The City of
SAN DIEGO
CALIFORNIA

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2025

Annual Comprehensive Financial Report

PREPARED UNDER THE SUPERVISION OF:

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FORWARD-LOOKING STATEMENTS

The Annual Comprehensive Financial Report (ACFR) of the City of San Diego (City) for the fiscal year ended June 30, 2025, 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.

Introductory Section
(Unaudited)

The City of SAN DIEGO

December 17, 2025

To the Honorable 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, 2025, 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 Crowe LLP has audited the fiscal year 2025 financial statements of the City and has issued unmodified opinions 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, 2025, 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

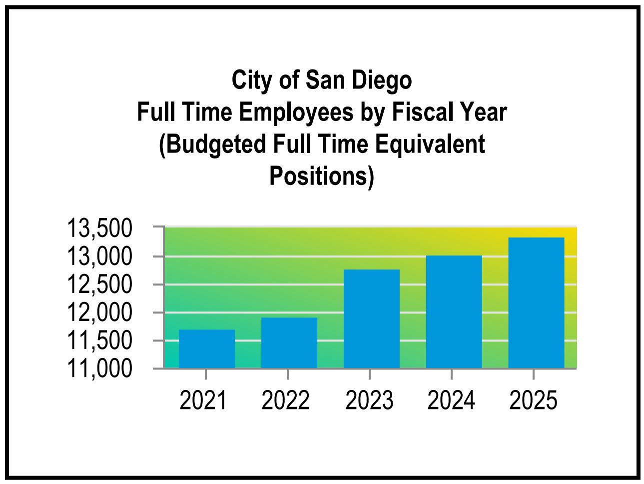
The City, incorporated in 1850, covers 326 square miles of land area and an additional 47 square miles of water area for an aggregate total of 372 square miles. The California Department of Finance estimated the City's population to be 1,408,937 as of January 2025, making it the eighth most populated 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.

CITY SERVICES

The City, with 13,062 budgeted full-time equivalent (FTE) positions in fiscal year 2026, provides a full range of governmental services. In the Fiscal Year 2026 Adopted Budget, the City budgeted 290 fewer positions compared to the prior fiscal year. This was primarily due to the decrease of positions in the departments of Library and Parks & Recreation, and a decrease in various other General Fund departments associated with the Employ and Empower program. This was partially offset by increases in Public Utilities and Environmental Services. The budget reflects a fiscally responsible, multi-year approach that invests in City priorities while utilizing a mix of one-time and ongoing resources to maintain 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 1.68 million, of which about 1.56 million are non-farm jobs (see footnote below). Between July 2024 and August 2025, total non-farm employment increased by 7,700 jobs, or 0.5%. The August 2025 unemployment rate in the San Diego/Carlsbad MSA was 5.0%, down from a revised 5.2% in July 2025, and above the prior year 4.9% estimate. This compares with an unadjusted unemployment rate of 5.8% for California and 4.5% 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 2023 through 2025.

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

Industry Sector	2023	2024	2025	2025
Professional & Business Services	273,700	267,200	260,200	16.8%
Leisure & Hospitality	208,000	207,800	209,300	13.4%
Government				
State & Local Government	192,300	197,300	204,900	13.1%
Federal Government	46,600	46,500	46,300	3.0%
Healthcare & Social Assistance	218,100	227,600	240,400	15.4%
Trade				
Retail Trade	138,300	136,300	136,400	8.7%
Wholesale Trade	43,600	43,100	42,600	2.7%
Manufacturing	116,100	112,300	109,500	7.0%
Financial Activities	72,300	71,500	69,400	4.4%
Construction	91,700	91,100	90,400	5.8%
Other	149,500	151,800	150,800	9.7%
Total Non-Farm [2]	**1,550,200**	**1,552,500**	**1,560,200**	**100%**

[1] Based on California Employment Development Department data for the San Diego/Carlsbad Metropolitan Statistical Area for the month of August 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 23,900 civilians employed by the United States Department of Defense, but excludes military uniformed personnel. In its 2025 Military Economic Impact Report, the San Diego Military Advisory Council (SDMAC) estimated a total of 142,715 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 dynamic economy is comprised of several key industry clusters: aerospace; cleantech; cybersecurity; defense; life sciences; technology; and food and beverage production. San Diego Regional Economic Development Corporation identified that collectively, these industries make San Diego an innovation hub providing 1.6 million regional jobs and producing $261.7 billion gross regional product in 2024.

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 19th largest exporter among U.S. Metro areas with an export value of $24.9 billion in 2024.

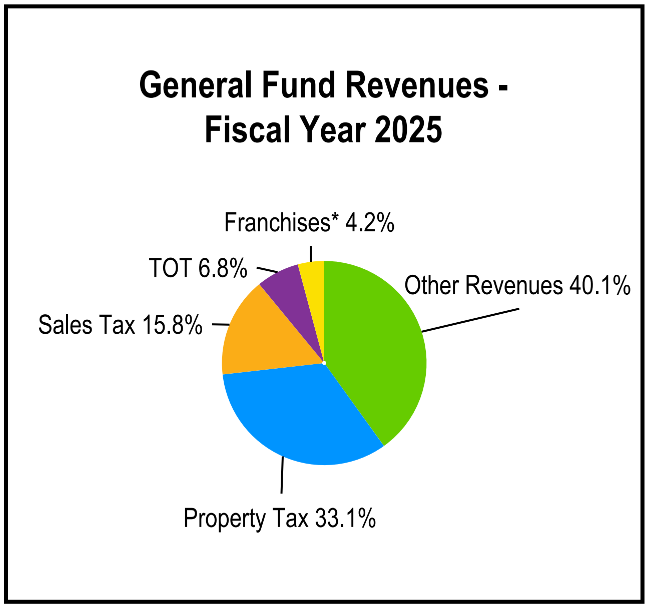
Tourism is a major economic driver for the City. According to the San Diego Tourism Authority (SDTA), in 2024 San Diego Convention Center events represented approximately $855 million in direct spending. The hospitality industry accounted for 1 in 8 San Diego jobs in fields directly and indirectly related to the hospitality industry. The SDTA further states that San Diego hosted 32.5 million visitors who spent over $15 billion at local businesses and generated $310 million in Transient Occupancy Tax for the San Diego region during fiscal year 2024.

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 $61.3 billion of Gross Regional Product (GRP) for San Diego County, or 22.2% of the region's total GRP in 2024. According to the SDMAC, the military was responsible for approximately 356,000 jobs in the region, or 24.2% of all employment in the region.

FINANCIAL AND ECONOMIC TRENDS

In fiscal year 2025, the General Fund's four major operating revenue sources - property tax, sales tax, transient occupancy tax (TOT), and franchise fees (unrestricted) - made up 59.9% of total General Fund revenues. Based on revenue projections for the first quarter of fiscal year 2026, major revenues for the General Fund are expected to increase by $32.1 million (2.2%) compared to major revenues reported for the General Fund in the fiscal year 2025 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 2026.



* 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)					
	2022	2023	2024	2025	2026 [1]
Property Tax	$ 663,142	$ 721,441	$ 770,817	$ 807,079	$ 846,100
Sales Tax [2]	387,872	397,517	389,832	385,293	374,100
TOT [3]	136,468	161,811	163,764	165,620	167,400
Franchise Fees [4]	91,403	113,138	118,425	101,158	103,600
TOTAL	**$ 1,278,885**	**$ 1,393,907**	**$ 1,442,838**	**$ 1,459,150**	**$ 1,491,200**

[1] Source: Fiscal Year 2026 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). $149.9 million was deposited into the TOT Special Revenue Fund in fiscal year 2025.

[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.

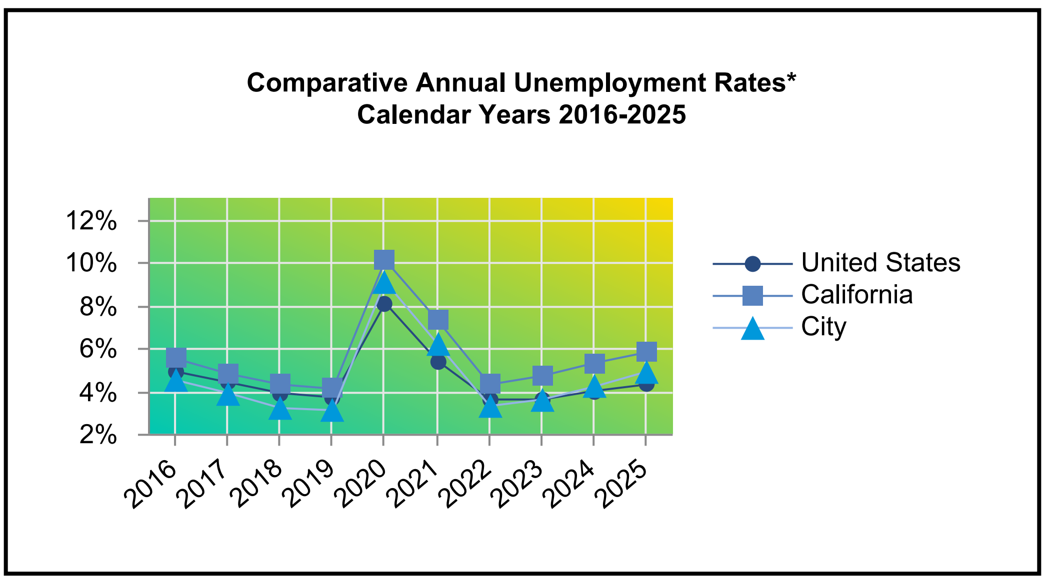
Property Tax

Property Tax revenue is the largest revenue source for the General Fund, representing 33.1% of total General Fund revenue recognized in fiscal year 2025. 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 2025 and the estimated revenue for fiscal year 2026 are based on assessments from January 1, 2023 and 2024, respectively. The 4.8% growth rate projected for property tax revenue in fiscal year 2026 is based on a year-over-year increase in the median home price of 7.4%. The fiscal year 2025 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 2023 to October 2024. During this period, the CCPI increased by 2.5%. 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 15.8% of total General Fund revenue recognized in fiscal year 2025. 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 4.9% in August 2025, up from 4.8% in August 2024. 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 decrease of $4.5 million (1.2%) in sales tax receipts during fiscal year 2025. Based on the fiscal year 2025 projection, the City estimates a year-over-year decrease in sales tax revenue of approximately $11.2 million (2.9%) compared to fiscal year 2025 actual revenue recognized.



Source: Federal Bureau of Labor Statistics, California Employment Development Department.
* Unemployment rates for 2025 are based on August 2025 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 $165.6 million represented 6.8% of total General Fund revenue recognized in fiscal year 2025. In addition, the General Fund received reimbursements and transfers from the TOT Special Revenue Fund of $74.3 million and $29.9 million, respectively, in fiscal year 2025 for a combined total of $269.8 million.

Tourism Information - County of San Diego [1]

Hotel Sector	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Average Occupancy	72.6%	73.4%	74.2%	72.0%	71.1%
Average Daily Rate	$205.01	$209.96	$212.45	$212.82	$213.60
Revenue PAR [2]	$148.75	$154.17	$157.67	$153.15	$151.69
Room Demand (growth)	18.2%	1.2%	1.7%	(0.6)%	0.7%

Source: San Diego Tourism Authority and Tourism Economics, Inc.
[1] Lodging Forecast October 2025 - Tourism Economics, Inc.
[2] 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. And the primary economic indicators are room demand, room rates, and occupancy growth. The preceding table reflects a continued recovery of San Diego tourism to 2019 levels up until 2025 where room demand declines compared to the prior year numbers. According to the Lodging Forecast, this is primarily due to an 8.2% decline in international travel in 2025, but that is expected to partially recover in 2026 with a year-over-year growth of 3.6%. Leisure demand and business travel are also anticipated to remain relatively flat, growing a projected 0.5% and 1.0%, respectively, in 2026. The City's fiscal year 2026 projections reflects this softening in travel demand and includes a year-over-year increase in TOT revenue of approximately $1.8 million (1.1%) compared to fiscal year 2025.

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 $101.2 million represented 4.2% of total General Fund revenues recognized in fiscal year 2025. The fiscal year 2025 projection estimates a year-over-year increase of $2.4 million, or 2.4% 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 long-range fiscal planning guide that serves as the framework for the development of the following year's General Fund budget. The Outlook is published annually and incorporates a range of information on items that influence projected revenues and anticipated expenditure 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 2027-2031 Five-Year Outlook was released on November 7, 2025. The projections included in the Outlook show significant budget deficits, in which baseline expenditures exceed baseline revenues throughout the outlook period. Specifically, the report projects a baseline shortfall of $88.8 million in fiscal year 2027, which decreases to a shortfall of $57.0 million in fiscal year 2031. These projections are based on fiscal year 2026 service levels with some adjustments. The City will address the shortfalls as part of the fiscal year 2026 budget process, which could require reevaluating current expenditure patterns, ongoing service-level reductions, and exploring revenue enhancing initiatives. The General Fund Outlook can be obtained online at https://www.sandiego.gov/finance/financialrpts.

MULTI-YEAR CAPITAL IMPROVEMENT PROGRAM AND INFRASTRUCTURE

In February 2025, 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 2026 CIP Adopted Budget Volume III (CIP Budget), the multi-year CIP budget citywide is $22.6 billion, with 52.2% supporting Water and Sewer CIP. This includes every active (Council-approved) CIP project (approximately 1,400 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 2026 through fiscal year 2030 at approximately $11.87 billion. The CIP Outlook includes active CIP projects, which are included in the 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 $5.36 billion, reflecting an estimated funding gap of $6.51 billion across the five years. 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. As of August 2025, the first phase of the Program is estimated to cost approximately $1.7 billion, of which approximately $690 million will be allocated to the Sewer Utility Fund, and approximately $1 billion will be allocated to the Water Utility Fund; which has surpassed the 70% construction milestone. The City is completing work on the Phase 2 demonstration facility at the Point Loma Wastewater Treatment Plant, which is expected to cost approximately $57 million. This facility proves the treatment process is effective in advance of the larger Phase 2 project. The City has engaged its stakeholders including external environmental groups and wastewater agencies to review the assumptions used in the development of the Phase 2 project to ensure that the goals of the permit and the environmental stakeholders are achieved, while accounting for the changes in water use in the 12 years since the original Pure Water Studies were completed. The Public Utilities Department expects to fund these commitments through a combination of existing net position, present and future system revenues, grants and financing proceeds secured by system revenues.

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 $1,024.1 million and the related debt service costs to finance General Fund CIP projects (including related Commercial Paper pay down) and future required City matching funds for Stormwater's Water Infrastructure Finance and Innovation Act (WIFIA) loan. This includes a $379.6 million Lease Revenue Bond issuance in fiscal year 2026 (with debt service beginning in fiscal year 2026), a $407.8 million Lease Revenue Bond issuance in fiscal year 2028 (with debt service beginning in fiscal year 2029), and a $236.7 million Lease Revenue Bond issuance in fiscal year 2030 (with debt service beginning in fiscal year 2031, outside the Outlook period). The actual timing and size of each of these bond issuances will be further evaluated based on funding needs and market conditions closer to issuance. Approximately $394.7 million of the total projected long-term lease revenue bond issuances over the Outlook period are expected to finance prior appropriations including a portion of City matching funds required to support the Stormwater WIFIA loan. The remaining $629.4 million is expected to be utilized for future appropriations including remaining Stormwater WIFIA matching funds not yet appropriated.

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 table on the following page identifies the Policy Goal, Target Goal (percentage and dollar), and current reserve levels as of the end of fiscal year 2025 for the General Fund, Risk Management, Pension Payment Stabilization, and Public Utility Rate Stabilization Reserves.

Reserve	Policy Goal	FY 25 Target % [4]	FY 25 Target (In Millions)	FY 25 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)	7.21%	$126.5	$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)	6.37%	$111.8	$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%	$39.7	$38.4
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%	$37.4	$35.5
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%	$5.6	$5.0
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%	$27.8	$15.7
Wastewater Rate Stabilization Fund Reserve	5% of prior fiscal year wastewater system total operating revenue	5%	$19.9	$79.3

[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. For fiscal year 2025, the General Fund Emergency Reserve and Stability Reserve had incremental funding targets of 7.21% and 6.37%, respectively. The City did not meet its Emergency Reserve Target Goal for fiscal year 2025 of 7.21% or $126.5 million. In addition, the City did not meet its Stability Reserve Target Goal for fiscal year 2025 of 6.37% or $111.8 million. This is due to the decision to suspend contributions in the current fiscal year in order to avoid further service-level reductions and mitigate the projected deficit anticipated for fiscal year 2026.

The General Fund's Emergency Reserve of $107.6 million is reported as GAAP committed fund balance in the financial statements. The General Fund's GAAP unassigned fund balance as of June 30, 2025 was $138.9 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. For fiscal year 2025, Public Liability reserves are below target levels due to a loan to the Sewer Utility Fund related to the City's Industrial Wastewater Control Program. The Workers' Compensation Reserve was also below the target goal in order to limit additional operational cuts impacting service levels to City residents. The Long-Term Disability Reserve is reported as cash in the Miscellaneous Internal Service Fund. Liability claims paid after the end of fiscal year 2025 could reduce risk management reserve balances.

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. Contributions to this reserve are not anticipated to occur until the Emergency and Stability Reserves reach the targeted 16.7% balance.

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. Excess Equity is not treated as a part of the General Fund Reserves and may be used to fund one-time expenditures. The General Fund ended fiscal year 2025 with no excess equity.

In fiscal year 2025, the Sewer Utility and Water Utility Funds reported balances of $79.3 million and $15.7 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 2025, the Sewer Utility contributed $16 million to RSF Reserves and the Water Utility withdrew $30 million from 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 2025.

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, 2025, the City's General Fund and other eligible operating funds had combined cash balance of $719 million, which is a portion of the $1.9 billion cash for reported governmental activities on the Statement of Net Position. Comparatively, the cash balance for the General Fund and Operating Funds was $1.0 billion as of June 30, 2024.

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

The City of San Diego released its 2025 Annual Report on Homes, showing that 8,782 new homes were permitted in 2024, the second most productive year in the last decade and a continuation of the strong momentum in housing production over the past two years. Most of the homes permitted are located near transit and everyday amenities, which help advance the City's fair housing and climate goals. Like many cities throughout California and the nation, San Diego is facing a housing shortage and affordability crisis. This stems in part from decades of insufficient new home construction to keep pace with demand. Over the past two years, the City has permitted an average of 9,200 homes — a more than 40% increase compared to the first two years of the current state housing cycle and a substantial increase from the previous decade.

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.

The City put forth its second CAP Annual Report since the adoption of its updated 2022 CAP which serves as an overview of the City's efforts to combat climate change and transition to a sustainable future. Two impactful highlights were a comprehensive update to the General Plan, known as Blueprint SD, and the adoption of City's first-ever Mobility Master Plan. Blueprint SD is a proactive effort to create an equitable and sustainable framework for growth by identifying areas for more homes and jobs that are connected to convenient and affordable options to walk, bike, and ride transit to meet daily needs. The Mobility Master Plan is a transportation planning effort to create a balanced, equitable, and sustainable mobility system by combining community, mode, and objective-specific planning into one comprehensive document that focuses on projects, programs and actions that will help make all types of transit more convenient, efficient, and affordable. The City is also working on making updates to other plans and policies such as the Bicycle Master Plan and Street Design Manual. As this report demonstrates, the City has made continual progress in implementing the CAP, with initiatives spanning multiple sectors to reduce GHG emissions, promote sustainability and build resilience.

The City's Safe Sidewalks Program marked a significant milestone with nearly 100 projects approved as of September 2024. This program waives costly permit fees and allows for self-certification to speed up repairs, saving private property owners more than $2,100 per project. Additionally, as part of the program, the City allocates $300,000 per year to cover the costs of sidewalk repair projects for property owners in underserved areas. Less than a year since launching the Safe Sidewalk Program, the Transportation Department's in-house sidewalk repair and replacement team has completed repairs at 30 sidewalk locations in these designated communities, part of a total of more than 240 new repairs and installations citywide. Coupled with all the work the City is doing to improve sidewalks in the public right of way, this program will make pedestrians safer and improve their experience across all of our neighborhoods.

In the past four years, the City has secured over $1 billion in grant awards. Federal, state, and regional grants have been instrumental in funding a wide variety of City priorities and activities such as economic development, emergency preparedness, homeless services, road and bridge repair, public safety, and water reliability. To support the City's pursuit, development, and implementation of grant funding, The City has hired two full-time grant coordinators, launched an improved software solution for approving citywide applications and awards, and created a regional working group to collaborate on infrastructure grant opportunities.

Balancing the General Fund fiscal year 2025 budget involved making strategic decisions in order to support the City's strong commitment to fiscal sustainability. The 2025 budget protected the progress made in recent fiscal years, while continuing to invest in key City priorities, including public safety, homelessness, housing, and infrastructure. This balanced budget included funding to maintain current services, utilizing a mix of one time and ongoing resources. 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, 2024. 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, Crowe 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,

Todd Gloria	Rolando Charvel	Benjamin Battaglia
Mayor	Chief Financial Officer	Director of Finance and City Comptroller

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, 2024

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
Council President
Joe LaCava

District 6
Council President Pro Tem
Kent Lee

District 2
Councilmember
Jennifer Campbell

District 7
Councilmember
Raul Campillo

District 3
Councilmember
Stephen Whitburn

District 8
Councilmember
Vivian Moreno

District 4
Councilmember
Henry L. Foster III

District 9
Councilmember
Sean Elo-Rivera

District 5
Councilmember
Marni von Wilpert

City Attorney
Heather Ferbert

Other City Officials

Rolando Charvel, Chief Financial Officer

Benjamin Battaglia, Department of Finance Director/City Comptroller

Elizabeth Correia, City Treasurer

Diana Fuentes, City Clerk

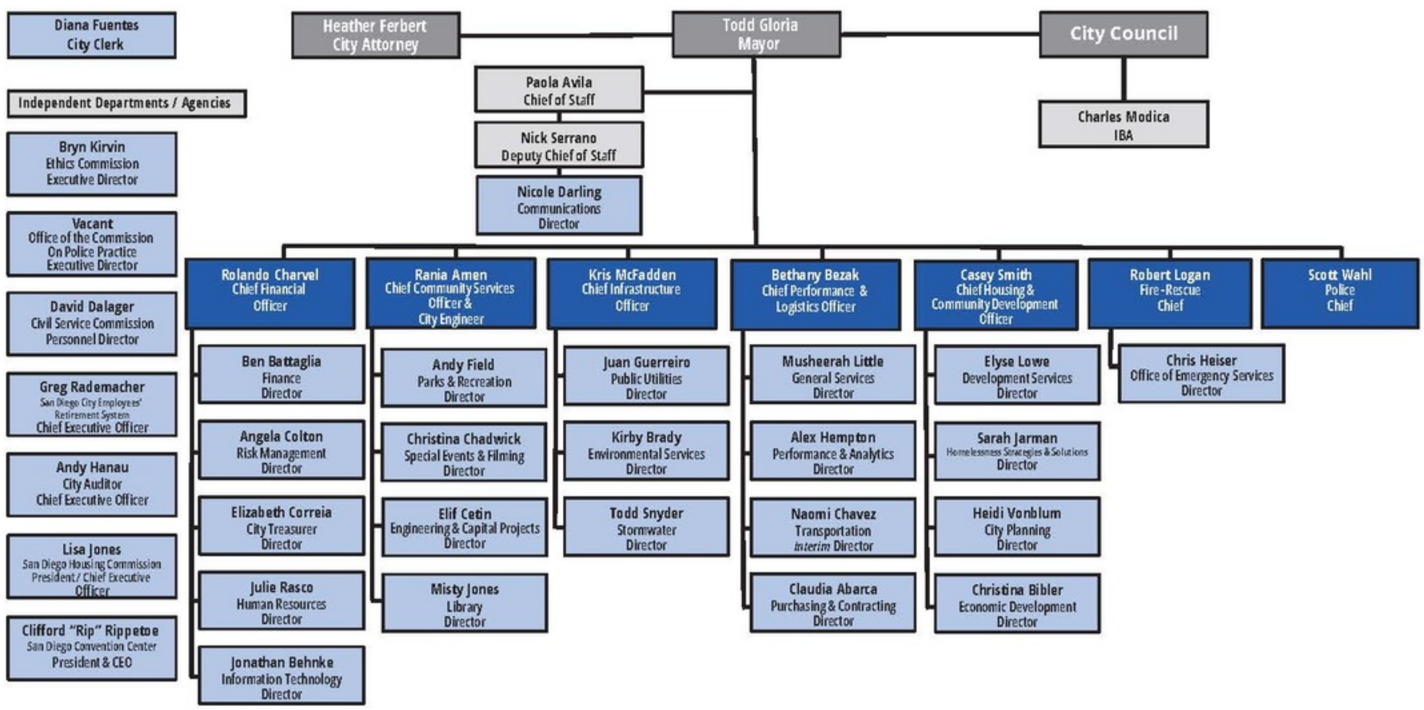
Charles Modica, Independent Budget Analyst

Andy Hanau, City Auditor

The City of SAN DIEGO

CITY ORGANIZATIONAL CHART

PEOPLE OF SAN DIEGO



Updated as of 11/2025

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Financial Section

Crowe LLP
Independent Member Crowe Global

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, 2025, 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, 2025, 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 following:

- The financial statements of the San Diego Housing Commission, a discretely presented component unit, which represent 100 percent of the assets, net position, and revenues of the discretely presented component unit as of June 30, 2025.
- The financial statements of the San Diego Convention Center Corporation, Inc., a blended component unit reported as a governmental fund of the City and the financial statements of the San Diego City Employer Retirement System (SDCERS) pension fund, which is a fiduciary fund of the City, when combined represent 79 percent of the assets, 86 percent of the net position, and 53 percent of the combined additions and revenues of the aggregate remaining fund information.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for above mentioned funds and entities, are based solely on the reports 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 Matter

As discussed in Note 22 to the financial statements, during the year ended June 30, 2025, the City adopted new accounting guidance, GASB Statement No. 101, Compensated Absences, which resulted in a restatement of the July 1, 2024 net position for the following opinion units and related amounts: governmental activities $18,124,000, and business-type activities $4,553,000. Our opinions are not modified with respect to the above matter.

Responsibilities of Management for the Financial Statements

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), and the note to required supplementary information 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, 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 17, 2025 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.

Crowe LLP

Crowe LLP

Costa Mesa, California
December 17, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Fiscal Year Ended June 30, 2025
(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, 2025. 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 of the City of San Diego (PFFA)
- City of San Diego Tobacco Settlement Revenue Funding Corporation (TSRFC)
- Otay Mesa Enhanced Infrastructure Financing District Public Financing Authority (EIFDPFA)
- San Diego Convention Center Corporation, Inc. (SDCCC)

The government-wide financial statements can be found beginning on page 44 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 48 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 54 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 60 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 63 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 169 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 185. 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 195.

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	
	2025	2024	2025	2024	2025	2024
Capital Assets	$ 6,187,615	$ 5,848,545	$ 8,644,704	$ 7,999,791	$ 14,832,319	$ 13,848,336
Other Assets	3,725,495	3,867,819	1,438,568	1,346,600	5,164,063	5,214,419
Total Assets	9,913,110	9,716,364	10,083,272	9,346,391	19,996,382	19,062,755
Deferred Outflows of Resources	888,685	537,885	235,901	185,203	1,124,586	723,088
Net Long-Term Liabilities	4,612,500	4,018,706	4,485,538	3,630,727	9,098,038	7,649,433
Other Liabilities	495,952	544,011	438,442	537,153	934,394	1,081,164
Total Liabilities	5,108,452	4,562,717	4,923,980	4,167,880	10,032,432	8,730,597
Deferred Inflows of Resources	725,494	756,996	39,062	44,178	764,556	801,174
Net Position						
Net Investment in Capital Assets	5,079,898	4,862,373	5,104,157	5,078,838	10,184,055	9,941,211
Restricted	2,024,682	1,984,178	19,670	14,766	2,044,352	1,998,944
Unrestricted	(2,136,731)	(1,912,015)	232,304	225,932	(1,904,427)	(1,686,083)
Total Net Position	$ 4,967,849	$ 4,934,536	$ 5,356,131	$ 5,319,536	$ 10,323,980	$ 10,254,072

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 $10,323,980 as of June 30, 2025, an increase of $69,908, or 1% over fiscal year 2024.

The City's Net Investment in Capital Assets is $10,184,055. 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 $2,044,352, representing resources that are subject to external restrictions on how they may be used. The amount of ($1,904,427) represents the Unrestricted Net Position deficit. This deficit largely reflects the combined Pension Liabilities of $3,166,124, including liabilities reported in accordance with GASB Statement Nos. 68 and 73, combined with the OPEB Liability of $408,916 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 increased by $401,498, or approximately 56%, which was primarily due to the net changes in pension related deferred outflows of resources. For more information on the components of Deferred Outflows of Resources related to pensions, see Note 12.

Total Net Position resulting from governmental activities remained stable, with an increase of $33,313, or approximately 1%. This was comprised of an increase in the Net Investment in Capital Assets of $217,525, or approximately 4%, an increase in Restricted Net Position of $40,504, or approximately 2%, and a decrease in Unrestricted Net Position of $224,716, or approximately 12%.

Total Net Position resulting from business-type activities also remained stable, with an increase of $36,595, less than 1%. The Net Investment in Capital Assets increased by $25,319, less than 1%. The Restricted Net Position increased by $4,904, or approximately 33%, primarily related to investment earnings on the 2024 Subordinated Sewer Revenue Refunding Bond proceeds. Unrestricted Net Position increased by $6,372, or approximately 3%.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues						
Charges for Services	$ 909,446	$ 758,015	$ 1,451,260	$ 1,244,250	$ 2,360,706	$ 2,002,265
Operating Grants and Contributions	233,281	285,280	940	48,639	234,221	333,919
Capital Grants and Contributions	121,923	85,590	85,921	79,438	207,844	165,028
General Revenues						
Property Taxes	835,123	797,261	—	—	835,123	797,261
Transient Occupancy Taxes	331,908	308,214	—	—	331,908	308,214
Sales Taxes - Shared State Revenue	435,131	437,203	—	—	435,131	437,203
Franchises	126,129	153,829	—	—	126,129	153,829
Other Local Taxes	87,567	83,445	—	—	87,567	83,445
Investment Income	113,229	110,684	47,581	36,924	160,810	147,608
Other	67,017	130,380	22,545	22,991	89,562	153,371
Total Revenues	3,260,754	3,149,901	1,608,247	1,432,242	4,869,001	4,582,143
Expenses:						
General Government and Support	594,556	435,636	—	—	594,556	435,636
Public Safety-Police	719,008	636,372	—	—	719,008	636,372
Public Safety-Fire and Emergency Services	497,679	469,132	—	—	497,679	469,132
Parks, Recreation, Culture and Leisure	564,582	508,833	—	—	564,582	508,833
Transportation	336,397	339,733	—	—	336,397	339,733
Sanitation and Health	213,748	194,254	—	—	213,748	194,254
Neighborhood Services	222,870	197,802	—	—	222,870	197,802
Debt Service Interest	37,204	31,039	—	—	37,204	31,039
Sewer Utility	—	—	479,279	439,751	479,279	439,751
Water Utility	—	—	763,556	660,158	763,556	660,158
Airports	—	—	12,871	10,599	12,871	10,599
Development Services	—	—	157,879	125,552	157,879	125,552
Refuse Disposal	—	—	49,502	45,617	49,502	45,617
Golf Course	—	—	31,904	27,786	31,904	27,786
Recycling	—	—	39,654	31,522	39,654	31,522
San Diego Convention Center Corporation	—	—	55,727	50,823	55,727	50,823
Total Expenses	3,186,044	2,812,801	1,590,372	1,391,808	4,776,416	4,204,609
Change in Net Position Before Transfers	74,710	337,100	17,875	40,434	92,585	377,534
Transfers	(23,273)	(7,851)	23,273	7,851	—	—
Change in Net Position	51,437	329,249	41,148	48,285	92,585	377,534
Net Position - Beginning of Year (2024 as Previously Reported)	4,934,536	4,605,287	5,319,536	5,271,251	10,254,072	9,876,538
Change in Accounting Principle - GASB 101 Implementation	(18,124)	—	(4,553)	—	(22,677)	—
Net Position - Beginning of Year (2024 Restated)	4,916,412	4,605,287	5,314,983	5,271,251	10,231,395	9,876,538
Net Position - End of Year	$ 4,967,849	$ 4,934,536	$ 5,356,131	$ 5,319,536	$ 10,323,980	$ 10,254,072

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net position by $51,437 during fiscal year 2025. Variances from fiscal year 2024 exceeding 10% and $5,000 are discussed below.

- Charges for Services increased by $151,431, or approximately 20%, due to several factors. Fiscal year 2025 was the first full year since implementing the Alliance Model for delivery of Emergency Medical Services (EMS) services, which allows the City to assume the medical billing and collections for EMS. There were also increases in City Attorney advisory and ligation services,

services provided to various transportation capital improvement projects, Community Parking District administration reimbursements, and code enforcement reimbursements.

- Operating Grants and Contributions decreased by $51,999, or approximately 18%, primarily due to recognizing the remaining American Rescue Plan Act (ARPA) Funds in fiscal year 2024. In addition, there was a decrease in underground surcharge fees collected from San Diego Gas & Electric. This was partially offset by increases in the recognition of Community Development Block Grant (CDBG) program and HOME American Rescue Plan Program revenues in fiscal year 2025.

- Capital Grants and Contributions increased by $36,333, or approximately 42%, primarily due to the transfer of the Balboa Theatre capital asset from the Successor Agency Private-Purpose Trust Fund to the City.

- Franchises decreased by $27,700, or approximately 18%, primarily due to a decrease in San Diego Gas & Electric (SDG&E) revenue attributed to various factors, including fluctuations in rates, changes in weather, and increased energy efficiencies.

- Other Revenue decreased by $63,363, or approximately 49%, primarily due to the sale of two properties during fiscal year 2024, Horton House and Columbia Towers apartment buildings, combined with decreases in facilities benefit assessments and developer impact fees for several communities. In addition, a settlement was received in fiscal year 2024 related to the Monsanto class-action lawsuit.

- General Governmental and Support expense increased by $158,920, or approximately 36%, primarily due to an increase of pension obligations associated with the reversal of Proposition B in fiscal year 2024. In addition, salaries increased as a result of negotiated pay increases.

- Public Safety-Police expense increased by $82,636, or approximately 13%, primarily due to increases in pension expense and salaries associated with overtime, negotiated pay increases, and vacant positions being filled. In addition, liability claims expense increased due to the accrual of the Wilson v. City of San Diego settlement.

- Parks, Recreation, Culture and Leisure expense increased by $55,749, or approximately 11%, primarily due to an increase in advertising related to Tourism Marketing Districts (TMD) to boost San Diego's tourism. In addition, depreciation increased due to the transfer of the Balboa Theatre capital asset from the Successor Agency Private-Purpose Trust Fund to the City and salaries increased as a result of negotiated pay increases.

- Sanitation and Health expense increased by 19,494, or approximately 10%. This was primarily the result of increased staffing levels in the Stormwater Department which allowed for more billable work to be performed in support of emergency Capital Improvement Program projects.

- Neighborhood Services expense increased by $25,068, or approximately 13%, primarily due to increased HOME American Rescue Plan Program activity and increased reimbursements related to the Community Parking District program and code enforcement activity. These increases were partially offset by a decrease in Homeless Housing, Assistance and Prevention (HHAP) Program activity.

- Debt Service Interest expense increased by $6,165, or approximately 20%, primarily due the issuance of Lease Revenue and Lease Revenue Refunding Bonds, Series 2024A in fiscal year 2025.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City’s net position by $41,148 during fiscal year 2025. Variances from fiscal year 2024 exceeding 10% and $5,000 are discussed below.

- Charges for Services increased by $207,010, or approximately 17%, primarily due to multiple water and wastewater rate increases effective in July 2024, January 2025, and May 2025. In addition, there was an increase in billing adjustments for amounts underbilled in prior years for both Water and Sewer.

- Operating Grants and Contributions decreased by $47,699, or approximately 98%, primarily due to COVID-19 relief funds from the California Water and Wastewater Arrearage Payment Program received in fiscal year 2024.

- Investment income increased by $10,657, or approximately 29%, primarily due to investment earnings on the 2024 Subordinated Sewer Revenue Refunding Bond proceeds. This was combined with a cumulative rise in interest rates for fiscal year 2025 and the net change in unrealized gains and losses.

- Water Utility expense increased by $103,398, or approximately 16%, primarily due to an increase in water purchases from the San Diego County Water Authority. In addition, there were increases in pension expense, increases in salaries associated with negotiated pay increases, and increases in contractual expenses related to the Pure Water Program and multiple other projects.

- Development Services expense increased by $32,327, or approximately 26%, primarily due to an increase in pension expense, an increase in salaries associated with negotiated pay increases, and the filling of vacant positions.

- Recycling expense increased by $8,132, or approximately 26%, primarily due to initial costs associated with the implementation of Waste Management Measure B which allows the city to charge property owners for solid waste collection services.

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 2025, the City's governmental funds reported combined ending fund balances of $2,230,889, a decrease of $112,314 from fiscal year 2024. The General Fund and Other Governmental Funds had unassigned fund balances/(deficits) of $138,898 and $(246,237), respectively, with a combined unassigned fund balance of $(107,339). The General Fund unassigned fund balance of $138,898 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 $414,660. General Fund revenues totaled $2,435,245, which was an increase of $67,859 over fiscal year 2024. This increase was attributed to several categories, including Property Taxes with an increase of $36,262, and Charges for Current Services with an increase of $109,639. The Property Tax increase was attributed to San Diego's economy and strong real estate market, including higher home prices, stable unemployment rates, growth of the California Consumer Price Index, and continued demand for limited housing stock. Charges for Current Services increased primarily due to the City assuming the medical billing and collections for emergency medical services. In addition, there was an increase in General Fund reimbursements related to CIP projects, General Plan Maintenance, Service Level Agreements, code enforcement activities, and Community Parking Districts. These increases were partially offset by Revenue from Federal Agencies which decreased by $55,035, due to a decrease in recognition of ARPA funds to support City services. Franchises also decreased by $27,720 primarily due to a decrease in SDG&E franchise fees attributed to various factors, including fluctuations in rate pricing, changes in weather, increased energy efficiencies and customer usage. General Fund expenditures totaled $2,580,262, which was an increase of $202,437 over fiscal year 2024. 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 2025, total Net Position for the Sewer Utility Fund remained stable at $2,845,491, an increase of $21,754, or approximately 1% over fiscal year 2024. The Net Investment in Capital Assets decreased by $67,639, or approximately 2%. This was comprised of: a net increase in capital assets of $280,101, mainly in the Infrastructure category; a net increase in capital related debt of $341,524; and a decrease in associated deferred outflows of resources of $6,218. Unrestricted Net Position was $150,665, which was an increase of $84,253 or approximately 127% from fiscal year 2024. This was primarily due to an increase in current-year revenues, a higher beginning balance carried over from the prior year, and a decrease in Invested in Capital Assets, net of Related Debt.

Total Net Position for the Water Utility Fund remained stable as well, at $2,293,596, an increase of $9,941, or less than 1% from fiscal year 2024. The Net Investment in Capital Assets increased by $93,404, or approximately 4%. This was comprised of: a net increase in capital assets of $307,424, mainly in the Infrastructure category; a net increase in capital related debt of $210,873; a decrease in related deferred outflows of resources of $3,565; and a decrease in related deferred inflows of resources of $417. Unrestricted Net Position was $38,091, which was a decrease of $82,932, or approximately 69% from fiscal year 2024. This was primarily due to the use of Unrestricted Net Position to fund 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 $23,658 lower than budgeted. Property taxes were under budget by $1,786, primarily due to lower-than-anticipated collections in current secured supplemental property taxes, which are additional taxes assessed when a property changes ownership or undergoes new construction. Sales taxes were under budget by $21,194, primarily attributed to a continued downward trend in sales tax receipts collected, which has persisted since fiscal year 2024. Although the Adopted Budget assumed stable economic conditions, including a more typical inflation rate, stable employment trends, and consumer confidence that typically have a positive impact on sales tax receipts, inflationary pressures, fluctuating consumer behavior, and general economic uncertainty have led to a decline in sales tax receipts. Franchise fees were under budget by $22,569 which was primarily related to the franchise fees collected from SDG&E. The decline in SDG&E revenue is attributed to various factors, including fluctuations in rate pricing, changes in weather, and customer usage. To enhance the accuracy of revenue forecasting, the City is coordinating efforts with SDG&E. Transient Occupancy Taxes (TOT) were under budget by $7,207 primarily due to a continued softening of demand for leisure and business travel, which has persisted throughout the fiscal year. This reduced demand is attributed to ongoing economic uncertainty, including a slowdown in the labor market, persistent inflationary pressures, and shifting consumer behavior, which have resulted in a reluctance to travel, as well as businesses scaling back on corporate travel.

Partially offsetting the under budget revenue categories, Charges for Current Services came in over budget by $14,250, primarily due to an increase in TOT and Environmental Growth Fund (EGF) related reimbursements. Other revenue was over budget by $12,179, primarily due to prior year refunds and insurance loss proceeds. In addition, Transfers From Other Funds were over budget by $11,955, primarily attributed to the transfer from the Emergency Medical Services (EMS) fund.

Actual expenditures for the General Fund were in line with the final budget. General Fund appropriations were increased with City Council Approval with the Mid-Year Monitoring action. The $6,700 appropriation increase supported Transportation expenditures, primarily to maintain service levels and prevent a backlog in key services, including sidewalk services, traffic signal and crosswalk repairs, and roadway pothole patching.

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	
	2025	2024	2025	2024	2025	2024
Land and Rights of Way	$ 1,960,971	$ 1,955,661	$ 107,689	$ 107,682	$ 2,068,660	$ 2,063,343
Easements	12,494	10,832	9,515	9,396	22,009	20,228
Artwork/Historical Treasures	5,052	5,052	1,875	1,875	6,927	6,927
Construction in Progress	743,519	672,860	2,186,268	1,777,122	2,929,787	2,449,982
Structures and Improvements	765,157	702,518	1,309,915	1,343,077	2,075,072	2,045,595
Equipment	359,730	323,386	127,839	129,463	487,569	452,849
Intangible Equipment	15,789	17,005	27,813	29,650	43,602	46,655
Distribution and Collection Systems	—	—	4,809,159	4,591,466	4,809,159	4,591,466
Infrastructure	2,213,483	2,047,896	—	—	2,213,483	2,047,896
Right-to-Use Leased Assets	71,561	76,897	63,823	8,132	135,384	85,029
Right-to-Use Subscription Assets	39,859	36,438	808	1,928	40,667	38,366
Totals	$ 6,187,615	$ 5,848,545	$ 8,644,704	$ 7,999,791	$ 14,832,319	$ 13,848,336

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, 2025 was $14,832,319 (net of accumulated depreciation/amortization), which was an increase of $983,983 over fiscal year 2024. Readers interested in more detailed information on capital asset activity should refer to Note 4.

HIGHLIGHTS OF FISCAL YEAR 2025 CAPITAL IMPROVEMENT PROGRAM (CIP) ACTIVITIES

Governmental Activities

- The asphalt overlay of approximately 161.5 lane miles of roads citywide was completed during fiscal year 2025 (the use of lane miles was a change from how prior years' miles were reported since repair miles had been used previously). 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, debt financing, and Gas Tax funds. Fiscal year 2025 expenditures for these projects totaled $94,161.

- The Mira Mesa Community Park Improvements project provides for Phase II improvements including entry plaza, pool and aquatic center, new basketball courts, "all wheels" plaza playground, public art, sports and security lighting, landscape and irrigation improvements and renovation of the existing recreation center. Construction of Phase II improvements began in fiscal year 2025 and is anticipated to be completed in fiscal year 2027. Fiscal year 2025 expenditures for this project totaled $25,612.

- The East Village Green Phase 1 project, in the downtown area of San Diego, includes a recreation center, comfort station, below-grade parking, off-leash dog park, children's play area, outdoor seating, and landscaping. Construction began in fiscal year 2023 and is anticipated to be completed in fiscal year 2026. Fiscal year 2025 expenditures for this project totaled $15,763.

- The annual allocation for drainage projects provides for reconstruction and replacement of failing or undersized drainage facilities citywide. There are currently over 1,148 miles of storm drains in the City of San Diego. These storm drains can fail because of a variety of reasons (system material, age, earth movement, demand due to population growth, and changes in the watershed land uses). Fiscal year 2025 expenditures for drainage projects totaled $106,113.
- The La Media Road Improvements project will improve and reconfigure La Media Road between SR-905 and Siempre Viva Road. La Media Road will be upgraded to a six-lane primary arterial from SR-905 to Airway Road and a five-lane major between Airway Road and Siempre Viva Road, with three southbound lanes and two northbound lanes. This project will also improve drainage at the intersection of La Media Road and Airway Road. La Media Road is part of the designated truck route for the Otay Mesa Port of Entry. These improvements are needed to accommodate future development and future truck traffic. Fiscal Year 2025 expenditures for this project totaled $16,714.

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 2025 expenses for these projects totaled $117,181.

- 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 their undersized condition. Fiscal year 2025 expenses for these projects totaled $89,785.

- The Pure Water Program reduces reliance on external water sources by providing an uninterruptible 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 2025 expenses for these projects totaled $312,128.

- 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, and 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 2025 expenses for this project totaled $12,410.

- The Alvarado 2nd Extension Pipeline project is proposing to build a new 48- inch and a 24-inch main, extending the existing Alvarado 2nd Pipeline westerly, connecting to the new 20-inch Pacific Beach Pipeline along West Mission Bay Dr. (approx. 6.42 miles). The AC mains run along Friars Rd. between Morena Blvd. and East of Mission Center Rd. (approx. 3.90 miles). Total length of this project is approximately 10.32 mile. This project was driven by the need to provide redundant transmission to the coastal zones of La Jolla and Pacific Beach for supply reliability. Fiscal year 2025 expenses for this project totaled $12,187.

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]	$ 7,293
Nonmajor Governmental Funds	323,613
Sewer Utility	286,498
Water Utility	428,915
Nonmajor Enterprise Funds	24,111
Internal Service Funds	49
Total Contractual Commitments	$ 1,070,479

[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 2025 were $1,070,479, which was an increase of $100,265, or 10.3%, from fiscal year 2024, 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 2025, the City, including blended component units, had total long-term and commercial paper debt outstanding of $4,251,210 as follows:

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Leases Payable	76,660	$ 81,730	$ 67,683	$ 8,503	$ 144,343	$ 90,233
SBITAs Payable	33,160	30,877	522	1,746	33,682	32,623
Financed Purchase Obligations	111,954	87,070	—	—	111,954	87,070
QECB Lease Obligations	1,027	2,031	—	—	1,027	2,031
Loans Payable	501	657	1,144,543	856,948	1,145,044	857,605
Section 108 Loans Payable	—	485	—	—	—	485
Commercial Paper Notes Payable	—	—	250,000	—	250,000	—
Revenue Bonds/Lease Revenue Bonds	744,990	604,195	1,794,040	1,640,130	2,539,030	2,244,325
Tobacco Settlement Asset-Backed Bonds	26,130	36,280	—	—	26,130	36,280
Totals	$ 994,422	$ 843,325	$ 3,256,788	$ 2,507,327	$ 4,251,210	$ 3,350,652

Governmental Activities

On July 25, 2024, the PFFA issued tax-exempt Lease Revenue and Lease Revenue Refunding Bonds, Series 2024A in the amount of $213,130. The bonds were issued to pay down outstanding Lease Revenue Commercial Paper Notes Series A, refund Lease Revenue Refunding Bonds Series 2012B and Series 2013A, finance the costs of acquisition, design, construction, installation, improvement, replacement, and equipping of certain improvement projects of the City, and pay costs of issuance incurred in connection with the issuance of the 2024 Bonds.

On September 18, 2024, the City entered into an agreement with the State Water Resources Control Board (SWRCB) to utilize the Clean Water State Revolving Fund (CWSRF) financing program in an amount not to exceed $27,000 for the planning, design, and construction of the South Mission Beach Storm Drain and Green Infrastructure Projects. The interest rate on the loan is 1.7% and the repayment period for the loan is 30 years, beginning one year after completion of construction of the projects, which is currently projected to be August 2028. As of June 30, 2025, there have been no reimbursements of eligible costs submitted to SWRCB.

Total principal payments on long-term debt were $132,301. Included in this amount were $82,485 for bonds payable, $12,320 for leases payable, $16,299 for SBITAs payable, $641 for loans payable, $1,004 for Qualified Energy Conservation Bonds (QECB), and $19,552 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 Utility Fund received the following State Revolving Fund (SRF) loan disbursements from the California State Water Resources Control Board:

- $3,530 for the Pump Station 2 Power Reliability and Surge Protection Project
- $25,121 for Pure Water Morena Blvd. Pump Station Project
- $71,067 for the Pure Water Conveyance System Project
- $42,725 for the Pure Water Reclamation Plant Expansion Project
- $1,153 for the Pure Water Metropolitan Biosolids Center Project

The City's Water Utility Fund received one State Revolving Fund (SRF) loan disbursement from the California State Water Resources Control Board in the amount of $2,105 for the Morena Pipeline Project and $5,127 for the Alvarado 2nd Pipeline Extension Project. In November 2018, the City and the United States Environmental Protection Agency (USEPA) executed a 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 2025, the City received additional loan proceeds in the amount of $152,770 at a rate of 1.29%.

On December 20, 2024, the City entered into a Drinking Water State Revolving Fund (DWSRF) loan agreement with the SWRCB to finance the Lead Service Line Replacement Inventory and Investigation project. This is a drawdown loan that will fund up to an estimated project cost of $7,770 at a zero interest rate. The repayment period for the loan is 10 years, beginning one year after completion of the work. The final maturity date is currently estimated to be in 2037, but this is subject to change.

On May 15, 2025, PFFA issued tax-exempt Subordinated Sewer Revenue Bonds, Series 2024A (2024 Sewer Bonds) in the amount of $267,475. The proceeds of the 2024 Sewer Bonds were used to finance the costs of acquisition, design, construction, and installation of improvements to projects of the City's Wastewater System and pay costs of issuance related to the bonds. The 2024 Sewer Bonds are payable solely from Subordinated Installment Payments secured by Wastewater System Net Revenues. The final maturity date for the 2024 Sewer Bonds is May 15, 2054.

Total principal payments on long-term debt were $136,308. Included in this amount was $5,132 for leases payable, $1,608 for SBITAs payable, $16,003 for loans payable, and $113,565 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, Revenue Bonds, and WIFIA loans 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
WIFIA Loan – General Fund	AA	—	—
Outlook	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	—
WIFIA Loans (Subordinate Debt) [2]	AA-	—	—
Outlook	Stable	—	—

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

[2] The Water System WIFIA Loans are also rated by Kroll Bond Rating Agency with an AA- Rating and 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 has executed 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 which merged with Local 986), and the Deputy City Attorneys Association (DCAA). Employees represented by these REOs received general salary increases ranging between 4% and 10% during fiscal year 2025. Also, the bargaining agreements included special salary adjustments for multiple job classifications ranging between 5% and 18% in addition to other compensation and benefit adjustments in fiscal year 2025.

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.

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Basic Financial Statements

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STATEMENT OF NET POSITION
June 30, 2025
(Dollars in Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	San Diego Housing Commission
ASSETS				
Cash and Investments	$ 1,939,220	$ 759,554	$ 2,698,774	$ 178,467
Receivables:				
Taxes - Net of Allowance for Uncollectibles	225,781	—	225,781	—
Accounts - Net of Allowance for Uncollectibles	93,949	353,310	447,259	40,765
Claims	27,344	—	27,344	—
Contributions	1,675	—	1,675	—
Special Assessments	4,969	—	4,969	—
Notes	376,016	—	376,016	467,661
Loans	32,994	—	32,994	—
Accrued Interest	8,975	3,814	12,789	92,395
Grants	82,980	576	83,556	—
From Other Agencies	10,122	—	10,122	—
Leases	654,813	32,741	687,554	90,005
PPPs	90,478	5,780	96,258	—
Advances to Other Agencies	57,420	—	57,420	—
Internal Balances	(6,824)	6,824	—	—
Prepaid Expenses	2,774	3,423	6,197	4,014
Inventories	1,860	126,774	128,634	—
Land Held for Resale	17,769	—	17,769	—
Restricted Cash and Investments	103,180	145,613	248,793	14,109
Other Assets	—	159	159	3,282
Capital Assets - Non-Depreciable	2,722,036	2,305,347	5,027,383	148,209
Capital Assets - Depreciable	3,465,579	6,339,357	9,804,936	358,379
TOTAL ASSETS	9,913,110	10,083,272	19,996,382	1,397,286
DEFERRED OUTFLOWS OF RESOURCES				
Reimbursement Agreements	9,596	—	9,596	—
Loss on Refunding	9,202	55,400	64,602	—
OPEB Related	25,713	7,302	33,015	—
Pension Related	844,174	173,199	1,017,373	—
TOTAL DEFERRED OUTFLOWS OF RESOURCES	888,685	235,901	1,124,586	—
LIABILITIES				
Accounts Payable	220,101	208,789	428,890	29,266
Accrued Wages and Benefits	85,290	21,273	106,563	3,597
Other Accrued Liabilities	71,975	57,936	129,911	12,788
Interest Accrued on Long-Term Debt	8,851	32,982	41,833	20,195
Long-Term Liabilities Due Within One Year	288,362	177,006	465,368	10,990
Unearned Revenue	109,735	51,145	160,880	5,514
Notes Payable	—	38,800	38,800	—
Liabilities Payable from Restricted Assets:				
Customer Deposits Payable	—	19,583	19,583	3,258
Deposits/Advances from Others	—	7,934	7,934	—

STATEMENT OF NET POSITION (Continued)
June 30, 2025
(Dollars in Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	San Diego Housing Commission
LIABILITIES (Continued)				
Long-Term Liabilities Due After One Year:				
Compensated Absences	$ 65,448	$ 14,320	$ 79,768	$ —
Liability Claims	342,659	194,818	537,477	—
Reimbursement Agreement Obligations	37,740	—	37,740	—
Leases Payable	65,937	62,848	128,785	—
SBITAs Payable	20,922	342	21,264	1,298
Financed Purchase Obligations	91,269	—	91,269	—
Notes Payable	—	—	—	269,030
Loans Payable	343	1,128,133	1,128,476	—
Commercial Paper Notes Payable	—	250,000	250,000	—
Net Bonds Payable	792,670	1,925,204	2,717,874	—
Estimated Landfill Closure and Postclosure Care	—	64,977	64,977	—
Net Other Postemployment Benefits Liability	316,415	92,501	408,916	—
Pension Liabilities	2,590,735	575,389	3,166,124	—
TOTAL LIABILITIES	5,108,452	4,923,980	10,032,432	355,936
DEFERRED INFLOWS OF RESOURCES				
Gain on Refunding	632	2,502	3,134	—
Lease Related	639,611	31,039	670,650	87,016
PPP Related	85,251	5,521	90,772	—
TOTAL DEFERRED INFLOWS OF RESOURCES	725,494	39,062	764,556	87,016
NET POSITION				
Net Investment in Capital Assets	5,079,898	5,104,157	10,184,055	259,055
Restricted for:				
Capital Projects	763,980	—	763,980	—
Debt Service	—	15,261	15,261	—
Low-Moderate Income Housing	437,920	—	437,920	—
Nonexpendable Permanent Endowments	20,756	—	20,756	—
Grants	90,877	—	90,877	—
Utilities Undergrounding	453,836	—	453,836	—
Tourism, Maintenance, and Parking Districts	85,016	—	85,016	—
Infrastructure	60,993	—	60,993	—
Donations	30,149	—	30,149	—
Other	81,155	4,409	85,564	295,003
Unrestricted (Deficit)	(2,136,731)	232,304	(1,904,427)	400,276
TOTAL NET POSITION	$ 4,967,849	$ 5,356,131	$ 10,323,980	$ 954,334

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

STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2025
(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	$ 594,556	$ 251,967	$ 28,135	$ 1,379
Public Safety - Police	719,008	58,474	5,006	22
Public Safety - Fire and Emergency Services	497,679	215,075	18,702	1,207
Parks, Recreation, Culture and Leisure	564,582	156,346	8,865	67,680
Transportation	336,397	66,825	82,214	42,029
Sanitation and Health	213,748	68,324	811	5,891
Neighborhood Services	222,870	92,435	89,548	3,715
Debt Service - Interest	37,204	—	—	—
TOTAL GOVERNMENTAL ACTIVITIES	3,186,044	909,446	233,281	121,923
Business-Type Activities:				
Sewer Utility	479,279	425,526	—	49,053
Water Utility	763,556	704,897	555	35,594
Airports	12,871	8,223	175	—
Development Services	157,879	126,957	27	—
Refuse Disposal	49,502	63,794	—	72
Golf Course	31,904	37,604	—	—
Recycling	39,654	24,702	183	71
San Diego Convention Center Corporation	55,727	59,557	—	1,131
TOTAL BUSINESS-TYPE ACTIVITIES	1,590,372	1,451,260	940	85,921
TOTAL PRIMARY GOVERNMENT	$ 4,776,416	$ 2,360,706	$ 234,221	$ 207,844
Component Unit:				
San Diego Housing Commission	$ 522,675	$ 95,043	$ 467,129	$ 1,040

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 (2024 as Previously Reported)

Change in Accounting Principle - GASB 101 Implementation

NET POSITION AT BEGINNING OF YEAR (2024 RESTATED)

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
$ (313,075)	$ —	$ (313,075)	$ —
(655,506)	—	(655,506)	—
(262,695)	—	(262,695)	—
(331,691)	—	(331,691)	—
(145,329)	—	(145,329)	—
(138,722)	—	(138,722)	—
(37,172)	—	(37,172)	—
(37,204)	—	(37,204)	—
(1,921,394)	—	(1,921,394)	—
—	(4,700)	(4,700)	—
—	(22,510)	(22,510)	—
—	(4,473)	(4,473)	—
—	(30,895)	(30,895)	—
—	14,364	14,364	—
—	5,700	5,700	—
—	(14,698)	(14,698)	—
—	4,961	4,961	—
—	(52,251)	(52,251)	—
(1,921,394)	(52,251)	(1,973,645)	—
—	—	—	40,537
835,123	—	835,123	—
331,908	—	331,908	—
435,131	—	435,131	—
126,129	—	126,129	—
87,567	—	87,567	—
22,697	—	22,697	—
2,198	—	2,198	—
113,229	47,581	160,810	23,870
4,328	1	4,329	—
37,794	22,544	60,338	—
(23,273)	23,273	—	—
1,972,831	93,399	2,066,230	23,870
51,437	41,148	92,585	64,407
4,934,536	5,319,536	10,254,072	889,927
(18,124)	(4,553)	(22,677)	—
4,916,412	5,314,983	10,231,395	889,927
$ 4,967,849	$ 5,356,131	$ 10,323,980	$ 954,334

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

GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2025
(Dollars in Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	$ 272,280	$ 1,536,063	$ 1,808,343
Receivables:			
Taxes - Net of Allowance for Uncollectibles	135,721	90,060	225,781
Accounts - Net of Allowance for Uncollectibles	79,229	12,288	91,517
Claims	—	27,344	27,344
Special Assessments	—	4,969	4,969
Notes	—	376,016	376,016
Loans	—	32,994	32,994
Accrued Interest	1,681	7,171	8,852
Grants	—	82,980	82,980
From Other Funds	124,758	4,231	128,989
From Other Agencies	10,122	—	10,122
Interfund Loan Receivable	7,198	—	7,198
Leases	649,947	4,866	654,813
PPPs	79,530	10,948	90,478
Advances to Other Agencies	674	56,746	57,420
Prepaid Items	2,724	50	2,774
Land Held for Resale	—	17,769	17,769
Restricted Cash and Investments	3,919	99,261	103,180
TOTAL ASSETS	$ 1,367,783	$ 2,363,756	$ 3,731,539
LIABILITIES			
Accounts Payable	$ 103,375	$ 106,889	$ 210,264
Accrued Wages and Benefits	80,869	624	81,493
Other Accrued Liabilities	12,855	58,990	71,845
Due to Other Funds	—	128,337	128,337
Unearned Revenue	—	109,735	109,735
TOTAL LIABILITIES	197,099	404,575	601,674
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	19,089	43,043	62,132
Unavailable Revenue - Grants	—	74,682	74,682
Unavailable Revenue - Other	26,899	10,401	37,300
Lease Related	635,236	4,375	639,611
PPP Related	74,800	10,451	85,251
TOTAL DEFERRED INFLOWS OF RESOURCES	756,024	142,952	898,976

GOVERNMENTAL FUNDS
BALANCE SHEET (Continued)
June 30, 2025
(Dollars in Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES (DEFICIT)			
Nonspendable	$ 2,404	$ 20,806	$ 23,210
Restricted	50,591	1,960,238	2,010,829
Committed	221,851	81,422	303,273
Assigned	916	—	916
Unassigned (Deficit)	138,898	(246,237)	(107,339)
TOTAL FUND BALANCES	414,660	1,816,229	2,230,889
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,367,783	$ 2,363,756	$ 3,731,539

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.	5,907,340
Deferred outflows of resources are not financial resources (uses), and therefore, are not reported at the fund level.	866,444
Unavailable revenues are not financial resources, and therefore, are reported as deferred inflows of resources.	174,114
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.	206,505
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.	(4,417,443)
Net Position of Governmental Activities (page 45)	$ 4,967,849

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, 2025
(Dollars in Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property Taxes	$ 807,079	$ 27,570	$ 834,649
Special Assessments	—	85,949	85,949
Sales Taxes - Shared State Revenue	385,293	51,909	437,202
Transient Occupancy Taxes	165,620	164,206	329,826
Franchises	125,991	81,305	207,296
Other Local Taxes	87,896	—	87,896
Licenses and Permits	45,413	75,357	120,770
Fines, Forfeitures and Penalties	32,501	5,918	38,419
Revenue from Use of Money and Property	105,294	106,565	211,859
Revenue from Federal Agencies	711	99,454	100,165
Revenue from Other Agencies	14,019	103,499	117,518
Revenue from Private Sources	70	6,508	6,578
Charges for Current Services	634,490	26,423	660,913
Other Revenue	30,868	8,090	38,958
TOTAL REVENUES	2,435,245	842,753	3,277,998
EXPENDITURES			
Current:			
General Government and Support	574,006	32,612	606,618
Public Safety - Police	675,159	11,151	686,310
Public Safety - Fire and Emergency Services	475,931	13,871	489,802
Parks, Recreation, Culture and Leisure	268,692	231,396	500,088
Transportation	205,349	50,301	255,650
Sanitation and Health	192,475	10,110	202,585
Neighborhood Services	85,573	133,834	219,407
Capital Outlay	68,785	425,452	494,237
Debt Service:			
Principal Retirement	31,972	113,868	145,840
Cost of Issuance	—	900	900
Interest	2,320	34,206	36,526
TOTAL EXPENDITURES	2,580,262	1,057,701	3,637,963
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(145,017)	(214,948)	(359,965)

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Continued)
Fiscal Year Ended June 30, 2025
(Dollars in Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	$ 52,972	$ 322,952	$ 375,924
Transfers to Proprietary Funds	—	(8,845)	(8,845)
Transfers to Other Funds	(76,037)	(299,887)	(375,924)
Payment to Refunded Bond Escrow Agent	—	(36,395)	(36,395)
Proceeds from the Sale of Capital Assets	9	3,192	3,201
Leases	7,205	45	7,250
SBITAs	18,063	3	18,066
Financed Purchases	27,022	—	27,022
Lease Revenue Bonds Issued	—	213,130	213,130
Premium on Bonds Issued	—	24,222	24,222
TOTAL OTHER FINANCING SOURCES (USES)	29,234	218,417	247,651
NET CHANGE IN FUND BALANCES	(115,783)	3,469	(112,314)
Fund Balances at Beginning of Year	530,443	1,812,760	2,343,203
FUND BALANCES AT END OF YEAR	$ 414,660	$ 1,816,229	$ 2,230,889

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, 2025
(Dollars in Thousands)

Net Change in Fund Balances of Governmental Funds (page 51)	$	(112,314)
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.		331,499
The net effect of various miscellaneous transactions involving capital assets (e.g., retirements and transfers) is to decrease net position.		(2,193)
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.		3,467
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.		(83,233)
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.		(75,689)
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 loss of certain internal service activities is reported with governmental activities.		(10,100)
Change in Net Position of Governmental Activities (page 47)	$	51,437

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, 2025
(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	$ 330,011	$ 174,946	$ 250,792	$ 755,749	$ 134,682
Receivables:					
Accounts - Net of Allowance for Uncollectibles	119,408	207,964	25,938	353,310	2,432
Contributions	—	—	—	—	1,675
Accrued Interest	1,542	888	1,366	3,796	141
Grants	—	576	—	576	—
Leases	—	840	567	1,407	—
PPPs	—	—	692	692	—
Inventories	—	110,617	47	110,664	17,970
Total Current Assets	450,961	495,831	279,402	1,226,194	156,900
Non-Current Assets:					
Restricted Cash and Investments	32,089	5,147	108,377	145,613	—
Prepaid Expenses	763	1,098	1,562	3,423	—
Leases Receivable	—	15,761	15,573	31,334	—
PPP Receivable	—	—	5,088	5,088	—
Other Assets	—	—	159	159	—
Capital Assets - Non-Depreciable	1,060,223	1,206,858	38,266	2,305,347	8,752
Capital Assets - Depreciable	3,025,584	3,099,723	214,050	6,339,357	271,523
Total Non-Current Assets	4,118,659	4,328,587	383,075	8,830,321	280,275
TOTAL ASSETS	4,569,620	4,824,418	662,477	10,056,515	437,175
DEFERRED OUTFLOWS OF RESOURCES					
Loss on Refunding	25,266	30,134	—	55,400	—
OPEB Related	2,234	2,366	2,702	7,302	1,041
Pension Related	55,998	57,001	60,200	173,199	21,200
TOTAL DEFERRED OUTFLOWS OF RESOURCES	83,498	89,501	62,902	235,901	22,241
LIABILITIES					
Current Liabilities:					
Accounts Payable	71,961	121,534	14,177	207,672	10,956
Accrued Wages and Benefits	6,171	6,779	8,323	21,273	3,797
Interest Accrued on Long-Term Debt	8,226	24,215	541	32,982	556
Other Accrued Liabilities	49,071	7,411	1,454	57,936	130
Long-Term Liabilities Due Within One Year	76,768	81,942	18,296	177,006	25,412
Due to Other Funds	—	—	—	—	652
Unearned Revenue	2,383	6,425	42,337	51,145	—
Notes Payable	38,800	—	—	38,800	—
Current Liabilities Payable from Restricted Assets:					
Customer Deposits Payable	—	878	18,705	19,583	—
Total Current Liabilities	253,380	249,184	103,833	606,397	41,503

PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION (Continued)
June 30, 2025
(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	$ —	$ —	$ 7,934	$ 7,934	$ —
Long-Term Liabilities Due After One Year:					
Interfund Loan Payable	7,198	—	—	7,198	—
Compensated Absences	4,069	4,233	6,018	14,320	1,979
Liability Claims	27,105	157,427	10,286	194,818	12,374
Leases Payable	1,695	1,695	59,458	62,848	19,023
SBITAs Payable	—	—	342	342	346
Financed Purchase Obligations	—	—	—	—	51,122
Loans Payable	486,943	584,169	57,021	1,128,133	—
Commercial Paper Notes Payable	—	250,000	—	250,000	—
Net Revenue Bonds Payable	795,581	1,129,623	—	1,925,204	—
Estimated Landfill Closure and Postclosure Care	—	—	64,977	64,977	—
Net Other Postemployment Benefits Liability	34,097	31,998	26,406	92,501	16,056
Pension Liabilities	197,559	194,085	183,745	575,389	77,670
Total Non-Current Liabilities	1,554,247	2,353,230	416,187	4,323,664	178,570
TOTAL LIABILITIES	1,807,627	2,602,414	520,020	4,930,061	220,073
DEFERRED INFLOWS OF RESOURCES					
Gain on Refunding	—	2,502	—	2,502	—
Leases Related	—	15,407	15,632	31,039	—
PPP Related	—	—	5,521	5,521	—
TOTAL DEFERRED INFLOWS OF RESOURCES	—	17,909	21,153	39,062	—
NET POSITION					
Net Investment in Capital Assets	2,683,849	2,251,221	169,087	5,104,157	194,645
Restricted for Debt Service	10,977	4,284	—	15,261	—
Restricted for Closure/Postclosure Maintenance	—	—	2,088	2,088	—
Restricted for Other	—	—	2,321	2,321	—
Unrestricted	150,665	38,091	10,710	199,466	44,698
TOTAL NET POSITION	$ 2,845,491	$ 2,293,596	$ 184,206	5,323,293	$ 239,343

Adjustments to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds:	
Current Assets	3,823
Internal Balances	14,022
Inventories	16,110
Current Liabilities	(1,117)
Net position of business-type activities (page 45)	$ 5,356,131

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, 2025
(Dollars in Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES					
Sales of Water	$ —	$ 697,271	$ —	$ 697,271	$ —
Charges for Services	406,457	2,995	312,301	721,753	189,359
Leases	—	—	723	723	—
Other	19,069	3,523	7,078	29,670	159
TOTAL OPERATING REVENUES	425,526	703,789	320,102	1,449,417	189,518
OPERATING EXPENSES					
Maintenance and Operations	—	—	3,853	3,853	—
Administration	—	—	2,376	2,376	—
Salaries and Employee Benefits	120,451	145,336	206,680	472,467	49,952
Materials and Supplies	48,961	267,770	7,052	323,783	37,164
Contractual Services	114,393	191,414	70,789	376,596	9,174
Information Technology	12,656	12,281	14,839	39,776	3,288
Energy and Utilities	37,045	12,422	13,683	63,150	14,594
Depreciation and Amortization	85,485	70,498	22,743	178,726	46,848
Benefit and Claim Expenses	—	—	—	—	25,195
Other Expenses	19,458	7,560	3,500	30,518	380
TOTAL OPERATING EXPENSES	438,449	707,281	345,515	1,491,245	186,595
OPERATING INCOME (LOSS)	(12,923)	(3,492)	(25,413)	(41,828)	2,923
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments	20,860	9,359	17,274	47,493	1,317
Federal Grant Assistance	—	362	175	537	—
Other Agency Grant Assistance	—	193	210	403	—
Gain (Loss) on Sale/Retirement of Capital Assets	(1,725)	(928)	1,777	(876)	1,140
Leases	—	1,108	—	1,108	—
PPPs	—	—	735	735	—
Debt Service Interest	(39,094)	(55,450)	(3,896)	(98,440)	(2,155)
Other	10,758	6,671	5,115	22,544	763
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(9,201)	(38,685)	21,390	(26,496)	1,065
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(22,124)	(42,177)	(4,023)	(68,324)	3,988
Capital Contributions	49,053	35,594	1,274	85,921	618
Transfers from Other Funds	1	20,000	801	20,802	6,200
Transfers from Governmental Funds	—	—	3,273	3,273	5,572
Transfers to Other Funds	(2,275)	(3,926)	(801)	(7,002)	(20,000)
TOTAL CONTRIBUTIONS AND TRANSFERS	46,779	51,668	4,547	102,994	(7,610)
CHANGE IN NET POSITION	24,655	9,491	524	34,670	(3,622)
Net Position at Beginning of Year (2024 as Previously Reported)	2,823,737	2,283,655	185,784	5,293,176	243,768
Change in Accounting Principle - GASB 101	(2,901)	450	(2,102)	(4,553)	(803)
NET POSITION AT BEGINNING OF YEAR (2024 RESTATED)	2,820,836	2,284,105	183,682	5,288,623	242,965
NET POSITION AT END OF YEAR	$ 2,845,491	$ 2,293,596	$ 184,206	$ 5,323,293	$ 239,343

Adjustments to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds:	
Allocated Operating Income	190
Earnings on Investments	88
Transfers, Net	6,200
Change in net position of business-type activities (page 47)	$ 41,148

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, 2025
(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	$ 420,922	$ 682,594	$ 319,828	$ 1,423,344	$ 38,892
Receipts from Interfund Services Provided	1,777	4,455	4,540	10,772	151,404
Payments to Suppliers	(187,489)	(431,681)	(111,390)	(730,560)	(71,877)
Payments to Employees	(124,618)	(138,979)	(189,490)	(453,087)	(76,925)
Payments for Interfund Services Used	(9,814)	(14,507)	(10,232)	(34,553)	(869)
NET CASH PROVIDED BY OPERATING ACTIVITIES	100,778	101,882	13,256	215,916	40,625
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	1	20,000	801	20,802	6,200
Transfers from Governmental Funds	—	—	3,273	3,273	5,572
Transfers to Other Funds	(2,275)	(3,926)	(801)	(7,002)	(20,000)
Operating Grants	—	1,287	750	2,037	—
Proceeds from Advances and Deposits	—	—	1,152	1,152	—
Payments for Advances and Deposits	—	(329)	(307)	(636)	—
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(2,274)	17,032	4,868	19,626	(8,228)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Notes and Loans	181,535	160,001	—	341,536	—
Proceeds from Commercial Paper	—	127,344	—	127,344	—
Proceeds from Revenue Bonds	300,807	—	—	300,807	—
Proceeds from Capital Grants and Contributions	28,892	16,102	—	44,994	—
Proceeds from the Sale of Capital Assets	—	—	1,777	1,777	1,525
Collections from Leasing Activity	—	828	—	828	—
Collections from PPP Activity	—	—	670	670	—
Acquisition of Capital Assets	(355,480)	(381,272)	(12,084)	(748,836)	(40,367)
Principal Payments on Leases	(375)	(375)	(4,381)	(5,131)	(501)
Principal Payments on SBITAs	—	—	(1,427)	(1,427)	(81)
Principal Payments on Financed Purchases	—	—	—	—	(14,262)
Principal Payments on Notes and Loans	(40,319)	(6,852)	(2,232)	(49,403)	—
Principal Payments on Revenue Bonds	(66,330)	(47,235)	—	(113,565)	—
Interest Paid on Long-Term Debt	(39,510)	(59,812)	(3,772)	(103,094)	(2,041)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	9,220	(191,271)	(21,449)	(203,500)	(55,727)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales of Investments	407,679	1,063,279	22,661	1,493,619	—
Purchases of Investments	(433,940)	(1,062,752)	(31,326)	(1,528,018)	—
Interest Received on Investments	20,475	9,932	17,428	47,835	1,306
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(5,786)	10,459	8,763	13,436	1,306
Net Increase (Decrease) in Cash and Cash Equivalents	101,938	(61,898)	5,438	45,478	(22,024)
Cash and Cash Equivalents at Beginning of Year	233,898	237,721	319,896	791,515	156,706
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 335,836	$ 175,823	$ 325,334	$ 836,993	$ 134,682
Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Fund Net Position:					
Cash and Investments	$ 330,011	$ 174,946	$ 250,792	$ 755,749	$ 134,682
Restricted Cash and Investments	32,089	5,147	108,377	145,613	—
Less Investments Not Meeting the Definition of Cash Equivalents	(26,264)	(4,270)	(33,835)	(64,369)	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 335,836	$ 175,823	$ 325,334	$ 836,993	$ 134,682

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (Continued)
Fiscal Year Ended June 30, 2025
(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 (Loss)	$ (12,923)	$ (3,492)	$ (25,413)	$ (41,828)	$ 2,923
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation and Amortization	85,485	70,498	22,743	178,726	46,848
Other Nonoperating Revenues	10,758	6,671	5,115	22,544	763
Increase (Decrease) in Assets and Deferred Outflows of Resources:					
Accounts Receivable - Net	(8,429)	(22,781)	(8,257)	(39,467)	(1)
Due to Other Funds	(3,432)	—	—	(3,432)	307
Contributions Receivable	—	—	—	—	17
Inventories	—	260	—	260	(3,587)
Prepaid Expenses	13,112	22,403	(203)	35,312	—
OPEB Related Deferred Outflows of Resources	502	421	724	1,647	148
Pension Related Deferred Outflows of Resources	(24,725)	(20,021)	(17,382)	(62,128)	(8,340)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:					
Accounts Payable	(2,672)	13,527	325	11,180	(5,171)
Accrued Wages and Benefits	570	693	1,264	2,527	332
Other Accrued Liabilities	—	—	(874)	(874)	—
Interfund Loan Payable	7,198	—	—	7,198	—
Due to Other Agencies	18,890	287	—	19,177	—
Unearned Revenue	(826)	(630)	7,454	5,998	—
Contract Deposits	(4,330)	—	—	(4,330)	—
Compensated Absences	245	687	1,312	2,244	111
Liability Claims	4,213	13,926	1,518	19,657	709
Estimated Landfill Closure and Postclosure Care	—	—	2,330	2,330	—
Net OPEB Liability	534	581	731	1,846	250
Pension Liabilities	17,987	18,852	22,622	59,461	6,637
Pension Related Deferred Inflows of Resources	(1,379)	—	(753)	(2,132)	(1,321)
Total Adjustments	113,701	105,374	38,669	257,744	37,702
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 100,778	$ 101,882	$ 13,256	$ 215,916	$ 40,625
Noncash Investing, Capital, and Financing Activities:					
Acquisition of Capital Assets	$ (4,831)	$ (7,945)	$ 1,181	$ (11,595)	$ —
Amortization of Bond Premiums, Discounts and Refundings	3,816	4,893	—	8,709	—
Capital Asset Acquisitions Related to Accounts Payable	(3,501)	(13,969)	2,244	(15,226)	(90)
Capital Assets Acquired through Financed Purchases	—	—	—	—	17,414
Carrying Value of Retired Capital Assets	(1,725)	(862)	—	(2,587)	(385)
Change in Fair Value of Investments	3,013	2,486	2,975	8,474	295
Developer Contributed and Donated Capital Assets	20,096	19,492	282	39,870	576
Interest Fund Credits for Debt Service Payments	12	576	—	588	—
Loan Interest Converted to Principal	861	—	—	861	—
Right-to-Use Leased Assets Acquired	—	—	64,312	64,312	—
Right-to-Use SBITA Assets Acquired	—	—	384	384	516
Right-to-Use SBITA Assets Retired	—	—	(220)	(220)	—
Transfers of Capital Assets From Governmental Activities	—	—	—	—	42
Transfers of Capital Assets (To) From Other Funds	66	(66)	—	—	—

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

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2025
(Dollars in Thousands)

	Trust Funds		
	Pension	Private-Purpose	Custodial Funds
ASSETS			
Cash and Investments	$ 1,003	$ 58,773	$ 1,166
Cash and Investments with Custodian/Fiscal Agent	257,475	—	—
Investments at Fair Value:			
Domestic Fixed Income Securities	2,808,408	—	—
International Fixed Income Securities	269,049	—	—
Domestic Equity Securities	2,731,014	—	—
International Equity Securities	1,801,917	—	—
Global Fixed Income Securities	656,843	—	—
Global Equity Securities	1,211,547	—	—
Real Estate	1,216,629	—	—
Private Equity and Infrastructure	1,548,226	—	—
Receivables:			
Special Assessments	—	—	165
Contributions	4,925	—	—
Accrued Interest	32,766	298	7
Notes and Contracts	—	3,913	—
Securities Sold	182,382	—	—
Advances to Other Agencies	—	402	—
Prepaid Expenses	472	13	—
Securities Lending Collateral	109,697	—	—
Restricted Cash and Investments	—	35,336	12,597
Capital Assets - Non-Depreciable	—	26,084	—
Capital Assets - Depreciable	1,294	16,829	—
TOTAL ASSETS	12,833,647	141,648	13,935
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Refunding	—	16,163	—
LIABILITIES			
Accounts Payable	3,974	3,825	—
Accrued Wages and Benefits	1,504	—	—
Interest Accrued on Long-Term Debt	—	47,053	—
Sundry Trust/Agency Liabilities	—	512	—
Other Accrued Liabilities	—	—	17
Supplemental Benefits Payable	11,735	—	—
Securities Lending Obligations	109,685	—	—
Securities Purchased	435,094	—	—
Long-Term Liabilities Due After One Year:			
Liability Claims	—	61,524	—
Due to Bondholders	—	229,871	13,796
TOTAL LIABILITIES	561,992	342,785	13,813
DEFERRED INFLOWS OF RESOURCES			
Gain on Refunding	—	1,356	—
NET POSITION (DEFICIT)			
Restricted for Pension Benefits	12,271,655	—	—
Restricted for Other	—	(186,330)	122
TOTAL NET POSITION (DEFICIT)	$ 12,271,655	$ (186,330)	$ 122

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, 2025
(Dollars in Thousands)

	Trust Funds		
	Pension	Private-Purpose	Custodial Funds
ADDITIONS			
Employer Contributions	$ 520,532	$ —	$ —
Plan Member Contributions:			
Employee Contributions	166,142	—	—
DROP Contributions	5,722	—	—
Redevelopment Property Tax Trust Fund	—	55,315	—
Special Assessments	—	—	6,431
Earnings (Losses) on Investments:			
Investment Income	172,561	4,225	478
Investment Expense	(46,742)	—	—
Net Increase in Fair Value of Investments	920,673	—	—
Net Earnings on Investments	1,046,492	4,225	478
Securities Lending Income:			
Gross Earnings	7,253	—	—
Borrower Rebates and Bank Charges	(6,483)	—	—
Net Securities Lending Income	770	—	—
Other Income	—	1,532	—
TOTAL ADDITIONS	1,739,658	61,072	6,909
DEDUCTIONS			
Enforceable Obligation Payments	—	4,227	—
Interest on Long-Term Debt	—	10,850	—
DROP Interest Expense	17,977	—	—
Benefit and Claim Payments	722,844	—	—
Disposal of Assets	—	19,542	—
Paid to Bondholders	—	—	6,721
Administration	15,962	—	185
Depreciation	—	1,753	—
Other Expenses	—	—	5
TOTAL DEDUCTIONS	756,783	36,372	6,911
CHANGE IN NET POSITION	982,875	24,700	(2)
Net Position (Deficit) at Beginning of Year	11,288,780	(211,030)	124
NET POSITION (DEFICIT) AT END OF YEAR	$ 12,271,655	$ (186,330)	$ 122

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, 2025

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 six LLC blended component units, one 501(c)(3) California Nonprofit Public Benefit Corporation blended unit, 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 Mason Housing Corporation
  Casa Colina, 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 New Palace Management, LLC
  HDP Village North, LLC
  HDP West Park, LP
  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 2025, the allowance amount was $4,948. 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, 2025, 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, 2025.

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, 2025, are as shown on the following page:

Fund	Accounts Receivable Allowance	Taxes Receivable Allowance
General Fund	$ 27,437	$ 4,840
Nonmajor Governmental Funds	6,185	107
Sewer Utility	9,328	—
Water Utility	20,282	—
Nonmajor Enterprise Funds	3,121	—
Internal Service Funds	1,039	—
Total	$ 67,392	$ 4,947

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 report 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 availability 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. Assets which may individually fall below the City's capitalization thresholds, which are significant when purchased in aggregate for the year, are evaluated for possible capitalization. Items acquired as part of the construction or initial furnishings of an asset are capitalized as part of the constructed asset. The level of significance will be evaluated annually for appropriate capitalization. A threshold of $100 was used for fiscal year 2025. 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	2 - 12
Buildings	10 - 50	Buildings	1 - 22
Building Improvements	3 - 50	Equipment	1
Vehicles	4 - 20	Subscriptions	1 - 9
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 and PPPs where the City is lessor or transferor, respectively, 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.
- Measurement of the lease/PPP receivable is based on the present value of the minimum required payments expected to be received during the duration of the lease term.
- 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 which approximates the effective interest method. Net bonds payable reflects unamortized bond discounts and premiums.

o. Compensated Absences

During fiscal year 2025, the City implemented GASB Statement No. 101, *Compensated Absences,* which provided new guidance on how to account for and report compensated absences. The implementation of this standard resulted in a restatement of net position (See Note 22 for more information). Under the new Standard, the City recognizes a compensated absences liability for employee leave balances that have not yet been used/taken if: a) the leave is attributable to services already rendered; b) the leave accumulates; and c) the leave is more likely than not to be used for time off, paid out in cash, or settled through noncash means. Based on these criteria, several leave types qualify for liability recognition, including but not limited to, annual leave, compensatory time off, department discretionary leave, parental leave, and earned sick leave. The liability for compensated absences is reported in the government-wide and proprietary fund financial statements. The liability for compensated absences has been calculated based on current salary levels and includes salary-related benefits such as Medicare tax and the City's portion of defined contribution pension plans, when applicable. The Due within One Year portion of compensated absences is estimated based on leave taken in the prior year as a percentage of total outstanding balances. Liabilities for leave that has been used but not yet paid are reported at the fund level as part of Accrued Wages and Benefits.

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.
- The measurement of the lease/SBITA liability is based on the present value of the minimum required payments expected to be paid during the duration of the contract term.
- 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. See Note 15 for more information.

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. Earned credits are recorded as a long-term liability and a corresponding capital asset is recorded in the government-wide financial statements. The credits are recognized as permit revenue once the obligation has been satisfied. 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, employee and employer contributions are recognized in the period in which contributions are due pursuant to SDCERS' Group Trust Agreement, and benefits and refunds are recognized when currently due and payable in accordance with plan 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/amortization and 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, 2025, the amount of restricted net position due to enabling legislation was approximately $271,473.

- **Unrestricted Net Position** is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 committed 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 with a goal of reaching the overall policy targets by fiscal year 2030. For fiscal year 2025, the Emergency Reserve funding target was 7.21%, or $126,540, and the Stability Reserve funding target was 6.37%, or $111,797. The balances of the Emergency Reserve and the Stability Reserve as of June 30, 2025 were $107,600 and $99,500, respectively, which fall below policy target levels. 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. When funded, these reserves are a component of unassigned fund balance.

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. Public liability and workers' compensation reserves are a component of committed fund balance. Proprietary fund reserves are a component of unrestricted net position.

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, 2025

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information 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. The implementation of this standard resulted in a restatement of net position, reducing beginning net position by $18,124 and $4,553 for governmental activities and business-type activities, respectively. See note 22 for more information.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The implementation of this standard did not have a material impact on the financial statements.

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 $5,907,340 difference are as follows:

Non-Depreciable Capital Assets	$ 2,713,284
Depreciable Capital Assets	7,433,398
Less: Accumulated Depreciation/Amortization	(4,239,342)
Total Depreciable Capital Assets - net of Depreciation	3,194,056
Net Adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	$ 5,907,340

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 $866,444 difference are as follows:

Reimbursement Agreements	$ 9,596
Unamortized Loss on Refunding	9,202
Deferred Outflows of Resources Related to Other Postemployment Benefits	24,672
Deferred Outflows of Resources Related to Pensions	822,974
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	$ 866,444

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 $174,114 difference are as follows:

Deferred Inflows of Resources - Unavailable Revenue:	
Taxes Receivable	$ 62,132
Grants Receivable	74,682
Special Assessments Receivable	4,969
Revenue from Other Agencies	5,443
Charges for Services	25,674
Other	1,214
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	$ 174,114

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 $(4,417,443) difference are as follows:

Liabilities:	
Interest Accrued on Long-Term Debt	$ (8,293)
Compensated Absences	(115,680)
Liability Claims	(460,422)
Reimbursement Agreement Obligations	(37,740)
Leases Payable	(57,098)
SBITAs Payable	(32,725)
Financed Purchase Obligations	(46,322)
QECB Lease Obligation	(1,027)
Loans Payable	(501)
Net Bonds Payable	(842,704)
Net Other Postemployment Benefits Liability	(300,359)
Pension Liabilities	(2,513,940)
Total Liabilities	(4,416,811)
Deferred Inflows of Resources:	
Gain on Refunding	(632)
Net adjustment to decrease "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	$ (4,417,443)

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 $206,505 difference are as follows:

Assets:	
Capital Assets - Non-Depreciable	$ 8,752
Capital Assets - Depreciable	271,523
Internal Balances	(14,674)
Current Assets	136,967
Total Assets	402,568
Deferred Outflows of Resources	22,241
Liabilities:	
Compensated Absences	(8,622)
Liability Claims	(16,005)
Leases Payable	(19,562)
SBITAs Payable	(435)
Financed Purchase Obligations	(65,632)
Net Other Postemployment Benefits Liability	(16,056)
Pension Liabilities	(77,670)
Current Liabilities	(14,322)
Total Liabilities	(218,304)
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	$ 206,505

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 $331,499 difference are as follows:

Capital Outlay	$ 494,237
Donated Capital Assets	50,359
Depreciation/Amortization Expense	(213,097)
Net adjustment to increase "Net Change in Fund Balances" of Governmental Funds to arrive at "Change in Net Position" of Governmental Activities	$ 331,499

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 $(2,193) 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.	$ (2,151)
Transfers of capital assets to 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.	(42)
Net adjustment to decrease "Net Change in Fund Balances" of Governmental Funds" to arrive at "Change in Net Position" of Governmental Activities	$ (2,193)

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 $(10,100) are as follows:

Allocated Operating Income	$ 2,733
Nonoperating Revenues:	
Gain on Sale/Retirement of Capital Assets	1,140
Other Nonoperating Expenses, net	(163)
Capital Contributions	576
Capital Asset Transfers, net	42
Transfers, net	(14,428)
Net adjustment to decrease "Net Change in Fund Balances" of Governmental Funds to arrive at "Change in Net Position" of Governmental Activities	$ (10,100)

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 $(83,233) difference are as follows:

Debt Issued or Incurred:	
Leases Payable	$ (7,250)
SBITAs Payable	(18,066)
Financed Purchase Obligations	(27,022)
Lease Revenue Bonds	(213,130)
Total Debt Issued or Incurred	(265,468)
Principal Repayments:	
Leases Payable	11,820
SBITAs Payable	14,393
Financed Purchase Obligations	5,292
QECB Lease Obligations	1,004
Loans Payable	156
Section 108 Loans Payable	485
Commercial Paper	66,600
Lease Revenue Bonds	35,940
Tobacco Settlement Asset-Backed Bonds	10,150
Total Principal Repayments	145,840
Refundings:	
Lease Revenue Bonds	36,395
Net adjustment to decrease "Net Change in Fund Balances" of Governmental Funds to arrive at "Change in Net Position" of Governmental Activities	$ (83,233)

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 $(75,689) difference are as follows:

Compensated Absences	$ (5,477)
Liability Claims	(71,755)
Reimbursement Agreement Obligations and Related Deferred Outflows of Resources	(5,460)
Net Other Postemployment Benefit Obligation and Related Deferred Outflows/Inflows of Resources	(13,669)
Pension Liabilities and Related Deferred Outflows/Inflows of Resources	43,420
Interest Accrued on Long-Term Debt	(1,599)
Current Year Premiums and Loss on Refunding Less Amortization of Bond Premiums, Discounts, and Loss on Refunding	(21,149)
Net adjustment to decrease "Net Change in Fund Balances" of Governmental Funds to arrive at "Change in Net Position" of Governmental Activities	$ (75,689)

3. CASH AND INVESTMENTS (Dollars in Thousands)

The following is a summary of the carrying amount of cash and investments as of June 30, 2025:

	Governmental Activities	Business-Type Activities	Fiduciary Funds other than SDCERS	Subtotal	SDCERS Fiduciary Fund	Grand Total
Cash or Equity in Pooled Cash and Investments	$ 1,937,480	$ 799,622	$ 59,939	$ 2,797,041	$ 1,003	$ 2,798,044
Cash and Investments with Custodian, Fiscal Agents, and Trustees	74,684	105,545	47,933	228,162	257,475	485,637
Investments at Fair Value	30,236	—	—	30,236	12,243,633	12,273,869
Securities Lending Collateral	—	—	—	—	109,697	109,697
Total	$ 2,042,400	$ 905,167	$ 107,872	$ 3,055,439	$ 12,611,808	$ 15,667,247

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	5,895
City Treasurer's Pooled Investments and Deposits	2,790,955
SDCERS Cash Deposits	1,003
Total Cash or Equity in Pooled Cash and Investments	$ 2,798,044

A summary of the investments held by the City Treasurer's Investment Pool as of June 30, 2025 is presented in the table below:

Investment Type	Fair Value	Book Value	Interest Rate % Range	Maturity Range
Asset Backed Securities	$ 524,879	$ 521,438	3.75 - 5.59%	4/25/2026 - 4/16/2029
Commercial Paper	555,611	551,422	4.34 - 4.48%	7/1/2025 - 7/17/2025
Corporate Notes and Bonds	472,412	469,454	3.38 - 5.25%	10/24/2025 - 6/15/2028
Repurchase Agreements	307,100	307,100	4.35 - 4.4%	7/1/2025
State Local Agency Investment Fund (LAIF) [1]	72	72	4.4%	7/1/2025
U.S. Treasury Obligations - Notes and Bonds	959,765	958,210	3 - 4.63%	7/15/2025 - 4/30/2028
Total	$ 2,819,839	$ 2,807,696		

[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 248 days as of June 30, 2025. 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, 2025, the PMIA fair value with accrued interest was $179,918,092. 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 which is classified as belonging to the Energy Sector, as defined by its Global Industry Classification Standard (GICS) code. 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, 2025:

	Fair Value Measurements			
	Level 1	Level 2	Not Categorized	Total
City Treasurer's Investment Pool:				
Asset Backed Securities	$ —	$ 524,879	$ —	$ 524,879
Commercial Paper	—	555,611	—	555,611
Corporate Notes and Bonds	—	472,412	—	472,412
Repurchase Agreements	—	—	307,100	307,100
State Local Agency Investment Fund (LAIF)	—	—	72	72
U.S. Treasury Obligations - Notes and Bonds	—	959,765	—	959,765
	—	2,512,667	307,172	2,819,839
Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units:				
Commercial Paper	—	1,457	—	1,457
Corporate Notes and Bonds	—	5,798	—	5,798
Exchange Traded Funds - Equity	3,766	—	—	3,766
Exchange Traded Funds - Fixed Income	6,298	—	—	6,298
Money Market Mutual Funds	—	—	103,054	103,054
Municipal Bonds	—	3,794	—	3,794
Mutual Funds - Equity	—	12,759	—	12,759
Mutual Funds - Fixed Income	—	9,503	—	9,503
Negotiable Certificates of Deposit	—	5,433	—	5,433
Non-Negotiable Certificates of Deposit	—	23,992	—	23,992
Repurchase Agreements	—	—	1,125	1,125
U.S. Agencies - Federal Home Loan Mortgage Corp	—	768	—	768
U.S. Agencies - Federal National Mortgage Association	—	1,535	—	1,535
U.S. Treasury Obligations - Notes and Bonds	—	18,844	—	18,844
	10,064	83,883	104,179	198,126
Total Investments	$ 10,064	$ 2,596,550	$ 411,351	$ 3,017,965

Total Investments by Fair Value Level	$ 2,606,614
Total Investments exempt from Fair Value Hierarchy	411,351
Total Investments	$ 3,017,965

Asset backed securities, commercial paper, corporate notes and bonds, municipal bonds, mutual funds, negotiable certificates of deposit, non-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 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 not to exceed one year.

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, 2025, 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	$ 47,906	$ 442,783	$ 34,190	$ —	$ 524,879
Commercial Paper	555,611	—	—	—	555,611
Corporate Notes and Bonds	40,028	432,384	—	—	472,412
Repurchase Agreements	307,100	—	—	—	307,100
State Local Agency Investment Fund (LAIF)	72	—	—	—	72
U.S. Treasury Obligations - Notes and Bonds	248,806	710,959	—	—	959,765
	1,199,523	1,586,126	34,190	—	2,819,839
Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units:					
Commercial Paper	1,457	—	—	—	1,457
Corporate Notes and Bonds	3,368	1,485	945	—	5,798
Exchange Traded Funds - Equity [1]	3,766	—	—	—	3,766
Exchange Traded Funds - Fixed Income	365	—	634	5,299	6,298
Money Market Mutual Funds [1]	103,054	—	—	—	103,054
Municipal Bonds	1,580	2,214	—	—	3,794
Mutual Funds - Equity [1]	12,759	—	—	—	12,759
Mutual Funds - Fixed Income	3,024	—	—	6479	9,503
Negotiable Certificates of Deposit	5,433	—	—	—	5,433
Non-Negotiable Certificates of Deposit	23,992	—	—	—	23,992
Repurchase Agreements	1,125	—	—	—	1,125
U.S. Agencies - Federal Home Loan Mortgage Corp	768	—	—	—	768
U.S. Agencies - Federal National Mortgage Association	1,535	—	—	—	1,535
U.S. Treasury Obligations - Notes and Bonds	2,392	5,819	10,633	—	18,844
	164,618	9,518	12,212	11,778	198,126
Total Investments	$ 1,364,141	$ 1,595,644	$ 46,402	$ 11,778	3,017,965
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					37,283
Total Investments, Cash on Hand, and Deposits					$ 3,055,439

[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, 2025, 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	AAA	$ 95,413	3.38 %
Asset Backed Securities	Aaa	Not Rated	152,447	5.41 %
Asset Backed Securities	Not Rated	AAA	277,019	9.82 %
Commercial Paper	P-1	A-1+	119,985	4.26 %
Commercial Paper	P-1	A-1	263,274	9.34 %
Commercial Paper	P-1	Not Rated	131,940	4.68 %
Commercial Paper	Not Provided	A-1	40,412	1.43 %
Corporate Notes and Bonds	Aaa	AAA	20,195	0.72 %
Corporate Notes and Bonds	Aaa	AA+	40,076	1.42 %
Corporate Notes and Bonds	Aa1	AA+	20,125	0.71 %
Corporate Notes and Bonds	Aa2	AA-	48,007	1.70 %
Corporate Notes and Bonds	Aa3	A+	40,302	1.43 %
Corporate Notes and Bonds	Aa3	A	5,007	0.18 %
Corporate Notes and Bonds	A1	A+	42,391	1.50 %
Corporate Notes and Bonds	A1	A	35,186	1.25 %
Corporate Notes and Bonds	A1	A-	59,223	2.10 %
Corporate Notes and Bonds	A2	A	35,182	1.25 %
Corporate Notes and Bonds	A2	A-	20,092	0.71 %
Corporate Notes and Bonds	A2	Not Rated	15,111	0.54 %
Corporate Notes and Bonds	A3	A-	91,515	3.25 %
Repurchase Agreements [1]	Not Rated	Not Rated	307,100	10.89 %
State Local Agency Investment Fund (LAIF)	Not Rated	Not Rated	72	— %
U.S. Treasury Obligations - Notes and Bonds	Exempt	Exempt	959,765	34.03 %
			2,819,839	100.00 %
Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units:				
Commercial Paper	Not Provided	A	1,457	0.73 %
Corporate Notes and Bonds	Not Provided	AA+	462	0.23 %
Corporate Notes and Bonds	Not Provided	AA-	281	0.14 %
Corporate Notes and Bonds	Not Provided	A+	842	0.42 %
Corporate Notes and Bonds	Not Provided	A	1,539	0.78 %
Corporate Notes and Bonds	Not Provided	A-	2,674	1.35 %
Exchange Traded Funds - Equity	Not Rated	Not Rated	3,766	1.90 %
Exchange Traded Funds - Fixed Income	Not Rated	Not Rated	6,298	3.18 %
Money Market Mutual Funds	Aaa	AAA	103,002	51.99 %
Money Market Mutual Funds	Not Provided	Not Rated	52	0.02 %
Municipal Bonds	Aaa	Not Rated	142	0.07 %
Municipal Bonds	Aa1	AA+	98	0.05 %
Municipal Bonds	Aa2	AA	125	0.06 %
Municipal Bonds	Aa2	AA-	289	0.15 %
Municipal Bonds	Aa3	Not Rated	230	0.12 %
Municipal Bonds	A1	A+	82	0.04 %
Municipal Bonds	A3	AA	123	0.06 %
Municipal Bonds	Not Rated	AA+	150	0.08 %
Municipal Bonds	Not Rated	AA	1,112	0.56 %
Municipal Bonds	Not Rated	Not Rated	1,443	0.73 %
Mutual Funds - Equity	Not Rated	Not Rated	12,759	6.44 %
Mutual Funds - Fixed Income	Not Rated	Not Rated	9,503	4.80 %
Negotiable Certificates of Deposit	Not Provided	A	5,433	2.74 %
Non-Negotiable Certificates of Deposit	Not Provided	Not Provided	23,992	12.11 %
Repurchase Agreements	Not Provided	AA+	850	0.43 %
Repurchase Agreements	Not Provided	AA-	275	0.14 %
U.S. Agencies - Federal Home Loan Mortgage Corp	Not Provided	AA+	768	0.39 %
U.S. Agencies - Federal National Mortgage Association	Not Provided	AA+	1,535	0.78 %
U.S. Treasury Obligations - Notes and Bonds	Not Provided	AA+	18,844	9.51 %
			198,126	100.00 %
Total Investments			$ 3,017,965	

[1] More than 5% of total pooled investments are with Repurchase Agreements collateralized by U.S. Treasuries.

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, 2025, the City exceeded the 5% limit of total investments in issuers of Repurchase Agreements. Asset Backed Securities, Commercial Paper and Corporate Notes and Bonds did not exceed 5% per issuer. Investments exceeding the 5% limit are referenced in the credit ratings table above.

h. Custodial Credit Risk

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, 2025, the carrying amount of the City's deposits was approximately ($23,415) and the bank balance was $9,197. The difference is substantially due to outstanding checks. For the balance of cash deposits in financial institutions, approximately $756 was covered by federal depository insurance and approximately $8,441 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, $8,441, 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 $55,185. For the balance of deposits in escrow accounts, approximately $2,967 was covered by federal depository insurance. The remaining balance of $52,218, was uninsured, but collateralized and pledged at 110%.

Investments

At June 30, 2025, 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, 2025 restricted by legal or contractual requirements are comprised of the following:

Governmental Funds		
General Fund	$	3,919
Special Revenue		1,325
Debt Service		9,313
Capital Projects		63,045
Permanent Endowments		25,578
Total Governmental Funds		103,180
Sewer Utility Enterprise Fund		
Interest and Redemption Funds		32,089
Water Utility Enterprise Fund		
Customer Deposits		876
Interest and Redemption Funds		4,271
Total Water Utility Enterprise Fund		5,147
Nonmajor Enterprise Funds		
Airports Fund - Deposits and Advances		73
Development Services Fund - Deposits and Advances		7,861
Refuse Disposal Fund - Landfill site closure and maintenance costs		79,417
Recycling Fund - Customer deposits		18,705
San Diego Convention Center Corporation		2,321
Total Nonmajor Enterprise Funds		108,377
Private-Purpose Trust Fund		35,336
Custodial Funds - Community Facilities Districts		12,597
Total Restricted Cash and Investments	$	296,726

Summary of Total Cash and Investments		
Total Unrestricted Cash and Investments	$	15,370,521
Total Restricted Cash and Investments		296,726
Total Cash and Investments	$	15,667,247
Total Governmental Activities	$	2,042,400
Total Business-Type Activities		905,167
Total Fiduciary Activities		12,719,680
Total Cash and Investments	$	15,667,247

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, 2025 (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	$	1,003
Cash and Cash Equivalents on Deposit with Custodial Bank and Fiscal Agents		257,475
Investments at Fair Value:		
Domestic Fixed Income Securities		2,808,408
International Fixed Income Securities		269,049
Global Fixed Income Securities		656,843
Domestic Equity Securities		2,731,014
International Equity Securities		1,801,917
Global Equity Securities		1,211,547
Real Estate		1,216,629
Private Equity and Infrastructure		1,548,226
Securities Lending Collateral		109,697
Total Cash and Investments for SDCERS	$	12,611,808

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 of the City and the California State Constitution Article XVI, Section 17. The SDCERS Board is authorized to invest in cash and cash equivalents, 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 investment are considered relative to the entire portfolio. Investment policies permit the SDCERS Board to invest in financial futures contracts provided the contracts are not designated as accounting hedges for 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 $918,900 for the fiscal year ended June 30, 2025. 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, 2025:

Asset Class	Target Allocation
Domestic Equity	18.0 %
International Equity	12.0
Global Equity	6.0
Domestic Fixed Income	22.0
Return-Seeking Fixed Income	5.0
Real Estate	11.0
Private Equity	10.0
Infrastructure	4.0
Private Debt	5.0
Diversifying	4.0
Opportunity Fund	3.0
Total	100.0 %

For the fiscal year ended June 30, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 9.11%. 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, 2025, was 32.0%, which includes domestic fixed income, return-seeking fixed income, and private debt. The fixed income allocation is externally-managed and is comprised as follows: 22.0% to domestic fixed income, which is benchmarked against the Bloomberg Aggregate Bond Index; 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, 13.3% to JP Morgan Government Bond Index-Emerging Market Global Diversified, and 10% to the JP Morgan CEMBI Broad Diversified Index; and 5% to private debt, which is benchmarked against the Morningstar LSTA US Leveraged Loan Index plus 200 basis points. 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-goals-beliefs

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 retirement 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, 2025:

Investments	Fair Value	Level 1	Level 2
Short-Term Securities	$ 1,925	$ —	$ 1,925
Fixed Income Securities:			
Asset-Backed Securities	129,706	—	129,706
Commercial Mortgage-Backed Securities	80,824	—	80,824
Collateralized Mortgage Obligations	40,195	—	40,195
Corporate Bonds	844,271	230	844,041
Government & Agency Obligations	416,702	—	416,702
Mortgage-Backed Securities	538,067	—	538,067
Total Fixed Income Securities	2,049,765	230	2,049,535
Equity Securities:			
Consumer Discretionary	117,766	117,766	—
Consumer Staples	76,934	76,934	—
Energy	26,599	26,599	—
Financials	87,081	87,081	—
Healthcare	138,891	138,891	—
Industrials	91,528	91,528	—
Information Technology	148,104	148,104	—
Materials	31,373	31,373	—
Real Estate Investment Trust	15,856	15,856	—
Telecommunication Services	20,443	20,443	—
Utilities	10,546	10,546	—
Total Equity Securities	765,121	765,121	—
Fixed Income Securities:			
Credit Default Swaps	1,219	—	1,219
Fixed Income Options	767	—	767
Foreign Currency Forwards	(1,313)	—	(1,313)
Foreign Currency Options	44	—	44
Future Options	(31)	—	(31)
Index Options	15	—	15
Interest Rate Swaps	1,902	—	1,902
Total Fixed Income Derivative Securities	2,603	—	2,603
Equity Securities:			
Total Return Swaps Equity	23	—	23
Warrants	6	—	6
Total Equity Derivative Securities	29	—	29
Total Investments by Fair Value Level [1]	$ 2,819,443	$ 765,351	$ 2,054,092

[1] Total investments measured at fair value differs from the total investments including securities lending collateral on the Statement of Fiduciary Net Position because of investment receivables and payables unrealized gains and losses. Total investments measured at fair value excludes $263 thousand of unrealized gains as of June 30, 2025.

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 for which 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. As of June 30, 2025, SDCERS has no real estate assets classified in Level 3.

Investments Measured at NAV	NAV	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity Investments:				
Commingled Domestic Equity Funds	$ 2,589,003	$ —	Daily	0-5 Days
Commingled International Equity Funds	1,455,489	—	Daily, Monthly	0-30 Days
Commingled Global Equity Funds	934,681	—	Daily	None
Total Equity Investments Measured at NAV	4,979,173	—		
Fixed Income Investments:				
Commingled Domestic Fixed Income Funds	979,993	—	Daily	None
Commingled International Fixed Income Funds	268,977	97,524	Daily	0-5 Days
Commingled Global Fixed Income Funds	430,929	—	Daily, Monthly, Quarterly	0-60 Days
Total Fixed Income Investments Measured at NAV	1,679,899	97,524		
Real Estate Investments:				
Real Estate Limited Partnerships	383,407	137,365	Not Eligible	N/A
Commingled Real Estate Funds	833,222	37,180	Monthly	None
Total Real Estate Investments Measured at NAV	1,216,629	174,545		
Private Equity & Infrastructure Investments:				
Commingled Private Equity & Infrastructure Funds	1,548,226	708,361	Not Eligible	N/A
Invested Securities Lending Collateral:				
Commingled Equity Securities	14,635	—	Daily	3 Days
Commingled Fixed Income Securities	95,062	—	Daily	3 Days
Total Invested Securities Lending Collateral Measured at NAV	109,697	—		
Total Investments Measured at NAV	$ 9,533,624	$ 980,430		

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 developed markets, a fund that invests in international large cap growth equities, four funds that invest in emerging market equities, a fund that invests in non-U.S. small and mid-cap equities and two funds that invest in international small cap equities. The Commingled Global Equity Funds consists 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 the investments in these types have been determined using the NAV per share (or its equivalent).

The Commingled Domestic Fixed Income Funds consist of five funds that invest in domestic fixed income securities. The Commingled International Fixed Income Funds consists 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 29 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, 2025:

Type of Security	Effective Duration (in years)	Fair Value [1]
Asset-Backed Securities [2]	1.80	$ 129,392
Commercial Mortgage-Backed Securities	2.52	80,824
Collateralized Mortgage Obligations [3]	2.21	39,424
Bank Loans	0.09	31,215
Corporate Bonds [4]	4.13	806,844
Government and Agency Obligations		
Foreign [5]	8.06	41,964
Treasury Securities	9.19	374,722
Mortgage-Backed Securities	6.40	538,067
Total		$ 2,042,452

[1] Fair Value does not include convertible bonds, mutual funds and derivative instruments of $1,684,535. These securities do not exhibit interest rate risk and/or duration cannot be calculated.

[2] Asset-Backed Securities do not include Assets of $314 as duration was not available for these securities

[3] Collateralized Mortgage Obligations do not include bonds of $771 as duration was not available for these securities

[4] Corporate Bonds do not include bonds of $6,212 as duration was not available for these securities

[5] Foreign Government and Agency Obligations to not include Obligations of $16 as duration was not available for these securities

The following table depicts the weighted average maturity for the commingled fixed income mutual funds as of June 30, 2025:

Name of Institutional Mutual Fund	Fair Value	Weighted Average Maturity (in years)
Apollo MAC	$ 152,876	4.22
Ares MAC	123,715	4.95
Ares – SDL III	19,881	5.20
BlackRock Total Return Bond Fund	670,102	8.74
Davidson Kempner Special Opportunities Fund III [1]	1,160	—
Davidson Kempner Special Opportunities Fund IV [1]	8,778	—
GCM WindandSea Fund	239,157	2.70
Loomis Sayles SER INVT	102,356	8.53
Metropolitan West Floating Rate	6,648	4.23
Metropolitan West High Yield Bond Fund	6,046	3.90
PIMCO FDS Pac Invt Mgmt Ser	39,779	1.99
PIMCO MAC – PIMCO FUNDS	5,756	10.65
PIMCO MAC – PIMCO FDS Short Term FLTG NAV	3,367	0.06
PIMCO MAC – PIMCO FDS PAC Invt Mgmt Ser	20,136	1.99
PIMCO PAPS Short-Term Floating NAV II Portfolio	155,062	0.06
Wellington Trust Company CIF II Opportunistic	125,079	9.66
Total	$ 1,679,898	

[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, 2025, 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	$ 47,943	1.3 %
Asset-Backed Securities	96,946	2.6
Floating Rate Notes	93,998	2.5
Range Notes	59,695	1.6
Total	$ 298,582	8.0 %

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 four 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 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 three of its four domestic bond managers contain specific investment guidelines that identify permitted fixed income investments. Three 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 four domestic 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); and a minimum credit quality at time of purchase of BBB- for all four domestic fixed income managers.

The following table identifies the credit quality of SDCERS' fixed income strategies based on portfolio holdings as of June 30, 2025.

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	$ 303,428	$ —	$ —	$ —	$ —	$ 303,428	$ —	$ —
GNMA Securities	48,741	—	—	7,967	—	—	40,774	—
AAA	74,493	45,398	20,701	2,262	6,132	—	—	—
AA+	520,015	4,181	1,548	2,435	4,157	10,401	497,293	—
AA	17,336	3,774	3,905	36	9,621	—	—	—
AA-	34,590	2,256	3,425	1,148	27,761	—	—	—
A+	46,975	903	—	872	45,005	195	—	—
A	74,240	5,395	—	3,229	63,029	2,587	—	—
A-	138,534	2,923	—	150	135,211	250	—	—
BBB+	141,554	454	—	2,551	138,549	—	—	—
BBB	153,841	7,297	490	302	141,612	4,140	—	—
BBB-	112,198	1,067	443	—	104,182	6,506	—	—
BB+	22,393	1,580	224	—	19,391	1,198	—	—
BB	32,139	1,954	—	—	26,704	3,481	—	—
BB-	17,112	—	—	—	15,636	1,476	—	—
B+	7,634	—	—	—	7,634	—	—	—
B	15,944	—	—	265	15,365	314	—	—
B-	15,597	632	—	10	11,745	3,210	—	—
CCC+	1,775	—	—	—	763	1,012	—	—
CCC	5,742	2,450	—	1,315	694	1,283	—	—
D	710	138	—	—	511	61	—	—
NR [5]	1,949,309	49,304	50,088	17,653	70,569	77,160	—	1,684,535 [3]
Totals	$ 3,734,300	$ 129,706	$ 80,824	$ 40,195	$ 844,271	$ 416,702	$ 538,067	$ 1,684,535

[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 $1,679,898. 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, 2025.

[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, 2025, 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 issue 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, 2025 SDCERS' cash balance was $1,003. Cash and cash equivalents on deposit with custodial bank and fiscal agents was $257,475, which includes cash collateral for SDCERS' cash overlay program of $56,900 and residual cash held in each manager's portfolio of $200,600, 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, 2025, SDCERS held $268,100 in STIF and a DDA cash balance of ($17,100) 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, 2025, 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 $145,300 as of June 30, 2025. 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 $109,700 as of June 30, 2025, 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 in 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, 2025.

Local Currency Name	Cash	Equity	Fixed Income	Options	Total
Argentine Peso	$ 1	$ —	$ —	$ —	$ 1
Australian Dollar	131	2,809	42	—	2,982
Brazilian Real	56	13,276	(582)	—	12,750
British Pound	531	45,011	3,329	3	48,874
Canadian Dollar	946	4,862	—	—	5,808
Chinese Yuan	5	—	—	—	5
Danish Krone	—	4,691	—	—	4,691
Egyptian Pound	—	—	316	—	316
Euro Currency	659	159,220	35,398	(1)	195,276
Hong Kong Dollar	—	21,418	—	—	21,418
Hungarian Forint	2	—	—	—	2
Israeli New Shekel	—	—	540	—	540
Japanese Yen	611	43,805	6,180	—	50,596
Mexican Peso	—	14,158	489	—	14,647
New Taiwan Dollar	—	4,427	—	—	4,427
New Zealand Dollar	84	—	—	—	84
Norwegian Krone	39	—	—	—	39
Peruvian Sol	—	—	441	—	441
Singapore Dollar	—	4,508	—	—	4,508
South African Rand	—	—	619	—	619
South Korean Won	—	10,405	—	—	10,405
Swedish Krona	11	—	—	—	11
Swiss Franc	—	25,149	—	—	25,149
Turkish Lira	—	—	109	—	109
Total	$ 3,076	$ 353,739	$ 46,881	$ 2	$ 403,698

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, 2025, 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, 2025:

Investment Derivative Instruments	Net Appreciation (Depreciation) in Fair Value	Fair Value at June 30, 2025 Classification	Amount	Notional (Dollars)
Credit Default Swaps	$ 520	Global Fixed Income	$ 1,219	$ 60,203
Equity Options	(114)	Domestic Equity	—	—
Fixed Income Futures	2,166	Global Fixed Income	—	680,033
Fixed Income Options	993	Global Fixed Income	767	171
Foreign Currency Forward	(3,032)	Global Fixed Income	(1,313)	154,216
Foreign Currency Futures	(36)	Domestic Fixed Income	—	3,900
Foreign Currency Options	(43)	Global Fixed Income	44	5,416
Futures Options	170	Global Fixed Income	(31)	(106)
Index Futures	29,250	Domestic Fixed Income	—	34
Index Options	(19)	Global Fixed Income	15	—
Interest Rate Swaps	(1,333)	Global Fixed Income	1,902	386,023
Total Return Swaps Equity	23	Domestic Equity	23	(1,100)
Warrants	(323)	Domestic Equity	6	1
Total Derivative Instruments	$ 28,222		$ 2,632	$ 1,288,791

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, 2025. 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, 2025.

Derivative 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, 2025:

Counterparty Name	Fair Value	S&P Rating
Australia and New Zealand Banking Group	$ 2	AA-
Banco Santander Central Hispano	79	A+
Bank of America ICE	3	A-
Bank of America N.A.	8	A+
Barclays Bank PLC Wholesale	32	A+
BNP Paribas Securities Corporation	1,137	A+
BNP Paribas, S.A.	20	A+
Citibank N.A.	18	A+
Deutsche Bank AG	352	A
Goldman Sachs Bank USA	8	BBB+
Goldman Sachs Bank CME	214	BBB+
Goldman Sachs Bank ICE	611	BBB+
Goldman Sachs LDN LCH UK	181	BBB+
HSBC Bank PLC	20	A-
JPMorgan Chase Bank N.A.	4	AA-
Morgan Stanley and Co. International PLC	10	A-
Morgan Stanley Capital Services Inc	—	A-
Morgan Stanley Co Incorporated	23	A-
Morgan Stanley ICE	552	A-
Societe Generale	1	A
Standard Chartered Bank	8	A+
UBS AG	4	A+
Wells Fargo Bank NA	85	A+
Westpac Banking Corporation	4	AA-
Total	$ 3,376	

The aggregate fair value of investment derivative instruments in an asset position subject to counterparty credit risk at June 30, 2025, was $3,376. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. At June 30, 2025, 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.

Derivative Custodial Credit Risk

At June 30, 2025, all of SDCERS' investments in derivative instruments were held in SDCERS' name and were not exposed to custodial credit risk.

Derivative Interest Rate Risk

At June 30, 2025, 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	$ 1,219	$ 2	$ 1,168	$ 49	$ —
Fixed Income Options	767	764	3	—	—
Interest Rate Swaps	1,902	(27)	(1,803)	(626)	4,358
Total Return Swaps Equity	23	23	—	—	—
Total	$ 3,911	$ 762	$ (632)	$ (577)	$ 4,358

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, 2025.

Investment Type	Fair Value	Notional
Credit Default Swaps	$ 1,219	$ 60,203
Fixed Income Futures	—	680,033
Fixed Income Options	767	171
Interest Rate Swaps	1,902	386,023
Total Return Swaps Equity	23	(1,100)
Total	$ 3,911	$ 1,125,330

Derivative Foreign Currency Risk

At June 30, 2025, 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	$ (11)	$ 42	$ 35
Brazilian Real	—	36	(22)	(582)	(568)
Canadian Dollar	—	2	(3)	—	(1)
Euro Currency	(1)	360	(1,384)	242	(783)
Indian Rupee	—	3	—	—	3
Indonesian Rupiah	—	2	(2)	—	—
Japanese Yen	—	27	10	—	37
Kazakhstan Tenge	—	(1)	—	—	(1)
Mexican Peso (New)	—	3	(12)	—	(9)
New Israeli Sheqel	—	—	(55)	—	(55)
New Taiwan Dollar	—	31	(178)	—	(147)
New Zealand Dollar	—	—	(3)	—	(3)
Peruvian Sol	—	83	(133)	—	(50)
Polish Zloty	—	2	—	—	2
Pound Sterling	3	23	(77)	(123)	(174)
Singapore Dollar	—	4	(3)	—	1
South African Rand	—	(1)	(8)	—	(9)
South Korean Won	—	1	(6)	—	(5)
Swiss Frank	—	6	(8)	—	(2)
Thailand Baht	—	2	(3)	—	(1)
Turkish Lira	—	5	(2)	—	3
Yuan Renminbi Offshore	—	3	(8)	—	(5)
Subtotal	2	595	(1,908)	(421)	(1,732)
Investments Denominated in USD	799	—	—	3,565	4,364
Total	$ 801	$ 595	$ (1,908)	$ 3,144	$ 2,632

In addition to the investments listed in the previous table, SDCERS has investments in foreign futures contracts with a total notional value of $18,600. 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, 2025.

Contingent Features

At June 30, 2025, 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 10% and 3%, respectively, 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, 2025, totaled $708,361 and private equity and infrastructure investments totaled $1,548,226.

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, 2025, real estate investments totaled $1,216,629 and unfunded capital commitments totaled $174,545. Pursuant to a policy, SDCERS has established a maximum leverage limit of 50% at the portfolio level. As of June 30, 2025, SDCERS' real estate portfolio had leverage of 37.0%.

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 2025, 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, 2025, securities on loan collateralized by cash had a fair value of $107,700 and SDCERS received cash collateral of $109,700, 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, 2025, securities on loan collateralized by securities, irrevocable letters of credit, or tri-party collateral had a fair value of $129,600 and a collateral value of $145,300, 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, 2025, for its securities lending activities was $255,000.

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. As of June 30, 2025, this collateral pool is not rated by the NRSROs.

As of June 30, 2025, SDCERS had $109,700 invested in the Compass Fund. The Compass Fund had a weighted average maturity of 10.5 days and an average weighted final maturity of 92.2 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, 2025 (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, 2025 consisted of the following:

	SDHC	Component Units [1]	Total
Deposits and Petty Cash	$ 58,862	$ 30,058	$ 88,920
U.S. Agency Bonds	71,727	—	71,727
San Diego County Investment Pool	8,609	—	8,609
State Local Agency Investment Fund	9,211	—	9,211
Total Cash and Investments	148,409	30,058	178,467
Restricted Cash and Cash Equivalents	3,909	10,200	14,109
Total	$ 152,318	$ 40,258	$ 192,576

[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 $62,771 at June 30, 2025. 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, 2025, $62,764 was collateralized and the remaining $7 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 Commission 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, 2025, 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, 2025:

Investment Type	Fair Value	Level 1	Level 2
U.S. Government Agency Bonds	$ 71,727	$ —	$ 71,727

Investments in U.S. Government 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 securities (MBS) bonds and debentures and Asset Backed Securities (ABS) 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. ABS are pooled financial instruments which are typically loans or receivables. While Standard & Poor's and Moody's does not specifically rate MBS, they carry an implied rating based on the credit worthiness of FNMA (Federal National Mortgage Association), FHLMC (Federal Home Loans Money Corporation) and FRESB (Freddie Mac Small Balance Loans). Moody rate FNMA, FHLMC and FRESB as Aa1 while Standard & Poor's rate FNMA, FHLMC and FRESB as AA+. ABS BMW Vehicle Lease Trust (BMWLT) and Capital One Multi-Asset Execution Trust (COMET) are both rated AAA. At June 30, 2025, SDHC had $61,805 invested in Agency MBS bonds and $9,922 invested in ABS.

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, 2025 was $16,929,852. The investment portfolio had a weighted average yield to maturity of 3.81%, weighted average days to maturity of 562 days and an effective duration of 1.2 years. As of June 30, 2025, SDHC had $8,609 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, 2025, the average maturity of PMIA investments was 248 days and the fair value with accrued interest of the investment portfolio of PMIA was approximately $179,918,092. SDHC had $9,211 invested with LAIF as of June 30, 2025.

Investment Risk Factors

SDHC's investment policy allows the agency to invest surplus funds in accordance with the provisions of the U.S. Department of Housing and Urban Development (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, 2025 is shown in the table below:

	Maturities as of June 30, 2025			
	Less Than 3 Months	4-12 Months	1-5 Years	Total Fair Value
Cash and Cash Equivalents: [1]				
Deposits	$ 58,855	$ —	$ —	$ 58,855
Petty Cash	7	—	—	7
Restricted Cash and Cash Equivalents	3,828	—	81	3,909
Total Cash and Cash Equivalents	62,690	—	81	62,771
Short-Term Investments:				
San Diego County Investment Pool	—	—	8,609	8,609
State Local Agency Investment Fund	—	9,211	—	9,211
U.S. Agencies - Freddie Mac Federal Home Loan Mortgage Corporation K Series Securities	6,475	8,238	—	14,713
U.S. Agencies - Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	—	4,730	—	4,730
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program (Fannie Mae DUS) Securities	—	9,205	—	9,205
Total Short-Term Investments	6,475	31,384	8,609	46,468
Long-Term Investments:				
Asset Backed Security	—	—	9,922	9,922
U.S. Agencies - Freddie Mac Federal Home Loan Mortgage Corporation K Series Securities	—	—	15,097	15,097
U.S. Agencies - Fannie Mae Mortgage Backed Securities	—	—	5,034	5,034
U.S. Agencies - Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	—	—	7,650	7,650
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program (Fannie Mae DUS) securities	—	—	5,376	5,376
Total Long-Term Investments	—	—	43,079	43,079
Total Cash, Cash Equivalents, and Investments	$ 69,165	$ 31,384	$ 51,769	$ 152,318

[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 investment may not be returned, or the deposits fully 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 and custodial risk as of June 30, 2025 is as follows:

	Standard & Poor's Credit Rating			
	AAA	AA+	Rating Not Provided	Total Fair Value
Cash and Cash Equivalents				
Cash and Cash Equivalents	$ —	$ —	$ 58,862	$ 58,862
Restricted Cash and Cash Equivalents	—	—	3,909	3,909
Total Cash and Cash Equivalents	—	—	62,771	62,771
Short-Term Investments				
San Diego County Investment Pool	—	8,609	—	8,609
State Local Agency Investment Fund	—	—	9,211	9,211
U.S. Agencies - Freddie Mac Federal Home Loan Mortgage Corporation K Series Securities	—	14,713	—	14,713
U.S. Agencies - Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	—	4,730	—	4,730
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program (Fannie Mae DUS) Securities	—	9,205	—	9,205
Total Short-Term Investments	—	37,257	9,211	46,468
Long-Term Investments				
Asset Backed Security	9,922	—	—	9,922
U.S. Agencies - Freddie Mac Federal Home Loan Mortgage Corporation K Series Securities	—	15,097	—	15,097
U.S. Agencies - Fannie Mae Mortgage Backed Securities	—	5,034	—	5,034
U.S. Agencies - Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	—	7,650	—	7,650
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program (Fannie Mae DUS) securities	—	5,376	—	5,376
Total Long-Term Investments	9,922	33,157	—	43,079
Total Cash, Cash Equivalents, and Investments	$ 9,922	$ 70,414	$ 71,982	$ 152,318

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 $71,727 invested in agency bonds and debentures as of June 30, 2025, all are mortgage-backed securities (MBS) issued either by Fannie Mae, Freddie Mac Federal Home Loan Mortgage Corporation K series, Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) or Freddie Mac Small Balance Loans and Asset Backed Securities (ABS).

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 the 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 least 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, 2025 are as follows:

	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Non-Depreciable Capital Assets:					
Land and Rights of Way	$ 1,955,661	$ 6,207	$ (104)	$ (793)	$ 1,960,971
Easements (Intangible)	10,832	653	—	1,009	12,494
Artwork/Historical Treasures	5,052	—	—	—	5,052
Construction in Progress	672,860	280,639	(859)	(209,121)	743,519
Total Non-Depreciable Capital Assets	2,644,405	287,499	(963)	(208,905)	2,722,036
Depreciable Capital Assets:					
Structures and Improvements	1,491,611	44,884	(1,516)	74,793	1,609,772
Equipment	706,683	75,598	(18,452)	24,775	788,604
Equipment (Intangible)	56,012	354	(145)	—	56,221
Infrastructure	5,078,037	169,214	—	109,337	5,356,588
Right-to-Use Leased Land	16,773	—	—	—	16,773
Right-to-Use Leased Structures	88,017	7,250	(2,473)	—	92,794
Right-to-Use Leased Equipment	1,567	—	—	—	1,567
Right-to-Use Subscription Assets	47,835	18,582	(5,025)	—	61,392
Total Depreciable Capital Assets	7,486,535	315,882	(27,611)	208,905	7,983,711
Less Accumulated Depreciation/Amortization:					
Structures and Improvements	(789,093)	(56,024)	517	(15)	(844,615)
Equipment	(383,297)	(62,561)	17,832	(848)	(428,874)
Equipment (Intangible)	(39,007)	(2,413)	145	843	(40,432)
Infrastructure	(3,030,141)	(112,984)	—	20	(3,143,105)
Right-to-Use Leased Land	(3,565)	(1,187)	—	—	(4,752)
Right-to-Use Leased Structures	(25,505)	(10,877)	2,473	—	(33,909)
Right-to-Use Leased Equipment	(390)	(522)	—	—	(912)
Right-to-Use Subscription Assets	(11,397)	(13,377)	3,241	—	(21,533)
Total Accumulated Depreciation	(4,282,395)	(259,945)	24,208	—	(4,518,132)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	3,204,140	55,937	(3,403)	208,905	3,465,579
Governmental Activities Capital Assets, Net	$ 5,848,545	$ 343,436	$ (4,366)	$ —	$ 6,187,615

	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
BUSINESS-TYPE ACTIVITIES					
Non-Depreciable Capital Assets:					
Land and Rights of Way	$ 107,682	$ 7	$ —	$ —	$ 107,689
Easements (Intangible)	9,396	119	—	—	9,515
Artwork/Historical Treasures	1,875	—	—	—	1,875
Construction in Progress	1,777,122	649,982	—	(240,836)	2,186,268
Total Non-Depreciable Capital Assets	1,896,075	650,108	—	(240,836)	2,305,347
Depreciable Capital Assets:					
Structures and Improvements	2,237,136	2,802	(22)	7,379	2,247,295
Equipment	534,980	10,927	(3,670)	4,483	546,720
Equipment (Intangible)	63,049	126	(56)	466	63,585
Distribution and Collection Systems and Other Infrastructure	6,532,958	97,790	(3,612)	228,508	6,855,644
Right-to-Use Leased Land	—	1,142	—	—	1,142
Right-to-Use Leased Structures	7,556	63,170	(1,120)	—	69,606
Right-to-Use Leased Equipment	14,519	—	(14,003)		516
Right-to-Use Subscription Assets	4,287	384	(271)	—	4,400
Total Depreciable Capital Assets	9,394,485	176,341	(22,754)	240,836	9,788,908
Less Accumulated Depreciation/Amortization:					
Structures and Improvements	(894,059)	(43,338)	17	—	(937,380)
Equipment	(405,517)	(15,426)	2,060	2	(418,881)
Equipment (Intangible)	(33,399)	(2,429)	56	—	(35,772)
Distribution and Collection Systems and Other Infrastructure	(1,941,492)	(107,626)	2,635	(2)	(2,046,485)
Right-to-Use Leased Land	—	(195)	—	—	(195)
Right-to-Use Leased Structures	(2,724)	(5,170)	1,122	—	(6,772)
Right-to-Use Leased Equipment	(11,219)	(3,258)	14,003	—	(474)
Right-to-Use Subscription Assets	(2,359)	(1,284)	51	—	(3,592)
Total Accumulated Depreciation	(3,290,769)	(178,726)	19,944	—	(3,449,551)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	6,103,716	(2,385)	(2,810)	240,836	6,339,357
Business-Type Activities Capital Assets, Net	$ 7,999,791	$ 647,723	$ (2,810)	$ —	$ 8,644,704

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

GOVERNMENTAL ACTIVITIES	
General Government and Support	$ 26,427
Public Safety - Police	27,000
Public Safety - Fire and Life Safety and Homeland Security	16,628
Parks, Recreation, Culture and Leisure	67,301
Transportation	90,609
Sanitation and Health	27,433
Neighborhood Services	4,547
Total Depreciation Expense	$ 259,945
BUSINESS-TYPE ACTIVITIES	
Sewer Utility	$ 85,485
Water Utility	70,498
Airports	3,629
Development Services	4,814
Refuse Disposal	5,633
Golf Course	3,776
Recycling	375
SDCCC	4,516
Total Depreciation Expense	$ 178,726

Capital asset activities for the City's Successor Agency for the fiscal year ended June 30, 2025 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	$ —	$ (2,862)	$ 10,417
Construction in Progress	10,050	5,617	—	15,667
Total Non-Depreciable Capital Assets	23,329	5,617	(2,862)	26,084
Depreciable Capital Assets:				
Structures and Improvements	64,425	—	(28,900)	35,525
Equipment	819	—	—	819
Infrastructure	3	—	(3)	—
Total Depreciable Capital Assets	65,247	—	(28,903)	36,344
Less Accumulated Depreciation for:				
Structures and Improvements	(29,166)	(1,753)	12,223	(18,696)
Equipment	(819)	—	—	(819)
Total Accumulated Depreciation	(29,985)	(1,753)	12,223	(19,515)
Total Depreciable Capital Assets - Net of Depreciation	35,262	(1,753)	(16,680)	16,829
Capital Assets, Net	$ 58,591	$ 3,864	$ (19,542)	$ 42,913

Discretely Presented Component Unit - San Diego Housing Commission

Capital asset activities for SDHC for the fiscal year ended June 30, 2025 are as follows:

	San Diego Housing Commission			
	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Capital Assets:				
Land	$ 113,527	$ 13,570	$ —	$ 127,097
Construction in Progress	5,683	11,917	(965)	16,635
Total Non-Depreciable Capital Assets	119,210	25,487	(965)	143,732
Depreciable Capital Assets:				
Structures and Improvements	278,121	56,630	—	334,751
Equipment	7,796	5,898	(306)	13,388
Right-to-Use Subscription Assets	6,446	1,492	(267)	7,671
Total Depreciable Capital Assets	292,363	64,020	(573)	355,810
Less Accumulated Depreciation for:				
Structures and Improvements	(94,762)	(11,879)	—	(106,641)
Equipment	(5,791)	(1,107)	437	(6,461)
Right-to-Use Subscription Assets	(2,448)	(1,779)	83	(4,144)
Total Accumulated Depreciation	(103,001)	(14,765)	520	(117,246)
Total Depreciable Capital Assets - Net of Depreciation	189,362	49,255	(53)	238,564
Capital Assets, Net	$ 308,572	$ 74,742	$ (1,018)	$ 382,296

Capital asset activities for the discretely presented component units of SDHC as of December 31,2024 are as follows:

Non-Depreciable Capital Assets:	
Land	$ 4,477
Depreciable Capital Assets:	
Structures and Improvements	150,535
Equipment	8,758
Total Depreciable Capital Assets	159,293
Less Accumulated Depreciation	(39,478)
Total Depreciable Capital Assets - Net of Depreciation	119,815
Capital Assets, Net	$ 124,292

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, 2025, is reflected in the table below:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2025
Compensated Absences				$ 124,302
Liability Claims				476,427
Reimbursement Agreement Obligations				37,740
Leases Payable				76,660
SBITAs Payable				33,160
Financed Purchase Obligations:				
Equipment Vehicle Financing Program (EVFP)				
MLA 2017	1.94 - 2.79	2026	$ 7,741	508
MLA 2017B	2.32 - 2.61	2026	28,045	1,418
MLA 2018	2.26 - 2.67	2029	19,807	7,584
MLA 2019	0.65 - 1.83	2031	33,993	14,681
MLA 2020	0.76 - 3.60	2032	26,993	16,679
MLA 2022	3.29 - 4.59	2034	29,998	26,758
MLA 2024	3.54 - 3.93	2035	10,722	10,722
MLA 2025	3.58 - 3.68	2036	21,441	21,441
Other Financed Purchase Obligations	1.36 - 7.08	2033	21,273	12,163
Total Financed Purchase Obligations				111,954
QECB Lease Obligation	6.16 [1]	2026	13,142	1,027
Loans Payable:				
California Energy Resources Conservation and Development Commission:				
Issued December 2012	1.0	2029	1,986	501
Section 108 Loans Payable		2025	5,910	—
Lease Revenue Bonds:				
PFFA Fire and Life Safety Refunding Bonds, Series 2012B	2.0 - 5.0 [2]	2032	18,745	—
PFFA CIP/Old Town Light Rail Extension Refunding Bonds, Series 2013A	2.0 - 5.0 [2]	2043	43,245	—
PFFA CIP Bonds, Series 2015A	5.0 [2]	2045	62,260	62,260
PFFA CIP Bonds, Series 2015B	5.0 [2]	2033	45,030	24,970
PFFA Ballpark Refunding Bonds, Series 2016	2.0 - 5.0 [2]	2032	103,255	54,880
PFFA Refunding Bonds, Series 2018A	2.57 - 4.23 [2]	2039	129,320	78,840
PFFA Refunding Bonds, Series 2020A	0.85 - 3.43 [2]	2042	60,745	55,160
CCEFA Refunding Bonds, Series 2020A	0.99 - 2.36 [2]	2028	70,750	34,720
PFFA Revenue Bonds, Series 2021A	4.00 - 5.00 [2]	2051	117,145	111,660
PFFA Revenue Bonds, Series 2023A	4.00 - 5.25 [2]	2053	114,990	111,515
PFFA Revenue Bonds, Series 2024A	5.0 [2]	2055	213,130	210,985
Total Lease Revenue Bonds				744,990
Tobacco Settlement Bonds:				
TSRFC Bonds, Series 2018A	2.13 - 4.02 [2]	2028	70,510	20,410
TSRFC Bonds, Series 2018C [3]	4.0	2032	25,345	5,720
Total Tobacco Settlement Bonds				26,130
Total Bonds Payable				771,120
Net OPEB Liability				316,415
Pension Liabilities (Retirement)				2,572,905
Total Pension Liability (POB)				18,705
Total Governmental Activities Long-Term Liabilities				$ 4,540,916

[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 2025. These rates have remained consistent since fiscal year 2021.

[2] Interest rates are fixed and/or 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.

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.

b. Amortization Requirements

The annual requirements to amortize the long-term debt outstanding as of June 30, 2025, including interest payments to maturity, are as follows:

Year Ending June 30	Leases Payable Principal	Leases Payable Interest	SBITAs Payable Principal	SBITAs Payable Interest	EVFP Principal	EVFP Interest	Other Financed Purchase Obligations Principal	Other Financed Purchase Obligations Interest
2026	$ 10,723	$ 1,104	$ 12,238	$ 898	$ 18,623	$ 2,637	$ 2,062	$ 414
2027	9,465	979	11,298	567	17,598	2,449	1,925	334
2028	9,244	870	7,235	259	16,879	1,957	1,810	256
2029	9,011	759	2,167	67	12,640	1,482	1,677	189
2030	8,885	653	54	6	11,079	1,090	1,522	131
2031-2035	16,044	2,137	168	8	22,063	1,898	3,167	122
2036-2040	5,613	1,097	—	—	909	17	—	—
2041-2045	5,165	552	—	—	—	—	—	—
2046-2050	2,510	63	—	—	—	—	—	—
Total	$ 76,660	$ 8,214	$ 33,160	$ 1,805	$ 99,791	$ 11,530	$ 12,163	$ 1,446

Year Ending June 30	QECB Lease Obligation Principal	QECB Lease Obligation Interest	CEC Loans Payable Principal	CEC Loans Payable Interest
2026	$ 1,027	$ 63	$ 158	$ 5
2026	—	—	159	3
2027	—	—	161	1
2028	—	—	23	—
Total	$ 1,027	$ 63	$ 501	$ 9

Year Ending June 30	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Tobacco Settlement Bonds Principal [1]	Tobacco Settlement Bonds Interest
2026	$ 39,375	$ 33,132	$ 6,570	$ 1,029
2027	40,825	31,666	6,760	778
2028	38,270	30,181	7,080	513
2029	27,665	28,680	—	229
2030	28,975	27,395	—	229
2031-2035	132,205	117,711	5,720	457
2036-2040	133,690	88,281	—	—
2041-2045	121,060	57,793	—	—
2046-2050	102,915	32,170	—	—
2051-2055	80,010	8,455	—	—
Total	$ 744,990	$ 455,464	$ 26,130	$ 3,235

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

c. <u>Change in Long-Term Liabilities</u>

The following is a summary of changes in governmental activities long-term liabilities for the year ended June 30, 2025. The effect of bond issuance premiums and discounts are reflected as adjustments to the carrying value of long-term liabilities.

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences [1, 2]	$ 118,711	$ 5,591	$ —	$ 124,302	$ 58,854
Liability Claims	403,964	148,284	(75,821)	476,427	133,768
Reimbursement Agreement Obligations	22,684	16,564	(1,508)	37,740	—
Leases Payable	81,730	7,250	(12,320)	76,660	10,723
SBITAs Payable	30,877	18,582	(16,299)	33,160	12,238
Financed Purchase Obligations:					
EVFP [3]	73,826	43,480	(17,515)	99,791	18,623
Other Financed Purchase Obligations [4]	13,244	956	(2,037)	12,163	2,062
Total Financed Purchase Obligations [5]	87,070	44,436	(19,552)	111,954	20,685
QECB Lease Obligation [5]	2,031	—	(1,004)	1,027	1,027
Loans Payable:					
California Energy Resource Conservation and Development Commission [5]	657	—	(156)	501	158
Section 108 Loans Payable	485	—	(485)	—	—
Lease Revenue Bonds	604,195	213,130	(72,335)	744,990	39,375
Unamortized Bond Premiums and Discounts	52,579	23,095	(4,090)	71,584	4,089
Net Lease Revenue Bonds	656,774	236,225	(76,425)	816,574	43,464
Tobacco Settlement Bonds	36,280	—	(10,150)	26,130	6,570
Net Other Postemployment Benefits Liability	309,596	38,333	(31,514)	316,415	—
Pension Liabilities (Retirement)	2,275,412	1,397,486	(1,099,993)	2,572,905	—
Total Pension Liability (POB)	10,559	8,834	(688)	18,705	875
Total	$ 4,036,830	$ 1,921,585	$ (1,345,915)	$ 4,612,500	$ 288,362

[1] Additions amount reflects the net change in compensated absences.

[2] Beginning balance for compensated absences has been restated due to the implementation of GASB 101. See note 22 for more information.

[3] City's unused line of credit for EVFP is $23,837.

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

[5] City's direct borrowings.

During fiscal year 2025, the City finance-purchased various public safety and support vehicles under various agreements with Bank of America Public Capital Corp., The obligations totaled $43,480, to be financed over periods ranging from five to ten years at rates between 3.29% and 3.93%.

On April 14, 2025, the City finance-purchased various office equipment with Hewlett-Packard Financial Services Company in the amount of $956 to be financed for five years at a rate of 5.79%.

On July 25, 2024, the PFFA issued tax-exempt Lease Revenue and Lease Revenue Refunding Bonds, Series 2024A in the amount of $213,130. The bonds were issued to pay down outstanding Lease Revenue Commercial Paper Notes, Series A, refund Lease Revenue Refunding Bonds Series 2012B and Series 2013A, finance the costs of acquisition, design, construction, installation, improvement, replacement, and equipping of certain improvement projects of the City, and pay costs of issuance incurred in connection with the issuance of the 2024 Bonds.

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, 2025, there have been no draws on the available $225,110 executed credit agreement.

On September 18, 2024, the City entered into an agreement with the State Water Resources Control Board (SWRCB) to utilize the Clean Water State Revolving Fund (CWSRF) financing program in an amount not to exceed $27,000 for the planning, design, and construction of the South Mission Beach Storm Drain and Green Infrastructure Projects. The interest rate on the loan is 1.7% and the repayment period for the loan is 30 years, beginning one year after completion of construction of the projects, which is currently projected to be August 2028. As of June 30, 2025, there have been no reimbursements of eligible costs submitted to SWRCB.

d. Redemption and Defeasance of Debt

The refunded Lease Revenue Refunding Bonds, Series 2012B and Series 2013A were defeased and the corresponding liabilities have been removed from the Statement of Net Position. As of July 25, 2024 (closing date), the reacquisition price exceeded the net carrying amount of the old debt by $105 for the 2012B Bonds. This amount is reported as a deferred outflow of resources and amortized over the remaining life of the refunding debt. For 2013A Bonds, the net carrying value of the old bond exceeded the reacquisition price by $669. This amount is reported as a deferred inflow of resources and amortized over the remaining life of the refunding debt. The full refunding for both 2012B Bonds and 2013A Bonds reduced the total debt service payments by $4,487 and resulted in a total economic gain of $3,322.

As of June 30, 2025, principal amounts payable from escrow funds established for defeased bonds are as follows:

Defeased Bonds	Amount
Lease Revenue Refunding Bonds, Series 2012B	$ 8,455
Lease Revenue Refunding Bonds, Series 2013A	26,020

e. 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, 2025, the limit for the City was $46,670,136, 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, 2025.

f. Event of Default Provisions

The City's outstanding Financed Purchased Obligations of $111,954 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 $744,990 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 $26,130 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.

g. Leases and Subscription Based Information Technology Arrangements Payable

The City is a lessee in various noncancellable leases of land, buildings, and equipment. The City also has various SBITAs for noncancellable software subscriptions. As of June 30, 2025, the Governmental Activities' leases payable and SBITAs payable of $76,660 and $33,160, respectively, were comprised of the following:

Type of Obligation	Interest Rates	Remaining Term	Fiscal Year 2025 Principal and Interest Paid	Balance Outstanding at 6/30/25
Leases Payable:				
Land	1.44% - 1.59%	9 years - 12 years	$ 1,308	$ 12,190
Buildings	0.34% - 3.12%	5 months - 22 years	11,650	63,802
Equipment	2.71%	1 year	544	668
Total Leases Payable			$ 13,502	$ 76,660
SBITAs Payable	2.29% - 2.90%	2 years - 9 years	$ 15,226	$ 33,160

During fiscal year 2025, Development Services entered into a new office space lease located at 7650 Mission Valley Road. The space is being subleased from Wawanesa General Insurance Co. Inc. The lease is 10% funded by the General Fund. The governmental obligation totals $811 plus interest, to be paid over a four year term, with an incremental borrowing rate of 2.90%.

The Fire Department entered into a new lease located at 9325 Sky Park Court, for the San Diego Fire Department Health and Wellness Center. The obligation totals $5,504, with an incremental borrowing rate of 2.97%, to be paid over seven years with an option to renew for an additional three years.

In addition, amendments to existing office space leases were executed in fiscal year 2025, with a total increase to the outstanding lease liability of $935.

The City executed several new SBITAs during fiscal year 2025. Under various agreements with different vendors, the obligations total $18,582 plus interest, to be paid over contract terms ranging from three to five years, with incremental borrowing rates between 2.88% and 2.90%.

h. Long-Term Pledged Liabilities

Governmental long-term pledged liabilities as of June 30, 2025 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 LLC (Civita State Route 163/Friars Rd Improvement)		$ 371	$ —	$ —
Mission Valley Riverwalk Development Agreement		9,596	21	21
Quarry Falls LLC (Civita) Neighborhood Parks Reimbursement Agreement		22,059	—	—
Pledged Facilities Benefit Assessment (FBA) Revenue:				
Torrey Highlands/Camino Del Sur Reimbursement Agreement		868	1,487	1,487
Pledged Regional Transportation Congestion Improvement Program (RTCIP):				
Quarry Falls LLC (Friars Road East & West Bound Ramps Qualcomm Way)		3,293	—	—
Quarry Falls LLC (Friars Road Qualcomm Way to Mission Center Road)		1,553	—	—
Naval Training Center Civic, Arts and Cultural Center (Section 108)	2025	—	500	500
Pledged Tobacco Settlement Revenue:				
TSRFC Bonds, Series 2018 A,C	2032	29,365	11,568	9,064
Total		$ 67,105	$ 13,576	$ 11,072

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

a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2025 are comprised of the following:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount [5]	Balance Outstanding June 30, 2025
Compensated Absences				$ 30,399
Liability Claims				217,047
Leases Payable				67,683
SBITAs Payable				522
Loans Payable:				
Sewer Utility - State Water Resources Control Board:				
Point Loma Digesters S1 and S2, February 28, 2007	1.89 [2]	2026	$ 11,068	686
Point Loma Digesters Grit Processing, February 17, 2012 [3]	—	2036	31,514	19,346
Sewer Pipeline Rehab Project MNOP, July 10, 2012 [3]	—	2033	18,914	7,246
Metro Biosolids Center Storage Silos, August 6, 2015 [3]	—	2035	7,204	3,905
MBC Odor Control Facilities Upgrades, July 15, 2015	1.70 [1]	2035	6,840	3,887
MBC Dewatering Centrifuge Replacement, July 8, 2015 [3]	1.70 [1]	2039	11,961	8,978
Sewer Pipeline Rehab Project-Q, June 26, 2013	2.20 [1]	2034	4,791	1,218
Sewer Pipeline Rehab Project-RS, August 22, 2013 [3]	—	2034	8,924	4,115
Sewer Pipeline Rehab Project-T, July 12, 2016	1.70 [1]	2036	2,314	1,357
MBC Chemical Systems Improvement Phase II, July 12, 2016	1.70 [1]	2037	5,284	3,343
Pump Station 2 Power Reliability/ Surge Protection, September 12, 2018	1.80 [1]	2054	72,358	70,584
Pure Water Conveyance System Project, April 15, 2022	0.80 [1]	2056	131,030	131,030
Pure Water Morena Blvd Pump Station Project, April 18, 2022	0.80 [1]	2056	103,904	103,904
Pure Water Reclamation Plant Expansion Project, April 27, 2022	1.10 [1]	2058	130,423	130,423
Pure Water Metropolitan Biosolids Center Project, April 27, 2022	0.80 [1]	2056	4,055	4,055
Total Sewer Utility Loans Payable				494,077
Water Utility - State Water Resources Control Board:				
Alvarado Water Treatment Plant, May 30, 2011	2.31 [1]	2032	12,000	4,518
Miramar Water Treatment Plant, September 26, 2011	2.31 [1]	2032	20,000	7,528
Otay Water Treatment Plant, December 22, 2011	2.50 [1]	2032	18,000	7,339
Harbor Drive Pipeline Replacement Project, January 29, 2013	2.09 [1]	2036	10,561	6,375
Lindbergh Field Pipeline Replacement Project, January 29, 2013	2.09 [1]	2036	3,262	1,966
University Avenue Pipeline Replacement Project, June 7, 2016	2.09 [1]	2039	25,300	18,835
69th Street & Mohawk Pump Station Project, June 14, 2018	1.70 [1]	2050	14,116	12,248
Morena Pipeline Project, November 21, 2023	2.10 [1]	2057	3,744	3,744
Alvarado 2nd Pipeline Extension Project, October 31, 2024	2.10 [1]	2059	5,127	5,127
Water Utility - US Environmental Protection Agency:				
Pure Water WIFIA Loan Agreement, September 24, 2020	1.29 [1]	2054	525,450	523,450
Total Water Utility Loans Payable				591,130
Refuse Disposal:				
California Infrastructure and Economic Development Bank (IBank)	3.89 [1]	2044	40,000	38,641
SDCCC:				
California Infrastructure and Economic Development Bank (IBank)	3.59 [1]	2042	25,500	20,695
Total Loans Payable				1,144,543
Water CP Notes, Series A [4]	2.25 - 3.65 [1]	2028	250,000	250,000

(Continued on Next Page)

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount [5]	Balance Outstanding June 30, 2025
Revenue Bonds Payable:				
Senior Sewer Revenue Refunding Bonds, Series 2015	2.0 - 5.0 [1]	2027	$ 313,620	$ 54,120
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	34,125
Subordinated Water Revenue Bonds, Refunding Series 2016 B	5.0 [1]	2040	523,485	302,245
Subordinated Water Revenue Bonds, Refunding Series 2018 A	5.0 - 5.25 [1]	2048	243,180	217,145
Senior Water Revenue Bonds, Series 2020 A	3.0 - 5.0 [1]	2050	221,420	200,080
Senior Water Revenue Refunding Bonds, Series 2020 B	1.03 - 2.33 [1]	2033	114,195	72,930
Subordinated Sewer Revenue Bonds, Series 2022 A	5.0 [1]	2052	168,250	160,205
Senior Water Revenue Bonds, Series 2023A	4.0 - 5.25 [1]	2053	223,155	219,650
Subordinated Sewer Revenue Refunding Bonds, Series 2024A	5.0 [1]	2054	267,475	263,410
Total Revenue Bonds Payable				1,794,040
Estimated Landfill Closure and Postclosure Care				64,977
Net Other Postemployment Benefits Liability				92,501
Pension Liabilities (Retirement)				573,355
Total Pension Liability (POB)				2,101
Total Business-Type Activities Long-Term Liabilities				$ 4,237,168

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

[2] Effective rate.

[3] Interest payment due has been reclassified as Grant Charge and Service Fee by the State as of Fiscal Year 2022. These expenses are now under category Contractual Services; therefore, interest rate is zero.

[4] Amount authorized is $250,000. Maturity date of 2028 represents expiration date of direct-pay LOC which is January 31, 2028. Series A is now classified as a long-term liability. See Note 8 for more information.

[5] 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, 2025, including interest payments to maturity, are as follows:

	Leases Payable		SBITAs Payable		Loans Payable		Revenue Bonds Payable	
Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 4,835	$ 1,936	$ 180	$ 14	$ 16,410	$ 12,783	$ 99,130	$ 83,918
2027	5,115	1,806	185	9	14,053	4,655	102,025	79,614
2028	4,927	1,675	77	4	14,393	4,403	90,030	74,717
2029	3,618	1,554	80	3	14,742	4,143	94,330	70,417
2030	3,304	1,470	—	—	15,100	3,877	62,880	66,418
2031-2035	15,479	5,972	—	—	67,712	14,554	341,040	285,610
2036-2040	19,919	3,192	—	—	44,514	9,937	372,065	197,712
2041-2045	10,486	726	—	—	29,080	4,815	244,865	123,015
2046-2050	—	—	—	—	16,766	1,978	265,530	59,862
2051-2055	—	—	—	—	12,037	546	122,145	11,887
Unscheduled [1]	—	—	—	—	899,736	—	—	—
Total	$ 67,683	$ 18,331	$ 522	$ 30	$ 1,144,543	$ 61,691	$ 1,794,040	$ 1,053,170

[1] The loans payable to the State Water Resources Control Board in the amount of $378,286 and to the United States Environmental Protection Agency in the amount of $521,450 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, 2025. The effects of bond premiums and discounts are reflected as adjustments to long-term liabilities.

	Business-Type Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences [1, 2]	$ 28,155	$ 2,244	$ —	$ 30,399	$ 16,079
Liability Claims	197,388	39,237	(19,578)	217,047	22,229
Leases Payable	8,503	64,312	(5,132)	67,683	4,835
SBITAs Payable	1,746	384	(1,608)	522	180
Loans Payable [3, 4]	856,948	303,598	(16,003)	1,144,543	16,410
Water CP Notes, Series A [5]	—	250,000	—	250,000	—
Revenue Bonds Payable	1,640,130	267,475	(113,565)	1,794,040	99,130
Unamortized Bond Premiums and Discounts	233,113	33,332	(18,075)	248,370	18,076
Net Revenue Bonds Payable	1,873,243	300,807	(131,640)	2,042,410	117,206
Estimated Landfill Closure/Postclosure Care	62,647	2,330	—	64,977	—
Net Other Postemployment Benefits Liability	90,655	10,383	(8,537)	92,501	—
Pension Liabilities (Retirement)	514,774	275,195	(216,614)	573,355	—
Total Pension Liability (POB)	1,221	953	(73)	2,101	67
Totals	$ 3,635,280	$ 1,249,443	$ (399,185)	$ 4,485,538	$ 177,006

[1] Additions amount for compensated absences represents the net change.

[2] Beginning balance for compensated absences has been restated due to the implementation of GASB 101. See Note 22 for more information.

[3] City's direct borrowings.

[4] City's unused lines of credit for Pure Water Conveyance System, Pure Water Morena Blvd, Pure Water Reclamation Plant Expansion, Pure Water Metro Biosolids Center, Morena Pipeline Project, Alvarado 2nd Pipeline Extension, and Pure Water WIFIA loans are $93,970, $51,202, $143,854, $5,863, $53,930, $140,565, and $208,050, respectively.

[5] Balance of $250,000 includes $122,656 carried over from Note 8. See Note 8 information on Water CP Notes, Series A.

During fiscal year 2025, 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 $150,828. The repayment period of these loans are 20-30 years from completion of construction at rates between 0.80% to 2.10%.

During fiscal year 2025, the Water Utility Fund received additional loan proceeds through the Water Infrastructure Finance Innovation Act (WIFIA) agreement totaling $152,770 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 30 years with a final maturity date of August 1, 2054.

During fiscal year 2025, the City issued Water CP Notes in the amount of $127,344. The Water CP Notes of $122,656 were previously classified as short-term liabilities in fiscal year 2024. As of June 30, 2025, the Water CP Notes are now classified as long-term liabilities based on the new expiration date of the letter of credit (LOC). See Note 8 for additional information on Water CP notes.

On December 20, 2024, the City entered into a Drinking Water State Revolving Fund (DWSRF) loan agreement with the SWRCB to finance the Lead Service Line Replacement Inventory and Investigation project. This is a drawdown loan that will fund up to an estimated project cost of $7,770 at a zero interest rate. The repayment period for the loan is 10 years, beginning one year after completion of the work. The final maturity date is currently estimated to be in 2037, but this is subject to change. As of June 30, 2025, no reimbursement for eligible costs have been received from SWRCB. On May 21 and June 2, 2025, the City and the SWRCB executed amendments to the DWSRF loan agreements for the Harbor Drive Pipeline Replacement Project and Alvarado Water Treatment Plant Project, respectively, applying a 1% administrative service charge in lieu of interest. Effective in fiscal year 2026, Harbor Drive and Alvarado Water Treatment Plant loans will have interest rates of 1.09% and 1.31%, respectively.

On May 15, 2025, PFFA issued tax-exempt Subordinated Sewer Revenue Bonds, Series 2024A (2024 Sewer Bonds) in the amount of $267,475. The proceeds of 2024 Sewer Bonds were used to finance the costs of the acquisition, design, construction, and installation of improvements to projects of the City's Wastewater System and pay costs of issuance related to the bonds. The 2024 Sewer Bonds are payable solely from Subordinated Installment Payments secured by Wastewater System Net Revenues. The final maturity date for the 2024 Sewer Bonds is May 15, 2054.

d. Event of Default Provisions

The governing documents of the Sewer Utility and Water Utility Funds' loans payable of $1,085,207 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 IBank loan of $20,695 which is between SDCCC and the City, state that if an event of default were to occur, IBank under the Financing Lease agreement would be entitled to take various actions, including without termination of the Financing Lease, collect all amounts owing under the Financing Lease until maturity.

The governing documents of the IBank loan payable of $38,641 contain provisions that in the event of default, IBank may declare that all principal, accrued interest, and any additional payments are immediately due and payable, or IBank may bring suit against the City and receive any funds pursuant to the legal action to pay costs of IBank, plus principal and interest on the loan.

The Water CP Notes of $250,000 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 its 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.

The governing documents of the Revenue Bonds Payable of $1,794,040 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.

e. Leases and SBITAs Payable

The City is a lessee in various noncancellable leases of land, buildings, and equipment. The City also has various SBITAs for noncancellable software subscriptions. As of June 30, 2025, the Business-Type Activities' leases payable and SBITAs payable of $67,683 and $522, respectively, were comprised of the following:

Type of Obligation	Interest Rates	Remaining Term	Fiscal Year 2025 Principal and Interest Paid	Balance Outstanding at 6/30/25
Leases Payable:				
City of San Diego:				
Land	2.90%	2 years	$ 198	$ 953
Buildings	0.71% - 3.31%	3 years - 15 years	1,950	37,599
Equipment	0.46% - 0.59%	2 months - 11 months	3,100	37
SDCCC	3.00%	20 years	1,434	29,094
Total Leases Payable			$ 6,682	$ 67,683
SBITAs Payable	2.52% - 2.88%	3 years - 5 years	$ 1,424	$ 522

During fiscal year 2025, Development Services entered into two office space leases. The first office is located at 7650 Mission Valley Road and is being subleased from Wawanesa General Insurance Co. Inc. The lease is 90% funded by the Development Services Fund (DSD). DSD's obligation totals $7,141 plus interest, to be paid over a four year term, with a rate of 2.90%. The second office being leased is located at 550 West C Street. The obligation totals $26,705 plus interest, to be paid over a sixteen year term with an incremental borrowing rate of 3.31%.

The Environmental Services Department entered into one new lease for storage space located at 8775 Balboa Avenue, which is funded by the Recycling Fund. The obligation totals $1,141 plus interest, to be paid over a two year term with an incremental borrowing rate of 2.90%.

SDCCC entered into a noncancelable lease with Santa Ana Energy Properties LLC for the truck marshal yard and warehouse space. The obligation totals $29,325 plus interest with an implicit rate of 3.00%. The term is ten years, plus two five-year extension options which SDCCC plans to exercise.

One new SBITA was executed for Grammarly software which is 35% funded by DSD. DSD's obligation totals $384 plus interest, to be paid over a five year term with an incremental borrowing rate of 2.88%.

f. Long-Term Pledged Liabilities

Business-type activities long-term pledged liabilities as of June 30, 2025, 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 S1 and S2, February 28, 2007	2026	$ 699	$ 699	$ 699
Point Loma Digesters Grit Processing, February 17, 2012	2036	19,346	1,494	1,494
Sewer Pipeline Rehab Project MNOP, July 10, 2012	2033	7,245	820	820
Metro Biosolids Center Storage Silos, August 6, 2015	2035	3,906	356	356
MBC Odor Control Facilities Upgrades, July 15, 2015	2035	4,259	426	426
MBC Dewatering Centrifuge Replacement, July 8, 2015	2039	10,173	720	720
Sewer Pipeline Rehab Project-Q, June 26, 2013	2034	1,357	150	150
Sewer Pipeline Rehab Project-RS, August 22, 2013	2034	4,115	409	409
Sewer Pipeline Rehab Project-T, July 12, 2016	2036	1,499	136	136
MBC Chemical Systems Improvement Phase II, July 12, 2016	2037	3,724	310	310
Pump Station 2 Power Reliability and Surge Protection, September 12, 2018	2054	91,218	3,026	3,026
Pure Water Conveyance System Project, April 15, 2022	2056	131,030	—	—
Pure Water Morena Blvd Pump Station Project, April 18, 2022	2056	103,904	—	—
Pure Water Reclamation Plant Expansion Project, April 27, 2022	2058	131,535	467	467
Pure Water Metropolitan Biosolids Center Project, April 27, 2022	2056	4,055	—	—
Revenue Bonds:				
Senior Sewer Revenue Refunding Bonds, Series 2015	2027	57,066	64,744	64,734
Senior Sewer Revenue Refunding Bonds, Series 2016 A	2039	374,666	13,507	13,506
Subordinated Sewer Revenue Refunding Bonds, Series 2022 A	2052	295,399	10,940	10,938
Subordinated Sewer Revenue Refunding Bonds, Series 2024 A	2054	504,511	14,132	14,132
Total Pledged Net Sewer Systems Revenue		1,749,707	112,336	112,323
Pledged Net Water Systems Revenue:				
Loans - State Water Resources Control Board:				
Alvarado Water Treatment Plant, May 30, 2011	2032	4,730	752	695
Miramar Water Treatment Plant, September 26, 2011	2032	8,149	1,254	1,158
Otay Water Treatment Plant, December 22, 2011	2032	8,045	1,149	1,062
Harbor Drive Pipeline Replacement Project, January 29, 2013	2036	6,790	651	601
Lindbergh Field Pipeline Replacement Project, January 29, 2013	2036	2,211	201	185
University Avenue Pipeline Replacement Project, June 7, 2016	2039	21,816	1,559	1,558
69th Street & Mohawk Pump Station Project, June 14, 2018	2050	15,086	603	603
Morena Pipeline Project, November 21, 2023	2057	3,820	10	10
Alvarado 2nd Pipeline Extension, October 31, 2024	2059	5,212	—	—
Loans - US Environmental Protection Agency:				
Pure Water WIFIA Loan Agreement, September 24, 2020	2054	530,049	6,836	6,836
Water CP Notes, Series A	2028	250,000	4,540	4,540
Revenue Bonds:				
Subordinated Water Revenue Bonds, Series 2016 A	2046	54,872	2,612	2,603
Subordinated Water Revenue Bonds, Refunding Series 2016 B	2040	404,996	41,158	41,054
Subordinated Water Revenue Bonds, Refunding Series 2018 A	2048	368,543	16,024	15,977
Senior Water Revenue Bonds, Series 2020 A	2050	310,471	12,419	12,371
Senior Water Revenue Refunding Bonds, Series 2020 B	2033	79,487	9,931	9,913
Senior Water Revenue Bonds, Series 2023A	2053	397,199	14,184	14,141
Total Pledged Net Water Systems Revenue		2,471,476	113,883	113,307
Pledged Net Refuse Disposal Revenue:				
California Infrastructure and Economic Development Bank (IBank) Loan	2044	54,627	2,828	2,828
Total Pledged Revenues		$ 4,275,810	$ 229,047	$ 228,458

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, 2025.

San Diego Housing Commission

Long-term liabilities of SDHC as of June 30, 2025, are comprised of the following:

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2025 [1]	Due Within One Year
Compensated Absences				$ 4,996	$ 4,996
SBITAs				2,802	1,504
Notes Payable:					
Direct Borrowing Debts of SDHC:					
Key Bank Real Estate Capital - Smart Corner [2]	5.53 %	2027	$ 15,000	529	65
City of San Diego - Hotel Sandford [3]	1.00 %	2065	6,095	5,843	—
State of California - Housing Loan Conv Program 12-HLCP-0004	3.00 %	2068	1,405	1,405	—
State of California - Housing Loan Conv Program 12-HLCP-0003	3.00 %	2068	3,150	3,150	—
Red Capital Mortgage, LLC - Courtyard Apartments	4.92 %	2030	4,169	3,684	84
JP Morgan Chase - Valley Vista	3.29 %	2030	32,840	27,047	675
JP Morgan Chase - Kearny Vista	3.39 %	2030	17,426	6,295	155
County of San Diego - Presidio Palms	3.00 %	2080	14,710	14,710	—
County of San Diego - Pacific Village	3.00 %	2079	825	825	—
Debts of the LLCs:					
Greystone Servicing Corp, Inc. - Belden SDHC FNMA, LLC	7.32 %	2040	12,320	9,087	362
Greystone Servicing Corp, Inc. - Northern SDHC FNMA, LLC	7.32 %	2040	10,810	7,972	318
PNC Bank, NA FHA Southern SDHC FHA, LLC	3.76 %	2046	25,017	18,216	612
PNC Bank, NA FHA - Northern SDHC FHA, LLC	3.76 %	2046	17,500	12,743	428
PNC Bank, NA FHA - Central SDHC FHA, LLC	3.65 %	2046	15,726	11,420	386
Total Notes Payable				122,926	3,085
Less: unamortized debt issuance costs				(880)	—
Total				$ 129,844	$ 9,585

[1] Long-term liabilities of $151,474 for the discrete component units of SDHC are not included ($1,405 short-term and $150,069 long-term)

[2] Note converted to variable interest November 2021

[3] Forgivable loan with accrued interest totaling $832.

At June 30, 2025, the current portion of notes payable was $3,085 and the noncurrent portion, of notes payable, net, was $118,961. Debt issuance costs associated with the LLC loans totaled $2,120, less accumulated amortization of $1,240 at June 30, 2025. For fiscal year 2025, amortization totaled $68. 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 deduction to 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 $599 in fiscal year 2025.

During fiscal year 2025, SDHC adopted GASB Statement No. 101, Compensated Absences. The adoption of this Statement did not have a significant effect on the financial statements of SDHC.

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 $832 as of June 30, 2025.

Year Ending June 30	Principal	Interest	Total
2026	$ 3,085	$ 4,086	$ 7,171
2027	3,622	3,929	7,551
2028	3,300	3,779	7,079
2029	3,456	3,622	7,078
2030	6,835	3,447	10,282
2031-2035	43,871	9,819	53,690
2036-2040	18,569	5,003	23,572
2041-2045	13,449	1,434	14,883
2046-2050	807	3	810
2051-2055	—	—	—
2056-2080	20,089	—	20,089
Subtotal	117,083	35,122	152,205
Forgivable loans	5,843	—	5,843
Total Notes Payable	$ 122,926	$ 35,122	158,048
Less: Unamortized debt issuance costs			(880)
Total Notes Payable, Net			$ 157,168

Subscription Based Information Technology Arrangements

SDHC has identified 17 software arrangements that require recognition under GASB 96. These SBITAs are recorded as intangible right-to-use subscription assets and subscription liabilities. As implicit interest rates in SDHC's subscription arrangements are not readily determinable, SDHC uses the State of California incremental borrowing rate posted for GASB Statement No. 96. The terms are calculated to include option periods.

SDHC's SBITAs are with various vendors, with terms ranging from 0 to 60 months, at interest rates between 2.40% and 3.16%. The annual requirements for subscription liabilities as of June 30, 2025, including interest payments, are as follows:

Year Ending June 30	Principal	Interest
2026	$ 1,504	$ 50
2027	1,229	13
2028	55	1
2029	14	1
Total	$ 2,802	$ 65

For further details on SDHC's long-term liabilities, refer to SDHC's Annual Comprehensive Financial Report at 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 2026 after proceeds of the Pure Water State Revolving Fund loans secured by net system revenues of the Sewer Utility Fund are received. During fiscal year 2025, the City received and expended $38,800 of Subordinated Sewer Revenue Notes, Series 2022A, at an initial interest rate of 3.74%.

b. Water Revenue Commercial Paper Notes (Water CP Notes)

On December 16, 2016, the City and PFFA adopted resolutions authorizing the issuance of $250,000 tax-exempt subordinate water revenue commercial paper notes in one or more series. The funds are used to (i) provide short-term financing for design, acquisition, construction, installation, and improvements of components of the City's water system, (ii) reimburse the City's Water Utility Fund for eligible expenditures and (iii) pay costs of issuance for the Water CP Notes. The Water CP Notes have been issued periodically since January 2017 and are payable from subordinate installment payments by revenues of the City's Water Utility Fund. The Water CP Notes are secured by an irrevocable direct-pay letter of credit (LOC) from Bank of America, N.A. with LOC expiration date of January 31, 2028. Under this program, PFFA is able to issue notes at prevailing short-term interest rates for periods of maturity up to 270 days. Upon maturity, the notes can be rolled over for additional intervals of up to 270 days with new short-term interest rates until the notes are refinanced using a long-term bond or cash repayment option. As of June 30, 2025, the Water CP Notes are now classified as long-term liabilities based on the expiration date of the LOC.

c. General Fund Commercial Paper Notes (General Fund CP Notes)

On May 22, 2018, the City adopted a resolution authorizing tax-exempt lease revenue commercial paper notes in an amount not-to-exceed $80,500. On August 14, 2018, the City adopted a resolution increasing the not-to-exceed amount to $88,500. The PFFA adopted a resolution to effectuate the same increase on October 30, 2018. The General Fund CP Notes are secured by irrevocable direct-pay letters of credit (LOC) from Bank of America, N.A. with an expiration date of February 12, 2027. The LOC was ultimately terminated on July 1, 2025. Under this program, the PFFA was able to issue notes at prevailing short-term interest rates for periods of maturity up to 270 days. Upon maturity, the notes can be rolled over for additional intervals of up to 270 days with new short-term interest rates until the notes are refinanced using a long-term bond or cash repayment option. As of June 30, 2025, the General Fund CP Notes of $66,600 were paid down with proceeds of PFFA 2024 Lease Revenue and Lease Revenue Refunding Bonds, Series A.

d. Changes in Short-Term Liabilities

The following is a summary of changes in short-term liabilities for the year ended June 30, 2025:

Type of Obligation	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
General Fund Commercial Paper Notes, Series A [3]	$ 66,600	$ —	$ (66,600)	$ —
Business-Type Activities:				
Subordinated Sewer Revenue Notes, Series 2022A [1]	$ 33,400	$ 38,800	$ (33,400)	$ 38,800
Water Commercial Paper Notes, Series A [2, 4]	122,656	—	(122,656)	—
Total Business-Type Activities Short-Term Liabilities	$ 156,056	$ 38,800	$ (156,056)	$ 38,800

[1] City's unused lines of credit for Sewer Revenue Notes is $111,200.

[2] City's unused authorization for Water CP Notes is $0.

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

[4] The beginning balance of $122,656 was carried over to Note 6 as this is now classified as a long-term liability. The new LOC expiration date for Water CP Notes is January 31, 2028.

e. Event of Default Provisions

The Subordinated Sewer Revenue Notes contain provisions that in the event of default, the Bank may declare that all outstanding obligations related to Subordinated Sewer Revenue Notes be immediately due and payable, give notice to the City and the Authority upon occurrence of any event of default, pursue any rights and remedies, pursue any other action available at law or in equity, or cure any event of default.

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, terminate or suspend the authority to issue additional CP notes, terminate the LOC, enforce the rights and obligations of the City, or exercise any other remedies available at law or in equity.

The General Fund CP Notes do not contain any acceleration provision. The LOC banks may, in their sole discretion, either terminate or suspend the authority to issue additional commercial paper notes, terminate the LOC, or enforce the rights and obligations of the City, or exercise any other remedies available at law or in equity.

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 2025 annual budget of $1,845 was funded primarily by equal contributions from the City and County. In its latest audited report, SanGIS reported a decrease in net position of $82 and an ending net position of $684 for the fiscal year ended June 30, 2024. 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 $521 and ending net position of $2,700 for the fiscal year ended June 30, 2023. 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 2025 annual budget for agency contributions was $1,292 of which the City's share was $414, or 32%. In its latest audited report for the fiscal year ended June 30, 2024, the JPA reported a increase in net position of $5,557 and an ending net position of $58,357. 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 2025, the City recognized $27,930 in lease revenue and $14,542 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. During fiscal year 2025, the City recognized $3,709 in PPP revenue and $1,993 in PPP interest revenue.

As of June 30, 2025, the City's leases receivable and PPPs receivable balances of $687,554 and $96,258, respectively, were comprised of the following:

Leases Receivable	Interest Rates	Remaining Term	Fiscal Year 2025 Payments Received	Receivable Balance at 6/30/25
Governmental Activities				
Land	0.20% - 2.15%	2 Months - 62 Years	$ 31,941	$ 645,109
Buildings	0.99% - 1.49%	4 Years - 10 Years	1,572	9,704
Total Governmental Activities			33,513	654,813
Business-Type Activities				
Land	0.59% - 2.15%	1 Year - 27 Years	1,938	30,970
Buildings	3.22%	14 Years	131	1,771
Total Business-Type Activities			2,069	32,741
Total Leases Receivable			$ 35,582	$ 687,554
PPPs Receivable				
Governmental Activities				
Petco Park	3.66%	19 Years	$ 704	$ 9,419
Service Concession Arrangements:				
Belmont Park [1]	1.73% - 3.75%	45 Years	1,523	79,217
Pechanga Arena - AEG Mgmt LLC [2]	—	—	63	—
Pechanga Arena - Legends Venue Mgmt	2.97%	1 Year	711	1,122
Reservoir Concessions	1.63%	13 Years	63	720
Total Governmental Activities			3,064	90,478
Business-Type Activities				
Service Concession Arrangements:				
Torrey Pines Pro Shop and Driving Range	3.28%	8 Years	869	5,780
Total PPPs Receivable			$ 3,933	$ 96,258

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

[2] The Pechanga Arena SCA with AEG Management LLC expired on 7/31/24.

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
2026	$ 20,375	$ 13,487	$1,407	$ 667	$ 1,362	$ 1,761	$ 692	$ 177
2027	20,766	13,097	1,329	642	989	1,723	715	154
2028	19,952	12,737	1,361	620	695	1,706	738	131
2029	19,887	12,305	1,328	593	759	1,681	763	106
2030	19,577	11,907	1,319	568	820	1,660	788	81
2031-2035	102,451	53,356	6,631	2,446	5,108	7,931	2,084	88
2036-2040	106,539	42,525	5,457	1,798	6,886	7,169	—	—
2041-2045	112,955	30,877	5,541	1,220	7,941	6,208	—	—
2046-2050	96,264	19,049	6,678	575	7,722	5,455	—	—
2051-2055	45,538	12,010	1,690	34	10,188	4,674	—	—
2056-2060	27,231	8,120	—	—	13,108	3,661	—	—
2061-2065	17,425	5,751	—	—	16,559	2,368	—	—
2066-2070	13,270	4,082	—	—	18,341	758	—	—
2071-2075	8,393	3,039	—	—	—	—	—	—
2076-2080	9,334	2,098	—	—	—	—	—	—
2081-2085	10,383	1,049	—	—	—	—	—	—
2086-2090	4,473	100	—	—	—	—	—	—
Total	$ 654,813	$ 245,589	$ 32,741	$ 9,163	$ 90,478	$ 46,755	$ 5,780	$ 737

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, 2025, the balance of the deferred inflows of resources for leases and PPPs were $670,650 and $90,772, respectively.

Changes in Leases and PPPs Receivable

On July 17, 2024, the Hilton La Jolla Torrey Pines lease was assigned from CHH Torrey Pines Hotel Partners, LP (CHH) to JRK Property Holdings (JRK). As part of the agreement, JRK paid CHH $165,000 for the lease rights. In accordance with the terms of the CHH lease, CHH paid the City a $3,300 assignment fee, which is 2% of the total consideration paid by JRK. The assignment did not result in any changes to the lease terms or the outstanding lease receivable balance. The assigned lease expires in 2067 with options to extend up to an additional 20 years. As of June 30, 2025, the lease receivable is $78,639.

On July 31, 2024, the SCA for Pechanga Arena with AEG Management SD, LLC expired. The City executed a new SCA with Legends Venue Management SD, LLC for the operation and maintenance of Pechanga Arena, effective on August 1, 2024. The new SCA has a term of 28 months with an incremental borrowing rate of 2.97%. The PPP receivable as of June 30, 2025 is $1,122.

On December 10, 2024, the City agreed to a partial settlement with SeaWorld of $8,500 for unpaid rent during the period of January 1, 2019 through April 30, 2022. $2,125 of the settlement was estimated to be applicable to unpaid rent during fiscal year 2022, the first year that GASB Statement No. 87 was in effect. This amount was applied towards SeaWorld's outstanding lease receivable. As of June 30, 2025, SeaWorld's lease receivable is $194,656.

Variable Lease Revenue

Many of the City's leases and PPPs have variable rent components, including: payment of either a minimum monthly rent, or a percentage of revenues generated by the lessee, whichever is greater; payment of fixed rent plus a percentage of revenues; or payments dependent on indexes or rates. Percentage rents and other variable payments in excess of the minimum guaranteed rent are not included in the measurement of the leases receivable. During fiscal year 2025, inflows of resources for variable rents totaled $17,718 for leases and $8,483 for PPPs as shown in the following table:

Leases	
Governmental 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 0.71% to 2.15%, with remaining lease terms ranging from 2 to 62 years.	$ 15,981
One land lease with contract terms requiring payment of a fixed rent amount plus a percentage of gross revenues, at an interest rate of 1.90%, with a remaining lease term of 20 years.	197
Various land leases with contract terms requiring payment of rent amounts with periodic CPI or other rent adjustments, at interest rates ranging from 0.20% to 1.90%, with remaining lease terms ranging from 2 months to 19 years.	380
Total Governmental Activities	16,558
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 5 to 27 years.	1,111
Various land leases with contract terms requiring rent amounts with periodic CPI or other rent adjustments, at interest rates ranging from 0.86% to 2.15%, with remaining lease terms of 3 to 27 years.	49
Total Business-Type Activities	1,160
Total Inflows of Resources for Leases	$ 17,718
PPPs	
Governmental Activities:	
Petco Park, with contract terms requiring payment of biannual rent with CPI adjustments every five years, plus percentage rent.	$ 5,363
The Belmont Park SCA, with contract terms requiring payment of either a minimum monthly rent, or a percentage of gross revenues, whichever is greater.	1,709
Total Governmental Activities	7,072
Business-Type Activities:	
The Torrey Pines Pro Shop and Driving Range SCA, with contract terms requiring payment of either a minimum monthly rent, or a percentage of gross revenues, whichever is greater.	1,411
Total Inflows of Resources for PPPs	$ 8,483

Regulated Leases

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 $733 in lease revenue during fiscal year 2025 for these leases, which have interest rates ranging from 2.15% to 3.90%, and remaining terms ranging from 9 to 50 years. As of June 30, 2025, the minimum payments expected to be received over the remaining lease terms totaled $39,524, as shown in the table on the following page.

Fiscal Year	Expected Minimum Payments
2026	$ 1,189
2027	1,192
2028	1,194
2029	1,197
2030	1,199
2031-2035	5,898
2036-2040	5,545
2041-2045	5,545
2046-2050	5,545
2051-2055	4,798
2056-2060	4,111
2061-2065	1,069
2066-2070	538
2071-2075	504
Total	$ 39,524

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, 2025, SDHC held the following leases:

	Leases Receivable Current Portion	Leases Receivable Noncurrent Portion	Deferred Inflows	Lease Revenue	Lease Interest Revenue
Commercial leases	$ 712	$ 1,800	$ 2,334	$ 1,029	$ 41
Land Leases:					
Non-Related	678	61,350	59,860	1,208	936
Related Party	294	25,171	24,822	735	388
Total	$ 1,684	$ 88,321	$ 87,016	$ 2,972	$ 1,365

Minimum lease payments receivable are as follows:

Year Ending June 30	Lease Principal	Lease Interest
2026	$ 1,684	$ 1,342
2027	1,392	1,320
2028	1,444	1,297
2029	1,310	1,275
2030	1,262	1,256
2031-2035	5,539	6,018
2036-2040	5,380	5,623
2041-2045	5,798	5,205
2046-2050	6,247	4,755
2051-2112	59,949	18,153
Total	$ 90,005	$ 46,244

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)

Both the City and SDCCC offer their employees deferred compensation plans, 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.

These plans are administered by third parties. The City and SDCCC do not perform the investing function and have no fiduciary accountability for the plans. Thus, plan assets and any related liabilities to plan participants have been excluded from the City's financial statements.

SDHC

SDHC offers a deferred compensation plan which is a defined contribution plan as permitted under the Internal Revenue Code Section 457 Deferred Compensation Plan. The deferred compensation plan is available to all permanent and temporary non-benefited employees who have completed one hour of service and it permits qualified employees to defer a portion of their salary until separation, retirement, death, or unforeseeable emergency. 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 are not available to SDHC or its creditors. In accordance with the deferred compensation plan provisions, SDHC has the ability to select and terminate the third party trustee. In addition, while SDHC has not expressed any intent to do so, SDHC has the right under the deferred compensation plan to discontinue its contributions at any time, and to terminate the deferred compensation plan.

Employee and Employer contributions are recognized in the period that contributions are due. Investments held in pooled separate accounts, and participant directed brokerage accounts and certain guaranteed interest accounts, are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments held in fully benefit-responsive guaranteed interest accounts are reported at contract value.

For further details on SDHC's deferred compensation plan, refer to SDHC's ACFR at sdhc.org.

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, 2025:

	SDCERS	Preservation of Benefits	Total
Net Pension Liability	$ 3,146,260	$ 20,806	$ 3,167,066
Deferred Outflows - Pension Related	1,009,137	8,236	1,017,373
Deferred Inflows - Pension Related	—	—	—
Pension Expenses	438,176	1,714	439,890

DEFINED BENEFIT PLAN

a. Pension Plan Description and Benefits Provided

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 the unwinding of Proposition B, 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.

Proposition B was a San Diego ballot measure passed by voters in 2012 that replaced traditional, guaranteed pensions with 401(k)-style retirement plans for most new city employees. The measure was intended to reduce the city's rising pension costs and long-term debt. After years of legal challenges, the courts ultimately invalidated Proposition B.

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 average of the three highest years at any time during membership, 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, 2024, the most recent actuarial valuation, the following employees were covered by the benefit terms:

Employees or Beneficiaries Currently Receiving Benefits [1]	11,237
Inactive (Terminated) Employees Entitled to but not yet Receiving Benefits	3,488
Active Employees	10,385
Total	25,110

[1] Includes Disabled, Retirees, Beneficiaries, and DROP Participants.

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, 2024, the DROP interest crediting rate used to value the liability for account balances increased from 2.5% to 4.6% reflect the SDCERS Board's adoption of these rates at the November 2023 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 2025, the City contributed $1,200 towards the Supplemental COLA reserve and paid approximately $1,227 in benefits. As of June 30, 2025, the City's Supplemental COLA reserve had an unspent balance of $74.

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 fiscal year 2025 ADC payment was $486,300. The administrative component was assumed to be $15,141 for fiscal year 2026 (assuming payment at beginning of the year), increasing by price inflation of 3% annually.

The following table shows the City's contribution rates (weighted average of each employee group) for fiscal year 2025, based on the June 30, 2023 actuarial valuation, expressed as percentages of expected payroll:

	Employer Contribution Rates	
	Non-Safety Members	Safety Members
Normal Cost [1]	12.25%	18.05%
Amortization Payment [2]	26.2%	52.21%
Administrative Expense [3]	1.20%	2.19%
Normal Cost Adjusted for Amortization Payment [3]	39.65%	72.45%
City Contribution Rates Adjusted for Payment at the Beginning of the Year	38.42%	70.19%

[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 2025, the City employee weighted average contribution rates as a percentage of annual covered payroll were 12.31% for general members and 18.68% 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 2025, to the Employer and Employee Contribution Reserves and between 2.5% - 4.6% 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 2026 will be $533,200, based on the June 30, 2024 actuarial valuation. In January 2019, the Board adopted a UAL contribution floor amortization method, setting a minimum of $275,495 on the UAL payment until the Plan achieves a 100% funding ratio or there is a vote of the SDCERS Board to change it. This UAL payment floor was based on the Fiscal Year 2020 amortization payment as determined by the results of the June 30, 2018 actuarial valuation. This minimum amount represents a portion of the UAL component of the fiscal year 2026 ADC. 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. The UAL as of June 30, 2007 is amortized over 20 years. Subsequent gains and losses are amortized over 15 years. Changes in assumptions and methods were being amortized over 30 years and are being amortized over 20 years as of June 30, 2019. Changes in benefits are amortized over five years. The non-Police portion of the UAL as of June 30, 2012, is amortized over 15 years. Funding surplus, if any, is amortized over 30 years.

c. Net Pension Liability

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, 2024, based on the plan net position as of June 30, 2024 and the Total Pension Liability as of the valuation date, June 30, 2023, updated to June 30, 2024. During the measurement year, the NPL increased by approximately $356,074. The service cost and interest cost increased the NPL by approximately $1,059,184, while contributions and investment income, less administrative expenses, decreased the NPL by approximately $1,302,826. There were changes in economic and demographic assumptions during the year which increased the NPL by $250,775. There were actuarial liability experience losses during the year of approximately $348,940. The NPL increase since the prior measurement date was primarily due to the liability experience loss as well as changes in economic and demographic assumptions.

A summary of the key assumptions as of the June 30, 2023 actuarial valuation, and the economic experience study is shown below:

Description	Actuarial Assumption
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Funding Method	Entry Age Normal (EAN)
Amortization Method	Closed Periods; Level percentage of pay
Annual Rate of Return on Investments [1]	6.50% net of investment expense
Inflation Rate	3.00% per year, compounded annually
Cost of Living Adjustment	2.0% per year, compounded annually
Projected Salary Increases due to Inflation [2]	3.25%
Mortality	Active, healthy retired and terminated vested members use Society of Actuaries Tables (SOA); Disabled use CalPERS Tables for General and SOA Tables 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, 2022 and adopted by the SDCERS Board in September 2023.

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. <u>Long-Term Expected Real Rate of Return</u>

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, 2024 measurement date, are summarized in the table on the following page:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	18.0 %	4.5%
International Equity	12.0 %	4.5%
Global Equity	6.0 %	4.7%
Domestic Fixed Income	22.0 %	2.4%
Return-Seeking Fixed Income	5.0 %	4.9%
Real Estate	11.0 %	4%
Private Equity	10.0 %	6.9%
Infrastructure	4.0 %	5.0%
Private Debt	5.0 %	5.6%
Diversifying	4.0 %	3.2%
Opportunity Fund	3.0 %	5.4%
Total	100.0 %	

Source: SDCERS ACFR Fiscal Year 2024

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, 2023	$ 12,531,078	$ 9,740,892	$ 2,790,186
Changes for the Year:			
Service Cost	257,200	—	257,200
Interest	801,984	—	801,984
Changes of Benefits	—	—	—
Differences Between Expected and Actual Experience	348,940	—	348,940
Changes in Assumptions	250,776	—	250,776
Contributions - Employer	—	451,834	(451,834)
Contributions - Employee	—	147,598	(147,598)
Net Investment Income	—	717,174	(717,174)
Benefit Payments, Including Refunds of Employee Contributions	(649,083)	(649,083)	—
Administrative Expense	—	(13,780)	13,780
Net Changes	1,009,817	653,743	356,074
Balances at June 30, 2024	$ 13,540,895	$ 10,394,635	$ 3,146,260

The change in NPL is allocated between City funds based on the distribution of ADC, COLA and DROP contributions to SDCERS for the applicable measurement year. These are primarily based on the number of applicable FTEs per fund.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. Ten years of information is presented.

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	$ 15,294,542	$ 13,540,895	$ 12,114,107
Plan Fiduciary Net Position	10,394,635	10,394,635	10,394,635
Net Pension Liability	$ 4,899,907	$ 3,146,260	$ 1,719,472

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, 2024, the City recognized pension expense of $438,176. As of the measurement period June 30, 2024, 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	$ 490,191	$ —
Differences Between Expected and Actual Experience	279,152	—
Changes in Assumptions	200,620	—
Net Difference Between Projected and Actual Earnings on Pension Plan Assets	39,174	—
Total	$ 1,009,137	$ —

Pursuant to GASB Statement No. 68, $490,191 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date of June 30, 2024 will be recognized as a reduction of the NPL in the fiscal year ending June 30, 2026. 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
2025	$ (8,533)
2026	286,925
2027	134,861
2028	105,693

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 2025 was $280.

Preservation of Benefits Plan Total Pension Liability

The City's POB Plan pension cost, prepared by the SDCERS actuary for June 30, 2025, is based on the June 30, 2024 measurement date, a valuation date of June 30, 2023, and updated to June 30, 2024. 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, 2023 actuarial valuation and economic experience study is shown below:

Description	Actuarial Assumption
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Funding Method	Entry Age Actuarial Cost
Amortization Method	Closed Period; Level percentage of pay
Inflation Rate	3.00% per year, compounded annually
Cost of Living Adjustment	2.0% per annum, compounded
Projected Salary Increases due to Inflation [1]	3.25%
Mortality	Active, healthy retired and terminated vested members use Society of Actuaries Tables (SOA); Disabled use CalPERS Tables for General and SOA Tables 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 3.65% as of the measurement date of June 30, 2023, and 3.93% as of June 30, 2024.

Changes in the Total Pension Liability

Pursuant to GASB Statement No. 73, the table on the following page 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, 2023	$ 11,780
Changes for the Year:	
Service Cost	248
Interest	421
Differences Between Expected and Actual Experience	6,123
Changes in assumptions	2,995
Benefit Payments	(761)
Net Changes	9,026
Balances at June 30, 2024	$ 20,806

The net change in total pension liability for POB is allocated to City funds based on the historical allocation of eligible employees. 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. Nine 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 3.93%, 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 (2.93)%	Discount Rate (3.93)%	1% Increase (4.93)%
Total Pension Liability	$ 24,498	$ 28,806	$ 17,699

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

Pursuant to GASB Statement No. 73, for the measurement period ended June 30, 2024, the City recognized pension expense of $1,714. As of the measurement period June 30, 2024, 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	$ 941	$ —
Differences Between Expected and Actual Experience	4,899	—
Changes in assumptions	2,396	—
Total	$ 8,236	$ —

Pursuant to GASB Statement No. 73, $941 reported as deferred outflows of resources related to pension contributions made in Fiscal Year 2025 subsequent to the measurement date of June 30, 2024, will be recognized as a reduction of the total pension liability in the fiscal year ending June 30, 2026. 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
2025	$ 1,824
2026	1,824
2027	1,824
2028	1,823

DEFINED CONTRIBUTION PLANS

a. Supplemental Pension Savings Plan & Supplemental Pension Savings Plan-Hourly - City

The Supplemental Pension Savings Plan (“SPSP”) was established effective January 8, 1982 pursuant to the City’s withdrawal from the federal Social Security System to provide supplemental pension benefits for eligible employees. The SPSP is a defined contribution plan administered by Principal Financial Services, Inc. Employees eligible to participate in the SPSP include general members initially hired prior to July 1, 2009, elected officers initially hired or assumed office prior to July 20, 2012, and lifeguard members initially hired prior to January 1, 2011. As of June 30, 2025, there were 4,142 active and separated participants in the SPSP.

The SPSP requires employees to contribute a mandatory pre-tax amount equal to 3% of their eligible compensation 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 eligible compensation. Voluntary employee contributions, if elected, are made on and after-tax basis. The City matches all mandatory and voluntary contributions to the SPSP. Under the SPSP, the City’s contributions for each employee (and earnings 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. The unvested portion of City contributions and earnings forfeited by employees who leave employment before five years of service can be used by the City to fund future employer contributions.

SPSP-H was established 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 purpose of the SPSP-H is to provide retirement benefits to eligible hourly employees. The SPSP-H is a defined contribution plan administered by Principal Financial Services, Inc. Eligible participants of the SPSP-H include all employees working in a position with no standard hours, excluding provisional employees, as well as unrepresented employees and employees represented by MEA or Local 127 who elected to remain in the SPSP-H as a result of the unwinding of Proposition B. As of June 30, 2025, there were 7,289 active and separated participants in the SPSP-H.

The SPSP-H requires non-standard hour employees to contribute a mandatory pre-tax amount equal to 3.75% of eligible compensation each pay period. Employee contributions are matched by the City, except for employees represented by MEA and Local 986 who receive a City contribution of 6%. SPSP-H participants are immediately 100% vested. Standard hour employees who elected to remain in the SPSP-H as a result of the unwinding of Proposition B have a mandatory pre-tax contribution rate equal to the SDCERS member rate for General Members hired after July 1, 2009. City contributions are equal to 9.2% of eligible compensation.

The City Council can amend any provisions of the SPSP and the SPSP-H 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 with respect to the SPSP, after approval by a simple majority vote of all active members.

In Fiscal Year 2025, the City and covered employees contributed $20,032 and $20,206, respectively, for SPSP and SPSP-H. As of June 30, 2025, fiduciary net position for the two plans totaled $1,048,925.

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. 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 $5,773 and $7,786, respectively, during the fiscal year ended June 30, 2025. As of June 30, 2025, the plan fiduciary net position totaled $83,522.

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 $47,417 during the fiscal year ended June 30, 2025. There is no City contribution towards the 401(k) Plan. As of June 30, 2025, the plan fiduciary net position totaled $744,861.

Narratives presented in the following sections (d. through e.) are taken directly from the fiscal year 2025 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 Charles Schwab Trust Bank 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, 2025, pension expense amounted to $1,883, with no employee contributions made to the SDCCC Plan. Included in pension expense were forfeitures in the amount of $8. 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 offers 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, 2025, SDHC's covered payroll was $42,278. Deferred compensation expense related to SDHC's required contribution was $924 and plan members contributed $2,352 for the fiscal year ended June 30, 2025.

At June 30, 2025, there were 888 employees in the plan, including: 17 inactive receiving benefits, 383 inactive not yet receiving benefits, 36 with zero ending balance, and 452 active participants.

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.

Empower Trust Company, LLC is the third party trustee of the deferred compensation plan and One Digital 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 $40,057 at June 30, 2025. 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, 2024 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]	5,688
Inactive (Terminated) Employees Entitled to but not yet Receiving Benefits	117
Active Employees	155
Total	5,960

[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 $18,430[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 $19,571[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 $11,266[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 2025, the City's Annual Employer Contribution was $49,000. The following table provides the fiscal year 2025 contribution breakdown by fund:

General Fund	$	36,483
Nonmajor Governmental Funds		318
Sewer Utility		3,092
Water Utility		3,417
Nonmajor Enterprise Funds		4,257
Internal Service Funds		1,433
Total Healthcare MOU Contributions	$	49,000

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 2025, employees contributed $130 for Options A and B.

As of June 30, 2025, the fair value of the City's investments in the CERBT was approximately $132,487. This balance is net of all plan activity during fiscal year 2025, including net annual investment earnings and administrative expenses amounting to approximately $13,780 and $101, respectively.

The following table summarizes the sources used to satisfy fiscal year 2025 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]	$ 25,558
Employee Contributions - Options A&B	130
CERBT Withdrawal	10,122
Total Defined Benefit Pay-as-you-go Costs [2]	$ 35,810

[1] The remaining $23,442 of the total $49,000 Annual Employer Contribution is used for Option C Plan costs, which is a defined contribution plan.

[2] Includes administrative costs of $1,354.

c. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2024, based on the following actuarial methods and assumptions:

Description	June 30, 2024 Valuation Date
Actuarial Cost Method	Entry Age Normal, Level Percent of Pay
Discount Rate	6.26%
Consumer Price Index	2.50%
Salary Increases	3.25%, and additional merit scale that varies by service.
Healthcare Cost Trend Rates	8.50% pre-65 and 8.00% post-65 initial trend rates for fiscal year 2025. 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. General Disabled Retirees 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, 2024. 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 6.26% 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, 2024 measurement date, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Real Rate of Return
Public Equity	34.0 %	4.5%
Fixed Income	41.0 %	1.4%
Inflation Assets / TIPS	5.0 %	0.50%
REITs	17.0 %	3.7%
Commodities	3.0 %	1.1%
Total	100.0 %	

Source: CalPERS

e. Changes in the Net OPEB Liability

The following table shows the changes in the Net OPEB Liability as of the measurement date of June 30, 2024, 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 23.98%.

	Increase/Decrease		
	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2023	$ 526,565	$ 126,314	$ 400,251
Changes for the Year:			
Service Cost	328	—	328
Interest	31,934	—	31,934
Differences between Expected and Actual Experience	9,798	—	9,798
Changes in Assumptions	6,615	—	6,615
Contributions - Employer	—	29,593	(29,593)
Contributions - Employee	—	157	(157)
Net Investment Income	—	10,301	(10,301)
Benefit Payments	(37,340)	(37,340)	—
Administrative Expense	—	(41)	41
Net Changes	11,335	2,670	8,665
Balances at June 30, 2024	$ 537,900	$ 128,984	$ 408,916

The change in net OPEB Liability is allocated to City funds based on the distribution of retiree health contributions for the applicable measurement year. This is primarily based on the number of applicable FTEs per fund. 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, 2024, dated September 18, 2024, except for the following:

- The census data used was updated with information available as of June 30, 2024. This increased the Total OPEB Liability (TOL) by $10.6M.
- The per capita claims costs were updated to reflect enrollment information and premiums effective for the calendar year ending in 2025. This lowered the TOL by $4.3M.
- Health care cost trend rates were updated to be more in line with recent healthcare trend survey assumptions. This increased the TOL by $9.9M.
- The long-term expected rate of return and discount rate was decreased from 6.28% to 6.26%. 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 $1.0M.
- The TOL decreased by $5.9M due to the passage of time from the previous valuation date to the current date.

The TOL increased from June 30, 2023 to June 30, 2024 by $11.3M.

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. Eight 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.

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 6.26% 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 Discount Rate	1% Increase
	(5.26%)	(6.26%)	(7.26%)
Net OPEB Liability	$ 462,200	$ 408,916	$ 363,269

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 8.50% 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	Current Healthcare Cost Trend Rate	1% Increase
	(7.50% pre-65 / 7.00% post-65 decreasing to 3.50% pre-65 / post-65)	(8.50% pre-65 / 8.00% post-65 decreasing to 4.50% pre-65 / post-65)	9.50% pre-65 / 9.00% post-65 decreasing to 5.50% pre-65 / post-65)
Net OPEB Liability	$ 368,759	$ 408,916	$ 450,844

f. <u>OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB</u>

For the measurement period ended June 30, 2024, the City recognized OPEB expense of $43,118. As of the measurement period June 30, 2024, 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	$ 25,558	$ —
Net Difference Between Projected and Actual Investment Earnings	7,457	—
Total	$ 33,015	$ —

Pursuant to GASB 75, $25,558 reported as deferred outflows of resources related to OPEB contributions made subsequent to the measurement date of June 30, 2024, will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2025	$ 2,245
2026	5,516
2027	171
2028	(475)

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 2025 were $23,442.

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 $1,542 to the Retiree Medical Trust Plan in fiscal year 2025.

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 $660 to the Firefighters Benefit Trust in Fiscal Year 2025.

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 $128,989 balance is composed of several loans between funds to cover cash deficits, including:

- A loan of $110,367 from the General Fund to the PFFA Capital Projects Fund. The cash deficit is related to debt funded capital project expenditures incurred by WIFIA Program and General Fund capital improvement program.
- A loan of $12,949 from the General Fund to the Capital Grants Fund. The cash deficit is a result of deferred inflows of resources (unavailable grant revenue).
- A loan of $4,231 from the Capital Outlay-Budgeted Fund to the Capital Grants Fund. The cash deficit is a result of deferred inflows of resources (unavailable grant revenue).
- A loan of $652 from the General Fund to the Publishing Services Fund. The cash deficit is a result of operating losses.
- A loan of $424 from the General Fund to the Transient Occupancy Tax (TOT) Fund. The cash deficit is a result of the timing of TOT receipts.
- A loan of $366 from the General Fund to the Clean Water State Revolving Fund. The cash deficit is a result of capital expenditures incurred in fiscal year 2025 that have not yet been reimbursed from State Water Resources Control Board.

	Benefiting Fund (Payable)		
Contributing Fund (Receivable)	Nonmajor Governmental	Internal Service	Total
General Fund	$ 124,106	$ 652	$ 124,758
Nonmajor Governmental	4,231	—	4,231
Total	$ 128,337	$ 652	$ 128,989

The Public Utilities Department Industrial Wastewater Control Program (IWCP) program is responsible for regulating industrial users' discharges into the City's sewer system. This program currently has ongoing litigation claiming the City allegedly undercharged IWCP permittees and unlawfully used Municipal Ratepayer funds. In order to address the IWCP funding shortfall, one of the steps taken was to create an interest-bearing interfund loan from the Public Liability Reserve to the Sewer Utility Fund. The loan will be repaid by the Sewer Utility Fund supported by IWCP Fees starting in fiscal year 2027 with a final maturity in fiscal year 2031. The balance of the interfund loan between the General Fund and the Sewer Utility Fund as of June 30, 2025, was $7,198.

	Benefiting Fund (Payable)
Contributing Fund (Receivable)	Sewer Utility
General Fund	$ 7,198

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, 2025 were as follows:

	Benefiting Fund						
Contributing Fund	General Fund	Nonmajor Governmental	Sewer Utility	Water Utility	Nonmajor Enterprise	Internal Service	Total
General Fund	$ —	$ 76,037	$ —	$ —	$ —	$ —	$ 76,037
Nonmajor Governmental	52,972	246,915	—	—	3,273	5,572	308,732
Sewer Utility	—	—	—	—	—	2,275	2,275
Water Utility	—	—	1	—	—	3,925	3,926
Nonmajor Enterprise	—	—	—	—	801	—	801
Internal Service	—	—	—	20,000	—	—	20,000
Total	$ 52,972	$ 322,952	$ 1	$ 20,000	$ 4,074	$ 11,772	$ 411,771

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, 2025, 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. For general liability, the actuarial valuation includes separate estimates for the Sewer and Water Utility Funds. The estimate for all other claims is allocated to governmental activities by the City based on past claims experience. For workers' compensation, the City allocates the claims liability to governmental and business-type activities based on contribution amounts. Estimated liabilities for general liability claims have been reported in the government-wide financial statements, Sewer Utility Fund, and Water Utility 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, 2023	$ 298,347	$ 328,904	$ 627,251
Claims and Changes in Estimates	73,782	65,161	138,943
Claim Payments	(57,951)	(44,336)	(102,287)
Balance, June 30, 2024	314,178	349,729	663,907
Claims and Changes in Estimates	108,671	78,850	187,521
Claim Payments	(42,400)	(54,030)	(96,430)
Balance, June 30, 2025	$ 380,449	$ 374,549	$ 754,998

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 $18,000 and program aggregate of $115,000.

Lastly, property and liability insurance limits in the amount of $5,000 are provided under the City's Watercraft policy.

During fiscal year 2025, 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 Notes 18 and 19 for additional information on loss contingencies and liability claims reported in the Successor Agency Private-Purpose Trust Fund, respectively.

16. FUND BALANCE / NET POSITION DEFICITS (Dollars in Thousands)

The Capital Grants Capital Projects Fund has a fund balance deficit of $50,301, 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 following: the Mission Bay Bridge Replacement Project, funded primarily from a federal transportation grant; the Balboa Park Botanical Building Improvements Project which is partially funded from a state grant; the Beyer Park Development Project funded primarily from a state grant; and the Jerabek Neighborhood Park Improvements Project partially funded by a state grant. The deficits for these projects will be corrected as reimbursements are received from the federal and state grants.

The Clean Water State Revolving Fund Capital Projects Fund reflects a fund balance deficit of $386, attributable to the financing of the South Mission Beach Storm Drain and Green Infrastructure Projects. This deficit represents capital expenditures pending reimbursement from the State Water Resources Control Board (SWRCB).

The PFFA Capital Projects Fund has a fund balance deficit of $156,134 which represents capital expenditures pending reimbursement from commercial paper/bond proceeds and WIFIA loan reimbursements.

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 Central Stores Internal Service Fund has a net position deficits of $2,346. The Miscellaneous Internal Service Fund has a net position deficit of $746. 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 Development Services Enterprise Fund has a net position deficit of $97,932. While a significant portion of this deficit is also attributed to the implementation of GASB Statement No. 68 and GASB Statement No. 75, the fund has experienced two consecutive years of operating losses. Fiscal year 2024 experienced a significant decline in expected revenue due to delayed approval of proposed user fee adjustments and fiscal year 2025 also experienced a significant decline in expected revenue due to economic conditions in the industry as well as building permit extensions implemented in June 2024. Updates to their fees were implemented on May 5, 2025. Additionally, the department halted non-essential spending, limiting all discretionary IT, overtime, and travel expenditures; and has been holding non-critical positions vacant since January 2025. These mitigation actions are intended to improve the fund's financial position over the next two fiscal years and allow for the department to resume contributing to its reserve.

The Publishing Services Internal Service Fund has a net position deficit of $3,082. While a significant portion of this deficit is also attributed to the implementation of GASB Statements No. 68 and 75, the fund has experienced five consecutive years of operating losses. For the last two years the fund has had no governmental fund transfers with the expectation that excess revenues from updated user fees would recover prior year deficits. In fiscal year 2024 a shortfall in revenues was primarily due to a backlog of print jobs and a fiscal year 2025 shortfall in revenues was due to a continued backlog of print jobs as well as City departments outsourcing their requests due to Publishing Services limited labor, materials, and time to complete jobs. Publishing Services has installed new equipment and trained staff to help address the backlog and bring more print jobs in-house. Additionally, Publishing Services coordinated with the Performance and Analytics Department to optimize operational efficiency and cost-effectiveness. By establishing streamlined processes that enable the cost-efficient outsourcing of work, applying a 15% surcharge where appropriate, and maintaining adequate inventories of printing materials, Publishing Services anticipates increased output capacity that is expected to enhance revenue generation and reduce reliance on General Fund coverage to support operations.

The Private-Purpose Trust Fund (Successor Agency) has a net position deficit of $186,330, 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, 2025, are reflected in the table below.

General Fund	$ 52,974
Nonmajor Governmental Funds	392,771
Sewer Utility	310,827
Water Utility	476,967
Nonmajor Enterprise Funds	30,501
Internal Service Funds	174,672
Total Contractual Commitments	$ 1,438,712

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 San Diego Regional Water Quality Control Board San Diego Region 9 (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 not anticipated until late 2026 at the earliest.

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). 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 2025, the City updated its estimate for compliance implementation costs for the period between fiscal years 2027-2035 as follows:

Operating Cost Estimate	$ 2,555,702
Capital Cost Estimate	1,976,064
Total [1]	$ 4,531,766

[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 $4,531,766 over the next 9 fiscal years reflect unfunded costs from previous fiscal years, updated compliance costs to account for current regulations, and cost refinements based on 2025 dollars including future inflation growth. The operating compliance costs budgeted in the General Fund for fiscal year 2025 are $49,633. Operating cost funding needs are projected to gradually increase over the next five fiscal years, with operating cost funding needs estimated to reach up to $269,343 by fiscal year 2031.

The fiscal year 2027-2035 cost estimates could be higher or lower depending on changes in regulatory standards, science and technology advancements, cost escalation, 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).

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 Revolving Loan funds. 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 City has not yet developed a funding plan to cover capital costs beyond those funded by the WIFIA loan and City match or the increased operating cost funding needs beyond what is currently funded in the most recent General Fund budget.

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
2) Continue to invest in stormwater program innovation
3) Maximize existing funding sources, grants and loans
4) Pursue development of dedicated funding mechanism for stormwater

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. In fiscal year 2024, the City Council's Rules Committee considered the potential to place a special tax on the November 2024 ballot to raise revenue for stormwater capital investments. The concept was ultimately not advanced for full City Council consideration.

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 fiscal year 2024. 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 approximately 40-50 acres of restoration. The estimated cost for Phase I ranges from approximately $100,000 to $120,000, 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-sharing agreement, the City is responsible for approximately 77.89% of the total project costs.

Currently, there is a lack of commitment from certain responsible parties for the entire estimated construction cost given the recent increases to the project cost, and the City is unable to fully fund the project without full participation from all agencies. Therefore, the Phase I construction schedule is delayed while coordination is ongoing with responsible parties and the RWQCB.

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 2025 through 2030, the City estimates Compliance Order project costs to total approximately $44,647 for projects with more than .09 miles of cast iron pipe. 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 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 five years, effective on October 1, 2017. The City submitted its renewal application on March 24, 2022, to the U.S. Environmental Protection Agency (EPA) and the San Diego Regional Water Quality Control Board. On September 27, 2022, the modified permit was administratively extended by the 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 if the renewal application is submitted 180 days prior to expiration, which the City complied with. Adoption of the new permit took longer than expected and was delayed as the EPA and regional board integrated findings from the supreme court's review of the *City and County of San Francisco, California v. Environmental Protection Agency* that The Clean Water Act does not authorize the EPA to include "end-result" provisions in wastewater discharge permits and a tentative order for public comment was released on September 12, 2025. The city expects the board to consider issuing the permit within the next 12 months

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 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 August 2025, the first phase of the Program is estimated to cost approximately $1,760,000 of which approximately $690,000 will be allocated to the Sewer Utility Fund, and approximately $1,070,000 will be allocated to the Water Utility Fund. Phase 1 has surpassed the 80% construction milestone. Construction of the Phase 2 demonstration facility, located at the Point Loma Wastewater Treatment Plant, is nearing completion and is expected to cost approximately $57,000. This facility proves the treatment process is effective in advance of the larger Phase 2 project. In 2014, the City entered into an agreement with environmental stakeholders to support the implementation of potable reuse and secondary equivalency at Point Loma Wastewater Treatment Plant. This agreement obligates the City to achieve secondary equivalency standards for wastewater by implementing an 83 million gallons per day (MGD) potable reuse program (i.e., the Pure Water San Diego Program) by 2035. The requirements identified in the agreement are incorporated into the City's Modified Permit to operate the Point Loma Wastewater Treatment plant. The City has engaged its stakeholders, including the same external environmental groups as well as the member agencies of the Metropolitan Wastewater Joint Powers Authority, to address the necessary scope of Phase 2 given significant changed conditions (e.g., water demand forecasts, affordability, wastewater flow, dams, regulatory changes, climate change) from the City's original 2012 planning document. Current estimates of the Phase 2 project costs are $4,030,000 based on the original 2012 scope, in 2024 dollars. The Public Utilities Department expects to fund these commitments through a combination of existing net position, present and future system revenues, grants, and financing proceeds secured by system revenues.

On, February 14, 2025, the Ocean Pollution Reduction Act II (H.R. 1390), 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. The Bill was referred to the Subcommittee on Water Resources and Environment. No future 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 appealed and in an unpublished decision, the court of appeals reversed the trial court's decision and directed the trial court to enter judgment in favor of the City. SDGE petitioned the California Supreme Court to review the case, but the request was declined. The City was awarded prejudgment interest totaling $13,685 while SDG&E seeks an appellate court ruling. These funds were received in September 2025.

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 2025 ACFR, the Single Audit for fiscal year 2025 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 3,704 notices of claims in fiscal year 2025.

As of June 30, 2025, the City estimates the amount of tort and non-tort liabilities to be $380,449, 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 $476,934. 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, 2025.

The City has been served with multiple lawsuits, alleging damages from a storm event that took place on January 22, 2024. During the event, the City received unprecedented levels of rainfall in multiple neighborhoods, leading to substantial flooding of both public and private properties. Any potential claims in excess of the those noted above are still being determined.

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 complementary 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, received comments on November 16, 2023, and responded on January 19, 2024. The City is currently waiting for final report revisions to be approved by 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, and the Sediment Quality Objectives Assessment Reports were submitted to the RWQCB on March 10, 2025. The City is currently waiting for the RWQCB to provide comments or any next steps on the Reports. 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 RWQCB 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 assisted 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 to the Lower San Diego River. This study was completed and submitted to the RWQCB in June 2024. 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 Strategies to Reduce and Abate Bacteria (SRAB) plan that describes the collaboration amoung 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 SRAB as a basis, the City worked with the RWQCB for a Time Schedule Order (TSO), which was adopted on March 13, 2024, and remains in effect through September 30, 2028. The TSO provides 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. The TSO also ensures 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 raw water dams and two water tanks that are subject to the jurisdiction of the California Department of Water Resources' Division of Safety of Dams (DSOD). Many dams are nearing or have surpassed the end of their useful service lives. DSOD has rated six dams as being in fair, poor, or unsatisfactory condition, and all nine dams pose an extremely high hazard for downstream impacts should they fail if operating under full conditions. Due to these concerns, DSOD has mandated water restrictions at Hodges, Morena, Murray, and El Capitan. These restrictions are critical for older dams, which must be upgraded to meet modern safety standards to safeguard communities and prevent environmental damage from flooding.

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. 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.

In addition, the California Office of Emergency Services has imposed requirements for the review and approval of inundation maps for dams, critical appurtenant structures, and enhanced dam inspection practices. As a result, the city completed detailed condition assessments of Hodges Dam, and partial assessments for Lower Otay, Morena, and El Capitan Dams, which are each "extremely high" hazard dams appurtenant structures.

The City has completed 45 condition assessments, constructed 5 repair projects, initiated design of 12 additional repair projects and 1 replacement project for Hodges Dam, and started construction on 5 other repair projects, while continuing to progress condition assessments for each dam. Over the next five years the City plans to complete comprehensive condition assessments of all 11 DSOD regulated facilities to establish baselines and identify immediate and long-term needs as part of a dam safety strategic plan.

Based on the initial assessment of the City's dams' condition to date, it is estimated that over $1,000,000 of improvements could be needed over the next several decades to ensure dam safety and performance. 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.

The Public Utilities Department expects to fund these commitments through a combination of existing net position, present and future system revenues, federal or state grants, and financing proceeds secured by system revenues.

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), has 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, 2025, the status of each of the special assessment/special tax bonds issued is as follows:

	Original Amount	Balance Outstanding June 30, 2025
Community Facilities District No.3 (Liberty Station), Series 2013	$ 15,770	$ 10,020
Assessment District No.4096 (Piper Ranch), Issued July 2013	3,830	2,110
Community Facilities District No.2 (Santaluz), Improvement Area No. 3, Series 2015	3,380	1,525
Community Facilities District No.2 (Santaluz), Improvement Area No. 4, Series 2015	6,215	3,660
Community Facilities District No.4 (Black Mountain Ranch Villages), Series 2016	16,435	11,620
Community Facilities District No.2 (Santaluz), Improvement Area No.1, Series 2021	22,470	14,820
Total Special Assessment / Special Tax Bonds	$ 68,100	$ 43,755

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, 2025, the status of each of the parking revenue and tax allocation bonds issued is as follows:

	Original Amount	Balance Outstanding June 30, 2025
Revenue Bonds:		
Centre City Parking, Series 1999 A	$ 12,105	$ 785
Centre City Parking, Series 2003 B	20,515	840
Total Revenue Bonds	32,620	1,625
Tax Allocation Bonds:		
Centre City Redevelopment Project, Series 2001 A	58,425	2,947
Successor Agency Redevelopment Refunding, Series 2016 A	145,080	49,260
Successor Agency Redevelopment Refunding, Series 2016 B	30,105	8,650
Successor Agency Redevelopment Refunding, Series 2017 A	64,565	45,205
Successor Agency Redevelopment Refunding, Series 2017 B	155,400	107,445
Total Tax Allocation Bonds	453,575	213,507
Total Bonds	$ 486,195	$ 215,132
Accreted Interest Payable on Tax Allocation Bonds:		
Centre City Redevelopment Project, Series 2001 A		$ 7,761

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, 2025, interest of $499,570 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, 2025
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	$ —
City of San Diego - Miscellaneous	105,733	32,994
Total Accrued Interest Payable	$ 107,632	$ 32,994

d. Liability Claims

The former RDA entered into three agreements to benefit the Grantville Redevelopment Project Area: the Joint Projects Cooperation Agreement with the County of San Diego (County); the North Embarcadero Cooperation Agreement with the County; and the Transit Line Cooperation Agreement with the City of San Diego (City). All three agreements state that the RDA, using tax increment from the Grantville and Centre City Redevelopment Projects, shall provide the County and City a portion of the cost of construction for these improvements. Pursuant to Health & Safety Code Sections 33445 and 33679, (39) annual payments to the County and City were required, commencing in fiscal year 2012. As of June 30, 2025, the outstanding amounts for the three agreements total $61,524.

e. Amortization Requirements

The annual requirements to amortize the private-purpose trust fund long-term debt outstanding as of June 30, 2025, 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
2026	$ —	$ 15,500	$ 1,195	$ 59	$ 24,686	$ 3,989	$ 8,510
2027	—	—	430	11	25,441	4,169	7,460
2028	—	—	—	—	18,330	—	6,530
2029	—	—	—	—	14,590	—	5,821
2030	—	—	—	—	13,165	—	5,223
2031-2035	—	—	—	—	61,140	—	17,184
2036-2040	—	—	—	—	46,000	—	7,132
2041-2045	—	—	—	—	10,155	—	214
Unscheduled [1]	—	17,494	—	—	—	—	—
Total	$ —	$ 32,994	$ 1,625	$ 70	213,507	8,158	58,074
Add: Accreted Appreciation through June 30, 2025					7,761	—	—
Total					$ 221,268	$ 8,158	$ 58,074

[1] The accrued interest associated with loans payable to the City in the amount of $32,994 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.

f. 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, 2025. 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	$ 62,555	$ —	$ (1,031)	$ 61,524
Revenue Bonds	2,755	—	(1,130)	1,625
Unamortized Bond Premiums and Discounts	(11)	—	6	(5)
Net Revenue Bonds	2,744	—	(1,124)	1,620
Tax Allocation Bonds	237,157	—	(23,650)	213,507
Interest Accretion	9,999	607	(2,845)	7,761
Tax Allocation Bonds with Accretion	247,156	607	(26,495)	221,268
Unamortized Bond Premiums and Discounts	16,581	174	(2,011)	14,744
Net Tax Allocation Bonds	263,737	781	(28,506)	236,012
Interest Accrued on City Loans	48,494	—	(15,500)	32,994
Total	$ 377,530	$ 781	$ (46,161)	$ 332,150

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 $64,977 reported as landfill closure and postclosure care liability as of June 30, 2025, represents the cumulative amount reported to date based on the use of 85% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of $11,114 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, 2025. 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, 2025, 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 2025, cash or equity in pooled cash and investments of $38,214 was held for this purpose. The closure/postclosure care liability amount of $64,977 reported in the Refuse Disposal Fund includes $37,520 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, 2025, 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 2025, cash or equity in pooled cash and investments of $1,898 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 2025, accrued interest of $190 is included as a component of restricted net position in the Refuse Disposal Fund.

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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	$ —	$ 20,756	$ 20,756
Not in Spendable Form	2,404	50	2,454
Total Nonspendable	2,404	20,806	23,210
RESTRICTED			
Underground Surcharge	—	453,836	453,836
Low and Moderate Income Housing	—	437,920	437,920
Impact Fees	—	250,759	250,759
Facilities Benefit Assessments	—	223,990	223,990
Grants [1]	998	91,773	92,771
Capital Outlay - Unbudgeted [1]	—	89,965	89,965
Capital Outlay - Budgeted	—	86,954	86,954
TransNet	—	58,254	58,254
Tourism Marketing Districts	—	40,790	40,790
Maintenance Assessment Districts	—	29,506	29,506
Road Maintenance & Rehabilitation	26,483	—	26,483
Developer Contributions	—	21,589	21,589
Park Boulevard State Appropriation	—	17,031	17,031
Parking Meter Districts	—	15,935	15,935
Otay Mesa EIFD	—	14,703	14,703
SD Residential Lead Abatement Settlement	—	12,127	12,127
Neighborhood Enhancement	—	11,800	11,800
Jane Cameron Estate	—	9,906	9,906
Infrastructure Fund (Prop H)	9,872	—	9,872
Tobacco Settlement Revenue Funding Corporation	—	9,462	9,462
Successor Agency Property Management	—	8,528	8,528
Fiesta Island Sludge Mitigation	—	7,138	7,138
Environmental Growth	6,503	—	6,503
Library Donations Matching Fund	—	5,534	5,534
Citizens Option for Public Safety (COPS)	—	5,000	5,000
Library Donations	—	4,745	4,745
Disability Surcharge (SB 1186)	—	4,470	4,470
6th & K Operating Fund	—	4,180	4,180
Miscellaneous Donations	—	3,961	3,961
Prop 64 Fund	—	3,769	3,769
San Diego Regional Consolidated RLF	—	3,767	3,767
Special Gas Tax Street Improvement	3,049	—	3,049
Los Penasquitos Trust	—	3,001	3,001
Seized Assets	—	2,641	2,641
6th & Market Operating Fund	—	2,489	2,489
Public Safety Training	—	2,478	2,478
Library Improvement	1,686	—	1,686
UCSD Fire Station	—	1,274	1,274
Public Safety Services & Debt	1,066	—	1,066
Parks & Recreation Districts	—	1,034	1,034
CARES Act Revolving Loan Fund	—	1,010	1,010
Storm Drain Fund	—	911	911
Downtown PBID	—	753	753
Tierrasanta Ordinance	—	14	14
Other [2]	934	17,241	18,175
Total Restricted	50,591	1,960,238	2,010,829

	General Fund	Other Governmental Funds	Total Governmental Funds
COMMITTED			
Emergency Reserve	$ 107,600	$ —	$ 107,600
Public Liability	46,505	—	46,505
Workers' Compensation	27,294	—	27,294
Transient Occupancy Tax	—	19,872	19,872
Capital Outlay - Unbudgeted	—	19,862	19,862
Climate Equity Fund	13,493	—	13,493
City TV	—	11,491	11,491
Trench Cut Fees	—	8,834	8,834
Information Technology	8,682	—	8,682
EMS/MTS Fund	8,488	—	8,488
Public Arts	—	7,980	7,980
SAP Support	4,336	—	4,336
General Plan Maintenance Fund	—	2,201	2,201
Retirement UAAL SDCERS Reserve	2,194	—	2,194
Automated Refuse Containers	—	2,158	2,158
Economic & Workforce Development	—	1,390	1,390
Concourse & Parking Garage Operating Fund	1,279	—	1,279
Antenna Lease Revenue	1,267	—	1,267
Civil Penalty Enforcement	—	1,103	1,103
Energy Independence Fund	442	—	442
Community Equity Fund (CEF)	200	—	200
Facilities Financing Program	—	42	42
Other [2]	71	6,489	6,560
Total Committed	221,851	81,422	303,273
ASSIGNED			
Other [2]	916	—	916
UNASSIGNED	138,898	(246,237)	(107,339)
TOTAL FUND BALANCE	$ 414,660	$ 1,816,229	$ 2,230,889

[1] Restricted Fund Balance for Grants and Capital Outlay includes $32,994 and $27,344 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 comprised of a variety of restrictions, commitments, and assignments less than $1,000.

22. RESTATEMENT OF NET POSITION (Dollars in Thousands)

Change in Accounting Principle - Implementation of GASB Statement No. 101, *Compensated Absences* (GASB 101)

GASB 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used, and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Prior to the implementation of GASB 101, the liability for compensated absences was comprised of annual leave and compensatory time off, including the related portion of Medicare tax. Based on the new criteria outlined in GASB 101, several leave types qualify for liability recognition, including but not limited to, annual leave, compensatory time off, department discretionary leave, parental leave, and earned sick leave. Under the new standard, the liability as of June 30, 2024 has been restated to include additional leave types. The liability is calculated based on current salary levels and includes salary-related benefits, including Medicare tax and the City's portion of defined contribution pension plans, when applicable.

Based on this change in accounting principle, beginning net position was reduced by $18,124 and $4,553 for governmental activities and business-type activities, respectively, as shown in the table below.

	Net Position at 6/30/24, as Previously Reported	Change in Accounting Principle- GASB 101 Implementation	Net Position at 6/30/24, as Restated
Government-wide			
Governmental Activities	$ 4,934,536	$ (18,124)	$ 4,916,412
Business-Type Activities	5,319,536	(4,553)	5,314,983
Total Government-wide	$ 10,254,072	$ (22,677)	$ 10,231,395
Proprietary Funds			
Sewer Utility	$ 2,823,737	$ (2,901)	$ 2,820,836
Water Utility	2,283,655	450	2,284,105
Nonmajor Enterprise	185,784	(2,102)	183,682
Total Enterprise	$ 5,293,176	$ (4,553)	$ 5,288,623
Internal Service	$ 243,768	$ (803)	$ 242,965

23. SUBSEQUENT EVENTS (Dollars in Thousands)

The following information describes certain events that occurred after the end of the fiscal year.

Loan Agreements

On July 11, August 13, September 12, October 10, and November 12, 2025, the City received loan proceeds from the First WIFIA Loan in the amounts of $12,579, $10,328, $11,253, $5,965, and $16,028, respectively. The First WIFIA Loan will fund a portion of the Water Utility's cost of the Pure Water Program Phase I. The interest rate on the loan is 1.29%.

On August 12, August 26, September 8, and September 25, 2025, the City's Sewer Utility Fund received a total of $46,301 in loan proceeds from the SRF Loan Agreement with SWRCB, including $9,557 for the Pure Water Morena Project, $20,551 for the Pure Water Reclamation Plant Expansion Projects, and $16,193 for the Pure Water Conveyance Project. The interest rates on the loans are 0.80%, 1.10%, and 0.80%, respectively.

On September 5, 2025, the City's Water Utility Fund received loan proceeds from the SRF Loan Agreement with SWRCB for the Alvarado 2nd Pipeline Extension project in the amount of $1,023. The interest rate on the loan is 2.10%.

On October 30, 2025, the City's Water Utility Fund entered into a Drinking Water State Revolving Fund (DWSRF) loan agreement with the SWRCB to finance the Otay 2nd Pipeline Steel Replacement Phase 3 Project. The DWSRF loan is a drawdown loan that will fund up to an estimated project cost of $45,000 at an interest rate of 1.9%. The repayment period for the loan is 30 years from the completion of construction, and the final maturity date is currently estimated to be June 30, 2058, which is subject to change.

On November 14, 2025, the City received its first loan proceeds from the Stormwater WIFIA Loan in the amount of $9,841. The Stormwater WIFIA Loan will fund a portion of the stormwater improvement capital projects. The interest rate on the loan is 3.11%.

Financed Purchase Obligations

On August 22, 2025, the City lease-purchased various public safety and support vehicles in the amount of $9,193. Under the agreement with Banc of America Public Capital Corp., the vehicles will be financed for seven and ten years at interest rates of 3.46% and 3.57%.

Water Revenue Bonds

On August 21, 2025, PFFA issued tax-exempt Senior Water Revenue Bonds, Series 2025A (2025A Water Bonds) in the amount of $233,525. The proceeds from these bonds are being used to finance the Water Utility's Capital Improvement Program projects, including the repayment of outstanding Water Commercial Paper notes. The 2025A Water Bonds are payable solely from installment payments secured by the net system revenues of the Water Utility Fund. The final maturity date is on August 1, 2056.

Water CP Notes

On November 19, 2025, the outstanding Water CP Notes of $250,000 and associated interest were paid off from the escrow fund of the 2025A Water Bonds. In addition, the excess earnings from escrow of $793 were transferred to the 2025A Water Bonds payment fund to pay for the future debt service.

On November 20, 2025, the City issued a Water Commercial Paper note in the amount of $33,972. The interest rate for the Water CP Note is 2.52% with a maturity date of March 12, 2026.

General Fund CP Notes

On July 1, 2025, the City terminated the General Fund CP Notes program under the Letter of Credit with Bank of America, N.A. The City has no outstanding Commercial Paper Notes pertaining to the Letter of Credit dated November 26, 2024.

Lease Revenue Bonds

On October 7, 2025, the PFFA issued tax-exempt Lease Revenue and Lease Revenue Refunding Bonds, Series 2025A (2025 Bonds) in the amount of $608,700. The bonds were issued to refund Lease Revenue Bonds Series 2015A (2015A Bonds), Series 2015B (2015B Bonds), Series 2018A Bonds (2018A Bonds), Series 2020A Bonds (2020A Bonds), and finance the costs of the acquisition, design, construction, installation, improvement, replacement, and equipping of certain improvement projects of the City, and pay costs of issuance incurred in connection with the issuance of the 2025 Bonds. As of October 7, 2025 (closing date), the net carrying value of the old bonds exceeded the reacquisition price by $3,106 for the 2015A Bonds, and $1,952 for the 2015B

Bonds. These amounts will be reported as deferred inflows of resources and amortized over the remaining life of the refunding debt. For the 2018A and 2020A Bonds, the reacquisition price exceeded the net carrying value of the old debt by $7,012 and $742, respectively. These amounts will be reported as deferred outflows of resources and amortized over the remaining life of the refunding debt. The refunding of the 2015A Bonds, 2015B Bonds, 2018A Bonds, and 2020A Bonds reduced the total debt service payments by $12,368, $3,166, $5,941, and $1,729, respectively. The refunding of these bonds also resulted in economic gains of $7,887, $2,553, $4,912, and $1,375. The final maturity for the Series 2025 Bonds is October 15, 2055.

On October 7, 2025, the PFFA issued tax-exempt Lease Revenue Refunding Bonds, Series 2025 (Ballpark Refunding) (2025 Bonds) in the amount of $43,880. The bonds were issued to refund Lease Revenue Refunding Bonds Series 2016 (Ballpark Refunding) and finance the costs of issuance incurred in connection with the issuance of 2025 Bonds. As of October 7, 2025 (closing date), the net carrying value of the old bonds exceeded the reacquisition price by $4,534. This amount will be reported as a deferred inflow of resources and amortized over the remaining life of the refunding debt. The refunding of Lease Revenue Refunding Bonds Series 2016 (Ballpark Refunding) reduced the total debt service payments by $5,017 and resulted in an economic gain of $4,648. The final maturity for the 2025 Bonds is October 15, 2031.

Required Supplementary Information (Unaudited)

Defined Benefit Pension Plans and OPEB Plan

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
June 30, 2025
(Dollars in Thousands)

GASB 67 and 68 Reporting
Schedule of Changes in Net Pension Liability and Related Ratios

Total Pension Liability	FYE 2024	FYE 2023 [2]	FYE 2022	FYE 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015
Service Cost (Middle of Year)	$ 257,200	$ 218,323	$ 132,557	$ 147,459	$ 127,076	$ 118,597	$ 108,871	$ 106,877	$ 93,804	$ 102,688
Interest (Includes Interest on Service Cost)	801,984	769,694	729,930	709,283	663,823	640,508	628,500	613,529	573,760	554,988
Changes of benefit terms	—	332,673	—	—	—	—	—	—	—	—
Differences Between Expected and Actual Experience	348,940	137,386	8,221	77,579	186,951	143,136	58,618	71,123	21,285	46,416
Changes in Assumptions	250,776	—	—	—	290,843	—	266,606	249,740	620,314	—
Benefit Payments, Including Refunds of Member Contributions	(649,083)	(646,465)	(621,631)	(597,413)	(561,837)	(534,023)	(515,078)	(477,039)	(452,781)	(429,238)
Net Change in Total Pension Liability	1,009,817	811,611	249,077	336,908	706,856	368,218	547,517	564,230	856,382	274,854
Total Pension Liability, Beginning	12,531,078	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
Total Pension Liability, Ending	13,540,895	12,531,078	11,719,467	11,470,390	11,133,482	10,426,626	10,058,408	9,510,891	8,946,661	8,090,279
Plan Fiduciary Net Position										
Contributions-Employer	451,834	425,601	418,924	369,678	354,349	326,982	328,922	265,572	259,543	268,061
Contributions-Member	147,598	330,821	77,518	67,026	68,652	62,709	57,937	57,050	59,377	59,042
Net Investment Income	717,174	473,107	(137,053)	1,980,288	19,006	477,484	594,843	857,923	64,155	207,653
Benefit Payments, Including Refunds of Member Contributions	(649,083)	(646,465)	(621,631)	(597,413)	(561,837)	(534,023)	(515,078)	(477,039)	(452,781)	(429,238)
Administrative Expense	(13,780)	(13,232)	(12,402)	(11,160)	(10,688)	(10,238)	(10,570)	(10,778)	(10,900)	(8,693)
Net Change in Plan Fiduciary Net Position	653,743	569,832	(274,644)	1,808,419	(130,518)	322,914	456,054	692,728	(80,606)	96,825
Plan Fiduciary Net Position, Beginning	9,740,892	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
Plan Fiduciary Net Position, Ending	10,394,635	9,740,892	9,171,060	9,445,704	7,637,285	7,767,803	7,444,889	6,988,835	6,296,107	6,376,713
Net Pension Liability, Ending	$3,146,260	$2,790,186	$2,548,407	$2,024,686	$3,496,197	$2,658,823	$2,613,519	$2,522,056	$2,650,554	$1,713,566
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.76 %	77.73 %	78.25 %	74.02 %	68.60 %	74.50 %	74.02 %	73.48 %	70.37 %	78.82 %
Covered Pensionable Payroll [1]	$ 946,234	$ 525,995	$ 466,864	$ 501,204	$ 484,764	$ 455,753	$ 448,890	$ 465,100	$ 480,662	$ 480,536
Net Pension Liability as a Percentage of Covered Payroll	332.50 %	530.46 %	545.86 %	403.96 %	721.22 %	583.39 %	582.22 %	542.26 %	551.44 %	356.59 %

[1] Covered payroll is pensionable payroll for SDCERS members as of beginning of the measurement year.

[2] In FYE 2023, the changes of benefit terms reflect the Proposition B liability and the member contributions include the corresponding contributions transferred to SDCERS.

GASB 73 Reporting

Preservation of Benefits Plan Schedule of Changes in Total Pension Liability (Dollars in Thousands)

Total Pension Liability	FYE 2024	FYE 2023	FYE 2022	FYE 2021	FYE 2020
Service Cost (Middle of Year)	$ 248	$ 87	$ 206	$ 251	$ 119
Interest (Includes Interest on Service Cost)	421	471	366	372	402
Differences Between Expected and Actual Experience	6,123	(1,421)	(622)	876	2,707
Changes in Assumptions	2,995	(136)	(2,299)	130	3,553
Benefit Payments	(761)	(974)	(1,442)	(1,562)	(1,481)
Net Change in Total Pension Liability	9,026	(1,973)	(3,791)	67	5,300
Total Pension Liability, Beginning	11,780	13,753	17,544	17,477	12,177
Total Pension Liability, Ending	$ 20,806	$ 11,780	$ 13,753	$ 17,544	$ 17,477
Covered-Employee Payroll	$ 946,234	$ 525,995	$ 466,864	$ 501,204	$ 484,764
Total Pension Liability as a Percentage of Covered-Employee Payroll	2.20 %	2.24 %	2.95 %	3.50 %	3.61 %

Total Pension Liability	FYE 2019	FYE 2018	FYE 2017	FYE 2016
Service Cost (Middle of Year)	$ 87	$ 54	$ 60	$ 36
Interest (Includes Interest on Service Cost)	425	353	313	406
Differences Between Expected and Actual Experience	999	2,352	635	—
Changes in Assumptions	424	(216)	(589)	1,588
Benefit Payments	(1,403)	(1,430)	(1,634)	(1,596)
Net Change in Total Pension Liability	532	1,113	(1,215)	434
Total Pension Liability, Beginning	11,645	10,532	11,747	11,313
Total Pension Liability, Ending	$ 12,177	$ 11,645	$ 10,532	$ 11,747
Covered-Employee Payroll	$ 455,753	$ 448,890	$ 465,100	$ 480,662
Total Pension Liability as a Percentage of Covered-Employee Payroll	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)

	2025	2024	2023	2022	2021
Actuarially Determined Contribution	$ 486,300	$ 400,500	$ 384,300	$ 414,900	$ 365,600
Contributions [1]	486,300	448,100	421,800	414,900	365,600
Contribution Excess/(Deficiency)	$ —	$ 47,600	$ 37,500	$ —	$ —
Covered Payroll [2]	$ 1,100,317	$ 946,234	$ 525,995	$ 466,864	$ 501,204
Contributions as a Percentage of Covered Payroll	44.20 %	47.36 %	80.19 %	88.87 %	72.94 %

	2020	2019	2018	2017	2016
Actuarially Determined Contribution	$ 350,500	$ 322,900	$ 324,500	$ 261,100	$ 254,900
Contributions [1]	350,500	322,900	324,500	261,100	254,900
Contribution Excess/(Deficiency)	$ —	$ —	$ —	$ —	$ —
Covered Payroll [2]	$ 484,764	$ 455,753	$ 448,890	$ 465,100	$ 480,662
Contributions as a Percentage of Covered Payroll	72.30 %	70.85 %	72.29 %	56.14 %	53.03 %

Key Methods and Assumptions Used to Determine Contributions:

Valuation Date	6/30/2023
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	The actuarial value of assets is equal to 100% of the expected actuarial value of assets plus 25% of the difference between the current market value of assets and the expected actuarial value of assets.
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.
Discount Rate	6.50%. The discount rate was reduced 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	3.25%, compounded annually. This wage inflation assumption is used for projecting the total annual payroll growth for amortization of the UAL. This assumption is also used for increasing the compensation limit that is applied to PEPRA Members.
Salary Increases	3.05% (following assumed freezes in FYs 2015-2018) plus merit component based on employee classification and years of service ranging from 10.00% for new hires to 0.75% for members with 15 or more years of service. The across-the-board salary increase assumption was reduced from 3.30% to 3.175% in the 2015 valuation, and from 3.175% to 3.05% in the 2016 valuation.
Cost-Of-Living Adjustments	2.0%. 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-2021. For Safety members, 2010 SOA Public Safety Healthy Employees and Retirees Amount-Weighted Mortality Tables, adjusted by 90% for male annuitants, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2021. For Safety healthy annuitants and beneficiaries are based on the sex distinct 2010 SOA Public Safety Healthy Retirees Amount-Weighted Mortality Table, adjusted by 90% for males and no adjustment for females, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2021. 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-2021. 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-2021.

A complete description of the methods and assumptions used to determine the contribution for the fiscal year ended June 30, 2025, can be found in the June 30, 2023 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. The contributions in FYE 2023 and FYE 2024 include additional payments made by the City as a result of the unwinding of Proposition B

[2] Covered Payroll is based on pensionable earnings provided by the Plan Sponsor and used by the Actuary to calculate the fiscal year ADC. It represents 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 2024**	**FYE 2023**	**FYE 2022**	**FYE 2021**	**FYE 2020**
Service Cost	$ 328	$ 356	$ 449	$ 610	$ 709
Interest on the Total OPEB Liability	31,934	31,855	35,191	36,828	36,287
Differences Between Expected and Actual Experience	9,798	6,694	4,381	(1,509)	4,019
Changes in Assumptions	6,615	79	(46,552)	(17,886)	9,553
Benefit Payments	(37,340)	(38,041)	(39,091)	(39,067)	(39,744)
Net Change in Total OPEB Liability	11,335	943	(45,622)	(21,024)	10,824
Total OPEB Liability, Beginning	526,565	525,622	571,244	592,268	581,444
Total OPEB Liability, Ending	$ 537,900	$ 526,565	$ 525,622	$ 571,244	$ 592,268
Plan Fiduciary Net Position					
Contributions-Employer	$ 29,593	$ 37,855	$ 37,000	$ 33,849	$ 36,352
Contributions-Member	157	186	228	292	378
Net Investment Income	10,301	4,433	(17,710)	24,204	6,438
Benefit Payments	(37,340)	(38,041)	(39,091)	(39,067)	(39,744)
Administrative Expense	(41)	(35)	(36)	(46)	(59)
Net Change in Plan Fiduciary Net Position	2,670	4,398	(19,609)	19,232	3,365
Plan Fiduciary Net Position, Beginning	126,314	121,916	141,525	122,293	118,928
Plan Fiduciary Net Position, Ending	128,984	126,314	121,916	141,525	122,293
Net OPEB Liability, Ending	$ 408,916	$ 400,251	$ 403,706	$ 429,719	$ 469,975
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	23.98 %	23.99 %	23.19 %	24.77 %	20.65 %
Covered-Employee Payroll	$ 25,671	$ 27,880	$ 29,465	$ 31,957	$ 38,667
Net OPEB Liability as a Percentage of Covered-Employee Payroll	1592.91 %	1435.62 %	1370.12 %	1344.68 %	1215.44 %

Total OPEB Liability	**FYE 2019**	**FYE 2018**	**FYE 2017**
Service Cost	$ 815	$ 1,010	$ 1,237
Interest on the Total OPEB Liability	36,549	43,543	43,617
Differences Between Expected and Actual Experience	1,293	(3,432)	(4,915)
Changes in Assumptions	7,459	(91,058)	—
Benefit Payments	(39,705)	(41,360)	(40,280)
Net Change in Total OPEB Liability	6,411	(91,297)	(341)
Total OPEB Liability, Beginning	575,033	666,330	666,671
Total OPEB Liability, Ending	$ 581,444	$ 575,033	$ 666,330
Plan Fiduciary Net Position			
Contributions-Employer	$ 37,436	$ 30,379	$ 30,326
Contributions-Member	463	577	719
Net Investment Income	7,990	7,348	8,590
Benefit Payments	(39,705)	(41,360)	(40,280)
Administrative Expense	(25)	(61)	(59)
Net Change in Plan Fiduciary Net Position	6,159	(3,117)	(704)
Plan Fiduciary Net Position, Beginning	112,769	115,886	116,590
Plan Fiduciary Net Position, Ending	118,928	112,769	115,886
Net OPEB Liability, Ending	$ 462,516	$ 462,264	$ 550,444
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	20.45 %	19.61 %	17.39 %
Covered-Employee Payroll	$ 46,073	$ 51,372	$ 61,397
Net OPEB Liability as a Percentage of Covered-Employee Payroll	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)

	2025	2024	2023	2022	2021
Contractually Required Contribution	$ 49,000	$ 50,000	$ 63,324	$ 65,376	$ 65,376
Contributions in Relation to the Contractually Required Contributions	49,000	50,000	63,324	65,376	65,376
Contribution Excess/(Deficiency)	$ —	$ —	$ —	$ —	$ —
Covered-Employee Payroll [1]	$ 25,791	$ 28,099	$ 29,604	$ 32,116	$ 38,707
Contributions as a Percentage of Covered-Employee Payroll	189.99 %	177.94 %	213.90 %	203.56 %	168.90 %

	2020	2019	2018	2017	2016
Contractually Required Contribution	$ 65,376	$ 63,781	$ 62,225	$ 60,707	$ 59,227
Contributions in Relation to the Contractually Required Contributions	65,376	63,781	62,225	60,707	59,227
Contribution Excess/(Deficiency)	$ —	$ —	$ —	$ —	$ —
Covered-Employee Payroll [1]	$ 46,073	$ 51,483	$ 62,437	$ 61,397	$ 74,002
Contributions as a Percentage of Covered-Employee Payroll	141.90 %	123.89 %	99.66 %	98.88 %	80.03 %

Actuarial Assumptions and Methods

Valuation Date	6/30/2024
Actuarial Cost Method	Entry Age Normal, level percent of pay. Service Costs are attributed through all assumed ages of exit from active service. For DROP participants, assumed exit from active service is the date at which DROP ends.
Asset Valuation Method	Market value.
Amortization Method	Gains or losses are amortized over different periods depending on the source.
Discount Rate	6.28%
Medical Cost and Premium Trend Rates	Rates are applied to go into effect as of the end of the applicable fiscal year. National Health Expenditure (NHE) Trend is applied to those subsidies that are expected to increase with the NHE. The initial pre-65 HMO and PPO trend assumption (rates starting at 8.50% in FY25) was updated to be in line with recent healthcare trend survey assumptions for non-Medicare coverage. The post-Medicare initial trend assumption (rates starting at 8.00% in FY25) was also updated to be more in line with supplement with drug coverage for Medicare retirees. On a longer term basis, trend is assumed to reach an ultimate level of 4.50% consisting of 2.50% CPI, plus 1.25% real GDP plus 0.75% technology. These real trend components are in line with long term trend analysis published by Centers for Medicare & Medicaid Services (CMS). The National Health Expenditures (NHE) trend rates are in line with recent projections on national health spending published by CMS.
Salary Increases	Inflation component of 3.25%, and additional merit scale that varies by service. General is 7.0% to 1.0% for 0 to 15+ years of service respectively. Safety is 10.0% to 0.75% for 0 to 15+ years of service respectively.
Consumer Price Index	2.50%
Mortality	General Actives: Pub-2010 General Employees Amount-Weighted Mortality Table, without adjustment, projected from the 2010 base year using Projection Scale MP-2021 Safety Actives: Pub-2010 Safety Employees Amount-Weighted Mortality Table, adjusted by 90% for males and no adjustment for females, projected from the 2010 base year using Projection Scale MP-2021 General Retirees: Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table, without adjustment, projected from the 2010 base year using Projection Scale MP-2021 Safety Retirees: Pub-2010 Safety Healthy Retirees Amount-Weighted Mortality Table, adjusted by 90% for males and no adjustment for females, projected from the 2010 base year using Projection Scale MP-2021 General Disabled Retirees: CalPERS Industrial-Related Disabled Retirees Mortality Table from the CalPERS December 2017 experience study, without adjustment, projected from the 2013 base year using Projection Scale MP-2021 Safety Disabled Retirees: Pub-2010 Safety Disabled Retirees Amount-Weighted Mortality table, without adjustment, projected from the 2010 base year using Projection Scale MP-2021

[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, 2025
(Dollars in Thousands)

	Original Budget	Final Budget	Actual Amounts [1]	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	$ 808,865	$ 808,865	$ 807,079	$ (1,786)
Sales Taxes	393,481	393,481	372,287	(21,194)
Transient Occupancy Taxes	172,827	172,827	165,620	(7,207)
Franchise Fees	123,727	123,727	101,158	(22,569)
Other Local Taxes	10,077	10,077	11,374	1,297
Licenses and Permits	47,398	47,527	45,413	(2,114)
Fines, Forfeitures and Penalties	31,172	31,172	32,192	1,020
Revenue from Use of Money and Property	81,799	81,799	80,114	(1,685)
Revenue from Federal Agencies	3,517	7	459	452
Revenue from Other Agencies	8,669	8,669	12,300	3,631
Revenue from Private Sources	—	2	70	68
Charges for Current Services	281,703	292,218	306,468	14,250
Other Revenue	1,646	1,646	13,825	12,179
TOTAL REVENUES	1,964,881	1,972,017	1,948,359	(23,658)
EXPENDITURES				
Current:				
General Government and Support	405,961	390,576	390,576	—
Public Safety - Police	672,647	689,933	689,933	—
Public Safety - Fire and Emergency Services	354,516	365,754	365,754	—
Parks, Recreation, Culture and Leisure	262,621	264,936	264,936	—
Transportation	99,503	111,589	111,589	—
Sanitation and Health	166,493	165,392	165,392	—
Neighborhood Services	97,263	84,563	84,563	—
Capital Outlay	1,224	1,900	1,900	—
Debt Service:				
Principal Retirement	6,832	6,676	6,676	—
Interest	876	454	454	—
TOTAL EXPENDITURES	2,067,936	2,081,773	2,081,773	—
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(103,055)	(109,756)	(133,414)	(23,658)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	111,618	111,202	123,157	11,955
Transfers to Other Funds	(93,007)	(94,773)	(94,773)	—
Proceeds from the Sale of Capital Assets	—	—	9	9
TOTAL OTHER FINANCING SOURCES (USES)	18,611	16,429	28,393	11,964
NET CHANGE IN FUND BALANCE	(84,444)	(93,327)	(105,021)	(11,694)
FUND BALANCE AT BEGINNING OF YEAR	312,121	312,121	312,121	—
FUND BALANCE AT END OF YEAR	$ 227,677	$ 218,794	$ 207,100	$ (11,694)

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, 2025

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, 2025 (dollars in thousands):

	General Fund
Net Change in Fund Balance - GAAP Basis	$ (115,783)
Add (Deduct):	
Unrealized Gain, June 30, 2025	(836)
Unrealized Loss, June 30, 2024	(2,453)
Advances to Other Agencies, June 30, 2025	(674)
Advances to Other Agencies, June 30, 2024	674
Other Perspective Differences [1]	(9,470)
Other Fund Activity [2]	23,521
Net Change in Fund Balance - Budgetary Basis	$ (105,021)

[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, 2025
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget Positive (Negative)
PROPERTY TAXES			
Current Year - Secured (One Percent Allocation)	$ 501,396	$ 549,007	$ (47,611)
Current Year Supplemental - Secured	5,272	—	5,272
Current Year - Unsecured	16,867	—	16,867
Current Unsecured Supplemental Roll	114	—	114
Homeowners' Exemptions - Secured	2,316	—	2,316
Homeowners' Exemptions - Unsecured	1	—	1
Prior years' - Secured	(505)	—	(505)
Prior years' - Unsecured	(272)	—	(272)
In-Lieu Vehicle License Fees	204,391	203,886	505
Interest and Penalties on Delinquent Taxes	1,328	—	1,328
Escapes - Secured	8,866	—	8,866
Escapes - Unsecured	1,460	—	1,460
Other Property Taxes	55,740	55,972	(232)
State Secured Unitary	10,105	—	10,105
TOTAL PROPERTY TAXES	807,079	808,865	(1,786)
SALES TAXES	372,287	393,481	(21,194)
TRANSIENT OCCUPANCY TAXES	165,620	172,827	(7,207)
FRANCHISE FEES	101,158	123,727	(22,569)
OTHER LOCAL TAXES			
Property Transfer Tax	11,374	10,077	1,297
LICENSES AND PERMITS			
General Business Licenses	7,420	7,057	363
Refuse Collection Business Licenses	1,592	1,452	140
Other Regulatory Business Licenses	17	38	(21)
Rental Unit Tax	8,077	7,285	792
Other Licenses and Permits	28,306	31,694	(3,388)
TOTAL LICENSES AND PERMITS	45,412	47,526	(2,114)
FINES, FORFEITURES AND PENALTIES			
California Vehicle Code Violations	28,569	26,975	1,594
Other City Ordinance Code Violations	3,623	4,197	(574)
TOTAL FINES, FORFEITURES AND PENALTIES	32,192	31,172	1,020
REVENUE FROM USE OF MONEY AND PROPERTY			
Interest on Investments	(6,491)	2,100	(8,591)
Balboa Park Rents and Concessions	343	332	11
Mission Bay Park Rents and Concessions	47,876	41,090	6,786
Other Rents and Concessions	38,386	38,277	109
TOTAL REVENUE FROM USE OF MONEY AND PROPERTY	80,114	81,799	(1,685)
REVENUE FROM FEDERAL AGENCIES	459	7	452
REVENUE FROM OTHER AGENCIES			
State Motor Vehicle License Fees	2,186	1,305	881
Local Relief	32	110	(78)
Other	10,082	7,253	2,829
TOTAL REVENUE FROM OTHER AGENCIES	12,300	8,668	3,632

(Continued on Next Page)

GENERAL FUND
SCHEDULE OF REVENUES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2025
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget Positive (Negative)
REVENUE FROM PRIVATE SOURCES	$ 70	$ 2	$ 68
CHARGES FOR CURRENT SERVICES			
Cemetery Revenue	1,189	933	256
Fire Services	21,452	20,895	557
Library Revenue	239	341	(102)
Police Services	10,788	11,128	(340)
Swimming Pools Revenue	971	1,174	(203)
Miscellaneous Recreation Revenue	5,378	5,059	319
Other Services	2,423	1,723	700
Services Rendered to Other Funds for:			
General Government and Financial	263,859	250,442	13,417
Miscellaneous Services	169	523	(354)
TOTAL CHARGES FOR CURRENT SERVICES	306,468	292,218	14,250
OTHER REVENUE			
Other Refunds of Prior Years' Expenditures	5,973	69	5,904
Repairs and Damage Recoveries	1,268	471	797
Sale of Personal Property	1	44	(43)
Miscellaneous Revenue	6,583	1,062	5,521
TOTAL OTHER REVENUE	13,825	1,646	12,179
TOTAL REVENUES	1,948,358	1,972,015	(23,657)
TRANSFERS FROM OTHER FUNDS			
Special Revenue Funds:			
City of San Diego:			
Interfund Transfers	70,185	60,244	9,941
Transient Occupancy Tax	30,050	31,116	(1,066)
Public Facilities Financing Authority	2,937	—	2,937
Capital Projects Funds:			
TransNet - Budgeted	14,465	14,365	100
Capital Outlay - Budgeted	5,042	5,042	—
Permanent Funds:			
Cemetery Perpetuity	478	435	43
TOTAL TRANSFERS FROM OTHER FUNDS	123,157	111,202	11,955
PROCEEDS FROM THE SALE OF CAPITAL ASSETS	9	—	9
TOTAL REVENUE AND TRANSFERS	$ 2,071,524	$ 2,083,217	$ (11,693)

[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, 2025
(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	$ 2,538	$ 2,538	$ —
Non-Personnel	1,470	1,470	—
Total Office of the Mayor	4,008	4,008	—
City Council District 1			
Salaries and Wages	1,041	1,041	—
Non-Personnel	659	659	—
Total City Council District 1	1,700	1,700	—
City Council District 2			
Salaries and Wages	1,186	1,186	—
Non-Personnel	926	926	—
Total City Council District 2	2,112	2,112	—
City Council District 3			
Salaries and Wages	1,244	1,244	—
Non-Personnel	884	884	—
Total City Council District 3	2,128	2,128	—
City Council District 4			
Salaries and Wages	1,052	1,052	—
Non-Personnel	774	774	—
Total City Council District 4	1,826	1,826	—
City Council District 5			
Salaries and Wages	1,157	1,157	—
Non-Personnel	768	768	—
Total City Council District 5	1,925	1,925	—
City Council District 6			
Salaries and Wages	1,295	1,295	—
Non-Personnel	670	670	—
Total City Council District 6	1,965	1,965	—
City Council District 7			
Salaries and Wages	1,166	1,166	—
Non-Personnel	858	858	—
Total City Council District 7	2,024	2,024	—
City Council District 8			
Salaries and Wages	1,185	1,185	—
Non-Personnel	839	839	—
Total City Council District 8	2,024	2,024	—
City Council District 9			
Salaries and Wages	1,359	1,359	—
Non-Personnel	649	649	—
Total City Council District 9	2,008	2,008	—
Council Administration			
Salaries and Wages	1,521	1,521	—
Non-Personnel	1,499	1,499	—
Total Council Administration	3,020	3,020	—
City Clerk			
Salaries and Wages	4,018	4,018	—
Non-Personnel	3,652	3,652	—
Total City Clerk	7,670	7,670	—

(Continued on Next Page)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2025
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget (Negative)
GENERAL GOVERNMENT AND SUPPORT (CONTINUED)			
Independent Budget Analyst			
Salaries and Wages	$ 1,857	$ 1,857	$ —
Non-Personnel	1,105	1,105	—
Total Independent Budget Analyst	2,962	2,962	—
City Attorney			
Salaries and Wages	56,439	56,439	—
Non-Personnel	33,830	33,830	—
Total City Attorney	90,269	90,269	—
Personnel			
Salaries and Wages	9,390	9,390	—
Non-Personnel	6,678	6,678	—
Total Personnel	16,068	16,068	—
Ethics Commission			
Salaries and Wages	1,171	1,171	—
Non-Personnel	721	721	—
Total Ethics Commission	1,892	1,892	—
Office of the City Auditor			
Salaries and Wages	3,452	3,452	—
Non-Personnel	2,004	2,004	—
Total Office of the City Auditor	5,456	5,456	—
Commission on Police Practices			
Salaries and Wages	982	982	—
Non-Personnel	572	572	—
Total Commission on Police Practices	1,554	1,554	—
Performance and Analytics			
Salaries and Wages	2,703	2,703	—
Non-Personnel	2,583	2,583	—
Total Performance and Analytics	5,286	5,286	—
Human Resources			
Salaries and Wages	7,297	7,297	—
Non-Personnel	4,034	4,034	—
Total Human Resources	11,331	11,331	—
Department of Information Technology			
Salaries and Wages	341	341	—
Non-Personnel	1,783	1,783	—
Total Department of Information Technology	2,124	2,124	—
Office of the Chief Operating Officer			
Salaries and Wages	3,867	3,867	—
Non-Personnel	2,485	2,485	—
Total Office of the Chief Operating Officer	6,352	6,352	—
Communications			
Salaries and Wages	4,519	4,519	—
Non-Personnel	2,913	2,913	—
Total Communications	7,432	7,432	—
Office of Boards and Commissions			
Salaries and Wages	593	593	—
Non-Personnel	317	317	—
Total Office of Boards and Commissions	910	910	—

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2025
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget (Negative)
GENERAL GOVERNMENT AND SUPPORT (CONTINUED)			
Government Affairs			
Salaries and Wages	$ 648	$ 648	$ —
Non-Personnel	457	457	—
Total Government Affairs	1,105	1,105	—
Purchasing and Contracting			
Salaries and Wages	6,533	6,533	—
Non-Personnel	4,457	4,457	—
Total Purchasing and Contracting	10,990	10,990	—
City Treasurer			
Salaries and Wages	10,446	10,446	—
Non-Personnel	10,500	10,500	—
Total City Treasurer	20,946	20,946	—
Department of Finance			
Salaries and Wages	17,367	17,367	—
Non-Personnel	11,412	11,412	—
Total Department of Finance	28,779	28,779	—
Real Estate Assets			
Salaries and Wages	4,346	4,346	—
Non-Personnel	3,538	3,538	—
Total Real Estate Assets	7,884	7,884	—
Office of Sustainability			
Salaries and Wages	3,938	3,938	—
Non-Personnel	2,507	2,507	—
Total Office of Sustainability	6,445	6,445	—
Compliance			
Salaries and Wages	4,206	4,206	—
Non-Personnel	2,164	2,164	—
Total Compliance	6,370	6,370	—
General Services			
Salaries and Wages	12,247	12,247	—
Non-Personnel	11,545	11,545	—
Total General Services	23,792	23,792	—
Citywide Expenses			
Non-Personnel	100,219	100,219	—
TOTAL GENERAL GOVERNMENT AND SUPPORT	390,576	390,576	—
PUBLIC SAFETY - POLICE			
Salaries and Wages	355,866	355,866	—
Non-Personnel	334,067	334,067	—
TOTAL PUBLIC SAFETY - POLICE	689,933	689,933	—

(Continued on Next Page)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2025
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget (Negative)
PUBLIC SAFETY - FIRE AND EMERGENCY SERVICES			
Fire - Rescue			
Salaries and Wages	$ 203,618	$ 203,618	$ —
Non-Personnel	158,085	158,085	—
Total Fire - Rescue	361,703	361,703	—
Office of Emergency Services			
Salaries and Wages	2,065	2,065	—
Non-Personnel	1,986	1,986	—
Total Office of Emergency Services	4,051	4,051	—
TOTAL PUBLIC SAFETY - FIRE AND EMERGENCY SERVICES	365,754	365,754	—
PARKS, RECREATION, CULTURE AND LEISURE			
Library			
Salaries and Wages	30,623	30,623	—
Non-Personnel	41,773	41,773	—
Total Library	72,396	72,396	—
Parks and Recreation			
Salaries and Wages	67,797	67,797	—
Non-Personnel	122,600	122,600	—
Total Parks and Recreation	190,397	190,397	—
Reservoir Concessions			
Non-Personnel	2,143	2,143	—
TOTAL PARKS, RECREATION, CULTURE AND LEISURE	264,936	264,936	—
TRANSPORTATION			
Transportation			
Salaries and Wages	47,733	47,733	—
Non-Personnel	63,856	63,856	—
TOTAL TRANSPORTATION	111,589	111,589	—
SANITATION AND HEALTH			
Environmental Services			
Salaries and Wages	28,733	28,733	—
Non-Personnel	73,317	73,317	—
Total Environmental Services	102,050	102,050	—
Stormwater			
Salaries and Wages	27,525	27,525	—
Non-Personnel	35,817	35,817	—
Total Stormwater	63,342	63,342	—
TOTAL SANITATION AND HEALTH	165,392	165,392	—
NEIGHBORHOOD SERVICES			
Development Services			
Salaries and Wages	7,643	7,643	—
Non-Personnel	5,142	5,142	—
Total Development Services	12,785	12,785	—
Economic Development			
Salaries and Wages	5,855	5,855	—
Non-Personnel	6,796	6,796	—
Total Economic Development	12,651	12,651	—

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2025
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget (Negative)
NEIGHBORHOOD SERVICES (CONTINUED)			
Planning			
Salaries and Wages	$ 9,654	$ 9,654	$ —
Non-Personnel	5,819	5,819	—
Total Planning	15,473	15,473	—
Office of Race and Equity			
Salaries and Wages	783	783	—
Non-Personnel	302	302	—
Total Office of Race and Equity	1,085	1,085	—
Homelessness Strategies			
Salaries and Wages	2,075	2,075	—
Non-Personnel	40,494	40,494	—
Total Homelessness Strategies	42,569	42,569	—
TOTAL NEIGHBORHOOD SERVICES	84,563	84,563	—
CAPITAL OUTLAY	1,900	1,900	—
DEBT SERVICE			
Principal Retirement	6,676	6,676	—
Interest	454	454	—
TOTAL DEBT SERVICE	7,130	7,130	—
TOTAL EXPENDITURES	2,081,773	2,081,773	—
TRANSFERS TO OTHER FUNDS			
Special Revenue Funds:			
City of San Diego:			
Interfund Transfers	21,047	21,047	—
Other Special Revenue - Unbudgeted	2,965	2,965	—
Total Special Revenue Funds	24,012	24,012	—
Debt Service Funds:			
Public Facilities Financing Authority	36,805	36,805	—
Capital Projects Funds:			
City of San Diego:			
Capital Outlay - Budgeted	28,743	28,743	—
Capital Outlay - Unbudgeted	5,012	5,012	—
Public Facilities Financing Authority	201	201	—
Total Capital Projects Funds	33,956	33,956	—
TOTAL TRANSFERS TO OTHER FUNDS	94,773	94,773	—
TOTAL EXPENDITURES AND TRANSFERS	$ 2,176,546	$ 2,176,546	$ —

[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."

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Nonmajor Governmental Funds

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2025
(Dollars in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
ASSETS					
Cash and Investments	$ 813,077	$ 5	$ 722,981	$ —	$ 1,536,063
Receivables:					
Taxes - Net of Allowance for Uncollectibles	50,088	—	39,972	—	90,060
Accounts - Net of Allowance for Uncollectibles	6,574	5,263	451	—	12,288
Claims	—	—	27,344	—	27,344
Special Assessments	4,969	—	—	—	4,969
Notes	376,016	—	—	—	376,016
Loans	32,994	—	—	—	32,994
Accrued Interest	3,984	31	3,123	33	7,171
Grants	30,416	—	52,564	—	82,980
From Other Funds	—	—	4,231	—	4,231
Leases	3,498	—	1,368	—	4,866
PPPs	9,419	—	1,529	—	10,948
Advances to Other Agencies	22,335	—	34,411	—	56,746
Land Held for Resale	17,769	—	—	—	17,769
Prepaid Items	—	—	50	—	50
Restricted Cash and Investments	1,325	9,313	63,045	25,578	99,261
TOTAL ASSETS	$ 1,372,464	$ 14,612	$ 951,069	$ 25,611	$ 2,363,756
LIABILITIES					
Accounts Payable	$ 38,995	$ —	$ 67,893	$ 1	$ 106,889
Accrued Wages and Benefits	624	—	—	—	624
Other Accrued Liabilities	10	—	58,980	—	58,990
Due to Other Funds	424	—	127,913	—	128,337
Unearned Revenue	57,901	—	51,834	—	109,735
TOTAL LIABILITIES	97,954	—	306,620	1	404,575
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Taxes	4,869	—	38,174	—	43,043
Unavailable Revenue - Grants	24,381	—	50,301	—	74,682
Unavailable Revenue - Other	5,044	5,263	94	—	10,401
Lease Related	3,161	—	1,214	—	4,375
PPP Related	8,982	—	1,469	—	10,451
TOTAL DEFERRED INFLOWS OF RESOURCES	46,437	5,263	91,252	—	142,952
FUND BALANCES					
Nonspendable	—	—	50	20,756	20,806
Restricted	1,190,893	9,349	755,142	4,854	1,960,238
Committed	61,560	—	19,862	—	81,422
Unassigned (Deficit)	(24,380)	—	(221,857)	—	(246,237)
TOTAL FUND BALANCES	1,228,073	9,349	553,197	25,610	1,816,229
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,372,464	$ 14,612	$ 951,069	$ 25,611	$ 2,363,756

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2025
(Dollars in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
REVENUES					
Property Taxes	$ 27,570	$ —	$ —	$ —	$ 27,570
Special Assessments	85,949	—	—	—	85,949
Sales Taxes	—	—	51,909	—	51,909
Transient Occupancy Taxes	164,206	—	—	—	164,206
Franchises	81,305	—	—	—	81,305
Licenses and Permits	17,908	—	57,449	—	75,357
Fines, Forfeitures and Penalties	5,918	—	—	—	5,918
Revenue from Use of Money and Property	62,171	1,468	40,857	2,069	106,565
Revenue from Federal Agencies	90,451	—	9,003	—	99,454
Revenue from Other Agencies	62,898	9,064	31,537	—	103,499
Revenue from Private Sources	4,784	—	1,724	—	6,508
Charges for Current Services	24,172	—	2,075	176	26,423
Other Revenue	1,815	—	6,275	—	8,090
TOTAL REVENUES	629,147	10,532	200,829	2,245	842,753
EXPENDITURES					
Current:					
General Government and Support	30,382	—	2,230	—	32,612
Public Safety - Police	11,151	—	—	—	11,151
Public Safety - Fire and Emergency Services	13,221	—	650	—	13,871
Parks, Recreation, Culture and Leisure	226,602	—	4,768	26	231,396
Transportation	38,162	—	12,139	—	50,301
Sanitation and Health	8,494	—	1,560	56	10,110
Neighborhood Services	133,197	—	637	—	133,834
Capital Outlay	36,364	—	389,088	—	425,452
Debt Service:					
Principal Retirement	1,022	46,090	66,756	—	113,868
Cost of Issuance	—	900	—	—	900
Interest	41	33,272	893	—	34,206
TOTAL EXPENDITURES	498,636	80,262	478,721	82	1,057,701
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	130,511	(69,730)	(277,892)	2,163	(214,948)
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	10,466	68,490	243,996	—	322,952
Transfers to Proprietary Funds	(3,319)	—	(5,526)	—	(8,845)
Transfers to Other Funds	(69,611)	(201,779)	(28,019)	(478)	(299,887)
Payment to Refunded Bond Escrow Agent	—	(36,395)	—	—	(36,395)
Proceeds from the Sale of Capital Assets	4	—	3,188	—	3,192
Leases	45	—	—	—	45
SBITAs	3	—	—	—	3
Revenue Bonds Issued	—	213,130	—	—	213,130
Premium on Bonds Issued	—	24,222	—	—	24,222
TOTAL OTHER FINANCING SOURCES (USES)	(62,412)	67,668	213,639	(478)	218,417
NET CHANGE IN FUND BALANCES	68,099	(2,062)	(64,253)	1,685	3,469
Fund Balances at Beginning of Year	1,159,974	11,411	617,450	23,925	1,812,760
FUND BALANCES AT END OF YEAR	$ 1,228,073	$ 9,349	$ 553,197	$ 25,610	$ 1,816,229

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, 2025
(Dollars in Thousands)

	City of San Diego	TSRFC	EIFDPFA	Total
ASSETS				
Cash and Investments	$ 812,563	$ —	$ 514	$ 813,077
Receivables:				
Taxes - Net of Allowance for Uncollectibles	50,007	—	81	50,088
Accounts - Net of Allowance for Uncollectibles	6,574	—	—	6,574
Special Assessments	4,969	—	—	4,969
Notes	376,016	—	—	376,016
Loans	32,994	—	—	32,994
Accrued Interest	3,947	—	37	3,984
Grants	30,416	—	—	30,416
Leases	3,498	—	—	3,498
PPPs	9,419	—	—	9,419
Advances to Other Agencies	22,335	—	—	22,335
Land Held for Resale	17,769	—	—	17,769
Restricted Cash and Investments	1,163	162	—	1,325
TOTAL ASSETS	$ 1,371,670	$ 162	$ 632	$ 1,372,464
LIABILITIES				
Accounts Payable	$ 38,995	$ —	$ —	$ 38,995
Accrued Wages and Benefits	624	—	—	624
Other Accrued Liabilities	10	—	—	10
Due to Other Funds	424	—	—	424
Unearned Revenue	57,901	—	—	57,901
TOTAL LIABILITIES	97,954	—	—	97,954
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes	4,869	—	—	4,869
Unavailable Revenue - Grants	24,381	—	—	24,381
Unavailable Revenue - Other	5,044	—	—	5,044
Lease Related	3,161	—	—	3,161
PPP Related	8,982	—	—	8,982
TOTAL DEFERRED INFLOWS OF RESOURCES	46,437	—	—	46,437
FUND BALANCES (DEFICIT)				
Restricted	1,190,099	162	632	1,190,893
Committed	61,560	—	—	61,560
Unassigned (Deficit)	(24,380)	—	—	(24,380)
TOTAL FUND BALANCES	1,227,279	162	632	1,228,073
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,371,670	$ 162	$ 632	$ 1,372,464

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2025
(Dollars in Thousands)

	City of San Diego	TSRFC	EIFDPFA	Total
REVENUES				
Property Taxes	$ 21,033	$ —	$ 6,537	$ 27,570
Special Assessments	85,949	—	—	85,949
Transient Occupancy Taxes	164,206	—	—	164,206
Franchises	81,305	—	—	81,305
Licenses and Permits	17,908	—	—	17,908
Fines, Forfeitures and Penalties	5,918	—	—	5,918
Revenue from Use of Money and Property	61,477	6	688	62,171
Revenue from Federal Agencies	90,451	—	—	90,451
Revenue from Other Agencies	62,898	—	—	62,898
Revenue from Private Sources	4,784	—	—	4,784
Charges for Current Services	24,172	—	—	24,172
Other Revenue	1,815	—	—	1,815
TOTAL REVENUES	621,916	6	7,225	629,147
EXPENDITURES				
Current:				
General Government and Support	30,191	44	147	30,382
Public Safety - Police	11,151	—	—	11,151
Public Safety - Fire and Emergency Services	13,221	—	—	13,221
Parks, Recreation, Culture and Leisure	226,602	—	—	226,602
Transportation	38,162	—	—	38,162
Sanitation and Health	8,494	—	—	8,494
Neighborhood Services	133,197	—	—	133,197
Capital Outlay	36,364	—	—	36,364
Debt Service:				
Principal Retirement	1,022	—	—	1,022
Interest	41	—	—	41
TOTAL EXPENDITURES	498,445	44	147	498,636
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	123,471	(38)	7,078	130,511
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	10,409	57	—	10,466
Transfers to Proprietary Funds	(3,319)	—	—	(3,319)
Transfers to Other Funds	(61,893)	—	(7,718)	(69,611)
Proceeds from the Sale of Capital Assets	4	—	—	4
Leases	45	—	—	45
SBITAs	3	—	—	3
TOTAL OTHER FINANCING SOURCES (USES)	(54,751)	57	(7,718)	(62,412)
NET CHANGE IN FUND BALANCES	68,720	19	(640)	68,099
Fund Balances at Beginning of Year	1,158,559	143	1,272	1,159,974
FUND BALANCES AT END OF YEAR	$ 1,227,279	$ 162	$ 632	$ 1,228,073

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
June 30, 2025
(Dollars in Thousands)

	Budgeted		
	Acquisition, Improvement and Operations	Transient Occupancy Tax	Underground Surcharge
ASSETS			
Cash and Investments	$ 37,651	$ 41	$ 443,097
Receivables:			
Taxes - Net of Allowance for Uncollectibles	—	27,711	21,750
Accounts - Net of Allowance for Uncollectibles	986	716	—
Special Assessments	148	—	—
Notes	—	—	—
Loans	—	—	—
Accrued Interest	155	17	2,102
Grants	—	—	—
Leases	—	—	—
PPPs	—	9,419	—
Advances to Other Agencies	1,329	—	—
Land Held for Resale	—	—	—
Restricted Cash and Investments	—	—	—
TOTAL ASSETS	$ 40,269	$ 37,904	$ 466,949
LIABILITIES			
Accounts Payable	$ 1,966	$ 3,840	$ 12,921
Accrued Wages and Benefits	186	127	192
Other Accrued Liabilities	—	—	—
Due to Other Funds	—	424	—
Unearned Revenue	—	—	—
TOTAL LIABILITIES	2,152	4,391	13,113
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	—	4,460	—
Unavailable Revenue - Grants	—	—	—
Unavailable Revenue - Other	589	199	—
Lease Related	—	—	—
PPP Related	—	8,982	—
TOTAL DEFERRED INFLOWS OF RESOURCES	589	13,641	—
FUND BALANCES (DEFICIT)			
Restricted	29,506	—	453,836
Committed	8,022	19,872	—
Unassigned (Deficit)	—	—	—
TOTAL FUND BALANCES	37,528	19,872	453,836
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 40,269	$ 37,904	$ 466,949

			Unbudgeted			
Zoological Exhibits	**Storm Drain Revenue**	**Other Special Revenue**	**Grants**	**Low-Moderate Income Housing**	**Other Special Revenue**	**Total**
$ 53	$ 1,115	$ 15,671	$ 27,270	$ 100,546	$ 187,119	$ 812,563
546	—	—	—	—	—	50,007
—	1,344	96	1	—	3,431	6,574
—	—	—	—	—	4,821	4,969
—	—	—	55,763	318,579	1,674	376,016
—	—	—	32,994	—	—	32,994
—	7	108	267	476	815	3,947
—	—	—	30,416	—	—	30,416
—	—	—	—	39	3,459	3,498
—	—	—	—	—	—	9,419
—	—	—	—	—	21,006	22,335
—	—	—	—	17,769	—	17,769
—	—	—	—	1,163	—	1,163
$ 599	$ 2,466	$ 15,875	$ 146,711	$ 438,572	$ 222,325	$ 1,371,670
$ —	$ 848	$ 1,085	$ 14,168	$ 613	$ 3,554	$ 38,995
—	—	119	—	—	—	624
—	—	—	—	—	10	10
—	—	—	—	—	—	424
—	—	—	41,665	—	16,236	57,901
—	848	1,204	55,833	613	19,800	97,954
409	—	—	—	—	—	4,869
—	—	—	24,381	—	—	24,381
—	707	96	—	—	3,453	5,044
—	—	—	—	39	3,122	3,161
—	—	—	—	—	—	8,982
409	707	96	24,381	39	6,575	46,437
190	911	9,156	90,877	437,920	167,703	1,190,099
—	—	5,419	—	—	28,247	61,560
—	—	—	(24,380)	—	—	(24,380)
190	911	14,575	66,497	437,920	195,950	1,227,279
$ 599	$ 2,466	$ 15,875	$ 146,711	$ 438,572	$ 222,325	$ 1,371,670

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2025
(Dollars in Thousands)

	Budgeted		
	Acquisition, Improvement and Operations	**Transient Occupancy Tax**	**Underground Surcharge**
REVENUES			
Property Taxes	$ —	$ —	$ —
Special Assessments	24,609	—	—
Transient Occupancy Taxes	—	164,206	—
Franchises	—	—	81,167
Licenses and Permits	—	110	—
Fines, Forfeitures and Penalties	—	26	—
Revenue from Use of Money and Property	1,545	6,522	22,477
Revenue from Federal Agencies	—	—	—
Revenue from Other Agencies	—	—	—
Revenue from Private Sources	80	2,883	—
Charges for Current Services	5,331	21	133
Other Revenue	744	63	2
TOTAL REVENUES	32,309	173,831	103,779
EXPENDITURES			
Current:			
General Government and Support	4,799	—	—
Public Safety - Police	—	—	—
Public Safety - Fire and Emergency Services	—	—	—
Parks, Recreation, Culture and Leisure	26,230	108,116	—
Transportation	—	—	36,248
Sanitation and Health	—	—	—
Neighborhood Services	1,048	—	—
Capital Outlay	74	—	7,840
Debt Service:			
Principal Retirement	—	—	150
Interest	—	—	4
TOTAL EXPENDITURES	32,151	108,116	44,242
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	158	65,715	59,537
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	714	—	—
Transfers to Proprietary Funds	—	(3,319)	—
Transfers to Other Funds	(600)	(51,475)	—
Proceeds from the Sale of Capital Assets	—	—	—
Leases	—	—	—
SBITAs	—	—	—
TOTAL OTHER FINANCING SOURCES (USES)	114	(54,794)	—
NET CHANGE IN FUND BALANCES	272	10,921	59,537
Fund Balances at Beginning of Year	37,256	8,951	394,299
FUND BALANCES AT END OF YEAR	$ 37,528	$ 19,872	$ 453,836

				Unbudgeted			
	Zoological Exhibits	Storm Drain Revenue	Other Special Revenue	Grants	Low-Moderate Income Housing	Other Special Revenue	Total
	$ 21,033	$ —	$ —	$ —	$ —	$ —	$ 21,033
	—	—	—	—	—	61,340	85,949
	—	—	—	—	—	—	164,206
	—	—	—	—	—	138	81,305
	—	—	17,768	—	—	30	17,908
	—	—	—	—	—	5,892	5,918
	—	25	960	2,376	8,748	18,824	61,477
	—	—	420	90,031	—	—	90,451
	—	—	4,716	58,181	—	1	62,898
	—	—	—	50	325	1,446	4,784
	—	5,042	2,922	—	—	10,723	24,172
	—	—	2	—	—	1,004	1,815
	21,033	5,067	26,788	150,638	9,073	99,398	621,916
	—	—	4,112	16,795	—	4,485	30,191
	—	—	5,269	4,696	—	1,186	11,151
	—	—	1,272	11,250	—	699	13,221
	20,980	—	8	1,949	—	69,319	226,602
	—	—	—	1,697	—	217	38,162
	—	5,706	2,346	442	—	—	8,494
	—	—	4,200	79,317	1,132	47,500	133,197
	—	—	1,636	15,403	—	11,411	36,364
	—	—	6	381	—	485	1,022
	—	—	1	21	—	15	41
	20,980	5,706	18,850	131,951	1,132	135,317	498,445
	53	(639)	7,938	18,687	7,941	(35,919)	123,471
	—	—	—	—	—	9,695	10,409
	—	—	—	—	—	—	(3,319)
	—	—	(7,515)	—	—	(2,303)	(61,893)
	—	—	—	—	—	4	4
	—	—	45	—	—	—	45
	—	—	3	—	—	—	3
	—	—	(7,467)	—	—	7,396	(54,751)
	53	(639)	471	18,687	7,941	(28,523)	68,720
	137	1,550	14,104	47,810	429,979	224,473	1,158,559
	$ 190	$ 911	$ 14,575	$ 66,497	$ 437,920	$ 195,950	$ 1,227,279

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, 2025
(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	24,609	24,298	311	—	—	—
Sales Taxes	—	—	—	—	—	—
Transient Occupancy Taxes	—	—	—	164,206	155,779	8,427
Franchises	—	—	—	—	—	—
Other Local Taxes	—	—	—	—	—	—
Licenses and Permits	—	—	—	110	120	(10)
Fines, Forfeitures and Penalties	—	—	—	26	—	26
Revenue from Use of Money and Property	1,224	133	1,091	6,321	6,361	(40)
Revenue from Federal Agencies	—	—	—	—	—	—
Revenue from Other Agencies	—	—	—	—	—	—
Revenue from Private Sources	80	—	80	2,883	2,761	122
Charges for Current Services	5,331	5,307	24	21	30	(9)
Other Revenue	744	—	744	63	—	63
TOTAL REVENUES	31,988	29,738	2,250	173,630	165,051	8,579
EXPENDITURES						
Current:						
General Government and Support	4,799	5,061	262	—	—	—
Public Safety - Police	—	—	—	—	—	—
Public Safety - Fire and Emergency Services	—	—	—	—	—	—
Parks, Recreation, Culture and Leisure	27,377	43,894	16,517	108,116	118,214	10,098
Transportation	—	—	—	—	—	—
Sanitation and Health	—	—	—	—	—	—
Neighborhood Services	1,048	1,050	2	—	—	—
Capital Outlay	74	—	(74)	—	—	—
Debt Service:						
Principal Retirement	—	—	—	—	—	—
Interest	—	—	—	—	—	—
TOTAL EXPENDITURES	33,298	50,005	16,707	108,116	118,214	10,098
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,310)	(20,267)	18,957	65,514	46,837	18,677
OTHER FINANCING SOURCES (USES)						
Transfers from Other Funds	714	4,969	(4,255)	—	24,817	(24,817)
Transfers to Proprietary Funds	—	—	—	(3,319)	(3,273)	(46)
Transfers to Other Funds	(600)	(4,858)	4,258	(51,475)	(77,789)	26,314
TOTAL OTHER FINANCING SOURCES (USES)	114	111	3	(54,794)	(56,245)	1,451
NET CHANGE IN FUND BALANCES	(1,196)	(20,156)	18,960	10,720	(9,408)	20,128
Prior Year Encumbrances	661	661	—	—	—	—
Fund Balances at Beginning of Year	36,043	36,043	—	8,675	8,675	—
FUND BALANCES AT END OF YEAR	$ 35,508	$ 16,548	$ 18,960	$ 19,395	$ (733)	$ 20,128

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, 2025
(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	$ —	$ —	$ —	$ 21,033	$ 20,981	$ 52
Special Assessments	—	—	—	—	—	—
Sales Taxes	—	—	—	—	—	—
Transient Occupancy Taxes	—	—	—	—	—	—
Franchises	81,167	110,512	(29,345)	—	—	—
Other Local Taxes	—	—	—	—	—	—
Licenses and Permits	—	—	—	—	—	—
Fines, Forfeitures and Penalties	—	—	—	—	—	—
Revenue from Use of Money and Property	18,422	3,000	15,422	—	—	—
Revenue from Federal Agencies	—	—	—	—	—	—
Revenue from Other Agencies	—	—	—	—	—	—
Revenue from Private Sources	—	—	—	—	—	—
Charges for Current Services	133	—	133	—	—	—
Other Revenue	2	—	2	—	—	—
TOTAL REVENUES	99,724	113,512	(13,788)	21,033	20,981	52
EXPENDITURES						
Current:						
General Government and Support	—	—	—	—	—	—
Public Safety - Police	—	—	—	—	—	—
Public Safety - Fire and Emergency Services	—	—	—	—	—	—
Parks, Recreation, Culture and Leisure	—	—	—	20,981	20,981	—
Transportation	36,248	101,049	64,801	—	—	—
Sanitation and Health	—	—	—	—	—	—
Neighborhood Services	—	—	—	—	—	—
Capital Outlay	13,000	—	(13,000)	—	—	—
Debt Service:						
Principal Retirement	150	—	(150)	—	—	—
Interest	4	—	(4)	—	—	—
TOTAL EXPENDITURES	49,402	101,049	51,647	20,981	20,981	—
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	50,322	12,463	37,859	52	—	52
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	50,322	12,463	37,859	52	—	52
Prior Year Encumbrances	1,436	1,436	—	—	—	—
Fund Balances at Beginning of Year	394,988	394,988	—	137	137	—
FUND BALANCES AT END OF YEAR	$ 446,746	$ 408,887	$ 37,859	$ 189	$ 137	$ 52

(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, 2025
(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	—	—	—	13,006	13,565	(559)
Transient Occupancy Taxes	—	—	—	—	—	—
Franchises	—	—	—	24,833	33,124	(8,291)
Other Local Taxes	—	—	—	76,522	73,525	2,997
Licenses and Permits	—	—	—	17,768	17,262	506
Fines, Forfeitures and Penalties	—	—	—	47	—	47
Revenue from Use of Money and Property	21	—	21	9,563	3,152	6,411
Revenue from Federal Agencies	—	—	—	420	688	(268)
Revenue from Other Agencies	—	—	—	6,337	5,673	664
Revenue from Private Sources	—	—	—	—	—	—
Charges for Current Services	5,042	5,700	(658)	446,525	428,290	18,235
Other Revenue	—	—	—	951	109	842
TOTAL REVENUES	5,063	5,700	(637)	595,972	575,388	20,584
EXPENDITURES						
Current:						
General Government and Support	—	—	—	241,112	271,757	30,645
Public Safety - Police	—	—	—	6,352	6,656	304
Public Safety - Fire and Emergency Services	—	—	—	116,103	121,750	5,647
Parks, Recreation, Culture and Leisure	—	—	—	43,278	50,897	7,619
Transportation	—	—	—	89,255	129,075	39,820
Sanitation and Health	5,707	5,707	—	32,997	41,046	8,049
Neighborhood Services	—	—	—	8,645	11,435	2,790
Capital Outlay	—	—	—	28,030	—	(28,030)
Debt Service:						
Principal Retirement	—	—	—	15,450	—	(15,450)
Interest	—	—	—	752	—	(752)
TOTAL EXPENDITURES	5,707	5,707	—	581,974	632,616	50,642
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(644)	(7)	(637)	13,998	(57,228)	71,226
OTHER FINANCING SOURCES (USES)						
Transfers from Other Funds	—	—	—	22,467	22,467	—
Transfers to Proprietary Funds	—	—	—	—	—	—
Transfers to Other Funds	—	—	—	(78,543)	(88,665)	10,122
TOTAL OTHER FINANCING SOURCES (USES)	—	—	—	(56,076)	(66,198)	10,122
NET CHANGE IN FUND BALANCES	(644)	(7)	(637)	(42,078)	(123,426)	81,348
Prior Year Encumbrances	—	—	—	26,711	26,711	—
Fund Balances at Beginning of Year	1,550	1,550	—	112,609	112,609	—
FUND BALANCES AT END OF YEAR	$ 906	$ 1,543	$ (637)	$ 97,242	$ 15,894	$ 81,348

[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, 2025
(Dollars in Thousands)

	CCEFA	PFFA	TSRFC	Total
ASSETS				
Cash and Investments	$ —	$ 5	$ —	$ 5
Receivables:				
Accounts	—	—	5,263	5,263
Accrued Interest	—	—	31	31
Restricted Cash and Investments	—	53	9,260	9,313
TOTAL ASSETS	$ —	$ 58	$ 14,554	$ 14,612
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Other	$ —	$ —	$ 5,263	$ 5,263
FUND BALANCES				
Restricted	—	58	9,291	9,349
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ —	$ 58	$ 14,554	$ 14,612

NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2025
(Dollars in Thousands)

	CCEFA	PFFA	TSRFC	Total
REVENUES				
Revenue from Use of Money and Property	$ —	$ 956	$ 512	$ 1,468
Revenue from Other Agencies	—	—	9,064	9,064
TOTAL REVENUES	—	956	9,576	10,532
EXPENDITURES				
Debt Service:				
Principal Retirement	11,155	24,785	10,150	46,090
Cost of Issuance	—	900	—	900
Interest	945	30,910	1,417	33,272
TOTAL EXPENDITURES	12,100	56,595	11,567	80,262
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(12,100)	(55,639)	(1,991)	(69,730)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	12,100	56,390	—	68,490
Transfers to Other Funds	—	(201,722)	(57)	(201,779)
Payment to Refunded Bond Escrow Agent	—	(36,395)	—	(36,395)
Revenue Bonds Issued	—	213,130	—	213,130
Premium on Bonds Issued	—	24,222	—	24,222
TOTAL OTHER FINANCING SOURCES (USES)	12,100	55,625	(57)	67,668
NET CHANGE IN FUND BALANCES	—	(14)	(2,048)	(2,062)
Fund Balances at Beginning of Year	—	72	11,339	11,411
FUND BALANCES AT END OF YEAR	$ —	$ 58	$ 9,291	$ 9,349

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, are not the primary source of project funding, and exclude maintenance costs. Community specific fee assessments started being collected for citywide use for parks in 2022 and for libraries, fire, and mobility in 2023.

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.

CLEAN WATER STATE REVOLVING FUND (SRF) - UNBUDGETED
This fund was established to account for the Clean Water State Revolving Fund financing program for Stormwater capital improvements, acquisition, and construction activities.

BLENDED COMPONENT UNITS

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO (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, 2025
(Dollars in Thousands)

	City of San Diego	PFFA	TSRFC	EIFDPFA	Total
ASSETS					
Cash and Investments	$ 708,733	$ —	$ 9	$ 14,239	$ 722,981
Receivables:					
Taxes - Net of Allowance for Uncollectibles	39,972	—	—	—	39,972
Accounts - Net of Allowance for Uncollectibles	451	—	—	—	451
Claims	27,344	—	—	—	27,344
Accrued Interest	3,086	2	—	35	3,123
Grants	52,564	—	—	—	52,564
From Other Funds	4,231	—	—	—	4,231
Leases	1,368	—	—	—	1,368
PPPs	1,529	—	—	—	1,529
Advances to Other Agencies	34,411	—	—	—	34,411
Prepaid Items	50	—	—	—	50
Restricted Cash and Investments	61,902	1,143	—	—	63,045
TOTAL ASSETS	$ 935,641	$ 1,145	$ 9	$ 14,274	$ 951,069
LIABILITIES					
Accounts Payable	$ 20,778	$ 46,912	$ —	$ 203	$ 67,893
Other Accrued Liabilities	58,980	—	—	—	58,980
Due to Other Funds	17,546	110,367	—	—	127,913
Unearned Revenue	51,834	—	—	—	51,834
TOTAL LIABILITIES	149,138	157,279	—	203	306,620
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Taxes	38,174	—	—	—	38,174
Unavailable Revenue - Grants	50,301	—	—	—	50,301
Unavailable Revenue - Other	94	—	—	—	94
Lease Related	1,214	—	—	—	1,214
PPP Related	1,469	—	—	—	1,469
TOTAL DEFERRED INFLOWS OF RESOURCES	91,252	—	—	—	91,252
FUND BALANCES (DEFICIT)					
Nonspendable	50	—	—	—	50
Restricted	741,062	—	9	14,071	755,142
Committed	19,862	—	—	—	19,862
Unassigned (Deficit)	(65,723)	(156,134)	—	—	(221,857)
TOTAL FUND BALANCES (DEFICIT)	695,251	(156,134)	9	14,071	553,197
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 935,641	$ 1,145	$ 9	$ 14,274	$ 951,069

NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2025
(Dollars in Thousands)

	City of San Diego	PFFA	TSRFC	EIFDPFA	Total
REVENUES					
Sales Taxes	$ 51,909	$ —	$ —	$ —	$ 51,909
Licenses and Permits	57,449	—	—	—	57,449
Revenue from Use of Money and Property	37,186	3,608	—	63	40,857
Revenue from Federal Agencies	9,003	—	—	—	9,003
Revenue from Other Agencies	31,537	—	—	—	31,537
Revenue from Private Sources	1,724	—	—	—	1,724
Charges for Current Services	2,075	—	—	—	2,075
Other Revenue	6,275	—	—	—	6,275
TOTAL REVENUES	197,158	3,608	—	63	200,829
EXPENDITURES					
Current:					
General Government and Support	2,230	—	—	—	2,230
Public Safety - Fire and Emergency Services	650	—	—	—	650
Parks, Recreation, Culture and Leisure	4,768	—	—	—	4,768
Transportation	10,341	812	—	986	12,139
Sanitation and Health	574	986	—	—	1,560
Neighborhood Services	637	—	—	—	637
Capital Outlay	178,802	206,092	—	4,194	389,088
Debt Service:					
Principal Retirement	156	66,600	—	—	66,756
Interest	6	887	—	—	893
TOTAL EXPENDITURES	198,164	275,377	—	5,180	478,721
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,006)	(271,769)	—	(5,117)	(277,892)
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	34,354	201,924	—	7,718	243,996
Transfers to Proprietary Funds	—	(5,526)	—	—	(5,526)
Transfers to Other Funds	(26,567)	(1,452)	—	—	(28,019)
Proceeds from the Sale of Capital Assets	3,188	—	—	—	3,188
TOTAL OTHER FINANCING SOURCES	10,975	194,946	—	7,718	213,639
NET CHANGE IN FUND BALANCES	9,969	(76,823)	—	2,601	(64,253)
Fund Balances at Beginning of Year	685,282	(79,311)	9	11,470	617,450
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 695,251	$ (156,134)	$ 9	$ 14,071	$ 553,197

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
June 30, 2025
(Dollars in Thousands)

	Budgeted		Unbudgeted
	TransNet	Capital Outlay	Capital Grants
ASSETS			
Cash and Investments	$ 11,006	$ 83,989	$ —
Receivables:			
Taxes - Net of Allowance for Uncollectibles	39,972	—	—
Accounts - Net of Allowance for Uncollectibles	5	—	—
Claims	—	—	—
Accrued Interest	53	230	154
Grants	—	—	52,564
From Other Funds	—	4,231	—
Leases	—	—	—
PPPs	—	—	—
Advances to Other Agencies	—	—	6,165
Prepaid Items	—	—	—
Restricted Cash and Investments	—	—	—
TOTAL ASSETS	$ 51,036	$ 88,450	$ 58,883
LIABILITIES			
Accounts Payable	$ 3,443	$ 1,496	$ 3,869
Other Accrued Liabilities	—	—	—
Due to Other Funds	—	—	17,180
Unearned Revenue	—	—	37,834
TOTAL LIABILITIES	3,443	1,496	58,883
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	38,174	—	—
Unavailable Revenue - Grants	—	—	50,301
Unavailable Revenue - Other	5	—	—
Lease Related	—	—	—
PPP Related	—	—	—
TOTAL DEFERRED INFLOWS OF RESOURCES	38,179	—	50,301
FUND BALANCES (DEFICIT)			
Nonspendable	—	—	—
Restricted	9,414	86,954	—
Committed	—	—	—
Unassigned (Deficit)	—	—	(50,301)
TOTAL FUND BALANCES (DEFICIT)	9,414	86,954	(50,301)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 51,036	$ 88,450	$ 58,883

Unbudgeted							
Parks & Recreation Districts	Facilities Benefit Assessments	Impact Fees	Special Assessment/ Special Tax Bonds	TransNet	Capital Outlay	Clean Water State Revolving Fund	Total
$ 1,073	$ 228,924	$ 233,869	$ 2	$ 49,410	$ 100,460	$ —	$ 708,733
—	—	—	—	—	—	—	39,972
—	—	60	—	20	366	—	451
—	—	—	—	—	27,344	—	27,344
5	1,135	1,023	—	222	264	—	3,086
—	—	—	—	—	—	—	52,564
—	—	—	—	—	—	—	4,231
—	—	—	—	—	1,368	—	1,368
—	—	—	—	—	1,529	—	1,529
—	—	18,827	—	—	9,419	—	34,411
—	—	—	—	—	50	—	50
—	—	—	—	—	61,902	—	61,902
$ 1,078	$ 230,059	$ 253,779	$ 2	$ 49,652	$ 202,702	$ —	$ 935,641
$ 44	$ 6,069	$ 2,960	$ —	$ 792	$ 2,085	$ 20	$ 20,778
—	—	—	—	—	58,980	—	58,980
—	—	—	—	—	—	366	17,546
—	—	—	—	—	14,000	—	51,834
44	6,069	2,960	—	792	75,065	386	149,138
—	—	—	—	—	—	—	38,174
—	—	—	—	—	—	—	50,301
—	—	60	—	20	9	—	94
—	—	—	—	—	1,214	—	1,214
—	—	—	—	—	1,469	—	1,469
—	—	60	—	20	2,692	—	91,252
—	—	—	—	—	50	—	50
1,034	223,990	250,759	2	48,840	120,069	—	741,062
—	—	—	—	—	19,862	—	19,862
—	—	—	—	—	(15,036)	(386)	(65,723)
1,034	223,990	250,759	2	48,840	124,945	(386)	695,251
$ 1,078	$ 230,059	$ 253,779	$ 2	$ 49,652	$ 202,702	$ —	$ 935,641

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2025
(Dollars in Thousands)

	Budgeted		Unbudgeted
	TransNet	**Capital Outlay**	**Capital Grants**
REVENUES			
Sales Taxes	$ 51,909	$ —	$ —
Licenses and Permits	—	—	—
Revenue from Use of Money and Property	617	2,980	1,608
Revenue from Federal Agencies	—	—	9,003
Revenue from Other Agencies	—	—	30,032
Revenue from Private Sources	—	—	—
Charges for Current Services	—	—	—
Other Revenue	—	—	—
TOTAL REVENUES	52,526	2,980	40,643
EXPENDITURES			
Current:			
General Government and Support	464	—	—
Public Safety - Fire and Emergency Services	—	218	—
Parks, Recreation, Culture and Leisure	—	3,271	297
Transportation	8,553	20	861
Sanitation and Health	59	72	—
Neighborhood Services	—	—	—
Capital Outlay	29,255	14,850	38,475
Debt Service:			
Principal Retirement	—	—	—
Interest	—	—	—
TOTAL EXPENDITURES	38,331	18,431	39,633
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	14,195	(15,451)	1,010
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	—	28,742	—
Transfers to Other Funds	(14,465)	(6,581)	—
Proceeds from the Sale of Capital Assets	—	3,050	—
TOTAL OTHER FINANCING SOURCES (USES)	(14,465)	25,211	—
NET CHANGE IN FUND BALANCES	(270)	9,760	1,010
Fund Balances (Deficit) at Beginning of Year	9,684	77,194	(51,311)
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 9,414	$ 86,954	$ (50,301)

			Unbudgeted				
Parks & Recreation Districts	Facilities Benefit Assessments	Impact Fees	Special Assessment/ Special Tax Bonds	TransNet	Capital Outlay	Clean Water State Revolving Fund	Total
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 51,909
—	—	42,571	—	7,656	7,222	—	57,449
69	13,639	11,564	2	2,397	4,315	(5)	37,186
—	—	—	—	—	—	—	9,003
—	—	—	—	—	1,505	—	31,537
—	—	—	—	—	1,724	—	1,724
—	—	—	—	—	2,075	—	2,075
—	—	6,275	—	—	—	—	6,275
69	13,639	60,410	2	10,053	16,841	(5)	197,158
—	716	277	—	234	539	—	2,230
—	—	204	—	—	228	—	650
—	40	876	—	—	284	—	4,768
—	413	69	—	—	425	—	10,341
—	—	—	—	—	443	—	574
—	—	328	—	—	309	—	637
683	43,615	27,668	—	1,183	22,692	381	178,802
—	—	—	—	—	156	—	156
—	—	—	—	—	6	—	6
683	44,784	29,422	—	1,417	25,082	381	198,164
(614)	(31,145)	30,988	2	8,636	(8,241)	(386)	(1,006)
—	—	—	—	—	5,612	—	34,354
—	—	—	(479)	—	(5,042)	—	(26,567)
—	—	—	—	—	138	—	3,188
—	—	—	(479)	—	708	—	10,975
(614)	(31,145)	30,988	(477)	8,636	(7,533)	(386)	9,969
1,648	255,135	219,771	479	40,204	132,478	—	685,282
$ 1,034	$ 223,990	$ 250,759	$ 2	$ 48,840	$ 124,945	$ (386)	$ 695,251

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, 2025
(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	$ 51,909	$ 47,130	$ 4,779	$ —	$ —	$ —
Revenue from Use of Money and Property	484	—	484	2,502	—	2,502
TOTAL REVENUES	52,393	47,130	5,263	2,502	—	2,502
EXPENDITURES						
Current:						
General Government and Support	464	891	427	—	1	1
Public Safety - Fire and Emergency Services	—	—	—	218	1,133	915
Parks, Recreation, Culture and Leisure	—	—	—	3,271	94,100	90,829
Transportation	26,215	82,826	56,611	20	264	244
Sanitation and Health	59	127	68	72	1,312	1,240
Neighborhood Services	—	—	—	—	272	272
Capital Outlay	29,336	—	(29,336)	39,611	—	(39,611)
Debt Service:						
Interest	—	(1,332)	(1,332)	—	—	—
TOTAL EXPENDITURES	56,074	82,512	26,438	43,192	97,082	53,890
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,681)	(35,382)	31,701	(40,690)	(97,082)	56,392
OTHER FINANCING SOURCES (USES)						
Transfers from Other Funds	—	—	—	28,742	21,090	7,652
Transfers to Other Funds	(14,465)	(14,465)	—	(6,581)	(6,581)	—
Proceeds from the Sale of Capital Assets	—	—	—	3,050	—	3,050
TOTAL OTHER FINANCING SOURCES (USES)	(14,465)	(14,465)	—	25,211	14,509	10,702
NET CHANGE IN FUND BALANCES	(18,146)	(49,847)	31,701	(15,479)	(82,573)	67,094
Prior Year Encumbrances	21,284	21,284	—	21,742	21,742	—
Fund Balances (Deficit) at Beginning of Year	(11,516)	(11,516)	—	55,718	55,718	—
FUND BALANCES (DEFICIT) AT END OF YEAR	$ (8,378)	$ (40,079)	$ 31,701	$ 61,981	$ (5,113)	$ 67,094

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, Mission Gorge Road Center Island Landscape, Attisha Trust, and the Zoological Society-Mission Trails.

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT
COMBINING BALANCE SHEET
June 30, 2025
(Dollars in Thousands)

	Carroll Canyon Vernal Pool Mitigation	Cemetery Perpetuity	Library Endowments	Los Penasquitos Canyon	Other Endowments	Total
ASSETS						
Receivables:						
Accrued Interest	$ 14	$ 9	$ 2	$ 3	$ 5	$ 33
Restricted Cash and Investments	3,029	14,294	1,058	3,998	3,199	25,578
TOTAL ASSETS	$ 3,043	$ 14,303	$ 1,060	$ 4,001	$ 3,204	$ 25,611
LIABILITIES						
Accounts Payable	$ —	$ —	$ 1	$ —	$ —	$ 1
FUND BALANCES						
Nonspendable	2,482	14,303	388	1,000	2,583	20,756
Restricted	561	—	671	3,001	621	4,854
TOTAL FUND BALANCES	3,043	14,303	1,059	4,001	3,204	25,610
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,043	$ 14,303	$ 1,060	$ 4,001	$ 3,204	$ 25,611

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2025
(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	$ 161	$ 1,182	$ 95	$ 453	$ 178	$ 2,069
Charges for Current Services	—	176	—	—	—	176
TOTAL REVENUES	161	1,358	95	453	178	2,245
EXPENDITURES						
Current:						
Parks, Recreation, Culture and Leisure	—	—	2	2	22	26
Sanitation and Health	—	56	—	—	—	56
TOTAL EXPENDITURES	—	56	2	2	22	82
EXCESS OF REVENUES OVER EXPENDITURES	161	1,302	93	451	156	2,163
OTHER FINANCING USES						
Transfers to Other Funds	—	(478)	—	—	—	(478)
NET CHANGE IN FUND BALANCES	161	824	93	451	156	1,685
Fund Balances at Beginning of Year	2,882	13,479	966	3,550	3,048	23,925
FUND BALANCES AT END OF YEAR	$ 3,043	$ 14,303	$ 1,059	$ 4,001	$ 3,204	$ 25,610

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, 2025
(Dollars in Thousands)

	Airports	Development Services	Refuse Disposal	Golf Course	Recycling	SDCCC	Total
ASSETS							
Current Assets:							
Cash and Investments	$ 19,272	$ 14,577	$ 70,427	$ 68,212	$ 39,719	$ 38,585	$ 250,792
Receivables:							
Accounts - Net of Allowance for Uncollectibles	780	765	1,287	746	3,941	18,419	25,938
Accrued Interest	99	67	539	322	339	—	1,366
Leases	567	—	—	—	—	—	567
PPPs	—	—	—	692	—	—	692
Inventories	—	—	—	—	—	47	47
Total Current Assets	20,718	15,409	72,253	69,972	43,999	57,051	279,402
Non-Current Assets:							
Restricted Cash and Investments	73	7,861	79,417	—	18,705	2,321	108,377
Prepaid Expenses	—	—	39	—	—	1,523	1,562
Leases Receivable	15,573	—	—	—	—	—	15,573
SCA Receivable	—	—	—	5,088	—	—	5,088
Other Assets	—	—	—	—	—	159	159
Capital Assets - Non-Depreciable	3,432	2,269	18,274	9,032	3,847	1,412	38,266
Capital Assets - Depreciable	39,820	38,868	26,106	40,146	2,265	66,845	214,050
Total Non-Current Assets	58,898	48,998	123,836	54,266	24,817	72,260	383,075
TOTAL ASSETS	79,616	64,407	196,089	124,238	68,816	129,311	662,477
DEFERRED OUTFLOWS OF RESOURCES							
OPEB Related	65	1,694	369	318	256	—	2,702
Pension Related	1,017	38,848	8,873	5,375	6,087	—	60,200
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,082	40,542	9,242	5,693	6,343	—	62,902
LIABILITIES							
Current Liabilities:							
Accounts Payable	441	4,511	3,169	730	2,822	2,504	14,177
Accrued Wages and Benefits	183	5,862	844	638	796	—	8,323
Interest Accrued on Long-Term Debt	6	94	—	—	2	439	541
Other Accrued Liabilities	—	—	—	—	—	1,454	1,454
Long-Term Liabilities Due Within One Year	247	8,543	2,657	901	1,308	4,640	18,296
Unearned Revenue	—	25,286	—	665	906	15,480	42,337
Current Liabilities Payable from Restricted Assets:							
Customer Deposits Payable	—	—	—	—	18,705	—	18,705
Total Current Liabilities	877	44,296	6,670	2,934	24,539	24,517	103,833

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF FUND NET POSITION
June 30, 2025
(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	$ 7,861	$ —	$ —	$ —	$ —	$ 7,934
Compensated Absences	82	4,583	480	400	385	88	6,018
Liability Claims	212	3,707	2,826	1,764	1,777	—	10,286
Leases Payable	—	30,532	—	—	491	28,435	59,458
SBITAs Payable	110	232	—	—	—	—	342
Loans Payable	—	—	37,230	—	—	19,791	57,021
Estimated Landfill Closure and Postclosure Care	—	—	64,977	—	—	—	64,977
Net OPEB Liability	638	10,707	6,977	3,965	4,119	—	26,406
Pension Liabilities	3,202	100,963	38,294	18,090	23,196	—	183,745
Total Non-Current Liabilities	4,317	158,585	150,784	24,219	29,968	48,314	416,187
TOTAL LIABILITIES	5,194	202,881	157,454	27,153	54,507	72,831	520,020
DEFERRED INFLOWS OF RESOURCES							
Lease Related	15,632	—	—	—	—	—	15,632
PPP Related	—	—	—	5,521	—	—	5,521
TOTAL DEFERRED INFLOWS OF RESOURCES	15,632	—	—	5,521	—	—	21,153
NET POSITION (DEFICIT)							
Net Investment in Capital Assets	43,034	7,407	44,380	49,141	5,159	19,966	169,087
Restricted for Closure/Postclosure Maintenance	—	—	2,088	—	—	—	2,088
Restricted for Other	—	—	—	—	—	2,321	2,321
Unrestricted (Deficit)	16,838	(105,339)	1,409	48,116	15,493	34,193	10,710
TOTAL NET POSITION (DEFICIT)	$ 59,872	$ (97,932)	$ 47,877	$ 97,257	$ 20,652	$ 56,480	$ 184,206

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Fiscal Year Ended June 30, 2025
(Dollars in Thousands)

	Airports	Development Services	Refuse Disposal	Golf Course	Recycling	SDCCC	Total
OPERATING REVENUES							
Charges for Services	$ 7,117	$ 126,650	$ 62,724	$ 36,313	$ 20,358	$ 59,139	$ 312,301
Leases	723	—	—	—	—	—	723
Other	383	307	1,070	556	4,344	418	7,078
TOTAL OPERATING REVENUES	8,223	126,957	63,794	36,869	24,702	59,557	320,102
OPERATING EXPENSES							
Maintenance and Operations	—	—	—	—	—	3,853	3,853
Administration	—	—	—	—	—	2,376	2,376
Salaries and Employee Benefits	3,450	128,270	15,749	13,625	13,397	32,189	206,680
Materials and Supplies	275	278	1,404	2,271	1,962	862	7,052
Contractual Services	4,431	13,800	19,931	8,536	20,110	3,981	70,789
Information Technology	203	9,401	1,206	441	3,528	60	14,839
Energy and Utilities	875	873	2,193	2,906	502	6,334	13,683
Depreciation and Amortization	3,629	4,814	5,633	3,776	375	4,516	22,743
Other Expenses	4	765	2,350	343	38	—	3,500
TOTAL OPERATING EXPENSES	12,867	158,201	48,466	31,898	39,912	54,171	345,515
OPERATING INCOME (LOSS)	(4,644)	(31,244)	15,328	4,971	(15,210)	5,386	(25,413)
NONOPERATING REVENUES (EXPENSES)							
Earnings on Investments	1,093	414	6,412	3,404	4,103	1,848	17,274
Federal Grant Assistance	175	—	—	—	—	—	175
Other Agency Grant Assistance	—	27	—	—	183	—	210
Gain on Sale/Retirement of Capital Assets	—	1,361	415	—	—	1	1,777
PPPs	—	—	—	735	—	—	735
Debt Service Interest Expense	(5)	(846)	(1,476)	(1)	(12)	(1,556)	(3,896)
Other	100	359	978	1,978	290	1,410	5,115
TOTAL NONOPERATING REVENUES, NET	1,363	1,315	6,329	6,116	4,564	1,703	21,390
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(3,281)	(29,929)	21,657	11,087	(10,646)	7,089	(4,023)
Capital Contributions	—	—	72	—	71	1,131	1,274
Transfers from Other Funds	—	—	—	—	801	—	801
Transfers from Governmental Funds	—	—	—	—	—	3,273	3,273
Transfers to Other Funds	—	—	(801)	—	—	—	(801)
TOTAL CONTRIBUTIONS AND TRANSFERS	—	—	(729)	—	872	4,404	4,547
CHANGE IN NET POSITION	(3,281)	(29,929)	20,928	11,087	(9,774)	11,493	524
Net Position (Deficit) at Beginning of Year (2024 as Previously Reported)	63,166	(66,725)	27,131	86,296	30,626	45,290	185,784
Change in Accounting Principle - GASB 101	(13)	(1,278)	(182)	(126)	(200)	(303)	(2,102)
NET POSITION (DEFICIT) AT BEGINNING OF YEAR (2024 RESTATED)	63,153	(68,003)	26,949	86,170	30,426	44,987	183,682
NET POSITION (DEFICIT) AT END OF YEAR	$ 59,872	$ (97,932)	$ 47,877	$ 97,257	$ 20,652	$ 56,480	$ 184,206

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2025
(Dollars in Thousands)

	Airports	Development Services	Refuse Disposal	Golf Course	Recycling	SDCCC	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Customers and Users	$ 9,347	$ 124,183	$ 64,245	$ 38,882	$ 24,836	$ 58,335	$ 319,828
Receipts from Interfund Services Provided	24	2,961	120	49	1,386	—	4,540
Payments to Suppliers	(5,103)	(25,661)	(23,557)	(14,192)	(24,818)	(18,059)	(111,390)
Payments to Employees	(3,392)	(110,195)	(16,294)	(13,070)	(14,480)	(32,059)	(189,490)
Payments for Interfund Services Used	(1,093)	(7,201)	(698)	(446)	(794)	—	(10,232)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(217)	(15,913)	23,816	11,223	(13,870)	8,217	13,256
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers from Other Funds	—	—	—	—	801	—	801
Transfers from Governmental Funds	—	—	—	—	—	3,273	3,273
Transfers to Other Funds	—	—	(801)	—	—	—	(801)
Operating Grants Received	198	27	—	—	525	—	750
Proceeds from Advances and Deposits	—	—	—	—	1,152	—	1,152
Payments for Advances and Deposits	—	(307)	—	—	—	—	(307)
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	198	(280)	(801)	—	2,478	3,273	4,868
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from Sale of Capital Assets	—	1,776	—	—	—	1	1,777
Collections from PPPs	—	—	—	670	—	—	670
Acquisition of Capital Assets	(1,347)	(3,472)	(1,169)	(903)	(564)	(4,629)	(12,084)
Principal Payments on Leases	—	(419)	(2,519)	(570)	(188)	(685)	(4,381)
Principal Payments on SBITAs	(105)	(1,283)	(39)	—	—	—	(1,427)
Principal Payments on Loans	—	—	(1,359)	—	—	(873)	(2,232)
Interest Paid on Long-Term Debt	(8)	(775)	(1,477)	(3)	(10)	(1,499)	(3,772)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(1,460)	(4,173)	(6,563)	(806)	(762)	(7,685)	(21,449)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of Investments	—	—	—	—	—	(31,326)	(31,326)
Proceeds from Restricted Investments	—	—	—	—	—	22,661	22,661
Interest Received on Investments	1,105	559	6,358	3,366	4,193	1,847	17,428
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	1,105	559	6,358	3,366	4,193	(6,818)	8,763
Net Increase (Decrease) in Cash and Cash Equivalents	(374)	(19,807)	22,810	13,783	(7,961)	(3,013)	5,438
Cash and Cash Equivalents at Beginning of Year	19,719	42,245	127,034	54,429	66,385	10,084	319,896
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 19,345	$ 22,438	$ 149,844	$ 68,212	$ 58,424	$ 7,071	$ 325,334
Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Fund Net Position:							
Cash and Investments	$ 19,272	$ 14,577	$ 70,427	$ 68,212	$ 39,719	$ 38,585	$ 250,792
Restricted Cash and Investments	73	7,861	79,417	—	18,705	2,321	108,377
Less Investments Not Meeting the Definition of Cash Equivalents	—	—	—	—	—	(33,835)	(33,835)
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 19,345	$ 22,438	$ 149,844	$ 68,212	$ 58,424	$ 7,071	$ 325,334

(Continued on Next Page)

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2025
(Dollars in Thousands)

(Continued from Previous Page)

	Airports	Development Services	Refuse Disposal	Golf Course	Recycling	SDCCC	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:							
Operating Income (Loss)	$ (4,644)	$ (31,244)	$ 15,328	$ 4,971	$ (15,210)	$ 5,386	$ (25,413)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:							
Depreciation	3,629	4,814	5,633	3,776	375	4,516	22,743
Other Nonoperating Revenue	100	359	978	1,978	290	1,410	5,115
(Increase) Decrease in Assets and Deferred Outflows of Resources:							
Accounts Receivable - Net	1,048	184	(405)	(42)	852	(9,894)	(8,257)
Prepaid Expenses	—	—	—	—	—	(203)	(203)
OPEB Related Deferred Outflows of Resources	10	503	71	58	82	—	724
Pension Related Deferred Outflows of Resources	(418)	(9,986)	(2,972)	(1,929)	(2,077)	—	(17,382)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:							
Accounts Payable	(428)	621	(2)	(61)	(248)	443	325
Accrued Wages and Benefits	24	713	50	82	202	193	1,264
Other Accrued Liabilities	—	—	—	—	—	(874)	(874)
Unearned Revenue	—	(354)	—	127	378	7,303	7,454
Compensated Absences	25	898	27	145	119	98	1,312
Liability Claims	73	627	404	310	265	(161)	1,518
Estimated Landfill Closure and Postclosure Care	—	—	2,330	—	—	—	2,330
Net OPEB Liability	16	480	83	83	69	—	731
Pension Liabilities	348	16,472	2,291	1,725	1,786	—	22,622
Pension Related Deferred Inflows of Resources	—	—	—	—	(753)	—	(753)
Total Adjustments	4,427	15,331	8,488	6,252	1,340	2,831	38,669
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (217)	$ (15,913)	$ 23,816	$ 11,223	$ (13,870)	$ 8,217	$ 13,256
Noncash Investing, Capital, and Financing Activities:							
Acquisition of Capital Assets	$ —	$ —	$ —	$ —	$ —	$ 1,181	$ 1,181
Capital Asset Acquisitions Related to Accounts Payable	—	—	910	(39)	74	1,299	2,244
Carrying Value of Retired Capital Assets	—	(415)	415	—	—	—	—
Change in Fair Value of Investments	204	318	1,060	624	769	—	2,975
Developer Contributed and Donated Capital Assets	—	—	72	—	71	139	282
Right-to-Use Leased Assets Acquired	—	33,845	—	—	1,142	29,325	64,312
Right-to-Use SBITA Assets Acquired	—	384	—	—	—	—	384
Right-to-Use SBITA Assets Retired	(220)	—	—	—	—	—	(220)

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, 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, 2025
(Dollars in Thousands)

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
ASSETS					
Current Assets:					
Cash and Investments	$ 116,204	$ 525	$ —	$ 17,953	$ 134,682
Receivables:					
Accounts - Net of Allowance for Uncollectibles	2,086	—	30	316	2,432
Contributions	—	—	—	1,675	1,675
Accrued Interest	42	4	(4)	99	141
Inventories	—	1,860	—	16,110	17,970
Total Current Assets	118,332	2,389	26	36,153	156,900
Non-Current Assets:					
Receivables:					
Capital Assets - Non-Depreciable	8,752	—	—	—	8,752
Capital Assets - Depreciable	270,944	49	39	491	271,523
Total Non-Current Assets	279,696	49	39	491	280,275
TOTAL ASSETS	398,028	2,438	65	36,644	437,175
DEFERRED OUTFLOWS OF RESOURCES					
OPEB Related	640	46	32	323	1,041
Pension Related	12,314	891	432	7,563	21,200
TOTAL DEFERRED OUTFLOWS OF RESOURCES	12,954	937	464	7,886	22,241
LIABILITIES					
Current Liabilities:					
Accounts Payable	8,069	420	151	2,316	10,956
Accrued Wages and Benefits	1,515	73	37	2,172	3,797
Other Accrued Liabilities	—	—	—	130	130
Due to Other Funds	—	—	652	—	652
Interest Accrued on Long-Term Debt	553	—	—	3	556
Long-Term Liabilities Due Within One Year	17,828	71	26	7,487	25,412
Total Current Liabilities	27,965	564	866	12,108	41,503
Non-Current Liabilities:					
Compensated Absences	1,124	52	22	781	1,979
Liability Claims	7,350	66	28	4,930	12,374
Leases Payable	19,023	—	—	—	19,023
SBITAs Payable	—	—	—	346	346
Financed Purchase Obligations	51,122	—	—	—	51,122
Net OPEB Liability	10,666	924	808	3,658	16,056
Pension Liabilities	48,215	4,115	1,887	23,453	77,670
Total Non-Current Liabilities	137,500	5,157	2,745	33,168	178,570
TOTAL LIABILITIES	165,465	5,721	3,611	45,276	220,073
NET POSITION (DEFICIT)					
Net Investment in Capital Assets	194,501	49	39	56	194,645
Unrestricted (Deficit)	51,016	(2,395)	(3,121)	(802)	44,698
TOTAL NET POSITION (DEFICIT)	$ 245,517	$ (2,346)	$ (3,082)	$ (746)	$ 239,343

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Fiscal Year Ended June 30, 2025
(Dollars in Thousands)

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
OPERATING REVENUES					
Charges for Services	$ 122,435	$ 9,715	$ 1,345	$ 55,864	$ 189,359
Other	35	—	—	124	159
TOTAL OPERATING REVENUES	122,470	9,715	1,345	55,988	189,518
OPERATING EXPENSES					
Salaries and Employee Benefits	28,776	1,280	634	19,262	49,952
Materials and Supplies	18,732	7,857	184	10,391	37,164
Contractual Services	4,461	581	610	3,522	9,174
Information Technology	2,165	77	52	994	3,288
Energy and Utilities	14,350	170	63	11	14,594
Depreciation and Amortization	46,797	16	9	26	46,848
Benefit and Claim Expenses	—	—	—	25,195	25,195
Other Expenses	375	—	—	5	380
TOTAL OPERATING EXPENSES	115,656	9,981	1,552	59,406	186,595
OPERATING INCOME (LOSS)	6,814	(266)	(207)	(3,418)	2,923
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments	327	56	(31)	965	1,317
Gain on Sale/Retirement of Capital Assets	1,140	—	—	—	1,140
Debt Service Interest Expense	(2,152)	—	—	(3)	(2,155)
Other	425	1	—	337	763
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(260)	57	(31)	1,299	1,065
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	6,554	(209)	(238)	(2,119)	3,988
Capital Contributions	618	—	—	—	618
Transfers from Other Funds	—	—	—	6,200	6,200
Transfers from Governmental Funds	5,525	—	—	47	5,572
Transfers to Other Funds	(20,000)	—	—	—	(20,000)
TOTAL CONTRIBUTIONS AND TRANSFERS	(13,857)	—	—	6,247	(7,610)
CHANGE IN NET POSITION	(7,303)	(209)	(238)	4,128	(3,622)
Net Position (Deficit) at Beginning of Year (2024 as Previously Reported)	252,996	(2,129)	(2,841)	(4,258)	243,768
Change in Accounting Principle - GASB 101	(176)	(8)	(3)	(616)	(803)
NET POSITION (DEFICIT) AT BEGINNING OF YEAR (2024 RESTATED)	252,820	(2,137)	(2,844)	(4,874)	242,965
NET POSITION (DEFICIT) AT END OF YEAR	$ 245,517	$ (2,346)	$ (3,082)	$ (746)	$ 239,343

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2025
(Dollars in Thousands)

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	$ —	$ —	$ —	$ 38,892	$ 38,892
Receipts from Interfund Services Provided	123,179	9,715	1,346	17,164	151,404
Payments to Suppliers	(42,895)	(8,910)	(352)	(19,720)	(71,877)
Payments to Employees	(31,352)	(1,675)	(914)	(42,984)	(76,925)
Payments for Interfund Services Used	(297)	(12)	(50)	(510)	(869)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	48,635	(882)	30	(7,158)	40,625
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	—	—	—	6,200	6,200
Transfers from Governmental Funds	5,525	—	—	47	5,572
Transfers to Other Funds	(20,000)	—	—	—	(20,000)
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(14,475)	—	—	6,247	(8,228)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from the Sale of Capital Assets	1,525	—	—	—	1,525
Acquisition of Capital Assets	(40,356)	(11)	—	—	(40,367)
Principal Payments on Leases	(501)	—	—	—	(501)
Principal Payments on SBITAs	—	—	—	(81)	(81)
Principal Payments on Financed Purchase Obligations	(14,262)	—	—	—	(14,262)
Interest Paid on Long-Term Debt	(2,041)	—	—	—	(2,041)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(55,635)	(11)	—	(81)	(55,727)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received (Losses) on Investments	318	61	(30)	957	1,306
Net Increase/(Decrease) in Cash and Cash Equivalents	(21,157)	(832)	—	(35)	(22,024)
Cash and Cash Equivalents at Beginning of Year	137,361	1,357	—	17,988	156,706
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 116,204	$ 525	$ —	$ 17,953	$ 134,682

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2025
(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)	$ 6,814	$ (266)	$ (207)	$ (3,418)	$ 2,923
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:					
Depreciation	46,797	16	9	26	46,848
Other Nonoperating Revenue	425	1	—	337	763
(Increase) Decrease in Assets and Deferred Outflows of Resources:					
Accounts Receivable - Net	285	—	1	(287)	(1)
Due to Other Funds	—	—	307	—	307
Contributions Receivable	—	—	—	17	17
Inventories	—	(47)	—	(3,540)	(3,587)
OPEB Related Deferred Outflows of Resources	87	9	(11)	63	148
Pension Related Deferred Outflows of Resources	(5,038)	(408)	(117)	(2,777)	(8,340)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:					
Accounts Payable	(5,248)	(393)	56	414	(5,171)
Accrued Wages and Benefits	147	5	3	177	332
Compensated Absences	208	26	6	(129)	111
Liability Claims	1,406	5	8	(710)	709
Net OPEB Liability	150	11	4	85	250
Pension Liabilities	3,578	159	70	2,830	6,637
Pension Related Deferred Inflows of Resources	(976)	—	(99)	(246)	(1,321)
Total Adjustments	41,821	(616)	237	(3,740)	37,702
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 48,635	$ (882)	$ 30	$ (7,158)	$ 40,625
Noncash Investing, Capital, and Financing Activities:					
Capital Asset Acquisitions Related to Accounts Payable	$ (90)	$ —	$ —	$ —	$ (90)
Capital Assets Acquired through Financed Purchases	17,414	—	—	—	17,414
Carrying Value of Retired Capital Assets	(385)	—	—	—	(385)
Change in Fair Value of Investments	102	14	(5)	184	295
Developer Contributed and Donated Capital Assets	576	—	—	—	576
Right-to-Use SBITA Assets Acquired	—	—	—	516	516
Transfers of Capital Assets From Governmental Activities	42	—	—	—	42

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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. SDCERS administers the Port of San Diego and the San Diego County Regional Airport Authority defined benefit plans and performs certain administrative functions for 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, 2025
(Dollars in Thousands)

	City Employees' Retirement System			
	City of San Diego	Unified Port District	Airport Authority	Total
ASSETS				
Cash and Investments	$ 610	$ 172	$ 221	$ 1,003
Cash and Investments with Custodian/Fiscal Agent	180,442	—	77,033	257,475
Investments at Fair Value:				
Domestic Fixed Income Securities	2,603,263	148,953	56,192	2,808,408
International Fixed Income Securities	251,888	14,261	2,900	269,049
Domestic Equity Securities (Stocks)	2,528,242	146,659	56,113	2,731,014
International Equity Securities (Stocks)	1,670,549	95,927	35,441	1,801,917
Global Fixed Income Securities	604,846	35,226	16,771	656,843
Global Equity Securities	1,120,012	63,703	27,832	1,211,547
Real Estate	1,126,575	65,304	24,750	1,216,629
Private Equity and Infrastructure	1,431,874	84,377	31,975	1,548,226
Receivables:				
Contributions	4,238	507	180	4,925
Accrued Interest	30,289	1,729	748	32,766
Securities Sold	167,809	11,600	2,973	182,382
Prepaid Expenses	432	26	14	472
Securities Lending Collateral	101,133	5,692	2,872	109,697
Capital Assets - Depreciable	1,239	52	3	1,294
TOTAL ASSETS	11,823,441	674,188	336,018	12,833,647
LIABILITIES				
Accounts Payable	3,616	221	137	3,974
Accrued Wages and Benefits	1,365	89	50	1,504
Supplemental Benefits Payable	11,298	337	100	11,735
Securities Lending Obligations	101,123	5,691	2,871	109,685
Securities Purchased	396,237	31,578	7,279	435,094
TOTAL LIABILITIES	513,639	37,916	10,437	561,992
NET POSITION				
Restricted for Pension Benefits	$ 11,309,802	$ 636,272	$ 325,581	$ 12,271,655

FIDUCIARY FUNDS
PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiscal Year Ended June 30, 2025
(Dollars in Thousands)

	City Employees' Retirement System			
	City of San Diego	Unified Port District	Airport Authority	Total
ADDITIONS				
Employer Contributions	$ 487,515	$ 22,654	$ 10,363	$ 520,532
Plan Member Contributions:				
Employee Contributions	159,281	4,163	2,698	166,142
DROP Contributions	5,285	273	164	5,722
Earnings (Losses) on Investments:				
Investment Income	159,150	9,005	4,406	172,561
Investment Expense	(43,106)	(2,435)	(1,201)	(46,742)
Net Increase in Fair Value of Investments	848,962	47,925	23,786	920,673
Net Earnings on Investments	965,006	54,495	26,991	1,046,492
Securities Lending:				
Gross Earnings	6,689	378	186	7,253
Borrower Rebates and Bank Charges	(5,978)	(338)	(167)	(6,483)
Net Securities Lending Income	711	40	19	770
TOTAL ADDITIONS	1,617,798	81,625	40,235	1,739,658
DEDUCTIONS				
DROP Interest Expense	17,301	516	160	17,977
Benefit and Claim Payments	670,649	39,882	12,313	722,844
Administration	14,681	801	480	15,962
TOTAL DEDUCTIONS	702,631	41,199	12,953	756,783
CHANGE IN NET POSITION	915,167	40,426	27,282	982,875
Net Position at Beginning of Year	10,394,635	595,846	298,299	11,288,780
NET POSITION AT END OF YEAR	$ 11,309,802	$ 636,272	$ 325,581	$ 12,271,655

FIDUCIARY FUNDS
CUSTODIAL FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2025
(Dollars in Thousands)

	Community Facilities Districts	Other Custodial Funds	Total
ASSETS			
Cash and Investments	$ 1,027	$ 139	$ 1,166
Receivables:			
Special Assessments	165	—	165
Accrued Interest	7	—	7
Restricted Cash and Investments	12,597	—	12,597
TOTAL ASSETS	13,796	139	13,935
LIABILITIES			
Other Accrued Liabilities	—	17	17
Due to Bondholders	13,796	—	13,796
TOTAL LIABILITIES	13,796	17	13,813
NET POSITION			
Restricted for Other	$ —	$ 122	$ 122

FIDUCIARY FUNDS
CUSTODIAL FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiscal Year Ended June 30, 2025
(Dollars in Thousands)

	Community Facilities Districts	Other Custodial Funds	Total
ADDITIONS			
Special Assessments	$ 6,431	$ —	$ 6,431
Investment Income	475	3	478
TOTAL ADDITIONS	6,906	3	6,909
DEDUCTIONS			
Paid to Bondholders	6,721	—	6,721
Administration	185	—	185
Other Expenses	—	5	5
TOTAL DEDUCTIONS	6,906	5	6,911
NET CHANGE IN NET POSITION	—	(2)	(2)
Net Position at Beginning of Year	—	124	124
NET POSITION AT END OF YEAR	$ —	$ 122	$ 122

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 2016	Fiscal Year 2017	Fiscal Year 2018
Governmental Activities			
Net Investment in Capital Assets	$ 4,129,002	$ 4,220,622	$ 4,308,123
Restricted for:			
Capital Projects	598,215	723,855	665,993
Low-Moderate Income Housing	319,022	335,801	338,828
Nonexpendable Permanent Endowments	19,900	20,264	17,836
Grants	219,216	204,527	179,469
Utilities Undergrounding	—	—	—
Tourism, Maintenance, and Parking Districts	—	—	—
Infrastructure	—	—	—
Donations	—	—	—
Other	450,885	441,102	492,426
Unrestricted (Deficit)	(1,418,869)	(1,577,390)	(1,919,740)
Total Governmental Activities Net Position	4,317,371	4,368,781	4,082,935
Business-type Activities			
Net Investment in Capital Assets	4,042,983	4,246,534	4,383,725
Restricted for:			
Debt Service	2,790	505	683
Other	7,010	7,285	6,525
Unrestricted	364,762	293,340	239,462
Total Business-type Activities Net Position	4,417,545	4,547,664	4,630,395
Primary Government			
Net Investment in Capital Assets	8,171,985	8,467,156	8,691,848
Restricted for:			
Capital Projects	598,215	723,855	665,993
Debt Service	2,790	505	683
Low-Moderate Income Housing	319,022	335,801	338,828
Nonexpendable Permanent Endowments	19,900	20,264	17,836
Grants	219,216	204,527	179,469
Utilities Undergrounding	—	—	—
Tourism, Maintenance, and Parking Districts	—	—	—
Infrastructure	—	—	—
Donations	—	—	—
Other	457,895	448,387	498,951
Unrestricted (Deficit)	(1,054,107)	(1,284,050)	(1,680,278)
Total Primary Government Net Position	$ 8,734,916	$ 8,916,445	$ 8,713,330

[1] Fiscal Year 2018 amounts have been reclassified to conform with current year presentation.
Source: Annual Comprehensive Financial Reports

Table 1

Fiscal Year						
2019	2020	2021	2022	2023	2024	2025
$ 4,370,867	$ 4,424,146	$ 4,450,838	$ 4,511,654	$ 4,646,243	4,862,373	$ 5,079,898
714,101	738,177	839,354	804,253	794,701	747,780	763,980
343,422	346,594	360,341	364,219	370,816	429,979	437,920
18,428	18,286	19,714	18,058	18,942	19,930	20,756
141,489	110,893	95,280	82,115	76,666	75,392	90,877
—	—	—	—	—	—	453,836
—	—	—	—	—	—	85,016
—	—	—	—	—	—	60,993
—	—	—	—	—	—	30,149
566,358	550,008	544,412	609,219	710,544	711,097	81,155
(2,032,257)	(2,222,923)	(2,515,327)	(2,286,692)	(2,012,625)	(1,912,015)	(2,136,731)
4,122,408	3,965,181	3,794,612	4,102,826	4,605,287	4,934,536	4,967,849
4,414,352	4,528,113	4,657,585	4,779,653	4,955,423	5,078,838	5,104,157
481	9,842	9,673	9,738	11,322	10,652	15,261
6,487	9,343	4,747	2,508	1,848	4,114	4,409
315,683	312,799	322,363	348,683	302,658	225,932	232,304
4,737,003	4,860,097	4,994,368	5,140,582	5,271,251	5,319,536	5,356,131
8,785,219	8,952,259	9,108,423	9,291,307	9,601,666	9,941,211	10,184,055
714,101	738,177	839,354	804,253	794,701	747,780	763,980
481	9,842	9,673	9,738	11,322	10,652	15,261
343,422	346,594	360,341	364,219	370,816	429,979	437,920
18,428	18,286	19,714	18,058	18,942	19,930	20,756
141,489	110,893	95,280	82,115	76,666	75,392	90,877
—	—	—	—	—	—	453,836
—	—	—	—	—	—	85,016
—	—	—	—	—	—	60,993
—	—	—	—	—	—	30,149
572,845	559,351	549,159	611,727	712,392	715,211	85,564
(1,716,574)	(1,910,124)	(2,192,964)	(1,938,009)	(1,709,967)	(1,686,083)	(1,904,427)
$ 8,859,411	$ 8,825,278	$ 8,788,980	$ 9,243,408	$ 9,876,538	$ 10,254,072	$ 10,323,980

CITY OF SAN DIEGO
CHANGES IN NET POSITION (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Accrual Basis of Accounting)

Table 2

	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Expenses			
Governmental Activities			
General Government and Support	$ 303,802	$ 344,484	$ 364,533
Public Safety - Police	412,571	501,314	542,128
Public Safety - Fire and Life Safety and Homeland Security	233,688	290,178	321,016
Parks, Recreation, Culture and Leisure	311,372	355,714	383,122
Transportation	224,620	239,099	264,278
Sanitation and Health	99,079	103,039	101,440
Neighborhood Services	65,994	82,384	91,686
Debt Service:			
Interest	41,537	36,943	36,515
Total Governmental Activities Expenses	1,692,663	1,953,155	2,104,718
Business-type Activities			
Sewer Utility	296,422	339,189	351,145
Water Utility	437,304	477,037	532,056
Airports	4,824	6,306	7,415
Development Services	54,002	69,949	78,287
Refuse Disposal	54,385	34,253	41,397
Golf Course	16,182	19,925	21,072
Recycling	18,036	19,444	25,002
San Diego Convention Center Corporation	—	36,760	37,986
Total Business-type Activities Expenses	881,155	1,002,863	1,094,360
Total Primary Government Expenses	2,573,818	2,956,018	3,199,078
Program Revenues			
Governmental Activities			
Charges for Services:			
General Government and Support	213,490	176,696	176,366
Public Safety - Police	46,238	45,126	40,738
Public Safety - Fire and Emergency Services	36,645	32,491	43,814
Parks, Recreation, Culture and Leisure	74,531	133,451	114,893
Transportation	44,555	47,655	51,422
Sanitation and Health	14,730	16,629	15,625
Neighborhood Services	32,982	37,105	40,123
Operating Grants and Contributions	65,173	46,476	134,682
Capital Grants and Contributions	140,408	75,694	26,218
Total Governmental Activities Program Revenues	668,752	611,323	643,881

Table 2

Fiscal Year						
2019	2020	2021	2022	2023	2024	2025
$ 383,177	$ 417,462	$ 415,720	$ 380,023	445,390	$ 435,636	$ 594,556
567,625	629,922	677,483	532,695	554,899	636,372	719,008
339,282	338,128	373,607	305,596	339,715	469,132	497,679
397,391	374,335	377,559	339,222	431,442	508,833	564,582
279,724	311,561	280,336	244,789	261,215	339,733	336,397
108,371	117,473	115,935	108,419	173,645	194,254	213,748
121,036	131,086	304,155	285,879	146,642	197,802	222,870
34,265	34,027	24,920	29,449	32,255	31,039	37,204
2,230,871	2,353,994	2,569,715	2,226,072	2,385,203	2,812,801	3,186,044
356,630	362,289	360,203	353,774	394,721	439,751	479,279
515,273	535,567	596,764	620,436	608,842	660,158	763,556
8,211	9,044	9,391	9,713	5,897	10,599	12,871
81,012	88,032	94,980	89,594	102,766	125,552	157,879
38,510	32,500	40,897	48,592	47,873	45,617	49,502
20,090	21,420	22,679	22,174	24,397	27,786	31,904
24,780	27,326	32,015	25,137	25,542	31,522	39,654
41,898	39,834	29,421	36,304	45,632	50,823	55,727
1,086,404	1,116,012	1,186,350	1,205,724	1,255,670	1,391,808	1,590,372
3,317,275	3,470,006	3,756,065	3,431,796	3,640,873	4,204,609	4,776,416
198,942	188,116	178,892	191,666	210,263	247,035	251,967
43,117	33,551	31,716	41,628	43,841	49,832	58,474
52,760	48,626	42,975	64,016	60,400	144,842	215,075
125,122	91,225	63,482	111,597	145,977	144,265	156,346
53,862	69,213	66,528	68,407	71,171	68,471	66,825
15,778	15,531	15,311	19,022	21,391	21,391	68,324
40,624	37,242	38,900	45,637	45,780	82,179	92,435
154,764	226,203	413,621	399,402	334,629	285,280	233,281
77,952	72,502	73,172	59,030	64,055	85,590	121,923
762,921	782,209	924,597	1,000,405	997,507	1,128,885	1,264,650

(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 2016	Fiscal Year 2017	Fiscal Year 2018
Program Revenues (Continued)			
Business-type Activities			
Charges for Services:			
Sewer Utility	$ 346,950	$ 353,488	$ 360,710
Water Utility	413,008	501,404	569,524
Airports	4,691	5,307	4,888
Development Services	59,808	64,699	70,703
Refuse Disposal	33,048	32,194	34,960
Golf Course	17,987	18,087	23,502
Recycling	23,203	23,186	27,957
San Diego Convention Center Corporation	—	36,505	34,256
Operating Grants and Contributions	2,629	10,088	9,958
Capital Grants and Contributions	59,226	56,837	70,109
Total Business-type Activities Program Revenues	960,550	1,101,795	1,206,567
Total Primary Government Program Revenues	1,629,302	1,713,118	1,850,448
Net (Expense)/Revenue:			
Governmental Activities	(1,023,911)	(1,341,832)	(1,460,837)
Business-type Activities	79,395	98,932	112,207
Total Primary Government Net Expense	(944,516)	(1,242,900)	(1,348,630)
General Revenues and Other Changes in Net Position			
Governmental Activities			
Property Taxes	489,548	520,186	548,509
Transient Occupancy Taxes	200,612	222,228	231,863
Sales Taxes - Shared State Revenue	319,030	310,935	323,113
Franchises	—	141,942	96,313
Other Local Taxes	204,387	36,310	52,603
Developer Contributions and Fees	104,516	99,075	82,883
Grants and Contributions not Restricted to Specific Programs	1,045	700	833
Investment Income	16,075	7,846	13,337
Gain on Sale of Capital Assets	—	28,005	809
Miscellaneous	37,751	36,881	15,959
Transfers	(733)	(3,207)	(2,814)
Total Governmental Activities General Revenues and Transfers	1,372,231	1,400,901	1,363,408
Business-type Activities			
Investment Income	13,742	3,330	8,435
Gain on Sale of Capital Assets	—	—	—
Miscellaneous	13,220	7,076	13,758
Transfers	733	3,207	2,814
Total Business-type Activities General Revenues and Transfers	27,695	13,613	25,007
Total Primary Government General Revenues and Transfers	1,399,926	1,414,514	1,388,415
Special Items and Extraordinary Gain (Loss)			
Governmental Activities	165,382	—	—
Change in Net Position:			
Governmental Activities	513,702	59,069	(97,429)
Business-type Activities	107,090	112,545	137,214
Total Primary Government Change in Net Position	$ 620,792	$ 171,614	$ 39,785

Source: Annual Comprehensive Financial Reports

Table 2

Fiscal Year						
2019	2020	2021	2022	2023	2024	2025
$ 367,979	$ 360,823	$ 361,334	$ 388,248	$ 382,225	$ 398,490	$ 425,526
539,128	552,214	591,776	566,909	569,337	557,560	704,897
5,619	5,474	5,774	6,614	6,836	9,403	8,223
74,741	85,700	83,043	110,633	119,581	107,745	126,957
35,329	35,366	32,200	37,562	42,271	58,084	63,794
24,320	22,446	29,437	32,660	34,464	36,046	37,604
26,055	25,757	25,504	27,527	35,056	30,976	24,702
41,245	30,370	43,290	28,363	42,030	45,946	59,557
6,435	18,906	16,549	79,156	11,792	48,639	940
30,801	62,301	62,990	88,266	79,930	79,438	85,921
1,151,652	1,199,357	1,251,897	1,365,938	1,323,522	1,372,327	1,538,121
1,914,573	1,981,566	2,176,494	2,366,343	2,321,029	2,501,212	2,802,771
(1,467,950)	(1,571,785)	(1,645,118)	(1,225,667)	(1,387,696)	(1,683,916)	(1,921,394)
65,248	83,345	65,547	160,214	67,852	(19,481)	(52,251)
(1,402,702)	(1,488,440)	(1,579,571)	(1,065,453)	(1,319,844)	(1,703,397)	(1,973,645)
586,510	627,272	659,417	684,513	745,039	797,261	835,123
250,883	181,181	129,530	259,231	312,437	308,214	331,908
339,609	327,311	352,131	434,719	445,659	437,203	435,131
97,365	93,474	94,046	114,722	145,741	153,829	126,129
66,375	68,117	72,464	75,660	79,593	83,445	87,567
75,101	50,125	74,925	78,485	57,999	34,446	22,697
835	1,982	1,468	3,916	636	1,721	2,198
52,056	52,746	8,669	(21,964)	45,273	110,684	113,229
770	6,178	62,446	4,777	9,505	53,438	4,328
38,530	20,311	20,622	18,571	50,701	40,775	37,794
(611)	(4,022)	(1,169)	(10,113)	(2,426)	(7,851)	(23,273)
1,507,423	1,424,675	1,474,549	1,642,517	1,890,157	2,013,165	1,972,831
28,713	27,752	3,799	(17,019)	19,873	36,924	47,581
—	—	30,509	83	—	15	1
12,036	7,975	33,247	28,937	40,518	22,976	22,544
611	4,022	1,169	10,113	2,426	7,851	23,273
41,360	39,749	68,724	22,114	62,817	67,766	93,399
1,548,783	1,464,424	1,543,273	1,664,631	1,952,974	2,080,931	2,066,230
—	(10,117)	—	(108,636)	—	—	—
39,473	(157,227)	(170,569)	308,214	502,461	329,249	51,437
106,608	123,094	134,271	182,328	130,669	48,285	41,148
$ 146,081	$ (34,133)	$ (36,298)	$ 490,542	$ 633,130	$ 377,534	$ 92,585

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 2016	Fiscal Year 2017	Fiscal Year 2018
General Fund:			
Nonspendable	$ 2,502	$ 783	$ 863
Spendable:			
Restricted	146,228	116,253	132,307
Committed	109,474	116,497	100,483
Assigned	11,189	28,869	24,717
Unassigned	106,508	111,057	95,434
Total General Fund	$ 375,901	$ 373,459	$ 353,804
Nonmajor Governmental Funds:			
Nonspendable	$ 19,917	$ 20,299	$ 18,042
Spendable:			
Restricted	1,573,516	1,617,147	1,582,579
Committed	106,851	114,692	97,911
Unassigned	(27,289)	(33,843)	(43,514)
Total Nonmajor Governmental Funds	$ 1,672,995	$ 1,718,295	$ 1,655,018

Source: Annual Comprehensive Financial Reports

Table 3

Fiscal Year						
2019	2020	2021	2022	2023	2024	2025
$ 1,154	$ —	$ —	$ —	$ —	$ —	$ 2,404
160,400	195,085	193,301	200,861	200,738	88,498	50,591
92,189	88,665	89,203	100,866	121,699	225,882	221,851
42,842	2,133	10,598	20,036	66,120	85,583	916
115,582	124,583	136,340	158,897	140,862	130,480	138,898
$ 412,167	$ 410,466	$ 429,442	$ 480,660	$ 529,419	$ 530,443	$ 414,660

$ 18,451	$ 18,286	$ 19,714	$ 18,058	$ 18,942	$ 19,930	$ 20,806
1,618,657	1,564,819	1,660,091	1,672,103	1,764,561	1,887,668	1,960,238
87,428	63,338	51,466	76,686	100,878	78,908	81,422
(65,721)	(89,319)	(79,662)	(79,045)	(83,859)	(173,746)	(246,237)
$ 1,658,815	$ 1,557,124	$ 1,651,609	$ 1,687,802	$ 1,800,522	$ 1,812,760	$ 1,816,229

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		
	2016	2017	2018
Revenues			
Property Taxes	$ 489,664	$ 519,386	$ 548,870
Special Assessments	54,304	61,736	63,870
Sales Taxes - Shared State Revenue	333,821	319,343	314,023
Transient Occupancy Taxes	204,559	222,228	231,863
Franchises	—	141,942	160,185
Other Local Taxes	204,450	36,304	52,608
Licenses and Permits	78,595	125,087	108,516
Fines, Forfeitures and Penalties	41,465	32,480	32,157
Revenue from Use of Money and Property	103,307	97,902	103,746
Revenue from Federal Agencies	44,529	35,149	54,336
Revenue from Other Agencies	35,748	56,267	35,670
Revenue from Private Sources	87,739	13,286	9,348
Charges for Current Services	260,933	267,708	289,731
Other Revenue	39,718	37,846	16,304
Total Revenues	1,978,832	1,966,664	2,021,227
Expenditures			
Current:			
General Government and Support	334,883	335,344	363,126
Public Safety - Police	445,027	441,999	473,969
Public Safety - Fire and Emergency Services	252,608	255,451	285,567
Parks, Recreation, Culture and Leisure	276,730	293,083	322,467
Transportation	144,145	147,397	175,931
Sanitation and Health	94,982	99,012	95,366
Neighborhood Services	79,745	90,673	97,978
Capital Outlay	194,957	290,550	253,249
Debt Service:			
Principal Retirement	37,077	36,428	40,961
Cost of Issuance	712	28	1,500
Interest	40,330	39,108	54,994
Payment to Refunded Bond Escrow Agent	3,811	—	13,125
Total Expenditures	1,905,007	2,029,073	2,178,233
Excess (Deficiency) of Revenues Over Expenditures	73,825	(62,409)	(157,006)
Other Financing Sources (Uses)			
Transfers In	173,710	138,412	143,061
Transfers Out	(174,166)	(140,795)	(146,077)
Payment to Refunded Bond Escrow Agent	(122,186)	—	(183,745)
Contracts, Notes, and Loans Issued	—	—	—
Bonds Issued	123,294	—	226,971
Leases	—	—	—
SBITAs	—	—	—
Commercial Paper Notes Issued	—	—	—
Other Sources	24,104	107,650	33,864
Total Other Financing Sources (Uses)	24,756	105,267	74,074
Special Items and Extraordinary Gain (Loss)	165,382	—	—
Net Change in Fund Balances	$ 263,963	$ 42,858	$ (82,932)
Debt Service as a Percentage of Noncapital Expenditures	4.5 %	4.3 %	5 %

Source: Annual Comprehensive Financial Reports

Table 4

Fiscal Year						
2019	2020	2021	2022	2023	2024	2025
$ 585,391	$ 624,834	$ 658,985	$ 681,892	$ 744,300	$ 796,570	$ 834,649
70,590	56,705	47,120	69,193	79,193	82,907	85,949
355,383	329,981	349,005	425,526	444,525	435,679	437,202
250,883	181,181	128,310	259,110	308,075	310,930	329,826
167,025	157,052	158,773	186,201	242,301	258,175	207,296
66,375	68,026	72,302	75,727	77,878	83,454	87,896
115,968	100,378	126,730	136,656	120,334	126,241	120,770
30,060	31,676	26,477	33,460	38,423	38,762	38,419
143,014	129,210	72,568	56,031	128,444	190,987	211,859
96,372	161,152	354,936	336,745	201,538	137,038	100,165
34,387	56,881	47,199	45,409	76,034	89,165	117,518
30,162	6,673	7,417	2,984	5,694	3,784	6,578
320,560	314,440	295,649	347,740	398,490	551,583	660,913
17,359	19,350	17,324	17,485	35,563	38,145	38,958
2,283,529	2,237,539	2,362,795	2,674,159	2,900,792	3,143,420	3,277,998
392,779	438,157	428,357	467,791	543,398	565,630	606,618
501,731	557,815	575,546	602,919	578,914	622,133	686,310
293,267	299,525	313,138	341,393	359,305	452,521	489,802
347,127	312,948	258,367	317,168	398,493	458,240	500,088
180,758	218,467	186,428	164,164	184,474	235,858	255,650
99,947	105,551	97,571	107,459	172,287	179,944	202,585
146,370	142,315	298,756	288,219	147,627	193,377	219,407
227,042	231,457	196,482	200,131	271,413	415,744	494,237
44,435	48,189	139,607	62,401	247,179	103,032	145,840
469	—	1,293	105	573	—	900
35,090	35,142	37,762	29,623	31,715	31,365	36,526
—	—	—	506	—	—	—
2,269,015	2,389,566	2,533,307	2,581,879	2,935,378	3,257,844	3,637,963
14,514	(152,027)	(170,512)	92,280	(34,586)	(114,424)	(359,965)
128,577	122,912	115,288	139,907	186,111	147,084	375,924
(120,496)	(120,006)	(99,968)	(150,320)	(202,910)	(170,049)	(384,769)
—	—	(119,690)	615	—	—	(36,395)
—	26,167	—	608	—	—	—
—	—	277,209	—	126,777	—	213,130
—	—	—	1,447	25,232	1,567	7,250
—	—	—	—	3,917	29,986	18,066
—	—	—	49,925	—	66,600	—
39,565	29,679	111,134	61,209	3,279	52,498	54,445
47,646	58,752	283,973	103,391	142,406	127,686	247,651
—	(10,117)	—	—	—	—	—
$ 62,160	$ (103,392)	$ 113,461	$ 195,671	$ 107,820	$ 13,262	$ (112,314)
3.9 %	3.9 %	7.6 %	3.9 %	10.5 %	4.7 %	5.8 %

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
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%
2024	295,968,555	13,113,460	(13,559,463)	295,522,552	38,770,334	1,416,394	(2,576,174)	37,610,554	0.172%
2025	311,705,972	13,941,212	(14,512,944)	311,134,240	41,543,201	1,438,624	(2,784,374)	40,197,451	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	**2016**	**2017**	**2018**	**2019**
Residential	$ 144,566,532	$ 153,836,389	$ 163,783,938	$ 174,763,775
Commercial	26,788,688	42,781,822	45,175,379	47,995,505
Industrial	12,786,249	13,716,011	14,580,784	16,009,633
Institution	1,738,339	4,177,303	4,455,194	4,742,848
Recreation	1,384,431	1,657,970	1,659,558	1,741,950
Government	—	1,198,602	1,308,936	1,385,959
Agriculture	17,989	472,200	530,505	551,261
Rural	239,901	202,834	198,630	175,835
Vacant	3,023,596	2,826,026	3,219,104	3,099,378
Unknown	17,921,683	2,886	871	964
Gross Secured Value	208,467,408	220,872,043	234,912,899	250,467,108
Unsecured	9,938,948	9,940,131	10,444,047	10,760,593
Less Exemptions	(10,797,993)	(11,293,548)	(11,777,123)	(13,078,652)
Net Taxable Value	$ 207,608,363	$ 219,518,626	$ 233,579,823	$ 248,149,049

Use code categories are based on San Diego County Assessor's data.

Source: Avenu Insights and Analytics, LLC

Table 6

2020	2021	2022	2023	2024	2025
$ 185,410,856	$ 195,634,112	$ 204,604,762	$ 220,429,906	$ 235,456,115	$ 249,135,345
50,635,658	52,900,687	53,518,770	56,924,205	60,136,059	62,189,720
17,065,994	17,848,209	19,094,803	21,652,784	24,198,337	26,334,462
4,878,576	5,035,567	5,133,405	5,231,758	5,478,609	5,641,325
1,782,059	1,866,749	1,685,474	4,377,314	5,081,056	5,458,364
1,438,338	1,480,367	1,486,625	1,859,539	1,860,516	1,999,625
593,440	666,923	696,738	1,466,920	1,530,111	1,485,907
184,651	183,620	173,967	774,488	828,103	838,880
3,339,367	3,606,350	3,850,676	160,896	169,481	165,033
1,049	1,034	1,010	1,101	502	512
265,329,988	279,223,618	290,246,230	312,878,911	334,738,889	353,249,173
11,551,827	11,787,320	10,635,870	12,776,901	14,529,854	15,379,835
(13,873,286)	(13,518,898)	(14,759,592)	(15,242,924)	(16,135,638)	(17,297,317)
$ 263,008,529	$ 277,492,040	$ 286,122,508	$ 310,412,888	$ 333,133,105	$ 351,331,691

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	**2016**	**2017**	**2018**
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	0.16609 %	0.16582 %	0.16117 %
Total Overlapping	0.17459 %	0.17432 %	0.16967 %
Total Direct and Overlapping Tax Rates	1.17459 %	1.17432 %	1.16967 %

[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						
2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
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 %	0.01200 %
0.16611 %	0.22349 %	0.22132 %	0.22369 %	0.20786 %	0.21659 %	0.21604 %
0.17461 %	0.23199 %	0.22982 %	0.23219 %	0.21636 %	0.22509 %	0.22804 %
1.17461 %	1.23199 %	1.22982 %	1.23219 %	1.21636 %	1.22509 %	1.22804 %

CITY OF SAN DIEGO **Table 8**
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, 2025		
ARE - SD Region, LLC	$ 4,569,417	1.3%
Qualcomm, Inc	2,668,005	0.76%
IQHQ LLC	1,091,194	0.31%
H.G. Fenton Company	1,056,406	0.3%
AAT La Jolla Commons, LLC	1,015,881	0.29%
Irvine Company, LLC	911,150	0.26%
UTC Venture Group LLC	904,943	0.26%
Host Hotels And Resorts, LP	880,332	0.25%
Kilroy Realty, LP	875,093	0.25%
Apple Inc.	646,983	0.18%
For the Fiscal Year Ended June 30, 2016		
Qualcomm, Inc.	2,102,176	1.01%
Irvine Company, LLC	1,708,933	0.82%
Kilroy Realty, LP	1,338,712	0.64%
Host Hotels & Resorts, LP	1,086,716	0.52%
ARE-SD Region, LLC	645,662	0.31%
Fashion Valley Mall, LLC	487,878	0.23%
Arden Realty, LP	476,227	0.23%
One Park Boulevard, LLC	469,581	0.23%
BEX Portfolio, LLC	466,531	0.22%
Solar Turbines, Inc.	434,548	0.21%

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		Delinquent Collections [3]	Total Collections to Date	
		Amount Collected [2]	Percent of Levy		Amount	Percent of Levy
2016	$ 330,483	$ 327,903	99.22%	$ 2,471	$ 330,374	99.97%
2017	349,650	346,510	99.10%	2,906	349,416	99.93%
2018	370,127	367,047	99.17%	2,741	369,788	99.91%
2019	391,665	388,224	99.12%	3,088	391,312	99.91%
2020	432,393	422,798	97.78%	5,449	428,247	99.04%
2021	443,719	439,043	98.95%	4,168	443,211	99.89%
2022	476,111	464,274	97.51%	3,576	467,850	98.26%
2023	520,563	507,973	97.58%	4,357	512,330	98.42%
2024	553,425	541,022	97.76%	4,159	545,181	98.51%
2025	574,188	561,876	97.86%	—	561,876	97.86%

[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
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	—
2024	81,730	30,877	87,070	2,031	1,142	—
2025	76,660	33,160	111,954	1,027	501	—

	Business-Type Activities					
Fiscal Year Ended June 30	Leases Payable	SBITAs	Financed Purchase Obligations	Contracts Payable	Notes Payable	Loans Payable
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
2024	8,503	1,746	—	—	—	856,948
2025	67,683	522	—	—	—	1,144,543

[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
$ 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
656,774	36,280	895,904
816,574	26,130	1,066,006

Commercial Paper Notes	Lease Revenue Bonds Net	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income [1]	Debt Per Capita [2]
$ —	$ 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	2,377,461	3,363,848	4.71 %	2.45
—	1,989,513	2,421,769	3,402,560	4.10 %	2.49
—	1,873,243	2,730,191	3,636,344	3.87 %	2.62
250,000	2,042,410	3,505,158	4,571,164	4.44 %	3.24

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]
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	—
2024	—	295,522,552	—	1,385,379	—
2025	—	311,134,240	—	1,408,937	—

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 **Table 12**
DIRECT AND OVERLAPPING DEBT (UNAUDITED)
June 30, 2025
(Dollars in Thousands)

	Total Debt June 30, 2025	% Applicable [1]	City's Share of Debt June 30, 2025
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	$ 17,155	8.664%	$ 1,486
Palomar Community College District	611,941	23.198%	141,958
San Diego Community College District	2,095,835	99.94%	2,094,578
Poway Unified School District School Facilities Improvement District No. 2002-1 & 2007-1	233,797	55.380 - 56.476%	131,149
San Diego Unified School District	5,900,351	99.942%	5,896,929
San Dieguito Union High School District	392,195	33.795%	132,542
San Ysidro School District	134,593	76.651%	103,167
Other School, High School and Community College Districts	3,679,218	Various	511,341
Grossmont Healthcare District	198,876	7.934%	15,779
Palomar Health District	381,893	27.706%	105,807
City of San Diego Special Assessment/Special Tax Bonds [2]	43,755	100%	43,755
Del Mar Unified School District Community Facilities District No. 99-1 & 95-1	45,200	100%	45,200
North City West School District Community Facilities District	12,684	100%	12,684
Poway Unified School District Community Facilities Districts	300,094	100%	300,094
San Dieguito Union High School District Community Facilities Districts	56,040	81.238 - 100%	51,700
Sweetwater Union High School District Community Facilities Districts	3,352	80.196 - 100%	2,526
Solana Beach School District Community Facilities Districts	21,730	100%	21,730
Other Special District 1915 Act Bonds	82,748	Various	79,948
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			$ 9,692,373
DIRECT AND OVERLAPPING DEBT:			
San Diego County General Fund Obligations	$ 351,065	47.596%	$ 167,093
San Diego County Pension Obligation Bonds	140,370	47.596%	66,811
San Diego County Superintendent of Schools Certificates of Participation	5,125	47.596%	2,439
Mira Costa Community College District General Fund Obligations	48,020	21.288%	10,222
Poway Unified School District General Fund Obligations	51,910	65.04%	33,762
Other School, High School and Community College District General Fund Obligations	162,412	Various	9,901
Chula Vista School District General Fund Obligations	154,730	4.792%	7,415
San Ysidro School District Certificates of Participation	30,820	76.651%	23,624
City of San Diego Obligations [3]	1,066,006	100%	1,066,006
TOTAL DIRECT AND OVERLAPPING DEBT			$ 1,387,273
TOTAL OVERLAPPING TAX INCREMENT DEBT	$ 236,337,008	0.686-100%	$ 213,664
TOTAL DIRECT DEBT			1,066,006
TOTAL OVERLAPPING DEBT			10,227,304
COMBINED TOTAL DEBT [4]			11,293,310

Table 12

Ratios to 2024-25 Assessed Valuations ($352,818,699):	
Total Overlapping Tax and Assessment Debt	2.75%
Total Direct Debt ($1,066,006)	0.30%
Combined Total Debt	3.20%
Ratios to Successor Agency Incremental Valuation ($40,274,019)	
Total Overlapping Tax Increment Debt	0.53%

[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

	2016	2017	2018
Assessed valuation	$ 187,201,168	$ 197,315,411	$ 209,607,338
Debt limit percentage [1, 2]	25 %	15 %	15 %
Debt limit	46,800,292	29,597,312	31,441,100.7
Total net debt applicable to limit:			
General Obligation Bonds	—	—	—
Legal debt margin	46,800,292	29,597,312	31,441,100.7
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						
2019	2020	2021	2022	2023	2024	2025
$ 221,974,337	$ 234,338,857	$ 246,463,432	$ 253,978,736	$ 275,256,093	$ 295,522,552	$ 311,134,240
15 %	15 %	15 %	15 %	15 %	15 %	15 %
33,296,150.55	35,150,829	36,969,515	38,096,810	41,288,414	44,328,383	46,670,136
—	—	—	—	—	—	—
33,296,150.55	35,150,829	36,969,515	38,096,810	41,288,414	44,328,383	46,670,136
— %	— %	— %	— %	— %	— %	— %

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]
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	646,485	500,939	145,546	(130)	145,416
2024	690,807	540,652	150,155	(293)	149,862
2025 [7]	787,584	640,709	146,875	(278)	146,597

[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 $30,000 transfer from the Water Rate Stabilization reserve. Aggregate Debt Service coverage before the transfer was approximately 1.03.

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]
$ 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
16,932	20,202	37,134	(293)	36,841	4.07	98,545	1.52
20,862	21,851	42,713	(278)	42,435	3.45	113,884	1.29

CITY OF SAN DIEGO **Table 15**
PLEDGED-REVENUE COVERAGE - SEWER OBLIGATIONS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year Ended June 30	Total System Revenues[1]	Total Maintenance and Operation Costs (Excludes Depreciation)	Net System Revenues[2]	Senior Obligations[3] Principal	Senior Obligations[3] Interest	Senior Obligations[3] Total	Senior Debt Service Coverage[5]	All Obligations[4] Total Debt Service	All Obligations[4] Aggregate Debt Service Coverage[5]
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	443,420	279,406	164,014	76,617	25,508	102,125	1.61	115,140	1.42
2024	460,959	326,693	134,266	61,065	21,866	82,931	1.62	96,281	1.39
2025[6]	502,037	355,239	146,798	65,721	20,844	86,565	1.70	112,742	1.30

[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 $16,000 transfer from the Sewer Rate Stabilization reserve. Aggregate Debt Service coverage before the transfer was approximately 1.16.

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]
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 %
2024	1,385,379	93,993,393	67,847	3.6 %
2025	1,408,937	103,065,686	73,151	3.9 %

[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

CITY OF SAN DIEGO
PRINCIPAL EMPLOYERS (UNAUDITED)
Current Year and Nine Years Ago

Table 17

Employer	Number of Employees	Percentage of Total Employment [1]
For the Fiscal Year Ended June 30, 2025		
Naval Base San Diego [2]	38,852	5.15 %
University of California, San Diego [3]	32,465	4.30 %
Sharp Health Care [4]	21,105	2.80 %
County of San Diego	18,197	2.41 %
Scripps Health [5]	13,572	1.80 %
City of San Diego	13,078	1.73 %
San Diego Unified School District	12,794	1.69 %
Qualcomm Inc.	10,073	1.33 %
Kaiser Permanente	8,566	1.13 %
Rady Children's Hospital	6,539	0.87 %
Total Top Employers	175,241	23.21 %
For the Fiscal Year Ended June 30, 2016		
Naval Base San Diego [2]	38,455	5.47 %
University of California, San Diego [3]	29,986	4.27 %
Sharp Health Care [4]	17,807	2.53 %
County of San Diego	17,384	2.47 %
San Diego Unified School District	14,120	2.01 %
Qualcomm, Inc.	11,600	1.65 %
City of San Diego	11,387	1.62 %
Scripps Health	10,853	1.54 %
Kaiser Permanente	8,385	1.19 %
San Diego Community College District	5,580	0.79 %
Total Top Employers	165,557	23.54 %

[1] Percentage based on total employment of 754,900 and 702,500 for fiscal years 2025 and 2016, respectively, based on total City labor provided by EDD

[2] Includes Active Duty Navy and Marine, and Civil Service employees

[3] Includes full and part-time, academic and support, and UCSD Medical Center School of Medicine.

[4] Employee count is countywide.

[5] Scripps Health employees within city limits, not including Mercy Hospital in Chula Vista.

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government and Support	2,433	2,569	2,611	2,690	2,702	2,601	2,703	3,051	3,304	3,003
Public Safety - Police	2,577	2,540	2,564	2,595	2,614	2,584	2,523	2,520	2,558	2,506
Public Safety - Fire and Life Safety and Homeland Security	1,428	1,433	1,450	1,481	1,515	1,526	1,537	1,637	1,674	1,725
Parks, Recreation, Culture and Leisure	1,908	1,976	1,896	1,880	1,848	1,663	1,722	1,929	2,119	2,072
Transportation	376	409	403	409	378	389	398	406	474	529
Sanitation and Health	144	128	127	132	136	126	152	245	391	327
Neighborhood Services	172	169	185	174	178	91	90	113	131	155
Airports	21	19	17	22	21	19	20	18	23	23
Development Services	408	415	426	412	441	513	528	667	735	737
Refuse Disposal	145	139	103	163	160	167	177	219	102	103
Golf Course	108	102	114	107	110	106	97	110	116	124
Recycling	85	83	126	91	93	95	89	71	78	87
Sewer Utility	694	660	653	614	613	612	589	593	596	597
Water Utility	888	841	863	828	789	803	841	961	1,090	1,108
Total Employees	11,387	11,483	11,538	11,598	11,598	11,295	11,466	12,540	13,391	13,096

[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 2016	2017	2018
Public Safety - Police			
Calls for Police Services Dispatched	529,564	515,351	499,309
Calls for 9-1-1 Emergencies	615,158	595,309	622,696
Public Safety - Fire and Life Safety and Homeland Security			
Fire Department:			
Emergency Calls - Fire	5,639	5,845	6,288
Emergency Calls - Medical/Rescue	136,750	138,632	140,704
Emergency Calls - Other	11,875	12,024	11,531
Lifeguard:			
Water Rescues	7,835	8,611	8,830
Other Rescues	5,584	5,265	4,829
Beach Attendance	17,939,665	16,266,398	17,723,916
Parks, Recreation, Culture and Leisure			
Parks and Recreation:			
Number of Aquatic Users	304,125	321,751	315,315
Number of Youth Served in After School Program Sites	108,160	128,774	147,516
Library:			
Circulation	6,840,359	6,322,664	7,743,970
Total Attendance - All Libraries	6,940,237	6,591,169	6,772,535
Sewer Utility			
Average Daily Sewage Flow (millions of gallons)	146	156	146
Average Daily Peak - Maximum Sewage Flow (millions of gallons)	220	298	196
System Daily Capacity (millions of gallons)	255	255	255
Water Utility			
Average Daily Production (millions of gallons)	150	158	166
Maximum Daily Production (millions of gallons)	215	220	218
Total Water Consumption (millions of gallons)	54,702	49,209	52,015
Total Water Production (millions of gallons)	54,875	57,709	60,532

[1] Number of Calls for 9-1-1 emergencies is missing calls received during June 4th through June 30th, 2025.

[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						
2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
507,338	523,472	499,252	463,837	436,091	445,691	423,125
655,155	655,097	726,921	767,588	749,246	687,395	665,225
6,005	4,772	6,368	6,503	6,098	5,997	6,695
140,371	139,067	143,104	157,629	158,931	162,970	163,673
12,338	13,134	11,795	14,649	17,349	17,488	18,400
5,929	5,277	7,505	6,433	6,020	4,719	7,211
6,257	5,083	4,544	4,472	4,536	4,241	3,737
17,490,806	16,055,737	19,827,093	18,375,275	19,872,107	25,744,922	30,289,440
286,617	175,341	28,006	141,005	158,134	201,220	218,213
143,108	81,759	—	71,400	66,602	78,950	93,660
8,047,378	6,201,501	3,609,267	5,439,477	5,902,685	6,189,911	6,219,875
6,996,143	5,377,801	418,787	3,425,415	4,579,637	5,050,494	5,339,706
157	168	161	157	171	171	159
240	198	175	177	202	204	178
255	255	255	255	255	255	255
155	152	159	161	148	148	157
229	224	228	220	225	208	208
47,263	45,659	49,265	48,024	32,600	52,535	60,177
56,435	55,350	58,000	58,719	54,301	53,879	57,275

CITY OF SAN DIEGO
CAPITAL ASSET STATISTICS BY FUNCTION (UNAUDITED)
Last Ten Fiscal Years

Table 20

Function	Fiscal Year 2016	2017	2018
Public Safety - Police			
Stations [1]	11	11	11
Public Safety - Fire and Life Safety and Homeland Security			
Fire Stations	48	48	49
Parks, Recreation, Culture and Leisure			
Parks and Recreation Sites	387	390	395
Transportation			
Miles of Streets - Concrete and Asphalt [2]	2,981	2,964	2,996
Airports			
Municipal Airports	2	2	2
Golf Course			
Municipal Golf Courses [3]	10	10	10
Sewer Utility			
Miles of Sewers	3,031	3,031	3,032
Sewer Service Laterals	264,652	262,275	262,252
Water Utility			
Miles of Water Mains	3,295	3,294	3,295
Water Meters in Service	280,631	283,751	284,202
Fire Hydrants	25,492	25,533	25,534

[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						
2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
11	11	11	11	11	11	11
49	49	49	50	50	50	51
397	400	400	402	405	407	414
2,996	3,000	3,045	3,045	3,045	3,015	6,600
2	2	2	2	2	2	2
10	10	10	10	10	10	10
3,036	3,039	3,044	3,085	3,070	3,074	3,075
262,268	262,447	262,751	263,981	264,660	265,100	265,054
3,297	3,316	3,320	3,334	3,342	3,443	3,450
284,724	285,237	285,582	285,717	286,038	286,257	286,701
25,545	25,610	25,652	25,853	26,289	26,327	26,389