business interruption caused by earthquake at certain designated locations. Earthquake coverage is subject to a deductible of 2% of total insured values per unit per occurrence, subject to a $100 minimum. The City's earthquake coverage is purchased jointly and limits are shared with the member counties in the PRISM pool. Due to the potential for geographically concentrated earthquake losses, the PRISM pool is geographically diverse to minimize any potential sharing of coverage in the case of an individual earthquake occurrence. Depending upon the availability and affordability of earthquake insurance, the City may elect not to purchase such coverage in the future, or the City may elect to increase the deductible or reduce the coverage from present levels.

The City is a public agency subject to liability for the dishonest and negligent acts or omissions of its officers and employees acting within the scope of their duty ("employee dishonesty" and "faithful performance"). The City participates in the joint purchase of insurance covering employee dishonesty and faithful performance through the PRISM pool. Coverage is provided in the amount of $10,000 per occurrence, subject to a $25 deductible.

The City's insurance portfolio includes premises liability (bodily injury, third party property damage) under its Airport Liability Policy which provides $50,000 in limits. A separate Aircraft Policy provides $50,000 in property and liability coverage for City owned and chartered aircraft.

The City relies on electronic information and security liability coverage through its purchase of a Cyber Liability Policy with limits of $12,000 and an aggregate of $50,000.

Lastly, property and liability insurance limits in the amount of $5,000 are provided under the City's Watercraft policy.

During fiscal year 2023, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements which were covered by insurance have not exceeded the City's insurance coverage limits. However, some losses may not be covered by insurance and would need to be funded by the City. The City can give no assurance that particular losses will be covered or that coverage providers will be able to pay recorded losses.

See Note 18 for additional information.

16. FUND BALANCE / NET POSITION DEFICITS (Dollars in Thousands)

The Capital Grants Capital Projects Fund has a fund balance deficit of $38,459, which represents deferred inflows of resources related to grant revenue which did not meet the City's availability criteria. The deficit is mainly attributable to the Mission Bay Bridge Replacement Project, funded primarily from a federal transportation grant, and the Balboa Park Botanical Building and International Cottages Projects which are partially funded from state grants. The deficits for these projects will be corrected as reimbursements are received from the federal and state grants.

The implementations of GASB Statement No. 68 and GASB Statement No. 75 resulted in significant impacts to the net position of most proprietary funds. The Development Services Fund has a net position deficit of $51,087. The Central Stores and Publishing Services Internal Service Funds have net position deficits of $2,632 and $2,608, respectively. The Miscellaneous Internal Service Fund has a net position deficit of $6,443. These deficits are primarily due to the NPL and Net OPEB Liability expected to be repaid over the long-term. Generally, the NPL changes annually as the City continues to fully pay its ADC for the Pension Plan, which includes amortized payments of the unfunded portion of the accrued liability (see Note 12). Similarly, the City continues to pay the annual defined benefit OPEB allocation per the authorized agreement (see Note 13). The cost recovery rates for these funds are developed to fully fund the respective Pension ADC and OPEB obligations on a yearly basis. As the City continues to fully pay its ADC for the pension plan, the net position deficits of these funds are anticipated to be corrected over the long-term.

The Private-Purpose Trust Fund (Successor Agency) has a net position deficit of $259,747, which represents unfunded liabilities of the former RDA, primarily related to long-term debt obligations. On an annual basis, the Successor Agency submits funding requests to the County, through Recognized Obligation Payment Schedules (ROPS). Funding is then allocated to the Successor Agency from the County's RPTTF to satisfy obligations of the corresponding twelve month period. As obligations are funded twice annually and liabilities are paid, the net position deficit will continue to decrease. Once all the obligations of the Successor Agency are fully satisfied, the deficit will be corrected.

17. COMMITMENTS (Dollars in Thousands)

Encumbrances

The City uses encumbrances to control expenditures for the year which generate contractual and regulatory commitments that will result in expenses/expenditures in future years. Encumbrances represent commitments related to contracts not fully performed and purchase orders not yet filled. It is the City's policy to pay for operating encumbrances remaining at the end of the fiscal year from the following year's appropriations, not from fund balance. Encumbrances related to capital projects are funded through the current year appropriated budget, which carries over to the following fiscal year. Operating and capital contractual commitments for which funds have been encumbered as of June 30, 2023, are reflected in the table below.

General Fund	$ 57,415
Nonmajor Governmental Funds	333,860
Sewer Utility	344,613
Water Utility	413,847
Nonmajor Enterprise Funds	30,755
Internal Service Funds	134,643
Total Contractual Commitments	$ 1,315,133

California Regional Water Quality Control Board Administrative Proceeding - Municipal Stormwater Permit

The State Water Resources Control Board (SWRCB) is the State agency charged with implementing the federal Clean Water Act (Clean Water Act). The SWRCB delegates its authority to nine regional boards, which implement the Clean Water Act and the California Water Code in their respective regions. The Regional Water Quality Control Board San Diego Region (RWQCB) has jurisdiction over the San Diego area. The RWQCB issues the Municipal Storm Water National Pollutant Discharge Elimination System Permit (Municipal Permit) as required by the Clean Water Act. The City is currently operating under a Municipal Permit that was issued in May 2013, which expired in June 2018. The expired Municipal Permit will remain in effect until it is reissued and adopted by the RWQCB, which is anticipated in late 2024.

Under the Municipal Permit, the City must comply with water quality requirements established by the RWQCB by maintaining and operating storm drain systems, eliminating dry weather flows, and reducing pollutants in stormwater runoff. Additionally, the Municipal Permit requires the City to develop Water Quality Improvement Plans (Improvement Plans) to identify and address the highest priority water quality problems, including all of the City's existing stormwater quality regulatory deadlines between fiscal year 2012 and fiscal year 2035 for each of the six watersheds within the City's jurisdiction. These Improvement Plans were reviewed and accepted by the RWQCB in March 2016. Furthermore, the Municipal Permit imposes numerous obligations and requirements on the City, including requirements to ensure that the City's various water bodies, and the storm drains discharging into them, do not contain pollutants in excess of USEPA and State-mandated numeric limits. These numeric limits, referred to as "receiving water limitations" are enforced without regard to fault, and the City can be held liable if samples collected in water bodies downstream of any City storm drain outfalls exhibit exceedances of these receiving water limitations. Additionally, the Municipal Permit contains several regulatory requirements related to Total Maximum Daily Load (TMDL). Each TMDL requirement contains both interim deadlines and final deadlines to attain certain prescribed water quality standards through fiscal year 2035. The City can be held liable for not attaining the prescribed water quality standards within the respective time frames. Both the RWQCB and citizen stakeholders can file enforcement actions and lawsuits for violations, with penalties for state lawsuits not to exceed $10 per violation, per day, and penalties for federal lawsuits not to exceed $54 per violation, per day.

Additionally, in June 2017, the RWQCB adopted Order No. R9-2017-0077 which directs Municipal Permit holders to control trash discharges to water bodies (State Trash Policy). The State Trash Policy will be included in the next Municipal Permit reissuance. The estimated funding needed to comply ranges from a combined total of $6,000 to $7,000 over 10 years and is detailed in a trash capture device work plan that began implementation in 2020 and is expected to continue through 2030. Most of these compliance activities represent pollution prevention or control obligations with respect to current stormwater operations and are not subject to accrual in the basic financial statements.

In October 2023, the City updated its estimate for compliance implementation costs for the period between fiscal years 2024-2035 as follows:

Operating Cost Estimate	$	2,374,367
Capital Cost Estimate		2,677,674
Total [1]	$	5,052,041

[1] Total includes State Trash Policy cost estimate.

The above amounts represent the City's aggregate estimate to comply with stormwater regulations through fiscal year 2035. In addition, the City has costs associated with operations and maintenance of drainage infrastructure, and capital costs for flood risk management projects. The current compliance costs estimated at $5,052,041 over the next 12 fiscal years reflect unfunded costs from previous fiscal years, updated compliance costs to account for current regulations, and cost refinements based on 2023 dollars for CIP and 2024 dollars for operating costs including future inflation growth. The operating compliance costs budgeted in the General Fund for fiscal year 2024 are $49,752. These operating costs are projected to gradually increase over the next five fiscal years, with operating costs estimated to reach up to $189,100 by fiscal year 2029.

A portion of the capital costs reflected in the table above are expected to be funded by a recently awarded Water Infrastructure Finance and Innovation Act (WIFIA) loan. The loan and required match total $733,000 to fund the Stormwater CIP Program. EPA will finance 49% of this loan, with the City providing a 51% match. The WIFIA loan and required match are expected to fund Stormwater capital costs of the next 5 years. The City's match is expected to be funded with a combination of grants and other financing proceeds from lease revenue bonds or State Resolving Loan funds. The City has not yet developed a funding plan to cover capital costs beyond those funded by the WIFIA loan and City match. These additional capital costs could potentially be financed over the expected useful life of the related assets. However, absent any other dedicated funding source, debt service for repayment of the WIFIA loan and any City issued debt would likely need to be paid by the General Fund.

The fiscal year 2024-2035 cost estimates could be higher or lower depending on changes in regulatory standards, science and technology advancements, and new impairments that could be identified by the RWQCB as future water quality tests are conducted. It should be noted that this note focuses on costs associated with regulatory compliance over the compliance period (2035). The Stormwater Department Funding Strategy presented to Council in February 2022 uses a longer timeframe (2041) to develop a total compliance cost beyond the permit regulatory comments discussed in this document.

As noted above, the Stormwater Department's estimated costs to implement the Improvement Plans are projected to increase annually and are higher compared to current spending levels. The City's storm drain fee of 95 cents per month per residence generated approximately $5,368 in fiscal year 2023 and covers only a small portion of the City's annual stormwater expenses. This current level of funding is not sufficient to meet the estimated costs to implement the Improvement Plans necessary to comply with ongoing requirements. To address this, in 2019 the City began the development of a stormwater funding strategy to identify a sustainable long-term funding mechanism for the Stormwater Program. The final funding strategy update was presented to Council in February 2022. The recommended funding strategy implementation includes the following four principal factors:

1) Further reduce costs and maximize efficiencies:
   Cost reductions can be achieved in several ways, including reducing or eliminating sources of pollution, utilizing adaptive management, and optimizing operation and maintenance efforts.

2) Continue to invest in stormwater program innovation:
   Since 2018, Stormwater Department staff have invested in integrated engineering plans that identify and prioritize projects that provide flood management, water quality, habitat revitalization, equity, community benefits, and potential water supply benefits. By planning for and strategically assessing projects through a multi-purpose lens, the City can maximize the benefits and impact of each project and realize cost savings by achieving multiple objectives.

3) Maximize existing funding sources, grants and loans:
   Several funding options were analyzed including those within the department's authority, those subject to City discretion, and those outside of City control such as grants and loans at both the State and Federal level.

4) Pursue development of dedicated funding mechanism for stormwater:
   Under a scenario where the Stormwater Program maintains current funding levels, realizes annual cost savings from programmatic efficiencies, and maximizes all other potential existing funding options, a significant funding gap still exists, underscoring the need for a dedicated long-term funding source. Evaluation and benchmarking of various funding mechanisms showed that most successful post-Proposition 218 funding measures were either property-related fees or special taxes that require a vote of property owners or the public.

The City is evaluating multiple potential funding and financing mechanisms as it continues to develop and refine its Long-Term Stormwater Funding Strategy. As previously mentioned, the Stormwater Department's final funding strategy update was presented to Council in February 2022. As of the writing of this report, no decision has been made on a potential tax or fee ballot measure.

Los Peñasquitos Lagoon Sedimentation TMDL

The City is listed as a responsible party for the Los Peñasquitos Lagoon Sediment TMDL which was adopted by the State of California in July 2014 and included requirements for sediment reductions in the Los Peñasquitos Watershed and the establishment of 84 acres of new salt marsh habitat in the Los Peñasquitos Lagoon by July 2034. The City met the requirements for the most recent interim regulatory deadline related to this TMDL in 2020. There is no measurable pollution remediation that can be identified. The City has initiated Phase I of this required restoration, which involves sediment and freshwater management, as well as a pilot salt marsh restoration component that will result in at least 23 acres of restoration. Phase I is estimated to be completed in 2029. The estimated cost for Phase I ranges from approximately $50,000 to $80,000, which is subject to change based on updated information and actual construction bids, and will be borne by the responsible parties named in this TMDL, which are: the City; County of San Diego; City of Del Mar; City of Poway, and Caltrans. A cost sharing agreement was agreed upon and finalized at the end of fiscal year 2021 by all responsible parties except for Caltrans, which will fund its portion of costs through a separate cost sharing agreement with the City beginning at the start of project construction. Based on this cost share agreement, the City is responsible for approximately 77.89% of the total project costs. The City is currently in discussions with the other responsible parties to ensure their continued participation in the cost share agreement given recent increases to the project cost. Phase II of the restoration will be designed based on the results of various restoration techniques implemented during Phase I and will result in the restoration of the remaining acres required; however, any estimated costs cannot be reasonably determined at this time pending the development of the final concept design for Phase II.

California Department of Public Health Compliance Order

In 1997, the State of California Department of Public Health issued a Compliance Order requiring the City to correct operational deficiencies and begin necessary capital improvements related to the City's water system. The Compliance Order was last amended in May 2007 and included additional items that were not in the original Compliance Order. As amended, the Compliance Order will remain in effect until the projects and pipeline replacement requirements are completed.

The Public Utilities Department continues to award the remaining water system projects to fulfil the final requirements of the Compliance Order. For fiscal years 2024 through 2028, the City estimates Compliance Order project costs to total approximately $38,715. The Public Utilities Department expects to fund these commitments through a combination of existing net position, present and future system revenues, and financing proceeds secured by system revenues.

Modified Permit for the Point Loma Wastewater Treatment and Pure Water San Diego Program

In June 2010, the City received a renewal of the Modified Permit for the Point Loma Wastewater Treatment Plant (Pt. Loma) and agreed to identify opportunities to maximize recycling wastewater for potable and non-potable uses. That permit expired in July 2015 and was administratively continued while the regulatory agencies completed work on the renewal application. In August 2017, the USEPA, in conjunction with the RWQCB, issued the final approval renewing the Modified Permit and the waiver from secondary treatment standards for another five years. The permit term took effect on October 1, 2017 and expires on September 30, 2022. The City submitted its renewal application on March 24, 2022, 180 days prior to the expiration of the current permit, which is jointly issued by the U.S. EPA and the San Diego Regional Water Quality Control Board. On September 27, 2022, the modified permit was administratively extended by the U.S. EPA. Administrative extension of National Pollutant Discharge Elimination System (NDPES) permits by the State of California are automatic prior to adoption of a subsequent permit.

The modified permit renewal was based on compliance with the Clean Water Act requirements, progress of the Pure Water San Diego Program (Program), and a reduction in permitted emissions from the previous permit level. The Program is designed to reduce discharge into the ocean from Pt. Loma while providing a new local source of potable water for the City. The renewal recognized the value of the Program in the early phases of implementation, and it is anticipated that Program continuance can be reflected in future permits. As of June 2023, the first phase of the Program is estimated to cost approximately $1,562,626, of which approximately $656,235 will be allocated to the Sewer Utility Fund, and approximately $906,391 will be allocated to the Water Utility Fund. This estimate does not include the facilities relocation costs described in the section below. The City is preparing to begin work on the Phase 2 demonstration facility at the Point Loma Wastewater Treatment Plant, which is expected to cost approximately $57,000. This facility will be used to provide regulators data on the effectiveness of the City's proposed treatment process prior to the start of the larger Phase 2 project. This is a required step due to Phase 2 utilizing a different sewer service area than the Phase 1 Pure Water facility.

On, March 22, 2023, the Ocean Pollution Reduction Act II (H.R. 1720), which proposes modifying the permitting requirements for discharge of pollutants from Pt. Loma was introduced into the 118th U.S. Congress. The Bill contains required milestones in line with projected reductions in both the treated discharges from the Pt. Loma Wastewater Treatment Plant and the production of potable water expected with Phase 1 and Phase 2 of the Pure Water Program. No timeline for consideration by Congress is available at this time.

San Diego Gas and Electric Reservation of Rights Agreement (Agreement)

In June 2018, SDG&E informed the City that it was stopping all design work on utility relocations for the Pure Water Program, pending advance payment for such work from the City. SDG&E argued that it was not responsible for the costs of relocating any of its facilities under its electric or natural gas franchise agreements with the City, on the basis that such work was proprietary and not governmental. The City Attorney's Office responded to SDG&E, expressing the City's strong disagreement with SDG&E's position based on the plain language in those franchise agreements, which the City believes requires SDG&E to relocate its facilities located in the public right-of-way at its own expense when necessary to accommodate City water projects, including the Pure Water Program.

In January 2019, to avoid project delays, the City and SDG&E entered into an Agreement in which the Public Utilities Department made an advance payment of approximately $35,600 to SDG&E for facilities relocation, financially recorded as a prepaid expense. SDG&E calculated an overall, preliminary cost estimate of approximately $94,700, as of August 2018, of which the City has not performed an independent confirmation. Since 2019 the City and SDG&E have worked to minimize construction conflicts that may require relocations, in an effort to reduce relocation costs. The parties acknowledge the cost estimate may increase or decrease depending on project design changes or other factors, including a mandated Internal Revenue Code Cost in Aide of Construction Tax of approximately 24% that would increase the preliminary cost estimate. SDG&E relocation work will be billed on an actual cost basis. The City maintains its position that SDG&E should bear the costs of its facilities relocations from the public right-of-way for all City water projects and reserves the right to seek reimbursement from SDG&E through all legal means available. All payments made by the City for work performed are made under protest. The City and SDG&E entered into a second Reservation of Rights Agreement in July 2020 whereby $1,389 was redirected from the Pure Water Agreement into the Montezuma PPL/Mid City Pipeline Phase 2 Project (Montezuma Project), which will include construction of a new pipeline from the Alvarado Water Treatment Plant to the 69th and Mohawk pump station.

The City filed a lawsuit against SDG&E on January 15, 2020 seeking a court declaration that SDG&E is responsible for the cost to relocate SDG&E facilities that conflict with pipeline alignments, and the lawsuit also seeks reimbursement of the $35,600 that the City paid to SDG&E. SDG&E filed its answer on February 21, 2020 denying liability. The City filed a second lawsuit related to the Montezuma Project on October 27, 2020. On November 28, 2022, the court issued an order granting SDG&E's motion for summary judgment and denying the City's motion for summary judgment. The court ruled that the Manual of Administrative Practices applies to the dispute, that the City's provision of water is a proprietary activity, and that the City is responsible for the cost of relocating SDG&E infrastructure in conflict with the alignment of City pipelines. The City has appealed.

In early 2020, the City and SDG&E determined that the City will be required to pay SDG&E the cost of relocating a 10" gas line near the Pure Water Facility, which was not in the public right of way, estimated at $18,000. This amount will reduce the $35,700 the City is seeking to recover in its lawsuit against SDG&E.

As of September 2023, SDG&E estimates that its relocation costs for the Pure Water Program (Including the 10" gas line near the Pure Water Facility) will be $43,692, which is a decrease from the estimate of September 2022 of $58,588. The City submitted its opening brief to the appellate court on October 9, 2023.

Senate Bill (SB) 1383 State Regulatory Compliance

In September 2016, Governor Brown signed into law SB 1383 (Lara, Chapter 395, Statutes of 2016), establishing methane emissions reduction targets in a statewide effort to reduce emissions of short-lived climate pollutants (SLCP) in various sectors of California's economy. The new law codifies the California Air Resources Board's Short-lived Climate Pollutant Reduction Strategy to achieve reductions in the statewide emissions of short-lived climate pollutants. As it pertains to the City, SB 1383 establishes targets to achieve a 50 percent reduction in the level of the statewide disposal of organic waste from the 2014 level by 2020 and a 75 percent reduction by 2025. The City adopted an ordinance which took effect on June 8, 2022. To date, the City has implemented the following:

- Expanded organics collection citywide, including amendments to the Franchise Hauler Agreements
- Adopted an enforcement mechanism
- Established an edible food recovery program
- Procurement of recovered organic waste products
- Tracking and reporting of metrics to California's Department of Resources Recycling and Recovery
- Conducted education and outreach
- Development of organic waste processing capacity

The City has a preliminary estimate for fiscal years 2023 through 2026, of $120,000 in General Fund expenditures for regulatory compliance, as well as anticipated ongoing operational costs of approximately $20,000 per year starting in fiscal year 2027. The Fiscal Year 2023 Adopted Budget includes a total of $17,400 across various funds to support the implementation of SB 1383. This funding is used to implement the regulation by increasing staffing, acquiring collection vehicles, and procuring additional containers. The consequence of non-compliance is up to $10 per violation, per day, and the legislation does not provide for the mitigation of penalties for "good faith efforts" to comply.

On November 8, 2022, San Diego voters approved Measure B which amends the Municipal Code to provide the City the option to recover City costs for solid waste management services. The adopted measure did not impose any fees, but will give the City Council the discretion to levy a fee for solid waste services. Any fee levied would be prohibited from exceeding the cost to provide the service in accordance with Proposition 218. Savings to the General Fund are anticipated to begin in fiscal year 2026 upon implementation of a fee structure (subject to required approvals).

18. CONTINGENCIES (Dollars in Thousands)

FEDERAL AND STATE GRANTS

The City recognizes as revenue grant monies received as reimbursement for costs incurred related to certain Federal and State programs it administers. Although the City's Federal grant programs are audited in accordance with the requirements of the Federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and the related U.S. Office of Management and Budget 2 CFR 200 Uniform Guidance as applicable based on the date of the award, these programs may be subject to financial and compliance audits by the granting agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. At the time of issuance of the 2023 ACFR, the Single Audit for fiscal year 2023 is in process.

LITIGATION AND REGULATORY ACTIONS

The City is a defendant in lawsuits pertaining to material matters, including claims asserted, which are incidental to performing routine governmental and other functions. This litigation includes, but is not limited to: actions commenced and claims asserted against the City arising out of alleged torts; alleged breaches of contracts; alleged violations of law; and condemnation proceedings. The City received 3,732 notices of claims in fiscal year 2023.

As of June 30, 2023, the City estimates the amount of tort and non-tort liabilities to be $298,347, which has been reported in the government-wide statement of net position, the proprietary funds financial statements, and the fiduciary funds financial statements. The liability was actuarially determined and was supplemented by information provided by the City Attorney with respect to certain large individual claims and proceedings. The liability recorded is the City’s best estimate based on information available as of the issuance of this report. The City Attorney also estimates that in the event of an adverse ruling, certain pending lawsuits and claims have a reasonable possibility of resulting in an additional liability, in the aggregate, ranging from $0 to $222,329. However, the potential liabilities related to these claims are not individually accrued because it is not probable that a loss has been incurred as of June 30, 2023.

Additional information on litigation regarding the Pension Plan can be found in the introductory section of Note 12.

POLLUTION REMEDIATION OBLIGATIONS

A pollution remediation obligation is an obligation to address the current or potential detrimental effects of existing pollution by participating in remediation activities. The following items are contingent matters concerning the City.

Boat Channel at Naval Training Center (NTC)

The old Naval Training Center (NTC) was closed and, with the exception of the Boat Channel, the property was conveyed to the City under the Base Realignment and Closure (BRAC) process that culminated in a Memorandum of Agreement (MOA) between the City and the U.S. government (Navy) in 2000. NTC was redeveloped as Liberty Station by the Corky McMillin Companies. The transfer of the NTC Boat Channel was excluded from the conveyance because the City and Navy agreed it was contaminated. The MOA requires the Navy to remediate the Boat Channel and obtain appropriate regulatory site closure prior to conveyance. In 2018, the Navy completed a limited clean-up of the Boat Channel and obtained a No Further Comment letter from the RWQCB for the limited clean-up. The City has been identified as a potentially responsible party for the contamination in the Boat Channel (and therefore potentially responsible for a portion of the remediation costs), which the City disputes. The City cannot estimate its apportioned responsibility for remediation costs, if any, at this time.

In addition, the City believes that the Navy's clean-up of the Boat Channel is deficient for a number of reasons including, but not limited to, (i) the original site investigation and characterization were inadequate, (ii) the remediation did not address the entirety of the Boat Channel property, and (iii) the remediation did not clean up the Boat Channel to current regulatory standards. Despite the City's repeated objections to the Navy and the RWQCB regarding the deficient clean-up, the Navy has proceeded with the final Finding of Suitability to Transfer (FOST) letter. The City is currently involved in litigation with the Navy on this matter, and continues to object to accepting the Boat Channel in its current condition. The City cannot estimate costs related to any potential property transfer, if any, at this time.

San Diego Bay's Laurel Hawthorn Central and East Embayment Sediment Investigative Order R9-2019-040

On July 25, 2018, the RWQCB released three draft Investigative Orders (IOs) for the assessment of the Laurel Hawthorne Embayment (LHE). The City was named on one of the three IOs as a responsible party to determine the extent and magnitude of sediment contamination in LHE at the terminus of the City's 84-inch outfall. On October 2, 2019, the RWQCB issued the final IO requiring the City to submit a Sediment Assessment Work Plan (SAWP) to assess the extent and magnitude of pollutants in sediments caused by discharges from the City's 84-inch storm drain outfall. Additionally, the RWQCB issued two separate, and complimentary IOs to adjacent San Diego Unified Port District tenants, Solar Turbines and General Dynamics. The City's revised SAWP was submitted on February 3, 2021 and approved on February 18, 2021. The waterside monitoring occurred in August 2021. The City submitted the Draft Sediment Chemistry Assessment Report to the RWQCB on October 28, 2022 and is currently waiting for final comments from the RWQCB. It is anticipated that clean up and abatement orders will be received for this site within a couple of years of the submission of the Sediment Assessment Report. Remediation costs cannot be estimated until the investigation is completed and the RWQCB compares the results from the three investigations to determine responsibility and cleanup levels are negotiated with and ultimately ordered by the RWQCB. In addition, the responsible parties will then need to negotiate the allocation of cleanup responsibilities.

San Diego Bay Adjacent to Tenth Avenue Marine Terminal Draft Sediment Investigative Order R9-2022-0040 and San Diego Bay Adjacent to Continental Maritime Draft Sediment Investigative Order R9-2022-0041

On August 4, 2017, the RWQCB issued the final IO requiring the responsible parties to submit a Sediment Chemistry Assessment Work Plan in 180 days evaluating the current nature and extent of impairment. On January 31, 2018, the responsible parties submitted the work plans for both land and water that were accepted by the RWQCB. The waterside monitoring occurred in July 2018, and the landside monitoring occurred in the fall of 2018 and spring of 2019. Progress reports were submitted to the RWQCB in October 2019, which reviewed activities completed and analytical data. The Sediment Chemistry Assessment Reports were submitted to the Regional Board on February 25, 2020 for Continental Maritime San Diego, and February 28, 2020 for Tenth Avenue Marine Terminal. Based on these reports, on March 17, 2022 the RWQCB issued new Investigative Orders for Continental Maritime San Diego and Tenth Avenue Marine Terminal that are supplemental to the original Investigative Orders and designed to gather the Sediment Quality Objectives (SQO) information that was adopted by the State Water Resources Control Board in 2018. The Investigative Orders require a full sediment quality assessment for aquatic life, tier 2 human health assessment, and wildlife-resident finfish beneficial uses. The SQO Assessment Work Plans were submitted to the RWQCB on September 12, 2022 and approved on September 6, 2023 for Tenth Avenue Marine Terminal and on September 13, 2023 for Continental Maritime San Diego. The SQO monitoring occurred in September 2023. It is anticipated that clean up and abatement orders will be received for these sites within a few years of the submission of the SQO Assessment Reports. Extent and costs of remediation cannot be estimated until the investigations are completed to determine if there are problems, and if so, the cleanup levels will be negotiated with and ultimately imposed by the RWQCB. In addition, the responsible parties will then need to negotiate the allocation of clean up responsibilities.

San Diego River Investigative Order R9-2019-0014

On June 12, 2019, the San Diego Regional Water Quality Control Board (Regional Board) issued a five year Investigative Order R9-2019-0014 "To Submit Technical and Monitoring Reports to Identify and Quantify the Sources and Transport Pathways of Human Fecal Material to the Lower San Diego River Watershed." The Order alleged that there are suspected sources of bacteria being transported through various pathways to the San Diego River. The Order named several agencies as responsible parties including the City. The responsible agencies have retained the services of the Southern California Coastal Water Research Project (SCCWRP) to serve as technical lead. SCCWRP will assist with the implementation of the approved work plan and preparation of the required technical and monitoring reports to identify and investigate potential sources of human fecal material, evaluate transport pathways, and quantify the amount that each source contributes, if any, to the Lower San Diego River. During the course of this five year IO, the City expects the Stormwater Department's share of the costs to complete the studies and monitoring in accordance with the IO not to exceed $777, and the Public Utilities Department amount not to exceed $1,720. Based on the results of the IO, the RWQCB may require the responsible parties to take additional actions to address human sources of bacteria. The cost associated with these potential additional actions cannot be estimated at this time.

Bacteria TMDL

The City is listed as a responsible party in the Bacteria TMDL, which was adopted by the RWQCB through the Municipal Permit for numerous impaired water bodies in order to attain and maintain currently applicable fecal indicator bacteria water quality standards. All responsible parties are required to reduce the levels of bacteria in their discharges to all listed water bodies. The City has not met its interim or final dry weather regulatory discharge requirements by the compliance deadline (April 2019 and April 2021, respectively) related to the Bacteria TMDL in some watersheds based on updated water quality monitoring data due to insufficient funding and the time requirements to implement essential capital projects. During the timeframe that the City is not in compliance with the final discharge requirements (April 2021), the City is subject to Mandatory Minimum Penalties (MMPs) of at least $3 per violation per location, for each constituent sampled that exceeds a numeric discharge requirement. The SWRCB's Enforcement Policy encourages Regional Water Boards to administratively issue MMPs within eighteen (18) months of the exceedance that incurs the MMP. MMPs began accruing on April 4, 2021 and will continue to accrue until the City achieves compliance. However, the City is currently engaged in multiple efforts to comply with these requirements. First, the City is enhancing efforts to identify and eliminate human sources of bacteria, which are most harmful to human health. The City's efforts are documented in a Bacteria Tactical Plan that describes the collaboration among several City departments to capture current and potential new activities that can be initiated to address bacteria sources. Efforts include addressing homeless encampments, establishment of a highly specialized Water Quality Response Team focused on abatement of human sources of bacteria, and increased trash removal. Using the implementation activities in the Bacteria Tactical Plan as a basis, the City is in discussions with the RWQCB for the issuance of a Time Schedule Order (TSO). A TSO would provide additional time for the City to come into compliance with the final dry weather requirements as long as specific agreed upon actions are taken to correct the alleged violations. A TSO would also ensure that MMPs are avoided during implementation of the prescribed time schedule of actions. In order to ensure future compliance with dry and wet weather bacteria compliance deadlines, the City is also developing a strategy to implement the San Diego River Investigative Order (listed earlier) and to use those results to consider whether amendments to the Bacteria TMDL and/ or Municipal Permit, contingent on RWQCB approval, are warranted that may reduce the City's estimates of funding needs.

Dams Licensing and Safety

The City's Water system operates nine dams that are subject to the jurisdiction of the California Department of Water Resources' Division of Safety of Dams (DSOD), which has various inspection and approval authority relative to operations of and improvements to dams. The nine dams were constructed 61 to 109 years ago, with an average age of 92 years old. In sequence of age and starting with the oldest, these dams are Morena, Hodges, Murray, Lower Otay, Barret, El Capitan, San Vicente, Sutherland, and Miramar. Among the authority granted to DSOD is the power to impose Water level restrictions on dams for safety reasons, which may restrict reservoir capacity. These water level restrictions apply to Hodges, Morena, Murray, and El Capitan.

Hodges Dam was downgraded from "fair" to "poor" condition in September 2019 by DSOD due to dam safety deficiencies and the maximum water level was restricted from an elevation of 315 feet down to an elevation of 295 feet. Based on a preventative underwater examination of the dam below 295 feet, in May 2022, the water level in Lake Hodges was reduced to an elevation of 275 feet in order to allow for repairs to the dam. Based on additional information about the dam's condition obtained during DSOD inspections above 275 feet in July 2022, DSOD issued a letter on August 16, 2022, which required the City to restrict the water level to an elevation of 275 feet. Following the emergency repairs and completion of a consequences analysis, DSOD issued a letter on February 2, 2023 modifying restrictions of the reservoir level to an elevation of 280 feet and minimizing exceedances and durations above 280 feet due to a storm event until a written approval is received from DOSD. In addition, the Hodges Dam was downgraded from "poor" to "unsatisfactory." The water level restriction is a requirement from DSOD, providing a mitigation measure to ensure the safety of Hodges Dam. The DSOD can potentially downgrade and impose water level restrictions on other City dams due to their condition.

The City has completed one detailed condition assessment of Hodges Dam and three partial assessments for El Capitan, Lower Otay and Morena. Over the next five years the City plans to complete comprehensive condition assessments for all nine dams. Based on the initial assessment of the City's dams' condition to date, the City has estimated that approximately $1,000,000 of improvements could be needed over the next several decades to ensure dam safety and performance at all nine dams. This estimated dollar amount is limited by the amount of detail provided in these initial assessments and will be refined as more comprehensive condition assessments are completed.

19. DEBT WITHOUT GOVERNMENT COMMITMENT (Dollars in Thousands)

The City and/or the former RDA of the City have authorized the issuance of certain Special Assessment/Special Tax Bonds, Parking Revenue Bonds, Tax Allocation Bonds, and Loans. The City has no legal obligation to make payment on these bonds or loans and has not pledged any City assets as a guarantee to the bondholders/lenders. These bonds and loans do not constitute indebtedness of the City. The bonds are payable solely from payments made on and secured by a pledge of the acquired funds, other monies held for the benefit of the bondholders pursuant to the bond indentures, property liens and other loans. Accordingly, no liability has been recorded in the City's government-wide statement of net position. Long-term liabilities of the former RDA are reported in the Successor Agency Private-Purpose Trust Fund. The following sections describe the outstanding debt without government commitment.

a. Special Assessment/Special Tax Bonds

The City, on behalf of the Special Assessment Districts (AD) and the Community Facilities Districts (CFD), have issued debt to finance infrastructure improvements and facilities necessary to facilitate development of the properties within the respective districts located in the City. The special assessment and special tax bonds are secured by special assessment and special tax liens, respectively, on the real property within the districts and are not direct liabilities of the City. The City has no fiscal obligation beyond the balances in designated AD and CFD funds for any related bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. The City acts solely as the agent in the collection and remittance of the assessments and special taxes for these ADs and CFDs and initiates foreclosure proceedings as required under the bond covenants. As of June 30, 2023, the status of each of the special assessment/special tax bonds issued is as follows:

	Original Amount	Balance Outstanding June 30, 2023
Community Facilities District No.3 (Liberty Station), Series 2013	$ 15,770	$ 11,245
Assessment District No.4096 (Piper Ranch), Issued July 2013	3,830	2,520
Community Facilities District No.2 (Santaluz), Improvement Area No. 3, Series 2015	3,380	1,975
Community Facilities District No.2 (Santaluz), Improvement Area No. 4, Series 2015	6,215	4,310
Community Facilities District No.4 (Black Mountain Ranch Villages), Series 2016	16,435	12,905
Community Facilities District No.2 (Santaluz), Improvement Area No.1, Series 2021	22,470	19,295
Total Special Assessment / Special Tax Bonds	$ 68,100	$ 52,250

b. Parking Revenue and Tax Allocation Bonds

The former RDA issued parking revenue bonds for the purpose of financing certain public parking facilities and issued tax allocation bonds in order to finance or refinance redevelopment activities. The parking revenue and tax allocation bonds are secured by certain pledged revenues of the former RDA and are not direct liabilities of the City. In no event will the bonds be payable out of any funds or properties other than those of the Successor Agency or former RDA, along with any monies held by the trustee in the funds and accounts established under the indentures, and any amounts, including proceeds from the sale of the bonds, held in any fund or account established pursuant to the related bond indentures.

As of June 30, 2023, the status of each of the parking revenue and tax allocation bonds issued is as follows:

	Original Amount	Balance Outstanding June 30, 2023
Revenue Bonds:		
Centre City Parking, Series 1999 A	$ 12,105	$ 2,220
Centre City Parking, Series 2003 B	20,515	1,600
Total Revenue Bonds	32,620	3,820
Tax Allocation Bonds:		
Centre City Redevelopment Project, Series 2001 A	58,425	5,300
Successor Agency Redevelopment Refunding, Series 2016 A	145,080	73,510
Successor Agency Redevelopment Refunding, Series 2016 B	30,105	13,835
Successor Agency Redevelopment Refunding, Series 2017 A	64,565	50,225
Successor Agency Redevelopment Refunding, Series 2017 B	155,400	117,145
Total Tax Allocation Bonds	453,575	260,015
Total Bonds	$ 486,195	$ 263,835
Accreted Interest Payable on Tax Allocation Bonds:		
Centre City Redevelopment Project, Series 2001 A		$ 11,926

c. Loans Payable

The former RDA issued loans for the purpose of financing redevelopment activities. The loans are secured by certain pledged revenues of the former RDA. Senate Bill 107 Local Government Section 34173 (h)(1) states "Repayment of loans created under this subdivision shall be applied first to principal, and second interest, and shall be subordinate to other approved enforceable obligations. As of June 30, 2023, interest of $499,160 was paid towards the Naval Training Center Section 108 Loan. Interest of $15,000 was paid towards miscellaneous loans.

	Original Amount	Balance Outstanding June 30, 2023
Loans Payable:		
City of San Diego - Naval Training Center Section 108, Dated June 2004	$ 5,910	$ —
Accrued Interest Payable:		
City San Diego - Naval Training Center Section 108	$ 1,899	$ 999
City of San Diego - Miscellaneous	105,733	62,995
Total Accrued Interest Payable	$ 107,632	$ 63,994

d. Amortization Requirements

The annual requirements to amortize the private-purpose trust fund long-term debt outstanding as of June 30, 2023, including interest payments to maturity, are as follows:

	Loans Payable		Revenue Bonds		Tax Allocation Bonds		
Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Unaccreted Appreciation [2]	Interest
2024	$ —	$ 15,500	$ 1,065	$ 194	$ 22,857	$ 2,713	$ 10,478
2025	—	—	1,130	128	23,650	2,845	9,517
2026	—	—	1,195	59	24,686	3,989	8,510
2027	—	—	430	11	25,441	4,169	7,460
2028	—	—	—	—	18,330	—	6,530
2028-2032	—	—	—	—	73,175	—	22,906
2033-2037	—	—	—	—	42,180	—	10,777
2038-2042	—	—	—	—	29,696	—	1,891
Unscheduled [1]	—	48,494	—	—	—	—	—
Total	$ —	$ 63,994	$ 3,820	$ 392	260,015	13,716	78,069
Add: Accreted Appreciation through June 30, 2023					11,926	—	—
Total					$ 271,941	$ 13,716	$ 78,069

[1] The accrued interest associated with loans payable to the City in the amount of $63,994 are payable dependent on each annual approved Recognized Obligation Payment Schedules.

[2] Unaccreted Appreciation represents the amount to be accreted in future years regardless of the timing of cash flows.

e. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the private-purpose trust fund for the year ended June 30, 2023. The effects of bond accretion, bond premiums and discounts are reflected as adjustments to long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance
Liability Claims	$ 64,408	$ —	$ (893)	$ 63,515
Revenue Bonds	4,825	—	(1,005)	3,820
Unamortized Bond Premiums and Discounts	(22)	—	5	(17)
Net Revenue Bonds	4,803	—	(1,000)	3,803
Tax Allocation Bonds	282,100	—	(22,085)	260,015
Interest Accretion	13,553	950	(2,577)	11,926
Balance with Accretion	295,653	950	(24,662)	271,941
Unamortized Bond Premiums and Discounts	20,253	174	(2,009)	18,418
Net Tax Allocation Bonds	315,906	1,124	(26,671)	290,359
Interest Accrued on City Loans	79,494	—	(15,500)	63,994
Total	$ 464,611	$ 1,124	$ (44,064)	$ 421,671

20. CLOSURE AND POSTCLOSURE CARE COST (Dollars in Thousands)

State and federal laws and regulations require that the City place a final cover on its Miramar Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. In addition, federal and state regulations require that the City set aside funds annually to fund closure costs and to demonstrate financial resources sufficient to meet certain corrective actions.

Closure and Postclosure Care Liability

Per the Solid Waste Facility Permit issued by the Local Enforcement Agency with concurrence from the State, the estimated closure year of the landfill is 2031. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each financial statement date.

The $59,620 reported as landfill closure and postclosure care liability as of June 30, 2023, represents the cumulative amount reported to date based on the use of 83% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of $12,105 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care as of June 30, 2023. These cost estimates are subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

Funding Requirements

As of June 30, 2023, the City is in compliance with state and federal laws and regulations requiring annual contributions to finance closure costs. At the end of fiscal year 2023, cash or equity in pooled cash and investments of $34,427 was held for this purpose. The closure/postclosure care liability amount of $59,620 reported in the Refuse Disposal Fund includes $34,427 for closure costs. The City has pledged its greenery recycling revenues as financial assurance for postclosure maintenance costs and is not required to advance fund postclosure care costs.

As of June 30, 2023, the City is in compliance with state and federal laws and regulations to demonstrate financial resources sufficient to conduct corrective action for all known or reasonably foreseeable releases from the Miramar Landfill site, meeting the cost estimate approved by the San Diego Regional Water Quality Control Board. At the end of fiscal year 2023, cash or equity in pooled cash and investments of $1,720 was held for this purpose. This amount is reported as restricted net position in the Refuse Disposal Fund.

For both closure/postclosure care and corrective action, the City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional closure/postclosure care requirements are imposed due to changes in technology or applicable laws or regulations, these costs may need to be paid by charges to future landfill users or from other sources. At the end of fiscal year 2023, accrued interest of $128 is included as a component of restricted net position in the Refuse Disposal Fund.

21. FUND BALANCES (Dollars in Thousands)

The following table provides additional detail regarding the City's governmental fund balances:

	General Fund	Other Governmental Funds	Total Governmental Funds
NONSPENDABLE			
Legally/Contractually Required to be Maintained Intact	$ —	$ 18,942	$ 18,942
RESTRICTED			
Low and Moderate Income Housing	—	370,816	370,816
Underground Surcharge	—	298,470	298,470
Facilities Benefit Assessments	—	270,700	270,700
Impact Fees	—	206,779	206,779
Capital Outlay - Unbudgeted [1]	—	114,226	114,226
Emergency Reserve	107,600	—	107,600
Capital Outlay - Budgeted	—	79,187	79,187
Grants [1]	680	76,666	77,346
Road Maintenance & Rehabilitation	57,101	—	57,101
TransNet	—	45,527	45,527
Tourism Marketing Districts	—	43,609	43,609
Developer Contributions	—	34,377	34,377
Parking Meter Districts	—	26,638	26,638
TransNet Commercial Paper	—	26,167	26,167
Maintenance Assessment Districts	—	25,506	25,506
Park Boulevard State Appropriation	—	15,282	15,282
Environmental Growth	13,697	—	13,697
Tobacco Settlement Revenue Funding Corporation	—	11,617	11,617
UCSD Fire Station	—	11,470	11,470
Infrastructure Fund (Prop H)	9,353	—	9,353
Special Gas Tax Street Improvement	9,056	—	9,056
Otay Mesa EIFD	—	8,149	8,149
Jane Cameron Estate	—	7,801	7,801
SD Residential Lead Abatement Settlement	—	7,471	7,471
Fiesta Island Sludge Mitigation	—	6,967	6,967
Prop 64 Fund	—	5,953	5,953
Successor Agency Property Management	—	5,574	5,574
Seized Assets	—	4,415	4,415
Library Donations	—	4,164	4,164
Library Donations Matching Fund	—	4,078	4,078
Disability Surcharge (SB1186)	—	3,749	3,749
San Diego Regional Consolidated RLF	—	3,497	3,497
Miscellaneous Donations	—	3,431	3,431
6th & K Operating Fund	—	3,349	3,349
Citizens Option for Public Safety (COPS)	—	3,058	3,058
General Fund Commercial Paper Notes	—	2,548	2,548
Public Safety Training	—	2,402	2,402
Los Penasquitos Trust	—	2,337	2,337
Parks & Recreation Districts	—	1,941	1,941
Downtown PBID	—	1,796	1,796
PFFA Lease Revenue Bonds	—	1,786	1,786
Library Improvement	1,562	—	1,562
Tierrasanta Ordinance	—	1,431	1,431
Neighborhood Enhancement	—	1,374	1,374
Storm Drain Fund	—	1,245	1,245

	General Fund	Other Governmental Funds	Total Governmental Funds
RESTRICTED (Continued)			
CARES Act Revolving Loan Fund	$ —	$ 1,093	$ 1,093
6th & Market Operating Fund	—	1,009	1,009
Section 108	—	1,006	1,006
Other [2]	1,689	15,900	17,589
Total Restricted	200,738	1,764,561	1,965,299
COMMITTED			
Public Liability	46,525	—	46,525
Transient Occupancy Tax	—	33,563	33,563
Workers' Compensation	32,684	—	32,684
Capital Outlay - Unbudgeted	—	23,720	23,720
Climate Equity Fund	16,271	—	16,271
City TV	—	10,383	10,383
Public Arts	—	7,070	7,070
Trench Cut Fees	—	6,460	6,460
SAP Support	6,204	—	6,204
Civil Penalty Enforcement	—	5,400	5,400
Information Technology	5,202	—	5,202
Community Equity Fund (CEF)	3,019	—	3,019
EMS/MTS Fund	2,805	—	2,805
Automated Refuse Containers	—	2,216	2,216
Concourse/Park Garage Operating Fund	2,176	—	2,176
Energy Independence Fund	2,161	—	2,161
General Plan Maintenance Fund	—	2,075	2,075
Facilities Financing Program	—	1,612	1,612
Retirement UAAL SDCERS Reserve	1,535	—	1,535
Antenna Lease Revenue	1,532	—	1,532
Economic & Workforce Development	—	1,275	1,275
Junior Lifeguard Program	—	997	997
Other [2]	1,585	6,107	7,692
Total Committed	121,699	100,878	222,577
ASSIGNED	66,120	—	66,120
UNASSIGNED	140,862	(83,859)	57,003
TOTAL FUND BALANCE	$ 529,419	$ 1,800,522	$ 2,329,941

[1] Restricted Fund Balance for Grants and Capital Outlay includes $62,994 and $28,230 respectively, for long-term receivables due from the Successor Agency. These amounts are not available to satisfy liabilities of the current period.

[2] The amounts reported as "Other" are composed of a variety of restrictions and commitments less than $1,000.

22. SUBSEQUENT EVENTS (Dollars in Thousands)

The following information describes certain events that occurred after the end of the fiscal year.

Loan Agreements

During July, August, September, October, and November 2023, the City received loan proceeds from the First WIFIA Loan totaling $61,744. The First WIFIA Loan will fund a portion of the Water Utility Fund's cost of the Pure Water Program Phase I. The interest rate on the loan is 1.29%.

During August, September, October, and November 2023, the City's Sewer Utility Fund received a total of $64,219 loan proceeds from various SRF loan agreements with the SWRCB, including $53,484 for the Pure Water Morena Blvd. Pump Station, $5,632 for the Pure Water Reclamation Plant Expansion, $3,916 for the Pure Water Conveyance System, $948 for the Pump Station 2, and $239 for the Pure Water Metropolitan BioSolids Projects. The interest rate on the loans are between 0.80% and 1.80% and the repayment period for the loans are 30 years from the completion of construction. On November 17, 2023, $43,400 of the SRF loan proceeds received for the Pure Water Morena Blvd. Pump Station were used to repay principal outstanding on the Subordinated Sewer Revenue Note, Series 2022A.

On November 21, 2023, the City's Water Utility Fund entered into a Drinking Water State Revolving Fund (DWSRF) loan agreement with the SWRCB to finance the Morena Pipeline Project. The DWSRF loan is a drawdown loan that will fund up to an estimated project cost of $57,673, at an interest rate of 2.10%. The repayment period for the loan is 30 years from the completion of construction, and the final maturity date is currently estimated to be July 31, 2056, which is subject to change.

Water Commercial Paper

On November 14, 2023, PFFA issued Water CP Notes in the amount of $43,126 to finance the design, acquisition, construction, installation, and improvements of components of the City's water system. The interest rate on the issued Water CP Notes was 3.35%.

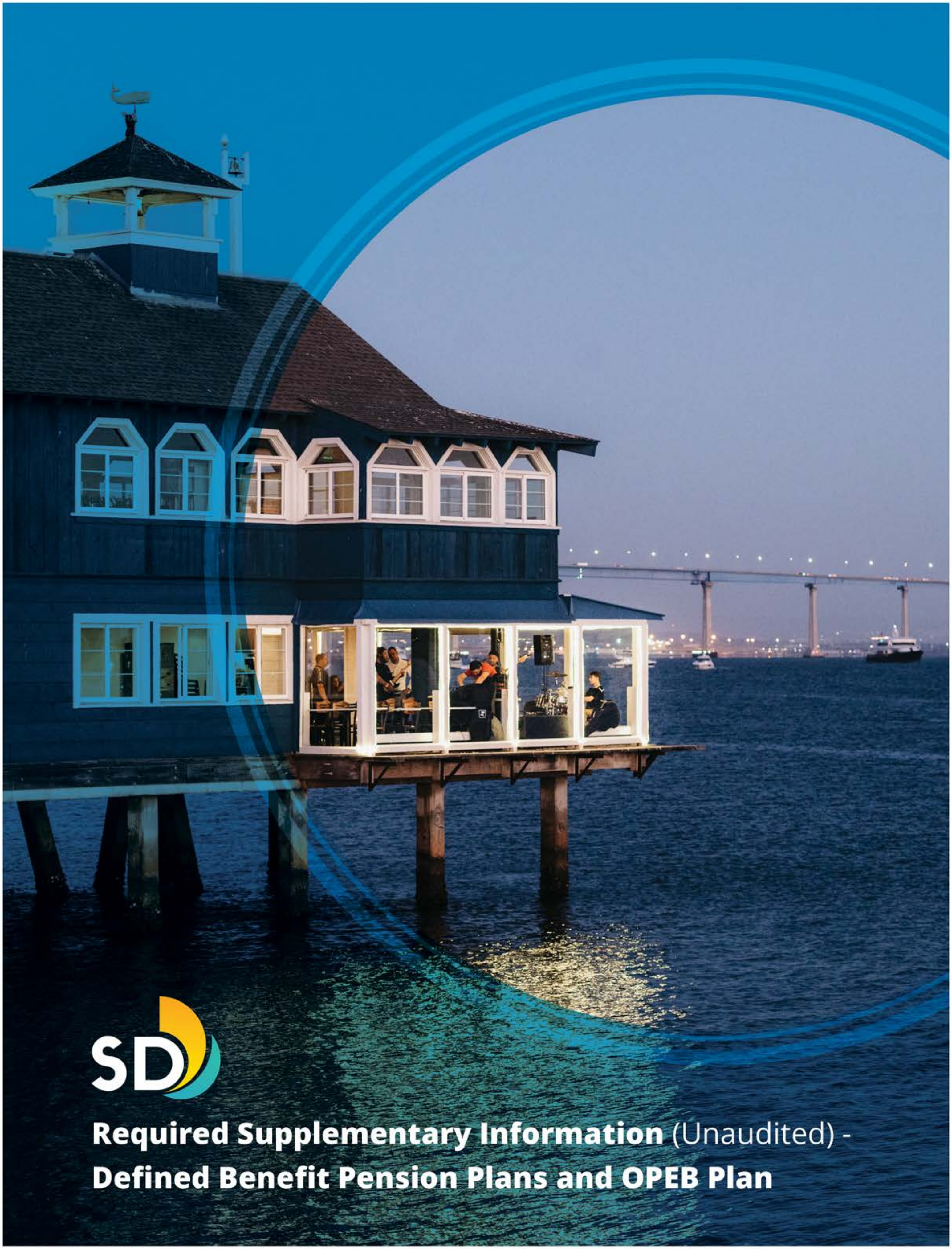
Financed Purchase Obligations

On August 11, 2023, the City lease-purchased various public safety and support vehicles in the amount of $4,907. Under the agreement with Banc of America Public Capital Corp., the vehicles will be financed for seven years at an interest rate of 3.80%.

On November 15, 2023, the City lease-purchased various public safety and support vehicles in the amount of $3,806. Under the agreement with Banc of America Public Capital Corp., the vehicles will be financed for seven years at an interest rate of 4.33%.

SDCERS Changes to Certain Economic Assumptions

On September 8, 2023, the SDCERS Board approved recommended changes to certain economic assumptions based on the 2023 Actuarial Experience Study. These assumptions are used by SDCERS' actuary to determine the City's annual Actuarial Determined Contribution (ADC) and to provide accounting and financial reporting information under the Governmental Accounting Standards Board Statements No. 67 and 68 (GASB 67 and GASB 68), as amended by GASB 82. The inflation assumption of 3.05%, used for projecting total annual payroll growth, was increased to 3.25%, the annual inflation assumption for SDCERS administrative expenses increased from 2.50% to 3.00%, and the annual Cost-of-Living increase in benefits assumption increased from 1.90% to 2.00%. The SDCERS Board also approved adjustments to some demographic assumptions. According to SDCERS' Actuary, the impact of these changes in assumptions is projected to increase the City's ADC for Fiscal Year 2025 by $20,400. These changes will also have an impact on the accounting and financial information reported under GASB 67 and GASB 68 for future fiscal years, the amount of which cannot be determined at this time.



Required Supplementary Information (Unaudited) -
Defined Benefit Pension Plans and OPEB Plan

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
June 30, 2023
(Dollars in Thousands)

GASB 67 and 68 Reporting
Schedule of Changes in Net Pension Liability and Related Ratios

Total Pension Liability	FYE 2022	FYE 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014
Service Cost (Middle of Year)	$ 132,557	$ 147,459	$ 127,076	$ 118,597	$ 108,871	$ 106,877	$ 93,804	$ 102,688	$ 107,003
Interest (Includes Interest on Service Cost)	729,930	709,283	663,823	640,508	628,500	613,529	573,760	554,988	537,875
Differences Between Expected and Actual Experience	8,221	77,579	186,951	143,136	58,618	71,123	21,285	46,416	—
Changes in Assumptions	—	—	290,843	—	266,606	249,740	620,314	—	—
Benefit Payments, Including Refunds of Member Contributions	(621,631)	(597,413)	(561,837)	(534,023)	(515,078)	(477,039)	(452,781)	(429,238)	(384,980)
Net Change in Total Pension Liability	249,077	336,908	706,856	368,218	547,517	564,230	856,382	274,854	259,898
Total Pension Liability, Beginning	11,470,390	11,133,482	10,426,626	10,058,408	9,510,891	8,946,661	8,090,279	7,815,425	7,555,527
Total Pension Liability, Ending	11,719,467	11,470,390	11,133,482	10,426,626	10,058,408	9,510,891	8,946,661	8,090,279	7,815,425
Plan Fiduciary Net Position									
Contributions-Employer	418,924	369,678	354,349	326,982	328,922	265,572	259,543	268,061	279,659
Contributions-Member	77,518	67,026	68,652	62,709	57,937	57,050	59,377	59,042	65,467
Net Investment Income	(137,053)	1,980,288	19,006	477,484	594,843	857,923	64,155	207,653	935,051
Benefit Payments, Including Refunds of Member Contributions	(621,631)	(597,413)	(561,837)	(534,023)	(515,078)	(477,039)	(452,781)	(429,238)	(384,980)
Administrative Expense	(12,402)	(11,160)	(10,688)	(10,238)	(10,570)	(10,778)	(10,900)	(8,693)	(10,467)
Net Change in Plan Fiduciary Net Position	(274,644)	1,808,419	(130,518)	322,914	456,054	692,728	(80,606)	96,825	884,730
Plan Fiduciary Net Position, Beginning	9,445,704	7,637,285	7,767,803	7,444,889	6,988,835	6,296,107	6,376,713	6,279,888	5,395,158
Plan Fiduciary Net Position, Ending	9,171,060	9,445,704	7,637,285	7,767,803	7,444,889	6,988,835	6,296,107	6,376,713	6,279,888
Net Pension Liability, Ending	$ 2,548,407	$ 2,024,686	$ 3,496,197	$ 2,658,823	$ 2,613,519	$ 2,522,056	$ 2,650,554	$ 1,713,566	$ 1,535,537
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.25 %	82.35 %	68.60 %	74.02 %	74.02 %	73.48 %	70.37 %	78.82 %	80.35 %
Covered Pensionable Payroll	$ 466,864	$ 501,204	$ 484,764	$ 455,753	$ 448,890	$ 465,100	$ 480,662	$ 480,536	$ 499,463
Net Pension Liability as a Percentage of Covered Payroll	545.86 %	403.96 %	721.22 %	583.39 %	582.22 %	542.26 %	551.44 %	356.59 %	307.44 %

Pension Schedules are intended to show information for ten years. Data will be displayed as it becomes available.

GASB 73 Reporting

Preservation of Benefits Plan Schedule of Changes in Total Pension Liability

Total Pension Liability	FYE 2022	FYE 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016
Service Cost (Middle of Year)	$ 206	$ 251	$ 119	$ 87	$ 54	$ 60	$ 36
Interest (Includes Interest on Service Cost)	366	372	402	425	353	313	406
Differences Between Expected and Actual Experience	(622)	876	2,707	999	2,352	635	—
Changes in Assumptions	(2,299)	130	3,553	424	(216)	(589)	1,588
Benefit Payments	(1,442)	(1,562)	(1,481)	(1,403)	(1,430)	(1,634)	(1,596)
Net Change in Total Pension Liability	(3,791)	67	5,300	532	1,113	(1,215)	434
Total Pension Liability, Beginning	17,544	17,477	12,177	11,645	10,532	11,747	11,313
Total Pension Liability, Ending	$ 13,753	$ 17,544	$ 17,477	$ 12,177	$ 11,645	$ 10,532	$ 11,747
Covered Pensionable Payroll	$466,864	$501,204	$484,764	$455,753	$448,890	$465,100	$480,662
Total Pension Liability as a Percentage of Covered-Employee Payroll	2.95 %	3.50 %	3.61 %	2.67 %	2.59 %	2.26 %	2.44 %

Pension Schedules are intended to show information for ten years. Data will be displayed as it becomes available.

There are no assets in a trust compliant with GASB codification P22.101. The City funds benefits on a pay-as-you-go basis and elected not to pre-fund its pension obligation. As a result, there are no plan assets and the total pension liability is equal to the NPL.

Pension Plans Schedule of Employer Contributions

Last 10 Fiscal Years (Dollars in Thousands)

	2023	2022	2021	2020	2019
Actuarially Determined Contribution	$ 384,300	$ 414,900	$ 365,600	$ 350,500	$ 322,900
Contributions [1]	384,300	414,900	365,600	350,500	322,900
Contribution Deficiency/(Excess)	$ —	$ —	$ —	$ —	$ —
Covered Payroll [2]	$ 525,995	$ 466,864	$ 501,204	$ 484,764	$ 455,753
Contributions as a Percentage of Covered Payroll	73.06 %	88.87 %	72.94 %	72.30 %	70.85 %

	2018	2017	2016	2015	2014
Actuarially Determined Contribution	$ 324,500	$ 261,100	$ 254,900	$ 263,600	$ 275,400
Contributions [1]	324,500	261,100	254,900	263,600	275,400
Contribution Deficiency/(Excess)	$ —	$ —	$ —	$ —	$ —
Covered Payroll [2]	$ 448,890	$ 465,100	$ 480,662	$ 480,536	$ 499,463
Contributions as a Percentage of Covered Payroll	72.29 %	56.14 %	53.03 %	54.86 %	55.14 %

Valuation Date: 6/30/2021

Key Methods and Assumptions Used to Determine Contributions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Expected Value Method
Amortization Method	Closed periods. Payments are a level percentage of payroll (Police) or level dollar (non-Police). Gains or losses amortized over different periods depending on the source and date established. In the 2007 valuation, the amortization period was reduced from 27 to 20 years, with subsequent gains or losses amortized over different periods depending on the source. In the 2012 valuation, as a result of Proposition B, the UAL for the non-Police portion of the Plan was re-amortized over a closed 15-year period with level dollar payments. In the 2017 valuation, a five-year layering method was adopted for certain components of the UAL in order to improve the projected stability of future employer contributions.
Discount Rate	6.50%. The discount rate was reduced from 7.50% to 7.25% in the 2013 valuation, from 7.25% to 7.125% in the 2015 valuation, from 7.125% to 7.00% in the 2016 valuation, from 7.00% to 6.75% in the 2017 valuation and from 6.75% to 6.50% in the 2018 valuation.
Amortization Growth Rate	3.05%. Same pattern of changes described below for salary increase assumption (excluding freezes).
Wage Inflation	3.05%. Same pattern of changes described below for salary increase assumption.
Salary Increases	3.05% (following assumed freezes in FYs 2015-2018) plus merit component based on employee classification and years of service. The across-the-board salary increase assumption was reduced from 3.75% to 3.30% in the 2013 valuation, from 3.30% to 3.175% in the 2015 valuation, and from 3.175% to 3.05% in the 2016 valuation. In the 2013 valuation a four-year freeze was assumed (FYs 2015-2018).
Cost-Of-Living Adjustments	1.9%, combined annually. The COLA assumption was reduced from 2.0% to 1.9% in the 2016 valuation.
Mortality	Healthy actives and annuitants: For General members, 2010 SOA Public General Employees and Healthy Retirees Amount-Weighted Mortality Tables, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019. For Safety members, 2010 SOA Public Safety Healthy Employees and Retirees Amount-Weighted Mortality Tables, adjusted by 90% for male annuitants and no adjustment for females, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019. Disabled annuitants: For General members, CalPERS Industrial Related Disability Mortality Table from the CalPERS December 2017 experience study, without adjustment, with generational mortality improvements projected from 2013 using a variation of Projection Scale MP-2019. For Safety members, 2010 SOA Public Safety Disabled Retirees Amount-Weighted Mortality Table, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

A complete description of the methods and assumptions used to determine the contribution for the fiscal year ended June 30, 2023, can be found in the June 30, 2021 actuarial valuation reports, which are available online at www.sdcers.org.

The annual money-weighted rate of return on pension plan investments can be found in the separately issued SDCERS financial report available at www.sdcers.org.

[1] Contribution is only for ADC, not including COLA and DROP.

[2] Covered Payroll is pensionable payroll for SDCERS members as of the beginning of the measurement year.

OPEB TRUST FUND

GASB 75 Reporting

Schedule of Changes in the Net OPEB Liability and Related Ratios (Dollars in Thousands)

Total OPEB Liability	**FYE 2022**	**FYE 2021**	**FYE 2020**	**FYE 2019**	**FYE 2018**	**FYE 2017**
Service Cost	$ 449	$ 610	$ 709	$ 815	$ 1,010	$ 1,237
Interest on the Total OPEB Liability	35,191	36,828	36,287	36,549	43,543	43,617
Differences Between Expected and Actual Experience	4,381	(1,509)	4,019	1,293	(3,432)	(4,915)
Changes in Assumptions	(46,552)	(17,886)	9,553	7,459	(91,058)	—
Benefit Payments	(39,091)	(39,067)	(39,744)	(39,705)	(41,360)	(40,280)
Net Change in Total OPEB Liability	(45,622)	(21,024)	10,824	6,411	(91,297)	(341)
Total OPEB Liability, Beginning	571,244	592,268	581,444	575,033	666,330	666,671
Total OPEB Liability, Ending	$ 525,622	$ 571,244	$ 592,268	$ 581,444	$ 575,033	$ 666,330
Plan Fiduciary Net Position						
Contributions-Employer	$ 37,000	$ 33,849	$ 36,352	$ 37,436	$ 30,379	$ 30,326
Contributions-Member	228	292	378	463	577	719
Net Investment Income	(17,710)	24,204	6,438	7,990	7,348	8,590
Benefit Payments	(39,091)	(39,067)	(39,744)	(39,705)	(41,360)	(40,280)
Administrative Expense	(36)	(46)	(59)	(25)	(61)	(59)
Net Change in Plan Fiduciary Net Position	(19,609)	19,232	3,365	6,159	(3,117)	(704)
Plan Fiduciary Net Position, Beginning	141,525	122,293	118,928	112,769	115,886	116,590
Plan Fiduciary Net Position, Ending	121,916	141,525	122,293	118,928	112,769	115,886
Net OPEB Liability, Ending	$ 403,706	$ 429,719	$ 469,975	$ 462,516	$ 462,264	$ 550,444
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	23.19 %	24.77 %	20.65 %	20.45 %	19.61 %	17.39 %
Covered-Employee Payroll	$ 29,465	$ 31,957	$ 38,667	$ 46,073	$ 51,372	$ 61,397
Net OPEB Liability as a Percentage of Covered-Employee Payroll	1370.12 %	1344.68 %	1215.44 %	1003.88 %	899.84 %	896.53 %

OPEB Schedules are intended to show information for ten years. Data will be displayed as it becomes available.

OPEB Plan Schedule of Employer Contributions
Last 10 Fiscal Years (Dollars in Thousands)

	2023	2022	2021	2020	2019
Contractually Required Contribution	$ 63,324	$ 65,376	$ 65,376	$ 65,376	$ 63,781
Contributions in Relation to the Contractually Required Contributions	63,324	65,376	65,376	65,376	63,781
Contribution Deficiency/(Excess)	$ —	$ —	$ —	$ —	$ —
Covered-Employee Payroll [1]	$ 29,604	$ 32,116	$ 38,707	$ 46,073	$ 51,483
Contributions as a Percentage of Covered-Employee Payroll	213.90 %	203.56 %	168.90 %	141.90 %	123.89 %

	2018	2017	2016	2015
Contractually Required Contribution	$ 62,225	$ 60,707	$ 59,227	$ 57,782
Contributions in Relation to the Contractually Required Contributions	62,225	60,707	59,227	57,782
Contribution Deficiency/(Excess)	$ —	$ —	$ —	$ —
Covered-Employee Payroll [1]	$ 62,437	$ 61,397	$ 74,002	$ 87,252
Contributions as a Percentage of Covered-Employee Payroll	99.66 %	98.88 %	80.03 %	66.22 %

OPEB Contributions are intended to show information for ten years. Data will be displayed as it becomes available.

[1] Covered-Employee Payroll includes payroll for active employees in Options A and B only.

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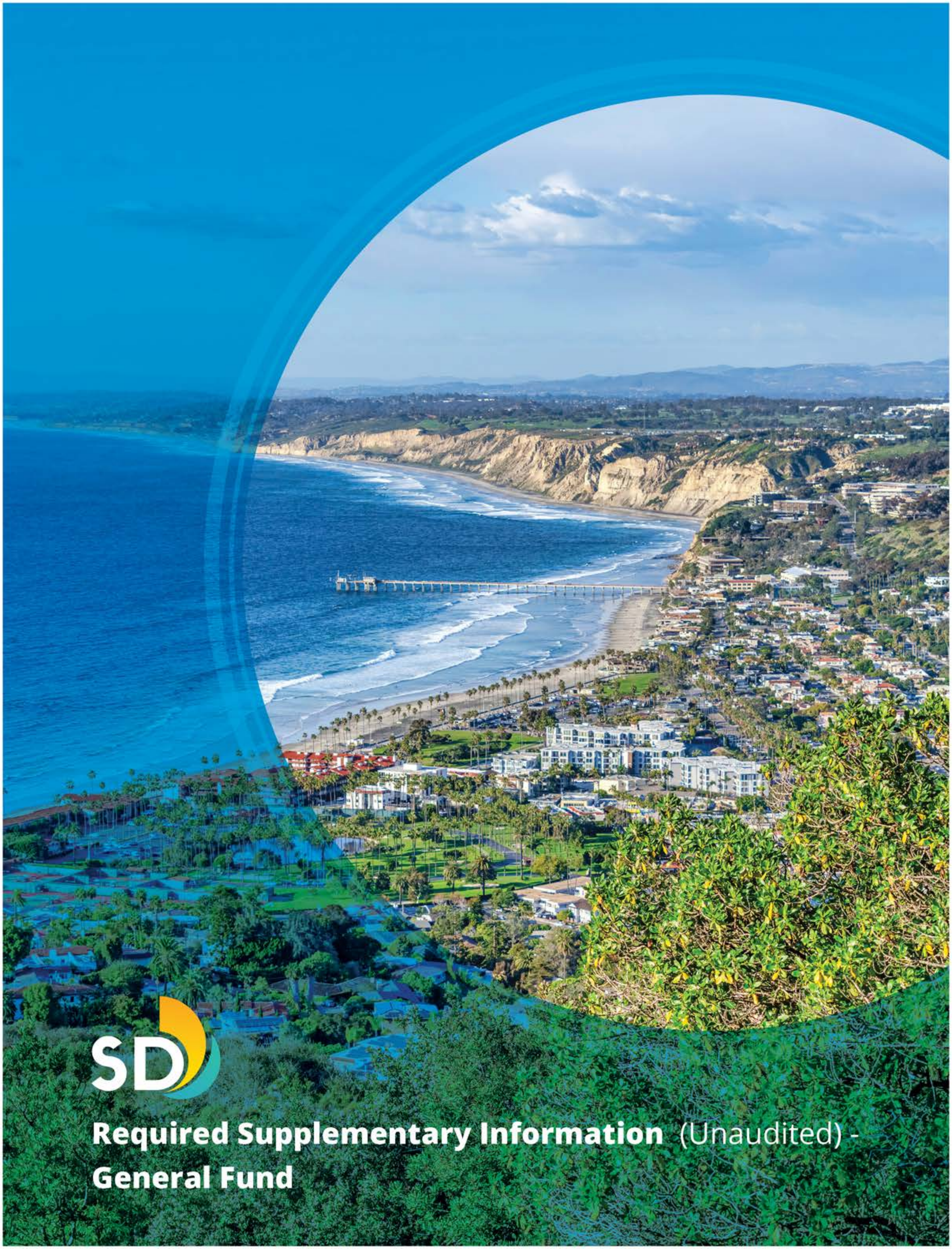


Required Supplementary Information (Unaudited) - General Fund

General Fund

The General Fund is the chief operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

General Fund revenues are derived from such sources as: Taxes; Franchise Fees, Licenses and Permits; Fines, Forfeitures, and Penalties; Revenue from the Use of Money and Property; Revenue from Federal and Other Agencies; Revenue from Private Sources; Charges for Current Services; and Other Revenue.

Current expenditures are classified by the following functions: General Government and Support; Public Safety - Police; Public Safety - Fire and Emergency Services; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; Neighborhood Services; Capital Outlay; and Debt Service Principal and Interest. This fund is appropriated annually.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Original Budget	Final Budget	Actual Amounts [1]	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	$ 706,244	$ 706,243	$ 721,442	$ 15,199
Sales Taxes	380,245	380,245	384,733	4,488
Transient Occupancy Taxes	135,182	148,066	161,811	13,745
Franchise Fees	95,595	95,595	113,138	17,543
Other Local Taxes	15,492	15,492	11,960	(3,532)
Licenses and Permits	56,469	56,470	46,483	(9,987)
Fines, Forfeitures and Penalties	34,472	34,473	29,313	(5,160)
Revenue from Use of Money and Property	63,885	63,885	76,550	12,665
Revenue from Federal Agencies	1,211	1,211	1,741	530
Revenue from Other Agencies	4,123	6,561	5,543	(1,018)
Revenue from Private Sources	167	167	142	(25)
Charges for Current Services	203,459	201,020	201,128	108
Other Revenue	1,883	1,883	17,547	15,664
TOTAL REVENUES	1,698,427	1,711,311	1,771,531	60,220
EXPENDITURES				
Current:				
General Government and Support	381,195	337,049	329,426	7,623
Public Safety - Police	583,003	587,826	587,825	1
Public Safety - Fire and Emergency Services	309,416	347,775	347,573	202
Parks, Recreation, Culture and Leisure	228,396	226,661	226,632	29
Transportation	89,380	93,027	93,027	—
Sanitation and Health	144,718	153,536	153,327	209
Neighborhood Services	64,442	59,102	58,674	428
Capital Outlay	4,704	5,501	1,882	3,619
Debt Service:				
Principal Retirement	13,811	9,786	9,730	56
Interest	1,140	1,445	1,410	35
TOTAL EXPENDITURES	1,820,205	1,821,708	1,809,506	12,202
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(121,778)	(110,397)	(37,975)	72,422
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	250,378	250,378	240,415	(9,963)
Transfers to Proprietary Funds	—	(407)	(407)	—
Transfers to Other Funds	(134,806)	(155,233)	(150,020)	5,213
Proceeds from the Sale of Capital Assets	—	—	7	7
TOTAL OTHER FINANCING SOURCES (USES)	115,572	94,738	89,995	(4,743)
NET CHANGE IN FUND BALANCE	(6,206)	(15,659)	52,020	67,679
FUND BALANCE AT BEGINNING OF YEAR	283,949	283,949	283,949	—
FUND BALANCE AT END OF YEAR	$ 277,743	$ 268,290	$ 335,969	$ 67,679

See accompanying note to required supplementary information.

[1] Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Fiscal Year Ended June 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Data

Each year, the Mayor submits to the City Council and the public a proposed operating and capital improvements budget by April 15 for the fiscal year commencing July 1. This budget includes annual budgets for the following governmental funds:

- **General Fund**
- **Special Revenue Funds**
  - City of San Diego:
    - Acquisition, Improvement and Operations
    - Transient Occupancy Tax
    - Underground Surcharge
    - Zoological Exhibits
    - Storm Drain Revenue
    - Other Special Revenue
- **Capital Projects Funds**
  - City of San Diego:
    - TransNet
    - Capital Outlay

Included in the budget are funds that include appropriations for personnel expenses and capital projects and certain funds that collect restricted or committed revenue sources. For those funds not specifically included in the budget, the Appropriation Ordinance includes authorization to appropriate funds for the purpose established by applicable laws and/or in accordance with provisions of agreements authorized by the City Council.

Public hearings are conducted to obtain residents' comments on the proposed budget. A budget resolution legally adopting the budget for the next fiscal year is passed prior to June 15. During the month of July, the Appropriation Ordinance is passed by the City Council, appropriating funds according to the budget resolution. Budgets are prepared on the modified accrual basis of accounting, with the exception that any increase/decrease in advances to other funds and agencies are considered as additions/deductions of expenditures. The City budget is prepared excluding unrealized gains or losses resulting from the change in fair value of investments.

Budgetary control is established at the highest level by the Charter and further defined by the City Council in the Annual Appropriation Ordinance. The level of budgetary control for all City funds is exercised at the salaries and wages and non-personnel expenditures level. Budgetary control for the General Fund is at the department level, while control for other budgeted funds, including those of certain component units, is maintained at the total fund appropriation level. All amendments to the adopted budget require City Council approval except as delegated in the Appropriation Ordinance.

Reported budget figures are as originally adopted or subsequently amended. Appropriations lapse at year-end to the extent that they have not been expended except for those of a capital nature, which continue to subsequent years.

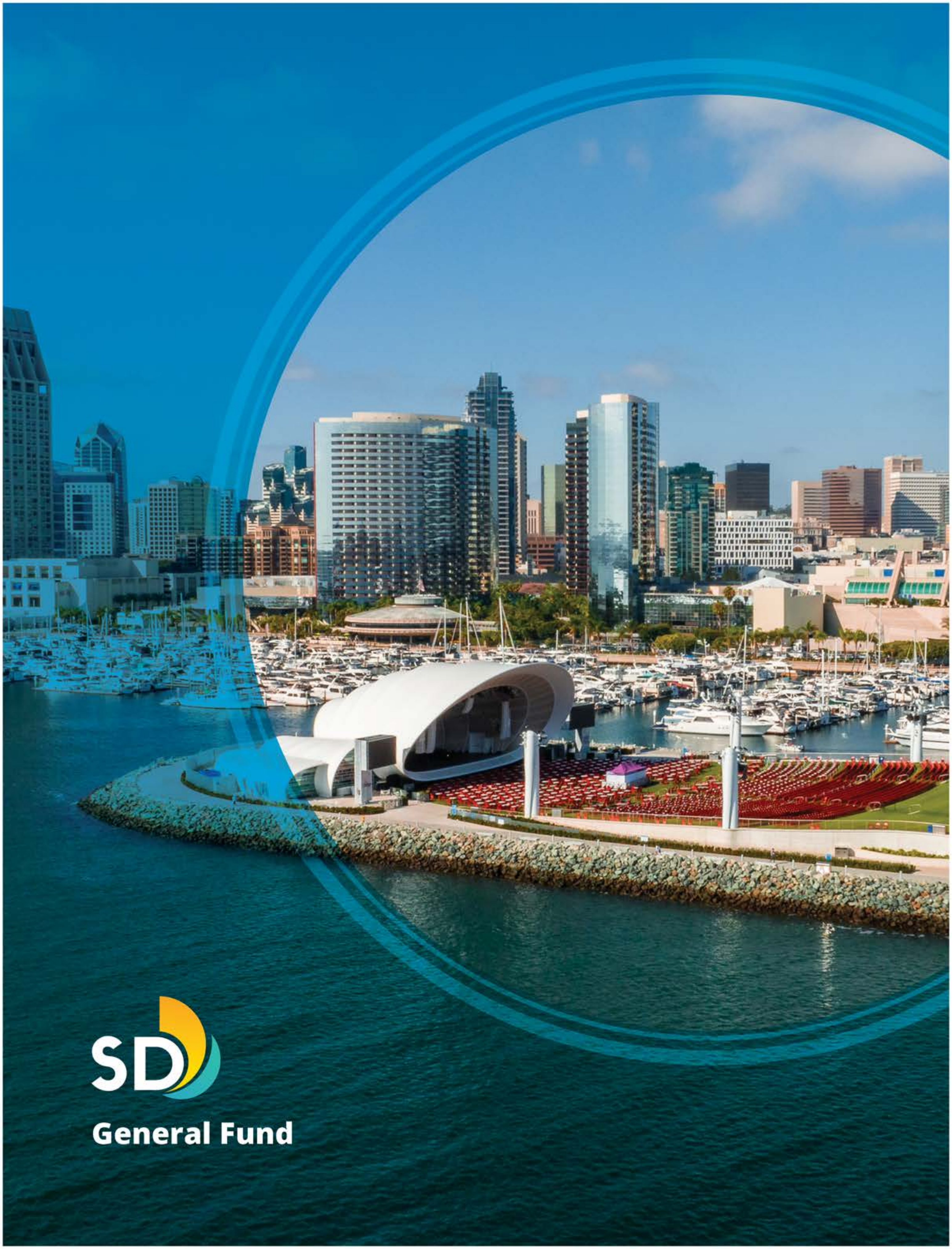
The following is a reconciliation of the net change in fund balance for the General Fund prepared on a GAAP basis to that prepared on the budgetary basis for the year ended June 30, 2023 (dollars in thousands):

	General Fund
Net Change in Fund Balance - GAAP Basis	$ 48,759
Add (Deduct):	
Unrealized Loss, June 30, 2023	11,912
Unrealized Loss, June 30, 2022	(9,605)
Advances to Other Funds, June 30, 2023	(674)
Advances to Other Funds, June 30, 2022	674
Other Perspective Differences [1]	(5,036)
Other Fund Activity [2]	5,990
Net Change in Fund Balance - Budgetary Basis	$ 52,020

[1] The City budgets and expends property management fees annually at a set monthly amount. This amount is then reconciled to monthly expenses for the property on a GAAP basis. Includes budgetary adjustments related to GASB Statement No. 87, *Leases and GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements.*

[2] The General Fund budgetary schedule includes funds associated with General Fund operations as reported in the City's budget. General Fund financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as a special revenue fund, pursuant to GASB Statement No. 54. The City administers a number of these funds as separate budgetary entities.

Combining and Individual Fund Financial Statements and Schedules



General Fund

GENERAL FUND
SCHEDULE OF REVENUES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget Positive (Negative)
PROPERTY TAXES			
Current Year - Secured (One Percent Allocation)	$ 446,694	$ 478,663	$ (31,969)
Current Year Supplemental - Secured	9,214	—	9,214
Current Year - Unsecured	14,072	—	14,072
Current Unsecured Supplemental Roll	154	—	154
Homeowners' Exemptions - Secured	2,406	—	2,406
Homeowners' Exemptions - Unsecured	1	—	1
Prior years' - Secured	(541)	—	(541)
Prior years' - Unsecured	(903)	—	(903)
In-Lieu Vehicle License Fees	181,153	178,582	2,571
Interest and Penalties on Delinquent Taxes	889	—	889
Escapes - Secured	11,624	—	11,624
Escapes - Unsecured	1,259	—	1,259
Other Property Taxes	46,858	48,998	(2,140)
State Secured Unitary	8,562	—	8,562
TOTAL PROPERTY TAXES	721,442	706,243	15,199
SALES TAXES	384,733	380,245	4,488
TRANSIENT OCCUPANCY TAXES	161,811	148,066	13,745
FRANCHISE FEES	113,138	95,595	17,543
OTHER LOCAL TAXES			
Property Transfer Tax	11,960	15,492	(3,532)
LICENSES AND PERMITS			
General Business Licenses	7,031	7,586	(555)
Refuse Collection Business Licenses	1,525	1,227	298
Other Regulatory Business Licenses	27	38	(11)
Rental Unit Tax	7,671	7,285	386
Other Licenses and Permits	30,229	40,334	(10,105)
TOTAL LICENSES AND PERMITS	46,483	56,470	(9,987)
FINES, FORFEITURES AND PENALTIES			
California Vehicle Code Violations	25,685	30,662	(4,977)
Other City Ordinance Code Violations	3,628	3,811	(183)
TOTAL FINES, FORFEITURES AND PENALTIES	29,313	34,473	(5,160)
REVENUE FROM USE OF MONEY AND PROPERTY			
Interest on Investments	5,036	3,409	1,627
Balboa Park Rents and Concessions	293	290	3
Mission Bay Park Rents and Concessions	38,878	31,763	7,115
Other Rents and Concessions	32,343	28,423	3,920
TOTAL REVENUE FROM USE OF MONEY AND PROPERTY	76,550	63,885	12,665
REVENUE FROM FEDERAL AGENCIES	1,741	1,211	530
REVENUE FROM OTHER AGENCIES			
State Motor Vehicle License Fees	1,416	—	1,416
Local Relief	36	110	(74)
Other	4,091	6,451	(2,360)
TOTAL REVENUE FROM OTHER AGENCIES	5,543	6,561	(1,018)

(Continued on Next Page)

GENERAL FUND
SCHEDULE OF REVENUES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget Positive (Negative)
REVENUE FROM PRIVATE SOURCES	$ 142	$ 167	$ (25)
CHARGES FOR CURRENT SERVICES			
Cemetery Revenue	1,174	693	481
Fire Services	17,581	17,723	(142)
Library Revenue	372	441	(69)
Police Services	8,914	10,549	(1,635)
Swimming Pools Revenue	669	1,165	(496)
Miscellaneous Recreation Revenue	4,529	4,897	(368)
Other Services	2,147	1,865	282
Services Rendered to Other Funds for:			
General Government and Financial	165,570	163,622	1,948
Miscellaneous Services	172	65	107
TOTAL CHARGES FOR CURRENT SERVICES	201,128	201,020	108
OTHER REVENUE			
Other Refunds of Prior Years' Expenditures	1,138	69	1,069
Repairs and Damage Recoveries	568	471	97
Sale of Personal Property	34	44	(10)
Miscellaneous Revenue	15,807	1,299	14,508
TOTAL OTHER REVENUE	17,547	1,883	15,664
TOTAL REVENUES	1,771,531	1,711,311	60,220
TRANSFERS FROM OTHER FUNDS			
Special Revenue Funds:			
City of San Diego:			
Interfund Transfers	198,750	209,133	(10,383)
Transient Occupancy Tax	28,733	28,733	—
Other Special Revenue - Unbudgeted	1	—	1
Capital Projects Funds:			
TransNet - Budgeted	12,512	12,512	—
Permanent Funds:			
Cemetery Perpetuity	419	—	419
TOTAL TRANSFERS FROM OTHER FUNDS	240,415	250,378	(9,963)
PROCEEDS FROM THE SALE OF CAPITAL ASSETS	7	—	7
TOTAL REVENUE AND TRANSFERS	$ 2,011,953	$ 1,961,689	$ 50,264

[1] Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. Transfers between the General Fund and these additional funds are titled "Interfund Transfers."

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget (Negative)
GENERAL GOVERNMENT AND SUPPORT			
Office of the Mayor			
Salaries and Wages	$ 2,430	$ 2,505	$ 75
Non-Personnel	1,561	1,806	245
Total Office of the Mayor	3,991	4,311	320
City Council District 1			
Salaries and Wages	936	1,057	121
Non-Personnel	942	1,016	74
Total City Council District 1	1,878	2,073	195
City Council District 2			
Salaries and Wages	1,005	1,057	52
Non-Personnel	1,031	1,104	73
Total City Council District 2	2,036	2,161	125
City Council District 3			
Salaries and Wages	1,021	1,057	36
Non-Personnel	1,035	1,187	152
Total City Council District 3	2,056	2,244	188
City Council District 4			
Salaries and Wages	921	1,057	136
Non-Personnel	934	1,026	92
Total City Council District 4	1,855	2,083	228
City Council District 5			
Salaries and Wages	876	1,057	181
Non-Personnel	1,037	1,129	92
Total City Council District 5	1,913	2,186	273
City Council District 6			
Salaries and Wages	938	1,057	119
Non-Personnel	833	872	39
Total City Council District 6	1,771	1,929	158
City Council District 7			
Salaries and Wages	940	1,057	117
Non-Personnel	1,026	1,070	44
Total City Council District 7	1,966	2,127	161
City Council District 8			
Salaries and Wages	872	1,057	185
Non-Personnel	1,117	1,191	74
Total City Council District 8	1,989	2,248	259
City Council District 9			
Salaries and Wages	1,052	1,057	5
Non-Personnel	790	853	63
Total City Council District 9	1,842	1,910	68
Council Administration			
Salaries and Wages	1,121	1,695	574
Non-Personnel	1,041	1,210	169
Total Council Administration	2,162	2,905	743

(Continued on Next Page)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget (Negative)
City Clerk			
Salaries and Wages	$ 2,953	$ 3,283	$ 330
Non-Personnel	3,672	3,951	279
Total City Clerk	6,625	7,234	609
Independent Budget Analyst			
Salaries and Wages	1,412	1,517	105
Non-Personnel	916	1,219	303
Total Independent Budget Analyst	2,328	2,736	408
City Attorney			
Salaries and Wages	43,535	43,535	—
Non-Personnel	34,432	34,744	312
Total City Attorney	77,967	78,279	312
Personnel			
Salaries and Wages	7,090	7,090	—
Non-Personnel	6,291	6,291	—
Total Personnel	13,381	13,381	—
Ethics Commission			
Salaries and Wages	787	787	—
Non-Personnel	663	739	76
Total Ethics Commission	1,450	1,526	76
Office of the City Auditor			
Salaries and Wages	2,511	2,608	97
Non-Personnel	1,811	1,986	175
Total Office of the City Auditor	4,322	4,594	272
Commission on Police Practices			
Salaries and Wages	348	924	576
Non-Personnel	444	852	408
Total Commission on Police Practices	792	1,776	984
Performance and Analytics			
Salaries and Wages	1,895	2,089	194
Non-Personnel	2,676	2,872	196
Total Performance and Analytics	4,571	4,961	390
Human Resources			
Salaries and Wages	4,479	4,479	—
Non-Personnel	3,908	3,908	—
Total Human Resources	8,387	8,387	—
Department of Information Technology			
Non-Personnel	1,088	1,175	87
Office of the Chief Operating Officer			
Salaries and Wages	2,454	2,454	—
Non-Personnel	1,800	2,066	266
Total Office of the Chief Operating Officer	4,254	4,520	266
Communications			
Salaries and Wages	3,161	3,259	98
Non-Personnel	2,739	2,901	162
Total Communications	5,900	6,160	260

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget (Negative)
Office of Boards and Commissions			
Salaries and Wages	$ 513	$ 517	$ 4
Non-Personnel	360	360	—
Total Office of Boards and Commissions	873	877	4
Government Affairs			
Salaries and Wages	707	827	120
Non-Personnel	499	556	57
Total Government Affairs	1,206	1,383	177
Debt Management			
Salaries and Wages	1,378	1,378	—
Non-Personnel	1,021	1,146	125
Total Debt Management	2,399	2,524	125
Purchasing and Contracting			
Salaries and Wages	4,617	4,617	—
Non-Personnel	3,915	3,959	44
Total Purchasing and Contracting	8,532	8,576	44
City Treasurer			
Salaries and Wages	8,064	8,064	—
Non-Personnel	10,903	11,091	188
Total City Treasurer	18,967	19,155	188
Department of Finance			
Salaries and Wages	11,833	11,880	47
Non-Personnel	9,956	9,968	12
Total Department of Finance	21,789	21,848	59
Real Estate Assets			
Salaries and Wages	2,615	2,615	—
Non-Personnel	2,870	2,870	—
Total Real Estate Assets	5,485	5,485	—
Office of Sustainability			
Salaries and Wages	2,906	2,970	64
Non-Personnel	3,732	3,732	—
Total Office of Sustainability	6,638	6,702	64
Compliance			
Salaries and Wages	2,681	2,681	—
Non-Personnel	1,828	1,828	—
Total Compliance	4,509	4,509	—
General Services			
Salaries and Wages	9,515	9,529	14
Non-Personnel	14,919	14,919	—
Total General Services	24,434	24,448	14
Citywide Expenses			
Non-Personnel	80,070	80,636	566
TOTAL GENERAL GOVERNMENT AND SUPPORT	329,426	337,049	7,623

(Continued on Next Page)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget (Negative)
PUBLIC SAFETY - POLICE			
Salaries and Wages	$ 311,216	$ 311,216	$ —
Non-Personnel	276,609	276,610	1
TOTAL PUBLIC SAFETY - POLICE	587,825	587,826	1
PUBLIC SAFETY - FIRE AND EMERGENCY SERVICES			
Fire - Rescue			
Salaries and Wages	165,879	165,879	—
Non-Personnel	178,514	178,716	202
Total Fire - Rescue	344,393	344,595	202
Office of Emergency Services			
Salaries and Wages	1,445	1,445	—
Non-Personnel	1,735	1,735	—
Total Office of Emergency Services	3,180	3,180	—
TOTAL PUBLIC SAFETY - FIRE AND EMERGENCY SERVICES	347,573	347,775	202
PARKS, RECREATION, CULTURE AND LEISURE			
Library			
Salaries and Wages	24,570	24,570	—
Non-Personnel	41,965	41,965	—
Total Library	66,535	66,535	—
Parks and Recreation			
Salaries and Wages	48,677	48,677	—
Non-Personnel	108,848	108,848	—
Total Parks and Recreation	157,525	157,525	—
Reservoir Concessions			
Non-Personnel	2,572	2,601	29
TOTAL PARKS, RECREATION, CULTURE AND LEISURE	226,632	226,661	29
TRANSPORTATION			
Transportation			
Salaries and Wages	30,665	30,665	—
Non-Personnel	62,362	62,362	—
TOTAL TRANSPORTATION	93,027	93,027	—
SANITATION AND HEALTH			
Environmental Services			
Salaries and Wages	18,087	18,296	209
Non-Personnel	64,820	64,820	—
Total Environmental Services	82,907	83,116	209
Stormwater			
Salaries and Wages	20,218	20,218	—
Non-Personnel	50,202	50,202	—
Total Stormwater	70,420	70,420	—
TOTAL SANITATION AND HEALTH	153,327	153,536	209

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

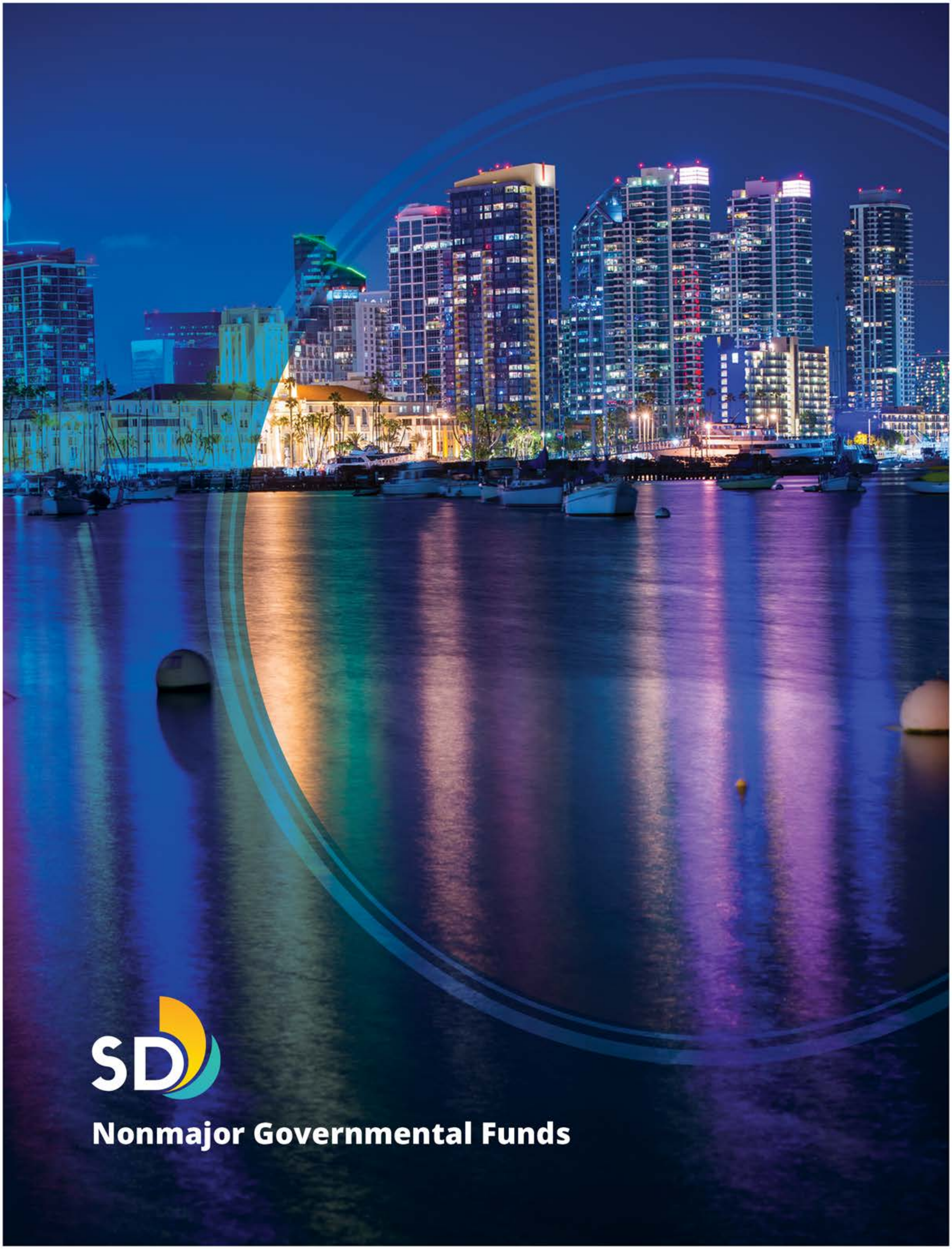
	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget (Negative)
NEIGHBORHOOD SERVICES			
Development Services			
Salaries and Wages	$ 5,435	$ 5,435	$ —
Non-Personnel	5,303	5,303	—
Total Development Services	10,738	10,738	—
Economic Development			
Salaries and Wages	4,605	4,605	—
Non-Personnel	10,415	10,415	—
Total Economic Development	15,020	15,020	—
Planning			
Salaries and Wages	5,026	5,026	—
Non-Personnel	4,182	4,182	—
Total Planning	9,208	9,208	—
Office of Race and Equity			
Salaries and Wages	463	509	46
Non-Personnel	325	562	237
Total Office of Race and Equity	788	1,071	283
Homelessness Strategies			
Salaries and Wages	1,461	1,593	132
Non-Personnel	21,459	21,472	13
Total Homelessness Strategies	22,920	23,065	145
TOTAL NEIGHBORHOOD SERVICES	58,674	59,102	428
CAPITAL OUTLAY	1,882	5,501	3,619
DEBT SERVICE			
Principal Retirement	9,730	9,786	56
Interest	1,410	1,445	35
TOTAL DEBT SERVICE	11,140	11,231	91
TOTAL EXPENDITURES	1,809,506	1,821,708	12,202

(Continued on Next Page)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget (Negative)
TRANSFERS TO PROPRIETARY FUNDS			
Internal Service Funds:			
Publishing Services	$ 407	$ 407	$ —
TRANSFERS TO OTHER FUNDS			
Special Revenue Funds:			
City of San Diego:			
Interfund Transfers	43,612	48,825	5,213
Other Special Revenue - Unbudgeted	1,791	1,791	—
Total Special Revenue Funds	45,403	50,616	5,213
Debt Service Funds:			
Public Facilities Financing Authority	27,102	27,102	—
Capital Projects Funds:			
City of San Diego:			
Capital Outlay - Budgeted	18,882	18,882	—
Capital Grants	64	64	—
Capital Outlay - Unbudgeted	58,003	58,003	—
Public Facilities Financing Authority	566	566	—
Total Capital Projects Funds	77,515	77,515	—
TOTAL TRANSFERS TO OTHER FUNDS	150,020	155,233	5,213
TOTAL EXPENDITURES AND TRANSFERS	$ 1,959,933	$ 1,977,348	$ 17,415

[1] Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. Transfers between the General Fund and these additional funds are titled "Interfund Transfers."



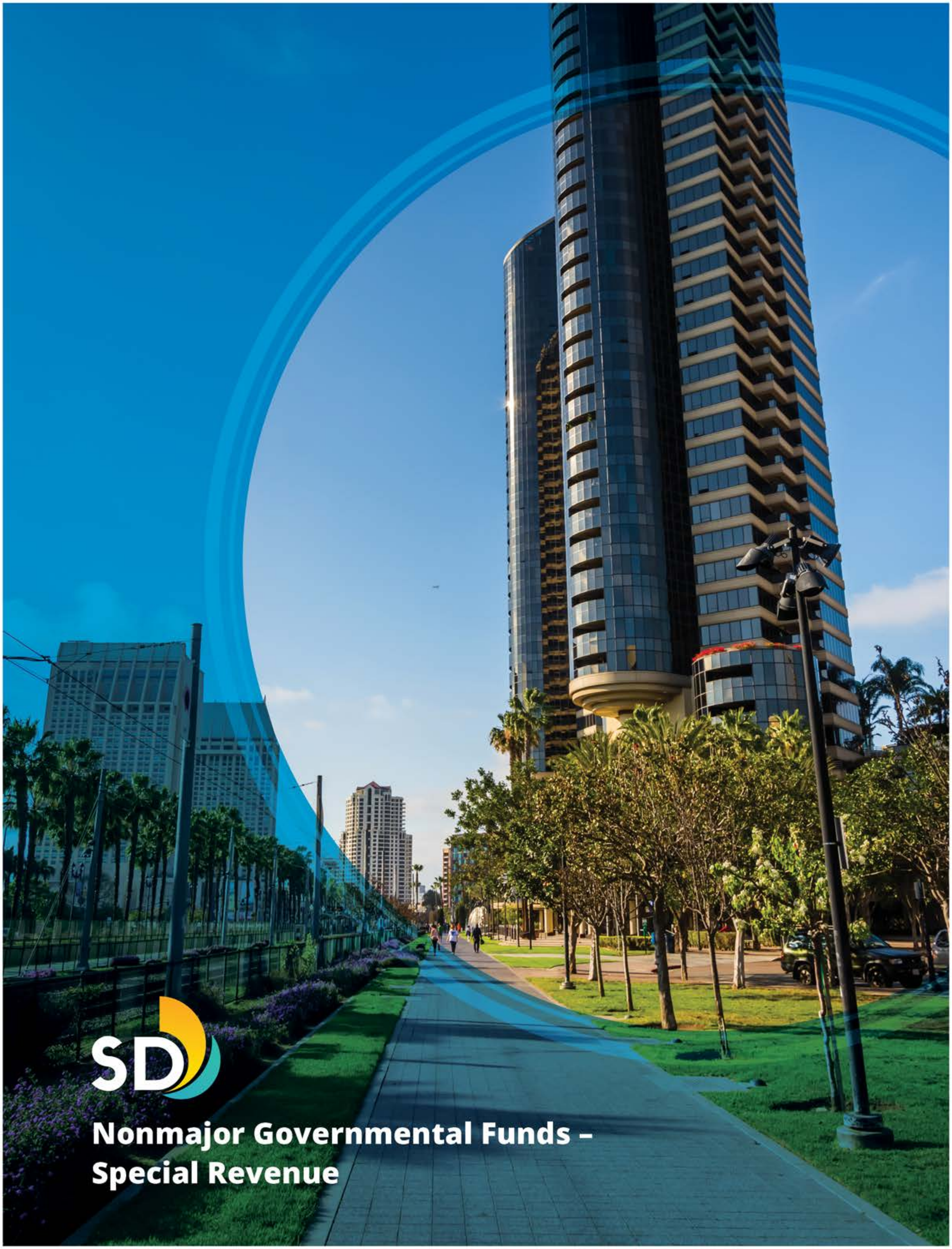
Nonmajor Governmental Funds

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2023
(Dollars in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
ASSETS					
Cash and Investments	$ 678,518	$ 5	$ 746,119	$ —	$ 1,424,642
Receivables:					
Taxes - Net of Allowance for Uncollectibles	42,647	—	41,032	—	83,679
Accounts - Net of Allowance for Uncollectibles	6,964	5,481	363	1	12,809
Claims	—	—	28,230	—	28,230
Special Assessments	4,718	—	—	—	4,718
Notes	312,692	—	—	—	312,692
Loans	63,993	—	—	—	63,993
Accrued Interest	2,507	8	2,403	21	4,939
Grants	42,059	—	71,838	—	113,897
Interfund Loan Receivable	—	—	26,167	—	26,167
Leases	4,044	—	1,620	—	5,664
PPP Receivable	10,110	—	1,556	—	11,666
Advances to Other Agencies	16,686	—	13,325	—	30,011
Land Held for Resale	17,769	—	—	—	17,769
Restricted Cash and Investments	1,255	11,553	54,945	22,315	90,068
TOTAL ASSETS	$ 1,203,962	$ 17,047	$ 987,598	$ 22,337	$ 2,230,944
LIABILITIES					
Accounts Payable	$ 62,850	$ —	$ 40,885	$ —	$ 103,735
Accrued Wages and Benefits	623	—	—	—	623
Other Accrued Liabilities	9	—	25,307	—	25,316
Due to Other Funds	—	—	27,857	—	27,857
Due to Other Agencies	2	—	—	—	2
Unearned Revenue	73,827	—	32,314	—	106,141
Interfund Loan Payable	—	—	26,167	—	26,167
TOTAL LIABILITIES	137,311	—	152,530	—	289,841
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Taxes	5,489	—	38,373	—	43,862
Unavailable Revenue - Grants	29,314	—	39,985	—	69,299
Unavailable Revenue - Other	4,931	5,481	112	1	10,525
Lease Related	3,879	—	1,527	—	5,406
PPP Related	9,954	—	1,535	—	11,489
TOTAL DEFERRED INFLOWS OF RESOURCES	53,567	5,481	81,532	1	140,581
FUND BALANCES					
Nonspendable	—	—	—	18,942	18,942
Restricted	965,289	11,566	784,312	3,394	1,764,561
Committed	77,158	—	23,720	—	100,878
Unassigned (Deficit)	(29,363)	—	(54,496)	—	(83,859)
TOTAL FUND BALANCES	1,013,084	11,566	753,536	22,336	1,800,522
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,203,962	$ 17,047	$ 987,598	$ 22,337	$ 2,230,944

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
REVENUES					
Property Taxes	$ 22,859	$ —	$ —	$ —	$ 22,859
Special Assessments	79,193	—	—	—	79,193
Sales Taxes	—	—	47,008	—	47,008
Transient Occupancy Taxes	146,264	—	—	—	146,264
Franchises	96,668	—	—	—	96,668
Licenses and Permits	14,982	—	58,869	—	73,851
Fines, Forfeitures and Penalties	8,964	—	—	—	8,964
Revenue (Loss) from Use of Money and Property	29,973	662	10,883	1,257	42,775
Revenue from Federal Agencies	19,580	—	32,583	—	52,163
Revenue from Other Agencies	47,746	10,714	10,193	—	68,653
Revenue from Private Sources	5,496	—	56	—	5,552
Charges for Current Services	25,451	—	1,400	191	27,042
Other Revenue	4,520	—	—	419	4,939
TOTAL REVENUES	501,696	11,376	160,992	1,867	675,931
EXPENDITURES					
Current:					
General Government and Support	19,961	—	3,618	—	23,579
Public Safety - Police	7,367	—	1,254	—	8,621
Public Safety - Fire and Emergency Services	11,829	—	501	—	12,330
Parks, Recreation, Culture and Leisure	167,438	—	6,841	8	174,287
Transportation	16,513	—	10,298	—	26,811
Sanitation and Health	9,531	—	11,492	53	21,076
Neighborhood Services	90,447	—	482	—	90,929
Capital Outlay	19,306	—	199,560	—	218,866
Debt Service:					
Principal Retirement	1,359	42,840	148,800	—	192,999
Cost of Issuance	—	354	219	—	573
Interest	78	24,361	3,545	—	27,984
TOTAL EXPENDITURES	343,829	67,555	386,610	61	798,055
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	157,867	(56,179)	(225,618)	1,806	(122,124)
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	7,994	56,115	80,338	—	144,447
Transfers to Proprietary Funds	(2,655)	—	(13,737)	—	(16,392)
Transfers to Other Funds	(60,749)	(23)	(16,948)	(587)	(78,307)
Proceeds from the Sale of Capital Assets	1,249	—	1,184	—	2,433
Commercial Paper	—	—	53,659	—	53,659
SBITAs	2,227	—	—	—	2,227
Revenue Bonds Issued	—	—	114,990	—	114,990
Premium on Bonds Issued	—	—	11,787	—	11,787
TOTAL OTHER FINANCING SOURCES (USES)	(51,934)	56,092	231,273	(587)	234,844
NET CHANGE IN FUND BALANCES	105,933	(87)	5,655	1,219	112,720
Fund Balances at Beginning of Year	907,151	11,653	747,881	21,117	1,687,802
FUND BALANCES AT END OF YEAR	$ 1,013,084	$ 11,566	$ 753,536	$ 22,336	$ 1,800,522



Nonmajor Governmental Funds – Special Revenue

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than those for debt service or major capital projects) that are restricted or committed to expenditures for specified purposes.

CITY OF SAN DIEGO

ACQUISITION, IMPROVEMENT AND OPERATIONS - BUDGETED
This fund accounts for various operating activities including business improvement areas, lighting and landscape maintenance areas, facilities financing, and the City's public art program. Revenues are derived from business tax surcharges, special assessments on property, various rents, concessions and fees.

TRANSIENT OCCUPANCY TAX - BUDGETED
This fund was established to receive and expend transient occupancy taxes. Since 1964, a tax has been imposed on transients of hotel and motel rooms in the City. Effective since August 1994, the tax rate is 10.5%.

UNDERGROUND SURCHARGE - BUDGETED
This fund was established to account for activities related to the undergrounding of utilities. This fund receives and disburses undergrounding surcharge revenue in accordance with the City's franchise agreements with SDG&E.

ZOOLOGICAL EXHIBITS - BUDGETED
This fund was established to collect monies from a fixed property tax levy authorized by Section 77a of the Charter for the maintenance of zoological exhibits. These funds are remitted in accordance with a contractual agreement with the San Diego Zoological Society, a not-for-profit corporation independent from the City.

STORM DRAIN REVENUE - BUDGETED
This fund was established to collect Storm Drain fees for general purposes, operations, maintenance, capital projects, and management of the storm drain system. Proposition 218 places restrictions on the fee collection and uses of Storm Drain fees.

OTHER SPECIAL REVENUE - BUDGETED
This fund was established to account for revenues derived specifically for a variety of budgeted special programs administered by City departments such as Development Services, Planning and Police. Revenues in this fund are derived from service charges, revenues from other agencies, and fines.

GRANTS - UNBUDGETED
This fund was established to account for revenue received from federal, state and other governmental agencies. Expenditures are made and accounted for as prescribed by appropriate grant provisions/agreements.

LOW-MODERATE INCOME HOUSING - UNBUDGETED
This fund was established to account for affordable housing assets transferred from the Successor Agency to the Successor Housing Entity, which is the City, as required by California Health and Safety Code Section 34176(d), due to the dissolution of the Redevelopment Agency. This fund will also account for any future revenues generated from the housing assets.

OTHER SPECIAL REVENUE - UNBUDGETED
This fund was established to account for revenues earmarked for a variety of special programs administered by such City departments as Economic Development, Libraries, Parks and Recreation, and Police. Revenues in this fund are derived from such sources as parking fees, service charges, special assessments, contributions from other agencies and private sources, and interest earnings.

BLENDED COMPONENT UNITS

CITY OF SAN DIEGO TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION (TSRFC)
This fund was established to account for the activities of the TSRFC. TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's special revenue fund is used to account for the expenditures incurred for administrative services provided by the City.

OTAY MESA ENHANCED INFRASTRUCTURE FINANCING DISTRICT PUBLIC FINANCING AUTHORITY (EIFDPFA)
This fund was established to finance certain public infrastructure and community benefit projects authorized under the EIFD Law Government Code sections 53398.50 through 53398.88.

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
June 30, 2023
(Dollars in Thousands)

	City of San Diego	TSRFC	EIFDPFA	Total
ASSETS				
Cash and Investments	$ 676,959	$ —	$ 1,559	$ 678,518
Receivables:				
Taxes - Net of Allowance for Uncollectibles	42,555	—	92	42,647
Accounts - Net of Allowance for Uncollectibles	6,964	—	—	6,964
Special Assessments	4,718	—	—	4,718
Notes	312,692	—	—	312,692
Loans	63,993	—	—	63,993
Accrued Interest	2,491	—	16	2,507
Grants	42,059	—	—	42,059
Leases	4,044	—	—	4,044
PPP Receivable	10,110	—	—	10,110
Advances to Other Agencies	16,686	—	—	16,686
Land Held for Resale	17,769	—	—	17,769
Restricted Cash and Investments	1,163	92	—	1,255
TOTAL ASSETS	$ 1,202,203	$ 92	$ 1,667	$ 1,203,962
LIABILITIES				
Accounts Payable	$ 62,835	$ —	$ 15	$ 62,850
Accrued Wages and Benefits	623	—	—	623
Other Accrued Liabilities	9	—	—	9
Due to Other Agencies	2	—	—	2
Unearned Revenue	73,827	—	—	73,827
TOTAL LIABILITIES	137,296	—	15	137,311
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes	5,489	—	—	5,489
Unavailable Revenue - Grants	29,314	—	—	29,314
Unavailable Revenue - Other	4,931	—	—	4,931
Lease Related	3,879	—	—	3,879
PPP Related	9,954	—	—	9,954
TOTAL DEFERRED INFLOWS OF RESOURCES	53,567	—	—	53,567
FUND BALANCES				
Restricted	963,545	92	1,652	965,289
Committed	77,158	—	—	77,158
Unassigned (Deficit)	(29,363)	—	—	(29,363)
TOTAL FUND BALANCES	1,011,340	92	1,652	1,013,084
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,202,203	$ 92	$ 1,667	$ 1,203,962

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	City of San Diego	TSRFC	EIFDPFA	Total
REVENUES				
Property Taxes	$ 18,421	$ —	$ 4,438	$ 22,859
Special Assessments	79,193	—	—	79,193
Transient Occupancy Taxes	146,264	—	—	146,264
Franchises	96,668	—	—	96,668
Licenses and Permits	14,982	—	—	14,982
Fines, Forfeitures and Penalties	8,964	—	—	8,964
Revenue (Loss) from Use of Money and Property	30,008	4	(39)	29,973
Revenue from Federal Agencies	19,580	—	—	19,580
Revenue from Other Agencies	47,746	—	—	47,746
Revenue from Private Sources	5,496	—	—	5,496
Charges for Current Services	25,449	2	—	25,451
Other Revenue	4,520	—	—	4,520
TOTAL REVENUES	497,291	6	4,399	501,696
EXPENDITURES				
Current:				
General Government and Support	19,764	42	155	19,961
Public Safety - Police	7,367	—	—	7,367
Public Safety - Fire and Emergency Services	11,829	—	—	11,829
Parks, Recreation, Culture and Leisure	167,438	—	—	167,438
Transportation	16,513	—	—	16,513
Sanitation and Health	9,531	—	—	9,531
Neighborhood Services	90,447	—	—	90,447
Capital Outlay	19,306	—	—	19,306
Debt Service:				
Principal Retirement	1,359	—	—	1,359
Interest	78	—	—	78
TOTAL EXPENDITURES	343,632	42	155	343,829
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	153,659	(36)	4,244	157,867
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	7,994	—	—	7,994
Transfers to Proprietary Funds	(2,655)	—	—	(2,655)
Transfers to Other Funds	(57,949)	—	(2,800)	(60,749)
Proceeds from the Sale of Capital Assets	1,249	—	—	1,249
SBITAs	2,227	—	—	2,227
TOTAL OTHER FINANCING SOURCES (USES)	(49,134)	—	(2,800)	(51,934)
NET CHANGE IN FUND BALANCES	104,525	(36)	1,444	105,933
Fund Balances at Beginning of Year	906,815	128	208	907,151
FUND BALANCES AT END OF YEAR	$ 1,011,340	$ 92	$ 1,652	$ 1,013,084

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
June 30, 2023
(Dollars in Thousands)

	Budgeted		
	Acquisition, Improvement and Operations	**Transient Occupancy Tax**	**Underground Surcharge**
ASSETS			
Cash and Investments	$ 36,402	$ 21,585	$ 283,186
Receivables:			
Taxes - Net of Allowance for Uncollectibles	—	20,167	21,830
Accounts - Net of Allowance for Uncollectibles	1,050	779	—
Special Assessments	134	—	—
Notes	—	—	—
Loans	—	—	—
Accrued Interest	115	17	1,064
Grants	—	—	—
Leases	—	—	—
PPP Receivable	—	10,110	—
Advances to Other Agencies	490	—	—
Land Held for Resale	—	—	—
Restricted Cash and Investments	—	—	—
TOTAL ASSETS	$ 38,191	$ 52,658	$ 306,080
LIABILITIES			
Accounts Payable	$ 2,804	$ 3,501	$ 7,476
Accrued Wages and Benefits	268	120	134
Other Accrued Liabilities	—	—	—
Due to Other Agencies	—	—	—
Unearned Revenue	—	—	—
TOTAL LIABILITIES	3,072	3,621	7,610
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	—	5,093	—
Unavailable Revenue - Grants	—	—	—
Unavailable Revenue - Other	930	427	—
Lease Related	—	—	—
PPP Related	—	9,954	—
TOTAL DEFERRED INFLOWS OF RESOURCES	930	15,474	—
FUND BALANCES			
Restricted	25,506	—	298,470
Committed	8,683	33,563	—
Unassigned (Deficit)	—	—	—
TOTAL FUND BALANCES	34,189	33,563	298,470
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 38,191	$ 52,658	$ 306,080

			Unbudgeted			
Zoological Exhibits	Storm Drain Revenue	Other Special Revenue	Grants	Low-Moderate Income Housing	Other Special Revenue	Total
$ 11,729	$ 1,938	$ 15,108	$ 47,841	$ 53,495	$ 205,675	$ 676,959
558	—	—	—	—	—	42,555
—	1,447	42	170	—	3,476	6,964
—	—	—	—	—	4,584	4,718
—	—	—	11,543	298,359	2,790	312,692
—	—	—	62,994	—	999	63,993
—	—	80	335	198	682	2,491
—	—	—	42,059	—	—	42,059
—	—	—	—	39	4,005	4,044
—	—	—	—	—	—	10,110
—	—	—	—	—	16,196	16,686
—	—	—	—	17,769	—	17,769
—	—	—	—	1,163	—	1,163
$ 12,287	$ 3,385	$ 15,230	$ 164,942	$ 371,023	$ 238,407	$ 1,202,203
$ 11,486	$ 1,937	$ 1,524	$ 21,395	$ 168	$ 12,544	$ 62,835
—	—	101	—	—	—	623
—	—	—	—	—	9	9
—	—	—	2	—	—	2
—	—	—	66,877	—	6,950	73,827
11,486	1,937	1,625	88,274	168	19,503	137,296
396	—	—	—	—	—	5,489
—	—	—	29,314	—	—	29,314
—	203	42	—	—	3,329	4,931
—	—	—	—	39	3,840	3,879
—	—	—	—	—	—	9,954
396	203	42	29,314	39	7,169	53,567
405	1,245	8,260	76,666	370,816	182,177	963,545
—	—	5,303	—	—	29,609	77,158
—	—	—	(29,312)	—	(51)	(29,363)
405	1,245	13,563	47,354	370,816	211,735	1,011,340
$ 12,287	$ 3,385	$ 15,230	$ 164,942	$ 371,023	$ 238,407	$ 1,202,203

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Budgeted		
	Acquisition, Improvement and Operations	Transient Occupancy Tax	Underground Surcharge
REVENUES			
Property Taxes	$ —	$ —	$ —
Special Assessments	21,422	—	—
Transient Occupancy Taxes	—	146,264	—
Franchises	—	—	96,560
Licenses and Permits	211	103	—
Fines, Forfeitures and Penalties	—	—	—
Revenue (Loss) from Use of Money and Property	361	7,606	2,459
Revenue from Federal Agencies	—	—	—
Revenue from Other Agencies	—	—	—
Revenue from Private Sources	39	2,168	—
Charges for Current Services	8,176	1	—
Other Revenue	2,192	228	355
TOTAL REVENUES	32,401	156,370	99,374
EXPENDITURES			
Current:			
General Government and Support	4,427	—	—
Public Safety - Police	—	—	—
Public Safety - Fire and Emergency Services	—	—	—
Parks, Recreation, Culture and Leisure	21,618	85,291	—
Transportation	—	1	19,659
Sanitation and Health	—	—	—
Neighborhood Services	3,371	—	—
Capital Outlay	290	1	2,571
Debt Service:			
Principal Retirement	—	—	141
Interest	—	—	5
TOTAL EXPENDITURES	29,706	85,293	22,376
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,695	71,077	76,998
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	235	—	—
Transfers to Proprietary Funds	—	(2,655)	—
Transfers to Other Funds	—	(51,998)	—
Proceeds from the Sale of Capital Assets	—	—	—
SBITAs	—	—	—
TOTAL OTHER FINANCING SOURCES (USES)	235	(54,653)	—
NET CHANGE IN FUND BALANCES	2,930	16,424	76,998
Fund Balances at Beginning of Year	31,259	17,139	221,472
FUND BALANCES AT END OF YEAR	$ 34,189	$ 33,563	$ 298,470

			Unbudgeted			
Zoological Exhibits	Storm Drain Revenue	Other Special Revenue	Grants	Low-Moderate Income Housing	Other Special Revenue	Total
$ 18,395	$ —	$ —	$ —	$ —	$ 26	$ 18,421
—	—	—	—	—	57,771	79,193
—	—	—	—	—	—	146,264
—	—	—	—	—	108	96,668
—	—	14,665	—	—	3	14,982
—	—	—	155	—	8,809	8,964
—	—	317	1,190	5,657	12,418	30,008
—	—	311	18,956	—	313	19,580
—	—	3,668	44,078	—	—	47,746
—	—	—	—	195	3,094	5,496
—	5,793	2,603	—	—	8,876	25,449
—	—	118	(833)	1,915	545	4,520
18,395	5,793	21,682	63,546	7,767	91,963	497,291
—	—	3,742	9,431	—	2,164	19,764
—	—	4,425	2,485	—	457	7,367
—	—	957	10,470	—	402	11,829
18,346	—	298	5,234	—	36,651	167,438
—	—	—	(3,192)	—	45	16,513
—	5,250	2,436	1,845	—	—	9,531
—	—	4,267	52,275	1,170	29,364	90,447
—	—	282	7,154	—	9,008	19,306
—	—	—	788	—	430	1,359
—	—	—	4	—	69	78
18,346	5,250	16,407	86,494	1,170	78,590	343,632
49	543	5,275	(22,948)	6,597	13,373	153,659
—	—	168	—	—	7,591	7,994
—	—	—	—	—	—	(2,655)
—	—	(5,800)	—	—	(151)	(57,949)
—	—	—	—	—	1,249	1,249
—	—	—	2,227	—	—	2,227
—	—	(5,632)	2,227	—	8,689	(49,134)
49	543	(357)	(20,721)	6,597	22,062	104,525
356	702	13,920	68,075	364,219	189,673	906,815
$ 405	$ 1,245	$ 13,563	$ 47,354	$ 370,816	$ 211,735	$ 1,011,340

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Acquisition, Improvement and Operations			Transient Occupancy Tax		
	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES						
Property Taxes	$ —	$ —	$ —	$ —	$ —	$ —
Special Assessments	21,422	20,852	570	—	—	—
Sales Taxes	—	—	—	—	—	—
Transient Occupancy Taxes	—	—	—	146,264	124,188	22,076
Franchises	—	—	—	—	—	—
Other Local Taxes	—	—	—	—	—	—
Licenses and Permits	211	215	(4)	103	92	11
Fines, Forfeitures and Penalties	—	—	—	—	—	—
Revenue from Use of Money and Property	482	150	332	7,490	3,156	4,334
Revenue from Federal Agencies	—	—	—	—	—	—
Revenue from Other Agencies	—	—	—	—	—	—
Revenue from Private Sources	39	—	39	2,168	1,430	738
Charges for Current Services	8,176	7,545	631	1	232	(231)
Other Revenue	2,192	—	2,192	228	—	228
TOTAL REVENUES	32,522	28,762	3,760	156,254	129,098	27,156
EXPENDITURES						
Current:						
General Government and Support	4,427	4,210	(217)	—	—	—
Public Safety - Police	—	—	—	—	—	—
Public Safety - Fire and Emergency Services	—	—	—	—	—	—
Parks, Recreation, Culture and Leisure	22,207	37,434	15,227	85,291	88,739	3,448
Transportation	—	—	—	1	3	2
Sanitation and Health	—	—	—	—	—	—
Neighborhood Services	3,371	3,518	147	—	—	—
Capital Outlay	316	—	(316)	1	—	(1)
Debt Service:						
Principal Retirement	—	—	—	—	—	—
Interest	—	—	—	—	—	—
TOTAL EXPENDITURES	30,321	45,162	14,841	85,293	88,742	3,449
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,201	(16,400)	18,601	70,961	40,356	30,605
OTHER FINANCING SOURCES (USES)						
Transfers from Other Funds	235	238	(3)	—	2,008	(2,008)
Transfers to Proprietary Funds	—	—	—	(2,655)	—	(2,655)
Transfers to Other Funds	—	—	—	(51,998)	(51,998)	—
TOTAL OTHER FINANCING SOURCES (USES)	235	238	(3)	(54,653)	(49,990)	(4,663)
NET CHANGE IN FUND BALANCES	2,436	(16,162)	18,598	16,308	(9,634)	25,942
Prior Year Encumbrances	796	—	—	—	—	—
Fund Balances at Beginning of Year	30,498	30,498	—	17,387	17,387	—
FUND BALANCES AT END OF YEAR	$ 33,730	$ 14,336	$ 18,598	$ 33,695	$ 7,753	$ 25,942

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

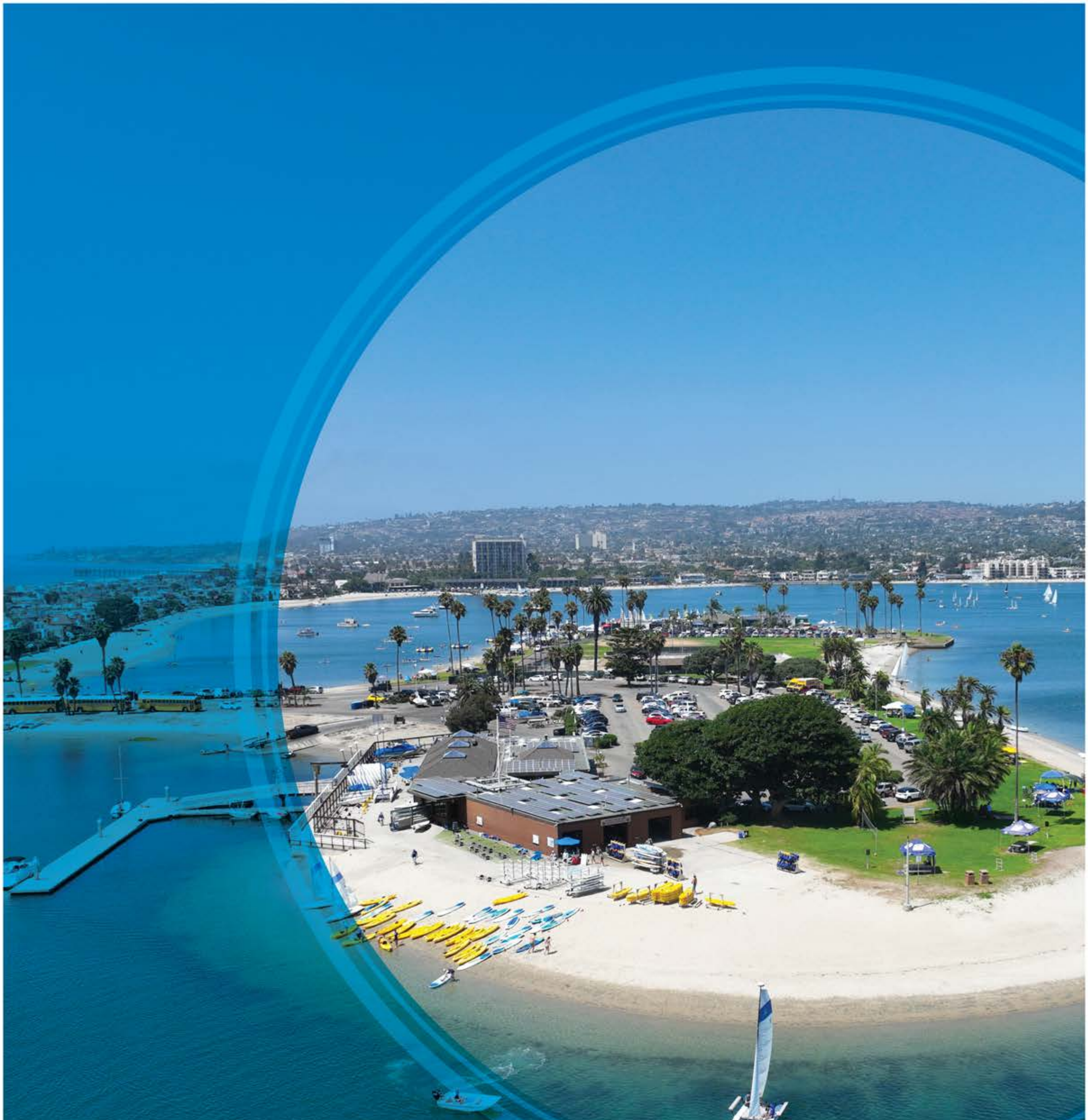
	Underground Surcharge			Zoological Exhibits		
	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES						
Property Taxes	$ —	$ —	$ —	$ 18,395	$ 18,346	$ 49
Special Assessments	—	—	—	—	—	—
Sales Taxes	—	—	—	—	—	—
Transient Occupancy Taxes	—	—	—	—	—	—
Franchises	96,560	76,539	20,021	—	—	—
Other Local Taxes	—	—	—	—	—	—
Licenses and Permits	—	—	—	—	—	—
Fines, Forfeitures and Penalties	—	—	—	—	—	—
Revenue from Use of Money and Property	4,524	3,000	1,524	—	—	—
Revenue from Federal Agencies	—	—	—	—	—	—
Revenue from Other Agencies	—	—	—	—	—	—
Revenue from Private Sources	—	—	—	—	—	—
Charges for Current Services	—	—	—	—	—	—
Other Revenue	355	—	355	—	—	—
TOTAL REVENUES	101,439	79,539	21,900	18,395	18,346	49
EXPENDITURES						
Current:						
General Government and Support	—	—	—	—	—	—
Public Safety - Police	—	—	—	—	—	—
Public Safety - Fire and Emergency Services	—	—	—	—	—	—
Parks, Recreation, Culture and Leisure	—	—	—	18,346	18,346	—
Transportation	19,659	122,174	102,515	—	—	—
Sanitation and Health	—	—	—	—	—	—
Neighborhood Services	—	—	—	—	—	—
Capital Outlay	3,739	—	(3,739)	—	—	—
Debt Service:						
Principal Retirement	141	—	(141)	—	—	—
Interest	5	—	(5)	—	—	—
TOTAL EXPENDITURES	23,544	122,174	98,630	18,346	18,346	—
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	77,895	(42,635)	120,530	49	—	49
OTHER FINANCING SOURCES (USES)						
Transfers from Other Funds	—	—	—	—	—	—
Transfers to Proprietary Funds	—	—	—	—	—	—
Transfers to Other Funds	—	—	—	—	—	—
TOTAL OTHER FINANCING SOURCES (USES)	—	—	—	—	—	—
NET CHANGE IN FUND BALANCES	77,895	(42,635)	120,530	49	—	49
Prior Year Encumbrances	1,137	—	—	—	—	—
Fund Balances at Beginning of Year	224,559	224,559	—	356	356	—
FUND BALANCES AT END OF YEAR	$ 303,591	$ 181,924	$ 120,530	$ 405	$ 356	$ 49

(Continued on Next Page)

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Storm Drain Revenue			Other Special Revenue [1]		
	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES						
Property Taxes	$ —	$ —	$ —	$ —	$ —	$ —
Special Assessments	—	—	—	—	—	—
Sales Taxes	—	—	—	12,784	12,853	(69)
Transient Occupancy Taxes	—	—	—	—	—	—
Franchises	—	—	—	30,324	23,884	6,440
Other Local Taxes	—	—	—	65,918	73,273	(7,355)
Licenses and Permits	—	—	—	14,665	13,978	687
Fines, Forfeitures and Penalties	—	—	—	30	—	30
Revenue from Use of Money and Property	—	—	—	5,973	2,392	3,581
Revenue from Federal Agencies	—	—	—	311	589	(278)
Revenue from Other Agencies	—	—	—	5,506	5,205	301
Revenue from Private Sources	—	—	—	—	—	—
Charges for Current Services	5,368	5,700	(332)	274,298	279,970	(5,672)
Other Revenue	—	—	—	1,600	413	1,187
TOTAL REVENUES	5,368	5,700	(332)	411,409	412,557	(1,148)
EXPENDITURES						
Current:						
General Government and Support	—	—	—	229,542	287,041	57,499
Public Safety - Police	—	—	—	4,425	9,275	4,850
Public Safety - Fire and Emergency Services	—	—	—	8,263	8,880	617
Parks, Recreation, Culture and Leisure	—	—	—	22,409	34,213	11,804
Transportation	—	—	—	73,773	156,951	83,178
Sanitation and Health	5,250	5,700	450	2,596	5,134	2,538
Neighborhood Services	—	—	—	5,877	6,594	717
Capital Outlay	—	—	—	40,909	150	(40,759)
Debt Service:						
Principal Retirement	—	—	—	38,393	—	(38,393)
Interest	—	—	—	3,280	—	(3,280)
TOTAL EXPENDITURES	5,250	5,700	450	429,467	508,238	78,771
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	118	—	118	(18,058)	(95,681)	77,623
OTHER FINANCING SOURCES (USES)						
Transfers from Other Funds	—	—	—	37,335 -	37,420	(85)
Transfers to Proprietary Funds	—	—	—	— -	—	—
Transfers to Other Funds	—	—	—	(42,974)	(50,984)	8,010
TOTAL OTHER FINANCING SOURCES (USES)	—	—	—	(5,639)	(13,564)	7,925
NET CHANGE IN FUND BALANCES	118	—	118	(23,697)	(109,245)	85,548
Prior Year Encumbrances	—	—	—	17,647	—	—
Fund Balances at Beginning of Year	702	702	—	98,098	98,098	—
FUND BALANCES AT END OF YEAR	$ 820	$ 702	$ 118	$ 92,048	$ (11,147)	$ 85,548

[1] Amounts include funds that do not meet the criteria to be classified as special revenue funds pursuant to GASB Statement No. 54, which are included with the General Fund in the Governmental Funds financial statements prepared on a GAAP basis.



Nonmajor Governmental Funds – Debt Service

DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for general long-term debt principal, interest, and related costs.

BLENDED COMPONENT UNITS

CONVENTION CENTER EXPANSION FINANCING AUTHORITY (CCEFA)
This fund was established to account for the debt service activities of the CCEFA. CCEFA, created by the City and the Port of San Diego, facilitates the financing, acquisition and construction of an expansion to the San Diego Convention Center. CCEFA's debt service fund is used to account for the payment of long-term debt principal and interest.

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO (PFFA)
This fund was established to account for the debt service activities of the PFFA. PFFA, a joint powers authority consisting of the City, the Successor Agency and the Housing Authority of the City of San Diego, facilitates the financing, acquisition and construction of public capital facility improvements. PFFA's debt service fund is used to account for the payment of long-term debt principal and interest.

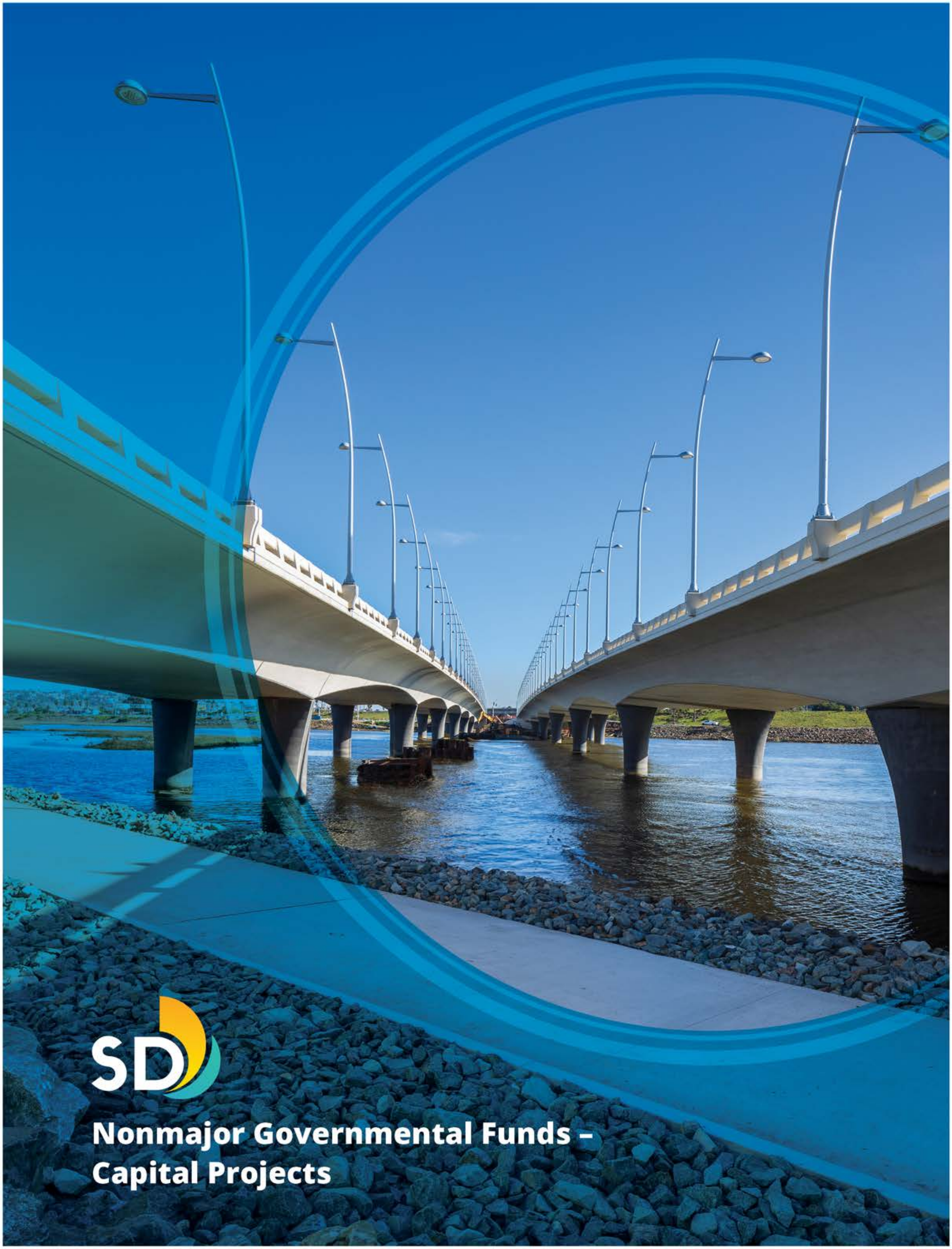
CITY OF SAN DIEGO TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION (TSRFC)
This fund was established to account for the debt service activities of the TSRFC. TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's debt service fund is used to account for the payment of long-term debt principal and interest.

NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING BALANCE SHEET
June 30, 2023
(Dollars in Thousands)

	CCEFA	PFFA	TSRFC	Total
ASSETS				
Cash and Investments	$ —	$ 5	$ —	$ 5
Receivables:				
Accounts	—	—	5,481	5,481
Accrued Interest	—	—	8	8
Restricted Cash and Investments	—	45	11,508	11,553
TOTAL ASSETS	$ —	$ 50	$ 16,997	$ 17,047
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Other	$ —	$ —	$ 5,481	$ 5,481
FUND BALANCES				
Restricted	—	50	11,516	11,566
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ —	$ 50	$ 16,997	$ 17,047

NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	CCEFA	PFFA	TSRFC	Total
REVENUES				
Revenue from Use of Money and Property	$ —	$ 55	$ 607	$ 662
Revenue from Other Agencies	—	—	10,714	10,714
TOTAL REVENUES	—	55	11,321	11,376
EXPENDITURES				
Debt Service:				
Principal Retirement	10,845	22,610	9,385	42,840
Cost of Issuance	—	354	—	354
Interest	1,250	21,043	2,068	24,361
TOTAL EXPENDITURES	12,095	44,007	11,453	67,555
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(12,095)	(43,952)	(132)	(56,179)
OTHER FINANCING SOURCES				
Transfers from Other Funds	12,095	44,020	—	56,115
Transfers to Other Funds	—	(23)	—	(23)
TOTAL OTHER FINANCING SOURCES	12,095	43,997	—	56,092
NET CHANGE IN FUND BALANCES	—	45	(132)	(87)
Fund Balances at Beginning of Year	—	5	11,648	11,653
FUND BALANCES AT END OF YEAR	$ —	$ 50	$ 11,516	$ 11,566



Nonmajor Governmental Funds – Capital Projects

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities.

CITY OF SAN DIEGO

TRANSNET - BUDGETED
This fund was established to account for transportation improvements funded by the 2009 extension of a local sales tax approved by voters in the County. Funds are used to relieve traffic congestion, increase safety, and improve air quality by performing repairs, restorations, and construction of needed facilities within the public rights-of-way.

CAPITAL OUTLAY - BUDGETED
This fund was established to account for capital improvements per Sections 55.2 and 77 of the Charter. This fund includes a variety of capital projects including, but not limited to, building improvements to city facilities, park improvements, and street improvements. Revenues in this fund are derived from the sale of City-owned real property and Mission Bay Park lease revenues.

CAPITAL GRANTS - UNBUDGETED
This fund was established to account for capital grants from Federal, State and other governmental agencies.

PARKS & RECREATION DISTRICTS - UNBUDGETED
This fund was established to account for park fees collected at the time of subdivision or permit issuance and is mandated per the City Municipal Code. Fee assessments are only to be used for park purposes within a Community Park Service District to purchase land, facilities, or reimburse those who have donated more than their proportionate responsibilities.

FACILITIES BENEFIT ASSESSMENTS - UNBUDGETED
This fund was established to account for building permit fees collected at the time of permit issuance and is mandated by the Charter. Fee assessments are only to be used in the community the assessments are collected and are the primary source of project funding, excluding maintenance costs.

IMPACT FEES - UNBUDGETED
This fund was established to account for building permit fees collected at the time of permit issuance and has specific State reporting requirements. Fee assessments are only to be used in the community the assessments are collected and are not the primary source of project funding and exclude maintenance costs.

SPECIAL ASSESSMENT/SPECIAL TAX BONDS - UNBUDGETED
This fund was established to account for Community Facilities Districts and Special Assessment Districts, which under various sections of State law, issue limited obligation bonds to finance infrastructure facilities and other public improvements necessary to facilitate development of the properties within each district. The bonds are secured solely by the properties within each district, and are repaid through revenues generated by the annual levy of special taxes or special assessments on the benefiting properties.

TRANSNET - UNBUDGETED
This fund was established to account for transportation improvements funded by local sales tax approved by voters in the County, as well as Commercial Paper and developer impact fees under the SANDAG administered TransNet Program. Funds are used to relieve traffic congestion, increase safety, and improve air quality by performing repairs, restorations, and construction of needed facilities within the public rights-of-way.

CAPITAL OUTLAY - UNBUDGETED
This fund was established to account for the acquisition, construction and completion of permanent public improvements and real property. This fund also accounts for a variety of capital projects including, but not limited to, park and street improvements, and the construction of public facilities in new development areas. Revenues in this fund are derived from developer contributions, private donations, special assessments, special taxes, fees, leases, and interest derived there from.

BLENDED COMPONENT UNITS

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN D IEGO (PFFA)
This fund was established to account for the capital improvement acquisition and construction activities of the PFFA. PFFA, which was created by the City and the former Redevelopment Agency, facilitates the financing and construction of public capital improvements. PFFA's current members are the City, the Successor Agency and the Housing Authority of the City of San Diego. Revenues are derived from the issuance of bonds and interest earnings on investments.

CITY OF SAN DIEGO TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION (TSRFC)
This fund was established to account for the capital improvement activities of the TSRFC. TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement.

OTAY MESA ENHANCED INFRASTRUCTURE FINANCING DISTRICT PUBLIC FINANCING AUTHORITY (EIFDPFA)
This fund was established to finance certain public infrastructure and community benefit projects authorized under the EIFD Law Government Code sections 53398.50 through 53398.88.

NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
June 30, 2023
(Dollars in Thousands)

	City of San Diego	PFFA	TSRFC	EIFDPFA	Total
ASSETS					
Cash and Investments	$ 739,627	$ —	$ 8	$ 6,484	$ 746,119
Receivables:					
Taxes - Net of Allowance for Uncollectibles	41,032	—	—	—	41,032
Accounts - Net of Allowance for Uncollectibles	363	—	—	—	363
Claims	28,230	—	—	—	28,230
Accrued Interest	2,388	2	—	13	2,403
Grants	71,838	—	—	—	71,838
Interfund Loan Receivable	26,167	—	—	—	26,167
Leases	1,620	—	—	—	1,620
PPP Receivable	1,556	—	—	—	1,556
Advances to Other Agencies	13,325	—	—	—	13,325
Restricted Cash and Investments	30,102	24,843	—	—	54,945
TOTAL ASSETS	$ 956,248	$ 24,845	$ 8	$ 6,497	$ 987,598
LIABILITIES					
Accounts Payable	$ 29,379	$ 11,506	$ —	$ —	$ 40,885
Other Accrued Liabilities	25,307	—	—	—	25,307
Due to Other Funds	19,214	8,643	—	—	27,857
Unearned Revenue	32,314	—	—	—	32,314
Interfund Loan Payable	26,167	—	—	—	26,167
TOTAL LIABILITIES	132,381	20,149	—	—	152,530
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Taxes	38,373	—	—	—	38,373
Unavailable Revenue - Grants	39,985	—	—	—	39,985
Unavailable Revenue - Other	112	—	—	—	112
Lease Related	1,527	—	—	—	1,527
PPP Related	1,535	—	—	—	1,535
TOTAL DEFERRED INFLOWS OF RESOURCES	81,532	—	—	—	81,532
FUND BALANCES					
Restricted	773,111	4,696	8	6,497	784,312
Committed	23,720	—	—	—	23,720
Unassigned (Deficit)	(54,496)	—	—	—	(54,496)
TOTAL FUND BALANCES	742,335	4,696	8	6,497	753,536
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 956,248	$ 24,845	$ 8	$ 6,497	$ 987,598

NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	City of San Diego	PFFA	TSRFC	EIFDPFA	Total
REVENUES					
Sales Taxes	$ 47,008	$ —	$ —	$ —	$ 47,008
Licenses and Permits	58,869	—	—	—	58,869
Revenue (Loss) from Use of Money and Property	10,146	683	—	54	10,883
Revenue from Federal Agencies	32,583	—	—	—	32,583
Revenue from Other Agencies	10,193	—	—	—	10,193
Revenue from Private Sources	56	—	—	—	56
Charges for Current Services	1,400	—	—	—	1,400
TOTAL REVENUES	160,255	683	—	54	160,992
EXPENDITURES					
Current:					
General Government and Support	3,618	—	—	—	3,618
Public Safety - Police	—	1,254	—	—	1,254
Public Safety - Fire and Emergency Services	151	350	—	—	501
Parks, Recreation, Culture and Leisure	6,841	—	—	—	6,841
Transportation	10,275	23	—	—	10,298
Sanitation and Health	258	11,234	—	—	11,492
Neighborhood Services	482	—	—	—	482
Capital Outlay	129,059	70,501	—	—	199,560
Debt Service:					
Principal Retirement	49,266	99,534	—	—	148,800
Cost of Issuance	—	219	—	—	219
Interest	2,979	566	—	—	3,545
TOTAL EXPENDITURES	202,929	183,681	—	—	386,610
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(42,674)	(182,998)	—	54	(225,618)
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	76,949	589	—	2,800	80,338
Transfers to Proprietary Funds	—	(13,737)	—	—	(13,737)
Transfers to Other Funds	(16,557)	(391)	—	—	(16,948)
Proceeds from the Sale of Capital Assets	1,184	—	—	—	1,184
Commercial Paper	—	53,659	—	—	53,659
Revenue Bonds Issued	—	114,990	—	—	114,990
Premium on Bonds Issued	—	11,787	—	—	11,787
TOTAL OTHER FINANCING SOURCES	61,576	166,897	—	2,800	231,273
NET CHANGE IN FUND BALANCES	18,902	(16,101)	—	2,854	5,655
Fund Balances at Beginning of Year	723,433	20,797	8	3,643	747,881
FUND BALANCES AT END OF YEAR	$ 742,335	$ 4,696	$ 8	$ 6,497	$ 753,536

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
June 30, 2023
(Dollars in Thousands)

	Budgeted	
	TransNet	Capital Outlay
ASSETS		
Cash and Investments	$ 14,338	$ 80,056
Receivables:		
Taxes - Net of Allowance for Uncollectibles	41,032	—
Accounts - Net of Allowance for Uncollectibles	—	239
Claims	—	—
Accrued Interest	32	152
Grants	—	—
Interfund Loan Receivable	—	—
Leases	—	—
PPP Receivable	—	—
Advances to Other Agencies	—	—
Restricted Cash and Investments	—	—
TOTAL ASSETS	$ 55,402	$ 80,447
LIABILITIES		
Accounts Payable	$ 3,513	$ 1,260
Other Accrued Liabilities	—	—
Due to Other Funds	—	—
Unearned Revenue	—	—
Interfund Loan Payable	—	—
TOTAL LIABILITIES	3,513	1,260
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Taxes	38,373	—
Unavailable Revenue - Grants	—	—
Unavailable Revenue - Other	—	—
Lease Related	—	—
PPP Related	—	—
TOTAL DEFERRED INFLOWS OF RESOURCES	38,373	—
FUND BALANCES		
Restricted	13,516	79,187
Committed	—	—
Unassigned (Deficit)	—	—
TOTAL FUND BALANCES (DEFICIT)	13,516	79,187
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 55,402	$ 80,447

Unbudgeted							
Capital Grants	Parks & Recreation Districts	Facilities Benefit Assessments	Impact Fees	Special Assessment/ Special Tax Bonds	TransNet	Capital Outlay	Total
$ —	$ 1,934	$ 272,975	$ 208,168	$ 456	$ 32,600	$ 129,100	$ 739,627
—	—	—	—	—	—	—	41,032
—	—	—	60	—	14	50	363
—	—	—	—	—	—	28,230	28,230
—	7	1,024	751	2	120	300	2,388
71,838	—	—	—	—	—	—	71,838
—	—	—	—	—	26,167	—	26,167
—	—	—	—	—	—	1,620	1,620
—	—	—	—	—	—	1,556	1,556
1,526	—	—	7,000	—	—	4,799	13,325
—	—	—	—	—	—	30,102	30,102
$ 73,364	$ 1,941	$ 273,999	$ 215,979	$ 458	$ 58,901	$ 195,757	$ 956,248
$ 9,143	$ —	$ 3,299	$ 9,140	$ —	$ 709	$ 2,315	$ 29,379
—	—	—	—	—	—	25,307	25,307
19,214	—	—	—	—	—	—	19,214
17,314	—	—	—	—	—	15,000	32,314
26,167	—	—	—	—	—	—	26,167
71,838	—	3,299	9,140	—	709	42,622	132,381
—	—	—	—	—	—	—	38,373
39,985	—	—	—	—	—	—	39,985
—	—	—	60	—	14	38	112
—	—	—	—	—	—	1,527	1,527
—	—	—	—	—	—	1,535	1,535
39,985	—	—	60	—	14	3,100	81,532
—	1,941	270,700	206,779	458	58,178	142,352	773,111
—	—	—	—	—	—	23,720	23,720
(38,459)	—	—	—	—	—	(16,037)	(54,496)
(38,459)	1,941	270,700	206,779	458	58,178	150,035	742,335
$ 73,364	$ 1,941	$ 273,999	$ 215,979	$ 458	$ 58,901	$ 195,757	$ 956,248

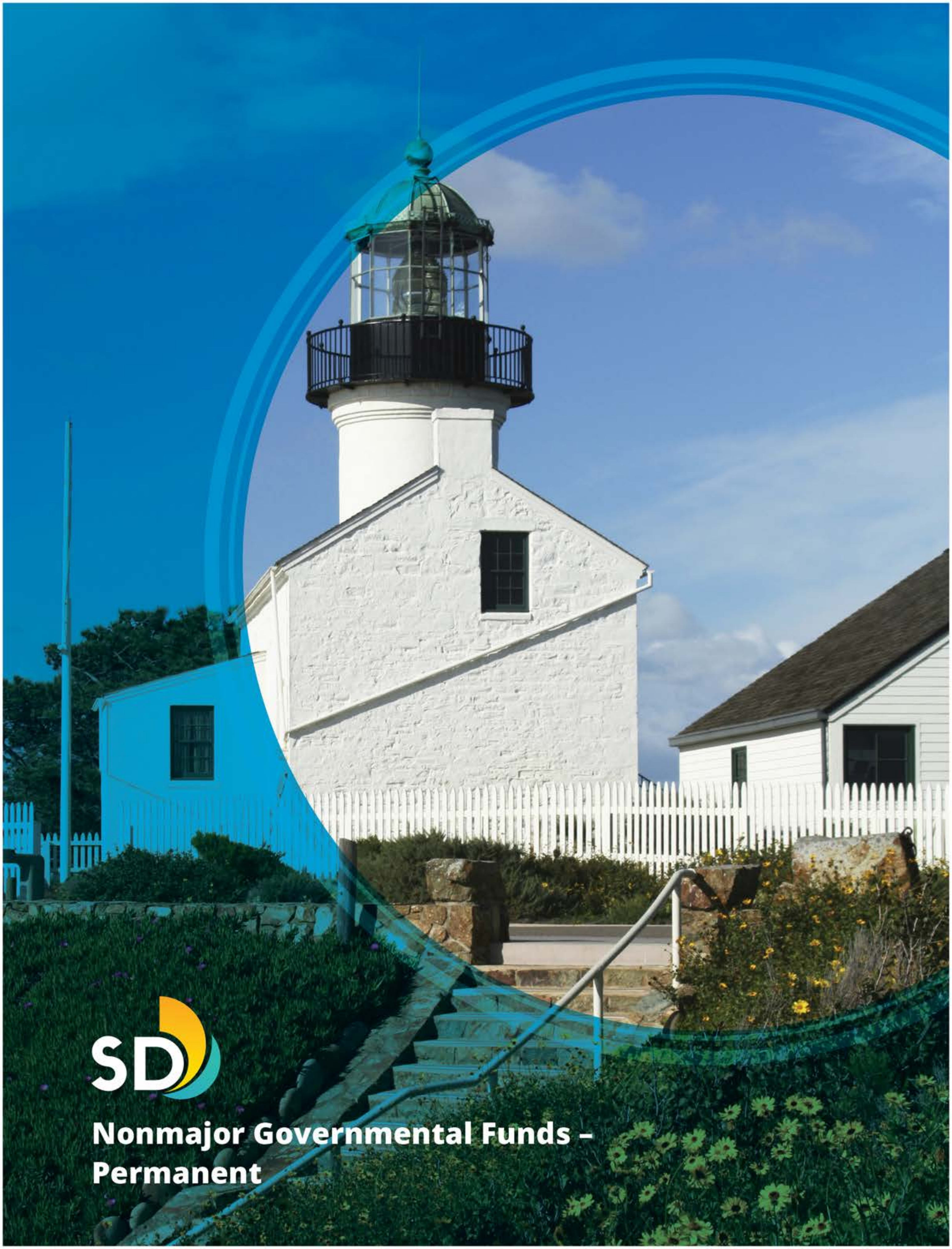
CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Budgeted	
	TransNet	**Capital Outlay**
REVENUES		
Sales Taxes	$ 47,008	$ —
Licenses and Permits	—	—
Revenue (Loss) from Use of Money and Property	50	492
Revenue from Federal Agencies	—	—
Revenue from Other Agencies	—	—
Revenue from Private Sources	—	—
Charges for Current Services	—	—
TOTAL REVENUES	47,058	492
EXPENDITURES		
Current:		
General Government and Support	454	—
Public Safety - Fire and Emergency Services	—	—
Parks, Recreation, Culture and Leisure	—	18
Transportation	9,656	—
Sanitation and Health	—	45
Neighborhood Services	—	—
Capital Outlay	18,660	10,014
Debt Service:		
Principal Retirement	—	3,118
Interest	724	143
TOTAL EXPENDITURES	29,494	13,338
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	17,564	(12,846)
OTHER FINANCING SOURCES (USES)		
Transfers from Other Funds	—	18,882
Transfers to Other Funds	(12,512)	(4,045)
Proceeds from the Sale of Capital Assets	—	246
TOTAL OTHER FINANCING SOURCES (USES)	(12,512)	15,083
NET CHANGE IN FUND BALANCES	5,052	2,237
Fund Balances (Deficit) at Beginning of Year	8,464	76,950
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 13,516	$ 79,187

Unbudgeted							
Capital Grants	Parks & Recreation Districts	Facilities Benefit Assessments	Impact Fees	Special Assessment/ Special Tax Bonds	TransNet	Capital Outlay	Total
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 47,008
—	—	14,044	37,422	—	5,973	1,430	58,869
2	29	4,445	2,582	6	415	2,125	10,146
32,583	—	—	—	—	—	—	32,583
7,453	—	—	—	—	—	2,740	10,193
—	—	—	—	—	—	56	56
—	—	—	—	—	—	1,400	1,400
40,038	29	18,489	40,004	6	6,388	7,751	160,255
—	—	1,843	792	—	66	463	3,618
—	—	4	—	—	—	147	151
24	—	—	6,488	—	—	311	6,841
124	—	233	142	—	15	105	10,275
—	—	—	—	—	—	213	258
—	—	—	—	—	—	482	482
29,961	54	32,835	20,942	—	3,190	13,403	129,059
—	—	—	—	—	—	46,148	49,266
—	—	—	—	—	—	2,112	2,979
30,109	54	34,915	28,364	—	3,271	63,384	202,929
9,929	(25)	(16,426)	11,640	6	3,117	(55,633)	(42,674)
64	—	—	—	—	—	58,003	76,949
—	—	—	—	—	—	—	(16,557)
—	—	—	—	—	—	938	1,184
64	—	—	—	—	—	58,941	61,576
9,993	(25)	(16,426)	11,640	6	3,117	3,308	18,902
(48,452)	1,966	287,126	195,139	452	55,061	146,727	723,433
$ (38,459)	$ 1,941	$ 270,700	$ 206,779	$ 458	$ 58,178	$ 150,035	$ 742,335

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	TransNet			Capital Outlay		
	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES						
Sales Taxes	$ 47,008	$ 47,668	$ (660)	$ —	$ —	$ —
Revenue from Use of Money and Property	165	—	165	734	—	734
TOTAL REVENUES	47,173	47,668	(495)	734	—	734
EXPENDITURES						
Current:						
General Government and Support	454	1,080	626	—	3,256	3,256
Public Safety - Police	—	—	—	—	56	56
Public Safety - Fire and Emergency Services	—	—	—	—	1,560	1,560
Parks, Recreation, Culture and Leisure	—	—	—	18	70,365	70,347
Transportation	9,715	77,524	67,809	—	685	685
Sanitation and Health	—	1,832	1,832	45	1,071	1,026
Capital Outlay	34,182	—	(34,182)	20,210	—	(20,210)
Debt Service:						
Principal Retirement	—	—	—	3,118	—	(3,118)
Interest	724	(126)	(850)	286	—	(286)
TOTAL EXPENDITURES	45,075	80,310	35,235	23,677	76,993	53,316
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,098	(32,642)	34,740	(22,943)	(76,993)	54,050
OTHER FINANCING SOURCES (USES)						
Transfers from Other Funds	—	—	—	18,882	11,763	7,119
Transfers to Other Funds	(12,512)	(12,512)	—	(4,045)	(4,045)	—
Proceeds from the Sale of Capital Assets	—	—	—	247	—	247
TOTAL OTHER FINANCING SOURCES (USES)	(12,512)	(12,512)	—	15,084	7,718	7,366
NET CHANGE IN FUND BALANCES	(10,414)	(45,154)	34,740	(7,859)	(69,275)	61,416
Prior Year Encumbrances	5,703	—	—	13,308	—	—
Fund Balances (Deficit) at Beginning of Year	2,963	2,963	—	64,301	64,301	—
FUND BALANCES (DEFICIT) AT END OF YEAR	$ (1,748)	$ (42,191)	$ 34,740	$ 69,750	$ (4,974)	$ 61,416



Nonmajor Governmental Funds – Permanent

PERMANENT FUNDS

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs (i.e., for the benefit of the City or its citizens).

CARROLL CANYON VERNAL POOL MITIGATION
This fund was established to account for an endowment from the San Diego Unified School District (The District). The endowment is to be used to implement a Memorandum of Understanding between the City and the District for biological mitigation, park land and joint use facilities involving Salk Elementary School, McAuliffe Community Park, and the Carroll Canyon Vernal Pool Preserve.

CEMETERY PERPETUITY
This fund was established to account for the Mt. Hope Cemetery endowment. Investment earnings derived from the endowment supplement grave sales revenues in order to finance cemetery operations.

LIBRARY ENDOWMENTS
This fund includes the Effie Sergeant endowment, which was established to account for donations to benefit the North Park Library, and the Scripps Ranch Library endowment. Investment earnings are used to finance library services and programs.

LOS PENASQUITOS CANYON
This fund was established to account for the Los Penasquitos Canyon Preserve Trust Fund. Investment earnings are used to finance operations, land acquisitions, historical restoration, and maintenance of the Penasquitos Preserve Park.

OTHER ENDOWMENTS
This fund includes several miscellaneous endowments, including, Carmel Valley Sewer Maintenance, Crescent Heights Habitat Management, Environmental Trust Bankruptcy Endowment, Figg Estate, Phillip Green Memorial Trust, Sycamore Estates, and the Zoological Society-Mission Trails.

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT
COMBINING BALANCE SHEET
June 30, 2023
(Dollars in Thousands)

	Carroll Canyon Vernal Pool Mitigation	Cemetery Perpetuity	Library Endowments	Los Penasquitos Canyon	Other Endowments	Total
ASSETS						
Receivables:						
Accrued Interest	$ 10	$ 6	$ 1	$ 2	$ 2	$ 21
Accounts Receivable	—	1	—	—	—	1
Restricted Cash and Investments	2,745	12,830	898	3,335	2,507	22,315
TOTAL ASSETS	$ 2,755	$ 12,837	$ 899	$ 3,337	$ 2,509	$ 22,337
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Other	$ —	$ 1	$ —	$ —	$ —	$ 1
FUND BALANCES						
Nonspendable	2,482	12,836	388	1,000	2,236	18,942
Restricted	273	—	511	2,337	273	3,394
TOTAL FUND BALANCES	2,755	12,836	899	3,337	2,509	22,336
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 2,755	$ 12,837	$ 899	$ 3,337	$ 2,509	$ 22,337

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Carroll Canyon Vernal Pool Mitigation	Cemetery Perpetuity	Library Endowments	Los Penasquitos Canyon	Other Endowments	Total
REVENUES						
Revenue from Use of Money and Property	$ 39	$ 746	$ 60	$ 319	$ 93	$ 1,257
Charges for Current Services	—	191	—	—	—	191
Other Revenue	—	—	—	—	419	419
TOTAL REVENUES	39	937	60	319	512	1,867
EXPENDITURES						
Current:						
Parks, Recreation, Culture and Leisure	—	—	2	2	4	8
Sanitation and Health	—	53	—	—	—	53
TOTAL EXPENDITURES	—	53	2	2	4	61
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	39	884	58	317	508	1,806
OTHER FINANCING USES						
Transfers to Other Funds	—	(419)	—	(168)	—	(587)
NET CHANGE IN FUND BALANCES	39	465	58	149	508	1,219
Fund Balances at Beginning of Year	2,716	12,371	841	3,188	2,001	21,117
FUND BALANCES AT END OF YEAR	$ 2,755	$ 12,836	$ 899	$ 3,337	$ 2,509	$ 22,336

Nonmajor Enterprise Funds

ENTERPRISE FUNDS

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. These funds use full accrual accounting.

CITY OF SAN DIEGO

AIRPORTS
This fund was established to account for the operation, maintenance and development of both City-owned airports: Montgomery-Gibbs Executive Airport and Brown Field Municipal Airport. Airports Fund revenues are derived from such sources as rent/lease revenue, usage fees, earnings on investments, and aid from other governmental agencies.

DEVELOPMENT SERVICES
This fund was established to account for construction management, development project review, permitting, and inspection services for the City.

REFUSE DISPOSAL (formerly Environmental Services)
This fund was established to account for refuse disposal, resource management, and other environmental programs.

GOLF COURSE
This fund was established to operate, maintain, and improve physical conditions and initiate capital improvement programs for Torrey Pines, Mission Bay, and Balboa golf courses. Revenues are derived from green fees and leases.

RECYCLING
This fund was established to account for the planning, implementation, operation and management of City recycling and waste diversion programs. Revenues are derived from the recycling fee on all waste generated in the City or disposed of at the City landfill.

BLENDED COMPONENT UNIT

SAN DIEGO CONVENTION CENTER CORPORATION, INC. (SDCCC)
SDCCC is a not-for-profit public benefit corporation, originally organized to market, operate, and maintain the San Diego Convention Center. Revenues are derived mainly from building rents, food and beverage concessions, ancillary services, and contributions from the City. Expenses include maintenance, operations, and capital projects for the Convention Center.

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF FUND NET POSITION
June 30, 2023
(Dollars in Thousands)

	Airports	Development Services	Refuse Disposal	Golf Course	Recycling	SDCCC	Total
ASSETS							
Current Assets:							
Cash and Investments	$ 19,197	$ 56,839	$ 31,774	$ 42,248	$ 47,395	$ 34,972	$ 232,425
Receivables:							
Accounts - Net of Allowance for Uncollectibles	448	1,661	709	910	4,606	6,692	15,026
Accrued Interest	76	229	277	157	271	—	1,010
Leases	468	—	—	—	—	—	468
PPPs	—	—	—	648	—	—	648
Inventories	—	—	—	—	—	53	53
Total Current Assets	20,189	58,729	32,760	43,963	52,272	41,717	249,630
Non-Current Assets:							
Restricted Cash and Investments	73	8,135	36,147	—	15,405	—	59,760
Prepaid Expenses	—	—	—	—	—	1,147	1,147
Leases Receivable	14,847	—	—	—	—	—	14,847
SCA Receivable	—	—	—	6,451	—	—	6,451
Other Assets	—	—	—	—	—	136	136
Capital Assets - Non-Depreciable	2,935	177	14,746	12,333	716	708	31,615
Capital Assets - Depreciable	44,561	10,411	36,823	41,094	1,544	32,780	167,213
Total Non-Current Assets	62,416	18,723	87,716	59,878	17,665	34,771	281,169
TOTAL ASSETS	82,605	77,452	120,476	103,841	69,937	76,488	530,799
DEFERRED OUTFLOWS OF RESOURCES							
OPEB Related	84	2,397	612	432	400	—	3,925
Pension Related	519	18,035	4,998	2,289	3,183	—	29,024
TOTAL DEFERRED OUTFLOWS OF RESOURCES	603	20,432	5,610	2,721	3,583	—	32,949
LIABILITIES							
Current Liabilities:							
Accounts Payable	473	2,918	2,125	1,507	2,310	1,182	10,515
Accrued Wages and Benefits	99	4,230	857	459	452	—	6,097
Interest Accrued on Long-Term Debt	11	44	2	5	—	—	62
Other Accrued Liabilities	—	—	—	—	—	2,340	2,340
Long-Term Liabilities Due Within One Year	179	4,458	3,939	1,497	469	2,865	13,407
Unearned Revenue	—	23,886	—	456	918	7,334	32,594
Current Liabilities Payable from Restricted Assets:							
Customer Deposits Payable	—	—	—	—	15,446	—	15,446
Total Current Liabilities	762	35,536	6,923	3,924	19,595	13,721	80,461

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF FUND NET POSITION
June 30, 2023
(Dollars in Thousands)

	Airports	Development Services	Refuse Disposal	Golf Course	Recycling	SDCCC	Total
Non-Current Liabilities:							
Non-Current Liabilities Payable from Restricted Assets:							
Deposits/Advances from Others	$ 73	$ 8,135	$ —	$ —	$ —	$ —	$ 8,208
Compensated Absences	56	3,160	556	242	156	—	4,170
Liability Claims	126	2,913	2,787	1,234	1,424	—	8,484
Leases Payable	—	—	2,519	607	—	455	3,581
SBITAs Payable	324	1,202	—	—	—	—	1,526
Loans Payable	—	—	—	—	—	21,569	21,569
Estimated Landfill Closure and Postclosure Care	—	—	59,620	—	—	—	59,620
Net Other Postemployment Benefits Liability	629	10,397	6,936	3,913	4,077	—	25,952
Pension Liabilities	2,959	86,651	35,499	15,717	21,154	—	161,980
Total Non-Current Liabilities	4,167	112,458	107,917	21,713	26,811	22,024	295,090
TOTAL LIABILITIES	4,929	147,994	114,840	25,637	46,406	35,745	375,551
DEFERRED INFLOWS OF RESOURCES							
Pension Related	84	977	287	—	1,123	—	2,471
Lease Related	15,121	—	—	—	—	—	15,121
PPP Related	—	—	—	6,993	—	—	6,993
TOTAL DEFERRED INFLOWS OF RESOURCES	15,205	977	287	6,993	1,123	—	24,585
NET POSITION (DEFICIT)							
Net Investment in Capital Assets	47,071	8,249	46,237	51,817	2,260	11,580	167,214
Restricted for Closure/Postclosure Maintenance	—	—	1,848	—	—	—	1,848
Unrestricted (Deficit)	16,003	(59,336)	(37,126)	22,115	23,731	29,163	(5,450)
TOTAL NET POSITION (DEFICIT)	$ 63,074	$ (51,087)	$ 10,959	$ 73,932	$ 25,991	$ 40,743	$ 163,612

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Airports	Development Services	Refuse Disposal	Golf Course	Recycling	SDCCC	Total
OPERATING REVENUES							
Charges for Services	$ 5,879	$ 119,100	$ 41,453	$ 33,343	$ 30,793	$ 41,331	$ 271,899
Revenue from Use of Property	598	—	—	—	—	—	598
Other	359	481	818	386	4,263	699	7,006
TOTAL OPERATING REVENUES	6,836	119,581	42,271	33,729	35,056	42,030	279,503
OPERATING EXPENSES							
Salaries and Employee Benefits	2,070	74,686	15,521	9,265	8,766	25,273	135,581
Materials and Supplies	126	420	1,536	1,847	2,029	640	6,598
Contractual Services	2,633	15,624	16,594	7,107	14,319	7,989	64,266
Information Technology	205	8,366	1,197	388	454	47	10,657
Energy and Utilities	733	1,033	2,164	2,192	1,189	5,935	13,246
Depreciation and Amortization	3,661	2,231	6,512	3,640	171	2,922	19,137
Other Expenses	3	480	4,780	26	59	1,928	7,276
TOTAL OPERATING EXPENSES	9,431	102,840	48,304	24,465	26,987	44,734	256,761
OPERATING INCOME (LOSS)	(2,595)	16,741	(6,033)	9,264	8,069	(2,704)	22,742
NONOPERATING REVENUES (EXPENSES)							
Earnings on Investments	216	463	1,006	433	851	632	3,601
Federal Grant Assistance	163	—	—	—	—	—	163
Other Agency Grant Assistance	—	7	—	—	545	—	552
Gain (Loss) on Sale/Retirement of Capital Assets	3,273	—	—	(3)	—	—	3,270
Leases	—	—	—	—	—	—	—
PPPs	—	—	—	735	—	—	735
Debt Service Interest Expense	(11)	(67)	(40)	(9)	—	(898)	(1,025)
Other	490	8,700	821	1,891	275	220	12,397
TOTAL NONOPERATING REVENUES (EXPENSES), NET	4,131	9,103	1,787	3,047	1,671	(46)	19,693
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,536	25,844	(4,246)	12,311	9,740	(2,750)	42,435
Transfers from Other Funds	—	—	—	—	834	—	834
Transfers from Governmental Funds	—	—	—	—	—	2,655	2,655
Transfers to Other Funds	—	—	(834)	—	—	—	(834)
TOTAL CONTRIBUTIONS AND TRANSFERS	—	—	(834)	—	834	2,655	2,655
CHANGE IN NET POSITION	1,536	25,844	(5,080)	12,311	10,574	(95)	45,090
Net Position (Deficit) at Beginning of Year	61,538	(76,931)	16,039	61,621	15,417	40,838	118,522
NET POSITION (DEFICIT) AT END OF YEAR	$ 63,074	$ (51,087)	$ 10,959	$ 73,932	$ 25,991	$ 40,743	$ 163,612

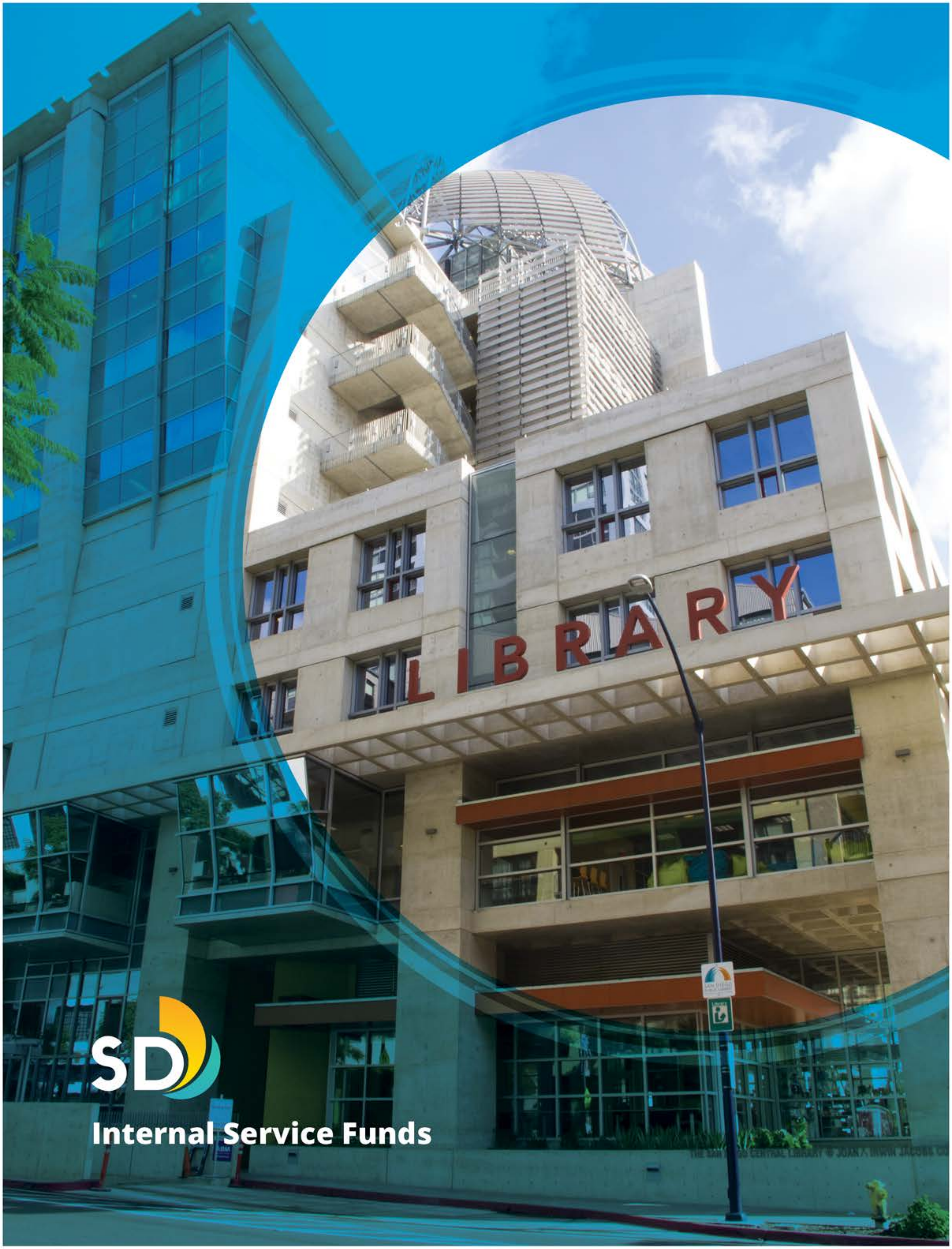
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Airports	Development Services	Refuse Disposal	Golf Course	Recycling	SDCCC	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Customers and Users	$ 7,033	$ 131,802	$ 42,402	$ 35,510	$ 32,266	$ 42,019	$ 291,032
Receipts from Interfund Services Provided	(9)	(2,098)	1,108	(13)	865	10,196	10,049
Payments to Suppliers	(2,804)	(14,295)	(20,509)	(10,371)	(16,216)	(16,318)	(80,513)
Payments to Employees	(2,722)	(90,540)	(17,733)	(10,946)	(11,689)	(24,722)	(158,352)
Payments for Interfund Services Used	(518)	(8,363)	(406)	(385)	(105)	—	(9,777)
NET CASH PROVIDED BY OPERATING ACTIVITIES	980	16,506	4,862	13,795	5,121	11,175	52,439
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers from Other Funds	—	—	—	—	834	—	834
Transfers from Governmental Funds	—	—	—	—	—	2,655	2,655
Transfers to Other Funds	—	—	(834)	—	—	—	(834)
Operating Grants Received	258	9	969	—	726	—	1,962
Proceeds from Advances and Deposits	—	413	—	—	2,195	—	2,608
Payments for Advances and Deposits	(1)	—	—	—	—	—	(1)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	257	422	135	—	3,755	2,655	7,224
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from Sale of Capital Assets	3,515	—	—	—	—	—	3,515
Collections from PPPs	—	—	—	629	—	—	629
Acquisition of Capital Assets	(1,207)	(785)	(3,330)	(6,353)	(354)	(2,033)	(14,062)
Principal Payments on Leases	—	—	(2,797)	(1,035)	—	(126)	(3,958)
Principal Payments on SBITAs	(114)	(1,890)	—	—	—	—	(2,004)
Principal Payments on Notes	—	—	—	—	—	(2)	(2)
Principal Payments on Loans	—	—	—	—	—	(813)	(813)
Interest Paid on Long-Term Debt	—	(23)	(42)	(12)	—	(913)	(990)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	2,194	(2,698)	(6,169)	(6,771)	(354)	(3,887)	(17,685)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of Investments	—	—	—	—	—	(10,949)	(10,949)
Proceeds from Restricted Investments	—	—	—	—	—	4,670	4,670
Interest Received on Investments	160	280	809	314	650	632	2,845
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	160	280	809	314	650	(5,647)	(3,434)
Net Increase (Decrease) in Cash and Cash Equivalents	3,591	14,510	(363)	7,338	9,172	4,296	38,544
Cash and Cash Equivalents at Beginning of Year	15,679	50,464	68,284	34,910	53,628	7,930	230,895
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 19,270	$ 64,974	$ 67,921	$ 42,248	$ 62,800	$ 12,226	$ 269,439
Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Fund Net Position:							
Cash and Investments	$ 19,197	$ 56,839	$ 31,774	$ 42,248	$ 47,395	$ 34,972	$ 232,425
Restricted Cash and Investments	73	8,135	36,147	—	15,405	—	59,760
Less Investments Not Meeting the Definition of Cash Equivalents	—	—	—	—	—	(22,746)	(22,746)
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 19,270	$ 64,974	$ 67,921	$ 42,248	$ 62,800	$ 12,226	$ 269,439

(Continued on Next Page)

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Airports	Development Services	Refuse Disposal	Golf Course	Recycling	SDCCC	Total
(Continued from Previous Page)							
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:							
Operating Income (Loss)	$ (2,595)	$ 16,741	$ (6,033)	$ 9,264	$ 8,069	$ (2,704)	$ 22,742
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:							
Depreciation	3,661	2,231	6,512	3,640	171	2,922	19,137
Other Nonoperating Revenue	490	8,700	821	1,891	275	220	12,397
(Increase) Decrease in Assets:							
Accounts Receivable - Net	(303)	(219)	417	(370)	(2,213)	10,600	7,912
Prepaid Expenses	—	—	—	—	—	(205)	(205)
Inflows of Resources:							
Accounts Payable	185	(2,177)	(255)	(1)	913	39	(1,296)
Accrued Wages and Benefits	1	1,179	209	99	1	—	1,489
Other Accrued Liabilities	—	—	—	—	—	622	622
Unearned Revenue	—	1,643	—	249	12	(635)	1,269
Compensated Absences	(28)	1,252	167	15	(29)	316	1,693
Liability Claims	(85)	(1,356)	88	185	(717)	—	(1,885)
Estimated Landfill Closure and Postclosure Care	—	—	4,755	—	—	—	4,755
Net Other Postemployment Benefits Liability and Related Deferred Outflows/Inflows of Resources	(90)	(2,460)	(626)	(451)	(424)	—	(4,051)
Resources	(256)	(9,028)	(1,193)	(726)	(937)	—	(12,140)
Total Adjustments	3,575	(235)	10,895	4,531	(2,948)	13,879	29,697
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 980	$ 16,506	$ 4,862	$ 13,795	$ 5,121	$ 11,175	$ 52,439
Noncash Investing, Capital, and Financing Activities:							
Capital Asset Acquisitions Related to Accounts Payable	$ 63	$ (719)	$ (33)	$ (912)	$ 413	$ 22	$ (1,166)
Carrying Value of Retired Capital Assets	(13)	—	—	(3)	—	—	(16)
Transfers of Capital Assets To Governmental Activities	(229)	—	—	—	—	—	(229)
Change in Fair Value of Investments	(116)	(444)	(247)	(249)	(347)	—	(1,403)



Internal Service Funds

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units and/or funds.

CITY OF SAN DIEGO

FLEET OPERATIONS
This fund was established to account for the acquisition, replacement, maintenance and fueling of the City's motive equipment.

CENTRAL STORES
This fund was established to provide centralized storeroom services to all City departments.

PUBLISHING SERVICES
This fund was established to provide printing and reproduction services to all City departments.

MISCELLANEOUS INTERNAL SERVICE
This fund accounts for various administrative activities including risk management administration, energy conservation, public utilities inventory, and administration and operation of various employee related programs such as unused compensatory time, unused sick leave, unemployment insurance, and long-term disability. Revenues are derived from rates or fees charged to the departments for specific services rendered. All miscellaneous funds are reported with governmental activities in the government-wide financial statements, with the exception of the public utilities inventory fund, which is reported with business-type activities.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF FUND NET POSITION
June 30, 2023
(Dollars in Thousands)

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
ASSETS					
Current Assets:					
Cash and Investments	$ 130,530	$ 822	$ 125	$ 17,747	$ 149,224
Receivables:					
Accounts - Net of Allowance for Uncollectibles	1,195	—	—	40	1,235
Contributions	—	—	—	1,606	1,606
Accrued Interest	22	4	(1)	57	82
Inventories	—	1,619	—	9,950	11,569
Total Current Assets	131,747	2,445	124	29,400	163,716
Non-Current Assets:					
Capital Assets - Non-Depreciable	5,155	—	—	—	5,155
Capital Assets - Depreciable	236,456	44	90	551	237,141
Total Non-Current Assets	241,611	44	90	551	242,296
TOTAL ASSETS	373,358	2,489	214	29,951	406,012
DEFERRED OUTFLOWS OF RESOURCES					
OPEB Related	866	73	19	454	1,412
Pension Related	5,994	434	249	3,279	9,956
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,860	507	268	3,733	11,368
LIABILITIES					
Current Liabilities:					
Accounts Payable	6,402	652	91	1,551	8,696
Accrued Wages and Benefits	1,105	60	25	1,710	2,900
Other Accrued Liabilities	—	—	—	130	130
Interest Accrued on Long-Term Debt	385	—	—	—	385
Long-Term Liabilities Due Within One Year	17,291	45	50	6,412	23,798
Total Current Liabilities	25,183	757	166	9,803	35,909
Non-Current Liabilities:					
Compensated Absences	688	24	15	542	1,269
Liability Claims	5,324	103	14	4,254	9,695
Leases Payable	20,063	—	—	—	20,063
Financed Purchase Obligations	44,344	—	—	—	44,344
Net Other Postemployment Benefits Liability	10,576	918	806	3,606	15,906
Pension Liabilities	43,869	3,826	1,983	21,143	70,821
Total Non-Current Liabilities	124,864	4,871	2,818	29,545	162,098
TOTAL LIABILITIES	150,047	5,628	2,984	39,348	198,007
DEFERRED INFLOWS OF RESOURCES					
Pension Related	1,812	—	106	779	2,697
NET POSITION (DEFICIT)					
Net Investment in Capital Assets	161,798	44	57	551	162,450
Unrestricted (Deficit)	66,561	(2,676)	(2,665)	(6,994)	54,226
TOTAL NET POSITION (DEFICIT)	$ 228,359	$ (2,632)	$ (2,608)	$ (6,443)	$ 216,676

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
OPERATING REVENUES					
Charges for Services	$ 122,296	$ 9,027	$ 1,175	$ 46,153	$ 178,651
Other	1	3	—	198	202
TOTAL OPERATING REVENUES	122,297	9,030	1,175	46,351	178,853
OPERATING EXPENSES					
Salaries and Employee Benefits	21,963	1,223	332	13,747	37,265
Materials and Supplies	16,870	6,722	160	6,145	29,897
Contractual Services	4,750	550	801	1,886	7,987
Information Technology	1,973	43	29	1,259	3,304
Energy and Utilities	16,800	173	94	10	17,077
Depreciation and Amortization	34,603	15	51	38	34,707
Benefit and Claim Expenses	—	—	—	20,321	20,321
Other Expenses	4	28	—	8	40
TOTAL OPERATING EXPENSES	96,963	8,754	1,467	43,414	150,598
OPERATING INCOME (LOSS)	25,334	276	(292)	2,937	28,255
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments	141	1	—	143	285
Other Agency Grant Assistance	—	—	—	541	541
Gain on Sale/Retirement of Capital Assets	1,416	—	—	—	1,416
Debt Service Interest Expense	(1,377)	—	—	—	(1,377)
Other	1,069	3	—	861	1,933
TOTAL NONOPERATING REVENUES, NET	1,249	4	—	1,545	2,798
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	26,583	280	(292)	4,482	31,053
Capital Contributions	487	—	—	—	487
Transfers from Other Funds	—	—	—	2,000	2,000
Transfers from Governmental Funds	13,737	—	407	—	14,144
TOTAL CONTRIBUTIONS AND TRANSFERS	14,224	—	407	2,000	16,631
CHANGE IN NET POSITION	40,807	280	115	6,482	47,684
Net Position (Deficit) at Beginning of Year	187,552	(2,912)	(2,723)	(12,925)	168,992
NET POSITION (DEFICIT) AT END OF YEAR	$ 228,359	$ (2,632)	$ (2,608)	$ (6,443)	$ 216,676

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	$ —	$ —	$ —	$ 34,184	$ 34,184
Receipts from Interfund Services Provided	122,230	9,034	1,329	12,527	145,120
Payments to Suppliers	(35,377)	(7,319)	(1,133)	(9,510)	(53,339)
Payments to Employees	(26,969)	(1,534)	(461)	(34,857)	(63,821)
Payments for Interfund Services Used	(608)	(19)	(16)	(594)	(1,237)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	59,276	162	(281)	1,750	60,907
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	—	—	—	2,000	2,000
Transfers from Governmental Funds	13,737	—	407	—	14,144
Operating Grants Received	—	—	—	541	541
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	13,737	—	407	2,541	16,685
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from the Sale of Capital Assets	1,811	—	—	—	1,811
Acquisition of Capital Assets	(40,209)	—	—	(238)	(40,447)
Principal Payments on Leases	(428)	—	(43)	—	(471)
Principal Payments on Financed Purchase Obligations	(13,138)	—	—	—	(13,138)
Interest Paid on Long-Term Debt	(1,270)	—	—	—	(1,270)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(53,234)	—	(43)	(238)	(53,515)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received (Losses) on Investments	127	(1)	1	97	224
Net Increase in Cash and Cash Equivalents	19,906	161	84	4,150	24,301
Cash and Cash Equivalents at Beginning of Year	110,624	661	41	13,597	124,923
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 130,530	$ 822	$ 125	$ 17,747	$ 149,224

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:					
Operating Income (Loss)	$ 25,334	$ 276	$ (292)	$ 2,937	$ 28,255
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:					
Depreciation	34,603	15	51	38	34,707
Other Nonoperating Revenue	1,069	3	—	861	1,933
(Increase) Decrease in Assets:					
Accounts Receivable - Net	(1,136)	—	154	—	(982)
Contributions Receivable	—	—	—	(504)	(504)
Inventories	—	88	—	(1,180)	(1,092)
Increase (Decrease) in Liabilities and Net Deferred Outflows/Inflows of Resources:					
Accounts Payable	2,018	24	(87)	120	2,075
Accrued Wages and Benefits	180	2	10	360	552
Compensated Absences	60	(9)	4	997	1,052
Liability Claims	(83)	(113)	(43)	(81)	(320)
Net Other Postemployment Benefits Liability and Related Deferred Outflows/Inflows of Resources	(900)	(74)	(22)	(479)	(1,475)
Pension Liabilities and Related Deferred Outflows/Inflows of Resources	(1,869)	(50)	(56)	(1,319)	(3,294)
Total Adjustments	33,942	(114)	11	(1,187)	32,652
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 59,276	$ 162	$ (281)	$ 1,750	$ 60,907
Noncash Investing, Capital, and Financing Activities:					
Capital Assets Acquired through Financed Purchases	$ 18,884	$ —	$ —	$ —	$ 18,884
Developer Contributed and Donated Capital Assets	187	—	—	—	187
Capital Asset Acquisitions Related to Accounts Payable	10	—	—	(155)	(145)
Carrying Value of Retired Capital Assets	(395)	—	—	—	(395)
Change in Fair Value of Investments	51	(13)	5	(103)	(60)
Transfers of Capital Assets from Governmental Activities	301	—	—	—	301

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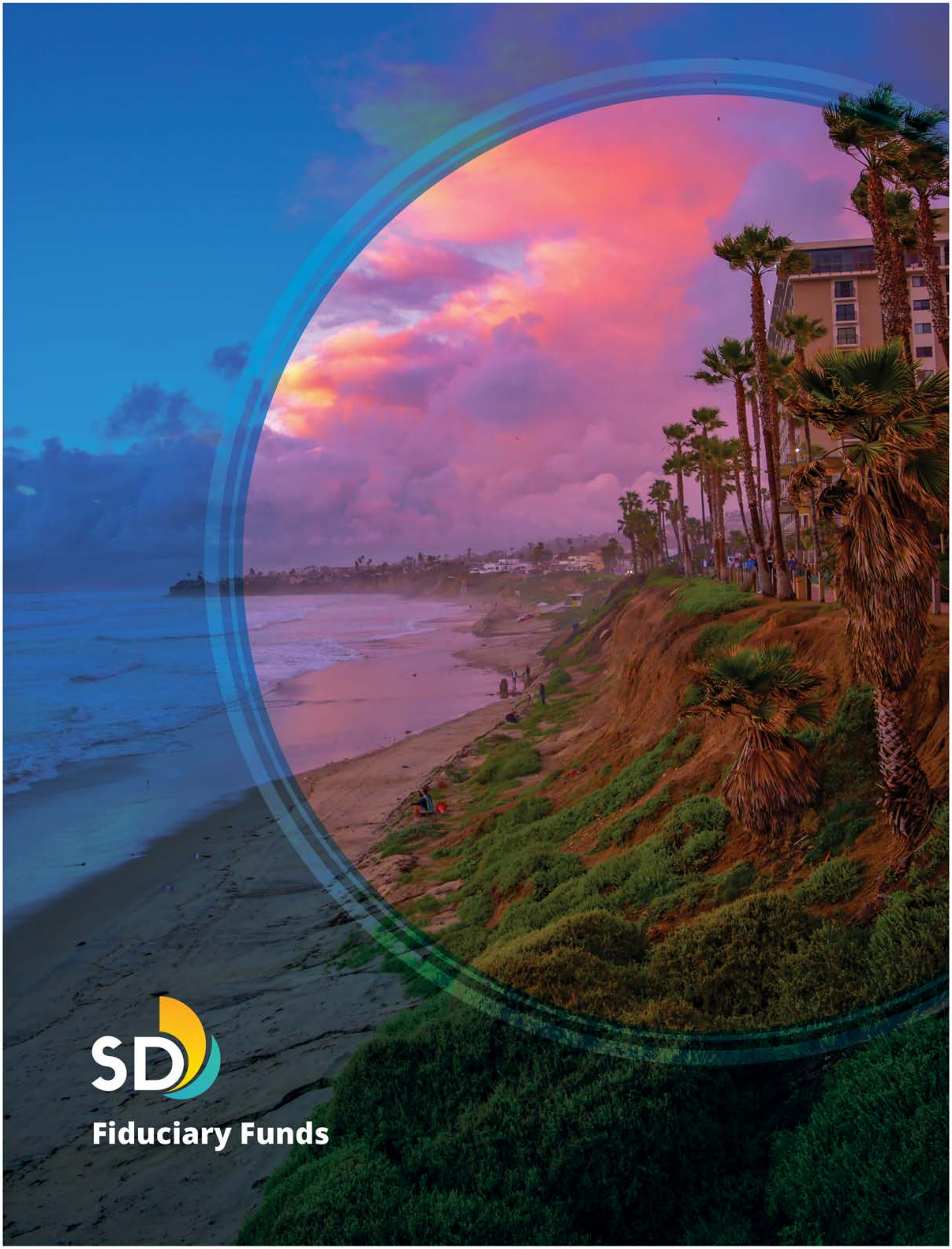


Fiduciary Funds

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The resources of fiduciary funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

PENSION TRUST FUNDS

FIDUCIARY COMPONENT UNIT

SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM
SDCERS provides retirement, disability, and death benefits. SDCERS is a defined benefit plan, whereby funds are accumulated from City and employee contributions, plus earnings from fund investments. Currently SDCERS also administers the Port of San Diego and the San Diego County Regional Airport Authority defined benefit plans. It also performs certain administrative functions on other post-employment benefits on behalf of the City.

CITY OF SAN DIEGO

CUSTODIAL FUNDS

These funds were established to account for assets held by the City as an agent for individuals, private organizations, or other governments, including special assessments and asset forfeitures.

FIDUCIARY FUNDS
PENSION TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2023
(Dollars in Thousands)

	City Employees' Retirement System			
	City of San Diego	Unified Port District	Airport Authority	Total
ASSETS				
Cash and Investments	$ 575	$ 242	$ 217	$ 1,034
Cash and Investments with Custodian/Fiscal Agent	149,178	33,093	71,447	253,718
Investments at Fair Value:				
Domestic Fixed Income Securities	2,274,669	130,174	47,203	2,452,046
International Fixed Income Securities	289,031	16,438	3,909	309,378
Domestic Equity Securities (Stocks)	2,433,790	140,983	53,676	2,628,449
International Equity Securities (Stocks)	1,537,223	88,161	31,891	1,657,275
Global Fixed Income Securities	405,485	23,823	11,250	440,558
Global Equity Securities	350,716	20,354	6,029	377,099
Real Estate	1,125,490	65,319	24,690	1,215,499
Private Equity and Infrastructure	1,527,950	89,855	34,723	1,652,528
Receivables:				
Contributions	6,263	178	151	6,592
Accrued Interest	12,683	726	261	13,670
Securities Sold	827,524	49,529	21,128	898,181
Prepaid Expenses	235	15	8	258
Securities Lending Collateral	110,867	6,698	3,107	120,672
Capital Assets - Depreciable	1,731	80	—	1,811
TOTAL ASSETS	11,053,410	665,668	309,690	12,028,768
LIABILITIES				
Accounts Payable	2,944	210	104	3,258
Accrued Wages and Benefits	1,138	76	42	1,256
Supplemental Benefits Payable	11,485	318	87	11,890
Securities Lending Obligations	110,856	6,698	3,107	120,661
Securities Purchased	1,186,095	70,388	29,135	1,285,618
Plan Sponsor Contribution Advance	—	19,203	—	19,203
TOTAL LIABILITIES	1,312,518	96,893	32,475	1,441,886
NET POSITION				
Restricted for Pension Benefits	$ 9,740,892	$ 568,775	$ 277,215	$ 10,586,882

FIDUCIARY FUNDS
PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

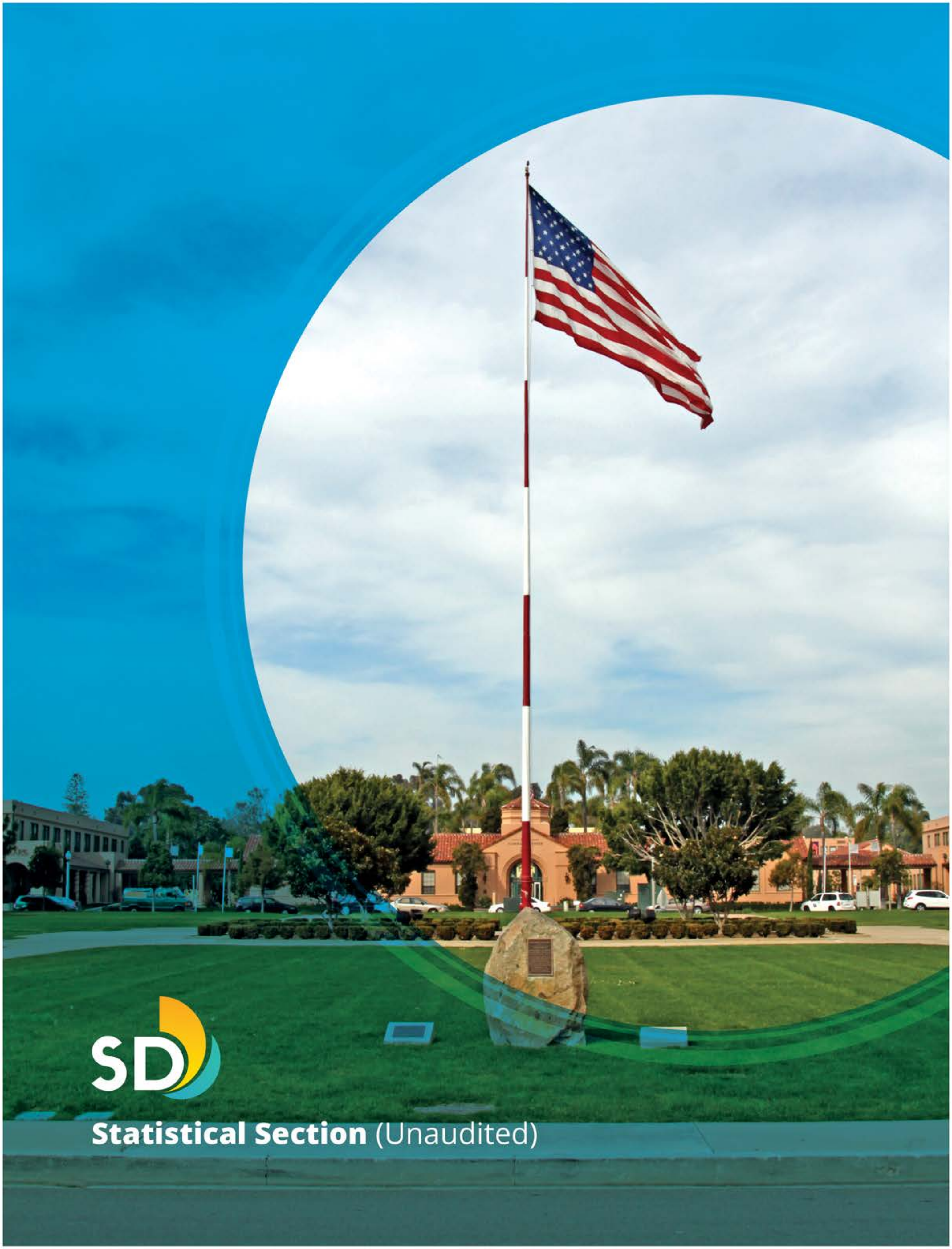
	City Employees' Retirement System			
	City of San Diego	Unified Port District	Airport Authority	Total
ADDITIONS				
Employer Contributions	$ 423,120	$ 19,205	$ 7,664	$ 449,989
Plan Member Contributions:				
Employee Contributions	328,341	3,991	3,415	335,747
DROP Contributions	4,962	210	158	5,330
Earnings (Losses) on Investments:				
Investment Income	141,446	8,270	3,864	153,580
Investment Expense	(40,898)	(2,403)	(1,123)	(44,424)
Net Depreciation in Fair Value of Investments	371,600	22,751	10,526	404,877
Net Investment Income (Loss)	472,148	28,618	13,267	514,033
Securities Lending:				
Gross Earnings	9,533	561	262	10,356
Borrower Rebates and Bank Charges	(8,575)	(505)	(236)	(9,316)
Net Securities Lending Income	958	56	26	1,040
TOTAL ADDITIONS	1,229,529	52,080	24,530	1,306,139
DEDUCTIONS				
DROP Interest Expense	19,321	572	72	19,965
Benefit and Claim Payments	627,144	36,314	9,222	672,680
Administration	13,232	882	505	14,619
TOTAL DEDUCTIONS	659,697	37,768	9,799	707,264
CHANGE IN NET POSITION	569,832	14,312	14,731	598,875
Net Position at Beginning of Year	9,171,060	554,463	262,484	9,988,007
NET POSITION AT END OF YEAR	$ 9,740,892	$ 568,775	$ 277,215	$ 10,586,882

FIDUCIARY FUNDS
CUSTODIAL FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2023
(Dollars in Thousands)

	Community Facilities Districts	Other Custodial Funds	Total
ASSETS			
Cash and Investments	$ 578	$ 134	$ 712
Receivables:			
Special Assessments	208	—	208
Accrued Interest	9	—	9
Restricted Cash and Investments	11,985	—	11,985
TOTAL ASSETS	12,780	134	12,914
LIABILITIES			
Due to Bondholders	12,780	—	12,780
TOTAL LIABILITIES	12,780	—	12,780
NET POSITION			
Restricted for Others	$ —	$ 134	$ 134

FIDUCIARY FUNDS
CUSTODIAL FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

	Community Facilities Districts	Other Custodial Funds	Total
ADDITIONS			
Special Assessments	$ 6,794	$ —	$ 6,794
Fines, Forfeitures and Penalties	—	6	6
Investment Income (Loss)	357	2	359
Other Revenue	3,226	—	3,226
TOTAL ADDITIONS	10,377	8	10,385
DEDUCTIONS			
Paid to Bondholders	10,278	—	10,278
Administration	99	—	99
Other Expenses	—	80	80
TOTAL DEDUCTIONS	10,377	80	10,457
NET CHANGE IN NET POSITION	—	(72)	(72)
Net Position at Beginning of Year	—	206	206
NET POSITION AT END OF YEAR	$ —	$ 134	$ 134



Statistical Section (Unaudited)

STATISTICAL SECTION

The Statistical Section presents information as required by GASB Statement No. 44. In addition to utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information, the statistical data presented in this section helps users assess the City's economic condition. Ten-year trend information has been provided when available. The statistical tables are footnoted to indicate sources and when accounting data or other information is unavailable.

CONTENTS

FINANCIAL TRENDS

Tables 1 through 4 contain information to help the reader understand how the City's financial performance and well-being have changed over time.

REVENUE CAPACITY

Tables 5 through 9 contain information to help the reader assess the City's ability to generate its most significant local revenue source, property tax.

DEBT CAPACITY

Tables 10 through 15 present information to help the reader assess the affordability of the City's current levels of certain outstanding debt categories.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Tables 16 and 17 offer demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place and to provide comparisons over time with other governments.

OPERATING INFORMATION

Tables 18 through 20 contain information about the City's resources and operations to help the reader understand how the City's financial report relates to the services provided and activities performed by the City.

*Additional financial information (audited and statistical) on the Sewer and Water Utilities can be obtained in the Annual Report Disclosure filings submitted to the Municipal Securities Rulemaking Board, http://emma.msrb.org.

CITY OF SAN DIEGO
NET POSITION BY CATEGORY (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Accrual Basis of Accounting)

Table 1

	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Governmental Activities			
Net Investment in Capital Assets	$ 3,988,284	$ 3,988,396	$ 4,129,002
Restricted for:			
Capital Projects	459,115	575,798	598,215
Low-Moderate Income Housing	277,139	286,129	319,022
Nonexpendable Permanent Endowments	24,307	21,300	19,900
Grants	68,206	67,230	219,216
Other	277,586	358,647	450,885
Unrestricted (Deficit)	(274,916)	(1,493,831)	(1,418,869)
Total Governmental Activities Net Position	4,819,721	3,803,669	4,317,371
Business-type Activities			
Net Investment in Capital Assets	3,526,979	3,902,396	4,042,983
Restricted for:			
Debt Service	1,880	1,531	2,790
Other	25,404	26,245	7,010
Unrestricted	637,889	380,283	364,762
Total Business-type Activities Net Position	4,192,152	4,310,455	4,417,545
Primary Government			
Net Investment in Capital Assets	7,515,263	7,890,792	8,171,985
Restricted for:			
Capital Projects	459,115	575,798	598,215
Debt Service	1,880	1,531	2,790
Low-Moderate Income Housing	277,139	286,129	319,022
Nonexpendable Permanent Endowments	24,307	21,300	19,900
Grants	68,206	67,230	219,216
Other	302,990	384,892	457,895
Unrestricted (Deficit)	362,973	(1,113,548)	(1,054,107)
Total Primary Government Net Position	$ 9,011,873	$ 8,114,124	$ 8,734,916

[1] Fiscal Year 2018 amounts have been reclassified to conform with current year presentation.
Source: Annual Comprehensive Financial Reports

Table 1

Fiscal Year						
2017	2018	2018 [1]	2020	2021	2022	2023
$ 4,220,622	$ 4,308,123	$ 4,370,867	$ 4,424,146	$ 4,450,838	4,511,654	$ 4,646,243
723,855	665,993	714,101	738,177	839,354	804,253	794,701
335,801	338,828	343,422	346,594	360,341	364,219	370,816
20,264	17,836	18,428	18,286	19,714	18,058	18,942
204,527	179,469	141,489	110,893	95,280	82,115	76,666
441,102	492,426	566,358	550,008	544,412	609,219	710,544
(1,577,390)	(1,919,740)	(2,032,257)	(2,222,923)	(2,515,327)	(2,286,692)	(2,012,625)
4,368,781	4,082,935	4,122,408	3,965,181	3,794,612	4,102,826	4,605,287
4,246,534	4,383,725	4,414,352	4,528,113	4,657,585	4,779,653	4,955,423
505	683	481	9,842	9,673	9,738	11,322
7,285	6,525	6,487	9,343	4,747	2,508	1,848
293,340	239,462	315,683	312,799	322,363	348,683	302,658
4,547,664	4,630,395	4,737,003	4,860,097	4,994,368	5,140,582	5,271,251
8,467,156	8,691,848	8,785,219	8,952,259	9,108,423	9,291,307	9,601,666
723,855	665,993	714,101	738,177	839,354	804,253	794,701
505	683	481	9,842	9,673	9,738	11,322
335,801	338,828	343,422	346,594	360,341	364,219	370,816
20,264	17,836	18,428	18,286	19,714	18,058	18,942
204,527	179,469	141,489	110,893	95,280	82,115	76,666
448,387	498,951	572,845	559,351	549,159	611,727	712,392
(1,284,050)	(1,680,278)	(1,716,574)	(1,910,124)	(2,192,964)	(1,938,009)	(1,709,967)
$ 8,916,445	$ 8,713,330	$ 8,859,411	$ 8,825,278	$ 8,788,980	$ 9,243,408	$ 9,876,538

CITY OF SAN DIEGO
CHANGES IN NET POSITION (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Accrual Basis of Accounting)

Table 2

	Fiscal Year		
	2014	2015	2016
Expenses			
Governmental Activities			
General Government and Support	$ 286,798	$ 271,094	$ 303,802
Public Safety - Police	441,803	380,344	412,571
Public Safety - Fire and Life Safety and Homeland Security	253,741	221,446	233,688
Parks, Recreation, Culture and Leisure	267,523	263,127	311,372
Transportation	192,928	198,242	224,620
Sanitation and Health	89,448	92,833	99,079
Neighborhood Services	70,191	80,299	65,994
Debt Service:			
Interest	35,226	33,790	41,537
Cost of Issuance	518	—	—
Total Governmental Activities Expenses	1,638,176	1,541,175	1,692,663
Business-type Activities			
Sewer Utility	326,437	316,465	296,422
Water Utility	443,453	466,552	437,304
Airports	4,663	3,740	4,824
Development Services	50,825	50,244	54,002
Refuse Disposal	33,724	30,939	54,385
Golf Course	16,423	15,827	16,182
Recycling	20,475	17,200	18,036
San Diego Convention Center Corporation	—	—	—
Total Business-type Activities Expenses	896,000	900,967	881,155
Total Primary Government Expenses	2,534,176	2,442,142	2,573,818
Program Revenues			
Governmental Activities			
Charges for Services:			
General Government and Support	198,856	249,241	213,490
Public Safety - Police	42,976	40,304	46,238
Public Safety - Fire and Emergency Services	34,984	33,547	36,645
Parks, Recreation, Culture and Leisure	51,721	53,093	74,531
Transportation	30,262	34,459	44,555
Sanitation and Health	15,342	14,269	14,730
Neighborhood Services	36,339	49,825	32,982
Operating Grants and Contributions	60,591	49,049	65,173
Capital Grants and Contributions	120,538	106,237	140,408
Total Governmental Activities Program Revenues	591,609	630,024	668,752

Table 2

Fiscal Year						
2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
$ 344,484	$ 364,533	$ 383,177	$ 417,462	$ 415,720	380,023	$ 445,390
501,314	542,128	567,625	629,922	677,483	532,695	554,899
290,178	321,016	339,282	338,128	373,607	305,596	339,715
355,714	383,122	397,391	374,335	377,559	339,222	431,442
239,099	264,278	279,724	311,561	280,336	244,789	261,215
103,039	101,440	108,371	117,473	115,935	108,419	173,645
82,384	91,686	121,036	131,086	304,155	285,879	146,642
36,943	36,515	34,265	34,027	24,920	29,449	32,255
—	—	—	—	—	—	—
1,953,155	2,104,718	2,230,871	2,353,994	2,569,715	2,226,072	2,385,203
339,189	351,145	356,630	362,289	360,203	353,774	394,721
477,037	532,056	515,273	535,567	596,764	620,436	608,842
6,306	7,415	8,211	9,044	9,391	9,713	5,897
69,949	78,287	81,012	88,032	94,980	89,594	102,766
34,253	41,397	38,510	32,500	40,897	48,592	47,873
19,925	21,072	20,090	21,420	22,679	22,174	24,397
19,444	25,002	24,780	27,326	32,015	25,137	25,542
36,760	37,986	41,898	39,834	29,421	36,304	45,632
1,002,863	1,094,360	1,086,404	1,116,012	1,186,350	1,205,724	1,255,670
2,956,018	3,199,078	3,317,275	3,470,006	3,756,065	3,431,796	3,640,873
176,696	176,366	198,942	188,116	178,892	191,666	210,263
45,126	40,738	43,117	33,551	31,716	41,628	43,841
32,491	43,814	52,760	48,626	42,975	64,016	60,400
133,451	114,893	125,122	91,225	63,482	111,597	145,977
47,655	51,422	53,862	69,213	66,528	68,407	71,171
16,629	15,625	15,778	15,531	15,311	19,022	21,391
37,105	40,123	40,624	37,242	38,900	45,637	45,780
46,476	134,682	154,764	226,203	413,621	399,402	334,629
75,694	26,218	77,952	72,502	73,172	59,030	64,055
611,323	643,881	762,921	782,209	924,597	1,000,405	997,507

(Continued on Next Page)

CITY OF SAN DIEGO
CHANGES IN NET POSITION (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Accrual Basis of Accounting)

Table 2

	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Program Revenues (Continued)			
Business-type Activities			
Charges for Services:			
Sewer Utility	$ 364,548	$ 364,467	$ 346,950
Water Utility	447,565	455,222	413,008
Airports	4,371	4,618	4,691
Development Services	52,402	56,395	59,808
Refuse Disposal	26,043	30,477	33,048
Golf Course	19,764	20,116	17,987
Recycling	19,046	20,305	23,203
San Diego Convention Center Corporation	—	—	—
Operating Grants and Contributions	1,531	1,044	2,629
Capital Grants and Contributions	70,739	386,952	59,226
Total Business-type Activities Program Revenues	1,006,009	1,339,596	960,550
Total Primary Government Program Revenues	1,597,618	1,969,620	1,629,302
Net (Expense)/Revenue:			
Governmental Activities	(1,046,567)	(911,151)	(1,023,911)
Business-type Activities	110,009	438,629	79,395
Total Primary Government Net Expense	(936,558)	(472,522)	(944,516)
General Revenues and Other Changes in Net Position			
Governmental Activities			
Property Taxes	470,905	460,948	489,548
Transient Occupancy Taxes	173,376	182,466	200,612
Sales Taxes - Shared State Revenue	282,345	296,837	319,030
Franchises	—	—	—
Other Local Taxes	186,747	208,970	204,387
Developer Contributions and Fees	47,765	86,440	104,516
Grants and Contributions not Restricted to Specific Programs	674	653	1,045
Investment Income	13,627	8,786	16,075
Gain on Sale of Capital Assets	—	—	—
Miscellaneous	32,482	47,071	37,751
Transfers	15,269	(150)	(733)
Total Governmental Activities General Revenues and Transfers	1,223,190	1,292,021	1,372,231
Business-type Activities			
Investment Income	8,489	8,012	13,742
Gain on Sale of Capital Assets	—	—	—
Miscellaneous	12,096	21,285	13,220
Transfers	(15,269)	150	733
Total Business-type Activities General Revenues and Transfers	5,316	29,447	27,695
Total Primary Government General Revenues and Transfers	1,228,506	1,321,468	1,399,926
Special Items and Extraordinary Gain (Loss)			
Governmental Activities	(14,828)	—	165,382
Business-type Activities	—	—	—
Change in Net Position:			
Governmental Activities	161,795	380,870	513,702
Business-type Activities	115,325	468,076	107,090
Total Primary Government Change in Net Position	$ 277,120	$ 848,946	$ 620,792

Source: Annual Comprehensive Financial Reports

Table 2

Fiscal Year						
2017	2018	2019	2020	2021	2022	2023
$ 353,488	$ 360,710	$ 367,979	$ 360,823	$ 361,334	$ 388,248	$ 382,225
501,404	569,524	539,128	552,214	591,776	566,909	569,337
5,307	4,888	5,619	5,474	5,774	6,614	6,836
64,699	70,703	74,741	85,700	83,043	110,633	119,581
32,194	34,960	35,329	35,366	32,200	37,562	42,271
18,087	23,502	24,320	22,446	29,437	32,660	34,464
23,186	27,957	26,055	25,757	25,504	27,527	35,056
36,505	34,256	41,245	30,370	43,290	28,363	42,030
10,088	9,958	6,435	18,906	16,549	79,156	11,792
56,837	70,109	30,801	62,301	62,990	88,266	79,930
1,101,795	1,206,567	1,151,652	1,199,357	1,251,897	1,365,938	1,323,522
1,713,118	1,850,448	1,914,573	1,981,566	2,176,494	2,366,343	2,321,029
(1,341,832)	(1,460,837)	(1,467,950)	(1,571,785)	(1,645,118)	(1,225,667)	(1,387,696)
98,932	112,207	65,248	83,345	65,547	160,214	67,852
(1,242,900)	(1,348,630)	(1,402,702)	(1,488,440)	(1,579,571)	(1,065,453)	(1,319,844)
520,186	548,509	586,510	627,272	659,417	684,513	745,039
222,228	231,863	250,883	181,181	129,530	259,231	312,437
310,935	323,113	339,609	327,311	352,131	434,719	445,659
141,942	96,313	97,365	93,474	94,046	114,722	145,741
36,310	52,603	66,375	68,117	72,464	75,660	79,593
99,075	82,883	75,101	50,125	74,925	78,485	57,999
700	833	835	1,982	1,468	3,916	636
7,846	13,337	52,056	52,746	8,669	(21,964)	45,273
28,005	809	770	6,178	62,446	4,777	9,505
36,881	15,959	38,530	20,311	20,622	18,571	50,701
(3,207)	(2,814)	(611)	(4,022)	(1,169)	(10,113)	(2,426)
1,400,901	1,363,408	1,507,423	1,424,675	1,474,549	1,642,517	1,890,157
3,330	8,435	28,713	27,752	3,799	(17,019)	19,873
—	—	—	—	30,509	83	—
7,076	13,758	12,036	7,975	33,247	28,937	40,518
3,207	2,814	611	4,022	1,169	10,113	2,426
13,613	25,007	41,360	39,749	68,724	22,114	62,817
1,414,514	1,388,415	1,548,783	1,464,424	1,543,273	1,664,631	1,952,974
—	—	—	(10,117)	—	(108,636)	—
—	—	—	—	—	—	—
59,069	(97,429)	39,473	(157,227)	(170,569)	308,214	502,461
112,545	137,214	106,608	123,094	134,271	182,328	130,669
$ 171,614	$ 39,785	$ 146,081	$ (34,133)	$ (36,298)	$ 490,542	$ 633,130

CITY OF SAN DIEGO
FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Modified Accrual Basis of Accounting)

Table 3

	Fiscal Year		
	2014	2015	2016
General Fund:			
Nonspendable	$ 1,248	$ 849	$ 2,502
Spendable:			
Restricted	104,885	140,358	146,228
Committed	147,053	130,891	109,474
Assigned	5,575	6,162	11,189
Unassigned	91,353	99,555	106,508
Total General Fund	$ 350,114	$ 377,815	$ 375,901
Nonmajor Governmental Funds:			
Nonspendable	$ 24,326	$ 21,427	$ 19,917
Spendable:			
Restricted	1,011,875	1,288,739	1,573,516
Committed	140,268	108,239	106,851
Unassigned	(15,156)	(11,287)	(27,289)
Total Nonmajor Governmental Funds	$ 1,161,313	$ 1,407,118	$ 1,672,995

Source: Annual Comprehensive Financial Reports

Table 3

Fiscal Year						
2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
$ 783	$ 863	$ 1,154	$ —	$ —	$ —	$ —
116,253	132,307	160,400	195,085	193,301	200,861	200,738
116,497	100,483	92,189	88,665	89,203	100,866	121,699
28,869	24,717	42,842	2,133	10,598	20,036	66,120
111,057	95,434	115,582	124,583	136,340	158,897	140,862
$ 373,459	$ 353,804	$ 412,167	$ 410,466	$ 429,442	$ 480,660	$ 529,419
$ 20,299	$ 18,042	$ 18,451	$ 18,286	$ 19,714	$ 18,058	$ 18,942
1,617,147	1,582,579	1,618,657	1,564,819	1,660,091	1,672,103	1,764,561
114,692	97,911	87,428	63,338	51,466	76,686	100,878
(33,843)	(43,514)	(65,721)	(89,319)	(79,662)	(79,045)	(83,859)
$ 1,718,295	$ 1,655,018	$ 1,658,815	$ 1,557,124	$ 1,651,609	$ 1,687,802	$ 1,800,522

CITY OF SAN DIEGO **Table 4**
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Modified Accrual Basis of Accounting)

	Fiscal Year		
	2014	2015	2016
Revenues			
Property Taxes	$ 470,960	$ 460,515	$ 489,664
Special Assessments	50,796	57,343	54,304
Sales Taxes - Shared State Revenue	278,564	293,929	333,821
Transient Occupancy Taxes	170,475	186,690	204,559
Franchises	—	—	—
Other Local Taxes	186,747	208,907	204,450
Licenses and Permits	53,329	57,388	78,595
Fines, Forfeitures and Penalties	31,363	33,832	41,465
Revenue from Use of Money and Property	87,212	92,452	103,307
Revenue from Federal Agencies	52,504	45,217	44,529
Revenue from Other Agencies	39,804	87,364	35,748
Revenue from Private Sources	78,875	71,581	87,739
Charges for Current Services	207,101	238,516	260,933
Other Revenue	33,890	49,200	39,718
Total Revenues	1,741,620	1,882,934	1,978,832
Expenditures			
Current:			
General Government and Support	299,739	305,594	334,883
Public Safety - Police	431,531	430,411	445,027
Public Safety - Fire and Emergency Services	245,650	254,603	252,608
Parks, Recreation, Culture and Leisure	216,635	228,157	276,730
Transportation	108,836	120,102	144,145
Sanitation and Health	83,128	92,907	94,982
Neighborhood Services	63,846	82,812	79,745
Capital Outlay	118,187	185,018	194,957
Debt Service:			
Principal Retirement	66,534	42,812	37,077
Cost of Issuance	518	1,140	712
Interest	36,070	34,135	40,330
Payment to Refunded Bond Escrow Agent	—	—	3,811
Total Expenditures	1,670,674	1,777,691	1,905,007
Excess (Deficiency) of Revenues Over Expenditures	70,946	105,243	73,825
Other Financing Sources (Uses)			
Transfers In	192,049	253,570	173,710
Transfers Out	(173,249)	(253,139)	(174,166)
Payment to Refunded Bond Escrow Agent	(16,025)	—	(122,186)
Contracts, Notes, and Loans Issued	761	1,512	—
Bonds Issued	51,713	121,200	123,294
Leases	—	—	—
SBITAs	—	—	—
Other Sources	29,747	45,120	24,104
Total Other Financing Sources (Uses)	84,996	168,263	24,756
Special Items and Extraordinary Gain (Loss)	(21,067)	—	165,382
Net Change in Fund Balances	$ 134,875	$ 273,506	$ 263,963
Debt Service as a Percentage of Noncapital Expenditures	6.6 %	4.8 %	4.5 %

Source: Annual Comprehensive Financial Reports

Table 4

Fiscal Year						
2017	2018	2019	2020	2021	2022	2023
$ 519,386	$ 548,870	$ 585,391	$ 624,834	$ 658,985	$ 681,892	$ 744,300
61,736	63,870	70,590	56,705	47,120	69,193	79,193
319,343	314,023	355,383	329,981	349,005	425,562	444,525
222,228	231,863	250,883	181,181	128,310	259,110	308,075
141,942	160,185	167,025	157,052	158,773	186,201	242,301
36,304	52,608	66,375	68,026	72,302	75,727	77,878
125,087	108,516	115,968	100,378	126,730	136,656	120,334
32,480	32,157	30,060	31,676	26,477	33,460	38,423
97,902	103,746	143,014	129,210	72,568	56,031	128,444
35,149	54,336	96,372	161,152	354,936	336,745	201,538
56,267	35,670	34,387	56,881	47,199	45,409	76,034
13,286	9,348	30,162	6,673	7,417	2,984	5,694
267,708	289,731	320,560	314,440	295,649	347,740	398,490
37,846	16,304	17,359	19,350	17,324	17,485	35,563
1,966,664	2,021,227	2,283,529	2,237,539	2,362,795	2,674,195	2,900,792
335,344	363,126	392,779	438,157	428,357	467,791	543,398
441,999	473,969	501,731	557,815	575,546	602,919	578,914
255,451	285,567	293,267	299,525	313,138	341,393	359,305
293,083	322,467	347,127	312,948	258,367	317,168	398,493
147,397	175,931	180,758	218,467	186,428	164,164	184,474
99,012	95,366	99,947	105,551	97,571	107,459	172,287
90,673	97,978	146,370	142,315	298,756	288,219	147,627
290,550	253,249	227,042	231,457	196,482	200,131	271,413
36,428	40,961	44,435	48,189	139,607	62,401	247,179
28	1,500	469	—	1,293	105	573
39,108	54,994	35,090	35,142	37,762	29,623	31,715
—	13,125	—	—	—	—	—
2,029,073	2,178,233	2,269,015	2,389,566	2,533,307	2,581,373	2,935,378
(62,409)	(157,006)	14,514	(152,027)	(170,512)	92,822	(34,586)
138,412	143,061	128,577	122,912	115,288	139,907	186,111
(140,795)	(146,077)	(120,496)	(120,006)	(99,968)	(150,320)	(202,910)
—	(183,745)	—	—	(119,690)	—	—
—	—	—	26,167	—	—	—
—	226,971	—	—	277,209	—	114,990
—	—	—	—	—	1,447	25,232
—	—	—	—	—	—	3,917
107,650	33,864	39,565	29,679	111,134	3,591	68,725
105,267	74,074	47,646	58,752	283,973	(5,375)	196,065
—	—	—	(10,117)	—	—	—
$ 42,858	$ (82,932)	$ 62,160	$ (103,392)	$ 113,461	$ 87,447	$ 161,479
4.3 %	5 %	3.9 %	3.9 %	7.6 %	3.9 %	10.5 %

CITY OF SAN DIEGO **Table 5**

ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

	City				Successor Agency [1]				
Fiscal Year Ended June 30	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
2014	$ 166,492,182	$ 8,229,813	$ (8,321,763)	$ 166,400,232	$ 18,265,071	$ 984,082	$ (1,712,162)	$ 17,536,991	0.172%
2015	176,702,157	8,671,311	(8,592,636)	176,780,832	19,634,360	1,015,145	(1,694,855)	18,954,650	0.172%
2016	187,297,981	8,906,099	(9,002,912)	187,201,168	21,169,427	1,032,849	(1,795,081)	20,407,195	0.172%
2017	197,932,308	8,861,982	(9,478,879)	197,315,411	22,939,735	1,078,149	(1,814,669)	22,203,215	0.172%
2018	210,056,793	9,316,411	(9,765,866)	209,607,338	24,856,106	1,127,636	(2,011,257)	23,972,485	0.172%
2019	223,287,219	9,594,809	(10,907,691)	221,974,337	27,179,889	1,165,784	(2,170,961)	26,174,712	0.172%
2020	235,623,512	10,360,876	(11,645,531)	234,338,857	29,706,476	1,190,951	(2,227,755)	28,669,672	0.172%
2021	247,222,440	10,580,060	(11,339,067)	246,463,433	32,001,177	1,207,260	(2,179,831)	31,028,606	0.172%
2022	256,825,352	9,649,356	(12,495,971)	253,978,737	33,420,880	986,514	(2,263,620)	32,143,774	0.172%
2023	276,652,290	11,460,363	(12,856,560)	275,256,093	36,226,621	1,316,538	(2,386,364)	35,156,795	0.172%

[1] Pursuant to ABX1 26, the former Redevelopment Agency (RDA) dissolved as of February 1, 2012, at which time the City, as Successor Agency, received the former RDA's assets and assumed the responsibility for winding down the former RDA's operations.

Sources: Avenu Insights and Analytics, LLC and San Diego County Assessor Data

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CITY OF SAN DIEGO **Table 6**

ASSESSED VALUE OF PROPERTY BY USE CODE / ASSESSED VALUE BY MAJOR COMPONENT (UNAUDITED)

Last Ten Fiscal Years

(Dollars in Thousands)

	Fiscal Year			
Category	**2014**	**2015**	**2016**	**2017**
Residential	$ 126,493,049	$ 135,781,072	$ 144,566,532	$ 153,836,389
Commercial	24,553,545	25,423,193	26,788,688	42,781,822
Industrial	11,753,860	12,258,818	12,786,249	13,716,011
Institution	1,688,359	1,733,140	1,738,339	4,177,303
Recreation	1,383,655	1,344,234	1,384,431	1,657,970
Government	—	—	—	1,198,602
Agriculture	15,155	16,607	17,989	472,200
Rural	199,226	205,324	239,901	202,834
Vacant	2,588,138	2,611,582	3,023,596	2,826,026
Unknown	16,082,265	16,962,545	17,921,683	2,886
Gross Secured Value	184,757,252	196,336,515	208,467,408	220,872,043
Unsecured	9,213,896	9,686,457	9,938,948	9,940,131
Less Exemptions	(10,033,925)	(10,287,491)	(10,797,993)	(11,293,548)
Net Taxable Value	$ 183,937,223	$ 195,735,481	$ 207,608,363	$ 219,518,626

Use code categories are based on San Diego County Assessor's data.

Source: Avenu Insights and Analytics, LLC

Table 6

2018	2019	2020	2021	2022	2023
$ 163,783,938	$ 174,763,775	$ 185,410,856	$ 195,634,112	$ 204,604,762	$ 220,429,906
45,175,379	47,995,505	50,635,658	52,900,687	53,518,770	56,924,205
14,580,784	16,009,633	17,065,994	17,848,209	19,094,803	21,652,784
4,455,194	4,742,848	4,878,576	5,035,567	5,133,405	5,231,758
1,659,558	1,741,950	1,782,059	1,866,749	1,685,474	4,377,314
1,308,936	1,385,959	1,438,338	1,480,367	1,486,625	1,859,539
530,505	551,261	593,440	666,923	696,738	1,466,920
198,630	175,835	184,651	183,620	173,967	774,488
3,219,104	3,099,378	3,339,367	3,606,350	3,850,676	160,896
871	964	1,049	1,034	1,010	1,101
234,912,899	250,467,108	265,329,988	279,223,618	290,246,230	312,878,911
10,444,047	10,760,593	11,551,827	11,787,320	10,635,870	12,776,901
(11,777,123)	(13,078,652)	(13,873,286)	(13,518,898)	(14,759,592)	(15,242,924)
$ 233,579,823	$ 248,149,049	$ 263,008,529	$ 277,492,040	$ 286,122,508	$ 310,412,888

CITY OF SAN DIEGO
DIRECT AND OVERLAPPING PROPERTY TAX RATES (UNAUDITED)
Last Ten Fiscal Years
($1 Per $100 of Assessed Value)

Table 7

	Fiscal Year		
Basic City and County Direct Rates	2014	2015	2016
County of San Diego	0.15731 %	0.15731 %	0.15731 %
City of San Diego	0.17213 %	0.17213 %	0.17213 %
San Diego Unified School District	0.44679 %	0.44679 %	0.44679 %
San Diego Community College District	0.06463 %	0.06463 %	0.06463 %
County School Service	0.00748 %	0.00748 %	0.00748 %
County School Service - Capital Outlay	0.00189 %	0.00189 %	0.00189 %
Childrens Institution Tuition	0.00160 %	0.00160 %	0.00160 %
Regional Occupational Center	0.00477 %	0.00477 %	0.00477 %
Carlsbad Project	0.00010 %	0.00010 %	0.00010 %
Educational Revenue Augmentation Fund (ERAF)	0.14330 %	0.14330 %	0.14330 %
Total Basic City and County Direct Rates [1]	1.00000 %	1.00000 %	1.00000 %
Overlapping Rates			
City of San Diego	0.00850 %	0.00850 %	0.00850 %
Education	0.17427 %	0.17051 %	0.16609 %
Total Overlapping	0.18277 %	0.17901 %	0.17459 %
Total Direct and Overlapping Tax Rates	1.18277 %	1.17901 %	1.17459 %

[1] Property tax rates in California do not utilize millage rates. Proposition 13, enacted by the voters in 1978-79, held property tax to a maximum of 1% of the assessed value. Rates over 1% are allowable only for voter approved bond indebtedness.

Sources: Avenu Insights and Analytics, LLC and San Diego County Auditor/Controller Data

Table 7

Fiscal Year						
2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
0.15731 %	0.15731 %	0.15731 %	0.15731 %	0.15731 %	0.15731 %	0.15731 %
0.17213 %	0.17213 %	0.17213 %	0.17213 %	0.17213 %	0.17213 %	0.17213 %
0.44679 %	0.44679 %	0.44679 %	0.44679 %	0.44679 %	0.44679 %	0.44679 %
0.06463 %	0.06463 %	0.06463 %	0.06463 %	0.06463 %	0.06463 %	0.06463 %
0.00748 %	0.00748 %	0.00748 %	0.00748 %	0.00748 %	0.00748 %	0.00748 %
0.00189 %	0.00189 %	0.00189 %	0.00189 %	0.00189 %	0.00189 %	0.00189 %
0.00160 %	0.00160 %	0.00160 %	0.00160 %	0.00160 %	0.00160 %	0.00160 %
0.00477 %	0.00477 %	0.00477 %	0.00477 %	0.00477 %	0.00477 %	0.00477 %
0.00010 %	0.00010 %	0.00010 %	0.00010 %	0.00010 %	0.00010 %	0.00010 %
0.14330 %	0.14330 %	0.14330 %	0.14330 %	0.14330 %	0.14330 %	0.14330 %
1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %
0.00850 %	0.00850 %	0.00850 %	0.00850 %	0.00850 %	0.00850 %	0.00850 %
0.16582 %	0.16117 %	0.16611 %	0.22349 %	0.22132 %	0.22369 %	0.20786 %
0.17432 %	0.16967 %	0.17461 %	0.23199 %	0.22982 %	0.23219 %	0.21636 %
1.17432 %	1.16967 %	1.17461 %	1.23199 %	1.22982 %	1.23219 %	1.21636 %

Table 8

CITY OF SAN DIEGO
PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)
Current Year and Nine Years Ago
(Dollars in Thousands)

Property Tax Payer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
For the Fiscal Year Ended June 30, 2023		
Qualcomm Inc	$ 2,722,008	0.88%
A R E- SD Region	2,401,060	0.77%
Irvine Company LLC	1,879,265	0.61%
Kilroy Realty L P	1,346,567	0.43%
UTC Venture LLC	1,045,169	0.34%
AAT La Jolla Commons LLC	873,013	0.28%
Host Hotels And Resorts LP	846,820	0.27%
One Park Boulevard LLC	548,547	0.18%
Fashion Valley Mall LLC	521,453	0.17%
BEX Portfolio LLC	508,609	0.16%
For the Fiscal Year Ended June 30, 2014		
Irvine Company LLC	1,618,629	0.88%
Qualcomm Inc	1,434,626	0.78%
Kilroy Realty L P	1,428,488	0.78%
A R E- SD Region	853,654	0.46%
Host Hotels And Resorts LP	781,415	0.42%
One Park Boulevard LLC	612,551	0.33%
O C S D Holdings LLC	488,798	0.27%
Fashion Valley Mall LLC	476,580	0.26%
Arden Realty LTD Partnership	455,245	0.25%
Sea World Inc	436,958	0.24%

Sources: Avenu Insights and Analytics, LLC and San Diego County Assessor Data

CITY OF SAN DIEGO
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

Table 9

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year [1, 2]	Collected within the Fiscal Year of Levy: Amount Collected [2]	Collected within the Fiscal Year of Levy: Percent of Levy	Delinquent Collections [3]	Total Collections to Date: Amount	Total Collections to Date: Percent of Levy
2014	$ 315,060	$ 308,606	97.95%	$ 2,635	$ 311,241	98.79%
2015	331,187	325,794	98.37%	2,826	328,620	99.22%
2016	330,483	327,903	99.22%	2,465	330,368	99.97%
2017	349,650	346,510	99.10%	2,893	349,403	99.93%
2018	370,127	367,047	99.17%	2,710	369,757	99.90%
2019	391,665	388,224	99.12%	2,997	391,221	99.89%
2020	432,393	422,798	97.78%	5,284	428,082	99.00%
2021	443,719	439,043	98.95%	3,985	443,028	99.84%
2022	476,111	464,274	97.51%	3,499	467,773	98.25%
2023	520,563	507,973	97.58%	—	507,973	97.58%

[1] Property tax levies and collections for the General Fund and Zoological Exhibits Fund.

[2] Taxes levied and collected for the year include local assessment only.

[3] Delinquent Collections amounts do not include penalties and interest.

Source: The County of San Diego

CITY OF SAN DIEGO
RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

Table 10

	Governmental Activities					
Fiscal Year Ended June 30	Leases Payable	SBITAs	Financed Purchase Obligations	QECB Lease Obligation	Loans Payable	Commercial Paper Notes
2014	$ —	$ —	$ 58,094	$ 10,864	$ 17,633	$ —
2015	—	—	92,539	10,071	9,568	—
2016	—	—	86,500	9,259	8,480	—
2017	—	—	165,626	8,429	7,341	—
2018	—	—	197,649	7,578	6,383	—
2019	—	—	219,147	6,708	5,388	15,889
2020	—	—	207,010	5,816	30,737	38,575
2021	—	—	231,048	4,903	29,888	—
2022	74,333	—	217,273	3,968	29,007	—
2023	90,594	12,754	89,488	3,011	28,091	—

	Business-Type Activities					
Fiscal Year Ended June 30	Leases Payable	SBITAs	Financed Purchase Obligations	Contracts Payable	Notes Payable	Loans Payable
2014	$ —	$ —	$ 2,590	$ —	$ —	$ 161,360
2015	—	—	2,250	—	—	158,241
2016	—	—	7,588	3,606	—	162,194
2017	—	—	6,091	2,888	13	191,658
2018	—	—	4,624	2,194	11	203,273
2019	—	—	3,123	1,481	8	223,896
2020	—	—	12,374	750	6	238,034
2021	—	—	8,624	—	4	243,223
2022	13,848	—	—	—	2	312,814
2023	13,580	3,043	—	—	—	432,256

[1] Personal income is disclosed in Table 16.

[2] Debt per Capita is calculated using population data, which is disclosed in Table 16.

Source: Annual Comprehensive Financial Reports

Table 10

Lease Revenue Bonds Net	Tobacco Settlement-Asset Backed Bonds	Total Governmental Activities
$ 572,008	$ 77,785	$ 736,384
670,977	73,705	856,860
641,832	69,440	815,511
615,280	64,570	861,246
583,508	89,195	884,313
554,380	81,170	882,682
524,158	73,330	879,626
640,344	64,290	970,473
605,535	54,250	984,366
695,365	44,865	964,168

Commercial Paper Notes	Lease Revenue Bonds Net	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income [1]	Debt Per Capita [2]
$ —	$ 1,851,771	$ 2,015,721	$ 2,752,105	6.00%	$ 2.04
—	1,771,085	1,931,576	2,788,436	6.02%	2.04
—	1,843,259	2,016,647	2,832,158	5.94%	2.04
—	1,735,166	1,935,816	2,797,062	5.53%	1.99
168,213	1,630,758	2,009,073	2,893,386	5.33%	2.04
53,597	1,804,916	2,087,021	2,969,703	5.18%	2.09
18,724	1,930,160	2,200,048	3,079,674	5.13%	2.15
98,724	1,805,965	2,156,540	3,127,013	4.90%	2.22
195,092	1,869,553	2,391,309	3,363,848	4.71%	2.38
—	1,989,513	2,438,392	3,402,560	4.10%	2.00

CITY OF SAN DIEGO
RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)
Last Ten Fiscal Years

Table 11

Fiscal Year Ended June 30	General Obligation Bonds (Thousands)	Assessed Valuation (Thousands)	Percentage of Assessed Value [1]	Population	Debt Per Capita [2]
2014	$ —	$ 166,400,232	— %	1,345,895	$ —
2015	—	176,780,832	—	1,368,061	—
2016	—	187,201,168	—	1,391,676	—
2017	—	197,315,411	—	1,406,318	—
2018	—	209,607,338	—	1,419,845	—
2019	—	221,974,337	—	1,420,572	—
2020	—	234,338,857	—	1,430,489	—
2021	—	246,463,433	—	1,411,034	—
2022	—	253,978,736	—	1,374,790	—
2023	—	275,256,093	—	1,368,395	—

Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

[1] Percentage is calculated using assessed property values.

[2] Ratio is calculated using population data.

Sources: Avenu Insights and Analytics, LLC, California Department of Finance, and Annual Comprehensive Financial Reports

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CITY OF SAN DIEGO
DIRECT AND OVERLAPPING DEBT (UNAUDITED)
June 30, 2023
(Dollars in Thousands)

Table 12

	Total Debt June 30, 2023	% Applicable [1]	City's Share of Debt June 30, 2023
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	$ 19,215	8.573%	$ 1,647
Palomar Community College District	641,965	23.179%	148,801
San Diego Community College District	1,283,968	99.94%	1,283,197
Poway Unified School District School Facilities Improvement District No. 2002-1 & 2007-1	266,192	55.235-56.344%	148,814
San Diego Unified School District	5,015,334	99.942%	5,012,425
San Dieguito Union High School District	416,410	33.985%	141,517
San Ysidro School District	131,766	77.440%	102,040
Other School, High School and Community College Districts	3,638,666	Various	508,339
Grossmont Healthcare District	236,992	7.914%	18,756
Palomar Pomerado Health System	400,167	27.73%	110,966
City of San Diego Special Assessment/Special Tax Bonds [2]	52,250	100%	52,250
Del Mar Unified School District Community Facilities District No. 99-1 & 95-1	48,110	100%	48,110
North City West School District Community Facilities District	23,063	100%	23,063
Poway Unified School District Community Facilities Districts	330,694	100%	330,694
San Dieguito Union High School District Community Facilities Districts	60,555	81.112-100%	55,725
Sweetwater Union High School District Community Facilities Districts	5,747	35.036-100%	3,856
Solana Beach School District Community Facilities Districts	27,175	100%	27,175
Other Special District 1915 Act Bonds	75,622	Various	71,145
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			$ 8,088,520
DIRECT AND OVERLAPPING DEBT:			
San Diego County General Fund Obligations	$ 229,680	47.478%	$ 109,047
San Diego County Pension Obligation Bonds	277,990	47.478%	131,984
San Diego County Superintendent of Schools Certificates of Participation	6,935	47.478%	3,293
Poway Unified School District General Fund Obligations	53,720	64.77%	34,794
Sweetwater Union High School District General Fund Obligations	770	19.705%	152
Chula Vista School District General Fund Obligations	179,945	4.910%	8,835
San Ysidro School District Certificates of Participation	34,490	77.440%	26,709
Other School, High School and Community College District General Fund Obligations	157,213	Various	8,488
City of San Diego Obligations [3]	964,168	100%	964,168
TOTAL DIRECT AND OVERLAPPING DEBT			$ 1,287,470
TOTAL OVERLAPPING TAX INCREMENT DEBT	$ 284,709	0.742 - 100%	$ 260,675
TOTAL DIRECT DEBT			964,168
TOTAL OVERLAPPING DEBT			8,672,497
COMBINED TOTAL DEBT [4]			9,636,665

Table 12

Ratios to 2022-23 Assessed Valuations ($311,888,763):	
Total Overlapping Tax and Assessment Debt	3.11 %
Total Direct Debt ($561,794)	0.37 %
Combined Total Debt	3.70 %
Ratios to Successor Agency Incremental Valuation ($38,023,933)	
Total Overlapping Tax Increment Debt	0.69 %

[1] The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City divided by the district's total taxable assessed value.

[2] Amounts reconcile to Note 19, Total Special Assessment / Special Tax Bonds.

[3] City of San Diego Obligations include Leases Payable, SBITAs Payable, Financed Purchase Obligations, QECB Lease Obligation, Loans Payable, Section 108 Loans Payable, Lease Revenue Bonds, and Tobacco Settlement Asset Backed Bonds.

[4] Excludes Tax and Revenue Anticipation Notes, Enterprise Revenue, Mortgage Revenue and Non-Bonded Financed Purchase Obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Sources: Avenu Insights and Analytics, LLC and Annual Comprehensive Financial Reports

CITY OF SAN DIEGO
LEGAL DEBT MARGIN SCHEDULE (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

Table 13

	2014	2015	2016
Assessed valuation	$ 166,400,232	$ 176,780,832	$ 187,201,168
Debt limit percentage [1, 2]	25 %	25 %	25 %
Debt limit	41,600,058	44,195,208	46,800,292
Total net debt applicable to limit:			
General Obligation Bonds	—	—	—
Legal debt margin	41,600,058	44,195,208	46,800,292
Total debt applicable to the limit as a percentage of the debt limit	— %	— %	— %

[1] The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation.

[2] For fiscal years 2010-2016, Section 90 of the Charter provided that the bonded indebtedness for the development, conservation, and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation. These limitations were removed from the Charter effective in fiscal year 2017.

Sources: Avenu Insights and Analytics, LLC and Annual Comprehensive Financial Reports

Table 13

Fiscal Year						
2017	2018	2019	2020	2021	2022	2023
$ 197,315,411	$ 209,607,338	$ 221,974,337	$ 234,338,857	$ 246,463,432	$ 253,978,736	$ 275,256,093
15 %	15 %	15 %	15 %	15 %	15 %	15 %
29,597,311.65	31,441,101	33,296,151	35,150,829	36,969,515	38,096,810	41,288,414
—	—	—	—	—	—	—
29,597,311.65	31,441,101	33,296,151	35,150,829	36,969,515	38,096,810	41,288,414
— %	— %	— %	— %	— %	— %	— %

CITY OF SAN DIEGO
PLEDGED-REVENUE COVERAGE - WATER OBLIGATIONS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

Table 14

Fiscal Year Ended June 30	Total System Revenues[1]	Total Maintenance and Operation Costs	Net System Revenues [2]	Less: Interest Earnings on Reserve Fund- Senior Obligations	Adjusted Net System Revenues [3]
2014	$ 473,908	$ 362,989	$ 110,919	$ (1,017)	$ 109,902
2015	468,274	381,389	86,885	(897)	85,988
2016	455,055	370,064	84,991	(4,474)	80,517
2017	498,520	402,475	96,045	(4)	96,041
2018	589,608	435,673	153,935	(35)	153,900
2019	558,349	428,932	129,417	(73)	129,344
2020	573,989	436,668	137,321	(40)	137,281
2021	629,839	492,144	137,695	(1)	137,694
2022	652,299	515,475	136,824	(2)	136,822
2023 [7]	646,485	500,939	145,546	(130)	145,416

[1] Total System Revenues and affected coverage ratios are net of transfers to/from the Water Rate Stabilization and Secondary Purchase reserves.

[2] Pursuant to the Amended and Restated Master Installment Purchase Agreement (MIPA), Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Water System for the fiscal year.

[3] As defined in the MIPA, Adjusted Net System Revenues are the "Net System Revenues" less "an amount equal to earnings from investments in any Reserve Fund or Reserve Account" for the fiscal year.

[4] Senior Obligations include senior revenue bonds and SRF Loans. Utilizes definitions in accordance with the MIPA. Significant decrease in Adjusted Debt Service and increase in Adjusted Debt Service Coverage in FY 2017 because all outstanding Senior Bonds were refunded on a Subordinate lien in June 2016.

[5] All Obligations consist of Senior Obligations (bonds and SRF Loans) and Subordinated Obligations (subordinated revenue bonds, commercial paper notes and WIFIA Loans). Utilizes definitions in accordance with the MIPA. Effective FY 2017, All Obligations include debt service paid on Subordinate Water Revenue Commercial Paper Notes program. See Note 6.

[6] The coverage calculation as presented in Table 14 is pursuant to the MIPA coverage requirements such as maintaining minimum debt service coverage equal to at least 1.20 for Senior Obligations and 1.00 for All Obligations. Additionally, a WIFIA Loan agreement requires maintaining a coverage requirement similar to MIPA but equal to at least 1.10 for All Obligations each fiscal year. Additionally, there is an SRF Loan agreement pursuant to which the City has covenanted to maintain minimum debt service coverage equal to at least 1.10 times the maximum annual debt service for all obligations each fiscal year. The City verifies the loans' rate covenants annually.

[7] Total System Revenues and affected coverage ratios are net of a $9,000 transfer from the Water Rate Stabilization reserve. Aggregate Debt Service coverage before the transfer was approximately 1.36.

Source: Department of Finance, City of San Diego

Table 14

Senior Obligations [4]						All Obligations [5]	
Principal	Interest	Total	Less: Senior Interest Earnings	Adjusted Debt Service	Adjusted Debt Service Coverage [6]	Total Debt Service	Aggregate Debt Service Coverage [6]
$ 8,986	$ 30,935	$ 39,921	$ (1,017)	$ 38,904	2.82	$ 66,691	1.66
9,330	30,733	40,063	(897)	39,166	2.20	66,835	1.3
10,580	30,413	40,993	(4,474)	36,519	2.20	67,389	1.26
2,703	1,302	4,005	(4)	4,001	24.00	61,842	1.55
2,820	1,439	4,259	(35)	4,224	36.43	65,613	2.35
2,887	1,600	4,487	(73)	4,414	29.30	68,136	1.90
3,925	1,701	5,626	(40)	5,586	24.58	83,199	1.65
18,832	9,630	28,462	(1)	28,461	4.84	93,547	1.47
16,143	12,364	28,507	(2)	28,505	4.80	93,839	1.46
16,536	11,986	28,522	(130)	28,392	5.12	100,330	1.45

CITY OF SAN DIEGO
PLEDGED-REVENUE COVERAGE - SEWER OBLIGATIONS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

Table 15

Fiscal Year Ended June 30	Total System Revenues[1]	Total Maintenance and Operation Costs (Excludes Depreciation)	Net System Revenues[2]	Senior Obligations[3]			Senior Debt Service Coverage[5]	All Obligations[4]	
				Principal	Interest	Total		Total Debt Service	Aggregate Debt Service Coverage[5]
2014	$ 396,042	$ 210,981	$ 185,061	$ 48,821	$ 54,473	$ 103,294	1.79	$ 109,353	1.69
2015	382,164	195,358	186,806	51,576	52,461	104,037	1.80	110,096	1.70
2016	368,195	192,185	176,010	66,187	34,633	100,820	1.75	106,879	1.65
2017	382,599	218,336	164,263	58,455	43,974	102,429	1.60	108,489	1.51
2018	388,395	223,013	165,382	61,751	41,376	103,127	1.60	109,185	1.51
2019	404,377	239,556	164,821	64,635	38,487	103,122	1.60	109,181	1.51
2020	405,301	244,894	160,407	65,080	35,115	100,195	1.60	106,254	1.51
2021	396,550	250,273	146,277	67,954	32,287	100,241	1.46	105,412	1.39
2022	425,627	244,933	180,694	71,342	28,625	99,967	1.81	104,935	1.72
2023[6]	443,420	279,406	164,014	76,617	25,508	102,125	1.61	115,140	1.42

[1] Total System Revenues and affected coverage ratios are net of transfers to/from the Sewer Rate Stabilization reserve.

[2] As defined in the Master Installment Purchase Agreement (MIPA), Net System Revenues are defined as "System Revenues" less "Maintenance and Operation Costs" of the Wastewater System for the fiscal year.

[3] Senior Obligations include senior revenue bonds and senior SRF Loans. Utilizes the definitions in accordance with the MIPA.

[4] All Obligations consist of Senior Obligations (bonds and SRF Loans) and Subordinated Obligations (subordinated revenue bonds and subordinated SRF Loans). Utilizes definitions in accordance with the MIPA.

[5] The coverage calculation as presented in Table 15 is pursuant to the MIPA, which requires a minimum debt service coverage should be at least equal to 1.20 for Senior Obligations and 1.00 for All Obligations. Additionally, there are various outstanding State Revolving Fund Loans (SRF Loans) agreements pursuant to which the City has covenanted to maintain minimum debt service coverage equal to at least 1.20 times the maximum annual debt service for senior obligations and 1.10 times the maximum annual debt service for all obligations in each fiscal year. The City verifies the loans' rate covenants annually.

[6] Total System Revenues and affected coverage ratios are net of a $9,000 transfer from the Sewer Rate Stabilization reserve. Aggregate Debt Service coverage before the transfer was approximately 1.35.

Source: Department of Finance, City of San Diego

CITY OF SAN DIEGO
DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)
Last Ten Fiscal Years

Table 16

Fiscal Year Ended June 30	Population [1]	Personal Income (Thousands)	Per Capita Personal Income [2]	City Unemployment Rate [3]
2014	1,345,895	$ 45,869,488	$ 34,081	6.1 %
2015	1,368,061	46,297,920	33,842	4.6 %
2016	1,391,676	47,718,552	34,289	4.9 %
2017	1,406,318	50,542,056	35,939	4.4 %
2018	1,419,845	54,274,285	38,225	3.1 %
2019	1,420,572	57,277,776	40,320	3.2 %
2020	1,430,489	59,988,300	41,936	14.7 %
2021	1,411,034	63,871,018	45,265	9 %
2022	1,374,790	71,479,195	51,993	2.6 %
2023	1,368,395	82,985,439	60,644	3.4 %

[1] Population projections are provided by the California Department of Finance Projections.

[2] Income data is provided by the United States Census Bureau.

[3] Unemployment Data is provided by the California Employment Development Department's Bureau of Labor Statistics Department.

Sources: Avenu Insights and Analytics, LLC and California Department of Finance

Table 17

CITY OF SAN DIEGO
PRINCIPAL EMPLOYERS (UNAUDITED)
Current Year and Nine Years Ago

Employer	Number of Employees	Percentage of Total Employment [1]
For the Fiscal Year Ended June 30, 2023		
University of California, San Diego [2]	40,285	5.56 %
Naval Base San Diego [3]	38,079	5.26 %
Sharp Health Care [4]	19,528	2.7 %
County of San Diego	17,591	2.43 %
Scripps Health [5]	14,686	2.03 %
San Diego Unified School District	13,453	1.86 %
City of San Diego [6]	12,505	1.73 %
Qualcomm Inc	11,615	1.60 %
Kaiser Permanente	7,345	1.01 %
Amazon Fulfillment Centers (all locations)	7,331	1.01 %
Total Top Employers	182,418	25.19 %
For the Fiscal Year Ended June 30, 2014		
United States Navy [3]	30,588	4.31 %
University of California San Diego [2]	28,672	4.04 %
Sharp Health Care [4]	16,446	2.32 %
County of San Diego	16,215	2.28 %
Qualcomm Inc	13,725	1.93 %
San Diego Unified School District	13,071	1.84 %
City of San Diego [6]	10,411	1.47 %
Kaiser Permanente	8,172	1.15 %
University of California San Diego Medical Center	6,302	0.89 %
San Diego Gas & Electric Co.	4,457	0.63 %
Total Top Employers	148,059	20.86 %

[1] Percentage based on total employment of 715,500 and 713,900 for fiscal years 2023 and 2014, respectively.

[2] Includes full and part-time, academic and support, and UCSD Medical Center School of Medicine.

[3] Includes Active Duty Navy and Marine, and Civil Service employees

[4] Employee count is countywide.

[5] Scripps Health employees within city limits, not including Mercy Hospital in Chula Vista.

[6] As of the last pay-period of the fiscal year.

Sources: Avenu Insights and Analytics, LLC and City of San Diego, Department of Finance - Payroll Division

CITY OF SAN DIEGO
FULL-TIME AND PART-TIME CITY EMPLOYEES BY FUNCTION (UNAUDITED) [1]
Last Ten Fiscal Years

Table 18

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government and Support	2,134	2,283	2,433	2,569	2,611	2,690	2,702	2,601	2,703	3,051
Public Safety - Police	2,489	2,519	2,577	2,540	2,564	2,595	2,614	2,584	2,523	2,520
Public Safety - Fire and Life Safety and Homeland Security	1,283	1,397	1,428	1,433	1,450	1,481	1,515	1,526	1,537	1,637
Parks, Recreation, Culture and Leisure	1,720	1,871	1,908	1,976	1,896	1,880	1,848	1,663	1,722	1,929
Transportation	325	337	376	409	403	409	378	389	398	406
Sanitation and Health	135	139	144	128	127	132	136	126	152	245
Neighborhood Services	152	162	172	169	185	174	178	91	90	113
Airports	16	18	21	19	17	22	21	19	20	18
Development Services	332	367	408	415	426	412	441	513	528	667
Refuse Disposal	145	154	145	139	103	163	160	167	177	219
Golf Course	106	106	108	102	114	107	110	106	97	110
Recycling	104	93	85	83	126	91	93	95	89	71
Sewer Utility	775	693	694	660	653	614	613	612	589	593
Water Utility	695	829	888	841	863	828	789	803	841	961
Total Employees	10,411	10,968	11,387	11,483	11,538	11,598	11,598	11,295	11,466	12,540

[1] As of the last pay-period of the fiscal year.

Source: City of San Diego, Department of Finance - Payroll Division

CITY OF SAN DIEGO
OPERATING INDICATORS BY FUNCTION (UNAUDITED)
Last Ten Fiscal Years

Table 19

Function	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Public Safety - Police			
Calls for Police Services Dispatched	583,556	562,360	529,564
Calls for 9-1-1 Emergencies	583,391	626,694	626,694
Public Safety - Fire and Life Safety and Homeland Security			
Fire Department:			
Emergency Calls - Fire	3,184	5,591	5,639
Emergency Calls - Medical/Rescue	113,858	124,189	136,750
Emergency Calls - Other	12,838	12,748	11,875
Lifeguard:			
Water Rescues	5,299	6,673	7,835
Other Rescues	5,486	6,281	5,584
Beach Attendance	23,414,313	24,928,079	17,939,665
Parks, Recreation, Culture and Leisure			
Parks and Recreation:			
Number of Aquatic Users	296,000	311,788	304,125
Number of Youth Served in After School Program Sites	109,670	107,515	108,160
Library:			
Circulation	6,877,913	6,923,853	6,840,359
Total Attendance - All Libraries	6,170,931	6,654,351	6,940,237
Sewer Utility			
Average Daily Sewage Flow (millions of gallons)	155	149	146
Average Daily Peak - Maximum Sewage Flow (millions of gallons)	196	187	220
System Daily Capacity (millions of gallons)	255	255	255
Water Utility			
Average Daily Production (millions of gallons)	188	171	150
Maximum Daily Production (millions of gallons)	267	243	215
Total Water Consumption (millions of gallons)	65,552	60,474	54,702
Total Water Production (millions of gallons)	68,457	62,289	54,875

[1] Number of Calls for 9-1-1 emergencies is missing calls received during June 4th through June 30th, 2014.

[2] Number of calls for police dispatch are preliminary for FY18 and FY19 due to implementation of a new computer aided dispatch system.

Source: City Departments

Table 19

Fiscal Year						
2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
515,351	499,309	507,338	523,472	499,252	463,837	436,091
595,309	622,696	655,155	655,097	726,921	767,588	749,246
5,845	6,288	6,005	4,772	6,368	6,503	6,098
138,632	140,704	140,371	139,067	143,104	157,629	158,931
12,024	11,531	12,338	13,134	11,795	14,649	17,349
8,611	8,830	5,929	5,277	7,505	6,433	6,020
5,265	4,829	6,257	5,083	4,544	4,472	4,536
16,266,398	17,723,916	17,490,806	16,055,737	19,827,093	18,375,275	19,872,107
321,751	315,315	286,617	175,341	28,006	141,005	158,134
128,774	147,516	143,108	81,759	—	71,400	66,602
6,322,664	7,743,970	8,047,378	6,201,501	3,609,267	5,439,477	5,902,685
6,591,169	6,772,535	6,996,143	5,377,801	418,787	3,425,415	4,579,637
156	146	157	168	161	157	171
298	196	240	198	175	177	202
255	255	255	255	255	255	255
158	166	155	152	159	161	148
220	218	229	224	228	220	225
49,209	52,015	47,263	45,659	49,265	48,024	32,600
57,709	60,532	56,435	55,350	58,000	58,719	54,301

CITY OF SAN DIEGO
CAPITAL ASSET STATISTICS BY FUNCTION (UNAUDITED)
Last Ten Fiscal Years

Table 20

Function	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Public Safety - Police			
Stations [1]	11	11	11
Public Safety - Fire and Life Safety and Homeland Security			
Fire Stations	47	47	48
Parks, Recreation, Culture and Leisure			
Parks and Recreation Sites	387	387	387
Transportation			
Miles of Streets - Concrete and Asphalt [2]	2,777	2,778	2,981
Airports			
Municipal Airports	2	2	2
Golf Course			
Municipal Golf Courses [3]	10	10	10
Sewer Utility			
Miles of Sewers	3,020	3,026	3,031
Sewer Service Laterals	261,632	261,837	264,652
Water Utility			
Miles of Water Mains	3,376	3,384	3,295
Water Meters in Service	278,241	279,625	280,631
Fire Hydrants	25,195	25,364	25,492

[1] Includes Headquarters and Traffic.

[2] Numbers for 2016 - 2023 includes alleys.

[3] Includes City operated as well as leased golf courses.

[4] Excludes recycled water mains.

Sources: Annual Comprehensive Financial Reports and City Departments

Table 20

Fiscal Year						
2017	2018	2019	2020	2021	2022	2023
11	11	11	11	11	11	11
48	49	49	49	49	50	50
390	395	397	400	400	402	405
2,964	2,996	2,996	3,000	3,045	3,045	3,045
2	2	2	2	2	2	2
10	10	10	10	10	10	10
3,031	3,032	3,036	3,039	3,044	3,085	3,070
262,275	262,252	262,268	262,447	262,751	263,981	264,660
3,294	3,295	3,297	3,316	3,320	3,334	3,342
283,751	284,202	284,724	285,237	285,582	285,717	286,038
25,533	25,534	25,545	25,610	25,652	25,853	26,289