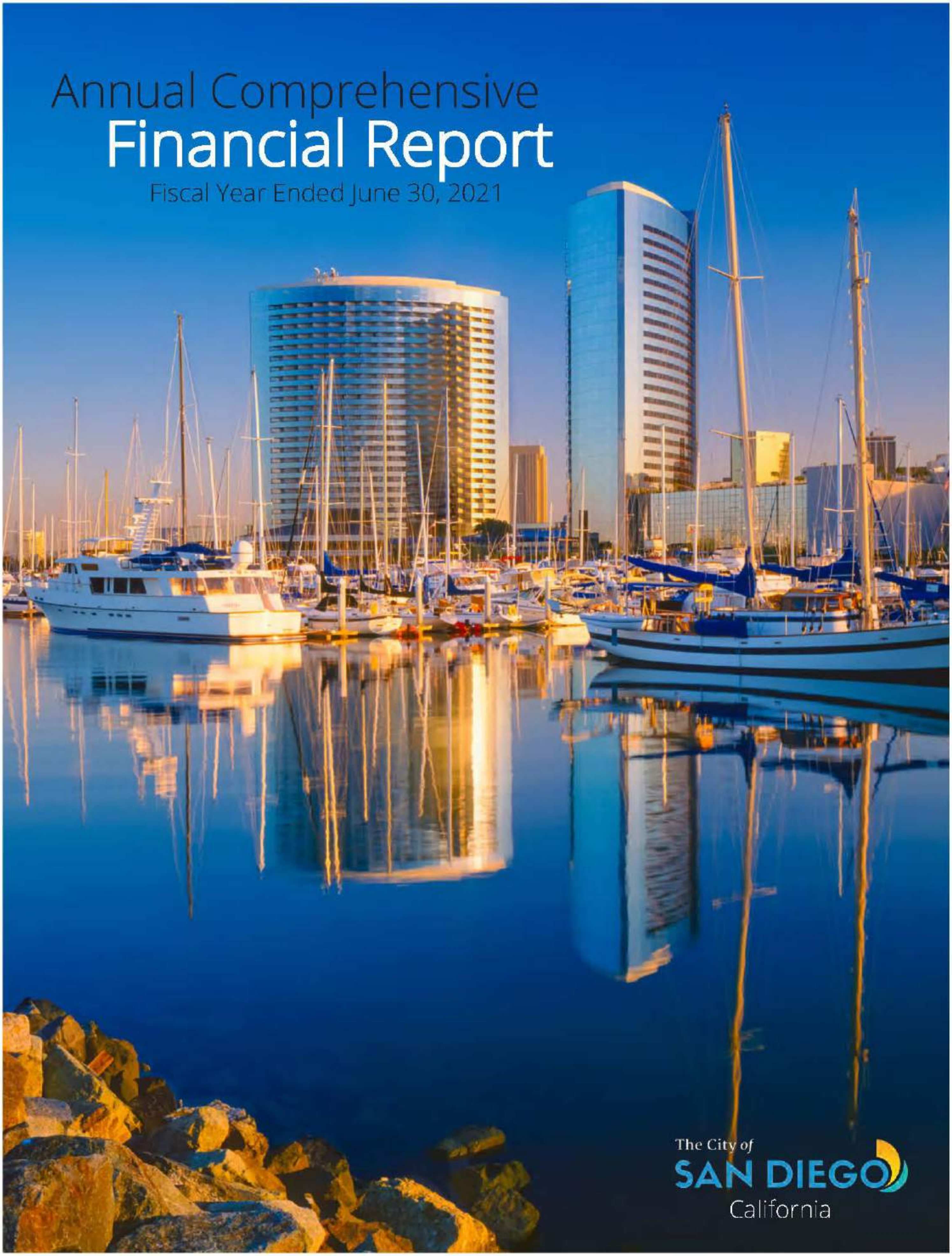
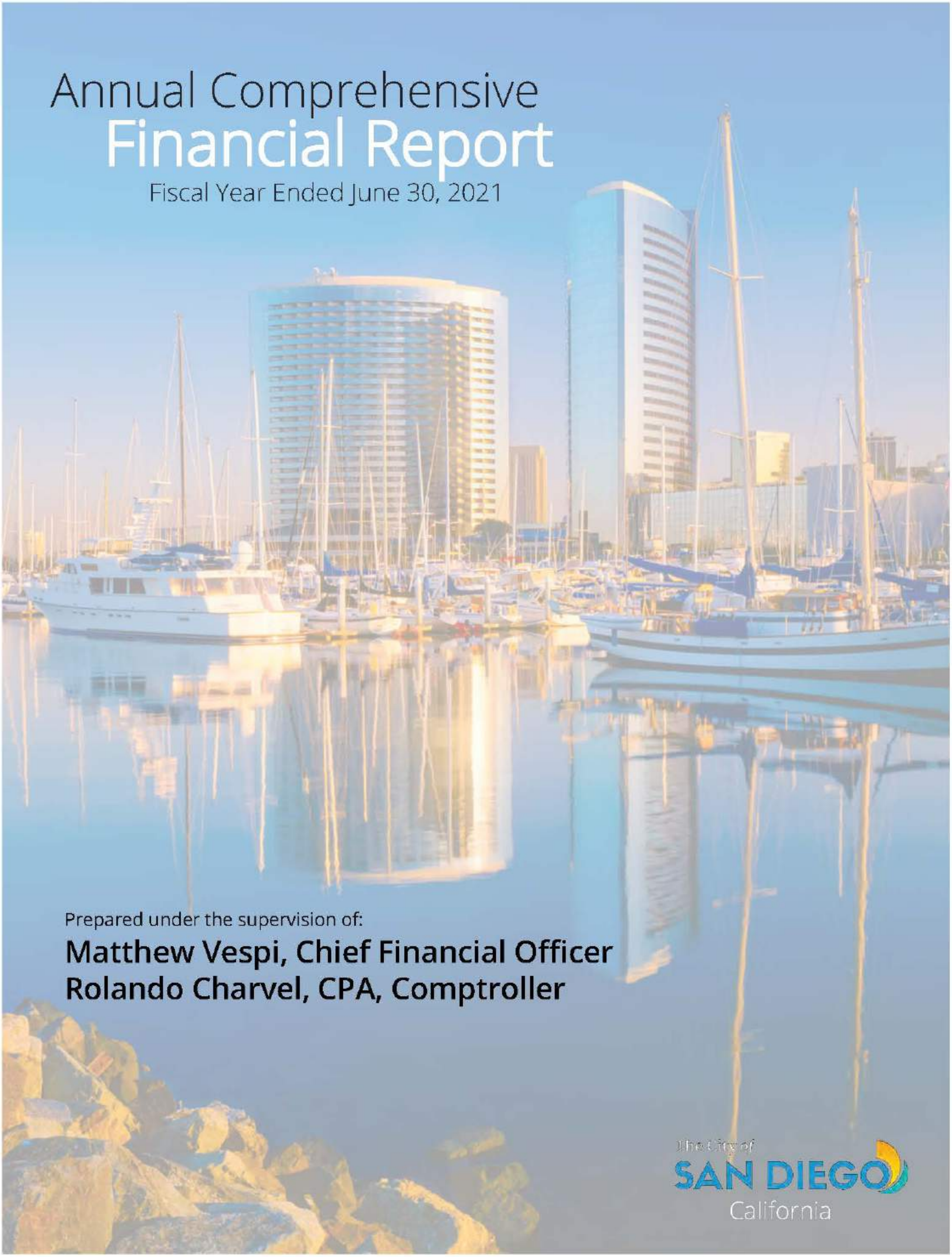
Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2021



The City of SAN DIEGO California



Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2021

Prepared under the supervision of:

Matthew Vespi, Chief Financial Officer
Rolando Charvel, CPA, Comptroller

The City of
SAN DIEGO
California

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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, 2021, including the Letter of Transmittal and Management's Discussion and Analysis, contains forward-looking statements regarding the City's business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in the ACFR. Additionally, statements concerning future matters such as City budgets and the financial outlook for future years, the level of City services, California state matters that may impact the City, contingencies, revenue and expense levels, expected completion dates for projects and other statements regarding matters that are not historical are also forward-looking statements.

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

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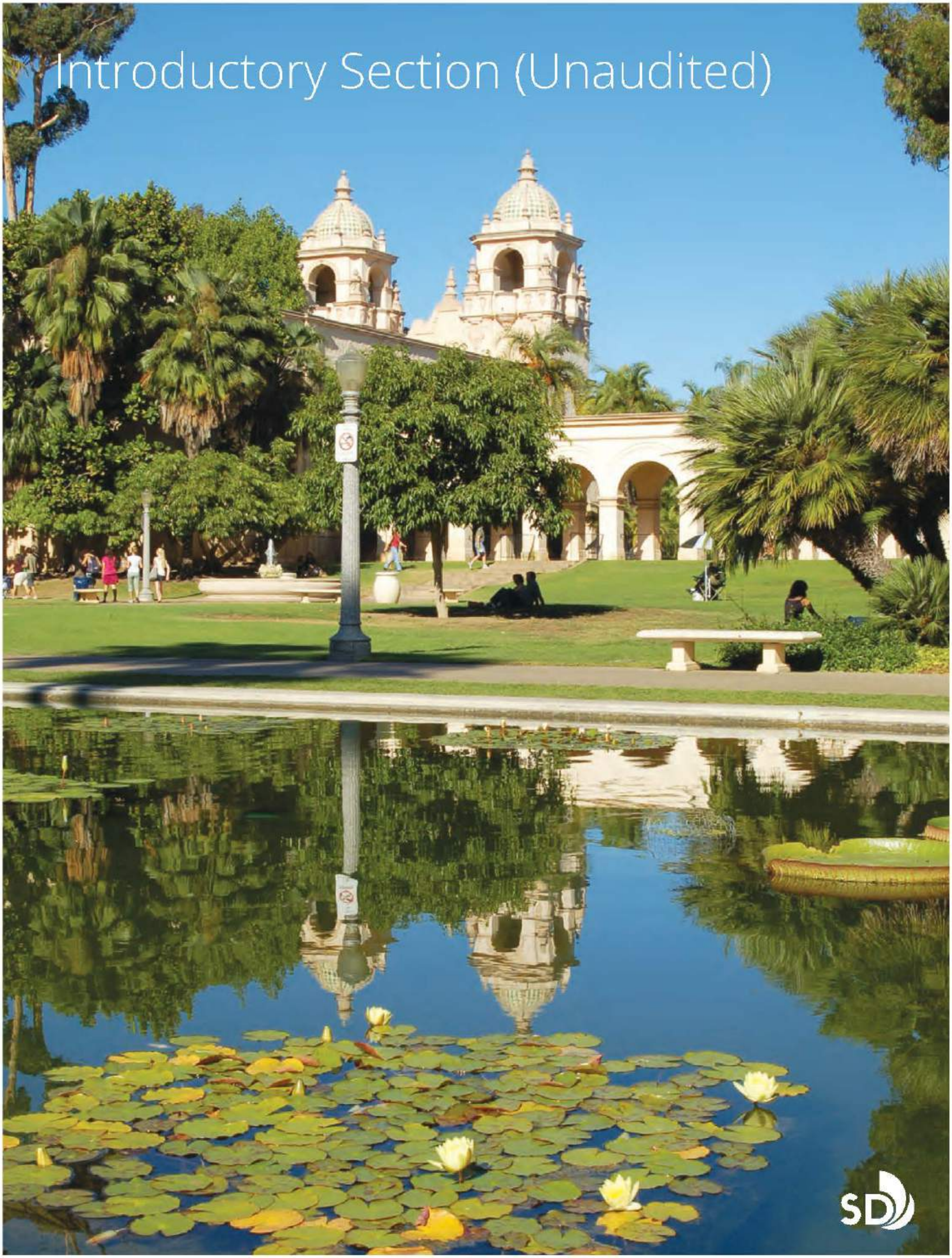
Introductory Section (Unaudited)



The City of
SAN DIEGO

December 10, 2021

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

We are pleased to submit the ACFR of the City for the fiscal year ended June 30, 2021, in accordance with Section 111 of the City Charter (Charter).

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

The independent audit firm of Macias Gini & O'Connell LLP has audited the fiscal year 2021 financial statements of the City and has issued an unmodified opinion on the basic financial statements. The independent auditor's report is located at the front of the financial section of this report.

A narrative introduction, overview and analysis of the financial statements can be found in the Management's Discussion and Analysis (MD&A), which immediately follows the independent auditor's report. The MD&A complements this letter of transmittal and both should be read in conjunction. The notes, along with the other financial and operational data included in the City's ACFR, must be read in their entirety to obtain a complete understanding of the City's financial position as of June 30, 2021 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 325 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 1,411,034 as of January 2021, 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.

COVID-19 PANDEMIC

The major General Fund revenues began to recover in the last quarter of fiscal year 2021 from the economic effects of the COVID-19 pandemic. The Fiscal Year 2023-2027 Five-Year Financial Outlook forecasts continued economic recovery in fiscal year 2022 and is projected to exceed pre-pandemic levels by fiscal year 2024. Aiding in the recovery process are the expanded eligibility for children to access COVID vaccinations, passage of the Infrastructure Investment and Jobs Act, and new requirements permitting non-citizen travelers to enter the U.S. for non-essential reasons (provided they can present proof of COVID-19 vaccination). It should also be noted that the rise of COVID-19 variants, supply chain disruptions, and inflation could considerably alter these projections in future years.

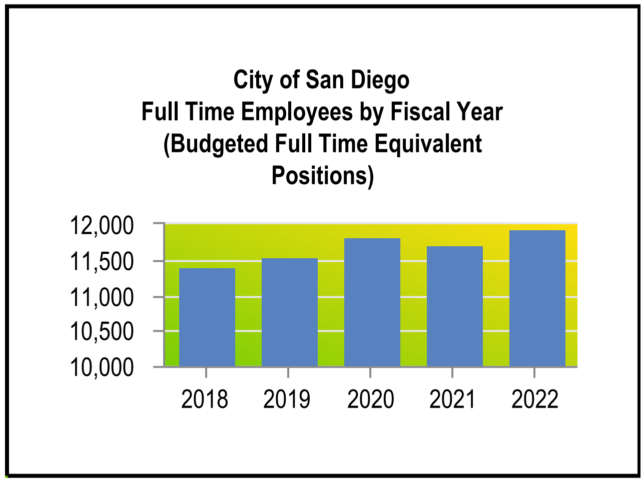
FEDERAL COVID-19 ASSISTANCE

On March 27, 2020, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide emergency assistance and health care response for individuals, families, and businesses affected by the COVID-19 pandemic. The CARES Act provided $150 billion in payments to states and local governments from the Coronavirus Relief Fund (CRF). As the second largest city in the State, the City received $248.5 million on April 22, 2020. CRF could only be used to cover costs that: (1) are necessary expenditures incurred due to the public health emergency with respect to COVID-19; (2) were not accounted for in the budget most recently approved as of the date of enactment of the CARES Act; and (3) were incurred during the period that began on March 1, 2020, and ends on December 30, 2021. Under federal guidelines, the CARES Act funds may not be used to cover shortfalls in government revenue, and communities receiving these payments are required to certify compliance with federal guidance regarding expenditures of such funds. By the end of fiscal year 2021, the City expended the full $248.5 million, of which $91.8 million was expended in fiscal year 2020 and $156.7 was expended in fiscal year 2021.

On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA), was signed into law to provide $350 billion of emergency funding for State, local, territorial, and Tribal governments in the form of Coronavirus State and Local Fiscal Recovery Funds (SLFRF). The City received $149.86 million on June 1, 2021 and is expected to receive an additional $149.86 million in early June 2022. These funds may only be used to cover costs that: (1) respond to the public health emergency with respect to COVID-19 or its negative economic impacts; (2) respond to workers preforming essential work during the COVID-19 public health emergency by providing premium pay to eligible workers; (3) for the provision of government services to the extent of the reduction in revenue of the City due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year of the City prior to the emergency; and (4) to make necessary investments in water, sewer or broadband infrastructure. The City may use SLFRF to cover eligible costs incurred during the period from March 3, 2021 to December 31, 2024, as long as the SLFRF are expended by December 31, 2026. The City intends to use most of these funds for the provision of government services due to the impact of COVID-19 on General Fund revenues. As of the end of fiscal year 2021, the City has not yet expended any SLFRF.

CITY SERVICES

The City, with 11,974 budgeted Full-Time Equivalent (FTE) positions in fiscal year 2022, provides a full range of governmental services. In the Fiscal Year 2022 Adopted Budget, the City budgeted 217 additional positions compared to the prior fiscal year. This increase is primarily due to the addition of positions in the departments of Public Utilities, Stormwater, Environmental Services, and Parks & Recreation. The budget takes a fiscally responsible, multi-year approach that uses federal relief funds strategically to allow for the City's major revenues to begin recovery while maintaining the following services to its residents and visitors:



BUDGETING SYSTEMS AND CONTROLS

The budget is created each fiscal year by the Mayor and presented to the City Council and the public by April 15, as required by the City Charter (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 City 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 entire 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 1.53 million, of which about 1.41 million are non-farm jobs (see footnote below). Between September 2020 and September 2021, total non-farm employment increased by 51,300 jobs, or 4%. The September 2021 unemployment rate in the San Diego/Carlsbad MSA was 5.6%, down from 6.6% in August 2021, and above the prior year 9.6% estimate. This compares with an unadjusted unemployment rate of 6.4% for California and 4.6% for the nation during the same period. The table below provides estimates of total annual civilian non-farm employment by number of employees in each major industry category in the San Diego/Carlsbad MSA for 2019 through 2021.

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

Industry Sector	2019	2020	2021	2021
Professional & Business Services	256,300	243,200	252,400	17.9%
Leisure & Hospitality	202,400	139,300	163,700	11.6%
Government				
State & Local Government	195,200	181,000	186,300	13.2%
Federal Government	47,700	50,100	48,000	3.4%
Healthcare & Social Assistance	187,100	182,600	185,500	13.0%
Trade				
Retail Trade	143,700	134,400	137,300	9.7%
Wholesale Trade	43,600	40,700	39,000	2.8%
Manufacturing	116,700	113,000	112,500	8.0%
Financial Activities	76,700	72,900	71,900	5.1%
Construction	85,300	80,700	88,300	6.2%
Other	144,300	124,300	128,600	9.1%
Total Non-Farm [2]	1,499,000	1,362,200	1,413,500	100%

[1] Based on California Employment Development Department data for the San Diego/Carlsbad Metropolitan Statistical Area for the month of September of each corresponding year (March Benchmark). Data excludes military uniformed personnel.

[2] Non-farm jobs exclude self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Federal Government employment in the previous table includes approximately 23,300 civilians employed by the United States Department of Defense, but excludes military uniformed personnel. In its 2021 Economic Impact Study, the San Diego Military Advisory Council (SDMAC) estimated a total of 145,000 active duty and civilians work as members of the Navy, Marine Corps, Reserves, Coast Guard, or Veterans Administration in San Diego County.

MAJOR INDUSTRIES

The City's 2017-2019 Economic Development Strategy identified four economic base industries in San Diego: (1) manufacturing and innovation; (2) international trade and logistics; (3) military installations; and (4) tourism. San Diego's manufacturing sector is diverse, including several manufacturing clusters: biotech; cleantech; defense and security systems; electronics and telecommunications; and food and beverage production.

The City's economic base is anchored by higher education and major scientific research institutions, which provide a foundation to create new manufacturing products. The top exports from the San Diego Area are computer and electronic parts, chemicals, machinery, transportation equipment, and other miscellaneous manufacturing goods. With its proximity to Mexico and the Pacific Rim, San Diego is in a unique geographical position that creates opportunities for growth in international trade. According to the Department of Commerce, the San Diego area was the 19th largest exporter among U.S. Metro areas with an export value of $19 billion in 2020.

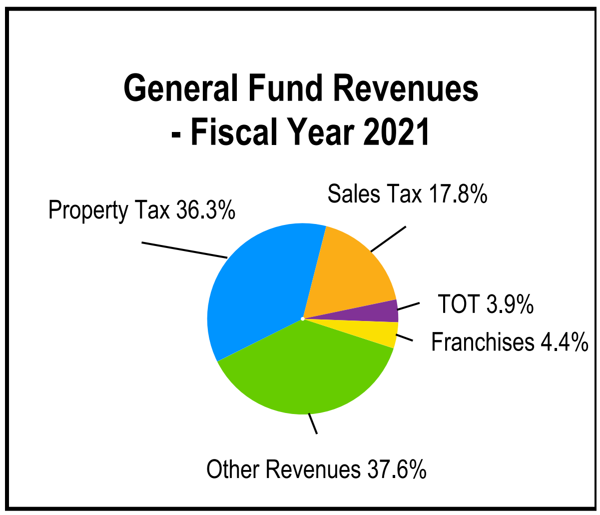
The military continues to play a significant role in the San Diego economy. In a study done by SDMAC, defense-related activities and spending will generate approximately $55.2 billion of Gross Regional Product (GRP) for San Diego County, or 25% of the region's total GRP in 2021. According to the SDMAC, the military was responsible for approximately 349,000 jobs in the region, or 23% of all employment in the region.

Although COVID-19 has greatly impacted tourism and group travel, tourism continues to be a major economic driver for the City. The San Diego Convention Center, which served as a temporary emergency homeless shelter and an emergency intake center for unaccompanied minors seeking asylum, resumed its normal activity on August 1, 2021. According to the San Diego Tourism Authority (SDTA), the San Diego Convention Center events represented approximately $697 million in direct spending in 2019. While it may take some time before the City reaches 2019 levels of tourism, the City is expected to see continual positive growth in tourism over the next five years.

FINANCIAL AND ECONOMIC TRENDS

In fiscal year 2021, the General Fund's four major operating revenue sources - property tax, sales tax, transient occupancy tax (TOT), and franchise fees (unrestricted) - made up 62% of total General Fund revenues. Based on revenue projections for the first quarter of fiscal year 2022, major revenues for the General Fund are expected to increase by $83.4 million (7.6%) compared to major revenues reported for the General Fund in the fiscal year 2021 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 2022.



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

	2018	2019	2020	2021	2022 [1]
Property Tax	$ 535,481	$ 570,627	$ 609,297	$ 641,395	$ 662,000
Sales Tax [2]	282,321	314,362	292,525	313,858	331,800
TOT [3]	121,904	131,926	95,243	68,086	113,000
Franchise Fees [4]	80,215	80,594	77,357	77,826	78,300
TOTAL	$ 1,019,921	$ 1,097,509	$ 1,074,422	$ 1,101,165	$ 1,185,100

[1] Source: Fiscal Year 2022 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). $60.2 million was deposited into the TOT Special Revenue Fund in fiscal year 2021.

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

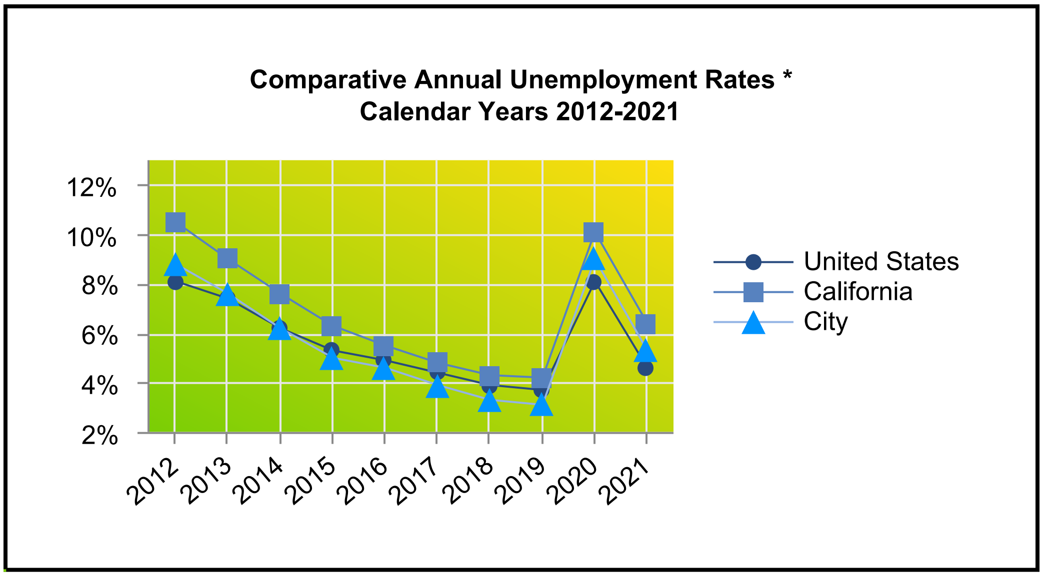
Property Tax

Property Tax revenue is the largest revenue source for the General Fund, representing 36.3% of total General Fund revenue recognized in fiscal year 2021. There is a two-year 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 2021 and the estimated revenue for fiscal year 2022 are based on assessments from January 1, 2019 and 2020, respectively. The 3.2% growth rate projected for property tax revenue in fiscal year 2022 is based on year-over-year increases in the median home price of 10.5% and an increase in the collection rate of 2.0%. The fiscal year 2022 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 2019 to October 2020. During this period, the CCPI increased by 1.0%. Furthermore, Proposition 13 limits the inflation factor to 2.0%, therefore the assessed valuation of properties not sold or otherwise improved will increase their taxable basis by 2.0%. Additionally, the City receives tax sharing distributions in accordance with redevelopment dissolution laws and a proportional share of residual property tax payments of funds remaining in the Redevelopment Property Tax Trust Fund (RPTTF) after Recognized Obligation Payments are made.

Sales Tax

The City's second largest revenue source for the General Fund is Sales Tax, representing 17.8% of total General Fund revenue recognized in fiscal year 2021. 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 6.3% in August 2021, down from 10.6% in August 2020. A higher local unemployment rate generally reduces 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. Due to economic recovery from the pandemic, the City experienced a year-over-year increase of $21.3 million (7.3%) in sales tax receipts during the fiscal year 2021. Based on the fiscal year 2022 projection, the City estimates a year-over-year increase in Sales Tax revenue of approximately $17.9 million (5.7%) compared to fiscal year 2021 actual revenue recognized.



Source: Federal Bureau of Labor Statistics, California Employment Development Department.

* Unemployment rates for 2021 are based on September 2021.

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 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 $68.1 million represented 3.9% of total General Fund revenue recognized in fiscal year 2021. In addition, the General Fund received reimbursements and transfers from the TOT Special Revenue Fund of $5.8 million and $12.1 million, respectively, in fiscal year 2021 for a combined total of $86.0 million.

Tourism Information - County of San Diego [1]

	CY 2018	CY 2019	CY 2020	CY 2021 [1]	CY 2022 [1]
Visitors					
Total Visits (millions)	35.8	35.1	14.3	24.9	34.3
Overnight Visits (millions)	18	17.9	8.7	13.7	17.4
Hotel Sector					
Average Occupancy	78.6%	76.6%	48.4%	61.6%	73.4%
Average Daily Rate	$166.37	$166.7	$130.03	$147.3	$154.88
Revenue PAR [2]	$130.76	$127.75	$62.88	$90.73	$113.63
Room Demand (growth)	2.6%	(0.3)%	(41.1)%	37%	21.5%

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

[1] Travel Forecast April 2021 and July Update - Tourism Economics, Inc.

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

The preceding table reflects a decline in average occupancy in 2020 due to the COVID-19 pandemic. The forecast for calendar year 2021 reflects an increase of 27.3% over calendar year 2020 in average occupancy. This positive trend is expected to continue until a return to 2019 levels occurs in 2024. Similarly, visitation is expected to return to 2019 levels in 2023, driven by day visitors. Major economic drivers for TOT revenue include seasonal and non-seasonal tourism, business travel, and conventions. International travel restrictions, a State-wide ban on gatherings, and a high national unemployment rate resulting from the COVID-19 pandemic have greatly reduced tourism in the City in the years following 2019. As State and international restrictions loosen, tourism is expected to accordingly increase leading to positive TOT growth in fiscal year 2022. The fiscal year 2022 projection estimates a year-over-year increase in General Fund TOT revenue of approximately $44.9 million (66.0%) compared to actual revenue recognized in fiscal year 2021.

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 recorded 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 $77.8 million represented 4.4% of total General Fund revenues recognized in fiscal year 2021. The fiscal year 2022 projection estimates a year-over-year increase of $0.5 million, or 0.6% in unrestricted franchise fee revenues. The former SDG&E franchise agreements expired June 1, 2021 and the City Council approved the new franchise agreements on June 8, 2021. The new agreements will provide nearly $3 billion in revenue over the potential 20 year term.

LONG-TERM FINANCIAL PLANNING AND FINANCIAL POLICIES

FIVE-YEAR OUTLOOK

Each year the City develops a Five-Year Financial Outlook (Outlook), which is the guiding document for long-range fiscal planning and serves as the framework for development of the next adopted budget. The Outlook is published annually and incorporates a range of information on items that influence projected revenues and anticipated appropriation needs over the next five fiscal years. These projections inform the City Council and the public of the long-term costs of programs in the context of the City's overall General Fund budget and projected revenue growth. The Fiscal Year 2022-2026 Five-Year Outlook, released on November 10, 2021, can be obtained online at https://www.sandiego.gov/finance/financialrpts.

MULTI-YEAR CAPITAL IMPROVEMENT PROGRAM AND INFRASTRUCTURE

In January 2021, the City's Public Works 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, and federal and state laws and mandates. According to the Fiscal Year 2022 CIP Adopted Budget Volume III (CIP Budget), the total CIP project-to-date budget citywide is $11.39 billion, with 44% supporting Water and Sewer CIP. This includes every active (Council-approved) CIP project (approximately 1,300 projects), with the average timeline for completion ranging from one to three years with some lasting decades into the future. Some of these projects are on hold pending identification of eligible future funding sources. The CIP Outlook estimates capital needs for fiscal year 2022 through fiscal year 2026 at approximately $6.94 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 $3.92 billion, reflecting an estimated funding gap of $3.02 billion across the five years. This estimated funding gap relates to General Fund owned assets and does not assume funding gaps for enterprise funds such as Water and Sewer Utilities. 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 once operational, to reduce the use of imported water. The project is financed by both the Water and Sewer Utilities and is budgeted in the Water and Sewer CIP budgets.

A financial plan for addressing General Fund deferred capital costs and new facilities has been in place over the last ten years, to be funded in part through issuances of Lease Revenue Bonds. Looking forward to fiscal years 2022-2026, $322 million in short-term commercial paper notes, Water Infrastructure Finance and Innovation Act (WIFIA) and State Revolving Fund (SRF) loans or other long-term financing are anticipated to be issued during the CIP Outlook period. The schedule for issuance of debt, as well as the type of debt financing, is re-evaluated each fiscal year as a means of funding capital and infrastructure needs. 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 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 in property tax revenues, unrestricted General Fund TOT, and unrestricted franchise fees over the base year of fiscal year 2016 into the Infrastructure Fund for five years. In addition, the City is required to deposit sales tax increment in an amount equal to the annual change in sales tax revenue when compared to the sales tax baseline in fiscal year 2016 actual receipts, adjusted by the CCPI for fiscal years 2018 through 2042. In fiscal year 2022, $10.0 million was budgeted to support slurry seal activity.

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. Due to the impact of the COVID-19 pandemic on General Fund revenues, the City made the decision to maintain its fiscal year 2020 General Fund Reserve levels and suspend its contributions for fiscal years 2021 and 2022. No General Fund Reserves were used during fiscal year 2021.

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 2021 for the General Fund, Risk Management, Pension Payment Stabilization, and Public Utility Rate Stabilization Reserves.

Reserve	Policy Goal	FY 21 Target % [4]	FY 21 Target (In Millions)	FY 21 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)	8%	$108.6	$106.1
General Fund Stability Reserve [1]	8.7% of the most recent three year average of annual audited General Fund operating revenues (budgetary basis)	7.75%	$105.2	$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%	$36.0	$33.8
Workers' Compensation Reserve [2]	12% of outstanding workers' compensation claims based on the annual actuarial liability valuations for the three most recent fiscal years	12%	$32.5	$33.9
Long-Term Disability Reserve [2]	100% of long-term disability claims based on the annual actuarial liability valuations for the three most recent fiscal years	100%	$4.2	$4.3
Pension Payment Stabilization Reserve [3]	8% of the average of the three most recent Actuarially Determined Contributions	2.9%	$10.6	$10.6
Water Rate Stabilization Fund Reserve	5% of prior fiscal year water system total operating revenue	5%	$27.6	$132.1
Wastewater Rate Stabilization Fund Reserve	5% of prior fiscal year wastewater system total operating revenue	5%	$18.0	$73.3

[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 General Fund reserves of $7.9 million and enterprise funds reserves of $2.7 million.

[4] See Note 1u 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%. The City did not meet its Emergency Reserve Target Goal for fiscal year 2021 of 8% or $108.6 million. In addition, the City did not meet its Stability Reserve Target Goal for fiscal year 2021 of 7.75% or $105.2 million. In accordance with the City's reserve policy, a plan to replenish the reserves up to the policy levels in a reasonable timeframe is currently being developed.

The General Fund's Emergency Reserve of $106.1 million is reported as GAAP restricted fund balance in the financial statements. The General Fund's GAAP unassigned fund balance as of June 30, 2021 was $139.3 million, of which $99.5 million represents the General Fund's Stability Reserve.

The City also maintains reserves to manage risk, including reserves for the payment of claims and judgments (Public Liability Reserve), a reserve for obligations related to workers' compensation claims (Workers' Compensation Reserve), and a reserve for long-term disability payments for City employees (Long-Term Disability Reserve). Balances exceeding targets are evaluated annually and are available to meet other operating fund needs if necessary. Public Liability and Workers' Compensation Reserves are reported in the financial statements as part of the General Fund's committed fund balance. The Long-Term Disability Reserve is reported as cash in the Miscellaneous Internal Service Fund. Liability claims paid after the end of fiscal year 2021 could reduce risk management reserve balances. The Public Liability Reserve Target Goal was initially $33.8 million in the Fiscal Year 2021 Adopted Budget, but the target was increased by $2.2 million after the receipt of the fiscal year 2020 Public Liability actuarial valuation. As a result, the Public Liability Reserve maintains a balance of $33.8 million, which is $2.2 million under the current City reserve Target Goal.

In April 2016, the City created the Pension Payment Stabilization Reserve. The purpose of this reserve is to mitigate service delivery risk by providing a source of funding for increases in the Actuarially Determined Contribution (ADC). The ADC is calculated by the SDCERS actuary as part of its annual Actuarial Valuation Report. Increases in the ADC could be caused by several factors, such as lower than expected investment returns, changes in actuarial assumptions approved by the SDCERS Board, including a reduction in the discount rate, and other significant liability experience losses. The Fiscal Year 2022 Adopted Budget utilized the entire $7.9 million General Fund portion of the Pension Stabilization Reserve for increases in the annual ADC.

In fiscal year 2021, the Sewer Utility and Water Utility Funds reported balances of $73.3 million and $132.1 million, respectively, in the Rate Stabilization Fund (RSF) Reserves. Both funds are in excess of the reserve policy targets which equal 5% of prior fiscal year water and wastewater system total operating revenue. Transfers in and out of the RSFs are made to maintain stable debt service coverage ratios for outstanding debt obligations and mitigate major fluctuations in future rate increases. In fiscal year 2021, the Sewer Utility withdrew $5 million from RSF Reserves and the Water Utility contributed $52 million to RSF Reserves. In addition to the RSF reserves, the Water and Sewer Utilities maintain various other policy reserves including the Emergency Operating Reserves, Emergency Capital Reserves, and Secondary Purchase Reserves (for Water Utility only), and there were no draws from these reserves in fiscal year 2021.

OTHER FINANCIAL POLICIES

In addition to policies related to reserves, budget development, budget monitoring and the 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 is investing $24.5 million in programs and services intended to help those experiencing homelessness through the allocation of the State's Homeless Housing, Assistance and Prevention (HHAP) Grant funds. The funding is the result of efforts by California mayors urging leaders in Sacramento to provide financial assistance to local governments to address a statewide homeless crisis. This funding is part of a broader homelessness strategic plan that dedicates approximately $54.7 million of carryforward and new fiscal year 2022 funding for homelessness programs and services, including the bridge shelters, safe parking program, transitional storage program, rapid rehousing, and prevention and diversion activities.

In recognition of the City's commitment to investing in its infrastructure and sustainable future, 18 major construction projects have been honored with awards by the San Diego and Imperial counties chapter of the American Public Works Association. "Projects of the Year" include upgrades to the City’s water and wastewater systems, park renovations, and public facility improvements. These awards reflect the City's high standard for its public facilities by exemplifying dedication to improving infrastructure and building a better future.

For the fourth year in a row, the number of water main breaks has decreased in the City. There were 33 water main breaks reported in 2020, the lowest total in more than 15 years and far fewer than the peak of 131 breaks in 2010. The City’s continuing program to replace old cast iron water mains has played a major part in the decrease in breaks. Since 2013, the City has replaced approximately 180 miles of water pipelines across the City. The remaining 55 miles of cast iron water mains are scheduled to be replaced by 2025.

The City is a leader and pioneer in adopting and updating its Climate Action Plan (CAP). With the CAP, first adopted on December 15, 2015, the City established five strategies to achieve greenhouse gas (GHG) emissions reduction targets for 2020 (15% reduction) and 2035 (50% reduction) from a 2010 baseline. The City is in the process of updating its CAP with new strategies and goals that are expected to create a path forward focused on equity and environmental justice, to align with state goals of carbon neutrality by 2045, and to incorporate the additional benefits of climate action. The current draft version of the CAP sets accelerated GHG emissions reduction targets for 2030 (63.3% reduction) and 2035 (100% reduction) from a 2019 baseline. 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.

San Diego has taken significant steps toward meeting the CAP goals with the implementation of San Diego Community Power (SDCP) and adoption of policies like Complete Communities. SDCP is a community choice energy service that will be responsible for purchasing wholesale clean electricity on behalf of customers in the Cities of San Diego, Chula Vista, Encinitas, La Mesa, Imperial Beach, and National City, as well as the County of San Diego. Complete Communities is an initiative that includes planning strategies that work together to create incentives to build homes near transit, provide more mobility choices, and enhance opportunities for places to walk, bike, relax and play. City data from 2019 shows a 25% decrease in GHG emissions since 2010. In October 2020, the City was ranked 6th in the nation by The Brookings Institution for reducing GHG emissions.

The National Association of Fleet Administrators has distinguished the City's Fleet Operations Department as the 33rd best public fleet in North and South America. This ranking recognizes the City for its increasing levels of performance improvement, operational effectiveness, and innovation. The City's exemplary use of alternative and renewable fuels, idle-reduction measures, fuel economy improvements, and emerging transportation technologies further pushed the City towards achieving its CAP goals.

The Fiscal Year 2022 Adopted Budget includes General Fund expenditures of $1.74 billion to provide core community services as well as funding for critical expenditures. Expenditures in the Fiscal Year 2022 Adopted Budget include essential City operations, aid for small businesses, and support for the City's most vulnerable residents affected by the COVID-19 pandemic.

On August 12, 2021, Mayor Todd Gloria signed two pieces of legislation that cleared the way to invest approximately $293 million to repair or upgrade roads, stormwater systems, parks, recreation facilities, and libraries, as well as purchase much-needed public safety and waste-management equipment. Nearly half of the funding for transportation upgrades, or $28.4 million, will go to Mayor Gloria's "Sexy Streets" initiative, which prioritizes road repairs in historically underserved communities. This funding supplements approximately $10 million budgeted for road repair in the Fiscal Year 2022 Adopted Budget.

The City continues to preserve core services while fully making the pension payment. Balancing the General Fund fiscal year 2022 budget involved making strategic decisions in order to support the City's strong commitment to fiscal sustainability. Effective financial oversight promotes a healthy financial future and the ability to provide outstanding service to communities throughout San Diego.

ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its ACFR for the fiscal year ended June 30, 2020. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized ACFR that satisfied both generally accepted accounting principles and applicable program requirements. In addition, the City has received awards of recognition for its latest budget document from GFOA and the California Society of Municipal Finance Officers.

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

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

Respectfully submitted,

Jay Goldstone Chief Operating Officer	Matthew Vespi Chief Financial Officer	Rolando Charvel City Comptroller

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Diego
California

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

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City of San Diego Current Elected Officials
(Holding office as of the issuance date of this report)

Mayor Todd Gloria

District 1
Councilmember Joe LaCava

District 6
Councilmember Chris Cate

District 2
Council President Jennifer Campbell

District 7
Councilmember Raul Campillo

District 3
Council President Pro Tem Stephen Whitburn

District 8
Councilmember Vivian Moreno

District 4
Councilmember Monica Montgomery

District 9
Councilmember Sean Elo-Rivera

District 5
Councilmember Marni von Wilpert

City Attorney
Mara W. Elliott

Other City Officials

Jay Goldstone, Chief Operating Officer

Matthew Vespi, Chief Financial Officer

Rolando Charvel, Department of Finance Director/City Comptroller

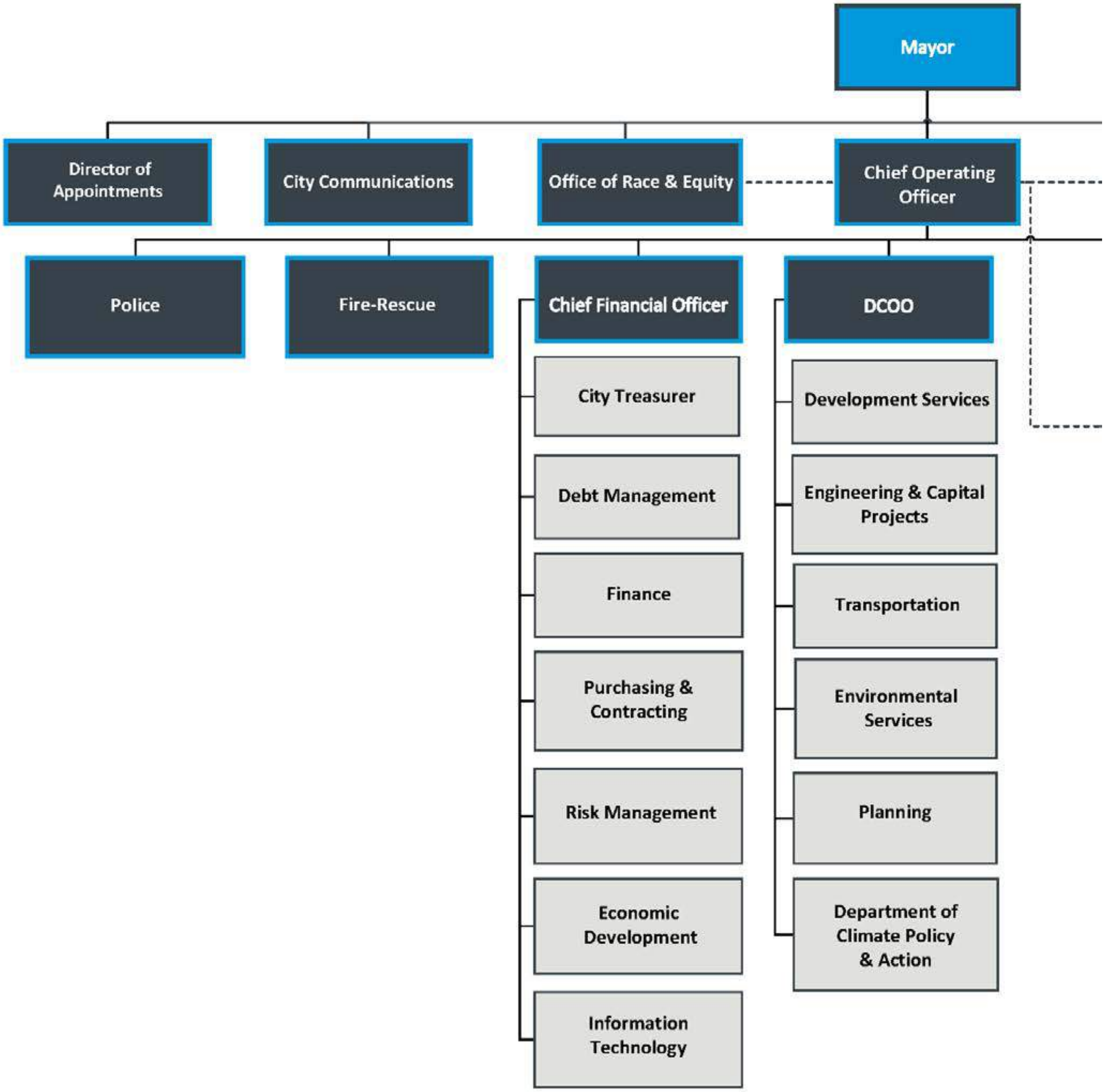
Elizabeth Correia, City Treasurer

Elizabeth Maland, City Clerk

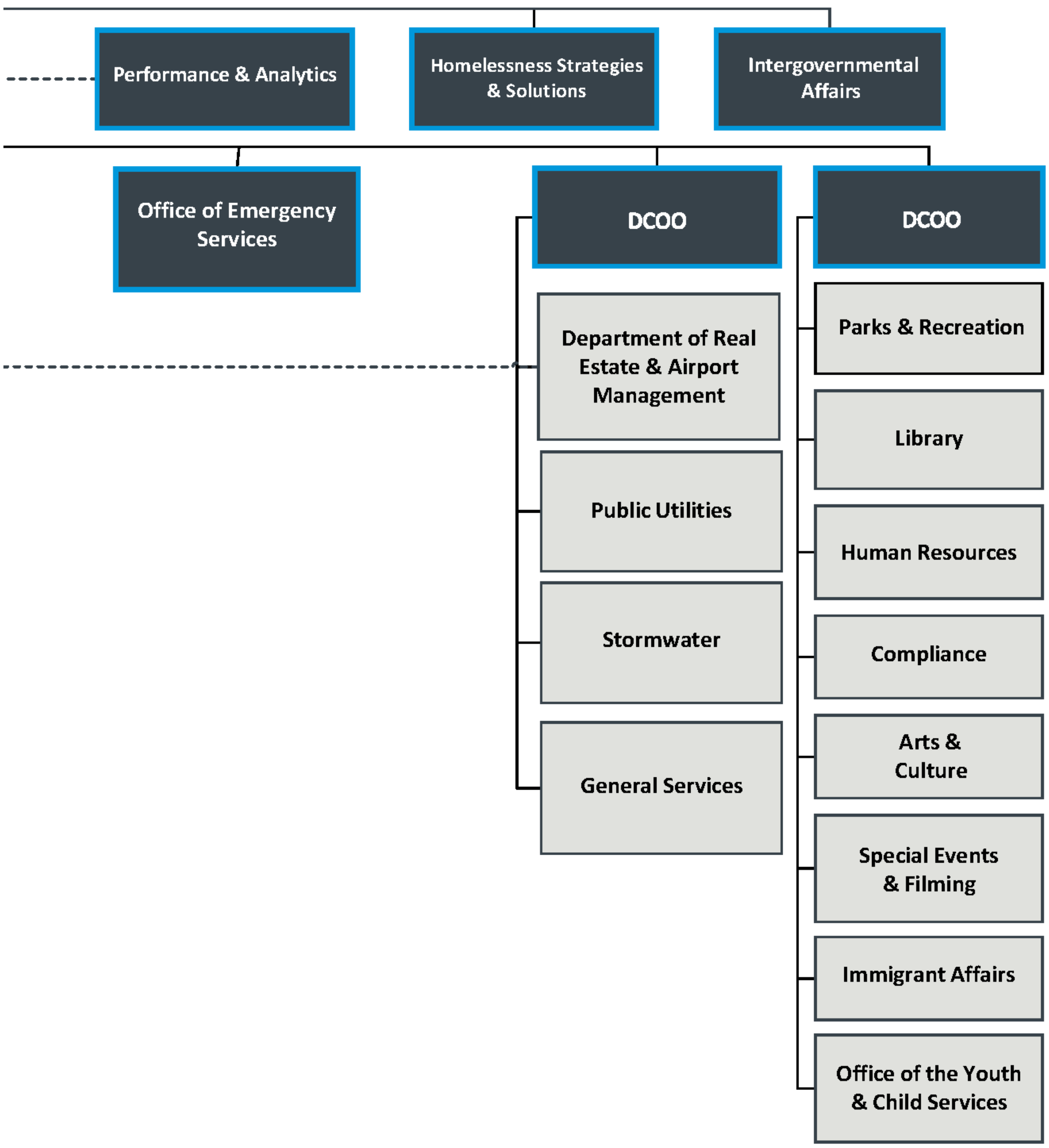
Jeff Kawar, Interim Independent Budget Analyst

Andy Hanau, City Auditor

The City of SAN DIEGO



City of San Diego Organizational Structure



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Financial Section

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying 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 fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Diego Housing Commission, a discretely presented component unit, which represent 100% of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the San Diego Housing Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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

www.mgocpa.com

Other Matters

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 the net OPEB liability and related ratios; the OPEB plan schedule of employer contributions; and the general fund schedule of revenues, expenditures and changes in fund balance – budget and actual (budgetary basis) as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 the 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.

Other 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, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

San Diego, California
December 10, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Fiscal Year Ended June 30, 2021
(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, 2021. 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; Environmental Services; 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, SDCERS, which is not included in the government-wide financial statements. Blended component units, also legally separate entities, are considered a part of the City's operations for reporting purposes and are combined with the primary government.

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

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

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

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

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

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

FIDUCIARY FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 66 of this report.

OTHER INFORMATION

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Capital Assets	$ 5,306,738	$ 5,282,029 [1]	$ 6,774,403	$ 6,610,699	$ 12,081,141	$ 11,892,728 [1]
Other Assets	2,766,807	2,627,230	1,268,251	1,227,190	4,035,058	3,854,420
Total Assets	8,073,545	7,909,259	8,042,654	7,837,889	16,116,199	15,747,148
Deferred Outflows of Resources	900,654	513,884	257,711	201,136	1,158,365	715,020
Net Long-Term Liabilities	4,710,076	3,890,665 [1]	2,940,378	2,900,453	7,650,454	6,791,118 [1]
Other Liabilities	469,511	443,467	361,448	251,701	830,959	695,168
Total Liabilities	5,179,587	4,334,132	3,301,826	3,152,154	8,481,413	7,486,286
Deferred Inflows of Resources	—	123,830	4,171	26,774	4,171	150,604
Net Position						
Net Investment in Capital Assets	4,450,838	4,424,146	4,657,585	4,528,113	9,108,423	8,952,259
Restricted	1,859,101	1,763,958	14,420	19,185	1,873,521	1,783,143
Unrestricted	(2,515,327)	(2,222,923)	322,363	312,799	(2,192,964)	(1,910,124)
Total Net Position	$ 3,794,612	$ 3,965,181	$ 4,994,368	$ 4,860,097	$ 8,788,980	$ 8,825,278

[1] Capital Assets and Net Long-Term Liabilities of Governmental Activities for 2020 have been revised from the City's Fiscal Year 2020 ACFR. Both Capital Assets and Net Long-Term Liabilities have been increased by $19,758 related to capital leases for 101 Ash, LLC and CCP 1200, LLC, with no change to the Total Net Position (See Note 5h).

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 $8,788,980 as of June 30, 2021, a decrease of $36,298, or less than 1% from fiscal year 2020.

The City's net investment in capital assets is $9,108,423. This includes land, construction-in-progress, structures and improvements, equipment, distribution and collections systems, and other infrastructure, less any outstanding debt used to acquire these assets and the related deferred outflows/inflows of resources. The City uses these capital assets to provide services to citizens, and consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves are not generally used to liquidate these liabilities.

Restricted Net Position is $1,873,521, representing resources that are subject to external restrictions on how they may be used. The amount of ($2,192,964) represents the Unrestricted Net Position deficit. This deficit largely reflects the combined Pension Liabilities of $3,513,674 reported in accordance with GASB Statement Nos. 68 and 73, and the OPEB Liability of $469,975 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 $443,345, or approximately 62%, which was primarily related to changes in the City's Net Pension Liability. There was an assumption change at the end of the measurement period, which resulted in a loss of approximately $291,000, two-thirds of which will be recognized over the next two years, resulting in a deferred outflow of resources of approximately $194,000 as of June 30, 2020. Also, the impact of pension-related investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of approximately $493,000. Approximately $394,000 of that loss will be recognized in subsequent fiscal years resulting in a deferred outflow of resources as of June 30, 2021.

Total Net Position resulting from governmental activities remained stable, with a decrease of $170,569, or approximately 4%. This was comprised of an increase in the Net Investment in Capital Assets of $26,692, or approximately 1%, an increase in Restricted Net Position of $95,143, or approximately 5%, and a decrease in Unrestricted Net Position of $292,404, or approximately 13%. The decrease in Unrestricted Net Position was primarily due to the increase in the City's NPL and related changes in deferred inflows/outflows of resources.

Total Net Position resulting from business-type activities remained stable as well, with an increase of $134,271, or approximately 3%. The Net Investment in Capital Assets increased by $129,472, or approximately 3%. The Restricted Net Position decreased by $4,765, or approximately 25%, due to an increase in landfill closure costs. Unrestricted Net Position increased by $9,564, or approximately 3%, which was primarily attributed to operating income generated by the Water Utility Fund.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues						
Charges for Services	$ 437,804	$ 483,504	$ 1,172,358	$ 1,118,150	$ 1,610,162	$ 1,601,654
Operating Grants and Contributions	413,621	226,203	16,549	18,906	430,170	245,109
Capital Grants and Contributions	73,172	72,502	62,990	62,301	136,162	134,803
General Revenues						
Property Taxes	659,417	627,272	—	—	659,417	627,272
Transient Occupancy Taxes	129,530	181,181	—	—	129,530	181,181
Sales Taxes - Shared State Revenue	352,131	327,311	—	—	352,131	327,311
Franchises	94,046	93,474	—	—	94,046	93,474
Other Local Taxes	72,464	68,117	—	—	72,464	68,117
Investment Income	8,669	52,746	3,799	27,752	12,468	80,498
Other	159,461	78,596	63,756	7,975	223,217	86,571
Total Revenues	2,400,315	2,210,906	1,319,452	1,235,084	3,719,767	3,445,990
Expenses:						
General Government and Support	415,720	417,462	—	—	415,720	417,462
Public Safety-Police	677,483	629,922	—	—	677,483	629,922
Public Safety-Fire and Life Safety and Homeland Security	373,607	338,128	—	—	373,607	338,128
Parks, Recreation, Culture and Leisure	377,559	374,335	—	—	377,559	374,335
Transportation	280,336	311,561	—	—	280,336	311,561
Sanitation and Health	115,935	117,473	—	—	115,935	117,473
Neighborhood Services	304,155	131,086	—	—	304,155	131,086
Interest on Debt Service	24,920	34,027	—	—	24,920	34,027
Sewer Utility	—	—	360,203	362,289	360,203	362,289
Water Utility	—	—	596,764	535,567	596,764	535,567
Airports	—	—	9,391	9,044	9,391	9,044
Development Services	—	—	94,980	88,032	94,980	88,032
Environmental Services	—	—	40,897	32,500	40,897	32,500
Golf Course	—	—	22,679	21,420	22,679	21,420
Recycling	—	—	32,015	27,326	32,015	27,326
San Diego Convention Center Corporation	—	—	29,421	39,834	29,421	39,834
Total Expenses	2,569,715	2,353,994	1,186,350	1,116,012	3,756,065	3,470,006
Change in Net Position Before Transfers and Special Item	(169,400)	(143,088)	133,102	119,072	(36,298)	(24,016)
Transfers	(1,169)	(4,022)	1,169	4,022	—	—
Special Item	—	(10,117)	—	—	—	(10,117)
Change in Net Position	(170,569)	(157,227)	134,271	123,094	(36,298)	(34,133)
Net Position - July 1	3,965,181	4,122,408	4,860,097	4,737,003	8,825,278	8,859,411
Net Position - June 30	$ 3,794,612	$ 3,965,181	$ 4,994,368	$ 4,860,097	$ 8,788,980	$ 8,825,278

GOVERNMENTAL ACTIVITIES

Governmental activities decreased the City's net position by $170,569 during fiscal year 2021. Variances from fiscal year 2020 exceeding 10% and $5,000 are discussed below.

- Operating Grants and Contributions increased by $187,418, or approximately 83%, primarily due to federal contributions from the CARES Act and the Emergency Rental Assistance Program (ERAP).

- Transient Occupancy Taxes decreased by $51,651, or approximately 29%, primarily due to continued effects of the COVID-19 pandemic on local tourism.

- The primary cause of a $44,077, or approximately 84%, decrease in Investment Income was a net decrease in unrealized gains from fiscal year 2020 to fiscal year 2021.

- Other Revenues increased by $80,865, or approximately 103%, primarily due to the sale of the 135-acre Qualcomm Stadium site to San Diego State University, combined with increased developer contributions received for the Mira Mesa and Otay Mesa communities.

- Public Safety-Fire and Life Safety and Homeland Security expense increased by $35,479, or approximately 10%, primarily due to increased pension expense. In addition, overtime pay and related fringe benefits increased due to wildfire strike teams and COVID-19 related work including distribution of vaccines.

- Transportation expense decreased by $31,225, or approximately 10%, primarily due to a decrease in charges from San Diego Gas & Electric (SDG&E) for the Utilities Undergrounding Program. This was the result of construction delays and a temporary halt in new projects until the franchise contract negotiations between the City and SDG&E were finalized.

- Neighborhood Services expense increased by $173,069, or approximately 132%, primarily due to ERAP spending related to COVID-19 rent relief. In addition, spending increased related to the CARES Act Homeless Emergency Solutions Grant (ESG), as well as the new Homelessness Strategies Department, which was created in fiscal year 2021.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net position by $134,271 during fiscal year 2021. Variances from fiscal year 2020 exceeding 10% and $5,000 are discussed below.

- Investment income decreased by $23,953, or approximately 86%, primarily due to the net change from an unrealized gain in fiscal year 2020 to an unrealized loss in fiscal year 2021.

- Other Revenue increased by $55,781, or approximately 699%, primarily due to the Water Utility Fund's share of proceeds from the Qualcomm Stadium sale to San Diego State University. This was combined with a refund from the Metropolitan Water District (MWD) as a result of San Diego Water Authority's decade-long rate case litigation in state Superior Court seeking to compel MWD to set legal rates and repay overcharges.

- Water Utility expense increased by $61,197, or approximately 11%, primarily due to the accrual of liability claims, including the Patz v. City of San Diego case (See Note 22 for more information).

- Environmental Services expense increased by $8,397, or approximately 26%, primarily due to an increase in the closure and postclosure care liability for the Miramar Landfill.

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 2021, the City's governmental funds reported combined ending fund balances of $2,081,051, an increase of $113,461 from fiscal year 2020. The General Fund and Other Governmental Funds had unassigned fund balances/(deficits) of $136,340 and $(79,662), respectively, with a combined unassigned fund balance of $56,678. The General Fund unassigned fund balance of $136,340 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 $429,442. General Fund revenues totaled $1,765,970, which was an increase of $54,012 over fiscal year 2020. This increase was attributed to several categories, the largest of which were Revenue from Federal Agencies with an increase of $65,328, Property Tax with an increase of $32,098, and Sales Tax with an increase of $21,333. The increase in Revenue from Federal Agencies was primarily due to funding received from the CARES Act. General Fund expenditures totaled $1,764,110, which was an increase of $43,558. This was mainly attributed to Neighborhood Services expenditures in the newly created Homelessness Strategies Department, and Public Safety-Fire and Life Safety expenditures due to overtime for wildfire strike teams and COVID-19 related assignments.

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 2021, total Net Position for the Sewer Utility Fund remained stable at $2,625,464, an increase of $39,512, or approximately 2% over fiscal year 2020. The Net Investment in Capital Assets increased by $93,472, or approximately 4%. This was comprised of: a net increase in capital assets of $34,235 mainly in the Equipment and Infrastructure categories; a net decrease in capital related debt of $65,455; and a decrease in associated deferred outflows of resources of $6,218. Unrestricted Net Position was $90,269, a decrease of $53,973 or approximately 37% from fiscal year 2020. This was primarily due to the use of Unrestricted Net Position to fund additions to capital assets.

Total Net Position for the Water Utility Fund remained stable as well, at $2,250,668, an increase of $97,647, or approximately 5% over fiscal year 2020. The Net Investment in Capital Assets increased by $37,850, or approximately 2%. This was comprised of: a net increase in capital assets of $135,438, mainly in the Infrastructure category; a net increase in capital related debt of $94,439; a decrease in associated deferred outflows of resources of $3,566; and a decrease in deferred inflows of resources of $417. Unrestricted Net Position was $288,840, an increase of $59,979, or approximately 26% from fiscal year 2020. This was primarily due to the operating income generated during fiscal year 2021 of $37,439, while proceeds of the Series 2020 Water Revenue Bonds were used to fund the additions to 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 GAAP reporting purposes. There were no changes from the original budget to the final budget for General Fund expenditures or transfers out.

Actual revenues earned in the General Fund were $105,677 lower than budgeted. Sales Taxes were over budget by $29,232, primarily attributed to a robust rebound of California's economy, both earlier than originally anticipated and at an accelerated rate. A combination of California fully reopening its economy, improved vaccination rates, public health measures to reduce the spread of the COVID-19 virus, and additional federal funding fostered an economic environment in which consumers' buying power remained intact and their willingness to spend on taxable goods significantly increased. Property taxes were over budget by $10,767, primarily due to a higher than anticipated collection of the 1% property tax allocation, an increase in distribution from the City's Redevelopment Property Tax Trust Fund (RPTTF), and an increase in Motor Vehicle License Fee backfill revenue. Franchise Fees were over budget by $8,488, primarily attributed to a $7,000 increase in San Diego Gas & Electric revenue related to a higher than anticipated clean-up payment received in February 2021.

Revenue from Federal Agencies was under budget by $103,589, primarily due to a reclassification between revenue categories. The ARPA revenue was budgeted in the Revenue from Federal Agencies category, but actual revenue was recorded as Transfers In. This category is offset with the Transfers from Other Funds category. Transient Occupancy Tax was under budget by $22,398, primarily due to reduced tourism activity resulting from immediate impacts of the COVID-19 pandemic, as forecast by the San Diego Tourism Authority and San Diego Tourism Marketing District. A significant number of planned conventions and special events were canceled across the City due to the limitations on public gatherings. Charges for Current Services were under budget by $24,770, primarily due to decreases in TOT reimbursements for eligible General Fund expenditures for safety and maintenance of visitor related facilities, including public safety support services at special events, and street sweeping in high tourist locations, as a result of the COVID-19 pandemic. Revenue from Use of Money and Property was under budget by $10,149, primarily due to reduced rent payments from City tenants and lessees, with the largest decrease resulting from Mission Bay lessees. This was largely attributed to reduced rent payments from SeaWorld, which comprises 30 to 40 percent of all Mission Bay revenue and has been operating at a reduced capacity.

Actual expenditures for the General Fund were $24,595 under budget. Reductions in expenditures were due in part to the fiscally prudent approach undertaken by the Mayor, City Council, and City Departments. Departments continued to see impacts related to the implementation of the Request to Fill process, which added additional review for hiring decisions to ensure only critical positions were being filled. Similarly, departments continued to limit non-essential spending through the end of the fiscal year.

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	
	2021	2020	2021	2020	2021	2020
Land and Rights of Way	$ 1,887,545	$ 1,889,562	$ 107,232	$ 107,339	$ 1,994,777	$ 1,996,901
Easements	7,888	7,694	4,887	3,661	12,775	11,355
Artwork/Historical Treasures	5,052	5,052	1,875	1,875	6,927	6,927
Construction in Progress	353,132	382,951	691,130	843,469	1,044,262	1,226,420
Structures and Improvements	866,204	920,277 [1]	1,424,457	1,364,196	2,290,661	2,284,473 [1]
Equipment	264,432	243,522	149,437	129,336	413,869	372,858
Intangible Equipment	22,851	24,406	31,630	34,831	54,481	59,237
Distribution and Collection Systems	—	—	4,363,755	4,125,992	4,363,755	4,125,992
Infrastructure	1,899,634	1,808,565	—	—	1,899,634	1,808,565
Totals	$ 5,306,738	$ 5,282,029	$ 6,774,403	$ 6,610,699	$ 12,081,141	$ 11,892,728

[1] The 2020 amount for Structures and Improvements has been restated from the City's Fiscal Year 2020 ACFR. It has been increased by $19,758, with an offsetting increase to Capital Lease Obligations (see Note 5h).

CAPITAL ASSETS

In accordance with Governmental Accounting Standards Board (GASB) Statement Nos. 34 and 51, 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, 2021 was $12,081,141 (net of accumulated depreciation/amortization), which was an increase of $188,413 over fiscal year 2020. Readers interested in more detailed information on capital asset activity should refer to Note 4.

HIGHLIGHTS OF FISCAL YEAR 2021 CAPITAL IMPROVEMENT PROGRAM (CIP) ACTIVITIES

Governmental Activities

- Construction continued on the West Mission Bay Drive Bridge over the San Diego River. Construction of the bridge is anticipated to be completed in fiscal year 2023. This project will replace the existing four-lane bridge with a six-lane bridge, sidewalk, bike lanes and shoulder improvements. Fiscal year 2021 capital expenditures for this project totaled $34,780.

- The annual allocation for drainage projects provides for reconstruction and replacement of failing drainage facilities citywide. There are currently over 900 miles of storm drains in the City. Fiscal year 2021 capital expenditures for drainage projects totaled $19,679.

- The asphalt overlay of approximately 34 miles of roads citywide was completed during fiscal year 2021. These projects provided for resurfacing and reconstruction of City streets in order to maintain the streets in serviceable condition and mitigate roadway deterioration. These projects were funded with various sources including TransNet, Trench Cut Fees, Commercial Paper, and Gas Tax funds. Fiscal year 2021 capital expenditures for this project totaled $16,999.

- Construction began on Park Boulevard At-Grade Crossing. This project provides for the extension of Park Boulevard to Harbor Drive and for the widening of Tony Gwynn Way. The project will construct new pavement, curb, gutters, sidewalks, pedestrian ramps, railroad track, railroad signals and signage, storm drain, and other infrastructure adjacent to the project. Design began in 2014 and construction is anticipated to be completed in fiscal year 2023. Fiscal year 2021 capital expenditures for this project totaled $6,427.

- Construction began on East Village Green Phase 1. This project provides for the design and construction for Phase 1 of the East Village Green Park. Phase 1 park amenities include a recreation center, comfort station, below-grade parking, an off-leash dog park, children's play area, outdoor seating, and landscaping. Construction is anticipated to be completed in fiscal year 2023. Fiscal year 2021 capital expenditures for this project totaled $6,172.

Business-Type Activities

- The Sewer Utility Fund incurred capital expenditures of approximately $71,291 related to CIP, of which the Metropolitan System CIP incurred approximately $28,450, and the Municipal System CIP incurred approximately $42,841. The following major projects continued during fiscal year 2021: Surge Protection and Backup Power of Pump Station 2; North City Water Reclamation Plant Expansion; and the continued replacement of sewer mains and upgrades to the sewer infrastructure.

- The Water Utility Fund incurred capital expenditures of approximately $127,591 related to CIP. The following major projects continued during fiscal year 2021: Miramar Clearwell Improvements; North City Pure Water Facility; Otay 1st/2nd Pipeline Replacement W. of Highland Avenue; and the continued replacement of water mains and upgrades to water infrastructure. Capital asset write-offs (net) for fiscal year 2021 were approximately $4,970 and were primarily related to losses on abandoned projects and retirements of distribution and collection system assets.

- Capital projects of approximately $350,132 were completed and transferred from Non-Depreciable Capital Assets-Construction in Progress to Depreciable Capital Assets, which included the following major projects: Miramar Clearwell Improvements; Water Operations Building; Metro Biosolids Center Improvement; Torrey Pines Golf Course Improvements; and various water and sewer main replacements.

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]	$ 6,774
Nonmajor Governmental Funds	104,526
Sewer Utility	171,044
Water Utility	156,846
Nonmajor Enterprise Funds	2,918
Internal Service Funds	818
Total Contractual Commitments	$ 442,926

[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 2021 were $442,926, which was an increase of $120,731, or 37%, from fiscal year 2020, 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 regulation of other governments, or constraints imposed by law through constitutional provision or enabling legislation, including the City 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 2021, the City, including blended component units, had total long-term and commercial paper debt outstanding of $2,841,804 as follows:

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Capital Lease Obligations	$ 231,048	$ 226,768 [1]	$ 8,624	$ 12,374	$ 239,672	$ 239,142 [1]
QECB Lease Obligations	4,903	5,816	—	—	4,903	5,816
Contracts Payable	—	—	—	750	—	750
Notes Payable	—	—	4	6	4	6
Loans Payable	28,110	28,574	243,223	238,034	271,333	266,608
Section 108 Loans Payable	1,778	2,163	—	—	1,778	2,163
Commercial Paper Notes Payable [2]	—	38,575	98,724	18,724	98,724	57,299
Revenue Bonds/Lease Revenue Bonds	588,900	490,510	1,572,200	1,681,075	2,161,100	2,171,585
Tobacco Settlement Asset-Backed Bonds	64,290	73,330	—	—	64,290	73,330
Totals	$ 919,029	$ 865,736	$ 1,922,775	$ 1,950,963	$ 2,841,804	$ 2,816,699

[1] The 2020 amount for Capital Lease Obligations has been restated from the City's Fiscal Year 2020 ACFR. It has been increased by $19,758, with an offsetting increase to Capital Assets (see Note 5h).

[2] The outstanding amount of $98,724 is classified as short-term liabilities. See Note 8 for information on short-term liabilities.

Governmental Activities

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, which was subsequently increased to $88,500 on August 14, 2018. During fiscal year 2021, the City issued General Fund CP Notes of $49,925 at rates between 0.06% and 0.19%.

On July 1, 2020, PFFA issued $60,745 of Lease Revenue Refunding Bonds, Series 2020A (Series 2012A Refunding) (federally taxable) to advance refund a portion of the outstanding Lease Revenue Bonds, Series 2012A (Capital Improvements Projects) and pay costs of issuance in connection with the issuance of the 2020 Bonds.

On July 8, 2020, CCEFA issued $70,750 of Lease Revenue Refunding Bonds, Series 2020A (Series 2012A Refunding) (federally taxable) to advance refund a portion of the CCEFA's outstanding Lease Revenue Refunding Bonds, Series 2012A Bonds and pay cost of issuance incurred in connection with the issuance of the 2020A Bonds.

On April 20, 2021, PFFA issued $117,145 of Lease Revenue Bonds, Series 2021A (2021 Bonds) to pay for the outstanding Lease Revenue Commercial Paper Notes, Series A of $88,500 and to finance the costs of the acquisition, design, construction, installation, improvement, replacement and equipping of certain capital improvement projects of the City.

Total principal payments on long-term debt were $269,384. Included in this amount were $88,500 pay down of General Fund Commercial Paper Notes, $119,690 for outstanding bond principal payments due to refunding, $39,600 for outstanding bond principal payments, $849 for loans payable, $913 for Qualified Energy Conservation Bonds (QECB), and $19,832 for capital lease obligation payments.

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 SRF loan disbursements from the California State Water Resources Control Board:

- $209 for the Metro Biosolids Center Dewatering Centrifuge Replacement Project
- $7,995 for the Pump Station 2 Power Reliability and Surge Protection Project

The City's Water Utility Fund received the following SRF loan disbursements from the California State Water Resources Control Board:

- $860 for the University Avenue Pipeline Replacement Project
- $701 for the 69th Street and Mohawk Pump Station Project

In November 2018, the City and the United States Environmental Protection Agency (USEPA) executed the WIFIA Program loan agreement in an amount up to $614,000 payable from Net System Revenues of the Water Utility Fund. 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. As of June 30, 2021, the City has received its first loan proceeds in the amount of $9,559 at a rate of 1.29%.

On December 16, 2016, the City and PFFA adopted resolutions authorizing the issuance of $250,000 in tax-exempt subordinate Water Commercial Paper Notes (Water CP Notes) in one or more series. During fiscal year 2021, the City has issued Water CP Notes, Series A of $39,758 and Series B of $41,825 (reported in Note 8) at rates between 0.09% and 0.25%.

Total principal payments on commercial paper debt and long-term debt were $1,583 and $127,512, respectively. Included in the long-term amount was $108,875 for outstanding bond principal payments, $14,135 for loans payable, $3,750 for capital lease obligation payments, $750 for contracts payable, and $2 for SDCCC's notes payable.

Readers interested in more detailed information regarding business-type activities long-term and short-term liabilities should refer to Note 6 and Note 8.

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

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

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

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

OTHER INFORMATION

San Diego Gas & Electric Franchise Agreement

On June 8, 2021 the City Council approved the gas and electric franchises and cooperation agreement with SDG&E in accordance with City Charter Section 103. The initial term of the agreement is ten years with the potential for an additional ten-year renewal. The agreement is expected to generate nearly $3 billion in revenue over the maximum 20-year term of the agreement, including $80 million in bid payments and an estimated $130 million annually in franchise fee and undergrounding surcharge revenue. The agreement also includes $20 million to advance the City's climate equity goals and $10 million in solar-energy rebates to benefit historically underserved neighborhoods.

Recognized Employee Organization (REO) Agreements

City employees are represented by six REOs. Before the end of fiscal year 2021, the City reached successor collective bargaining agreements with the San Diego Municipal Employees' Association (MEA); Local 127, American Federation of State, County and Municipal Employees, AFL-CIO (Local 127); and Deputy City Attorneys Association (DCAA) effective for fiscal years 2022-2023. In the beginning of fiscal year 2022, the City reached successor collective bargaining agreements with the San Diego City Firefighters, International Association of Firefighters Local 145 (Local 145); San Diego Police Officers Association by San Diego (POA) and California Teamsters Local 911 (Local 911) effective in fiscal year 2022.

The successor agreements include general salary and wage increases for each of these recognized employee organizations. Specifically, the MOUs with MEA, Local 127, and DCAA provide for a 4.0 percent general wage increase on July 1, 2021 with an additional 2.0 percent general wage increase effective January 1, 2022 for members of DCAA. Additionally, the budget includes special wage adjustments to select job classifications. The MOU with POA provides for a 3.2 percent general wage increase on July 1, 2021, restructured flexible benefits to limit cash back and increase tiers, increased annual leave caps for certain members based on hire date, and a Police Management Incentive Pay. The MOU with Local 145 provides for a 2.5 percent general wage increase on July 1, 2021 with an additional increase of 5.0 percent or 1.0 percent for select classifications on January 1, 2022. Additionally, a number of new Special Assignment Pays were implemented or modified with effective dates of July 1, 2021 or January 1, 2022. Negotiations with Local 911 provide for a 2.5 percent wage increase, restructured Flexible Benefit to limit cash back, and new special pays. The Fiscal Year 2022 Adopted Budget includes a total of $39.2 million for salary increases.

Proposition B Make-Whole Provision

On June 11, 2021, SDCERS' actuary (Actuary) completed a preliminary analysis using data for the time period July 20, 2012 through March 5, 2021 regarding eligible employees who were actively employed with the City as of March 5. The analysis excluded affected employees who no longer work for the City, as well as sworn police officers and police recruits. Based on the Actuary's preliminary analysis, the City estimates the net cost to the City under the Make-Whole Provision could be approximately $77.5 million, which amount, or a portion thereof, could possibly be amortized as part of the annual Actuarially Determined Contribution, if approved by the SDCERS Board. Amortization of this obligation would increase the City's NPL. This estimate assumes that all eligible employees join SDCERS based on their hire dates, though the City is exploring the ability to offer other options, such as the potential to join the pension system prospectively only, or to stay in the defined contribution plan. Approximately $46,100, or about 60% of the estimated net cost to the City, would be paid from the City's General Fund.

It is important to note that the cost estimates above are based on a preliminary actuarial analysis requested by the City and include several actuarial and financial assumptions that could be the subject of negotiations between the City and the REOs, including, but not limited to, the investment rate of return, the discount rate, interest earnings, and how each of the separate cost components and the corresponding offsets are calculated and applied. The estimate above is also likely to change based on the performance of the financial market through the end of negotiations with the REOs and its impact on SPSP-H balances. Any one of these assumptions could significantly alter the Make-Whole Provision costs to the City and such costs could be material. The City and the REOs will also need to negotiate how the 7% interest under the Make-Whole Provision will be calculated. A further consideration in implementing any compensatory remedy is compliance with federal tax laws and regulations, which may also restrict the remedies available through labor negotiations. The preliminary estimate provided above excludes any Make-Whole Provision costs associated with affected employees who have since left the City, as well as any potential costs associated with negotiations with the POA.

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, 2021
(Dollars in Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	San Diego Housing Commission
ASSETS				
Cash and Investments	$ 1,857,177	$ 841,511	$ 2,698,688	$ 211,068
Receivables:				
Taxes - Net of Allowance for Uncollectibles	172,210	—	172,210	—
Accounts - Net of Allowance for Uncollectibles	41,354	232,777	274,131	19,047
Claims	28,995	—	28,995	—
Contributions	2,416	—	2,416	—
Special Assessments	3,174	—	3,174	—
Notes	297,320	—	297,320	411,111
Loans	94,991	—	94,991	—
Accrued Interest	2,621	1,419	4,040	62,041
Grants	83,735	15,988	99,723	—
From Other Agencies	4,927	—	4,927	—
Advances to Other Agencies	16,445	—	16,445	—
Internal Balances	(1,721)	1,721	—	—
Prepaid Expenses	—	35,141	35,141	4,275
Inventories	1,754	72,429	74,183	—
Land Held for Resale	18,678	—	18,678	—
Restricted Cash and Investments	142,731	66,714	209,445	19,229
Other Assets	—	551	551	3,348
Capital Assets - Non-Depreciable	2,253,617	805,124	3,058,741	128,904
Capital Assets - Depreciable	3,053,121	5,969,279	9,022,400	305,561
TOTAL ASSETS	8,073,545	8,042,654	16,116,199	1,164,584
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Refunding	15,134	94,533	109,667	—
Deferred Outflows Related to Other Postemployment Benefits	27,197	7,315	34,512	—
Deferred Outflows Related to Pensions	858,323	155,863	1,014,186	—
TOTAL DEFERRED OUTFLOWS OF RESOURCES	900,654	257,711	1,158,365	—
LIABILITIES				
Accounts Payable	166,667	124,446	291,113	19,541
Accrued Wages and Benefits	49,667	10,768	60,435	2,271
Other Accrued Liabilities	30,181	46,994	77,175	12,425
Interest Accrued on Long-Term Debt	5,232	24,768	30,000	9,117
Long-Term Liabilities Due Within One Year	173,810	160,906	334,716	11,372
Due to Other Agencies	79	—	79	—
Unearned Revenue	217,685	33,347	251,032	31,578

STATEMENT OF NET POSITION (Continued)
June 30, 2021
(Dollars in Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	San Diego Housing Commission
LIABILITIES (Continued)				
Commercial Paper Notes Payable	$ —	$ 98,724	$ 98,724	$ —
Liabilities Payable from Restricted Assets:				
Customer Deposits Payable	—	14,055	14,055	—
Deposits/Advances from Others	—	8,346	8,346	2,936
Long-Term Liabilities Due After One Year:				
Compensated Absences	42,188	9,713	51,901	—
Liability Claims	313,174	79,164	392,338	—
Reimbursement Agreement Obligations	19,353	—	19,353	—
Capital Lease Obligations	205,157	6,455	211,612	—
QECB Lease Obligations	3,968	—	3,968	—
Notes Payable	—	2	2	299,233
Loans Payable	27,635	228,992	256,627	—
Section 108 Loans Payable	1,372	—	1,372	—
Net Bonds Payable	663,535	1,679,725	2,343,260	—
Estimated Landfill Closure and Postclosure Care	—	51,656	51,656	—
Net Other Postemployment Benefits Liability	364,508	105,467	469,975	—
Pension Liabilities	2,895,376	618,298	3,513,674	—
TOTAL LIABILITIES	5,179,587	3,301,826	8,481,413	388,473
DEFERRED INFLOWS OF RESOURCES				
Gain on Refunding	—	4,171	4,171	—
NET POSITION				
Net Investment in Capital Assets	4,450,838	4,657,585	9,108,423	167,437
Restricted for:				
Capital Projects	839,354	—	839,354	—
Debt Service	—	9,673	9,673	—
Low-Moderate Income Housing	360,341	—	360,341	—
Nonexpendable Permanent Endowments	19,714	—	19,714	—
Grants	95,280	—	95,280	—
Other	544,412	4,747	549,159	249,831
Unrestricted (Deficit)	(2,515,327)	322,363	(2,192,964)	358,843
TOTAL NET POSITION	$ 3,794,612	$ 4,994,368	$ 8,788,980	$ 776,111

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

STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2021
(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	$ 415,720	$ 178,892	$ 172,615	$ 1,037
Public Safety - Police	677,483	31,716	4,875	—
Public Safety - Fire and Life Safety and Homeland Security	373,607	42,975	8,654	—
Parks, Recreation, Culture and Leisure	377,559	63,482	6,491	1,793
Transportation	280,336	66,528	55,276	67,790
Sanitation and Health	115,935	15,311	564	2,273
Neighborhood Services	304,155	38,900	165,146	279
Debt Service - Interest	24,920	—	—	—
TOTAL GOVERNMENTAL ACTIVITIES	2,569,715	437,804	413,621	73,172
Business-Type Activities:				
Sewer Utility	360,203	361,334	—	29,625
Water Utility	596,764	591,776	15,410	32,434
Airports	9,391	5,774	—	807
Development Services	94,980	83,043	—	—
Environmental Services	40,897	32,200	406	123
Golf Course	22,679	29,437	—	—
Recycling	32,015	25,504	733	1
San Diego Convention Center Corporation	29,421	43,290	—	—
TOTAL BUSINESS-TYPE ACTIVITIES	1,186,350	1,172,358	16,549	62,990
TOTAL PRIMARY GOVERNMENT	$ 3,756,065	$ 1,610,162	$ 430,170	$ 136,162
Component Unit:				
San Diego Housing Commission	$ 388,879	$ 68,393	$ 401,805	$ 865

General Revenues:

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

Transfers, Net

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

Net Position at Beginning of Year

NET POSITION AT END OF YEAR

Net Revenue/(Expense) and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	San Diego Housing Commission
$ (63,176)	$ —	$ (63,176)	$ —
(640,892)	—	(640,892)	—
(321,978)	—	(321,978)	—
(305,793)	—	(305,793)	—
(90,742)	—	(90,742)	—
(97,787)	—	(97,787)	—
(99,830)	—	(99,830)	—
(24,920)	—	(24,920)	—
(1,645,118)	—	(1,645,118)	—
—	30,756	30,756	—
—	42,856	42,856	—
—	(2,810)	(2,810)	—
—	(11,937)	(11,937)	—
—	(8,168)	(8,168)	—
—	6,758	6,758	—
—	(5,777)	(5,777)	—
—	13,869	13,869	—
—	65,547	65,547	—
(1,645,118)	65,547	(1,579,571)	—
—	—	—	82,184
659,417	—	659,417	—
129,530	—	129,530	—
352,131	—	352,131	—
94,046	—	94,046	—
72,464	—	72,464	—
74,925	—	74,925	—
1,468	—	1,468	—
8,669	3,799	12,468	14,364
62,446	30,509	92,955	(11)
20,622	33,247	53,869	—
(1,169)	1,169	—	—
1,474,549	68,724	1,543,273	14,353
(170,569)	134,271	(36,298)	96,537
3,965,181	4,860,097	8,825,278	679,574
$ 3,794,612	$ 4,994,368	$ 8,788,980	$ 776,111

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

GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2021
(Dollars in Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	$ 517,194	$ 1,233,480	$ 1,750,674
Receivables:			
Taxes - Net of Allowance for Uncollectibles	117,093	55,117	172,210
Accounts - Net of Allowance for Uncollectibles	29,450	11,188	40,638
Claims	—	28,995	28,995
Special Assessments	—	3,174	3,174
Notes	—	297,320	297,320
Loans	—	94,991	94,991
Accrued Interest	922	1,666	2,588
Grants	—	83,550	83,550
From Other Funds	27,940	25,002	52,942
From Other Agencies	4,927	—	4,927
Contributions	1,154	—	1,154
Interfund Loan Receivable	—	26,167	26,167
Advances to Other Agencies	733	15,712	16,445
Land Held for Resale	—	18,678	18,678
Restricted Cash and Investments	2,139	140,592	142,731
TOTAL ASSETS	$ 701,552	$ 2,035,632	$ 2,737,184
LIABILITIES			
Accounts Payable	$ 44,005	$ 116,084	$ 160,089
Accrued Wages and Benefits	46,939	476	47,415
Other Accrued Liabilities	9,963	20,088	30,051
Due to Other Funds	—	52,942	52,942
Due to Other Agencies	—	79	79
Unearned Revenue	150,213	67,472	217,685
Interfund Loan Payable	—	26,167	26,167
TOTAL LIABILITIES	251,120	283,308	534,428
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	15,333	28,644	43,977
Unavailable Revenue - Grants	—	62,575	62,575
Unavailable Revenue - Other	5,657	9,496	15,153
TOTAL DEFERRED INFLOWS OF RESOURCES	20,990	100,715	121,705

GOVERNMENTAL FUNDS
BALANCE SHEET (Continued)
June 30, 2021
(Dollars in Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES			
Nonspendable	$ —	$ 19,714	$ 19,714
Restricted	193,301	1,660,091	1,853,392
Committed	89,203	51,466	140,669
Assigned	10,598	—	10,598
Unassigned (Deficit)	136,340	(79,662)	56,678
TOTAL FUND BALANCES	429,442	1,651,609	2,081,051
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 701,552	$ 2,035,632	

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.	5,104,318
Deferred outflows of resources are not financial resources (uses), and therefore, are not reported at the fund level.	879,938
Unavailable revenues are not financial resources, and therefore, are reported as deferred inflows of resources.	121,705
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.	144,191
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.	(4,536,591)
Net Position of Governmental Activities (page 49)	$ 3,794,612

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, 2021
(Dollars in Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property Taxes	$ 641,395	$ 17,590	$ 658,985
Special Assessments	—	47,120	47,120
Sales Taxes - Shared State Revenue	313,858	35,147	349,005
Transient Occupancy Taxes	68,086	60,224	128,310
Franchises	93,979	64,794	158,773
Other Local Taxes	72,302	—	72,302
Licenses and Permits	44,211	82,519	126,730
Fines, Forfeitures and Penalties	23,978	2,499	26,477
Revenue from Use of Money and Property	50,520	22,048	72,568
Revenue from Federal Agencies	157,790	197,146	354,936
Revenue from Other Agencies	12,579	34,620	47,199
Revenue from Private Sources	155	7,262	7,417
Charges for Current Services	271,786	23,863	295,649
Other Revenue	15,331	1,993	17,324
TOTAL REVENUES	1,765,970	596,825	2,362,795
EXPENDITURES			
Current:			
General Government and Support	411,709	16,648	428,357
Public Safety - Police	560,570	14,976	575,546
Public Safety - Fire and Life Safety and Homeland Security	305,120	8,018	313,138
Parks, Recreation, Culture and Leisure	171,546	86,821	258,367
Transportation	121,946	64,482	186,428
Sanitation and Health	88,982	8,589	97,571
Neighborhood Services	74,660	224,096	298,756
Capital Outlay	13,967	182,515	196,482
Debt Service:			
Principal Retirement	10,658	128,949	139,607
Cost of Issuance	—	1,293	1,293
Interest	4,952	32,810	37,762
TOTAL EXPENDITURES	1,764,110	769,197	2,533,307
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,860	(172,372)	(170,512)

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Continued)
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	$ 16,700	$ —	$ 16,700
Transfers from Other Funds	22,839	75,749	98,588
Transfers to Proprietary Funds	(1,380)	—	(1,380)
Transfers to Other Funds	(20,960)	(77,628)	(98,588)
Payment to Refunded Bond Escrow Agent	—	(119,690)	(119,690)
Proceeds from the Sale of Capital Assets	853	60,356	61,209
Commercial Paper Notes Issued	—	49,925	49,925
Lease Revenue Bonds Issued	—	248,640	248,640
Premium on Bonds Issued	—	28,569	28,569
TOTAL OTHER FINANCING SOURCES (USES)	18,052	265,921	283,973
NET CHANGE IN FUND BALANCES	19,912	93,549	113,461
Fund Balances at Beginning of Year	409,530	1,558,060	1,967,590
FUND BALANCES AT END OF YEAR	$ 429,442	$ 1,651,609	$ 2,081,051

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, 2021
(Dollars in Thousands)

Net Change in Fund Balances of Governmental Funds (page 55)	$ 113,461
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. 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 in the current period.	64,798
The net effect of various miscellaneous transactions involving capital assets (e.g., retirements and transfers) is to decrease net position.	(60,971)
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.	11,351
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.	(39,268)
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.	(249,865)
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.	(10,075)
Change in Net Position of Governmental Activities (page 51)	$ (170,569)

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, 2021
(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	$ 296,403	$ 385,042	$ 159,099	$ 840,544	$ 107,470
Receivables:					
Accounts - Net of Allowance for Uncollectibles	62,894	135,543	34,340	232,777	716
Contributions	—	—	—	—	1,262
Accrued Interest	499	604	318	1,421	31
Grants	—	15,165	823	15,988	185
Inventories	—	66,733	55	66,788	7,395
Total Current Assets	359,796	603,087	194,635	1,157,518	117,059
Non-Current Assets:					
Restricted Cash and Investments	5,678	6,571	54,465	66,714	—
Prepaid Expenses	6,472	27,879	790	35,141	—
Other Assets	—	—	551	551	—
Capital Assets - Non-Depreciable	300,662	481,873	22,589	805,124	3,962
Capital Assets - Depreciable	3,002,698	2,787,807	178,774	5,969,279	198,458
Total Non-Current Assets	3,315,510	3,304,130	257,169	6,876,809	202,420
TOTAL ASSETS	3,675,306	3,907,217	451,804	8,034,327	319,479
DEFERRED OUTFLOWS OF RESOURCES					
Loss on Refunding	50,138	44,395	—	94,533	—
Deferred Outflows Related to Other Postemployment Benefits	2,486	2,177	2,652	7,315	1,054
Deferred Outflows Related to Pensions	55,096	51,899	48,868	155,863	19,662
TOTAL DEFERRED OUTFLOWS OF RESOURCES	107,720	98,471	51,520	257,711	20,716

PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION (Continued)
June 30, 2021
(Dollars in Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 34,903	$ 77,834	$ 11,186	$ 123,923	$ 7,099
Accrued Wages and Benefits	3,735	3,066	3,967	10,768	2,252
Other Accrued Liabilities	31,831	6,661	8,502	46,994	130
Interest Accrued on Long-Term Debt	5,618	19,150	—	24,768	300
Long-Term Liabilities Due Within One Year	88,862	65,070	6,974	160,906	19,336
Unearned Revenue	555	2,735	30,057	33,347	—
Commercial Paper Notes Payable	—	98,724	—	98,724	—
Current Liabilities Payable from Restricted Assets:					
Customer Deposits Payable	—	2,564	11,491	14,055	—
Total Current Liabilities	165,504	275,804	72,177	513,485	29,117
Non-Current Liabilities:					
Non-Current Liabilities Payable from Restricted Assets:					
Deposits/Advances from Others	—	—	8,346	8,346	—
Compensated Absences	2,992	3,332	3,389	9,713	1,230
Liability Claims	15,939	58,029	5,196	79,164	8,684
Capital Lease Obligations	—	—	6,455	6,455	46,030
Notes Payable	—	—	2	2	—
Loans Payable	123,481	82,287	23,224	228,992	—
Net Revenue Bonds Payable	591,831	1,087,894	—	1,679,725	—
Estimated Landfill Closure and Postclosure Care	—	—	51,656	51,656	—
Net Other Postemployment Benefits Liability	38,595	35,848	31,024	105,467	17,891
Pension Liabilities	219,220	207,655	191,423	618,298	85,248
Total Non-Current Liabilities	992,058	1,475,045	320,715	2,787,818	159,083
TOTAL LIABILITIES	1,157,562	1,750,849	392,892	3,301,303	188,200
DEFERRED INFLOWS OF RESOURCES					
Gain on Refunding	—	4,171	—	4,171	—
NET POSITION					
Net Investment in Capital Assets	2,529,531	1,957,819	170,235	4,657,585	144,229
Restricted for Debt Service	5,664	4,009	—	9,673	—
Restricted for Closure/Postclosure Maintenance	—	—	4,747	4,747	—
Unrestricted (Deficit)	90,269	288,840	(64,550)	314,559	7,766
TOTAL NET POSITION	$ 2,625,464	$ 2,250,668	$ 110,432	4,986,564	$ 151,995
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds				7,804	
Net position of business-type activities (page 49)				$ 4,994,368	

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, 2021
(Dollars in Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES					
Sales of Water	$ —	$ 578,070	$ —	$ 578,070	$ —
Charges for Services	352,420	4,150	182,636	539,206	137,679
Revenue from Use of Property	1,191	6,186	8,677	16,054	24
Other	7,723	3,370	27,935	39,028	2,015
TOTAL OPERATING REVENUES	361,334	591,776	219,248	1,172,358	139,718
OPERATING EXPENSES					
Salaries and Employee Benefits	108,660	92,280	125,717	326,657	42,556
Materials and Supplies	27,141	214,481	5,729	247,351	23,146
Contractual Services	88,123	161,709	63,980	313,812	9,268
Information Technology	6,745	9,030	7,142	22,917	2,483
Energy and Utilities	20,525	10,773	8,988	40,286	11,104
Depreciation	80,106	62,373	12,940	155,419	29,278
Benefit and Claim Expenses	—	—	—	—	19,165
Other Expenses	(3,271)	3,691	4,231	4,651	192
TOTAL OPERATING EXPENSES	328,029	554,337	228,727	1,111,093	137,192
OPERATING INCOME (LOSS)	33,305	37,439	(9,479)	61,265	2,526
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments	1,338	1,839	646	3,823	(80)
Federal Grant Assistance	—	4	406	410	—
Other Agency Grant Assistance	—	15,406	733	16,139	440
Gain (Loss) on Sale/Retirement of Capital Assets	(912)	30,509	(3)	29,594	2,105
Debt Service Interest Expense	(31,086)	(42,478)	(978)	(74,542)	(844)
Other	9,119	22,309	1,819	33,247	1,152
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(21,541)	27,589	2,623	8,671	2,773
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	11,764	65,028	(6,856)	69,936	5,299
Capital Contributions	29,625	32,486	1,116	63,227	1,054
Transfers from Other Funds	30	—	1,014	1,044	2,500
Transfers from Governmental Funds	443	313	205	961	419
Transfers to Other Funds	(2,350)	(180)	(1,014)	(3,544)	—
Transfers to Governmental Funds	—	—	—	—	(16,700)
TOTAL CONTRIBUTIONS AND TRANSFERS	27,748	32,619	1,321	61,688	(12,727)
CHANGE IN NET POSITION	39,512	97,647	(5,535)	131,624	(7,428)
Net Position at Beginning of Year	2,585,952	2,153,021	115,967		159,423
NET POSITION AT END OF YEAR	$ 2,625,464	$ 2,250,668	$ 110,432		$ 151,995
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds				2,647	
Change in net position of business-type activities (page 51)				$ 134,271	

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, 2021
(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	$ 369,783	$ 598,781	$ 202,428	$ 1,170,992	$ 31,240
Receipts from Interfund Services Provided	2,364	3,784	3,122	9,270	109,931
Payments to Suppliers	(130,194)	(351,585)	(93,235)	(575,014)	(56,002)
Payments to Employees	(92,199)	(80,060)	(100,496)	(272,755)	(49,149)
Payments for Interfund Services Used	(5,345)	(5,641)	(10,529)	(21,515)	(1,351)
NET CASH PROVIDED BY OPERATING ACTIVITIES	144,409	165,279	1,290	310,978	34,669
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	30	—	1,014	1,044	2,500
Transfers from Governmental Funds	443	313	205	961	419
Transfers to Other Funds	(2,350)	(180)	(1,014)	(3,544)	—
Transfers to Governmental Funds	—	—	—	—	(16,700)
Operating Grants	—	3,389	892	4,281	527
Proceeds from Advances and Deposits	—	—	481	481	—
Payments for Advances and Deposits	—	(369)	(858)	(1,227)	—
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(1,877)	3,153	720	1,996	(13,254)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Loans	8,204	11,120	—	19,324	—
Proceeds from Commercial Paper	—	81,583	—	81,583	—
Proceeds from Capital Contributions	19,286	14,732	123	34,141	—
Proceeds from the Sale of Capital Assets	9	35,479	9	35,497	3,218
Loans to Others	—	—	2,000	2,000	—
Acquisition of Capital Assets	(96,986)	(180,826)	(6,459)	(284,271)	(26,159)
Principal Payments on Capital Leases	(117)	(273)	(3,360)	(3,750)	(10,087)
Principal Payments on Notes	—	—	(2)	(2)	—
Principal Payments on Loans	(8,955)	(4,422)	(758)	(14,135)	—
Principal Payments on Commercial Paper	—	(1,583)	—	(1,583)	—
Principal Payments on Revenue Bonds	(63,900)	(44,975)	—	(108,875)	—
Interest Paid on Long-Term Debt	(32,559)	(44,153)	(1,052)	(77,764)	(834)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(175,018)	(133,318)	(9,499)	(317,835)	(33,862)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales of Investments	95,070	367,998	(6,292)	456,776	—
Purchases of Investments	(95,070)	(311,904)	—	(406,974)	—
Interest Received on Investments	1,745	2,044	870	4,659	(38)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	1,745	58,138	(5,422)	54,461	(38)
Net Increase (Decrease) in Cash and Cash Equivalents	(30,741)	93,252	(12,911)	49,600	(12,485)
Cash and Cash Equivalents at Beginning of Year	332,822	294,352	215,343	842,517	119,955
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 302,081	$ 387,604	$ 202,432	$ 892,117	$ 107,470
Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Position:					
Cash and Investments	$ 296,403	$ 385,042	$ 159,099	$ 840,544	$ 107,470
Restricted Cash and Investments	5,678	6,571	54,465	66,714	—
Less Investments Not Meeting the Definition of Cash Equivalents	—	(4,009)	(11,132)	(15,141)	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 302,081	$ 387,604	$ 202,432	$ 892,117	$ 107,470

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (Continued)
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	**Water Utility**	**Other Enterprise Funds**	**Total**	**Internal Service Funds**
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	$ 33,305	$ 37,439	$ (9,479)	$ 61,265	$ 2,526
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	80,106	62,373	12,940	155,419	29,278
Other Nonoperating Revenues	9,119	22,309	1,819	33,247	1,152
(Increase) Decrease in Assets:					
Accounts Receivable - Net	1,528	(9,937)	(20,628)	(29,037)	623
Contributions Receivable	—	—	—	—	(322)
Inventories	—	1,202	—	1,202	(2,686)
Prepaid Expenses	—	—	210	210	—
Increase (Decrease) in Liabilities and Net Deferred Outflows/Inflows of Resources:					
Accounts Payable	913	(3,683)	(2,238)	(5,008)	(1,381)
Accrued Wages and Benefits	271	54	399	724	306
Other Accrued Liabilities	—	—	(544)	(544)	—
Due to Other Agencies	(5,058)	972	—	(4,086)	—
Unearned Revenue	(155)	(478)	5,039	4,406	—
Contract Deposits	322	—	—	322	—
Arbitrage Liability	—	(1,105)	—	(1,105)	—
Contracts Payable	—	—	(750)	(750)	—
Compensated Absences	519	612	544	1,675	554
Liability Claims	9,194	45,196	1,117	55,507	330
Estimated Landfill Closure and Postclosure Care	—	—	1,622	1,622	—
Net Other Postemployment Benefits Liability and Related Changes in Deferred Outflows/Inflows of Resources	540	579	543	1,662	254
Pension Liabilities and Related Changes in Deferred Outflows/Inflows of Resources	13,805	9,746	10,696	34,247	4,035
Total Adjustments	111,104	127,840	10,769	249,713	32,143
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 144,409	$ 165,279	$ 1,290	$ 310,978	$ 34,669
Noncash Investing, Capital, and Financing Activities:					
Capital Assets Acquired through Capital Leases	$ —	$ —	$ —	$ —	$ 24,112
Developer Contributed and Donated Capital Assets	10,339	17,702	807	28,848	—
Acquisition of Capital Assets	444	70	—	514	47
Capital Asset Acquisitions Related to Accounts Payable	7,493	4,131	(470)	11,154	(46)
Carrying Value of Retired Capital Assets	(892)	(4,970)	(12)	(5,874)	(1,113)
Amortization of Bond Premiums, Discounts and Refundings	1,961	3,993	—	5,954	—
Interest and Reserve Fund Credits for Debt Service Payments	—	(55)	—	(55)	—
Transfers of Capital Assets from Governmental Activities	—	23	185	208	—
Transfers of Capital Assets (To) From Other Funds	(29)	29	—	—	1,007

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

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021
(Dollars in Thousands)

	Trust Funds		
	Pension	Private-Purpose	Custodial Funds
ASSETS			
Cash and Investments	$ 603	$ 53,944	$ 1,098
Cash and Investments with Custodian/Fiscal Agent	303,317	—	—
Investments at Fair Value:			
Domestic Fixed Income Securities	2,018,156	—	—
International Fixed Income Securities	684,800	—	—
Domestic Equity Securities	2,362,346	—	—
International Equity Securities	1,859,478	—	—
Global Equity Securities	739,365	—	—
Real Estate	1,040,735	—	—
Private Equity and Infrastructure	1,493,034	—	—
Receivables:			
Special Assessments	—	—	146
Contributions	3,735	—	—
Accrued Interest	7,563	86	4
Notes and Contracts	—	3,913	—
Securities Sold	380,803	—	—
Advances to Other Agencies	—	2,579	—
Prepaid Expenses	359	280	—
Securities Lending Collateral	344,925	—	—
Restricted Cash and Investments	—	38,749	14,395
Capital Assets - Non-Depreciable	—	14,270	—
Capital Assets - Depreciable	2,801	40,698	—
TOTAL ASSETS	11,242,020	154,519	15,643
DEFFERRED OUTFLOWS OF RESOURCES			
Loss on Refunding	—	20,392	—
LIABILITIES			
Accounts Payable	3,839	3,188	6
Accrued Wages and Benefits	964	—	—
Interest Accrued on Long-Term Debt	—	115,970	—
Sundry Trust/Agency Liabilities	—	469	—
Due to Bondholders	—	334,733	15,402
Liability Claims	—	65,187	—
Loans Payable	—	100	—
Supplemental Benefits Payable	12,065	—	—
Securities Lending Obligations	344,940	—	—
Securities Purchased	598,656	—	—
TOTAL LIABILITIES	960,464	519,647	15,408
DEFFERRED INFLOWS OF RESOURCES			
Gain on Refunding	—	2,479	—
NET POSITION (DEFICIT)			
Restricted for Pension Benefits	10,281,556	—	—
Held in Trust for Other Purposes	—	(347,215)	—
Restricted for Others	—	—	235
TOTAL NET POSITION (DEFICIT)	$ 10,281,556	$ (347,215)	$ 235

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, 2021
(Dollars in Thousands)

	Trust Funds		
	Pension	**Private-Purpose**	**Custodial Funds**
ADDITIONS			
Employer Contributions	$ 395,363	$ —	$ —
Plan Member Contributions:			
Employee Contributions	71,106	—	—
DROP Contributions	5,509	—	—
Redevelopment Property Tax Trust Fund	—	55,545	—
Special Assessments	—	—	7,526
Earnings on Investments:			
Investment Income	94,042	95	30
Investment Expense	(43,121)	—	—
Net Appreciation in Fair Value of Investments	2,101,276	—	—
Net Investment Income	2,152,197	95	30
Securities Lending Income:			
Gross Earnings	1,392	—	—
Borrower Rebates and Bank Charges	(401)	—	—
Net Securities Lending Income	991	—	—
Other Income	—	3,569	—
TOTAL ADDITIONS	2,625,166	59,209	7,556
DEDUCTIONS			
Enforceable Obligation Payments	—	2,939	—
Interest on Long-Term Debt	—	14,531	—
DROP Interest Expense	21,896	—	—
Benefit and Claim Payments	614,924	—	—
Paid to Bondholders	—	—	7,383
Administration	12,343	—	173
Depreciation	—	1,818	—
Other Expenses	—	691	106
TOTAL DEDUCTIONS	649,163	19,979	7,662
CHANGE IN NET POSITION	1,976,003	39,230	(106)
Net Position (Deficit) at Beginning of Year	8,305,553	(386,445)	341
NET POSITION (DEFICIT) AT END OF YEAR	$ 10,281,556	$ (347,215)	$ 235

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2021

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 City 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 agency 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
- San Diego Convention Center Corporation
- San Diego Facilities and Equipment Leasing Corporation
- Enhanced Infrastructure Financing District Public Financing Authority
- 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 (PFFA) was established in 1991 by the City and the former RDA 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 (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 City 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 San Diego Facilities and Equipment Leasing Corporation (SDFELC) is a not-for-profit public benefit corporation established in 1987 for the purpose of acquiring and leasing to the City real and personal property to be used in the municipal operations of the City. SDFELC is governed by a three member board consisting of the City Attorney, the Chief Financial Officer, and the Mayor. Services are provided exclusively to the City. Financing provided through SDFELC for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity.

- The Enhanced Infrastructure Financing District Public Financing Authority (EIFDPFA) was 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 Otay Mesa EIFD governing board 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 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.

There is 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 San Diego Unified Port District (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.

There is one discretely presented component unit:

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

SDHC has eight blended component units and twenty-one 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

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 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 support. 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 items 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 various functions concerned.

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 and investment earnings available for expenditure are reported as Restricted Fund Balance in the fund level financial statements, and as 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.

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.

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.

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.

The following are the City's major enterprise funds:

Sewer Utility Fund - The Sewer Utility Fund is used to account for the operation, maintenance and development of the City's sewer system. The City's Sewer Utility Fund includes activities related to the performance of services for 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.
The following are the City's other fund types:

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 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.

Pension Trust Funds - These funds account for SDCERS, which provides retirement, disability, and death benefits for the City, Unified Port District, 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 RDA's 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. On January 12, 2012, the City was designated to serve as the Successor Agency subject to control of an oversight board. The Successor Agency is reported as a private-purpose trust fund in the fiduciary funds financial statements.

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 special assessments.

d. Property Taxes

The County assesses, bills, and collects property taxes on behalf of numerous special districts and incorporated cities, including the City of San Diego. The City 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 2021, the allowance amount was $2,795. 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 (pool) and are reported at fair value. Cash equivalents reported in the Statement of Cash Flows for the Water and Sewer Utility 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; however, the City Treasurer reports on market values monthly. 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, which is appointed by the Mayor and confirmed by the City Council. The Funds Commission engages money managers to direct the investments of these funds. Additionally, the City and its component units maintain individual accounts pursuant to bond issuances and major construction contracts, which may or may not be related to debt issuances. The investment of these funds is governed by the policies set forth in 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.* 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 City 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 City 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, 2021 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, 2021.

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, 2021 are as follows:

Fund	Accounts Receivable Allowance	Taxes Receivable Allowance
General Fund	$ 11,704	$ 2,733
Nonmajor Governmental Funds	4,797	62
Sewer Utility	5,270	—
Water Utility	8,770	—
Nonmajor Enterprise Funds	3,327	—
Internal Service Funds	744	—
Total	$ 34,612	$ 2,795

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

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents the consumption of net position that is applicable to a future reporting period(s) and will not be recognized as an expense/expenditure until then. The City has three items that qualify for reporting in this category: loss on refunding; deferred outflows related to pension benefits; and deferred outflows related to other postemployment benefits. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents the acquisition of net position that is applicable to a future reporting period(s) and will not be recognized as a revenue until then. The City has one item that qualifies for reporting in this category, which is gain on refunding. Additionally, in the governmental funds financial statements, deferred inflows of resources represent revenues which have been earned but have not met the recognition criteria based on the modified accrual basis of accounting.

j. Capital Assets

Capital assets, when purchased or constructed, are recorded at historical cost or estimated historical cost. 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, 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, intangible assets, distribution and collection systems, and infrastructure, are reported net of accumulated depreciation/amortization. The City considers capital expenditures as those that result in assets that are used in City operations and have a useful life in excess of one year. The following table shows the City's capitalization thresholds for each asset category:

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

Depreciation of capital assets is computed using the straight-line method over the estimated useful life of the asset as follows:

Asset Category	Useful Life (In Years)
Structures and Improvements:	
Buildings	10 - 50
Building Improvements	3 - 50
Equipment:	
Vehicles	4 - 20
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. 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.

l. 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 expenditures or expenses 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.

m. Long-Term Liabilities

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

n. Compensated Absences

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

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

o. 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.

p. Non-Monetary Transactions

The City, as part of approving new development in the community planning process, requires that certain public facilities be constructed per the provisions of community financing plans. These facilities are typically funded in whole or part with impact fees collected from new development. The City often enters into reimbursement agreements with developers to construct the facilities. These agreements provide developers with credits (also referred to as FBA/DIF/RTCIP credits) for future permit fees. These credits are earned by the developer upon successful completion of construction phases and when City engineers have accepted the work. The credits are recognized as permit revenue upon issuance and a corresponding capital asset is recorded in the government-wide financial statements. See Note 5 for additional detail on reimbursement agreements.

q. Pensions

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

r. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, 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.

s. Net Position

In the government-wide and proprietary funds financial statements, Net Position is categorized as follows:

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

- **Restricted Net Position** consists of restricted assets 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, 2021, the amount of restricted net position due to enabling legislation was approximately $303,795.

- **Unrestricted Net Position** consists of net position that does not meet the definition of Net Investment in Capital Assets or Restricted Net Position.

t. Fund Balances

In the fund financial statements, governmental funds report 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 City 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.

u. Reserves

The City's formal reserve policy, which was adopted in fiscal year 2008 via City Council ordinance, and last amended in June 2018, was created in accordance with Charter Section 91 and defines the General Fund Reserve. The City's General Fund Reserve is comprised of two separate components: (1) the Emergency Reserve and (2) the Stability Reserve. For the purpose of the policy, the General Fund is the operational fund as presented in the City's annual budget document.

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

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

The policy level for total General Fund Reserves is 16.7% of the most recent three year average of annual audited General Fund operating revenues (budgetary basis), as reported in the ACFR. The Emergency Reserve is set at a policy level of 8%, and the Stability Reserve is set at a policy level of 8.7%. The City's reserve policy established funding targets for each fiscal year ending 2016 to 2025 to reach policy levels. For fiscal year 2021, the Emergency Reserve funding target was 8%, or $108,600, and the Stability Reserve funding target was 7.75%, or $105,200. The balances of the Emergency Reserve and the Stability Reserve as of June 30, 2021 were $106,100 and $99,500, respectively, which fall below policy target levels. This is due to the fact that reserve contributions for fiscal year 2021 were suspended as a result of the COVID-19 pandemic's impact on General Fund revenues. Contributions for fiscal year 2022 have also been suspended, therefore, reserve levels are anticipated to continue at fiscal year 2020 policy levels through the end of fiscal year 2022. In accordance with the City's reserve policy, a plan to replenish the reserves up to the policy levels in a reasonable timeframe is currently being developed. Spendable and 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. 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. For fiscal year 2021, the Reserve balance is $10,644, of which $7,947 is reported as unassigned fund balance in the General Fund. The balance of $2,697 was funded by the Sewer Utility, Water Utility and Other Enterprise funds.

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; Environmental Services Fund; and the Golf Course Fund. Information regarding reserves maintained by the City is contained in Council Policy No. 100-20.

v. <u>Participating Agencies Revenue Recognition</u>

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.

w. <u>Estimates</u>

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.

x. <u>New Governmental Accounting Standards Implemented During Year Ended June 30, 2021</u>

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statements No. 14 and No. 84 and a Supersession of GASB Statement No. 32.* Portions of this Standard are effective immediately, including the primary objectives to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; and (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements.

The City early implemented GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term Annual Comprehensive Financial Report and its acronym ACFR. The new term and acronym replace instances of Comprehensive Annual Financial Report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for Comprehensive Annual Financial Report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. Implementation of this Standard resulted in the City renaming this document but did not have an impact on the financial statements.

Upcoming Governmental Accounting Standards Implementation

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

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use the lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will become effective in fiscal year 2022. The City is actively working on advance preparation to comply with this standard.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement will become effective in fiscal year 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparibility in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement will become effective in fiscal year 2023.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. Some governments have entered into agreements in which variable payments made or received depend on an IBOR, most notably the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an (IBOR). This Statement will become effective in fiscal year 2022.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This Statement will become effective in fiscal year 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statements No. 14 and No. 84 and a Supersession of GASB Statement No. 32. One* objective of this Statement is to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This portion of the Statement will become effective in fiscal year 2022.

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 certain 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, “Deferred outflows of resources are not financial resources (uses), and therefore, are not reported at the fund level.” The details of this $879,938 difference are as follows:

Unamortized Loss on Refunding	$ 15,134
Deferred Outflows of Resources Related to Other Postemployment Benefits	26,143
Deferred Outflows of Resources Related to Pensions	838,661
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	$ 879,938

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 $121,705 difference are as follows:

Deferred Inflows of Resources - Unavailable Revenue:	
Taxes Receivable	$ 43,977
Grants Receivable	62,575
Special Assessments Receivable	3,174
Revenue from Other Agencies	5,865
Charges for Services	3,161
Other	2,953
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	$ 121,705

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 $(4,536,591) difference are as follows:

Interest Accrued on Long-Term Debt	$ (4,934)
Compensated Absences	(74,151)
Liability Claims	(369,127)
Reimbursement Agreement Obligations	(19,353)
Capital Lease Obligations	(172,856)
QECB Lease Obligation	(4,903)
Loans Payable	(28,110)
Section 108 Loans Payable	(1,778)
Net Bonds Payable	(704,634)
Net Other Postemployment Benefits Liability	(346,617)
Pension Liabilities	(2,810,128)
Net adjustment to decrease "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	$ (4,536,591)

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 $144,191 difference are as follows:

Assets:	
Capital Assets - Non-Depreciable	$ 3,962
Capital Assets - Depreciable	198,458
Internal Balances	(1,721)
Current Assets	110,453
Total Assets	311,152
Deferred Outflows of Resources	20,716
Liabilities:	
Compensated Absences	(6,288)
Liability Claims	(10,800)
Capital Lease Obligations	(58,192)
Net Other Postemployment Benefits Liability	(17,891)
Pension Liabilities	(85,248)
Current Liabilities	(9,258)
Total Liabilities	(187,677)
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	$ 144,191

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 allocated over their estimated useful lives and reported as depreciation expense. Donated assets are not financial resources, and therefore, are not reported in the funds." The details of this $64,798 difference are as follows:

Capital Outlay	$	196,482
Donated Capital Assets		25,953
Depreciation Expense		(157,637)
Net adjustment to increase "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	$	64,798

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 $(60,971) are as follows:

In the Statement of Activities, only the net loss on the sale/retirement 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.	$	(59,756)
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.		(1,215)
Net adjustment to decrease "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	$	(60,971)

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 $(10,075) are as follows:

Allocated Operating Income	$	2,355
Nonoperating Revenues:		
Gain on Sale/Retirement of Capital Assets		2,105
Other Agency Grant Assistance		440
Other Nonoperating Revenues, net		252
Capital Contributions		47
Capital Asset Transfers, net		1,007
Transfers, net		(16,281)
Net adjustment to decrease "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	$	(10,075)

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 $(39,268) difference are as follows:

Debt Issued or Incurred:	
Commercial Paper Notes Payable	$ (49,925)
Lease Revenue Bonds	(248,640)
Total Debt Issued or Incurred	(298,565)
Principal Repayments:	
Capital Lease Obligations	9,745
QECB Lease Obligations	913
Loans Payable	464
Section 108 Loans Payable	385
Commercial Paper	88,500
Lease Revenue Bonds	30,560
Tobacco Settlement Asset-Backed Bonds	9,040
Total Principal Repayments	139,607
Refundings:	
Lease Revenue Bonds	119,690
Net adjustment to decrease "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	$ (39,268)

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 $(249,865) difference are as follows:

Compensated Absences	$ (4,449)
Liability Claims	(13,632)
Reimbursement Agreement Obligations	(3,681)
Net Other Postemployment Benefit Obligation and Related Deferred Outflows/Inflows of Resources	(6,885)
Pension Liabilities and Related Deferred Outflows/Inflows of Resources	(206,334)
Interest Accrued on Long-Term Debt	479
Current Year Premiums and Loss on Refunding Less Amortization of Bond Premiums, Discounts, and Loss on Refunding	(15,363)
Net adjustment to decrease "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	$ (249,865)

3. CASH AND INVESTMENTS (Dollars in Thousands)

The following is a summary of the carrying amount of cash and investments as of June 30, 2021:

	Governmental Activities	Business-Type Activities	Fiduciary Funds other than SDCERS	Subtotal	SDCERS Fiduciary Fund	Grand Total
Cash or Equity in Pooled Cash and Investments	$ 1,859,097	$ 892,890	$ 55,042	$ 2,807,029	$ 603	$ 2,807,632
Cash and Investments with Custodian, Fiscal Agents, and Trustees	112,455	15,335	53,144	180,934	303,317	484,251
Investments at Fair Value	28,356	—	—	28,356	10,197,914	10,226,270
Securities Lending Collateral	—	—	—	—	344,925	344,925
Total	$ 1,999,908	$ 908,225	$ 108,186	$ 3,016,319	$ 10,846,759	$ 13,863,078

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	2,668
City Treasurer's Pooled Investments and Deposits	2,804,170
SDCERS Cash Deposits	603
Total Cash or Equity in Pooled Cash and Investments	$ 2,807,632

A summary of the investments held by the City Treasurer's Investment Pool as of June 30, 2021 is presented in the table below:

Investment	Fair Value	Book Value	Interest Rate % Range	Maturity Range
Agency Notes and Bonds	$ 10,110	$ 9,997	3.05%	11/15/2021
Asset Backed Securities	89,736	89,210	1.53-3.11%	7/15/2021 - 1/15/2025
Commercial Paper	578,045	577,935	0.01-0.15%	7/1/2021-11/22/2021
Corporate Notes and Bonds	356,388	352,543	0.35-3.30%	8/9/2021-5/12/2024
State Local Agency Investment Fund (LAIF) [1]	65,616	65,611	0.33%	4/17/2022
Supranationals	30,265	29,972	1.63%	2/10/2022
U.S. Treasury Obligations - Bills	289,995	289,990	0.0015-0.04%	7/1/2021-8/19/2021
U.S. Treasury Obligations - Notes	1,396,798	1,395,104	0.125-2.50%	2/15/2022-5/15/2024
Total	$ 2,816,953	$ 2,810,362		

[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 291 days as of June 30, 2021.

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 City 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. 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 [2]	
Investment Type	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	(3)	None	(3)	None	None
Supranationals [4]	5 years	5 years	30%	30%	30%	10%	AA	AA
Bankers' Acceptances [6]	180 days	180 days	40%	40%	30%	10%	None	(5)
Commercial Paper [6]	270 days	270 days	40%	25%	10%	10%	P-1	P-1
Negotiable Certificates of Deposit [6]	5 years	5 years	30%	30%	None	10%	None	(5)
Repurchase Agreements	1 year	1 year	None	None	None	None	None	None
Reverse Repurchase Agreements [7]	92 days	92 days	20%	20%	None	None	None	None
Local Agency Investment Fund	N/A	N/A	None	None	None	None	None	None
Non-Negotiable Time Deposits [6,8]	5 years	5 years	None	25%	None	10%	None	(5)
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 [9]	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] Minimum credit rating categories include modifiers (+/-).

[3] 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.

[4] International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

[5] Credit and maturity criteria must be in accordance with the City Treasurer's Investment Policy.

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

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

[8] Time deposits with the Certificate of Deposit Account Registry Service (CDARS) are further restricted per the City's Investment Policy: 1 year maximum maturity and 2% maximum of the portfolio.

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

In the event a discrepancy exists between the CGC and City Policy, the more restrictive parameters will take precedence. Percentage holding limits listed in the table apply to the cost value of the portfolio at the time the security is purchased.

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 notes with coupon resets 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. 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 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 City 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 City Charter Article V, Section 41(a). While the duties described in the creation document form broad authority for the Funds Commission, in practice, the Funds Commission only oversees investments related to a small number of 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, 2021:

Investment Type	Fair Value	Level 1	Level 2
Asset Backed Securities	$ 89,736	$ —	$ 89,736
Commercial Paper	579,495	—	579,495
Corporate Notes and Bonds	361,085	—	361,085
Exchange Traded Funds	5,398	5,398	—
Government Mortgage Backed Securities	4	—	4
Mutual Funds	17,508	—	17,508
Negotiable Certificates of Deposit	1,850	—	1,850
Stocks	3,690	3,690	—
Supranationals	30,265	—	30,265
U.S. Agencies	13,469	—	13,469
U.S. Treasury Obligations - Bills, Bonds and Notes	1,688,018	—	1,688,018
Total Investments & Cash Equivalents by Fair Value Level	$ 2,790,518	$ 9,088	$ 2,781,430

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

Investments in guaranteed investment contracts are valued at cost and exempt from the fair value hierarchy. Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) are not classified in the fair value hierarchy. The City values investments in money market mutual funds at NAV based on amortized cost. Repurchase agreements are held at amortized cost and and also exempt from the fair value hierarchy. The City also has investments in

LAIF which are reported based upon the application of a fair value factor to each one dollar share invested, and therefore are not included in the fair value hierarchy.

City of San Diego - Disclosures for Specific Risks

f. Interest Rate Risk

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

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

As of June 30, 2021, 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	$ 39,189	$ 32,706	$ 17,841	$ —	$ 89,736
Commercial Paper	578,045	—	—	—	578,045
Corporate Notes and Bonds	195,796	160,592	—	—	356,388
State Local Agency Investment Fund	65,616	—	—	—	65,616
Supranationals - IBRD [1]	30,265		—	—	30,265
U.S. Agencies - Federal Farm Credit Bank	10,110	—	—	—	10,110
U.S. Treasury Obligations - Bills and Notes	391,651	1,295,142	—	—	1,686,793
	1,310,672	1,488,440	17,841	—	2,816,953
Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units:					
Commercial Paper	1,450	—	—	—	1,450
Corporate Notes and Bonds	406	1,402	2,669	220	4,697
Exchange Traded Funds - Equity [2]	1,270	—	—	—	1,270
Exchange Traded Funds - Fixed Income	—	—	745	3,383	4,128
Government Mortgage Backed Securities	—	—	—	4	4
Guaranteed Investment Contracts	—	9,223		—	9,223
Money Market Mutual Funds	136,566	—	—	—	136,566
Mutual Funds - Equity [2]	11,165	—	—	—	11,165
Mutual Funds - Fixed Income	—	—	—	6,343	6,343
Negotiable Certificates of Deposit	1,850	—	—	—	1,850
Repurchase Agreement	175	—	—	—	175
Stocks - Common Stock [2]	3,375	—	—	—	3,375
Stocks - Preferred Stock [2]	315	—	—	—	315
U.S. Agencies - Federal Home Loan Mortgage Corporation	—	—	836	—	836
U.S. Agencies - Federal National Mortgage Association	—	—	2,523	—	2,523
U.S. Treasury Obligations - Bills and Bonds	202	838	185	—	1,225
	156,774	11,463	6,958	9,950	185,145
Total Investments	$ 1,467,446	$ 1,499,903	$ 24,799	$ 9,950	$ 3,002,098
Cash on Hand - Petty Cash					191
Deposits - Other Cash and Cash Equivalents					2,668
Deposits - Cash with Fiscal Agents/Trustees					4,075
Deposits - Pooled Cash and Cash Equivalents and Cash with Fiscal Agents/Trustees Held in Escrow Accounts					7,287
Total Investments, Cash on Hand, and Deposits					$ 3,016,319

[1] International Bank for Reconstruction and Development.

[2] Equity exchange traded funds, equity mutual funds, and stocks do not have maturities.

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.

As of June 30, 2021, 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	Not Rated	AAA	$ 89,736	3.19 %
Commercial Paper	P-1	Not Provided	578,045	20.53 %
Corporate Notes and Bonds	Aa1	Not Provided	29,035	1.03 %
Corporate Notes and Bonds	Aa2	Not Provided	17,528	0.62 %
Corporate Notes and Bonds	Aa3	Not Provided	15,497	0.55 %
Corporate Notes and Bonds	A1	Not Provided	165,703	5.88 %
Corporate Notes and Bonds	A2	Not Provided	98,431	3.49 %
Corporate Notes and Bonds	A3	Not Provided	20,538	0.73 %
Corporate Notes and Bonds[1]	Baa2	Not Provided	9,656	0.34 %
State Local Agency Investment Fund	Not Rated	Not Rated	65,616	2.33 %
Supranationals - IBRD [2]	Aaa	Not Provided	30,265	1.07 %
U.S. Agencies - Federal Farm Credit Bank	Aaa	Not Provided	10,110	0.36 %
U.S. Treasury Obligations - Bills and Notes	Exempt	Exempt	1,686,793	59.88 %
			2,816,953	100.00 %
Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units:				
Commercial Paper	Not Provided	A-1+	250	0.14 %
Commercial Paper	Not Provided	A-1	1,200	0.65 %
Corporate Notes and Bonds	Aa2	Not Provided	153	0.08 %
Corporate Notes and Bonds	A1	Not Provided	373	0.20 %
Corporate Notes and Bonds	A2	Not Provided	102	0.06 %
Corporate Notes and Bonds	A3	Not Provided	435	0.23 %
Corporate Notes and Bonds	Not Provided	A+	281	0.15 %
Corporate Notes and Bonds	Not Provided	A	836	0.45 %
Corporate Notes and Bonds	Not Provided	A-	1,407	0.76 %
Corporate Notes and Bonds	Not Provided	BBB+	832	0.45 %
Corporate Notes and Bonds	Not Provided	BBB	278	0.15 %
Exchange Traded Funds - Equity	Not Rated	Not Rated	1,270	0.69 %
Exchange Traded Funds - Fixed Income	Not Rated	Not Rated	4,128	2.23 %
Government Mortgage Backed Securities	Not Rated	Not Rated	4	0.01 %
Guaranteed Investment Contracts	Not Rated	Not Rated	9,223	4.98 %
Money Market Mutual Funds	Aaa	Not Provided	136,548	73.75 %
Money Market Mutual Funds	Not Rated	Not Rated	18	0.01 %
Mutual Funds - Equity	Not Rated	Not Rated	11,165	6.03 %
Mutual Funds - Fixed Income	Not Rated	Not Rated	6,343	3.43 %
Negotiable Certificates of Deposit	Not Provided	A-1+	300	0.16 %
Negotiable Certificates of Deposit	Not Provided	A-1	1,550	0.84 %
Repurchase Agreement	Not Rated	Not Rated	175	0.09 %
Stocks - Common Stock	Not Rated	Not Rated	3,375	1.82 %
Stocks - Preferred Stock	Not Rated	Not Rated	315	0.17 %
U.S. Agencies - Federal Home Loan Mortgage Corporation	Not Provided	AA+	836	0.45 %
U.S. Agencies - Federal National Mortgage Association	Not Provided	AA+	2,523	1.36 %
U.S. Treasury Obligations - Bonds	Exempt	Exempt	387	0.21 %
U.S. Treasury Obligations - Bills	Not Provided	AA+	838	0.45 %
			185,145	100.00 %
Total Investments			$ 3,002,098	

"Exempt" - Per GASB Statement No. 40, U.S. Treasury Obligations do not require disclosure of credit quality.

[1] Security was in compliance with City Treasurer Investment Policy at the time of purchase.

[2] International Bank for Reconstruction and Development.

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, 2021, there were no investments in one issuer exceeding the 5% limit of total investments.

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, 2021, the carrying amount of the City's cash on hand and deposits was approximately ($5,279) and the bank balance was $9,151; the difference is substantially due to outstanding checks. For the balance of cash deposits in financial institutions, approximately $1,000 was covered by federal depository insurance and approximately $8,151 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, $8,151 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 $20,069. For the balance of deposits in escrow accounts, approximately $1,903 was covered by federal depository insurance. The remaining balance of $18,166, was uninsured, but collateralized and pledged at 110%.

Investments

At June 30, 2021, 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, 2021 restricted by legal or contractual requirements are comprised of the following:

Governmental Funds		
General Fund	$	2,139
Special Revenue		1,343
Debt Service		11,996
Capital Projects		103,535
Permanent Endowments		23,718
Total Governmental Funds		142,731
Sewer Utility Enterprise Fund		
Interest and Redemption Funds		5,678
Water Utility Enterprise Fund		
Customer Deposits		2,562
Interest and Redemption Funds		4,009
Total Water Utility Enterprise Fund		6,571
Nonmajor Enterprise Funds		
Airports Fund - Deposits and Advances		75
Development Services Fund - Deposits and Advances		8,271
Environmental Services Fund - Funds set aside for landfill site closure and maintenance costs		34,628
Recycling Fund - Customer deposits		11,491
Total Nonmajor Enterprise Funds		54,465
Private-Purpose Trust Fund		38,749
Miscellaneous Custodial Funds		
Special Assessment Funds		14,395
Total Restricted Cash and Investments	$	262,589

Summary of Total Cash and Investments

Total Unrestricted Cash and Investments	$	13,600,489
Total Restricted Cash and Investments		262,589
Total Cash and Investments	$	13,863,078
Total Governmental Activities	$	1,999,908
Total Business-Type Activities		908,225
Total Fiduciary Activities		10,954,945
Total Cash and Investments	$	13,863,078

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, 2021 (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	$	603
Cash and Cash Equivalents on Deposit with Custodial Bank and Fiscal Agents		303,317
Investments at Fair Value:		
Domestic Fixed Income Securities		2,018,156
International Fixed Income Securities		684,800
Domestic Equity Securities		2,362,346
International Equity Securities		1,859,478
Global Equity Securities		739,365
Real Estate		1,040,735
Private Equity and Infrastructure		1,493,034
Securities Lending Collateral		344,925
Total Cash and Investments for SDCERS	$	10,846,759

j. Investment Policy and Portfolio Risk

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

Net investment income includes the net appreciation (depreciation) in the fair value of investments, interest income, dividend income, and other income not included in the appreciation (depreciation) in the fair value of investments, less total investment expenses, including investment management and custodial fees and all other significant investment-related costs. SDCERS' net realized gains totaled $1,196,000 for the fiscal year ended June 30, 2021. 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, 2021:

Asset Class	Target Allocation
Domestic Equity	17.2 %
International Equity	14.2 %
Global Equity	8 %
Domestic Fixed Income	21.6 %
Emerging Market Debt	5 %
Real Estate	11 %
Private Equity and Infrastructure	13 %
Opportunity Fund	10 %
Total	100 %

For the fiscal year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 25.64%. 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, 2021, was 26.6%, which includes domestic fixed income and emerging market debt. The fixed income allocation is externally managed and is comprised as follows: 21.6% to core domestic fixed income, which is benchmarked to the Barclays Capital Intermediate Aggregate Bond Index; and 5% to emerging market debt, which is benchmarked 40% to JP Morgan Emerging Market Bond Index Global Diversified and 60% to JP Morgan Government Bond Index-Emerging Market Global Diversified. 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 400, San Diego, CA 92101 or online at: https://www.sdcers.org/Investments/Overview.aspx.

k. Fair Value Hierarchy

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

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

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

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

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

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

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

The following table represents SDCERS' fair value hierarchy as of June 30, 2021:

Investments	Fair Value	Level 1	Level 2	Level 3
Short-Term Securities	$ 1,905	$ —	$ 1,905	$ —
Fixed Income Securities:				
Asset-Backed Securities	35,067	—	35,067	—
Commercial Mortgage-Backed Securities	37,442	—	37,442	—
Collateralized Mortgage Obligations	49,035	—	49,035	—
Corporate Bonds	310,251	—	310,251	—
Government & Agency Obligations	643,405	—	643,405	—
Mortgage-Backed Securities	309,068	—	309,068	—
Total Fixed Income Securities	1,384,268	—	1,384,268	—
Equity Securities:				
Consumer Discretionary	295,164	295,164	—	—
Consumer Staples	133,332	133,332	—	—
Energy	83,155	82,977	178	—
Financials	231,719	231,719	—	—
Healthcare	300,319	300,319	—	—
Industrials	190,514	190,514	—	—
Information Technology	506,410	506,410	—	—
Materials	70,112	70,112	—	—
Real Estate Investment Trust	51,895	51,895	—	—
Telecommunication Services	54,863	54,863		—
Utilities	34,148	34,148	—	—
Total Equity Securities	1,951,631	1,951,453	178	—
Real Estate	20,192	1,987	—	18,205
Investment Derivative Instruments				
Fixed Income Securities:				
Credit Default Swaps	23	—	23	—
Foreign Currency Forwards	(1,041)	—	(1,041)	—
Interest Rate Swaps	194	—	194	—
Options - Fixed Income	(16)	—	(16)	—
Equity Securities:				
Warrants	121		121	
Total Investment Derivative Instruments	(719)	—	(719)	—
Total Investments by Fair Value Level [1]	$ 3,357,277	$ 1,953,440	$ 1,385,632	$ 18,205

[1] Total Investments measured at fair value differs from the total investments including securities lending collateral on the Fiduciary Statement of Net Position because of investment receivables and payables unrealized gains and losses. Total investments at fair value excludes $18 of unrealized losses as of June 30, 2021.

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 relationship of the securities to benchmark quoted prices. Index linked fixed income securities are valued by multiplying the external market price by the applicable day's Index Ratio. Level 2 fixed income securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities.

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

Investments Measured at NAV	NAV	Unfunded Commitments	Redemption Frequency - (If Currently Eligible)	Redemption Notice Period
Equity Investments:				
Commingled Domestic Equity Funds	$ 1,012,038	$ —	Daily	0-5 Days
Commingled International Equity Funds	1,640,572	—	Daily, Monthly	0-30 Days
Commingled Global Equity Funds	354,843	—	Daily	None
Total Equity Investments Measured at NAV	3,007,453	—		
Fixed Income Investments:				
Commingled Domestic Fixed Income Funds	633,064	—	Daily	None
Commingled International Fixed Income Funds	684,572	40,721	Daily	0-5 Days
Total Fixed Income Investments Measured at NAV	1,317,636	40,721		
Real Estate Investments:				
Real Estate Limited Partnerships	239,962	211,472	Not Eligible	N/A
Commingled Real Estate Funds	782,569	15,549	Monthly	None
Total Real Estate Investments Measured at NAV	1,022,531	227,021		
Private Equity & Infrastructure Investments:				
Commingled Private Equity & Infrastructure Funds	1,493,035	694,647	Not Eligible	N/A
Invested Securities Lending Collateral:				
Commingled Equity Securities	23,938	—	Daily	3 Days
Commingled Fixed Income Securities	320,987	—	Daily	3 Days
Total Invested Securities Lending Collateral Measured at NAV	344,925	—		
Total Investments Measured at NAV	$ 7,185,580	$ 962,389		

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 an all cap passive index fund, a large cap passive index fund and two funds that invest in managed futures. The Commingled International Equity Funds consist of a broad international equity passive index fund with exposure to both developed and emerging markets, two funds that invest in emerging market equities, a fund that invests in non-U.S. small and mid-cap equities, and one fund that invests in international small cap equities. The Commingled Global Equity Funds consist of two funds that invest in both international and U.S. equities and an investment with an international equity fund and separately held domestic equity securities. 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 four funds that invest in domestic fixed income securities and one broad based domestic fixed income passive index fund. The Commingled International Fixed Income Funds consist of three emerging market debt funds and three funds that invest in global fixed income 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 13 open-ended commingled funds and 25 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. 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 durations of SDCERS' domestic and international fixed income strategies based on portfolio holdings as of June 30, 2021:

Type of Security	Effective Duration (in years) [3]	Fair Value [1]
Asset-Backed Securities	0.16	$ 35,067
Commercial Mortgage-Backed Securities	3.36	37,442
Collateralized Mortgage Obligations [2]	0.76	49,003
Corporate Bonds		
Corporate Bonds	3.65	310,251
Government and Agency Obligations		
Municipal Securities	8.91	2,089
Foreign Securities	1.4	31,106
Treasury Securities	2.58	610,210
Mortgage-Backed Securities	4.17	309,068
Total		$ 1,384,236

[1] Fair Value does not include convertible bonds, mutual funds and derivative instruments of $1,318,720. These securities do not exhibit interest rate risk and/or duration cannot be calculated.

[2] Collateralized Mortgage Obligations do not include bonds of $32 as duration was not available for these securities.

[3] Duration could not be calculated for the derivative instruments, short-term instruments and mutual funds of $1,318,688. Although the duration was not available for these securities, the weighted average maturity was calculated for the mutual funds.

The following table depicts the weighted average maturity for the commingled fixed income mutual funds as of June 30, 2021:

Name of Institutional Mutual Fund		Fair Value	Weighted Average Maturity (in years)
BlackRock U.S. Debt NL Fund	$	536,203	8.43
Davidson Kempner Special Opportunities Fund III [1]		12,867	—
Davidson Kempner Special Opportunities Fund IV [1]		31,615	—
GCM WindandSea Fund		176,906	1.60
Investec Emerging Market Debt		155,421	8.16
Metropolitan West Floating Rate		6,409	4.70
Metropolitan West High Yield Bond Fund		6,227	4.96
PIMCO PAPS Short-Term Floating NAV II Portfolio		32,138	0.20
PIMCO FDS Pac Invt Mgmt Ser		52,526	1.25
Stone Harbor		162,672	8.90
Wellington Trust Company CIF II Opportunistic		145,092	12.59
Total	$	1,318,076	

[1] These funds are early in their life cycle and 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, 2021, 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	$	5,968	0.2 %
Asset-Backed Securities		1,583	— %
Floating Rate Notes		139,794	5.2 %
Range Notes		7,401	0.3 %
Total	$	154,746	5.7 %

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

n. Credit Risk

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

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

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

The following table identifies the credit quality of SDCERS' fixed income strategies based on portfolio holdings as of June 30, 2021.

S&P Quality Rating [1]	Total Fair Value	Asset-Backed Securities	Commercial Mortgage-Backed Securities	Collateralized Mortgage Obligations	Corporate Bonds [2]	Government and Agency Obligations [3]	Mortgage-Backed Securities	Short-Term/ Other
U.S. Treasuries	$ 323,443	$ —	$ —	$ —	$ —	$ 323,443	$ —	$ —
GNMA Securities	63,871	—	—	22,346	—	—	41,525	—
AAA	32,314	6,155	13,926	12,233	—	—	—	—
AA+	311,642	2,905	—	6,823	814	33,557	267,543	—
AA	199	—	—	199	—	—	—	—
AA-	5,465	—	—	70	2,306	3,089	—	—
A+	6,048	1,233	—	492	3,533	790	—	—
A	14,870	2,463	—	4,737	6,292	1,378	—	—
A-	48,672	267	—	—	43,531	4,874	—	—
BBB+	94,469	1,355	—	737	92,377	—	—	—
BBB	65,229	—	—	—	65,229	—	—	—
BBB-	76,323	—	—	—	76,323	—	—	—
BB+	14,461	3,302	—	—	11,159	—	—	—
BB	1,021		—	—	1,021	—	—	—
BB-	1,829	1,021	—	228	580	—	—	—
B+	3,550	2,123	—	17	1,410	—	—	—
B	8,281	7,438	—	—	843	—	—	—
CCC+	1,201	1,201	—	—	—	—	—	—
NR [4]	1,630,068	5,604	23,516	1,153	4,833	276,274	—	1,318,688 [5]
Totals	$ 2,702,956	$ 35,067	$ 37,442	$ 49,035	$ 310,251	$ 643,405	$ 309,068	$ 1,318,688

[1] Credit ratings with qualifiers and ratings outlooks have been combined to show the credit rating as of June 30, 2021.

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

[3] Includes international and municipal holdings.

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

[5] Includes fixed income commingled mutual fund investments of $1,318,076. These institutional quality fund investments are not directly rated by major credit rating agencies.

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, 2021, 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). With respect to the concentration of credit risk by issuer, SDCERS' Investment Policy states that not more than 5% of the investment portfolio shall be invested in the security of any one issuer at the time of initial commitment, except for U.S. Government and Agency obligations. While SDCERS does not have a general investment policy on the concentration of credit risk by issuer, each manager's specific investment guidelines place limitations on the maximum holdings in any one issuer.

p. Custodial Credit Risk

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

Deposits

As of June 30, 2021 SDCERS' cash balance was $600. Cash and cash equivalents on deposit with custodial bank and fiscal agents was $303,300, which includes cash collateral for SDCERS' cash overlay program of $41,300 and residual cash held in each manager's portfolio of $262,000, 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 and Trust Company (State Street) are held in SDCERS' name and are not subject to custodial credit risk. As of June 30, 2021 SDCERS held $286,900 in STIF and a DDA cash balance of $16,400 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, 2021, 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 $196,900 as of June 30, 2021. 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 $344,900 as of June 30, 2021, is also at risk as it is invested in pooled vehicles managed by the custodian. The investment characteristics of the collateral pools are disclosed in the Securities Lending section of this note.

q. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The following table represents SDCERS' securities held in a foreign currency as of June 30, 2021.

Local Currency Name	Cash	Equity	Fixed Income	Options	Total
Argentine Peso	$ 25	$ —	$ —	0	$ 25
Australian Dollar	—	6,187	916	0	7,103
Brazilian Real	—	1,323	18,875	0	20,198
British Pound	101	66,147	16,141	3	82,392
Canadian Dollar	1	9,167	1,158	0	10,326
Danish Krone	—	5,991	—	0	5,991
Euro Currency	309	145,610	15,507	0	161,426
Hong Kong Dollar	—	9,585	—	0	9,585
Japanese Yen	738	55,998	(208)	0	56,528
Mexican Peso	—	1,748	—	0	1,748
Peruvian Sol	—	—	4,545	0	4,545
South Korean Won	—	2,026	—	0	2,026
Swedish Krona	1	—	—	0	1
Swiss Franc	18	43,989	178	0	44,185
Total	$ 1,193	$ 347,771	$ 57,112	3	$ 406,079

This schedule does not include the foreign currency exposure of 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 non-domestic 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, 2021, 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, 2021:

	Net Appreciation (Depreciation) in Fair Value	Fair Value at June 30, 2021		
Investment Derivative Instruments	Amount	Classification	Amount	Notional (Dollars)
Credit Default Swaps	$ 75	Domestic Fixed Income	$ 23	$ 3,000
Fixed Income Futures	(1,962)	Domestic Fixed Income	—	244,384
Fixed Income Options	273	Domestic Fixed Income	(16)	(18,697)
Foreign Currency Futures	331	Domestic Fixed Income	—	—
Foreign Currency Options	18	Domestic Fixed Income	—	—
Futures Options	1	Domestic Fixed Income	—	—
Foreign Currency Forwards	(1,872)	Domestic Fixed Income	(1,041)	101,575
Index Futures	65,792	Domestic Fixed Income	—	16
Interest Rate Swaps	1,789	Domestic Fixed Income	194	103,865
Rights	19	Domestic Equity	—	—
Warrants	98	Domestic Equity	121	9
Total Derivative Instruments	$ 64,562		$ (719)	$ 434,152

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, 2021. 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, 2021.

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, 2021:

Counterparty Name	Fair Value	S&P Rating
BNP Paribas SA	34	A+
Citibank N.A.	30	A+
Goldman Sachs Bank USA	320	BBB+
HSBC Bank USA	26	A+
JP Morgan Chase Bank N.A.	6	A+
Morgan Stanley LCH	255	BBB+
Standard Chartered Bank	531	A
Standard Chartered Bank, London	12	A
Total	$ 1,214	

The aggregate fair value of investment derivative instruments in an asset position subject to counterparty credit risk at June 30, 2021, was $1,200. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. At June 30, 2021, SDCERS did not have any significant exposure to counterparty credit risk with any single party. SDCERS does not have any specific policies relating to the posting of collateral or master netting agreements.

Custodial Credit Risk

At June 30, 2021, all of SDCERS' investments in derivative instruments were held in SDCERS' name and were not exposed to custodial credit risk.

Interest Rate Risk

At June 30, 2021, 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	$ 23	$ —	$ 23	$ —	$ —
Fixed Income Options	(16)	(16)	—	—	—
Interest Rate Swaps	194	—	147	(167)	214
Total	$ 201	$ (16)	$ 170	$ (167)	$ 214

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, 2021.

Investment Type	Fair Value	Notional
Credit Default Swaps	$ 23	$ 3,000
Fixed Income Futures	—	244,384
Fixed Income Options	(16)	(19)
Interest Rate Swaps	194	103,865
Total	$ 201	$ 351,230

Foreign Currency Risk

At June 30, 2021, 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	$ —	$ —	$ 29	$ —	$ 29
Brazilian Real	—	—	(1,929)	—	(1,929)
Canadian Dollar	—	—	32	—	32
Euro Currency	—	(17)	531	—	514
Pound Sterling	3	(26)	346	255	578
Japanese Yen	—	—	2	(208)	(206)
Peruvian Sol	—	12	(21)	—	(9)
Subtotal	3	(31)	(1,010)	47	(991)
Investments Denominated in USD	102	—	—	170	272
Total	$ 105	$ (31)	$ (1,010)	$ 217	$ (719)

In addition to the investments listed in the previous table, SDCERS has investments in foreign futures contracts with a total notional value of ($9,100). 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, 2021.

Contingent Features

At June 30, 2021, SDCERS did not hold any positions in derivatives containing contingent features.

s. <u>Private Equity and Infrastructure</u>

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

SDCERS' target allocation to private equity and infrastructure is 13%, with a portfolio composition focused on value and current income producing strategies. Unfunded capital commitments as of June 30, 2021, totaled $694,600 and private equity and infrastructure investments totaled $1,493,000.

t. <u>Real Estate</u>

SDCERS' long-term target allocation to real estate is 11%. In July 2018, the target allocation to real estate was increased to 13% over the next three to four years. 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 value-add and opportunistic real estate. No more than 40% 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, 2021, real estate investments totaled $1,041,000 and unfunded capital commitments totaled $227,000. Pursuant to a policy, SDCERS has established a maximum leverage limit of 50% at the portfolio level. As of June 30, 2021, SDCERS' real estate portfolio had leverage of 28.3%.

u. <u>Securities Lending</u>

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 2021, 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, 2021, securities on loan collateralized by cash had a fair value of $337,900 and SDCERS received cash collateral of $344,900, 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, 2021, securities on loan collateralized by securities, irrevocable letters of credit, or tri-party collateral had a fair value of $183,800 and a collateral value of $196,900, 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, 2021, for its securities lending activities was $541,800.

SDCERS and the borrowers maintain the right to terminate securities lending transactions upon notice. The cash collateral received for lent securities was invested by State Street, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment fund, or collateral pool. State Street maintains two collateral pools: a liquidity pool and a duration pool. As of June 30, 2021, these collateral pools were not rated by the NRSROs.

As of June 30, 2021, SDCERS had $344,900 invested in the Compass Fund, which was formerly known as the Quality D liquidity collateral pool. The Compass Fund had an average duration of 20.3 days and an average weighted final maturity of 104.4 days. SDCERS had $200 invested in the Quality D duration pool, which had an average duration of 23.0 days and an average weighted final maturity of 1,016.6 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, 2021 (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, 2021 consisted of the following:

	SDHC	Component Units [1]	Total
Deposits and Petty Cash	$ 53,984	$ 14,223	$ 68,207
U.S. Agency Bonds	104,767	—	104,767
Certificates of Deposit	—	—	—
San Diego County Investment Pool	22,178	—	22,178
State Local Agency Investment Fund	15,916	—	15,916
Total Cash and Investments	196,845	14,223	211,068
Restricted Cash and Cash Equivalents	3,953	15,276	19,229
Total	$ 200,798	$ 29,499	$ 230,297

[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 $53,984 at June 30, 2021. 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. The California Government Code requires California financial institutions to secure cash deposits of public institutions not covered by federal deposit insurance by pledging securities as collateral. California Government Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. As a result, for the purpose of custodial credit risk, the collateral for cash deposits is considered to be held in SDHC's name.

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

Investment Policy

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

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

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

Investments

As of June 30, 2021, SDHC had investments in agency bonds, SDCIP, and LAIF. The following paragraphs provide further detail for each investment.

GASB Statement No. 72, *Fair Value Measurement and Application*, 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 is 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, 2021:

Investment Type	Fair Value	Level 1	Level 2 Fair Value
U.S. Agency Bonds	$ 104,767	$ —	$ 104,767

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

SDHC's investments under U.S. Government Agency bonds are Mortgage Backed Security (MBS) bonds and debentures traded on an active secondary market. MBS Bonds are a security or debt obligation that represents a claim on the monthly cash flows from mortgage loans. They represent investments in securities that are backed by pools of high quality consumer or commercial mortgages guaranteed by a government agency or Government Sponsored Enterprises (GSE). Government Agency Debentures are also bonds traded on an active secondary market and represent a security or debt obligation of the issuer. While Standard & Poor's and Moody's do not specifically rate MBS, they carry an implied rating based on the credit worthiness of Federal National Mortgage Association (FNMA), Federal Home Loans Money Corporation (FHLMC) and Freddie Mac Small Balance Loans (FRESB). Moody's rates FNMA, FHLMC and FRESB as AAA while Standard and Poor's rates FNMA, FHLMC, and FRESB as AA+. At June 30, 2021, SDHC had $104,767 invested in Agency MBS bonds.

SDHC voluntarily participates in the SDCIP. SDCIP is 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, 2021 was $12,236,048. The investment portfolio had a weighted average yield to maturity of .73%, weighted average days to maturity of 613 days and an effective duration of 1.36 years. As of June 30, 2021, SDHC had $22,178 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, 2021, the average maturity of PMIA investments was 291 days and the fair value with accrued interest of the investment portfolio of PMIA was approximately $193,463,491. SDHC had $15,916 invested with LAIF as of June 30, 2021.

Investment Risk Factors

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

Market Risk

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

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

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

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

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

SDHC's exposure to interest rate risk as of June 30, 2021 is shown in the following table:

	Maturities as of June 30, 2021			
	Less Than 3 Months	4-12 Months	1-5 Years	Total Fair Value
Cash and Cash Equivalents: [1]				
Deposits	$ 53,969	$ —	$ —	$ 53,969
Petty Cash	15	—	—	15
Restricted Cash and Cash Equivalents	3,953	—	—	3,953
Total Cash and Cash Equivalents	57,937	—	—	57,937
Short-Term Investments:				
U.S. Agencies - Fannie Mae Alternative Credit Enhancement Securities	259	3,641	—	3,900
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program Securities	1,227	7,780	—	9,007
U.S. Agencies - Freddie Mac Federal Home Loan Mortgage Corp. K Series Securities	—	887	—	887
San Diego County Investment Pool	—	—	22,178	22,178
State Local Agency Investment Fund	—	15,916	—	15,916
Total Short-Term Investments	1,486	28,224	22,178	51,888
Long-Term Investments:				
U.S. Agencies - Fannie Mae Alternative Credit Enhancement Securities	—	—	27,354	27,354
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program Securities	—	—	38,200	38,200
U.S. Agencies - Freddie Mac Federal Home Loan Mortgage Corp. K Series Securities	—	—	22,374	22,374
U.S. Agencies - Freddie Mac Small Balance Loans	—	—	3,045	3,045
Total Long-Term Investments	—	—	90,973	90,973
Total Cash, Cash Equivalents, and Investments	$ 59,423	$ 28,224	$ 113,151	$ 200,798

[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 the investment policy. In addition, SDHC pre-qualifies the financial institutions, broker/dealers, intermediaries, and advisors with which SDHC will do business in accordance with the investment policy. SDHC diversifies the investment portfolio to minimize potential losses from any one type of security or issuer.

Concentration of Credit Risk

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

Custodial Credit Risk

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

The exposure of SDHC's debt securities to credit risk as of June 30, 2021 is as follows:

	Standard & Poor's Credit Rating		
	AA+	Rating Not Provided	Total Fair Value
Short-Term Investments			
U.S. Agencies - Fannie Mae Alternative Credit Enhancement Securities	$ 3,900	$ —	$ 3,900
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program Securities	9,007	—	9,007
U.S. Agencies - Freddie Mac Home Loan Mortgage Corp. K Series Securities	887	—	887
San Diego County Investment Pool	22,178	—	22,178
State Local Agency Investment Fund	—	15,916	15,916
Total Short-Term Investments	35,972	15,916	51,888
Long-Term Investments			
U.S. Agencies - Fannie Mae Alternative Credit Enhancement Securities	27,354	—	27,354
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program Securities	38,200	—	38,200
U.S. Agencies - Freddie Mac Federal Home Loan Mortgage Corp. K Series Securities	22,374	—	22,374
U.S. Agencies - Freddie Mac Small Balance Loans	3,045		3,045
Total Long-Term Investments	90,973	—	90,973
Total Investments	$ 126,945	$ 15,916	$ 142,861

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 $104,767 invested in agency bonds and debentures as of June 30, 2021, all are mortgage-backed securities (MBS) issued either by Freddie Mac Federal Home Loan Mortgage Corporation K Series, Fannie Mae Delegated Underwriting Service Program (Fannie Mae DUS), Fannie Mae Alternative Credit Enhancement (Fannie Mae ACE), or Freddie Mac Small Balance Loans.

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

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

4. CAPITAL ASSETS (Dollars in Thousands)

Capital asset activities for the year ended June 30, 2021 are as follows:

	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Non-Depreciable Capital Assets:					
Land and Rights of Way	$ 1,889,562	$ 79	$ (2,057)	$ (39)	$ 1,887,545
Easements (Intangible)	7,694	82	—	112	7,888
Artwork/Historical Treasures	5,052	—	—	—	5,052
Construction in Progress	382,951	122,758	(8,881)	(143,696)	353,132
Total Non-Depreciable Capital Assets	2,285,259	122,919	(10,938)	(143,623)	2,253,617
Depreciable Capital Assets:					
Structures and Improvements	1,634,003 [1]	8,552	(126,809)	23,769	1,539,515
Equipment	536,823	54,908	(35,529)	9,266	565,468
Equipment (Intangible)	56,256	36	(360)	187	56,119
Infrastructure	4,426,545	86,287	(7,645)	110,127	4,615,314
Total Depreciable Capital Assets	6,653,627 [1]	149,783	(170,343)	143,349	6,776,416
Less Accumulated Depreciation:					
Structures and Improvements	(713,726)	(43,001)	83,581	(165)	(673,311)
Equipment	(293,301)	(41,441)	33,566	140	(301,036)
Equipment (Intangible)	(31,850)	(1,729)	311	—	(33,268)
Infrastructure	(2,617,980)	(100,744)	2,953	91	(2,715,680)
Total Accumulated Depreciation	(3,656,857)	(186,915)	120,411	66	(3,723,295)
Total Depreciable Capital Assets - Net of Depreciation	2,996,770 [1]	(37,132)	(49,932)	143,415	3,053,121
Governmental Activities Capital Assets, Net	$ 5,282,029 [1]	$ 85,787	$ (60,870)	$ (208)	$ 5,306,738
BUSINESS-TYPE ACTIVITIES					
Non-Depreciable Capital Assets:					
Land and Rights of Way	$ 107,339	$ —	$ (3)	$ (104)	$ 107,232
Easements (Intangible)	3,661	832	—	394	4,887
Artwork/Historical Treasures	1,875	—	—	—	1,875
Construction in Progress	843,469	202,718	(4,925)	(350,132)	691,130
Total Non-Depreciable Capital Assets	956,344	203,550	(4,928)	(349,842)	805,124
Depreciable Capital Assets:					
Structures and Improvements	2,095,285	11,082	(102)	90,811	2,197,076
Equipment	480,549	5,493	(1,651)	29,977	514,368
Equipment (Intangible)	57,405	6	—	357	57,768
Distribution and Collection Systems and Other Infrastructure	5,671,868	104,760	(3,750)	228,971	6,001,849
Total Depreciable Capital Assets	8,305,107	121,341	(5,503)	350,116	8,771,061
Less Accumulated Depreciation:					
Structures and Improvements	(731,089)	(41,610)	98	(18)	(772,619)
Equipment	(351,213)	(15,399)	1,589	92	(364,931)
Equipment (Intangible)	(22,574)	(3,564)	—	—	(26,138)
Distribution and Collection Systems and Other Infrastructure	(1,545,876)	(94,846)	2,768	(140)	(1,638,094)
Total Accumulated Depreciation	(2,650,752)	(155,419)	4,455	(66)	(2,801,782)
Total Depreciable Capital Assets - Net of Depreciation	5,654,355	(34,078)	(1,048)	350,050	5,969,279
Business-Type Activities Capital Assets, Net	$ 6,610,699	$ 169,472	$ (5,976)	$ 208	$ 6,774,403

[1] Beginning Balance for Structures and Improvements has been revised from the City's Fiscal Year 2020 ACFR. It has been increased by $19,758, with an offsetting increase to Capital Lease Obligations in Note 5 (see Note 5h)

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

GOVERNMENTAL ACTIVITIES		
General Government and Support	$	9,286
Public Safety - Police		15,551
Public Safety - Fire and Life Safety and Homeland Security		12,516
Parks, Recreation, Culture and Leisure		48,951
Transportation		82,556
Sanitation and Health		17,898
Neighborhood Services		157
Total Depreciation Expense	$	186,915
BUSINESS-TYPE ACTIVITIES		
Sewer Utility	$	80,106
Water Utility		62,373
Airports		3,542
Development Services		456
Environmental Services		3,996
Golf Course		1,681
Recycling		154
SDCCC		3,111
Total Depreciation Expense	$	155,419

Capital asset activities for the City's Successor Agency for the fiscal year ended June 30, 2021 are as follows:

	Successor Agency Private-Purpose Trust Fund			
	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Capital Assets:				
Land and Rights of Way	$ 13,279	$ —	$ —	$ 13,279
Construction in Progress	919	72	—	991
Total Non-Depreciable Capital Assets	14,198	72	—	14,270
Depreciable Capital Assets:				
Structures and Improvements	64,425	—	—	64,425
Equipment	819	—	—	819
Infrastructure	209	—	(209)	—
Total Depreciable Capital Assets	65,453	—	(209)	65,244
Less Accumulated Depreciation for:				
Structures and Improvements	(21,914)	(1,813)	—	(23,727)
Equipment	(819)	—	—	(819)
Infrastructure	(1)	(5)	6	—
Total Accumulated Depreciation	(22,734)	(1,818)	6	(24,546)
Total Depreciable Capital Assets - Net of Depreciation	42,719	(1,818)	(203)	40,698
Capital Assets, Net	$ 56,917	$ (1,746)	$ (203)	$ 54,968

Discretely Presented Component Unit - San Diego Housing Commission

Capital asset activities for SDHC for the fiscal year ended June 30, 2021 are as follows:

	Discretely Presented Component Unit - San Diego Housing Commission			
	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Capital Assets:				
Land	$ 76,877	$ 31,984	$ (244)	$ 108,617
Construction in Progress	3,093	586	(2,921)	758
Total Non-Depreciable Capital Assets	79,970	32,570	(3,165)	109,375
Depreciable Capital Assets:				
Structures and Improvements	172,699	87,838	1,118	261,655
Equipment	4,501	1,377	(64)	5,814
Total Depreciable Capital Assets	177,200	89,215	1,054	267,469
Less Accumulated Depreciation for:				
Structures and Improvements	(56,418)	(9,087)	203	(65,302)
Equipment	(3,704)	(383)	79	(4,008)
Total Accumulated Depreciation	(60,122)	(9,470)	282	(69,310)
Total Depreciable Capital Assets - Net of Depreciation	117,078	79,745	1,336	198,159
Capital Assets, Net	$ 197,048	$ 112,315	$ (1,829)	$ 307,534

Capital assets for the discretely presented component units of SDHC as of December 31, 2020 are as follows:

Non-Depreciable Capital Assets:	
Land	$ 4,477
Construction in Progress	15,052
Total Non-Depreciable Capital Assets	19,529
Depreciable Capital Assets:	
Structures and Improvements	122,873
Equipment	6,545
Total Depreciable Capital Assets	129,418
Less Accumulated Depreciation	(22,016)
Total Depreciable Capital Assets - Net of Depreciation	107,402
Capital Assets, Net	$ 126,931

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, 2021 is reflected in the table below:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2021
Compensated Absences				$ 80,439
Liability Claims				379,927
Reimbursement Agreement Obligations				19,353
Capital Lease Obligations:				
Equipment Vehicle Financing Program (EVFP)				
MLA 2013	1.22 - 3.67	2022	$ 19,193	203
MLA 2014	0.71 - 2.06	2023	31,934	2,526
MLA 2016	1.39 - 2.05	2025	28,452	13,377
MLA 2017	1.93 - 2.79	2026	7,740	4,964
MLA 2017B	2.32 - 2.61	2026	28,045	17,810
MLA 2018	2.26 - 2.66	2029	19,807	15,459
MLA 2019	0.64 - 1.82	2031	33,993	32,612
101 Ash, LLC [1]	3.503	2037	92,176	79,723
CCP 1200, LLC [1]	3.4	2035	58,348	48,490
Other Capital Leases	1.36-3.29	2033	18,516	15,884
Total Capital Lease Obligations				231,048
QECB Lease Obligation	6.16 [2]	2026	13,142	4,903
Loans Payable:				
California Energy Resources Conservation and Development Commission:				
Issued December 2011	3.0	2024	2,987	827
Issued December 2012	1.0	2029	1,415	1,116
SANDAG	0.19 - 0.24	2029	26,167	26,167
Total Loans Payable				28,110
Section 108 Loans Payable		2025	5,910	1,778
Lease Revenue Bonds:				
CCEFA Refunding Bonds, Series 2012A	2.0 - 5.0 [3]	2022	140,440	9,045
PFFA CIP Bonds, Series 2012A	2.0 - 5.0 [3]	2024	72,000	5,275
PFFA Fire and Life Safety Refunding Bonds, Series 2012B	2.0 - 5.0 [3]	2032	18,745	12,300
PFFA CIP/Old Town Light Rail Extension Refunding Bonds, Series 2013A	2.0 - 5.0 [3]	2043	43,245	31,380
PFFA Balboa Park/Mission Bay Park Refunding Bonds, Series 2013B	2.0 - 5.0 [3]	2024	6,285	2,050
PFFA CIP Bonds, Series 2015A	5.0	2045	62,260	62,260
PFFA CIP Bonds, Series 2015B	5.0	2033	45,030	34,170
PFFA Ballpark Refunding Bonds, Series 2016	2.0 - 5.0 [3]	2032	103,255	78,615
PFFA Refunding Bonds, Series 2018A	2.57 - 4.23 [3]	2039	129,320	107,875
PFFA Refunding Bonds, Series 2020A	0.85 - 3.43 [3]	2042	60,745	59,755
CCEFA Refunding Bonds, Series 2020A	0.99 - 2.36 [3]	2028	70,750	69,030
PFFA Revenue Bonds, Series 2021	4.00 - 5.00 [3]	2051	117,145	117,145
Total Lease Revenue Bonds				588,900
Tobacco Settlement Bonds:				
TSRFC Bonds, Series 2018A	2.13-4.02 [3]	2028	70,510	46,075
TSRFC Bonds, Series 2018C	4.0	2032 [4]	25,345	18,215
Total Tobacco Settlement Bonds				64,290
Total Bonds Payable				653,190

(Continued on Next Page)

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2021
Net Other Postemployment Benefits Liability				$ 364,508
Net Pension Liability (Retirement)				2,879,608
Total Pension Liability (POB)				15,768
Total Governmental Activities Long-Term Liabilities				$ 4,658,632

[1] See Note 5h for additional information on 101 Ash, LLC and CCP 1200, LLC.

[2] 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 2021.

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

[4] 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 other postemployment healthcare 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.

Capital Lease Obligations are direct borrowing agreements with lenders to finance the acquisition of governmental assets including equipment, vehicles, and buildings for City staff and operations.[1] Repayments are secured from revenues of the General Fund for the General Fund Capital Lease Obligations, and from charges for services for the Internal Service Fund Capital Lease Obligations, which primarily come from the General Fund. The General Fund primarily benefits from the leased assets.

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

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

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

[1] See Note 5h for additional information on 101 Ash, LLC and 1200 CCP, LLC.

The General Fund Commercial Paper Notes (General Fund CP Notes) are used to finance the costs of the acquisition, design, construction, installation, improvement, replacement, and equipping of certain capital improvement projects of the City. The General Fund CP Notes are payable from the base rental payments to be made by the City pursuant to the lease between the City and the PFFA. These base rental payments are derived from the funds and accounts pledged under the Indenture.

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, 2021, including interest payments to maturity, are as follows:

	EVFP		101 Ash, LLC [1]		CCP 1200, LLC [1]		Other Capital Leases	
Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 18,574	$ 1,546	$ 3,792	$ 2,625	$ 2,150	$ 1,616	$ 1,375	$ 484
2023	17,915	1,173	3,927	2,490	2,320	1,540	1,418	440
2024	15,563	834	4,066	2,350	2,498	1,458	1,463	396
2025	10,675	550	4,211	2,205	2,684	1,370	1,303	349
2026	8,281	371	4,361	2,056	2,880	1,276	1,344	308
2027-2031	15,943	472	24,248	7,836	17,676	4,716	7,383	881
2032-2036	—	—	28,882	3,201	18,282	1,290	1,598	39
2037-2041	—	—	3,176	33	—	—	—	—
Withheld Payments	—	—	3,060	2,287	—	—	—	—
Total	$ 86,951	$ 4,946	$ 79,723	$ 25,083	$ 48,490	$ 13,266	$ 15,884	$ 2,897

	QECB Lease Obligation		CEC Loans Payable		SANDAG Loan Payable		Section 108 Loans Payable	
Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest [2]	Principal	Interest
2022	$ 935	$ 302	$ 475	$ 33	$ —	$ —	$ 406	$ 94
2023	957	245	486	22	—	—	430	69
2024	980	185	325	10	436	—	457	43
2025	1,004	125	156	6	5,233	—	485	14
2026	1,027	63	158	5	5,233	—	—	—
2027-2031	—	—	343	5	15,265	—	—	—
Total	$ 4,903	$ 920	$ 1,943	$ 81	$ 26,167	$ —	$ 1,778	$ 220

	Lease Revenue Bonds		Tobacco Settlement Bonds	
Year Ending June 30	Principal	Interest	Principal [3]	Interest
2022	$ 31,075	$ 23,591	$ 6,290	$ 2,429
2023	33,455	22,295	6,420	2,226
2024	33,500	21,187	6,465	2,005
2025	33,905	20,050	6,490	1,773
2026	35,055	18,912	6,570	1,530
2027-2031	140,640	76,688	13,840	4,483
2032-2036	94,250	52,061	18,215	730
2037-2041	90,400	31,864	—	—
2042-2046	58,110	14,077	—	—
2047-2051	38,510	4,139	—	—
Total	$ 588,900	$ 284,864	$ 64,290	$ 15,176

[1] See Note 5h for additional information on 101 Ash, LLC and CCP 1200, LLC.

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

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

c. Change in Long-Term Liabilities

The following is a summary of changes in governmental activities long-term liabilities for the year ended June 30, 2021. 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	$ 75,436	$ 70,440	$ (65,437)	$ 80,439	$ 38,251
Liability Claims	365,964	87,388	(73,425)	379,927	66,753
Reimbursement Agreement Obligations	15,672	5,798	(2,117)	19,353	—
Capital Lease Obligations:					
EVFP [1]	79,837	24,112	(16,998)	86,951	18,574
101 Ash, LLC [2]	80,153 [3]	—	(430)	79,723	3,792
CCP 1200, LLC [2]	49,561 [3]	—	(1,071)	48,490	2,150
Other Capital Leases [4]	17,217	—	(1,333)	15,884	1,375
Total Capital Lease Obligations [5]	226,768	24,112	(19,832)	231,048	25,891
QECB Lease Obligation [5]	5,816	—	(913)	4,903	935
Loans Payable					
California Energy Resource Conservation and Development Commission	2,407	—	(464)	1,943	475
SANDAG [6]	26,167	—	—	26,167	—
Total Loans Payable [5]	28,574	—	(464)	28,110	475
Section 108 Loans Payable	2,163	—	(385)	1,778	406
General Fund CP Notes [7]	38,575	49,925	(88,500)	—	—
Lease Revenue Bonds	490,510	248,640	(150,250)	588,900	31,075
Unamortized Bond Premiums and Discounts	33,648	28,569	(10,773)	51,444	3,734
Net Lease Revenue Bonds	524,158	277,209	(161,023)	640,344	34,809
Tobacco Settlement Bonds	73,330	—	(9,040)	64,290	6,290
Net Other Postemployment Benefits Liability	358,596	34,728	(28,816)	364,508	—
Net Pension Liability (Retirement)	2,164,491	1,017,716	(302,599)	2,879,608	—
Total Pension Liability (POB)	11,122	5,945	(1,299)	15,768	—
Total	$ 3,890,665	$ 1,573,261	$ (753,850)	$ 4,710,076	$ 173,810

[1] City's unused line of credit for EVFP is $27,000.

[2] See Note 5h for additional information on 101 Ash, LLC and CCP 1200, LLC.

[3] Beginning Balances have been revised from the City's Fiscal Year 2020 ACFR. 101 Ash, LLC was increased by $10,888 and CCP 1200, LLC was increased by $8,870, with an offsetting increase to Capital Assets of $19,758 in Note 4 (see Note 5h)

[4] Other Capital Leases include GE Government Finance Lease & Hewlett-Packard Lease. The City's unused line of credit for GE Government Finance is $11,228.

[5] City's direct borrowings.

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

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

During fiscal year 2021, the City lease-purchased various public safety and support vehicles. Under various agreements with JP Morgan Chase Bank, N.A., the leases totaled $24,112, to be financed over periods ranging from five to ten years at rates between 0.65% and 1.34%.

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 an irrevocable direct-pay LOC issued by Wells Fargo Bank, N.A., which expires on November 29, 2024. Under this program, PFFA is able to issue notes at prevailing short-term interest rates for periods of maturity of 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. During fiscal year 2021, the City issued General Fund CP Notes of $49,925 at rates between 0.06% and 0.19%, which were paid off by bonds in the same fiscal year.

On July 1, 2020, PFFA issued $60,745 of Lease Revenue Refunding Bonds, Series 2020A (Series 2012A Refunding) (federally taxable) to advance refund a portion of the outstanding Lease Revenue Bonds, Series 2012A (Capital Improvements Projects) and pay costs of issuance incurred in connection with the issuance of the 2020 Bonds. The Series 2020A Bonds are payable from revenues derived from Base Rental Payments paid by the City for the use and occupancy of the leased property and certain funds established under the Indenture.

On July 8, 2020, CCEFA issued $70,750 of Lease Revenue Refunding Bonds, Series 2020A (Series 2012A Refunding) (federally taxable) to advance refund a portion of the CCEFA's outstanding Lease Revenue Refunding Bonds, Series 2012A Bonds and pay costs of issuance incurred in connection with the issuance of the 2020A Bonds. The Series 2020A Bonds are payable from revenues derived from Base Rental Payments paid by the City for the use and occupancy of certain expansion projects and certain funds established under the Indenture.

On April 20, 2021, PFFA issued $117,145 of Lease Revenue Bonds, Series 2021A (2021 Bonds) to pay for the outstanding Lease Revenue Commercial Paper Notes, Series A of $88,500 and to finance the costs of the acquisition, design, construction, installation, improvement, replacement and equipping of certain capital improvement projects of the City and pay costs of issuance incurred in connection with the issuance of the 2021 Bonds. The Series 2021 bonds are payable from revenues derived from Base Rental Payments paid by the City for the use and occupancy of the leased property and certain funds established under the Indenture.

d. Redemption and Defeasance of Debt

During fiscal year 2021, the PFFA Lease Revenue Refunding Bonds, Series 2020A (2020A Bonds) were issued to refund a portion of PFFA's outstanding CIP Lease Revenue Bonds, Series 2012A (2012A Bonds). The final maturity date for the 2020A Bonds is October 15, 2041. The refunded portion of the 2012A Bonds have been defeased and the corresponding liability has been removed from the Statement of Net Position. As of July 1, 2020 (closing date), the reacquisition price exceeded the net carrying amount of the old debt by $2,747. This amount is reported as a deferred outflow of resources and amortized over the remaining life of the refunding debt, which had a shorter remaining life than the refunded debt. The advance refunding resulted in an economic gain of approximately $6,581 and a cash flow savings of approximately $9,334. The defeased portion of the 2012A Bonds will be redeemed on April 15, 2022, and the remaining 2012A Bonds have a final maturity of April 15, 2024.

During fiscal year 2021, the CCEFA Lease Revenue Refunding Bonds, Series 2020A (2020A Bonds) were issued to refund a portion of CCEFA's outstanding Lease Revenue Refunding Bonds, Series 2012A (2012A Bonds). The final maturity date for the Series 2020A Bonds is April 15, 2028. The refunded portion of the 2012A Bonds has been defeased and the corresponding liability has been removed from the Statement of Net Position. As of July 8, 2020 (closing date), the reacquisition price exceeded the net carrying amount of the old debt by $1,176. This amount is reported as a deferred outflow of resources and amortized over the remaining life of the refunding debt, which had the same remaining life as the refunded debt. The advance refunding transaction resulted in an economic gain of approximately $3,371 and a cash flow savings of approximately $3,613. The refunded portion of the 2012A Bonds will be fully redeemed on April 15, 2022, and the remaining 2012A Bonds have a final maturity of April 15, 2022.

As of June 30, 2021, principal amounts payable from escrow funds established for defeased bonds are as follows:

Defeased Bonds	Amount
PFFA CIP Lease Revenue Bonds, Series 2012A	$ 55,125
Convention Center Expansion Financing Authority Lease Revenue Refunding Bonds, Series 2012A	$ 64,565

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, 2021, the limit for the City was $36,969,515, 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, 2021.

f. Event of Default Provisions

The City's outstanding Capital Lease Obligations of $231,048 contain provisions that in the event of default, the landlord or lessor may recover unpaid rents or payments and terminate the lease(s). The lease revenue bond obligations of $588,900 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 $64,290 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.

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.

g. Long-Term Pledged Liabilities

Governmental long-term pledged liabilities as of June 30, 2021 are comprised of the following:

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Pledged Development Impact Fee (DIF) Revenue:				
Quarry Falls (Civita) Neighborhood Parks Reimbursement Agreement		$ 17,528	$ 1,287	$ 1,287
Pledged Facilities Benefit Assessment (FBA) Revenue:				
Facilities Financing Reimbursement Agreement Obligations		868	546	546
Pledged Regional Transportation Congestion Improvement Program (RTCIP):				
Quarry Falls (Civita) Neighborhood Parks Reimbursement Agreement		957	284	284
Naval Training Center Civic, Arts and Cultural Center (Section 108)	2025	1,778	502	502
Pledged Tobacco Settlement Revenue:				
TSRFC Bonds, Series 2018 A,C	2032	79,466	11,771	11,489
Pledged TransNet Revenue:				
SANDAG Loan	2029	26,167	33	33
Total		$ 126,764	$ 14,423	$ 14,141

h. Capital Leases

101 Ash, LLC Capital Lease Agreement

The City entered into a capital lease agreement effective January 3, 2017 with 101 Ash LLC for the land, building, and improvements thereon located at 101 Ash Street, San Diego, California (101 Ash Street Agreement). On September 1, 2020, the City elected to abate the monthly payments of $535 due under the capital lease agreement because it is unable to occupy the building. The City has administratively set aside these payments, the cumulative balance of which is reported as Assigned Fund Balance in the General Fund. On June 29, 2021, the City took legal action to void the City's 101 Ash Street Agreement after new information was discovered that California anti-corruption laws were allegedly violated. The alleged violation was due to a City agent negotiating the deal on behalf of the City and receiving unreported compensation from the lessor included in the City financing under the 101 Ash Street Agreement. The 101 Ash Street Agreement required a monthly $535 payment over the term of the twenty-year lease but was silent on the total principal amount being financed and the interest rate used to amortize such amount.

The City originally reported in its financial statements an imputed interest rate for the capital lease of 5.55% beginning in fiscal year 2017. This was based on the twenty-year term payment schedule under the 101 Ash Street Agreement and applying the assumption that the principal amount being financed was equal to only the appraisal value of the property plus an allowance for tenant improvements for a total amount of $77,440.

Based on new information available to the City in fiscal year 2021, the City revised the interest rate for the capital lease to 3.503%, and the principal amount to $92,176, with corresponding changes to the amortization schedule. The revised interest rate is found within the loan agreement executed between the lessor and its lender to acquire the building. The additional amount financed primarily includes compensation received by the City agent, lessor, and various parties at transaction closing. These costs were ultimately paid for by the City through the lease payments under the 101 Ash Street Agreement. The revised amounts are reflected throughout this note. The capital lease obligation and the related capital asset balance as of June 30, 2020 were each restated by $10,888, with no effect to Net Position (see tables on the following page).

For purposes of reporting amortization requirements for the 101 Ash Street Agreement in Note 5b, the City is reporting the payments due in future years in accordance with the revised amortization schedule. However, the City plans to continue abating payments until this matter is resolved. Abated payments through the end of the fiscal year are reflected in Note 5b as unscheduled under the caption "Withheld Payments."

CCP 1200, LLC Capital Lease Agreement

The City entered into a capital lease agreement dated May 22, 2015 with CCP 1200, LLC for the land and building thereon located at 1200 Third Avenue, San Diego, California (CCP Agreement). On June 29, 2021, the City took legal action to void the CCP agreement after new information was discovered that California anti-corruption laws were allegedly violated. The alleged violation was due to a City agent negotiating the deal on behalf of the City and then receiving unreported compensation from the lessor included in the City financing under the CCP Agreement.

Similar to the 101 Ash capital lease described above, the City originally reported in its financial statements an imputed interest rate for this capital lease of 6.47% beginning in fiscal year 2015. This was based on the twenty-year term payment schedule under the CCP Agreement and the assumption that the total principal amount being financed was equal to only the appraisal value of the property at the time of purchase of $44,000.

Based on new information available to the City in fiscal year 2021, the City revised the interest rate for the capital lease to 3.4% and the principal amount to $58,348 with corresponding changes to the amortization schedule. The revised interest rate is found within the loan agreement executed between the lessor and its lender to acquire the building. The additional amount financed primarily includes compensation received by the City agent, lessor, and various parties at transaction closing. These costs were ultimately paid for by the City through the lease payments under the CCP Agreement. The revised amounts are reflected throughout this note. The capital lease obligation and the related capital asset balance as of June 30, 2020 were each restated by $8,870, with no effect to Net Position (see tables on the following page).

Capital Lease Obligation	Interest Rate Previously Reported	Revised Interest Rate
101 Ash, LLC	5.55%	3.503%
CCP 1200, LLC	6.47%	3.40%

Capital Lease Obligation	Balance Outstanding as of June 30, 2020, as Previously Reported	Restatement Amount	Balance Outstanding as of June 30, 2020, as Restated
101 Ash, LLC	$ 69,265	$ 10,888	$ 80,153
CCP 1200, LLC	40,691	8,870	49,561
Total	$ 109,956	$ 19,758	$ 129,714

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

a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2021 are comprised of the following:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount [3]	Balance Outstanding June 30, 2021
Compensated Absences				$ 17,280
Liability Claims				89,861
EVFP Capital Lease Obligations	1.67% - 1.84% [1]	2022	$ 2,590	13
Other Capital Lease Obligations	0.65 - 2.6 [1]	2021	5,694	8,611
Notes Payable	—	2023	22	4
Loans Payable:				
SDCCC:				
California Infrastructure and Economic Development Bank (I-Bank)	3.59 [1]	2042	25,500	24,010
Sewer Utility - State Water Resources Control Board				
Point Loma Central Boilers, February 9, 2000	1.80 [2]	2022	6,684	394
South Bay Water Reclamation Plant Package 3, March 30, 2001	1.80 [2]	2022	33,720	1,972
South Bay Sewers and Pump Station Package A, May 17, 2001	1.80 [2]	2022	7,742	456
Point Loma Digesters Project C1 and C2, October 3, 2002	1.80 [2]	2023	8,068	943
Environment Monitoring and Technical Svcs, December 14, 2005	1.89 [2]	2024	10,093	1,842
Point Loma 4th Sludge Pump Project, October 15, 2006	1.99 [2]	2024	3,858	742
Point Loma Digesters S1 and S2, February 28, 2007	1.89 [2]	2026	11,068	3,305
Point Loma Digesters Grit Processing, February 17, 2012	2.70 [1]	2036	31,514	25,089
Sewer Pipeline Rehab Project MNOP, July 10, 2012	2.20 [1]	2033	18,914	10,421
Metro Biosolids Center Storage Silos, August 6, 2015	1.70 [1]	2035	7,204	5,293
MBC Odor Control Facilities Upgrades, July 15, 2015	1.70 [1]	2035	6,840	5,267
MBC Dewatering Centrifuge Replacement, July 8, 2015	1.70 [1]	2039	10,969	10,008
Sewer Pipeline Rehab Project-Q, June 26, 2013	2.20 [1]	2034	4,791	1,688
Sewer Pipeline Rehab Project-RS, August 22, 2013	2.20 [1]	2034	8,924	5,701
Sewer Pipeline Rehab Project-T, July 12, 2016	1.70 [1]	2036	2,314	1,791
MBC Chemical Systems Improvement Phase II, July 12, 2016	1.70 [1]	2037	5,284	4,316
Pump Station 2 Power Reliability/ Surge Protection, September 12, 2018	1.80 [1]	2052	53,165	53,165
Total Sewer Utility Loans Payable				132,393
Water Utility - State Water Resources Control Board				
Alvarado Water Treatment Plant, May 30, 2011	2.31 [1]	2032	12,000	6,981
Miramar Water Treatment Plant, September 26, 2011	2.31 [1]	2032	20,000	11,633
Otay Water Treatment Plant, December 22, 2011	2.50 [1]	2032	18,000	10,993
Harbor Drive Pipeline Replacement Project, January 29, 2013	2.09 [1]	2036	10,561	8,354
Lindbergh Field Pipeline Replacement Project, January 29, 2013	2.09 [1]	2036	3,262	2,576
University Avenue Pipeline Replacement Project, June 7, 2016	2.09 [1]	2039	25,300	23,286
69th Street & Mohawk Pump Station Project, June 14, 2018	1.70 [1]	2050	13,795	13,438
Water Utility - WIFIA Loan Agreement, September 24, 2020	1.29 [1]	2058	9,559	9,559
Total Water Utility Loans Payable				86,820
Total Loans Payable				243,223

(Continued on Next Page)

Type of Obligation	**Interest Rates**	**Fiscal Year Maturity Date**	**Original Amount [3]**	**Balance Outstanding June 30, 2021**
Water CP Notes, Series B [4]		2022		$ —
Revenue Bonds Payable:				
Senior Sewer Revenue Refunding Bonds, Series 2015	2.0-5.0 [1]	2027	$ 313,620	308,435
Senior Sewer Revenue Refunding Bonds, Series 2016 A	4.0-5.0 [1]	2039	403,280	271,615
Subordinated Water Revenue Bonds, Series 2016 A	3.0-5.0 [1]	2046	40,540	37,575
Subordinated Water Revenue Bonds, Refunding Series 2016 B	5.0 [1]	2040	523,485	398,015
Subordinated Water Revenue Bonds, Refunding Series 2018 A	5.0-5.25 [1]	2048	243,180	235,355
Senior Water Revenue Bonds, Series 2020 A	3.0-5.0 [1]	2050	221,420	215,520
Senior Water Revenue Refunding Bonds, Series 2020 B	1.031-2.33 [1]	2033	114,195	105,685
Total Revenue Bonds Payable				1,572,200
Estimated Landfill Closure and Postclosure Care				51,656
Net Other Postemployment Benefits Liability				105,467
Net Pension Liability (Pension)				616,589
Total Pension Liability (POB)				1,709
Total Business-Type Activities Long-Term Liabilities				$ 2,706,613

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

[2] Effective rate.

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

[4] Maturity date of 2022 represents expiration date of direct-pay LOC which is December 31, 2021. This is now classified as a short-term liability. See Note 8 for more information on Series A and B. See Note 22 regarding the status of the LOC extension.

b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2021, including interest payments to maturity, are as follows:

	EVFP Capital Lease Obligations		Other Capital Lease Obligations		Notes Payable	
Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 13	$ —	$ 2,156	$ 67	$ 2	$ —
2023	—	—	2,170	35	2	—
2024	—	—	2,185	21	—	—
2025	—	—	2,100	7	—	—
Total	$ 13	$ —	$ 8,611	$ 130	$ 4	$ —

Year Ending June 30	Loans Payable Principal	Loans Payable Interest	Revenue Bonds Payable Principal	Revenue Bonds Payable Interest
2022	$ 14,231	$ 3,801	$ 110,920	$ 71,799
2023	10,809	3,046	110,655	66,971
2024	10,573	2,826	96,645	61,711
2025	9,923	2,611	103,205	57,189
2026	10,157	2,408	88,290	52,238
2027-2031	50,865	8,943	352,070	205,040
2032-2036	37,770	4,082	266,930	137,174
2037-2041	11,976	1,118	241,175	70,187
2042-2046	1,589	29	125,070	30,207
2047-2051	—	—	77,240	4,480
Unscheduled [1]	85,330	—	—	—
Total	$ 243,223	$ 28,864	$ 1,572,200	$ 756,996

[1] Loans payable to the State Water Resources Control Board in the amount of $75,771 and to the Environmental Protection Agency in the amount of $9,559 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, 2021. 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
Arbitrage Liability	$ 1,105	$ —	$ (1,105)	$ —	$ —
Compensated Absences	15,605	14,861	(13,186)	17,280	7,567
Liability Claims	34,354	64,161	(8,654)	89,861	10,697
Capital Lease Obligations:					
EVFP	402	—	(389)	13	13
Other Capital Lease Obligations	11,972	—	(3,361)	8,611	2,156
Total Capital Lease Obligations [1]	12,374	—	(3,750)	8,624	2,169
Contracts Payable [1]	750	—	(750)	—	—
Notes Payable [1]	6	—	(2)	4	2
Loans Payable [1, 2]	238,034	19,324	(14,135)	243,223	14,231
Water CP Notes, Series B [3]	18,724	—	(18,724)	—	—
Revenue Bonds Payable	1,681,075	—	(108,875)	1,572,200	110,920
Unamortized Bond Premiums and Discounts	249,085	—	(15,320)	233,765	15,320
Net Revenue Bonds Payable	1,930,160	—	(124,195)	1,805,965	126,240
Estimated Landfill Closure/Postclosure Care	50,034	1,622	—	51,656	—
Net Other Postemployment Benefits Liability	103,920	9,084	(7,537)	105,467	—
Net Pension Liability (Pension)	494,332	173,989	(51,732)	616,589	—
Total Pension Liability (POB)	1,055	838	(184)	1,709	—
Totals	$ 2,900,453	$ 283,879	$ (243,954)	$ 2,940,378	$ 160,906

[1] City's direct borrowings.

[2] City's unused lines of credit for Pump Station 2 Power Reliability Surge Protection, MBC Dewatering Centrifuge Replacement, 69th Street & Mohawk Pump Station Project, and WIFIA Loans are $17,059, $1,369, $1,627, and $604,441, respectively.

[3] The beginning balance of $18,724 for Water CP Notes, Series B was carried over to Note 8 as this is now classified as a short-term liability.

During fiscal year 2021, the Sewer Utility and Water Utility Funds received additional loan proceeds through the SRF agreement with the SWRCB. Through various agreements with SWRCB, the loans totaled $9,765, with repayment periods ranging from 20 to 30 years from completion of construction at rates between 1.7% to 2.08%.

In November 2018, the City and the USEPA executed the WIFIA Program loan in the amount of up to $614,000 payable from Net System Revenues of the Water Utility Fund. In September 2020, the City and the USEPA executed another agreement to replace the previous agreement, with a majority of the terms staying exactly the same, but with a lower interest rate. The WIFIA loan will fund a portion of the Water Utility's cost of the first phase of the Pure Water Project. As of June 30, 2021, the City has received its first loan proceeds in the amount of $9,559 at a rate of 1.29%.

d. Redemption and Defeasance of Debt

In fiscal year 2020, the Water Revenue Refunding Bonds, Series 2020B were issued to refund the outstanding Water Revenue Bonds, Series 2012A.

As of June 30, 2021, principal amounts payable from escrow funds established for defeased bonds are as follows:

Water Revenue Defeased Bonds 2020 Escrow (May 11, 2020)	Amount	Redemption Date
Water Revenue Bonds, Series 2012A	$ 106,885	August 1, 2022

e. Event of Default Provisions

The governing documents of the City's outstanding capital lease obligations of $8,624 contain provisions that in the event of default, the lessor may recover unpaid payments and terminate the lease(s). The governing documents of the loans payable of $243,223 contain event of default provisions allowing the lenders to terminate the funding agreements if not cured within 30 days, and are subject to acceleration clauses making outstanding amounts immediately payable. The governing documents of the Revenue Bonds Payable of $1,572,200 contain provisions that in the event of default, the trustee may declare that all principal and interest accrued to 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.

f. Long-Term Pledged Liabilities

Business-type activities long-term pledged liabilities as of June 30, 2021 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 Central Boilers, February 9, 2000	2022	$ 401	$ 401	$ 401
South Bay Water Reclamation Plant Package 3, March 30, 2001	2022	2,025	2,025	2,025
South Bay Sewers and Pump Station Package A, May 17, 2001	2022	464	464	464
Point Loma Main Building Expansion, May 17, 2001	2021	—	52	52
South Bay Water Reclamation Plant Package 2, June 11, 2001	2021	—	152	152
Point Loma Digesters Project C1 and C2, October 3, 2002	2023	968	484	484
Environment Monitoring and Technical Svs, December 14, 2005	2024	1,912	637	637
Point Loma 4th Sludge Pump Project, October 15, 2006	2024	772	257	257
Point Loma Digesters S1 and S2, February 28, 2007	2026	3,495	699	699
Point Loma Digesters Grit Processing, February 17, 2012	2036	28,713	1,792	1,792
Sewer Pipeline Rehab Project MNOP, July 10, 2012	2033	11,266	886	886
Metro Biosolids Center-Storage Silos, August 6, 2015	2035	5,581	372	372
MBC Odor Control Facilities Upgrades, July 15, 2015	2035	5,963	426	426
MBC Dewatering Centrifuge Replacement, July 8, 2015	2038	10,179	650	650
Sewer Pipeline Rehab Project-Q, June 26, 2013	2034	1,959	151	151
Sewer Pipeline Rehab Project-RS, August 22, 2013	2034	6,200	448	448
Sewer Pipeline Rehab Project-T, July 12, 2016	2036	2,044	136	136
MBC Chemical Systems Improvement Phase II, July 12, 2016	2037	4,966	310	310
Pump Station 2 Power Reliability and Surge Protection, September 12, 2018	2052	53,165	—	—
Revenue Bonds				
Senior Sewer Revenue Refunding Bonds, Series 2015	2027	350,935	14,659	14,659
Senior Sewer Revenue Refunding Bonds, Series 2016 A	2039	430,237	80,411	80,411
Total Pledged Net Sewer Systems Revenue		921,245	105,412	105,412
Pledged Net Water Systems Revenue:				
Loans - State Water Resources Control Board				
Alvarado Water Treatment Plant, May 30, 2011	2032	7,902	753	747
Miramar Water Treatment Plant, September 26, 2011	2032	13,163	1,254	1,245
Otay Water Treatment Plant, December 22, 2011	2032	12,643	1,149	1,141
Harbor Drive Pipeline Replacement Project, January 29, 2013	2036	9,777	652	639
Lindbergh Field Pipeline Replacement Project, January 29, 2013	2036	3,015	201	199
University Avenue Pipeline Replacement Project, June 7, 2016	2039	28,049	1,531	1,531
69th Street & Mohawk Pump Station Project, June 14, 2018	2050	13,664	572	572
WIFIA Loan Agreement, September 24, 2020	2057	9,636	—	—
Revenue Bonds				
Subordinated Water Revenue Bonds, Series 2016 A	2046	65,321	2,614	2,613
Subordinated Water Revenue Bonds, Refunding Series 2016 B	2040	570,694	46,315	46,303
Subordinated Water Revenue Bonds, Refunding Series 2018 A	2048	432,638	16,023	16,017
Senior Water Revenue Bonds, Series 2020 A	2050	360,142	12,416	12,416
Senior Water Revenue Refunding Bonds, Series 2020 B	2033	119,229	9,935	9,935
Total Pledged Net Water Systems Revenue		1,645,873	93,415	93,358
Total Pledged Revenues		$ 2,567,118	$ 198,827	$ 198,770

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, 2021.

San Diego Housing Commission

Long-term liabilities of SDHC as of June 30, 2021 are comprised of the following:

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2021 [1]	Due Within One Year
Compensated Absences				$ 3,689	$ 3,689
Direct Borrowing Debts of the Commission					
Debts of SDHC:					
Key Bank Real Estate Capital (Smart Corner) dated November 2011 [2]	6.08 %	2027	$ 15,000	1,405	1,122
City of San Diego - Parker Kier	0.00 forgivable	2022	696	696	—
City of San Diego - Hotel Sandford	1.00 forgivable	2065	6,095	5,843	—
California Department of Housing and Community Development - Adaptable Housing	3.00 %	2068	1,405	1,405	—
California Department of Housing and Community Development - Otay Villas	3.00 %	2068	3,150	3,150	—
ORIX Real Estate Capital, LLC - Courtyard Apartments	4.92 %	2030	4,169	3,981	69
JP Morgan Chase - Valley Vista	3.29 %	2030	32,840	32,523	649
JP Morgan Chase - Kearny Vista	3.39 %	2030	17,426	17,260	338
Debts of the LLCs:					
Greystone Servicing Corp, Inc. FNMA (Belden)	7.32 %	2040	12,320	10,299	271
Greystone Servicing Corp, Inc. FNMA (Northern)	7.32 %	2040	10,810	9,037	237
Greystone Servicing Corp, Inc. FNMA (Central)	7.32 %	2040	14,010	11,712	308
PNC Bank, NA FHA (Southern)	3.76 %	2046	25,017	20,446	527
PNC Bank, NA FHA (Northern)	3.76 %	2046	17,500	14,302	368
PNC Bank, NA FHA (Central)	3.65 %	2046	15,726	12,831	334
Total Notes Payable				144,890	4,223
Less: unamortized debt issuance costs				(1,298)	—
Total Notes Payable, Net				143,592	4,223
Total Long-Term Liabilities				$ 147,281	$ 7,912

[1] Long-term liabilities of $163,324 for the discrete component units of SDHC are not included ($3,460 Short-Term, $159,864 Long-Term).

[2] Converts to variable interest rate after November 2021.

As of June 30, 2021, the current portion of notes payable was $4,223, and the non-current portion was $140,667. On November 24, 2020 SDHC entered into a new mortgage agreement with JP Morgan Chase for the acquisition of Valley Vista and Kearny Vista properties in the amount of $32,840 and $17,426 and interest rates of 3.29% and 3.39%, respectively. Debt issuance costs associated with the LLC loans totaled $2,120, less accumulated amortization of $822 at June 30, 2021. For fiscal year 2021, amortization totaled $79. 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 Financial Accounting Standards Board. In accordance with ASU 2015-13, debt issuance costs are capitalized and presented as a direct reduction of notes payable. In addition, the debt issuance costs are amortized over the life of the loan using the effective interest method.

The Direct Borrowing Debts of the Commission and the LLCs contain various event of default provisions, subjective acceleration clauses, and termination events. For more detailed information please refer to the complete stand-alone financial statements are available at www.sdhc.org.

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, the Northern SDHC FHA, LLC and the Southern SDHC FHA, LLC loans have been approved as qualified direct subsidy BABs loans. SDHC received subsidy payments of $672 in fiscal year 2021.

The projected annual principal and interest payment requirements for all of SDHC's notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2022	$ 4,223	$ 5,917	$ 10,140
2023	3,528	5,722	9,250
2024	3,395	5,572	8,967
2025	3,561	5,404	8,965
2026	3,731	5,233	8,964
2027-2031	62,922	22,328	85,250
2032-2036	19,463	10,764	30,227
2037-2041	21,211	4,673	25,884
2042-2046	11,762	1,039	12,801
2047-2051	—	96	96
2052-2069	4,555	6,852	11,407
Subtotal	138,351	73,600	211,951
Forgivable loans [1]	6,539	—	6,539
Total Notes Payable	$ 144,890	$ 73,600	218,490
Less: unamortized debt issuance costs			(1,298)
Total Notes Payable, Net			$ 217,192

[1] This amount includes forgivable loans of $696 and $5,843 which are forgiven at maturity in 2022 and 2065, respectively. There was accrued interest of $0 and $598, respectively, as of June 30, 2021.

8. SHORT-TERM LIABILITIES (Dollars In Thousands)

a. 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 irrevocable direct-pay letters of credit (LOC) from the Bank of the West (which expires on December 31, 2021 for Series A), and Bank of America, N.A. (which expires on December 31, 2021 for Series B)[1]. 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, 2021, the Water CP Notes Series A and Water CP Notes Series B are now classified as short-term liabilities based on the expiration date of the LOC.

b. Changes in Short-Term Liabilities

The following is a summary of changes in short-term liabilities for the year ended June 30, 2021:

Type of Obligation	Beginning Balance	Additions	Reductions	Ending Balance
Water Commercial Paper Notes, Series A[2]	$ —	$ 39,758	$ —	$ 39,758
Water Commercial Paper Notes, Series B[2, 3]	—	60,549	(1,583)	58,966
Total Water Commercial Paper Notes	$ —	$ 100,307	$ (1,583)	$ 98,724

[1] See Note 22 for information on Water CP Notes LOC extension.

[2] City's unused authorization for Series A is $35,242 and Series B is $116,034.

[3] Balance of $60,549 includes $18,724 carried over from Note 6. See note 6 for information on Water CP Notes, Series B.

During fiscal year 2021, the City issued short-term Water CP Notes Series A of $39,758 and Water CP Notes Series B of $41,825. Based on the expiration date of the LOC at the end of the fiscal year, Series B is now classified as a short-term liability. Series B in the amount of $18,724 was previously classified as a long-term liability as of fiscal year 2020. See Note 6 for additional information on Water CP Notes Series B.

c. Event of Default Provisions

The Water CP Notes contain provisions that in the event of default, the principal of all outstanding notes may be declared due and payable. In the Water CP Notes, the LOC banks may, in their sole discretion to 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 2021 annual budget of $1,525 was funded primarily by equal contributions from the City and County. In its latest audited report, SanGIS reported an increase in net position of $168 and an ending net position of $655 for the fiscal year ended June 30, 2020. 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 $156 and ending net position of $682 for the fiscal year ended June 30, 2020. 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 2021 annual budget for agency contributions was $1078, of which the City's share was $345, or 32%. In its latest audited report for the fiscal year ended June 30, 2020, the JPA reported a decrease in net position of $903 and an ending net position of $54,042. 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. During fiscal year 2021, City staff provided administrative assistance, to be reimbursed, per the approved agreement. The total expenditures for fiscal year 2021 were $41. Additional information can be found at www.sdcommunitypower.org.

10. LEASE COMMITMENTS (Dollars in Thousands)

The City leases various properties and equipment. Leased property having elements of ownership are recorded as capital leases and reported as capital assets in the government-wide and proprietary funds financial statements, along with a corresponding capital lease obligation. Leased property that does not have elements of ownership is reported as an operating lease and is expensed when paid.

Capital Leases

The City has entered into various capital leases for equipment, structures, infrastructure, and intangible assets. These capital leases have maturity dates ranging from July 1, 2021 through December 1, 2036 and interest rates ranging from 0.65% to 6.47%. A schedule of future minimum lease payments under capital leases as of June 30, 2021 is provided in Notes 5 and 6. The value of the City's capital leased assets as of June 30, 2021 was $237,700, net of accumulated depreciation of $52,074. These amounts are categorized by fund type and major asset class in the table below.

Values of Capital Leased Assets by Major Asset Class

	Gross Value	Depreciation	Net Book Value
Governmental Activities			
Equipment	$ 132,113	$ (40,955)	$ 91,158
Structures & Improvements	103,215	(8,292)	94,923
Land	33,049	—	33,049
Equipment (Intangible)	7,960	(1,340)	6,620
Total Governmental Activities	$ 276,337	$ (50,587)	$ 225,750
Business-Type Activities			
Equipment	$ 10,847	$ (509)	$ 10,338
Infrastructure	2,590	(978)	1,612
Total Business-Type Activities	$ 13,437	$ (1,487)	$ 11,950

Operating Leases

The City's operating leases consist primarily of rental property occupied by City departments. Lease obligations for City-leased space include rent, utility charges, common area maintenance, storage, and parking. If a department pays for parking, storage, etc. that is not contracted for in the lease, those charges are not included. Departments are allocated charges based on the percentage of the total lease space occupied. The schedule on the following page shows future minimum rental payments required under operating leases entered into by the City for property that has initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2021.

Year Ending June 30	Amount
2022	$ 20,067
2023	14,620
2024	13,661
2025	10,553
2026	8,438
2027-2031	20,363
2032-2036	4,166
2037-2041	42
Total	$ 91,910

Rent expense, as related to operating leases, was $17,507 for the fiscal year ended June 30, 2021, of which $12,994 was reported for governmental activities, and $4,513 for business-type activities.

Lease Revenues

The City has operating leases for certain land, buildings, and facilities with tenants and concessionaires. Leased capital asset carrying values of approximately $306,695 as well as depreciation, are reported in Note 4 and are consolidated with non-leased assets. This amount includes $167,334 for the Petco Park Facility. Minimum annual lease revenues are reported in the following schedule:

Year Ending June 30	Amount
2022	$ 47,968
2023	46,563
2024	42,138
2025	41,267
2026	40,836
2027-2031	189,875
2032-2036	176,557
2037-2041	164,032
2042-2046	153,755
2047-2051	111,593
2052-2056	60,714
2057-2061	36,817
2062-2066	21,427
2067-2071	6,676
2072-2099	2,219
Total	$ 1,142,437

This amount does not include contingent rentals, which may be received under certain leases of property on the basis of percentage returns. Rental income as related to operating leases was $59,005 for the fiscal year ended June 30, 2021, which includes contingent rentals of $22,743.

11. DEFERRED COMPENSATION PLAN (Dollars in Thousands)

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

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

12. PENSION PLANS (Dollars in Thousands)

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

On June 5, 2012, City of San Diego voters approved Proposition B, a pension reform initiative amending the San Diego City Charter ("Charter"). While in effect, Proposition B prevented all employees hired on or after July 20, 2012, other than sworn police officers, from participating in the City's defined benefit plan. Instead, those employees were only eligible to participate in a defined contribution plan ("SPSP-H Plan"). In early 2021, the California Superior Court invalidated Proposition B in a quo warranto proceeding. The City must now comply with the Court's order to strike the Proposition B provisions from the Charter and conform the San Diego Municipal Code ("Municipal Code") and any related enactments accordingly.

The City must also comply with a directive from the California Court of Appeal related to a ruling of the Public Employment Relations Board (PERB). The PERB case was separate but related to the *quo warranto* case that was brought forward by four of the City's six Recognized Employee Organizations ("REOs"). PERB had ruled that the City had violated the Meyers-Milias-Brown Act when it failed to meet and confer with the REOs over the language of Proposition B prior to placing it on the June 2012 ballot and that the City must make whole the affected employees.

On March 25, 2019, the Court of Appeal affirmed the PERB ruling with certain modifications as follows:

1. The City must meet and confer with the REOs over the effects of Proposition B.
2. For the time period that ends with the completion of the bargaining process (including the exhaustion of impasse measures, if an impasse occurs), the City must pay the affected current and former employees represented by the REOs the difference, plus seven percent annual interest, between the compensation (including retirement benefits) those employees would have received prior to when Proposition B took effect and the compensation they actually received after Proposition B took effect (the "Make-Whole Provision"); and
3. The City must meet and confer at the REOs' request and is precluded from placing a Charter amendment on the ballot that is advanced by the City that affects employee pension benefits and/or other negotiable subjects until the bargaining process is complete.

Neither PERB, the Appellate Court, nor Trial Court in the quo warranto action clearly defined how the value of the benefits under the Make-Whole Provision should be calculated; meaning the ultimate cost to the City is the subject of negotiations between the City and the REOs.

On June 22, 2021 the City Council approved amendments to both the Municipal Code and the SPSP-H Plan so that most employees hired after July 9, 2021, will be placed into the San Diego City Employees' Retirement System ("SDCERS"), thereby limiting the number of employees subject to the Make-Whole Provision. This action applies to all newly hired employees except those represented by the Police Officers Association ("POA"), so it does not affect the current pension benefits for sworn police officers (who are already participating in SDCERS) or new police recruits (who will continue to be placed into the SPSP-H Plan until they become sworn officers), subject to further negotiations with the POA.

Once the City reaches agreement with the REOs, eligible employees are largely expected to join SDCERS. General members will likely receive the existing hybrid retirement plan that includes joining an existing tier of the defined benefit retirement plan, as well as a defined contribution savings plan with a mandatory employee contribution of 1.0 percent of payroll, which the City matches. Safety members will likely only receive a defined benefit retirement plan. The retirement plan tiers available to eligible employees will be those that were in effect prior to July 20, 2012. The Actuary also estimated the ongoing normal costs for these employees after they join SDCERS. Had the affected employees been members of SDCERS for all of Fiscal Year 2022, for example, the estimated normal cost for the City for the full fiscal year would be approximately $33,200, which would be mostly offset by the suspension of the City's contribution to the SPSP-H Plan, estimated at approximately $29,900. Approximately 60% of the net financial impact ($3,300 for fiscal year 2022) would be paid from the City's General Fund.

A summary of the amounts of the City's defined benefit pension plans at June 30, 2021 is presented below:

	SDCERS	Preservation of Benefits	Total
Net Pension Liability	$ 3,496,197	$ 17,477	$ 3,513,674
Deferred Outflows - Pensions	1,007,976	6,210	1,014,186
Pension Expenses	612,041	3,794	615,835

DEFINED BENEFIT PLAN

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

SDCERS is a public employee retirement system established in fiscal year 1927 by the City, authorized by Article IX of the City 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 initially hired before July 20, 2012 working half-time or greater, all sworn police officers of the City irrespective of hire date, and full-time employees of the Port and Airport are eligible for membership and are required to join SDCERS. The Port and Airport are not component units of the City; however, the financial statements of the SDCERS Pension Trust do include the Port and Airport activity and are reported in the fiduciary funds section of this report.

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

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

Final compensation is based upon either the highest salary earned over a consecutive twelve month period, the highest average salary earned over three one-year periods, or the highest salary earned over a consecutive 36 month period, depending on the member's class and hire date. To qualify for a service retirement benefit, the Pension Plan requires ten years of service at age 62 for general members (55 for safety members) or 20 years of service at age 55 for general members (50 for safety members), which could include certain service purchased or service earned at a reciprocating government entity. Members in the Elected Officers' Retirement Plan require four years of service at age 55 or eight years of service at any age. Under Proposition B, 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, 2020, the most recent actuarial valuation, the following employees were covered by the benefit terms:

Employees or Beneficiaries Currently Receiving Benefits [1]	10,409
Inactive (Terminated) Employees Entitled to but not yet Receiving Benefits	2,898
Active Employees	5,535
Total	18,842

[1] Includes Disabled, Retired, 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. While participants were employed by the City, the quarterly interest credited to the DROP participant accounts was 2.5% in the first half of fiscal year 2021 and 1.0% in the second half. When the participant leaves DROP and retires from City service, the participant's DROP account balance may be paid in a lump sum, rolled over to another plan, or converted to monthly payments. The DROP annuity factor used to calculate the monthly payments was 3.1% in the first half of fiscal year 2021 and was 2.1% in the second half. During the period of participation, the participant continues to receive employer offered benefits available to regular employees with exception of earning service credit, as previously discussed.

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 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 2021, the City contributed $1,536 towards the Supplemental COLA reserve and paid approximately $1,541 in benefits. As of June 30, 2021, the City's Supplemental COLA reserve had an unspent balance of $82.

b. Funding Policy and Contribution Rates

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

Pursuant to the Charter, City employer contribution rates, adjusted for payment at the beginning of the year, are actuarially determined rates and are expressed as a fixed ADC. The administrative component was assumed to be $12.4 million for fiscal year 2021, increasing by 2.5% per year, and included as part of the ADC.

The following table shows the City's contribution rates (weighted average of each employee group) for fiscal year 2021, based on the June 30, 2019 actuarial valuation, expressed as percentages of expected payroll:

	Employer Contribution Rates	
	Non-Safety Members	Safety Members
Normal Cost [1]	11.33%	17.22%
Amortization Payment [2]	66.89%	60.2%
Administrative Expense [3]	2.74%	2.71%
Normal Cost Adjusted for Amortization Payment [3]	80.97%	80.14%
City Contribution Rates Adjusted for Payment at the Beginning of the Year	78.46%	77.68%

[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 2021, the City employee weighted average contribution rates as a percentage of annual covered payroll were 10.98% for general members and 16.30% 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 2021, to the Employer and Employee Contribution Reserves and between 2.5% - 1.0% 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 2020, 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 2022 will be $414,900, based on the June 30, 2020 actuarial valuation. The floor payment for the City was set at $275,500, representing the UAL component of the fiscal year 2020 ADC, and will remain at that level until the system is 100% funded or there is a vote of the SDCERS Board to change it. The floor amount was established based on the June 30, 2018 actuarial valuation and the calculated fiscal year 2020 payment to SDCERS. The SDCERS Board also voted to prospectively limit the long-term impacts of changes to the assumed rate of return (i.e., the discount rate), retirement rates, life expectancy and other assumptions to a 20-year period from the previous 30-year period. Experience gains and losses will continue to be amortized over a 15-year period.

c. 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, 2020, based on the plan net position as of June 30, 2020 and the Total Pension Liability as of the valuation date, June 30, 2019, updated to June 30, 2020. As of the measurement date June 30, 2020, the NPL increased by approximately $837,000 since the prior measurement date, primarily due to the return on investments being approximately $493,000 less than expected, as well as changes in assumptions, which resulted in a loss of approximately $291,000. Changes in mortality assumptions were the primary factors contributing to the loss. The service cost and interest cost increased the NPL by approximately $791,000, while contributions and investment income less administrative expenses decreased the NPL by approximately $431,000.

A summary of the key assumptions as of the June 30, 2019 actuarial valuation, and the economic experience study is shown below:

Description	Actuarial Assumption
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Funding Method	Entry Age Normal (EAN)
Amortization Method	Closed; Level % (Police), Level $ (non-Police)
Annual Rate of Return on Investments [1]	6.50% net of investment expense
Inflation Rate	3.05% per year, compounded annually
Cost of Living Adjustment	1.9% per year, compounded annually
Projected Salary Increases due to Inflation [2]	3.05%
Mortality	Healthy retired members use Society of Actuaries Tables

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

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

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

GASB 68 permits the use of the assumed annual rate of return on investments (6.50%) as the discount rate to measure the projected benefit payments used to calculate the NPL, without regard to the funding level of the pension system, if (i) the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (ii) pension plan assets are expected to be invested using a strategy to achieve that return. In determining whether condition (i) is satisfied, the actuary can incorporate all projected cash flows for contributions from the City and from current active employees.

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

d. Long-Term Expected Real Rate of Return

The target allocation and the best estimates for long-term expected real rates of return for each major asset class of the Pension Plan, as of the June 30, 2020 measurement date, are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	17.2 %	4.7%
International Equity	14.2 %	5.7%
Global Equity	8.0 %	5.3%
Domestic Fixed Income	21.6 %	(0.3)%
Emerging Market Debt	5.0 %	2.5%
Real Estate	11.0 %	4.3%
Private Equity and Infrastructure	13.0 %	7.6%
Opportunity Fund	10.0 %	4.3%
Total	100.0 %	

Source: SDCERS ACFR Fiscal Year 2020

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 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, 2019	$ 10,426,626	$ 7,767,803	$ 2,658,823
Changes for the Year:			
Service Cost	127,076	—	127,076
Interest	663,823	—	663,823
Differences Between Expected and Actual Experience	186,951	—	186,951
Changes in assumptions	290,843	—	290,843
Contributions - Employer	—	354,349	(354,349)
Contributions - Employee	—	68,652	(68,652)
Net Investment Income	—	19,006	(19,006)
Benefit Payments, Including Refunds of Employee Contributions	(561,837)	(561,837)	—
Administrative Expense	—	(10,688)	10,688
Net Changes	706,856	(130,518)	837,374
Balances at June 30, 2020	$ 11,133,482	$ 7,637,285	$ 3,496,197

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. Seven years of information is presented and will build to 10 years of information on a prospective basis.

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - Pursuant to GASB 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	$ 12,521,166	$ 11,133,482	$ 9,998,989
Plan Fiduciary Net Position	7,637,285	7,637,285	7,637,285
Net Pension Liability	$ 4,883,881	$ 3,496,197	$ 2,361,704

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 68, for the measurement period ended June 30, 2020, the City recognized pension expense of $612,041. As of the measurement period June 30, 2020, 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	$ 369,642	$ —
Differences Between Expected and Actual Experience	172,346	—
Changes in Assumptions	193,895	—
Net Difference Between Projected and Actual Earnings on Pension Plan Assets	272,093	—
Total	$ 1,007,976	$ —

Pursuant to GASB 68, $369,642 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date of June 30, 2020 will be recognized as a reduction of the NPL in the fiscal year ending June 30, 2022. 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
2022	$ 201,912
2023	236,917
2024	100,967
2025	98,538

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 68, it is reported pursuant to requirements of GASB 73 which extends the approach to accounting and financial reporting established in GASB 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 2020 was $230.

Preservation of Benefits Plan Total Pension Liability

The City's POB Plan pension cost for June 30, 2021 and the June 30, 2020 measurement date and on a valuation date of June 30, 2019, updated to June 30, 2020 as prepared by the SDCERS actuary. The Total Pension Liability is the actuarial liability calculated under the entry age actuarial cost method. There were changes in the assumptions as of the measurement date, to include the addition of service cost and interest cost offset by actual benefit payments, plus an adjustment due to the change in discount rate.

A summary of the updated actuarial assumptions as of the June 30, 2019 actuarial valuation and economic experience study is shown below:

Description	Actuarial Assumption
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Funding Method	Entry Age Actuarial Cost
Amortization Method	Closed; Level % (Police), Level $ (non-Police)
Inflation Rate	3.05% per year, compounded annually
Cost of Living Adjustment	1.9% per year, compounded: Active and Deferred Vested
	2.0% per year, compounded: Members in Payment Status
Projected Salary Increases due to Inflation [1]	3.05%
Mortality	Healthy retired members use Society of Actuaries Mortality Tables

[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 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 3.50% as of the measurement date of June 30, 2019, and 2.21% as of June 30, 2020.

Changes in the Total Pension Liability

Pursuant to GASB 73, the following table shows the changes in the total pension liability for POB based on the actuarial information provided to the City.

	Total Pension Liability
Balances at June 30, 2019	$ 12,177
Changes for the Year:	
Service Cost	119
Interest	402
Differences Between Expected and Actual Experience	2,707
Changes in assumptions	3,553
Benefit Payments	(1,481)
Net Changes	5,300
Balances at June 30, 2020	$ 17,477

The largest contributor to the increase in the Total Pension Liability was a change in assumptions at the end of the measurement period, which resulted in an increase of $3,553. The change mainly related to mortality assumptions.

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. Five 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 73, the following table presents the NPL of the City, calculated using the discount rate of 2.21%, 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 (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total Pension Liability	$ 20,415	$ 17,477	$ 15,231

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

Pursuant to GASB 73, for the measurement period ended June 30, 2020, the City recognized pension expense of $3,794. As of the measurement period June 30, 2020, 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	$ 1,562	$ —
Differences Between Expected and Actual Experience	2,137	—
Changes in assumptions	2,511	—
Total	$ 6,210	$ —

Pursuant to GASB 73, $1,562 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date of June 30, 2020, will be recognized as a reduction of the total pension liability in the fiscal year ending June 30, 2022. 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
2022	$ 2,561
2023	2,087

DEFINED CONTRIBUTION PLANS

a. Supplemental Pension Savings Plan - City

Pursuant to the City's withdrawal from the Federal Social Security System effective January 8, 1982, the City established the Supplemental Pension Savings Plan (SPSP). Pursuant to the Federal Government's mandate of a Social Security Medicare tax for all employees not covered by Social Security hired on or after April 1, 1986, the City established the Supplemental Pension Savings Plan-Medicare (SPSP-M). The SPSP and SPSP-M were merged into a single plan (SPSP) on November 12, 2004 for administrative simplification, without a change in benefits. Pursuant to the requirements of the Omnibus Budget Reconciliation Act of 1990 (OBRA-90) requiring employee coverage under a retirement system in lieu of coverage under the Federal Insurance Contributions Act (FICA) effective July 1, 1991, the City Council established the Supplemental Pension Savings Plan-Hourly (SPSP-H). These supplemental plans are defined contribution plans administered by Wells Fargo to provide pension benefits for eligible employees. The City Council can amend any provisions of the plans that are not part of any employee's vested retirement benefit. If the City amends any non-legally mandated provisions, it must first comply with procedural requirements, including collective bargaining under the Meyers-Milias-Brown Act and for the SPSP plan, after approval by a simple majority vote of all active members. There are no plan members who belong to an entity other than the City. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings, less investment losses. The City's general members, lifeguard members and elected officers participate in the plan. Eligible employees may participate from the date of employment; however, the SPSP plan was closed to general and lifeguard members hired on or after July 1, 2009 and January 1, 2011, respectively. The following table details plan participation as of June 30, 2021:

Plan	Participants
SPSP	5,111
SPSP-H	9,131

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

401(a) Plan Under Proposition B - Proposition B amended the City Charter to provide all new City employees initially hired on or after July 20, 2012, except sworn police officers, with a 401(a) plan that is administered along with SPSP but with different contribution rates, vesting periods and employer match. Non-public safety employees contribute an amount equal to 9.2% of salary, and firefighters, lifeguards, and police recruits contribute 11% of salary (including overtime) on a mandatory basis. The City matches all such contributions and contributions are fully vested immediately upon employment. Police recruits participate in SDCERS upon acceptance of full-time police employment. Due to ongoing litigation regarding Proposition B, the City has not established a new plan for eligible employees. Instead, the City has contributed funds to SPSP-H, an existing 401(a) plan, for eligible employees in accordance with the SPSP-H plan provisions. The City will continue to contribute funds for such employees through the SPSP-H, pending resolution of Proposition B litigation and negotiation. In fiscal year 2021, the City and the covered employees contributed $41,333 and $41,093, respectively, including contributions made under the 401(a) Plan under Proposition B. As of June 30, 2021, the plan fiduciary net position totaled $1,171,374.

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

The City and employees contributed $393 and $628, respectively, during the fiscal year ended June 30, 2021. As of June 30, 2021, the plan fiduciary net position totaled $11,901.

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 $32,537 during the fiscal year ended June 30, 2021. There is no City contribution towards the 401(k) Plan. As of June 30, 2021, the plan fiduciary net position totaled $565,050.

Narratives presented in the following sections (d. through e.) are taken directly from the fiscal year 2021 annual financial reports of the corresponding entity (certain terms have been modified to conform to the City's ACFR presentation).

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

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

Full-time employees are eligible to participate in the SDCCC Plan on the first day of the month after completing 1,000 hours of service and receive contributions on a bi-weekly basis thereafter. Part-time employees are eligible to participate in the SDDCC 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, 2021, pension expense amounted to $1,048, with no employee contributions made to the SDCCC Plan. Included in pension expense were forfeitures in the amount of $71. 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. <u>Pension Plan - San Diego Housing Commission</u>

SDHC provides a pension plan which is a defined contribution plan and is 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 pension plan covers all SDHC employees classified as permanent full time and permanent part time hired to work a minimum of 20 hours per week.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Eligible employees participate on their date of hire. SDHC contributes 14% of defined earnings each pay period for each eligible employee. Contributions (and interest allocated to the employee's account) vest ratably over four years of service, with a year of service defined as an employee completing at least 1,000 hours of service. Any forfeited SDHC contributions and related interest are used to fund a future SDHC pay period contribution. For the fiscal year ended June 30, 2021, covered payroll was $29,715. Pension expense related to SDHC's required contribution was $4,087 and plan members contributed $249 for the fiscal year ended June 30, 2021.

At June 30, 2021, there were 418 employees in the plan, including: 2 inactives receiving benefits, 94 inactives not yet receiving benefits and 322 active participants, inclusive of 1 active receiving benefits.

The retirement pension benefit is available at normal retirement age (62nd birthday) or upon termination or disability. The retirement pension benefits are determined based upon the vested value of the participant's accumulation accounts at the time of distribution. Distributions must commence no later than April 1st of the calendar year following the calendar year in which the participant attains age seventy and one-half (70½) years of age.

The SDHC pension plan has a third party fiduciary, Retirement Benefits Group, and a third party recordkeeper, Transamerica. SDHC has the authority to establish and amend the provisions of the SDHC Plan including the contribution requirements with the approval of the Board of Commissioners. The SDHC Plan assets have been included in the Fiduciary Funds statements. The SDHC Plan is audited by an outside firm, and a copy of the audit report can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, California 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, 2020 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]	6,117
Inactive (Terminated) Employees Entitled to but not yet Receiving Benefits	244
Active Employees	314
Total	6,675

[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 $8,400[1] to $15,200[1] per year. Retirees who are not eligible for Medicare are entitled to receive reimbursement of healthcare premiums, ranging from approximately $8,900[1] to $16,100[1] per year. Retirees under this plan can obtain health insurance coverage with the plan of their choice, including any City sponsored, REO sponsored, or privately secured health plan. Reimbursements for certain retirees under this plan are adjusted annually based upon the projected increase for National Health Expenditures by the Centers for Medicare and Medicaid Services (Annual Inflator). Annual adjustments may not exceed 10% for any plan year. In addition, 100% of Medicare Part B premiums are reimbursed, including income related increases to the standard Part B premium amount. Disabled retirees are eligible for the maximum allowance regardless of years of eligible service credit.

III. Option A Plan - Members not retired by April 1, 2012 who elected Option A under the Healthcare MOU are paid or reimbursed for health insurance premiums by the City up to $10,408[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 can be 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 2021, the City's Annual Employer Contribution was $65,376. The following table provides the fiscal year 2021 contribution breakdown by fund:

General Fund	$	48,981
Nonmajor Governmental Funds		604
Internal Service Funds		1,991
Sewer Utility		4,690
Water Utility		4,110
Nonmajor Enterprise Funds		5,000
Total Healthcare MOU Contributions	$	65,376

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 2021, employees contributed $292 for Options A and B.

As of June 30, 2021, the fair value of the City's investments in the CERBT was approximately $141,490. This balance is net of all plan activity during fiscal year 2021, including net annual investment earnings and administrative expenses amounting to approximately $24,257 and $115, respectively.

The following table summarizes the sources used to satisfy fiscal year 2021 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]	$	33,849
Employee Contributions - Options A&B		292
CERBT Withdrawal		4,927
Total Defined Benefit Pay-as-you-go Costs [2]	$	39,068

[1] The remaining $31,527 of the total $65,376 Annual Employer Contribution is used for Option C Plan costs, which is a defined contribution plan.

[2] Includes administrative costs of $86.

c. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2020 based on the following actuarial methods and assumptions:

Description	June 30, 2020
Actuarial Cost Method	Entry Age Normal, Level Percent of Pay
Discount Rate	6.42%
Consumer Price Index	2.50%
Salary Increases	3.05%, and additional merit scale that varies by service.
Healthcare Cost Trend Rates	7.0% pre-65 and 6.0% post-65 initial trend rates for fiscal year 2021. Decreasing until ultimate rate of 4.5% is reached in fiscal year 2027 pre-65 and fiscal year 2028 post-65.
Mortality	The base mortality rates are based on the Society of Actuaries Pub-2010 Mortality Rates Table except for General Disabled Retirees which is based on 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, 2020. 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 6.42% 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, 2020 measurement date, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Real Rate of Return
Global Equity	40.0 %	5.98%
Fixed Income	43.0 %	2.62%
REITs	8.0 %	5.00%
TIPS	5.0 %	1.46%
Commodities	4.0 %	2.87%
Total	100.0 %	

Source: CERBT

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, 2020, 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 20.65%.

	Increase/Decrease		
	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019	$ 581,444	$ 118,928	$ 462,516
Changes for the Year:			
Service Cost	709	—	709
Interest	36,287	—	36,287
Differences between Expected and Actual Experience	4,019	—	4,019
Changes in Assumptions	9,553	—	9,553
Contributions - Employer	—	36,352	(36,352)
Contributions - Employee	—	378	(378)
Net Investment Income	—	6,438	(6,438)
Benefit Payments	(39,744)	(39,744)	—
Administrative Expense	—	(59)	59
Net Changes	10,824	3,365	7,459
Balances at June 30, 2020	$ 592,268	$ 122,293	$ 469,975

In 2020, SDCERS completed an experience study for the period July 1, 2015 through June 30, 2019. The SDCERS Board adopted the assumptions that reflect the results of this experience study as of July 2020. The assumptions updated for this valuation based on this study are retirement rates, termination rates, disability rates, mortality rates, and salary increases. The increase to the Total OPEB Liability is mainly attributable to the update to mortality rates. In addition, the long-term expected rate of return and discount rate was lowered from 6.45% to 6.42%. This change was based on the CERBT Investment Policy effective October 1, 2018, applied to the City's expected cash flows and contributions to calculate a single equivalent rate of return.

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. Four 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. Seven years of information is presented and will build to 10 years of information on a prospective basis.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - Pursuant to GASB 75, the following table presents the net OPEB liability of the City, calculated using the current discount rate of 6.42% 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 (5.42%)	Current Discount Rate (6.42%)	1% Increase (7.42%)
Net OPEB Liability	$ 533,375	$ 469,975	$ 416,282

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Pursuant to GASB 75, the following table presents the net OPEB liability of the City, calculated using the current health care cost trend rate of 7.00% as well as what it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
	(6.00% pre-65 / 5.00% post-65 decreasing to 3.50% pre-65 / post-65)	(7.00% pre-65 / 6.00% post-65 decreasing to 4.50% pre-65 / post-65)	8.00% pre-65 / 7.00% post-65 decreasing to 5.50% pre-65 / post-65)
Net OPEB Liability	$ 422,416	$ 469,975	$ 519,531

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

For the measurement period ended June 30, 2020, the City recognized OPEB expense of $42,651. As of the measurement period June 30, 2020, 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	$ 33,849	$ —
Net Difference Between Projected and Actual Investment Earnings	663	—
Total	$ 34,512	$ —

Pursuant to GASB 75, $33,849 reported as deferred outflows of resources related to OPEB contributions made subsequent to the measurement date of June 30, 2020, will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred inflows of resources will be recognized as OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2022	$ 71
2023	220
2024	130
2025	246

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 2021 were $31,527.

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 $653 to the Retiree Medical Trust Plan in fiscal year 2021.

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 $616 to the Firefighters Benefit Trust in Fiscal Year 2021.

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 $52,942 balance is composed of several items, including:

- A $2,980 loan from the General Fund to the General Fund Commercial Paper Capital Projects Fund to cover negative cash related to capital project expenditures prior to commercial paper issuance.
- A $8,054 loan from the General Fund to the Transient Occupancy Tax (TOT) Fund to cover a cash deficit resulting from the timing of TOT receipts.
- Loans of $25,000 and $16,905 from the Budgeted Capital Outlay Fund and the Road Maintenance and Rehabilitation Fund, respectively, to the Capital Grants Fund to cover negative cash resulting from deferred inflows of resources (unavailable grant revenue).

	Benefiting Fund (Payable)
Contributing Fund (Receivable)	Nonmajor Governmental
General Fund	$ 27,940
Nonmajor Governmental	25,002
Total	$ 52,942

The SANDAG TransNet Commercial Paper Program is in place in order to ensure necessary cash flows to support the West Mission Bay Drive Bridge construction project until grant reimbursements are received from the Caltrans Highway Bridge Program (HBP) . The HBP grant is only reimbursable up to $20 million per year, therefore TransNet commercial paper will be loaned on a recurring basis. The balance of the interfund loan between the TransNet Capital Projects Fund and the Capital Grants Fund as of June 30, 2021 was $26,167.

	Benefiting Fund (Payable)
Contributing Fund (Receivable)	Nonmajor Governmental
Nonmajor Governmental	$ 26,167

Interfund transfers result from the transfer of assets without the expectation of repayment. Transfers are most commonly used to (1) move revenues from the fund in which it is legally required to collect them into the fund which is legally required to expend them, including TOT and TransNet funds collected in said funds but legally spent within the General Fund, (2) utilize unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, in accordance with budgetary authorizations, and (3) move tax revenues collected in the special revenue funds to capital projects and debt service funds to pay for capital projects and debt service needs during the fiscal year. Interfund transfer balances for the year ended June 30, 2021 were as follows:

	Benefiting Fund						
Contributing Fund	General Fund	Nonmajor Governmental	Sewer Utility	Water Utility	Nonmajor Enterprise	Internal Service	Total
General Fund	$ —	$ 20,960	$ 443	$ 313	$ 205	$ 419	$ 22,340
Nonmajor Governmental	22,839	54,789	—	—	—	—	77,628
Sewer Utility	—	—	—	—	—	2,350	2,350
Water Utility	—	—	30	—	—	150	180
Nonmajor Enterprise	—	—	—	—	1,014	—	1,014
Internal Service	16,700	—	—	—	—	—	16,700
Total	$ 39,539	$ 75,749	$ 473	$ 313	$ 1,219	$ 2,919	$ 120,212

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 $3,000 per occurrence. Above the SIR, the City has a $2,500 individual member corridor deductible (annual aggregate). 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" (formerly known as CSAC-Excess Insurance Authority), for amounts up to $50,000 per occurrence (inclusive of the $3,000 self-insured retention and the $2,500 individual member corridor deductible).

The City is fully self-insured for its long-term disability program. 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 Long-Term Disability Fund is reported in the Miscellaneous Internal Service Fund. Similarly, 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, 2021 were determined based on results of independent actuarial valuations and include amounts for claims incurred but not reported. Claims liabilities were calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Non-incremental claims adjustment expenses have been included in the actuarial calculations for general liability. Estimated liabilities for general liability claims have been reported in the government-wide financial statements, Sewer Utility Fund, Water Utility Fund, and the Successor Agency Private-Purpose Trust Fund. Estimated liabilities for workers' compensation claims have been recorded in the government-wide financial statements, the Water Utility Fund, Sewer Utility Fund, Nonmajor Enterprise Funds, and Internal Service Funds. Estimated liabilities for long-term disability claims are recorded in the Miscellaneous Internal Service Fund.

A reconciliation of total liability claims for the City's general liability, workers' compensation, and long-term disability obligations, showing current and prior year activity is presented below:

	General Liability	Workers' Compensation & Long-Term Disability	Total
Balance, July 1, 2019	$ 176,207	$ 289,708	$ 465,915
Claims and Changes in Estimates	45,855	37,935	83,790
Claim Payments	(46,057)	(37,373)	(83,430)
Balance, June 30, 2020	176,005	290,270	466,275
Claims and Changes in Estimates	105,570	45,979	151,549
Claim Payments	(47,814)	(35,035)	(82,849)
Balance, June 30, 2021	$ 233,761	$ 301,214	$ 534,975

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 $25 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 $300,000 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 $300,000 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 $15,000 per occurrence, subject to a $25 deductible.

The City's insurance portfolio includes premises liability (Bodily Injury, Third Party Property Damage) under its Airport Liability Policy which provides $50,000 in limits. A separate Aircraft Policy provides $50,000 in property and liability coverage for City owned and chartered aircraft. The City relies on electronic information and security liability coverage through its purchase of a Cyber Liability Policy with limits of $12,000 and an aggregate of $50,000. Lastly, property and liability insurance limits in the amount of $5,000 are provided under the City's Watercraft policy.

With the exception of Flood limits under the "All Risk" property policy, during fiscal year 2021, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements which were covered by insurance have not exceeded the City's insurance coverage limits. However, some losses may not be covered by insurance and would need to be funded by the City. The City can give no assurance that particular losses will be covered or that coverage providers will be able to pay recorded losses.

See Note 18 for additional information.

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

The Capital Grants Capital Projects Fund has a fund balance deficit of $47,780, which represents deferred inflows of resources related to grant revenue which did not meet the City's availability criteria. The deficit is mainly attributable to the Mission Bay Bridge Replacement Project funded primarily from a Federal transportation grant. The deficit will be corrected as reimbursements are received from the Federal grant.

The implementation of GASB 68 and GASB 75 resulted in a significant impact to the net position of most proprietary funds. The Development Services Fund has a net position deficit of $83,608. The Central Stores and Publishing Services Internal Service Funds have net position deficits of $3,020 and $2,385, respectively. The Miscellaneous Internal Service Fund has a net position deficit of $14,369. 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 deficit of these funds are anticipated to be corrected over the long-term.

The Private-Purpose Trust Fund (Successor Agency) has a net position deficit of $347,215, 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, 2021 are reflected in the table below.

General Fund	$ 27,552
Nonmajor Governmental Funds	180,711
Sewer Utility	195,259
Water Utility	210,788
Nonmajor Enterprise Funds	50,449
Total Contractual Commitments	$ 664,759

California Regional Water Quality Control Board Administrative Proceeding - Municipal Storm Water Permit

The State Water Resources Control Board (SWRCB) is the State agency charged with implementing the federal Clean Water Act (Clean Water Act). The SWRCB delegates its authority to nine regional boards, which implement the Clean Water Act and the California Water Code in their respective regions. The Regional Water Quality Control Board San Diego Region (RWQCB) has jurisdiction over the San Diego area. The RWQCB issues the Municipal Storm Water National Pollutant Discharge Elimination System Permit (Municipal Permit) as required by the Clean Water Act. The City is currently operating under a Municipal Permit that was issued in May 2013, which expired in June 2018. The expired Municipal Permit will remain in effect until it is reissued and adopted by the RWQCB, which is anticipated in the fall of 2022.

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 storm water 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 storm water quality regulatory deadlines between fiscal year 2012 and fiscal year 2035 for each of the six watersheds within the City's jurisdiction. These Improvement Plans were reviewed and accepted by the RWQCB in March 2016. Furthermore, the Municipal Permit imposes numerous obligations and requirements on the City, including requirements to ensure that the City's various water bodies, and the storm drains discharging into them, do not contain pollutants in excess of USEPA and State-mandated numeric limits. These numeric limits, referred to as "receiving water limitations" are enforced without regard to fault, and the City can be held liable if samples collected in water bodies downstream of any City storm drain outfalls exhibit exceedances of these receiving water limitations. Additionally, the Municipal Permit contains several regulatory requirements related to Total Maximum Daily Load (TMDL). Each TMDL requirement contains both interim deadlines and final deadlines to attain certain prescribed water quality standards through fiscal year 2035. The City can be held liable for not attaining the prescribed water quality standards within the respective time frames. Both the RWQCB and citizen stakeholders can file enforcement actions and lawsuits for violations, with penalties for state lawsuits not to exceed $10 per violation, per day, and penalties for federal lawsuits not to exceed $54 per violation, per day.

Additionally, in June 2017, the RWQCB adopted Order No. R9-2017-0077 which directs Municipal Permit holders to control trash discharges to water bodies (State Trash Policy). The State Trash Policy will be included in the next Municipal Permit reissuance. The estimated funding needed to comply ranges from a combined total of $12,000 to $17,000 over 10 years and is detailed in a trash capture device work plan that began implementation in 2020 and is expected to continue through 2030. Most of these compliance activities represent pollution prevention or control obligations with respect to current storm water operations and are not subject to accrual in the basic financial statements.

In September 2021, the City updated its estimate for compliance implementation costs for the period between fiscal years 2022-2035 as follows:

Operating Cost Estimate	$	1,674,750
Capital Cost Estimate		2,466,480
Total [1]	$	4,141,230

[1] Total includes State Trash Policy cost estimate.

The above amounts represent the City's estimate to comply with storm water regulations. 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 $4,141,230 reflect unfunded needs from previous fiscal years, updated compliance costs to account for current regulations, and cost refinements based on 2020 dollars for CIP and 2022 dollars for operating costs including future inflation growth. These estimates could be higher or lower depending on changes in regulatory standards, science and technology advancements, and new impairments that could be identified by the RWQCB as future water quality tests are conducted. It should be noted that this note focuses on costs associated with regulatory compliance over the compliance period (2035). The Storm Water Department Interim Funding Strategy Implementation Update (November 2021) currently being developed by the City uses a longer timeframe (2041) in order to develop a funding strategy beyond the permit/regulatory requirements covered in this document.

The City Storm Water Department's estimated costs to implement the Improvement Plans are higher compared to current spending levels and projected budget allocations. Operating compliance-related expenses budgeted for fiscal year 2022 are approximately $47,413. The estimated carry-forward plus adopted compliance-related CIP budget for fiscal year 2022 is approximately $5,583, which is funded primarily with General Fund revenues and debt financing proceeds. The City's storm drain fee of 95 cents per month per residence generated approximately $5,866 in fiscal year 2021 and covers only a small portion of the City's annual storm water expenses. This current level of funding is not sufficient to meet the estimated costs to implement the Improvement Plans necessary to comply with ongoing requirements. To address this, in 2019 the City began the development of a storm water funding strategy to identify a sustainable long-term funding mechanism for the Storm Water Program. The recommended funding strategy implementation includes the following four principal factors:

1) Further reduce costs and maximize efficiencies:
   Cost reductions can be achieved in several ways, including reducing or eliminating sources of pollution, utilizing adaptive management, and optimizing operation and maintenance efforts.

2) Continue to invest in storm water program innovation:
   Since 2018, Storm Water Department staff have invested in integrated engineering plans that identify and prioritize projects that provide flood management, water quality, habitat revitalization, equity, community benefits, and potential water supply benefits. By planning for and strategically assessing projects through a multi-purpose lens, the City can maximize the benefits and impact of each project and realize cost savings by achieving multiple objectives.

3) Maximize existing funding sources, grants and loans:
   Several funding options were analyzed including those within the division's authority, those subject to City discretion, and those outside of City control such as grants and loans at both the State and Federal level.

4) Pursue development of dedicated funding mechanism for storm water:
   Under a scenario where the Storm Water Program maintains current funding levels, realizes annual cost savings from programmatic efficiencies, and maximizes all other potential existing funding options, a significant funding gap still exists, underscoring the need for a dedicated long-term funding source. Evaluation and benchmarking of various funding mechanisms showed that most successful post-Proposition 218 funding measures were either property-related fees or special taxes that require a vote of property owners or the public.

The City is evaluating multiple potential funding and financing mechanisms as it continues to develop and refine its Long-Term Stormwater Funding Strategy. A status update was provided to the San Diego City Council's Environment Committee in November 2021, and a final Long-Term Stormwater Funding Strategy will be presented to the San Diego City Council in early 2022. As of the writing of this report, no decision has been made on a potential tax or fee ballot measure.

Los Peñasquitos Lagoon Sedimentation TMDL

The City is listed as a responsible party regarding the sedimentation of Los Peñasquitos Lagoon and is projected to have met its interim regulatory deadline related to this TMDL in 2020. This TMDL 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. There is no measurable pollution remediation that can be identified. The City has initiated Phase I of this required restoration, which involves sediment and freshwater management, as well as a pilot salt marsh restoration component that will result in at least 23 acres of restoration. Phase I is estimated to be completed in 2027. The estimated cost for Phase I is approximately $36,000, which will be borne by the responsible parties named in this TMDL, which are the City, the County, the City of Del Mar, the 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. The City's portion of the Phase I costs is currently estimated at $27,437, but is subject to change based on updated information and actual construction bids. 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 2021 through 2026, the City estimates Compliance Order project costs to total approximately $30,191. 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.

Agreement Relative to Modified Permit for the Point Loma Wastewater Treatment

In June 2010, the City received a renewal of the Modified Permit for the Point Loma Wastewater Treatment Plant (Pt. Loma) and agreed to identify opportunities to maximize recycling wastewater for potable and non-potable uses. That permit expired in July 2015 and was administratively continued while the regulatory agencies completed work on the renewal application. In August 2017, the USEPA, in conjunction with the RWQCB, issued the final approval renewing the Modified Permit and the waiver from secondary treatment standards for another five years. The permit term took effect on October 1, 2017 and expires on September 30, 2022.

The modified permit renewal was based on compliance with the Clean Water Act requirements, progress of the Pure Water San Diego Program (Program), and a reduction in permitted emissions from the previous permit level. The Program is designed to reduce discharge into the ocean from Pt. Loma while providing a new local source of potable water for the City. The renewal recognized the value of the Program in the early phases of implementation, and it is anticipated that Program continuance can be reflected in future permits. As of June 2021, the first phase of the Program is estimated to cost approximately $1,499,000, of which approximately $672,000 will be allocated to the Sewer Utility Fund, and approximately $827,000 will be allocated to the Water Utility Fund. This estimate does not include the facilities relocation costs described in the section below. The first phase of the Program is anticipated to be operational by calendar year 2025.

On, June 15, 2020 The House of Representatives passed the Ocean Pollution Reduction Act II (H.R. 587), which proposes modifying the permitting requirements for discharge of pollutant from Pt. Loma. 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 legislation is now before the US Senate Committee on Environment and Public Works for further consideration. No timeline for consideration 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 $35,700 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. The Court set a date for cross-motions for summary judgment of October 10, 2022 and a trial date of March 17, 2023. In early 2020, the City and SDG&E determined that the City will be required to pay SDG&E the cost of relocating a 10" gas line near the Pure Water Facility, which was not in the public right of way, estimated at $18,000. This amount will reduce the $35,600 the City is seeking to recover in its lawsuit against SDG&E.

As of September 2021, SDG&E estimates that its relocation costs for the Pure Water Program (Including the 10" gas line near the Pure Water Facility) will be $50,055..

Senate Bill (SB) 1383 State Regulatory Compliance

In September 2016, Governor Brown signed into law SB 1383 (Lara, Chapter 395, Statutes of 2016), establishing methane emissions reduction targets in a statewide effort to reduce emissions of short-lived climate pollutants (SLCP) in various sectors of California's economy. The new law codifies the California Air Resources Board's Short-lived Climate Pollutant Reduction Strategy to achieve reductions in the statewide emissions of short-lived climate pollutants. As it pertains to the City, SB 1383 establishes targets to achieve a 50 percent reduction in the level of the statewide disposal of organic waste from the 2014 level by 2020 and a 75 percent reduction by 2025.

Starting January 1, 2022, the City must have an adopted ordinance and enforcement mechanism for SB 1383. In addition, the City must implement the following: citywide organics collection; establish an edible food recovery program; procure recovered organic waste products; track metrics and report to CalRecycle; and conduct education and outreach.

For fiscal years 2022 through 2026, the City has a preliminary estimate of $120,000 in General Fund expenditures for regulatory compliance. In addition, anticipated ongoing operational costs of approximately $20,000 per year starting in fiscal year 2027. Starting in fiscal year 2022, this funding will be used to implement the regulation through upgrading facilities, increasing staffing, acquiring collection vehicles, and procuring additional containers. The consequence for non-compliance is up to $10 per violation, per day starting in 2022.

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. The Single Audit for fiscal year 2021 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 1,493 notices of claims in fiscal year 2021.

As of June 30, 2021, the City estimates the amount of tort and non-tort liabilities to be $233,761, 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 $239,153. 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, 2021.

Additional information on litigation regarding the Pension Plan can be found in the introductory section of Note 12.

POLLUTION REMEDIATION OBLIGATIONS

A pollution remediation obligation is an obligation to address the current or potential detrimental effects of existing pollution by participating in remediation activities. The following items are contingent matters concerning the City.

Boat Channel at Naval Training Center (NTC)

The old Naval Training Center (NTC) was closed and, with the exception of the Boat Channel, the property was conveyed to the City under the Base Realignment and Closure (BRAC) process that culminated in a Memorandum of Agreement (MOA) between the City and the U.S. government (Navy) in 2000. NTC was redeveloped as Liberty Station by the Corky McMillin Companies. The transfer of the NTC Boat Channel was excluded from the conveyance because it was polluted. The MOA requires the Navy to remediate the Boat Channel and obtain appropriate regulatory site closure prior to conveyance. The Navy has completed a limited clean-up of the Boat Channel and has obtained RWQCB approval of the clean-up. Despite the approval, the City believes the clean-up is deficient for a number of reasons including (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. The City has repeatedly made these objections known to the Navy and the RWQCB. The Navy claims the City is partly responsible for discharges which polluted the channel and therefore is responsible to pay a portion of the remediation costs. The City denies the Navy’s claim for a number of reasons, including the terms of the MOA and the fact that military facilities (both NTC and the Marine Corps Recruit Depot) surrounded the channel for decades, and most if not all pollutant discharges were Navy-originated. On August 24, 2020 the Navy requested comments regarding the draft Finding of Suitability to Transfer (FOST) letter. On September 21, 2020, the City submitted comments to the Navy. On July 15, 2021, the Navy sent letters to the City, Port of San Diego, and the San Diego International Airport requesting for the parties to re-engage in settlement discussions. The first of these discussions occurred on September 29, 2021. The City cannot estimate its apportioned responsibility for such remediation costs, if any, at this time.

San Diego Bay's Laurel Hawthorn Central and East Embayment Sediment Investigative Order R9-2019-040

On July 25, 2018, the RWQCB released three draft Investigative Orders (IOs) for the assessment of the Laurel Hawthorne Embayment (LHE). The City was named on one of the three IOs as a responsible party to determine the extent and magnitude of sediment contamination in LHE at the terminus of the City's 84-inch outfall. On October 2, 2019, the RWQCB issued the final IO requiring the City to submit a Sediment Assessment Work Plan (SAWP) to assess the extent and magnitude of pollutants in sediments caused by discharges from the City's 84-inch storm drain outfall. Additionally, the RWQCB issued two separate, and complimentary IOs to adjacent San Diego Unified Port District tenants, Solar Turbines and General Dynamics. The City's revised SAWP was submitted on February 3, 2021 and approved on February 18, 2021. The waterside monitoring occurred in August 2021. The City is now working to complete the Sediment Chemistry Assessment Report which will be submitted to the RWQCB 180 days from receipt of the final laboratory data report to the City. 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 R9-2021-0135 and San Diego Bay Adjacent to Continental Maritime Draft Sediment Investigative Order R9-2021-0136

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 September 9, 2021 the RWQCB issued new draft 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 information that was adopted by the State Water Resources Control Board in 2018. The draft Investigative Orders require a full sediment quality assessment for aquatic life, tier 2 human health assessment, and wildlife-resident finfish beneficial uses. The City submitted comments to the Regional Board on November 12, 2021, and it is expected the final order will be issued in the spring of 2022 after a public comment and review period. Extent and costs of remediation cannot be estimated until the investigations are completed to determine if there are problems, and if so, the cleanup levels will be negotiated with and ultimately imposed by the RWQCB. In addition, the responsible parties will then need to negotiate the allocation of clean up responsibilities.

San Diego River Investigative Order R9-2019-0014

On June 12, 2019, the San Diego Regional Water Quality Control Board (Regional Board) issued a five year Investigative Order R9-2019-0014 “To Submit Technical and Monitoring Reports to Identify and Quantify the Sources and Transport Pathways of Human Fecal Material to the Lower San Diego River Watershed.” The Order alleged that there are suspected sources of bacteria being transported through various pathways to the San Diego River. The Order named several agencies as responsible parties including the City. The responsible agencies have retained the services of the Southern California Coastal Water Research Project (SCCWRP) to serve as technical lead. SCCWRP will assist with the implementation of the approved work plan and preparation of the required technical and monitoring reports to identify and investigate potential sources of human fecal material, evaluate transport pathways, and quantify the amount that each source contributes, if any, to the Lower San Diego River. During the course of this five year IO, the City expects the Stormwater Department's share of the costs to complete the studies and monitoring in accordance with the IO not to exceed $777, and the Public Utilities Department amount not to exceed $1,720. Based on the results of the IO, the RWQCB may require the responsible parties to take additional actions to address human sources of bacteria. The cost associated with these potential additional actions cannot be estimated at this time.

Bacteria TMDL

The City is listed as a responsible party in the Bacteria TMDL, which was adopted by the RWQCB through the Municipal Permit for numerous impaired water bodies in order to attain and maintain currently applicable fecal indicator bacteria water quality standards. All responsible parties are required to reduce the levels of bacteria in their discharges to all listed water bodies. The City has not met its interim or final dry weather regulatory discharge requirements by the compliance deadline (April 2019 and April 2021, respectively) related to the Bacteria TMDL in some watersheds based on updated water quality monitoring data due to insufficient funding and the time requirements to implement essential capital projects. During the timeframe that the City is not compliance with the final discharge requirements (April 2021), the City is subject to Mandatory Minimum Penalties (MMPs) of at least $3 per violation per location, for each constituent sampled that exceeds a numeric discharge requirement. The SWRCB's Enforcement Policy encourages Regional Water Boards to administratively issue MMPs within eighteen (18) months of the exceedance that incurs the MMP. MMPs began accruing on April 4, 2021 and will continue to accrue until the City achieves compliance. However, the City is currently engaged in multiple efforts to comply with these requirements. First, the City is enhancing efforts to identify and eliminate human sources of bacteria, which are most harmful to human health. The City's efforts are documented in a Bacteria Tactical Plan that describes the collaboration among three City departments to capture current and potential new activities that can be initiated to address bacteria sources. Efforts include addressing homeless encampments, continued administration of an interdepartmental abatement team, and increased trash removal. Using the implementation activities in the Bacteria Tactical Plan as a basis, the City is in discussions with the RWQCB for the issuance of a Time Schedule Order (TSO). A TSO would provide additional time for the City to come into compliance with the final dry weather requirements as long as specific agreed upon actions are taken to correct the alleged violations. A TSO would also ensure that MMPs are avoided during implementation of the prescribed time schedule of actions. In order to ensure future compliance with dry and wet weather bacteria compliance deadlines, the City is also developing a strategy to implement the San Diego River Investigative Order (listed earlier) and to use those results to consider whether amendments to the Bacteria TMDL and/or Municipal Permit, contingent on RWQCB approval, are warranted that may reduce the City's estimates of funding needs.

Dams Licensing and Safety

The City's Water system operates nine dams that are subject to the jurisdiction of the California Department of Water Resources' Division of Safety of Dams (DSOD), which has various inspection and approval authority relative to operations of and improvements to dams. Most of the nine dams were constructed 61 to 109 years ago. In sequence of age and starting with the oldest, these dams are Morena, Hodges, Murray, Lower Otay, Barret, El Capitan, San Vicente, Sutherland, and Miramar. Among the authority granted to DSOD is the power to impose Water level restrictions on dams for safety reasons, which may restrict reservoir capacity. These water level restrictions apply to Hodges Dam and El Capitan. Hodges Dam was downgraded from "fair" to "poor" condition in September 2019 by DSOD, due to dam safety deficiencies. The water level restriction is a requirement from DSOD, providing a mitigation measure to ensure dam safety of Hodges Dam. The DSOD can potentially downgrade and impose water level restrictions on other City dams due to their condition.

The City has completed one detailed condition assessment of Hodges Dam and three partial assessments for El Capitan, Lower Otay and Morena. Over the next five years the City plans to complete comprehensive condition assessments for all nine dams. Based on the initial assessment of the City's dams' condition to date, the City has estimated that approximately $1,000,000 of improvements could be needed over the next several decades to ensure dam safety and performance at all nine dams. This estimated dollar amount is limited by the amount of detail provided in these initial assessments and will be refined as more comprehensive condition assessments are completed.

COVID-19

The COVID-19 pandemic had significant negative financial impacts on fiscal years 2020 and 2021. The State, County, and City have put in place measures and protocols to help reduce the spread of the virus and provide financial relief to individuals and businesses. Many of these polices have impacted the City's revenue sources such as property tax, sales tax and parking meter revenue. For additional information on the COVID-19 impacts on Sales Tax and TOT, refer to the Letter of Transmittal. The local economy and the City revenues are slowly recovering, but have not returned to pre-COVID levels.

In April 2020, the City received $248,451 of CRF funding made available through the CARES Act, of which $91,786 was expended in fiscal year 2020 and $156,665 was expended in fiscal year 2021.

In March 2021, the federal government passed the ARPA. The ARPA established the SLFRF to provide support to State, territorial, local, and Tribal governments in responding to the economic and public health impacts of COVID-19 and efforts to contain impacts on their communities, residents, and businesses from which the City received $299,715. As of June 30, 2021 none of those funds have been expended.

The State Water Board has received $985,000 to address residential and commercial customer water debt that accrued during the COVID-19 pandemic bill relief period as part of the ARPA of 2021. The City expects to submit requests for payment under the program to fully or partially forgive residential and commercial arrearages for Water and Wastewater accounts.

These programs are audited in accordance with federal guidelines and may be subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

19. DEBT WITHOUT GOVERNMENT COMMITMENT (Dollars in Thousands)

The City and/or the former RDA of the City have authorized the issuance of certain Special Assessment/Special Tax Bonds, Parking Revenue Bonds, Tax Allocation Bonds, and Loans. The City has no legal obligation to make payment on these bonds or loans and has not pledged any City assets as a guarantee to the bondholders/lenders. These bonds and loans do not constitute indebtedness of the City. The bonds are payable solely from payments made on and secured by a pledge of the acquired funds, other monies held for the benefit of the bondholders pursuant to the bond indentures, property liens and other loans. Accordingly, no liability has been recorded in the City's government-wide statement of net position. Long-term liabilities of the former RDA are reported in the Successor Agency Private-Purpose Trust Fund. The following sections describe the outstanding debt without government commitment.

a. Special Assessment/Special Tax Bonds

The City, on behalf of the Special Assessment Districts (AD) and the Community Facilities Districts (CFD), have issued debt to finance infrastructure improvements and facilities necessary to facilitate development of the properties within the respective districts located in the City. The special assessment and special tax bonds are secured by special assessment and special tax liens, respectively, on the real property within the districts and are not direct liabilities of the City. The City has no fiscal obligation beyond the balances in designated AD and CFD funds for any related bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. The City acts solely as the agent in the collection and remittance of the assessments and special taxes for these ADs and CFDs and initiates foreclosure proceedings as required under the bond covenants. As of June 30, 2021, the status of each of the special assessment/special tax bonds issued is as follows:

	Original Amount	Balance Outstanding June 30, 2021
Community Facilities District No.2 (Santaluz), Improvement Area No. 1, Series 2011 A	$ 51,680	$ 30,480
Community Facilities District No.1 (Miramar Ranch North), Series 2012	24,795	—
Community Facilities District No.3 (Liberty Station), Series 2013	15,770	12,340
Assessment District No.4096 (Piper Ranch), Issued July 2013	3,830	2,850
Community Facilities District No.2 (Santaluz), Improvement Area No. 3, Series 2015	3,380	2,405
Community Facilities District No.2 (Santaluz), Improvement Area No. 4, Series 2015	6,215	4,915
Community Facilities District No.4 (Black Mountain Ranch Villages), Series 2016	16,435	14,100
Total Special Assessment / Special Tax Bonds	$ 122,105	$ 67,090

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, 2021, the status of each of the parking revenue and tax allocation bonds issued is as follows:

	Original Amount	Balance Outstanding June 30, 2021
Revenue Bonds:		
Centre City Parking, Series 1999 A	$ 12,105	$ 3,485
Centre City Parking, Series 2003 B	20,515	3,070
Total Revenue Bonds	32,620	6,555
Tax Allocation Bonds:		
Centre City Redevelopment Project, Series 2001 A	58,425	7,820
Successor Agency Redevelopment Refunding, Series 2016 A	145,080	98,005
Successor Agency Redevelopment Refunding, Series 2016 B	30,105	19,190
Successor Agency Redevelopment Refunding, Series 2017 A	64,565	54,595
Successor Agency Redevelopment Refunding, Series 2017 B	155,400	126,505
Total Tax Allocation Bonds	453,575	306,115
Total Bonds	$ 486,195	$ 312,670
Accreted Interest Payable on Tax Allocation Bonds:		
Centre City Redevelopment Project, Series 2001 A		$ 14,896

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, 2021, principal of $502 was paid towards the Naval Training Center Section 108 Loan and $2,261 towards miscellaneous loans. Interest of $12,738 was paid towards miscellaneous loans.

	Original Amount	Balance Outstanding June 30, 2021
Loans Payable:		
City of San Diego - Naval Training Center Section 108, Dated June 2004	$ 5,910	$ 100
Accrued Interest Payable:		
City San Diego - Naval Training Center Section 108	$ 1,899	$ 1,899
City of San Diego - Miscellaneous	105,733	92,995
Total Accrued Interest Payable	$ 107,632	$ 94,894

d. Amortization Requirements

The annual requirements to amortize the private-purpose trust fund long-term debt outstanding as of June 30, 2021, including interest payments to maturity, are as follows:

	Loans Payable		Revenue Bonds	
Year Ending June 30	Principal	Interest	Principal	Interest
2022	$ 100	$ 15,400	$ 1,730	$ 336
2023	—	—	1,005	256
2024	—	—	1,065	194
2025	—	—	1,130	128
2026	—	—	1,195	58
2027-2031	—	—	430	11
Unscheduled [1]	—	79,494	—	—
Total	$ 100	$ 94,894	$ 6,555	$ 983

	Tax Allocation Bonds		
Year Ending June 30	Principal	Unaccreted Appreciation [2]	Interest
2022	$ 24,017	$ 2,443	$ 12,300
2023	22,084	2,576	11,386
2024	22,857	2,713	10,478
2025	23,650	2,845	9,517
2026	24,686	3,989	8,510
2027-2031	86,596	4,169	29,647
2032-2036	54,490	—	14,758
2037-2041	47,735	—	5,159
Total	306,115	18,735	101,755
Add: Accreted Appreciation through June 30, 2021	14,896	—	—
Total	$ 321,011	$ 18,735	$ 101,755

[1] The loans payable to the City in the amount of $100 and the associated accrued interest of $94,893 are payable dependent on each annual approved Recognized Obligation Payment Schedules.

[2] Unaccreted Appreciation represents the amount to be accreted in future years regardless of the timing of cash flows.

e. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the private-purpose trust fund for the year ended June 30, 2021. 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	$ 65,957	$ —	$ (770)	$ 65,187
Loans Payable	2,863	—	(2,763)	100
Revenue Bonds	8,195	—	(1,640)	6,555
Unamortized Bond Premiums and Discounts	(32)	—	5	(27)
Net Revenue Bonds	8,163	—	(1,635)	6,528
Tax Allocation Bonds	334,193	—	(28,078)	306,115
Interest Accretion	15,956	1,237	(2,297)	14,896
Balance with Accretion	350,149	1,237	(30,375)	321,011
Unamortized Bond Premiums and Discounts	23,898	174	(1,982)	22,090
Net Tax Allocation Bonds	374,047	1,411	(32,357)	343,101
Interest Accrued on City Loans	107,632	—	(12,738)	94,894
Total	$ 558,662	$ 1,411	$ (50,263)	$ 509,810

f. Defeased Debt

On September 1, 2020, the following Tax Allocation Bonds were defeased and redeemed: City Heights 2010 Series A and B; Crossroads 2010 Series B; Naval Training Center 2010 Series A; San Ysidro 2010 Series A and B; and Housing Set-Aside 2010 Series A.

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 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

The City is currently permitted by the State to keep the landfill open through fiscal year 2025. However, based on recent changes in recycling policies and compaction methods, the City projects the life expectancy of the landfill will be extended through 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 $51,656 reported as landfill closure and postclosure care liability as of June 30, 2021 represents the cumulative amount reported to date based on the use of 81% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of $12,497 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, 2021. 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, 2021, 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 2021, cash or equity in pooled cash and investments of $32,904 was held for this purpose. The closure/postclosure care liability amount of $51,656 reported in the Environmental Services Enterprise Fund includes $29,934 for closure costs. The amount by which the restricted cash exceeds the closure liability, or $2,971, is included as a component of restricted net position in the Environmental Services Enterprise Fund. 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, 2021, 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 2021, cash or equity in pooled cash and investments of $1,724 was held for this purpose. This amount is reported as restricted net position in the Environmental Services 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, for example), these costs may need to be paid by charges to future landfill users or from other sources. At the end of fiscal year 2021, accrued interest of $52 is included as a component of restricted net position in the Environmental Services 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	$ —	$ 19,714	$ 19,714
RESTRICTED			
Low and Moderate Income Housing	—	360,341	360,341
Facilities Benefit Assessments	—	279,907	279,907
Impact Fees	—	186,152	186,152
Underground Surcharge	—	171,023	171,023
Capital Outlay - Unbudgeted [1]	—	108,385	108,385
Emergency Reserve	106,100	—	106,100
Grants [1]	711	95,451	96,162
Capital Outlay - Budgeted	—	80,124	80,124
PFFA Lease Revenue Bonds	—	57,732	57,732
Road Maintenance & Rehabilitation	41,876	—	41,876
Developer Contributions	—	37,660	37,660
TransNet	—	32,952	32,952
Parking Meter Districts	—	31,620	31,620
TransNet Commercial Paper	—	26,167	26,167
Maintenance Assessment Districts	—	24,681	24,681
Infrastructure Fund (Prop H)	24,629	—	24,629
UCSD Fire Station	—	20,397	20,397
Tourism Marketing Districts	—	19,265	19,265
Park Boulevard State Appropriation	—	17,817	17,817
General Fund Commerical Paper Notes	—	13,808	13,808
Tobbacco Settlement Revenue Funding Corporation	—	11,994	11,994
Special Gas Tax Street Improvement	11,771	—	11,771
Jane Camerson Estate	—	7,933	7,933
Fiesta Island Sludge Mitigation	—	7,179	7,179
Seized Assets	—	5,634	5,634
Citizens Option for Public Safety (COPS)	—	5,077	5,077
Environmental Growth	4,541	—	4,541
Library Donations	—	4,171	4,171
Successor Agency Property Management	—	4,127	4,127
SD Residential Lead Abatement Settlement	—	3,626	3,626
San Diego Regional Consolidated RLF	—	3,537	3,537
Miscellaneous Donations	—	3,351	3,351
Library Donations Matching Fund	—	3,281	3,281
Disability Surcharge (SB1186)	—	3,218	3,218
Los Penasquitos Trust	—	2,841	2,841
Public Safety Training	—	2,268	2,268
Otay Mesa EIFD	—	2,265	2,265
Parks & Recreation Districts	—	2,099	2,099
Downtown PBID	—	2,019	2,019
Section 108	—	2,004	2,004
Library Improvement	1,562	—	1,562
Tierrasanta Ordinance	—	1,431	1,431
Storm Drain Fund	—	1,263	1,263
Traffic Congestion Relief (Prop 42)	—	1,063	1,063
Other [2]	2,111	16,228	18,339
Total Restricted	193,301	1,660,091	1,853,392

	General Fund	Other Governmental Funds	Total Governmental Funds
COMMITTED			
Public Liability	$ 36,542	$ —	$ 36,542
Workers' Compensation	33,667	—	33,667
Capital Outlay - Unbudgeted	—	10,633	10,633
City TV	—	8,904	8,904
Trench Cut Fees	—	5,588	5,588
Civil Penalty Enforcement	—	6,318	6,318
SAP Support	5,621	—	5,621
Public Arts	—	5,406	5,406
Community Equity Fund (CEF)	3,018	—	3,018
Information Technology	2,481	—	2,481
General Plan Maintenance Fund	—	2,294	2,294
Automated Refuse Containers	—	1,902	1,902
SDCCU Stadium Operations	—	1,775	1,775
EMS/MTS Fund	1,619	—	1,619
Retirement UAAL SDCERS Reserve	1,575	—	1,575
Concourse/Park Garage Operating Fund	1,549	—	1,549
Economic & Workforce Development	—	1,484	1,484
Wireless Communications Technology Fund	1,236	—	1,236
Junior Lifeguard Program	—	1,198	1,198
Antenna Lease Revenue	1,175	—	1,175
Transient Occupancy Tax	—	1,034	1,034
Other [2]	720	4,930	5,650
Total Committed	89,203	51,466	140,669
ASSIGNED	10,598	—	10,598
UNASSIGNED	136,340	(79,662)	56,678
TOTAL FUND BALANCE	$ 429,442	$ 1,651,609	$ 2,081,051

[1] Restricted Fund Balance for Grants and Capital Outlay includes $92,994 and $28,995, respectively, for long-term receivables due from the Successor Agency. These amounts are not available to satisfy liabilities of the current period.

[2] The amounts reported as “Other” are composed of a variety of restrictions and commitments less than $1,000.

22. SUBSEQUENT EVENTS (Dollars in Thousands)

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

Self Insured Retention (SIR)

In fiscal year 2021, the City had an SIR of $3,000 and an applicable one-time aggregate individual member corridor deductible (IMCD) of $2,500. Effective in fiscal year 2022, only a $5,000 SIR applies per occurrence and there is no applicable IMCD. The increase is a reflection of the continued hard market for the liability insurance industry which continues to experience high plaintiff demands, high injury verdicts and high dollar claims.

Loan Agreements

On August 24, 2021, the City's Sewer Utility Fund received an additional $5,442 in loan proceeds from a $70,000 SRF Loan agreement with the SWRCB for the Pump Station 2 Power Reliability and Surge Protection Project. The interest rate on the loan is 1.8% and the repayment period for the loan is 30 years, beginning one year after completion of construction of the project, which is currently projected to be December 2023.

On August 19, 2021, the City entered into a second agreement with the USEPA for a second WIFIA loan (Second WIFIA Loan). The Second WIFIA Loan will provide additional funding for up to $119,500 of the Water System's costs of the Pure Water Program Phase I, with a fixed interest rate of 1.82%.

On September 13, 2021 and September 25, 2021, the City received loan proceeds from the First WIFIA Loan in the amounts of $19,407 and $11,451, respectively. The First WIFIA Loan will fund a portion of the Water Utility's cost of the Pure Water Program Phase I.

Capital Lease Obligations

On August 5, 2021, the City lease-purchased various public safety and support vehicles in the amount of $3,441. Under the agreement with Banc of America Public Capital Corp., the leases will be financed for five and ten years at the rates of 0.7649% and 1.1916%.

On August 31, 2021, the City executed a Master Lease Agreement with Banc of America Public Capital Corp. in an amount not to exceed $30,000 to finance essential vehicles and equipment. Leases executed under this agreement will be lease purchase arrangements in terms of 3, 5, 7, or 10 years and will have various interest rates based on the agreement.

On October 13, 2021, the City lease-purchased various public safety and support vehicles in the amount of $4,668. Under the agreement with Banc of America Public Capital Corp.,the lease will be financed for seven years at a rate of 1.1596%.

Special Assessment/Special Tax Bonds

On August 18, 2021, Community Facilities District No. 2 (Santaluz) Improvement Area No.1, Special Tax Refunding Bonds Series 2021 were issued to fully refund the outstanding Community Facilities District No. 2 (Santaluz) Improvement Area No. 1, Special Tax Refunding Bonds Series A of 2011, which were originally issued to refund bonds that provided proceeds for public facilities authorized to be funded in Improvement Area No. 1.

Water Commercial Paper

In the first half of fiscal year 2022, the City is actively working on renewing the LOC for the full $250,000 of the Water Commercial Paper program. The framework of the program will remain the same, and once renewed, there will be just one LOC provider for the entire $250,000 program.

On November 2, 2021, PFFA issued a tax-exempt Water CP Note in the amount of $27,527 to finance the design, acquisition, construction, installation, and improvements of components of the City's water system. The interest rate on the issued Water CP Note was 0.10%.

Patz v. City of San Diego

In July 2015, the City was named in a putative class action, Patz v. City of San Diego (formerly Coziahr v. Otay Water District), alleging that the City's tiered water rates for single-family residential water service customers violate Article XIIID of the California Constitution (Proposition 218). The court certified the case as a class action on August 16, 2019. The phase 1 bench trial on the merits of the Proposition 218 claim was held on June 21, 2021.

On September 13, 2021, the Court ruled in favor of plaintiffs on the Proposition 218 claim. The Court ruled that the water rates for the higher tiers are not sufficiently tied to the City's cost of providing water at the level of consumption represented by the higher tiers and therefore the City's tiered water rate structure violates Proposition 218. The Court will hold a trial on the remedies in a second phase of the proceeding likely to occur in the next six to nine months. The City intends to appeal the Court's ruling on the Proposition 218 claim, but that appeal may not be heard until after the conclusion of the second phase of the trial.

In the event that the City is unsuccessful both in the second phase of the trial and its appeal of the Court's rulings in both phases, depending on how the Court calculates the amount of each customer's refund, the City estimates that the final judgment is likely to be for an amount between $40,000 and $100,000. The City's estimate cannot be more certain at this time because the Court has yet to establish its method for calculating the refund. Under California statute, the City (Water Utility) may be able to take up to 10 years to pay off the judgment. Further, the City (Water Utility) will be able to recover these amounts from ratepayers through increased rates, if necessary.

SDCCC Paycheck Protection Program (PPP)

SDCCC applied for a United States Small Business Administration Loan and was approved for the PPP in April 2020 to pursue funding for payroll costs. SDCCC received loan proceeds in the amount of $4,387 in May 2020. The PPP, established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, an maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. An additional loan of $2,000 was obtained in February 2021 as part of the PPP second draw opportunity and is also expected to be fully forgiven.

Any unforgiven portion of the PPP loans will be payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. SDCCC used the proceeds for purposes consistent with the PPP and expects the loan to be forgiven in full as the PPP criteria have been met. Forgiveness for the first loan installment has been confirmed as of September 30, 2021. The forgiveness application for the second loan is in progress and forgiveness is also expected to be obtained during fiscal year 2022.

San Diego Housing Commission

On July 19, 2021 SDHC received approximately $44,900 of funding for the City of San Diego's housing stability program that SDHC administers on behalf of the City. These funds are from the State of California's Emergency Rental Assistance (ERA)1 indirect allocation to the City of San Diego and expire on September 30, 2022.

On August 25, 2021, SDHC received approximately $27,400 of additional funding from the City of San Diego for the housing stability program that SDHC administers on behalf of the City. These funds are ERA1 and ERA2 funds from the State of California's allocation and expire on September 30, 2022 and September 30, 2025, respectively.

On October 5, 2021, SDHC received approximately $32,700 of additional funding from the City of San Diego for the housing stability program that SDHC administers on behalf of the City. These funds are ERA2 funds from the City of San Diego's federal allocation and expire on September 30, 2025.

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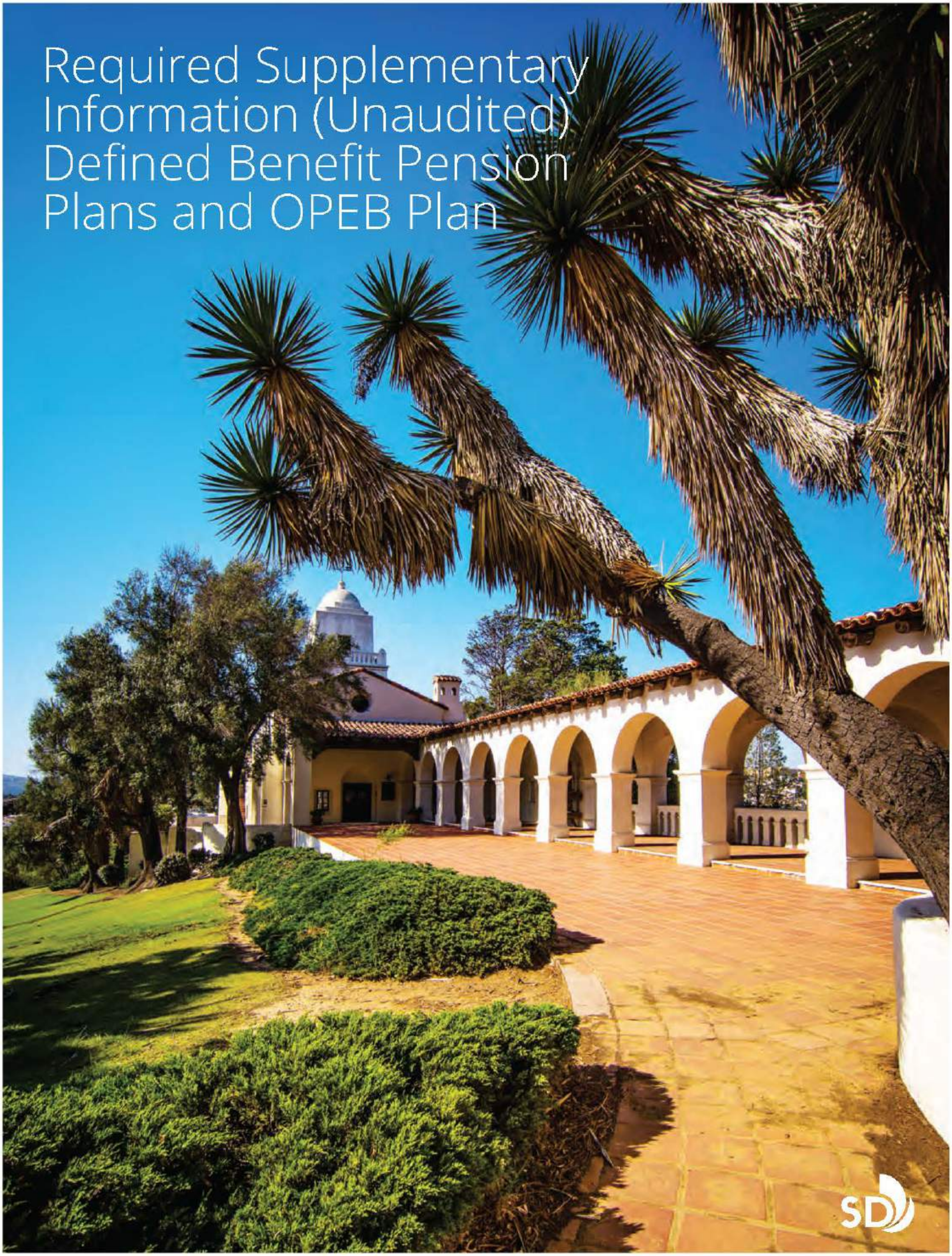
Required Supplementary Information (Unaudited) Defined Benefit Pension Plans and OPEB Plan



REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
June 30, 2021
(Dollars in Thousands)

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

Total Pension Liability	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014
Service Cost (Middle of Year)	$ 127,076	$ 118,597	$ 108,871	$ 106,877	$ 93,804	$ 102,688	$ 107,003
Interest (Includes Interest on Service Cost)	663,823	640,508	628,500	613,529	573,760	554,988	537,875
Differences Between Expected and Actual Experience	186,951	143,136	58,618	71,123	21,285	46,416	—
Changes in Assumptions	290,843	—	266,606	249,740	620,314	—	—
Benefit Payments, Including Refunds of Member Contributions	(561,837)	(534,023)	(515,078)	(477,039)	(452,781)	(429,238)	(384,980)
Net Change in Total Pension Liability	706,856	368,218	547,517	564,230	856,382	274,854	259,898
Total Pension Liability, Beginning	10,426,626	10,058,408	9,510,891	8,946,661	8,090,279	7,815,425	7,555,527
Total Pension Liability, Ending	11,133,482	10,426,626	10,058,408	9,510,891	8,946,661	8,090,279	7,815,425
Plan Fiduciary Net Position							
Contributions-Employer	354,349	326,982	328,922	265,572	259,543	268,061	279,659
Contributions-Member	68,652	62,709	57,937	57,050	59,377	59,042	65,467
Net Investment Income	19,006	477,484	594,843	857,923	64,155	207,653	935,051
Benefit Payments, Including Refunds of Member Contributions	(561,837)	(534,023)	(515,078)	(477,039)	(452,781)	(429,238)	(384,980)
Administrative Expense	(10,688)	(10,238)	(10,570)	(10,778)	(10,900)	(8,693)	(10,467)
Net Change in Plan Fiduciary Net Position	(130,518)	322,914	456,054	692,728	(80,606)	96,825	884,730
Plan Fiduciary Net Position, Beginning	7,767,803	7,444,889	6,988,835	6,296,107	6,376,713	6,279,888	5,395,158
Plan Fiduciary Net Position, Ending	7,637,285	7,767,803	7,444,889	6,988,835	6,296,107	6,376,713	6,279,888
Net Pension Liability, Ending	$ 3,496,197	$ 2,658,823	$ 2,613,519	$ 2,522,056	$ 2,650,554	$ 1,713,566	$ 1,535,537
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.60 %	74.02 %	74.02 %	73.48 %	70.37 %	78.82 %	80.35 %
Covered Pensionable Payroll	$ 484,764	$ 455,753	$ 448,890	$ 465,100	$ 480,662	$ 480,536	$ 499,463
Net Pension Liability as a Percentage of Covered Payroll	721.22 %	583.39 %	582.22 %	542.26 %	551.44 %	356.59 %	307.44 %

GASB 73 Reporting

Preservation of Benefits Plan Schedule of Changes in Total Pension Liability

Total Pension Liability	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016
Service Cost (Middle of Year)	$ 119	$ 87	$ 54	$ 60	$ 36
Interest (Includes Interest on Service Cost)	402	425	353	313	406
Differences Between Expected and Actual Experience	2,707	999	2,352	635	—
Changes in Assumptions	3,553	424	(216)	(589)	1,588
Benefit Payments	(1,481)	(1,403)	(1,430)	(1,634)	(1,596)
Net Change in Total Pension Liability	5,300	532	1,113	(1,215)	434
Total Pension Liability, Beginning	12,177	11,645	10,532	11,747	11,313
Total Pension Liability, Ending	$ 17,477	$ 12,177	$ 11,645	$ 10,532	$ 11,747
Covered Pensionable Payroll	$484,764	$455,753	$448,890	$465,100	$480,662
Total Pension Liability as a Percentage of Covered Payroll	3.61 %	2.67 %	2.59 %	2.26 %	2.44 %

Pension Schedules are intended to show information for ten years. Data will be displayed as it becomes available.

There are no assets in a trust compliant with GASB codification P22.101. The City funds benefits on a pay-as-you-go basis and elected not to pre-fund its pension obligation. As a result, there are no plan assets and the total pension liability is equal to the NPL.

Pension Plans Schedule of Employer Contributions

Last 10 Fiscal Years (Dollars in Thousands)

	2021	2020	2019	2018	2017
Actuarially Determined Contribution	$ 365,600	$ 350,500	$ 322,900	$ 324,500	$ 261,100
Contribution	365,600	350,500	322,900	324,500	261,100
Contribution Deficiency/(Excess)	$ —	$ —	$ —	$ —	$ —
Covered Payroll [1]	$ 501,204	$ 484,764	$ 455,753	$ 448,890	$ 465,100
Contributions as a Percentage of Covered Payroll	72.94 %	72.30 %	70.85 %	72.29 %	56.14 %

	2016	2015	2014	2013	2012
Actuarially Determined Contribution	$ 254,900	$ 263,600	$ 275,400	$ 231,100	$ 231,200
Contribution	254,900	263,600	275,400	231,143	231,200
Contribution Deficiency/(Excess)	$ —	$ —	$ —	$ (43)	$ —
Covered Payroll [1]	$ 480,662	$ 480,536	$ 499,463	$ 511,091	$ 514,265
Contributions as a Percentage of Covered Payroll	53.03 %	54.86 %	55.14 %	45.23 %	44.96 %

Valuation Date: 6/30/2019

Key Methods and Assumptions Used to Determine Contributions:

Actuarial Cost Method	Entry Age Normal.
Asset Valuation Method	Expected Value Method.
Amortization Method	Closed periods. Payments are a level percentage of payroll (Police) or level dollar (non-Police). In the 2007 valuation, the amortization period was reduced from 27 to 20 years, with subsequent gains or losses amortized over different periods depending on the source. In the 2012 valuation, as a result of Proposition B, the UAL for the non-Police portion of the plan was re-amortized over a closed 15-year period with level dollar amounts. In the 2017 valuation, a five-year layering method was adopted for certain components of the UAL in order to improve the projected stability of future employer contributions.
Discount Rate	6.50%. The discount rate was reduced from 8.00% to 7.75% in the 2008 valuation, from 7.75% to 7.50% in the 2011 valuation, from 7.50% to 7.25% in the 2013 valuation, from 7.25% to 7.125% in the 2015 valuation, from 7.125% to 7.00% in the 2016 valuation, from 7.00% to 6.75% in the 2017 valuation, and from 6.75% to 6.50% in the 2018 valuation.
Amortization Growth Rate	3.05%. Same pattern of changes described below for salary increase assumption (excluding freezes).
Wage Inflation	3.05%. Same pattern of changes described below for salary increase assumption.
Salary Increases	3.05% (following assumed freezes in fiscal years 2013-2018) plus merit component based on employee classification and years of service. The across-the-board salary increase assumption was reduced from 4.25% to 4.00% in the 2008 valuation, from 4.00% to 3.75% in the 2011 valuation, from 3.75% to 3.30% in the 2013 valuation, from 3.30% to 3.175% in the 2015 valuation, and from 3.175% to 3.05% in the 2016 valuation. In the 2011 valuation, a two-year salary freeze assumption (for fiscal years 2013-2014) was added and in the 2013 valuation an additional four-year freeze was assumed (fiscal years 2015-2018).
Cost-Of-Living Adjustments	1.9%, combined annually. The COLA assumption was reduced from 2.0% to 1.9% in the 2016 valuation.
Mortality	Retired healthy members use the CalPERS Post-Retirement Healthy Mortality Table base rates from the CalPERS January 2014 Experience Study, with a 10% increase to female rates, with projection for improvement. From 2005-2007 (valuation years), the UP-1994 table was used, with a two-year setback for males and females. From 2008-2010, the RP-2000 Combined Mortality Table was used, with a two-year set forward for males and females. From 2011-2015, healthy retired members used the RP-2000 Combined Mortality Table (male and female), with rates set forward one year for Safety female members.

A complete description of the methods and assumptions used to determine contribution rates for the year ended June 30, 2021 can be found in the June 30, 2019 Actuarial Valuation Report.

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

OPEB TRUST FUND

GASB 75 Reporting

Schedule of Changes in the Net OPEB Liability and Related Ratios (Dollars in Thousands)

Total OPEB Liability	**FYE 2020**	**FYE 2019**	**FYE 2018**	**FYE 2017**
Service Cost	$ 709	$ 815	$ 1,010	$ 1,237
Interest on the Total OPEB Liability	36,287	36,549	43,543	43,617
Differences Between Expected and Actual Experience	4,019	1,293	(3,432)	(4,915)
Changes in Assumptions	9,553	7,459	(91,058)	—
Benefit Payments	(39,744)	(39,705)	(41,360)	(40,280)
Net Change in Total OPEB Liability	10,824	6,411	(91,297)	(341)
Total OPEB Liability, Beginning	581,444	575,033	666,330	666,671
Total OPEB Liability, Ending	$ 592,268	$ 581,444	$ 575,033	$ 666,330
Plan Fiduciary Net Position				
Contributions-Employer	$ 36,352	$ 37,436	$ 30,379	$ 30,326
Contributions-Member	378	463	577	719
Net Investment Income	6,438	7,990	7,348	8,590
Benefit Payments	(39,744)	(39,705)	(41,360)	(40,280)
Administrative Expense	(59)	(25)	(61)	(59)
Net Change in Plan Fiduciary Net Position	3,365	6,159	(3,117)	(704)
Plan Fiduciary Net Position, Beginning	118,928	112,769	115,886	116,590
Plan Fiduciary Net Position, Ending	122,293	118,928	112,769	115,886
Net OPEB Liability, Ending	$ 469,975	$ 462,516	$ 462,264	$ 550,444
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	20.65 %	20.45 %	19.61 %	17.39 %
Covered-Employee Payroll	$ 38,667	$ 46,073	$ 51,372	$ 61,397
Net OPEB Liability as a Percentage of Covered-Employee Payroll	1215.44 %	1003.88 %	899.84 %	896.53 %

OPEB Schedules are intended to show information for ten years. Data will be displayed as it becomes available.

OPEB Plan Schedule of Employer Contributions
Last 10 Fiscal Years (Dollars in Thousands)

	2021	2020	2019	2018
Contractually Required Contribution	$ 65,376	$ 65,376	$ 63,781	$ 62,225
Contributions in Relation to the Contractually Required Contributions	65,376	65,376	63,781	62,225
Contribution Deficiency/(Excess)	$ —	$ —	$ —	$ —
Covered-Employee Payroll [1]	$ 38,707	$ 46,073	$ 51,483	$ 62,437
Contributions as a Percentage of Covered-Employee Payroll	168.90 %	141.90 %	123.89 %	99.66 %

	2017	2016	2015
Contractually Required Contribution	$ 60,707	$ 59,227	$ 57,782
Contributions in Relation to the Contractually Required Contributions	60,707	59,227	57,782
Contribution Deficiency/(Excess)	$ —	$ —	$ —
Covered-Employee Payroll [1]	$ 61,397	$ 74,002	$ 87,252
Contributions as a Percentage of Covered-Employee Payroll	98.88 %	80.03 %	66.22 %

OPEB Contributions are intended to show information for ten years. Data will be displayed as it becomes available.

[1] Covered-Employee Payroll includes payroll for active employees in Options A and B only.

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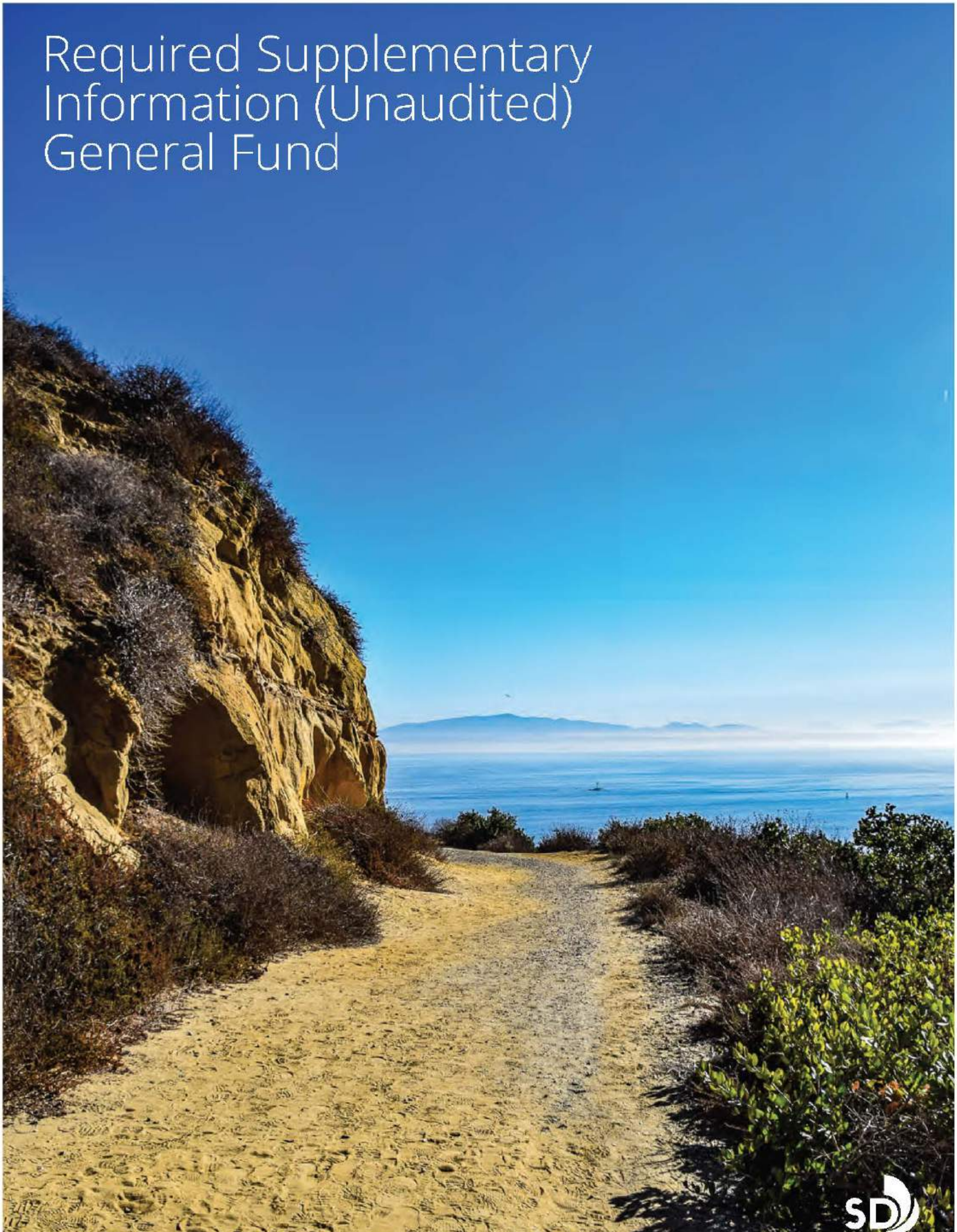
Required Supplementary Information (Unaudited) General Fund



General Fund

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

General Fund revenues are derived from such sources as: Taxes; Franchise Fees, Licenses and Permits; Fines, Forfeitures, and Penalties; Revenue from the Use of Money and Property; Revenue from Federal and Other Agencies; Revenue from Private Sources; Charges for Current Services; and Other Revenue.

Current expenditures are classified by the following functions: General Government and Support; Public Safety - Police; Public Safety - Fire and Life Safety and Homeland Security; 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, 2021
(Dollars in Thousands)

	Original Budget	Final Budget	Actual Amounts [1]	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	$ 630,628	$ 630,628	$ 641,395	$ 10,767
Sales Taxes	274,433	274,433	303,665	29,232
Transient Occupancy Taxes	90,484	90,484	68,086	(22,398)
Franchise Fees	69,338	69,338	77,826	8,488
Other Local Taxes	11,322	11,322	13,701	2,379
Licenses and Permits	40,672	40,672	44,211	3,539
Fines, Forfeitures and Penalties	29,698	29,698	23,895	(5,803)
Revenue from Use of Money and Property	64,457	64,457	54,308	(10,149)
Revenue from Federal Agencies	146,057	103,870	281	(103,589)
Revenue from Other Agencies	6,599	6,599	10,372	3,773
Revenue from Private Sources	667	667	155	(512)
Charges for Current Services	149,465	149,465	124,695	(24,770)
Other Revenue	2,533	2,533	5,899	3,366
TOTAL REVENUES	1,516,353	1,474,166	1,368,489	(105,677)
EXPENDITURES				
Current:				
General Government and Support	272,851	278,357	271,429	6,928
Public Safety - Police	567,590	564,620	558,110	6,510
Public Safety - Fire and Life Safety and Homeland Security	285,008	303,960	303,857	103
Parks, Recreation, Culture and Leisure	181,440	175,301	172,794	2,507
Transportation	73,738	70,105	69,611	494
Sanitation and Health	97,554	94,599	91,337	3,262
Neighborhood Services	78,247	74,839	70,286	4,553
Capital Outlay	1,486	1,155	917	238
Debt Service:				
Principal Retirement	20,105	10,094	10,094	—
Interest	1,648	4,947	4,947	—
TOTAL EXPENDITURES	1,579,667	1,577,977	1,553,382	24,595
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(63,314)	(103,811)	(184,893)	(81,082)
OTHER FINANCING SOURCES (USES)				
Transfers from Proprietary Funds	—	20,753	16,700	(4,053)
Transfers from Other Funds	104,584	126,018	219,139	93,121
Transfers to Proprietary Funds	—	(296)	(296)	—
Transfers to Other Funds	(41,270)	(42,664)	(36,315)	6,349
Proceeds from the Sale of Capital Assets	—	—	853	853
TOTAL OTHER FINANCING SOURCES (USES)	63,314	103,811	200,081	96,270
NET CHANGE IN FUND BALANCE	—	—	15,188	15,188
FUND BALANCE AT BEGINNING OF YEAR	220,051	220,051	220,051	—
FUND BALANCE AT END OF YEAR	$ 220,051	$ 220,051	$ 235,239	$ 15,188

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, 2021

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
    SDCCU Stadium Operations
    Transient Occupancy Tax
    Underground Surcharge
    Zoological Exhibits
    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 City Charter and further defined by the City Council in the 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, 2021 (dollars in thousands):

	General Fund
Net Change in Fund Balance - GAAP Basis	$ 19,912
Add (Deduct):	
Unrealized Gain, June 30, 2021	(901)
Unrealized Gain, June 30, 2020	6,059
Advances to Other Funds, June 30, 2021	(733)
Advances to Other Funds, June 30, 2020	733
Other Perspective Differences [1]	(640)
Other Fund Activity [2]	(9,242)
Net Change in Fund Balance - Budgetary Basis	$ 15,188

[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.

[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, 2021
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget Positive (Negative)
PROPERTY TAXES			
Current Year - Secured (One Percent Allocation)	$ 400,561	$ 432,027	$ (31,466)
Current Year Supplemental - Secured	4,509	—	4,509
Current Year - Unsecured	12,393	—	12,393
Current Unsecured Supplemental Roll	50	—	50
Homeowners' Exemptions - Secured	2,479	—	2,479
Homeowners' Exemptions - Unsecured	1	—	1
Prior years' - Secured	2,058	—	2,058
Prior years' - Unsecured	(38)	—	(38)
In-Lieu Vehicle License Fees	162,912	160,757	2,155
Interest and Penalties on Delinquent Taxes	946	—	946
Escapes - Secured	5,535	—	5,535
Escapes - Unsecured	640	—	640
Other Property Taxes	41,467	37,844	3,623
State Secured Unitary	7,882	—	7,882
TOTAL PROPERTY TAXES	641,395	630,628	10,767
SALES TAXES	303,665	274,433	29,232
TRANSIENT OCCUPANCY TAXES	68,086	90,484	(22,398)
FRANCHISE FEES	77,826	69,338	8,488
OTHER LOCAL TAXES			
Property Transfer Tax	13,701	11,322	2,379
LICENSES AND PERMITS			
General Business Licenses	7,629	7,346	283
Refuse Collection Business Licenses	1,232	972	260
Rental Unit Tax	7,926	7,285	641
Other Licenses and Permits	27,424	25,069	2,355
TOTAL LICENSES AND PERMITS	44,211	40,672	3,539
FINES, FORFEITURES AND PENALTIES			
California Vehicle Code Violations	20,129	25,931	(5,802)
Other City Ordinance Code Violations	3,766	3,767	(1)
TOTAL FINES, FORFEITURES AND PENALTIES	23,895	29,698	(5,803)
REVENUE FROM USE OF MONEY AND PROPERTY			
Interest on Investments	2,294	3,497	(1,203)
Balboa Park Rents and Concessions	161	271	(110)
Mission Bay Park Rents and Concessions	21,783	30,227	(8,444)
Other Rents and Concessions	30,070	30,462	(392)
TOTAL REVENUE FROM USE OF MONEY AND PROPERTY	54,308	64,457	(10,149)
REVENUE FROM FEDERAL AGENCIES	281	103,870	(103,589)
REVENUE FROM OTHER AGENCIES			
State Motor Vehicle License Fees	1,049	—	1,049
Local Relief	55	111	(56)
Other	9,268	6,488	2,780
TOTAL REVENUE FROM OTHER AGENCIES	10,372	6,599	3,773

(Continued on Next Page)

GENERAL FUND
SCHEDULE OF REVENUES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget Positive (Negative)
REVENUE FROM PRIVATE SOURCES	$ 155	$ 667	$ (512)
CHARGES FOR CURRENT SERVICES			
Cemetery Revenue	1,129	694	435
Fire Services	13,949	13,376	573
Library Revenue	75	320	(245)
Police Services	4,553	8,350	(3,797)
Swimming Pools Revenue	115	1,157	(1,042)
Miscellaneous Recreation Revenue	2,692	4,462	(1,770)
Other Services	1,421	2,025	(604)
Services Rendered to Other Funds for:			
General Government and Financial	100,632	118,765	(18,133)
Miscellaneous Services	129	316	(187)
TOTAL CHARGES FOR CURRENT SERVICES	124,695	149,465	(24,770)
OTHER REVENUE			
Other Refunds of Prior Years' Expenditures	2,224	69	2,155
Repairs and Damage Recoveries	683	455	228
Sale of Personal Property	94	44	50
Miscellaneous Revenue	2,898	1,965	933
TOTAL OTHER REVENUE	5,899	2,533	3,366
TOTAL REVENUES	1,368,489	1,474,166	(105,677)
TRANSFERS FROM PROPRIETARY FUNDS			
Internal Service Funds:			
Fleet Operations	16,700	20,753	(4,053)
TOTAL TRANSFERS FROM PROPRIETARY FUNDS	16,700	20,753	(4,053)
TRANSFERS FROM OTHER FUNDS			
Special Revenue Funds:			
City of San Diego:			
Interfund Transfers	196,300	100,789	95,511
Transient Occupancy Tax	12,096	15,032	(2,936)
Capital Projects Funds:			
TransNet - Budgeted	10,385	10,124	261
Permanent Funds:			
Cemetery Perpetuity	358	73	285
TOTAL TRANSFERS FROM OTHER FUNDS	219,139	126,018	93,121
PROCEEDS FROM THE SALE OF CAPITAL ASSETS	853	—	853
TOTAL REVENUE AND TRANSFERS	$ 1,605,181	$ 1,620,937	$ (15,756)

[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, 2021
(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	$ 2,080	$ 2,082	$ 2
Non-Personnel	1,191	1,416	225
Total Office of the Mayor	3,271	3,498	227
City Council District 1			
Salaries and Wages	738	738	—
Non-Personnel	514	659	145
Total City Council District 1	1,252	1,397	145
City Council District 2			
Salaries and Wages	663	664	1
Non-Personnel	454	589	135
Total City Council District 2	1,117	1,253	136
City Council District 3			
Salaries and Wages	758	758	—
Non-Personnel	400	454	54
Total City Council District 3	1,158	1,212	54
City Council District 4			
Salaries and Wages	625	651	26
Non-Personnel	661	729	68
Total City Council District 4	1,286	1,380	94
City Council District 5			
Salaries and Wages	675	677	2
Non-Personnel	371	483	112
Total City Council District 5	1,046	1,160	114
City Council District 6			
Salaries and Wages	712	712	—
Non-Personnel	318	474	156
Total City Council District 6	1,030	1,186	156
City Council District 7			
Salaries and Wages	762	777	15
Non-Personnel	422	495	73
Total City Council District 7	1,184	1,272	88
City Council District 8			
Salaries and Wages	667	667	—
Non-Personnel	700	770	70
Total City Council District 8	1,367	1,437	70
City Council District 9			
Salaries and Wages	754	754	—
Non-Personnel	517	764	247
Total City Council District 9	1,271	1,518	247
Council Administration			
Salaries and Wages	1,418	1,418	—
Non-Personnel	1,166	1,354	188
Total Council Administration	2,584	2,772	188

(Continued on Next Page)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget (Negative)
City Clerk			
Salaries and Wages	$ 2,559	$ 2,595	$ 36
Non-Personnel	3,349	3,633	284
Total City Clerk	5,908	6,228	320
Independent Budget Analyst			
Salaries and Wages	1,211	1,211	—
Non-Personnel	1,024	1,035	11
Total Independent Budget Analyst	2,235	2,246	11
City Attorney			
Salaries and Wages	35,975	36,042	67
Non-Personnel	27,567	28,249	682
Total City Attorney	63,542	64,291	749
Personnel			
Salaries and Wages	4,967	4,967	—
Non-Personnel	4,391	4,621	230
Total Personnel	9,358	9,588	230
Ethics Commission			
Salaries and Wages	767	767	—
Non-Personnel	540	589	49
Total Ethics Commission	1,307	1,356	49
Office of the City Auditor			
Salaries and Wages	2,161	2,189	28
Non-Personnel	1,705	1,705	—
Total Office of the City Auditor	3,866	3,894	28
Assistant Chief Operating Officer			
Salaries and Wages	170	175	5
Non-Personnel	186	194	8
Total Assistant Chief Operating Officer	356	369	13
Performance and Analytics			
Salaries and Wages	1,624	1,624	—
Non-Personnel	2,204	2,285	81
Total Performance and Analytics	3,828	3,909	81
Human Resources			
Salaries and Wages	3,077	3,077	—
Non-Personnel	2,525	2,576	51
Total Human Resources	5,602	5,653	51
Department of Information Technology			
Non-Personnel	439	523	84
Office of the Chief Operating Officer			
Salaries and Wages	639	639	—
Non-Personnel	479	547	68
Total Office of the Chief Operating Officer	1,118	1,186	68

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget (Negative)
Communications			
Salaries and Wages	$ 2,380	$ 2,405	$ 25
Non-Personnel	2,215	2,291	76
Total Communications	4,595	4,696	101
Office of Boards & Commissions			
Salaries and Wages	614	626	12
Non-Personnel	323	340	17
Total Office of Boards & Commissions	937	966	29
Government Affairs			
Salaries and Wages	701	744	43
Non-Personnel	411	443	32
Total Government Affairs	1,112	1,187	75
Chief Financial Officer			
Salaries and Wages	283	290	7
Non-Personnel	217	318	101
Total Chief Financial Officer	500	608	108
Debt Management			
Salaries and Wages	1,308	1,308	—
Non-Personnel	810	822	12
Total Debt Management	2,118	2,130	12
Purchasing and Contracting			
Salaries and Wages	2,753	2,866	113
Non-Personnel	15,022	15,328	306
Total Purchasing and Contracting	17,775	18,194	419
City Treasurer			
Salaries and Wages	7,168	7,299	131
Non-Personnel	9,058	9,577	519
Total City Treasurer	16,226	16,876	650
Department of Finance			
Salaries and Wages	9,777	9,866	89
Non-Personnel	8,569	8,763	194
Total Department of Finance	18,346	18,629	283
Smart and Sustainable Communities			
Salaries and Wages	791	793	2
Non-Personnel	828	1,253	425
Total Smart and Sustainable Communities	1,619	2,046	427
Real Estate Assets			
Salaries and Wages	2,265	2,265	—
Non-Personnel	2,434	2,793	359
Total Real Estate Assets	4,699	5,058	359
Office of Sustainability			
Salaries and Wages	431	431	—
Non-Personnel	384	391	7
Total Office of Sustainability	815	822	7

(Continued on Next Page)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget (Negative)
General Services			
Salaries and Wages	$ 8,979	$ 9,161	$ 182
Non-Personnel	11,931	12,856	925
Total General Services	20,910	22,017	1,107
Public Works/Infrastructure			
Salaries and Wages	107	118	11
Non-Personnel	54	190	136
Total Public Works/Infrastructure	161	308	147
Citywide Expenses			
Salaries and Wages	38	38	—
Non-Personnel	67,453	67,454	1
Total Citywide Expenses	67,491	67,492	1
TOTAL GENERAL GOVERNMENT AND SUPPORT	271,429	278,357	6,928
PUBLIC SAFETY - POLICE			
Salaries and Wages	280,315	280,582	267
Non-Personnel	277,795	284,038	6,243
TOTAL PUBLIC SAFETY - POLICE	558,110	564,620	6,510
PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY			
Fire - Rescue			
Salaries and Wages	150,167	150,167	—
Non-Personnel	150,844	150,849	5
Total Fire - Rescue	301,011	301,016	5
Office of Homeland Security			
Salaries and Wages	1,233	1,290	57
Non-Personnel	1,613	1,654	41
Total Office of Homeland Security	2,846	2,944	98
TOTAL PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY	303,857	303,960	103
PARKS, RECREATION, CULTURE AND LEISURE			
Library			
Salaries and Wages	20,455	20,455	—
Non-Personnel	33,215	34,755	1,540
Total Library	53,670	55,210	1,540
Parks and Recreation			
Salaries and Wages	37,791	37,791	—
Non-Personnel	78,555	79,384	829
Total Parks and Recreation	116,346	117,175	829
Reservoir Concessions			
Non-Personnel	2,778	2,916	138
TOTAL PARKS, RECREATION, CULTURE AND LEISURE	172,794	175,301	2,507
TRANSPORTATION			
Transportation			
Salaries and Wages	23,309	23,309	—
Non-Personnel	44,129	44,501	372
Total Transportation	67,438	67,810	372

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget (Negative)
Mobility			
Salaries and Wages	$ 1,122	$ 1,206	$ 84
Non-Personnel	1,051	1,089	38
Total Mobility	2,173	2,295	122
TOTAL TRANSPORTATION	69,611	70,105	494
SANITATION AND HEALTH			
Environmental Services			
Salaries and Wages	10,252	10,252	—
Non-Personnel	38,891	40,322	1,431
Total Environmental Services	49,143	50,574	1,431
Storm Water			
Salaries and Wages	13,513	13,521	8
Non-Personnel	28,681	30,504	1,823
Total Storm Water	42,194	44,025	1,831
TOTAL SANITATION AND HEALTH	91,337	94,599	3,262
NEIGHBORHOOD SERVICES			
Development Services			
Salaries and Wages	3,982	4,036	54
Non-Personnel	3,766	3,766	—
Total Development Services	7,748	7,802	54
Economic Development			
Salaries and Wages	4,209	4,220	11
Non-Personnel	16,941	17,229	288
Total Economic Development	21,150	21,449	299
Neighborhood Services			
Salaries and Wages	269	269	—
Non-Personnel	155	290	135
Total Neighborhood Services	424	559	135
Planning			
Salaries and Wages	4,143	4,155	12
Non-Personnel	3,723	3,800	77
Total Planning	7,866	7,955	89
Office of Race & Equity			
Salaries and Wages	—	2	2
Non-Personnel	19	387	368
Total Office of Race & Equity	19	389	370
Homelessness Strategies			
Salaries and Wages	645	683	38
Non-Personnel	32,434	36,002	3,568
Total Homelessness Strategies	33,079	36,685	3,606
TOTAL NEIGHBORHOOD SERVICES	70,286	74,839	4,553
CAPITAL OUTLAY	917	1,155	238

(Continued on Next Page)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	Actual on Budgetary Basis [1]	Final Budget	Variance with Final Budget (Negative)
DEBT SERVICE			
Principal Retirement	$ 10,094	$ 10,094	$ —
Interest	4,947	4,947	—
TOTAL DEBT SERVICE	15,041	15,041	—
TOTAL EXPENDITURES	1,553,382	1,577,977	24,595
TRANSFERS TO PROPRIETARY FUNDS			
Internal Service Funds:			
Publishing Services	296	296	—
TRANSFERS TO OTHER FUNDS			
Special Revenue Funds:			
City of San Diego:			
Interfund Transfers	16,793	23,142	6,349
Other Special Revenue - Unbudgeted	11,104	11,104	—
Total Special Revenue Funds	27,897	34,246	6,349
Debt Service Funds:			
Public Facilities Financing Authority	5,310	5,310	—
Capital Projects Funds:			
City of San Diego:			
Capital Outlay - Budgeted	1,784	1,784	—
Capital Outlay - Unbudgeted	1,175	1,175	—
Public Facilities Financing Authority	149	149	—
Total Capital Projects Funds	3,108	3,108	—
TOTAL TRANSFERS TO OTHER FUNDS	36,315	42,664	6,349
TOTAL EXPENDITURES AND TRANSFERS	$ 1,589,993	$ 1,620,937	$ 30,944

[1] Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. Transfers between the General Fund and these additional funds are titled "Interfund Transfers."

Nonmajor Governmental Funds

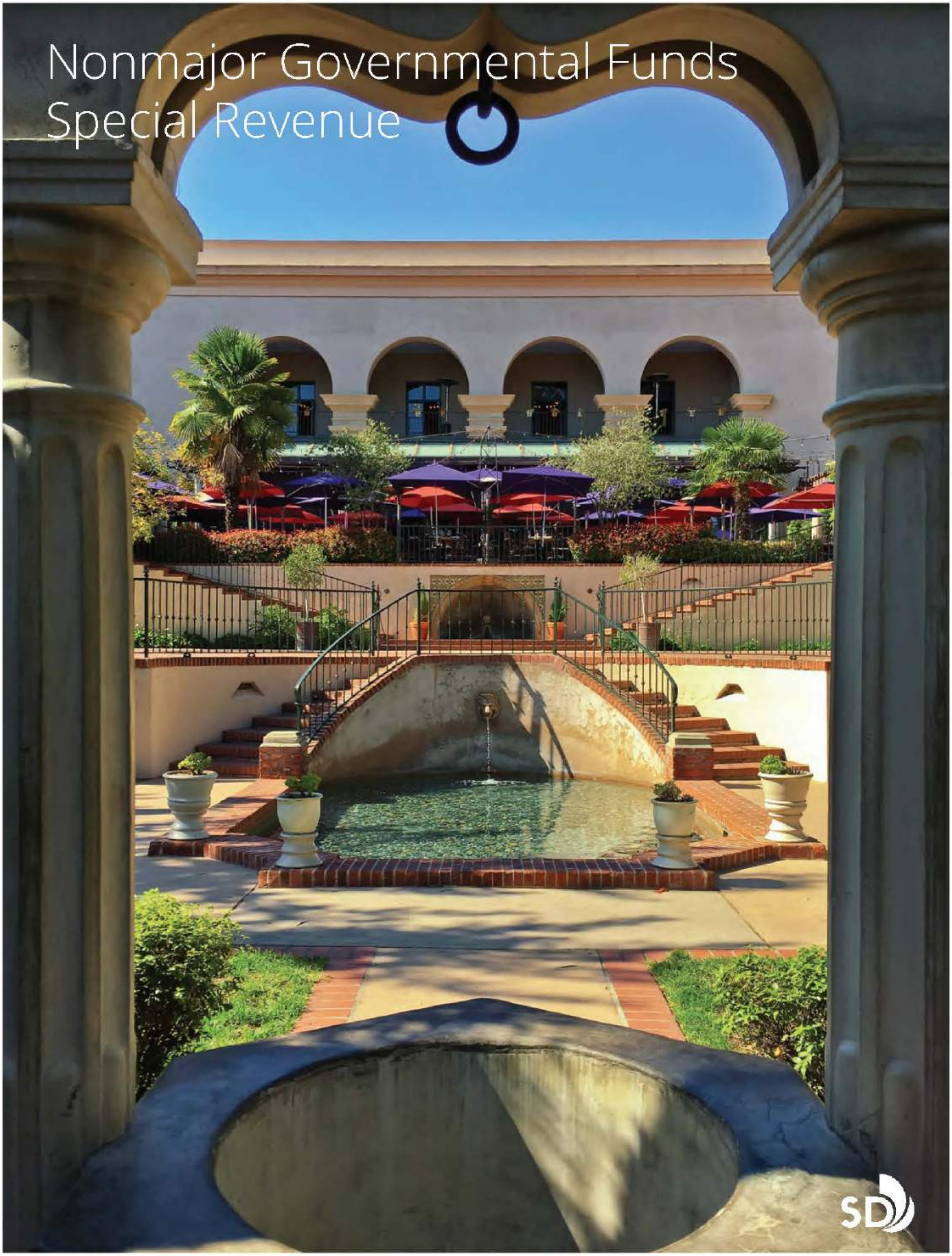
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2021
(Dollars in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
ASSETS					
Cash and Investments	$ 539,768	$ 5	$ 693,707	$ —	$ 1,233,480
Receivables:					
Taxes - Net of Allowance for Uncollectibles	27,387	—	27,730	—	55,117
Accounts - Net of Allowance for Uncollectibles	4,534	5,241	1,413	—	11,188
Claims	—	—	28,995	—	28,995
Special Assessments	3,174	—	—	—	3,174
Notes	297,320	—	—	—	297,320
Loans	94,991	—	—	—	94,991
Accrued Interest	709	—	948	9	1,666
Grants	15,476	—	68,074	—	83,550
From Other Funds	—	—	25,002	—	25,002
Interfund Loan Receivable	—	—	26,167	—	26,167
Advances to Other Agencies	8,291	—	7,421	—	15,712
Land Held for Resale	18,678	—	—	—	18,678
Restricted Cash and Investments	1,343	11,996	103,535	23,718	140,592
TOTAL ASSETS	$ 1,011,671	$ 17,242	$ 982,992	$ 23,727	$ 2,035,632
LIABILITIES					
Accounts Payable	$ 91,794	$ —	$ 24,288	$ 2	$ 116,084
Accrued Wages and Benefits	476	—	—	—	476
Other Accrued Liabilities	19	—	20,069	—	20,088
Due to Other Funds	8,057	—	44,885	—	52,942
Due to Other Agencies	79	—	—	—	79
Unearned Revenue	51,470	—	16,002	—	67,472
Interfund Loan Payable	—	—	26,167	—	26,167
TOTAL LIABILITIES	151,895	—	131,411	2	283,308
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Taxes	914	—	27,730	—	28,644
Unavailable Revenue - Grants	14,795	—	47,780	—	62,575
Unavailable Revenue - Other	2,842	5,241	1,413	—	9,496
TOTAL DEFERRED INFLOWS OF RESOURCES	18,551	5,241	76,923	—	100,715
FUND BALANCES					
Nonspendable	—	—	—	19,714	19,714
Restricted	815,238	12,001	828,841	4,011	1,660,091
Committed	40,833	—	10,633	—	51,466
Unassigned (Deficit)	(14,846)	—	(64,816)	—	(79,662)
TOTAL FUND BALANCES	841,225	12,001	774,658	23,725	1,651,609
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,011,671	$ 17,242	$ 982,992	$ 23,727	$ 2,035,632

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
REVENUES					
Property Taxes	$ 17,590	$ —	$ —	$ —	$ 17,590
Special Assessments	47,120	—	—	—	47,120
Sales Taxes	—	—	35,147	—	35,147
Transient Occupancy Taxes	60,224	—	—	—	60,224
Franchises	64,794	—	—	—	64,794
Licenses and Permits	10,314	—	72,205	—	82,519
Fines, Forfeitures and Penalties	2,499	—	—	—	2,499
Revenue from Use of Money and Property	15,801	489	2,823	2,935	22,048
Revenue from Federal Agencies	171,583	—	25,563	—	197,146
Revenue from Other Agencies	21,355	11,489	1,776	—	34,620
Revenue from Private Sources	2,119	—	5,142	1	7,262
Charges for Current Services	23,620	—	90	153	23,863
Other Revenue	1,077	—	916	—	1,993
TOTAL REVENUES	438,096	11,978	143,662	3,089	596,825
EXPENDITURES					
Current:					
General Government and Support	13,501	—	3,147	—	16,648
Public Safety - Police	14,772	—	204	—	14,976
Public Safety - Fire and Life Safety and Homeland Security	7,484	—	534	—	8,018
Parks, Recreation, Culture and Leisure	85,939	—	818	64	86,821
Transportation	60,300	—	4,182	—	64,482
Sanitation and Health	8,280	—	245	64	8,589
Neighborhood Services	224,196	—	(100)	—	224,096
Capital Outlay	19,411	—	163,104	—	182,515
Debt Service:					
Principal Retirement	385	39,600	88,964	—	128,949
Cost of Issuance	—	1,293	—	—	1,293
Interest	117	32,467	226	—	32,810
TOTAL EXPENDITURES	434,385	73,360	261,324	128	769,197
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,711	(61,382)	(117,662)	2,961	(172,372)
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	22,269	49,234	4,246	—	75,749
Transfers to Other Funds	(44,507)	(97)	(32,360)	(664)	(77,628)
Payment to Refunded Bond Escrow Agent	—	(119,690)	—	—	(119,690)
Proceeds from the Sale of Capital Assets	8,493	—	51,863	—	60,356
Commercial Paper Notes Issued	—	—	49,925	—	49,925
Revenue Bonds Issued	—	132,209	116,431	—	248,640
Premium on Bonds Issued	—	—	28,569	—	28,569
TOTAL OTHER FINANCING SOURCES (USES)	(13,745)	61,656	218,674	(664)	265,921
NET CHANGE IN FUND BALANCES	(10,034)	274	101,012	2,297	93,549
Fund Balances at Beginning of Year	851,259	11,727	673,646	21,428	1,558,060
FUND BALANCES AT END OF YEAR	$ 841,225	$ 12,001	$ 774,658	$ 23,725	$ 1,651,609

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.

SDCCU STADIUM OPERATIONS - BUDGETED
This fund accounts for the operations of the Stadium. The Stadium was host to San Diego State University Aztecs football, the San Diego County Credit Union Holiday Bowl, and other special events. Revenues were derived from rents, concessions, parking, and advertising. On July 6th, 2020; Ordinance Number 21204 authorized the sale of the real property where the Stadium was located.

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 City Charter for the maintenance of zoological exhibits. These funds are remitted in accordance with a contractual agreement with the San Diego Zoological Society, a not-for-profit corporation independent from the City.

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

TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION

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.

ENHANCED INFRASTRUCTURE FINANCING DISTRICT PUBLIC FINANCING AUTHORITY

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, 2021
(Dollars in Thousands)

	City of San Diego	TSRFC	EIFDPFA	Total
ASSETS				
Cash and Investments	$ 539,562	$ —	$ 206	$ 539,768
Receivables:				
Taxes - Net of Allowance for Uncollectibles	27,369	—	18	27,387
Accounts - Net of Allowance for Uncollectibles	4,534	—	—	4,534
Special Assessments	3,174	—	—	3,174
Notes	297,320	—	—	297,320
Loans	94,991	—	—	94,991
Accrued Interest	707	—	2	709
Grants	15,476	—	—	15,476
Advances to Other Agencies	8,291	—	—	8,291
Land Held for Resale	18,678	—	—	18,678
Restricted Cash and Investments	1,163	180	—	1,343
TOTAL ASSETS	$ 1,011,265	$ 180	$ 226	$ 1,011,671
LIABILITIES				
Accounts Payable	$ 91,774	$ —	$ 20	$ 91,794
Accrued Wages and Benefits	476	—	—	476
Other Accrued Liabilities	19	—	—	19
Due to Other Funds	8,055	2	—	8,057
Due to Other Agencies	79	—	—	79
Unearned Revenue	51,470	—	—	51,470
TOTAL LIABILITIES	151,873	2	20	151,895
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes	914	—	—	914
Unavailable Revenue - Grants	14,795	—	—	14,795
Unavailable Revenue - Other	2,842	—	—	2,842
TOTAL DEFERRED INFLOWS OF RESOURCES	18,551	—	—	18,551
FUND BALANCES				
Restricted	814,854	178	206	815,238
Committed	40,833	—	—	40,833
Unassigned (Deficit)	(14,846)	—	—	(14,846)
TOTAL FUND BALANCES	840,841	178	206	841,225
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,011,265	$ 180	$ 226	$ 1,011,671

NONNONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	City of San Diego	TSRFC	EIFDPFA	Total
REVENUES				
Property Taxes	$ 16,399	$ —	$ 1,191	$ 17,590
Special Assessments	47,120	—	—	47,120
Transient Occupancy Taxes	60,224	—	—	60,224
Franchises	64,794	—	—	64,794
Licenses and Permits	10,314	—	—	10,314
Fines, Forfeitures and Penalties	2,499	—	—	2,499
Revenue from Use of Money and Property	15,801	—	—	15,801
Revenue from Federal Agencies	171,583	—	—	171,583
Revenue from Other Agencies	21,355	—	—	21,355
Revenue from Private Sources	2,119	—	—	2,119
Charges for Current Services	23,620	—	—	23,620
Other Revenue	1,077	—	—	1,077
TOTAL REVENUES	436,905	—	1,191	438,096
EXPENDITURES				
Current:				
General Government and Support	13,381	52	68	13,501
Public Safety - Police	14,772	—	—	14,772
Public Safety - Fire and Life Safety and Homeland Security	7,484	—	—	7,484
Parks, Recreation, Culture and Leisure	85,939	—	—	85,939
Transportation	60,300	—	—	60,300
Sanitation and Health	8,280	—	—	8,280
Neighborhood Services	224,196	—	—	224,196
Capital Outlay	19,411	—	—	19,411
Debt Service:				
Principal Retirement	385	—	—	385
Interest	117	—	—	117
TOTAL EXPENDITURES	434,265	52	68	434,385
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,640	(52)	1,123	3,711
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	22,172	97	—	22,269
Transfers to Other Funds	(43,369)	—	(1,138)	(44,507)
Proceeds from the Sale of Capital Assets	8,493	—		8,493
TOTAL OTHER FINANCING SOURCES (USES)	(12,704)	97	(1,138)	(13,745)
NET CHANGE IN FUND BALANCES	(10,064)	45	(15)	(10,034)
Fund Balances at Beginning of Year	850,905	133	221	851,259
FUND BALANCES AT END OF YEAR	$ 840,841	$ 178	$ 206	$ 841,225

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
June 30, 2021
(Dollars in Thousands)

	Budgeted			
	Acquisition, Improvement and Operations	SDCCU Stadium Operations	Transient Occupancy Tax	Underground Surcharge
ASSETS				
Cash and Investments	$ 32,055	$ 1,784	$ 2,222	$ 168,128
Receivables:				
Taxes - Net of Allowance for Uncollectibles	—	—	10,993	15,990
Accounts - Net of Allowance for Uncollectibles	816	420	234	—
Special Assessments	86	—	—	—
Notes	—	—	—	—
Loans	—	—	—	—
Accrued Interest	42	2	(1)	256
Grants	—	—	—	—
Advances to Other Agencies	703	—	—	—
Land Held for Resale	—	—	—	—
Restricted Cash and Investments	—	—	—	—
TOTAL ASSETS	$ 33,702	$ 2,206	$ 13,448	$ 184,374
LIABILITIES				
Accounts Payable	$ 2,530	$ 2	$ 3,431	$ 13,247
Accrued Wages and Benefits	196	6	85	104
Other Accrued Liabilities	—	3	—	—
Due to Other Funds	—	—	8,054	—
Due to Other Agencies	—	—	—	—
Unearned Revenue	—	—	—	—
TOTAL LIABILITIES	2,726	11	11,570	13,351
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes	—	—	610	—
Unavailable Revenue - Grants	—	—	—	—
Unavailable Revenue - Other	586	420	234	—
TOTAL DEFERRED INFLOWS OF RESOURCES	586	420	844	—
FUND BALANCES				
Restricted	24,895	—	—	171,023
Committed	5,495	1,775	1,034	—
Unassigned (Deficit)	—	—	—	—
TOTAL FUND BALANCES	30,390	1,775	1,034	171,023
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 33,702	$ 2,206	$ 13,448	$ 184,374

			Unbudgeted			
Zoological Exhibits	Storm Drain Revenue	Other Special Revenue	Grants	Low-Moderate Income Housing	Other Special Revenue	Total
$ 10,227	$ —	$ 20,456	$ 88,979	$ 47,148	$ 168,563	$ 539,562
386	—	—	—	—	—	27,369
—	1,366	20	2	—	1,676	4,534
—	—	—	—	—	3,088	3,174
—	—	—	—	293,551	3,769	297,320
—	—	—	92,993	—	1,998	94,991
—	—	30	79	71	228	707
—	—	—	15,476	—	—	15,476
—	—	—	—	—	7,588	8,291
—	—	—	—	18,678	—	18,678
—	—	—	—	1,163	—	1,163
$ 10,613	$ 1,366	$ 20,506	$ 197,529	$ 360,611	$ 186,910	$ 1,011,265
$ 10,227	$ —	$ 2,228	$ 52,458	$ 270	$ 7,381	$ 91,774
—	—	85	—	—	—	476
—	—	—	—	—	16	19
—	—	—	—	—	1	8,055
—	—	—	79	—	—	79
—	—	—	49,540	—	1,930	51,470
10,227	—	2,313	102,077	270	9,328	151,873
304	—	—	—	—	—	914
—	—	—	14,795	—	—	14,795
—	103	20	—	—	1,479	2,842
304	103	20	14,795	—	1,479	18,551
82	1,263	12,778	95,451	360,341	149,021	814,854
—	—	5,395	—	—	27,134	40,833
—	—	—	(14,794)	—	(52)	(14,846)
82	1,263	18,173	80,657	360,341	176,103	840,841
$ 10,613	$ 1,366	$ 20,506	$ 197,529	$ 360,611	$ 186,910	$ 1,011,265

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	Budgeted			
	Acquisition, Improvement and Operations	**SDCCU Stadium Operations**	**Transient Occupancy Tax**	**Underground Surcharge**
REVENUES				
Property Taxes	$ —	$ —	$ —	$ —
Special Assessments	19,216	—	—	—
Transient Occupancy Taxes	—	—	60,224	—
Franchises	—	—	—	64,694
Licenses and Permits	39	—	—	—
Fines, Forfeitures and Penalties	—	—	—	394
Revenue from Use of Money and Property	52	191	653	773
Revenue from Federal Agencies	—	—	—	—
Revenue from Other Agencies	—	—	—	—
Revenue from Private Sources	—	—	270	95
Charges for Current Services	6,517	15	23	—
Other Revenue	502	—	45	—
TOTAL REVENUES	26,326	206	61,215	65,956
EXPENDITURES				
Current:				
General Government and Support	3,550	—	—	—
Public Safety - Police	—	—	—	—
Public Safety - Fire and Life Safety and Homeland Security	—	—	—	—
Parks, Recreation, Culture and Leisure	19,520	1,469	27,019	—
Transportation	—	—	1	59,485
Sanitation and Health	—	—	—	—
Neighborhood Services	2,771	—	—	—
Capital Outlay	77	—	—	4,396
Debt Service:				
Principal Retirement	—	—	—	—
Interest	—	—	—	—
TOTAL EXPENDITURES	25,918	1,469	27,020	63,881
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	408	(1,263)	34,195	2,075
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	167	—	1	—
Transfers to Other Funds	—	—	(36,043)	—
Proceeds from the Sale of Capital Assets	—	—	—	—
TOTAL OTHER FINANCING SOURCES (USES)	167	—	(36,042)	—
NET CHANGE IN FUND BALANCES	575	(1,263)	(1,847)	2,075
Fund Balances at Beginning of Year	29,815	3,038	2,881	168,948
FUND BALANCES AT END OF YEAR	$ 30,390	$ 1,775	$ 1,034	$ 171,023

			Unbudgeted			
Zoological Exhibits	Storm Drain Revenue	Other Special Revenue	Grants	Low-Moderate Income Housing	Other Special Revenue	Total
$ 16,284	$ —	$ —	$ —	$ —	$ 115	$ 16,399
—	—	—	—	—	27,904	47,120
—	—	—	—	—	—	60,224
—	—	—	—	—	100	64,794
—	—	10,275	—	—	—	10,314
—	—	—	—	—	2,105	2,499
—	—	(45)	869	5,038	8,270	15,801
—	—	58	171,525	—	—	171,583
—	—	3,445	17,907	—	3	21,355
—	—	—	—	175	1,579	2,119
—	5,833	2,809	—	—	8,423	23,620
—	—	21	1	394	114	1,077
16,284	5,833	16,563	190,302	5,607	48,613	436,905
—	—	4,355	4,176	—	1,300	13,381
—	—	10,245	4,228	—	299	14,772
—	—	567	6,445	—	472	7,484
16,385	—	260	580	—	20,706	85,939
—	—	193	418	—	203	60,300
—	5,506	2,426	348	—	—	8,280
—	—	3,354	190,616	3,725	23,730	224,196
—	—	3,635	6,608	—	4,695	19,411
—	—	—	—	—	385	385
—	—	—	—	—	117	117
16,385	5,506	25,035	213,419	3,725	51,907	434,265
(101)	327	(8,472)	(23,117)	1,882	(3,294)	2,640
—	—	350	15,100	3,387	3,167	22,172
—	—	(1,763)	(5,401)	—	(162)	(43,369)
—	—	—	—	8,478	15	8,493
—	—	(1,413)	9,699	11,865	3,020	(12,704)
(101)	327	(9,885)	(13,418)	13,747	(274)	(10,064)
183	936	28,058	94,075	346,594	176,377	850,905
$ 82	$ 1,263	$ 18,173	$ 80,657	$ 360,341	$ 176,103	$ 840,841

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, 2021
(Dollars in Thousands)

	Acquisition, Improvement and Operations			SDCCU Stadium Operations		
	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	19,216	19,471	(255)	—	—	—
Sales Taxes	—	—	—	—	—	—
Transient Occupancy Taxes	—	—	—	—	—	—
Franchises	—	—	—	—	—	—
Other Local Taxes	—	—	—	—	—	—
Licenses and Permits	39	40	(1)	—	—	—
Fines, Forfeitures and Penalties	—	—	—	—	—	—
Revenue from Use of Money and Property	404	145	259	224	15	209
Revenue from Federal Agencies	—	—	—	—	—	—
Revenue from Other Agencies	—	—	—	—	—	—
Revenue from Private Sources	—	—	—	—	—	—
Charges for Current Services	6,517	5,654	863	15	—	15
Other Revenue	502	—	502	—	103	(103)
TOTAL REVENUES	26,678	25,310	1,368	239	118	121
EXPENDITURES						
Current:						
General Government and Support	3,550	4,262	712	—	—	—
Public Safety - Police	—	—	—	—	—	—
Public Safety - Fire and Life Safety and Homeland Security	—	—	—	—	—	—
Parks, Recreation, Culture and Leisure	20,247	40,843	20,596	1,469	1,469	—
Transportation	—	—	—	—	—	—
Sanitation and Health	—	—	—	—	—	—
Neighborhood Services	2,771	3,134	363	—	—	—
Capital Outlay	96	—	(96)	—	—	—
Debt Service:						
Principal Retirement	—	—	—	—	—	—
Interest	—	—	—	—	—	—
TOTAL EXPENDITURES	26,664	48,239	21,575	1,469	1,469	—
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	14	(22,929)	22,943	(1,230)	(1,351)	121
OTHER FINANCING SOURCES (USES)						
Transfers from Other Funds	167	1,353	(1,186)	—	—	—
Transfers to Other Funds	—	(2)	2	—	(463)	463
TOTAL OTHER FINANCING SOURCES (USES)	167	1,351	(1,184)	—	(463)	463
NET CHANGE IN FUND BALANCES	181	(21,578)	21,759	(1,230)	(1,814)	584
Prior Year Encumbrances	592	—	—	—	—	—
Fund Balances at Beginning of Year	28,107	28,107	—	3,002	3,002	—
FUND BALANCES AT END OF YEAR	$ 28,880	$ 6,529	$ 21,759	$ 1,772	$ 1,188	$ 584

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, 2021
(Dollars in Thousands)

	Transient Occupancy Tax			Underground Surcharge		
	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	—	—	—	—	—	—
Transient Occupancy Taxes	60,224	81,158	(20,934)	—	—	—
Franchises	—	—	—	64,694	54,193	10,501
Other Local Taxes	—	—	—	—	—	—
Licenses and Permits	—	75	(75)	—	—	—
Fines, Forfeitures and Penalties	—	—	—	394	—	394
Revenue from Use of Money and Property	687	1,223	(536)	3,170	1,320	1,850
Revenue from Federal Agencies	—	—	—	—	—	—
Revenue from Other Agencies	—	—	—	—	—	—
Revenue from Private Sources	270	1,430	(1,160)	95	100	(5)
Charges for Current Services	23	—	23	—	—	—
Other Revenue	45	—	45	—	—	—
TOTAL REVENUES	61,249	83,886	(22,637)	68,353	55,613	12,740
EXPENDITURES						
Current:						
General Government and Support	—	—	—	—	—	—
Public Safety - Police	—	—	—	—	—	—
Public Safety - Fire and Life Safety and Homeland Security	—	—	—	—	—	—
Parks, Recreation, Culture and Leisure	27,019	44,021	17,002	—	—	—
Transportation	1	3	2	59,485	134,439	74,954
Sanitation and Health	—	—	—	—	—	—
Neighborhood Services	—	—	—	—	—	—
Capital Outlay	—	—	—	6,607	—	(6,607)
Debt Service:						
Principal Retirement	—	—	—	—	—	—
Interest	—	—	—	—	—	—
TOTAL EXPENDITURES	27,020	44,024	17,004	66,092	134,439	68,347
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	34,229	39,862	(5,633)	2,261	(78,826)	81,087
OTHER FINANCING SOURCES (USES)						
Transfers from Other Funds	1	—	1	—	—	—
Transfers to Other Funds	(36,043)	(40,679)	4,636	—	—	—
TOTAL OTHER FINANCING SOURCES (USES)	(36,042)	(40,679)	4,637	—	—	—
NET CHANGE IN FUND BALANCES	(1,813)	(817)	(996)	2,261	(78,826)	81,087
Prior Year Encumbrances	—	—	—	4,457	—	—
Fund Balances at Beginning of Year	2,847	2,847	—	161,699	161,699	—
FUND BALANCES AT END OF YEAR	$ 1,034	$ 2,030	$ (996)	$ 168,417	$ 82,873	$ 81,087

(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, 2021
(Dollars in Thousands)

	Zoological Exhibits			Storm Drain Revenue		
	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	$ 16,284	$ 15,648	$ 636	$ —	$ —	$ —
Special Assessments	—	—	—	—	—	—
Sales Taxes	—	—	—	—	—	—
Transient Occupancy Taxes	—	—	—	—	—	—
Franchises	—	—	—	—	—	—
Other Local Taxes	—	—	—	—	—	—
Licenses and Permits	—	—	—	—	—	—
Fines, Forfeitures and Penalties	—	—	—	—	—	—
Revenue from Use of Money and Property	—	—	—	—	—	—
Revenue from Federal Agencies	—	—	—	—	—	—
Revenue from Other Agencies	—	—	—	—	—	—
Revenue from Private Sources	—	—	—	—	—	—
Charges for Current Services	—	—	—	5,833	5,700	133
Other Revenue	—	—	—	—	—	—
TOTAL REVENUES	16,284	15,648	636	5,833	5,700	133
EXPENDITURES						
Current:						
General Government and Support	—	—	—	—	—	—
Public Safety - Police	—	—	—	—	—	—
Public Safety - Fire and Life Safety and Homeland Security	—	—	—	—	—	—
Parks, Recreation, Culture and Leisure	16,385	16,385	—	—	—	—
Transportation	—	—	—	—	—	—
Sanitation and Health	—	—	—	5,506	5,700	194
Neighborhood Services	—	—	—	—	—	—
Capital Outlay	—	—	—	—	—	—
Debt Service:						
Principal Retirement	—	—	—	—	—	—
Interest	—	—	—	—	—	—
TOTAL EXPENDITURES	16,385	16,385	—	5,506	5,700	194
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(101)	(737)	636	327	—	327
OTHER FINANCING SOURCES (USES)						
Transfers from Other Funds	—	—	—	—	—	—
Transfers to Other Funds	—	—	—	—	—	—
TOTAL OTHER FINANCING SOURCES (USES)	—	—	—	—	—	—
NET CHANGE IN FUND BALANCES	(101)	(737)	636	327	—	327
Prior Year Encumbrances	—	—	—	—	—	—
Fund Balances at Beginning of Year	183	183	—	936	936	—
FUND BALANCES AT END OF YEAR	$ 82	$ (554)	$ 636	$ 1,263	$ 936	$ 327

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, 2021
(Dollars in Thousands)

	Other Special Revenue [1]		
	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	$ —	$ —	$ —
Special Assessments	—	—	—
Sales Taxes	10,193	9,934	259
Transient Occupancy Taxes	—	—	—
Franchises	16,153	13,767	2,386
Other Local Taxes	58,601	60,666	(2,065)
Licenses and Permits	10,275	15,100	(4,825)
Fines, Forfeitures and Penalties	53	—	53
Revenue from Use of Money and Property	3,280	4,178	(898)
Revenue from Federal Agencies	58	1,499	(1,441)
Revenue from Other Agencies	5,285	11,896	(6,611)
Revenue from Private Sources	—	—	—
Charges for Current Services	234,948	244,145	(9,197)
Other Revenue	1,809	409	1,400
TOTAL REVENUES	340,655	361,594	(20,939)
EXPENDITURES			
Current:			
General Government and Support	195,947	219,070	23,123
Public Safety - Police	10,245	18,395	8,150
Public Safety - Fire and Life Safety and Homeland Security	5,880	7,169	1,289
Parks, Recreation, Culture and Leisure	18,492	8,979	(9,513)
Transportation	56,783	130,303	73,520
Sanitation and Health	2,426	6,783	4,357
Neighborhood Services	4,989	5,713	724
Capital Outlay	25,425	—	(25,425)
Debt Service:			
Principal Retirement	563	563	—
Interest	5	5	—
TOTAL EXPENDITURES	320,755	396,980	76,225
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	19,900	(35,386)	55,286
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	15,654	5,814	9,840
Transfers to Other Funds	(45,104)	(60,595)	15,491
TOTAL OTHER FINANCING SOURCES (USES)	(29,450)	(54,781)	25,331
NET CHANGE IN FUND BALANCES	(9,550)	(90,167)	80,617
Prior Year Encumbrances	31,480	—	—
Fund Balances at Beginning of Year	79,258	79,258	—
FUND BALANCES AT END OF YEAR	$ 101,188	$ (10,909)	$ 80,617

[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.

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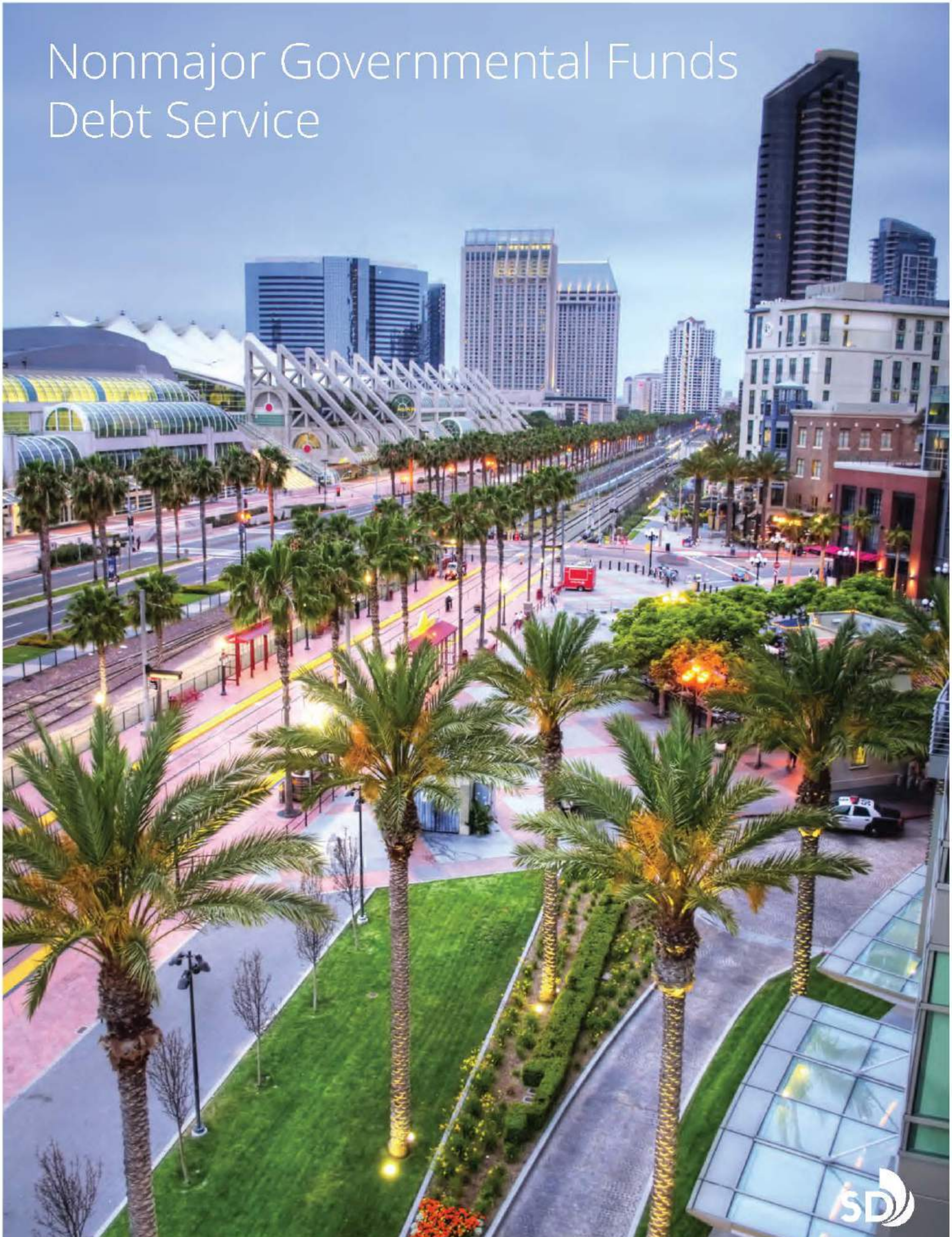
Nonmajor Governmental Funds
Debt Service



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
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
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.

TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION
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, 2021
(Dollars in Thousands)

	CCEFA	PFFA	TSRFC	Total
ASSETS				
Cash and Investments	$ —	$ 5	$ —	$ 5
Receivables:				
Accounts	—	—	5,241	5,241
Restricted Cash and Investments	—	189	11,807	11,996
TOTAL ASSETS	$ —	$ 194	$ 17,048	$ 17,242
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Other	$ —	$ —	$ 5,241	$ 5,241
FUND BALANCES				
Restricted	—	194	11,807	12,001
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ —	$ 194	$ 17,048	$ 17,242

NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	CCEFA	PFFA	TSRFC	Total
REVENUES				
Revenue from Use of Money and Property	$ —	$ —	$ 489	$ 489
Revenue from Other Agencies	—	—	11,489	11,489
TOTAL REVENUES	—	—	11,978	11,978
EXPENDITURES				
Debt Service:				
Principal Retirement	10,335	20,225	9,040	39,600
Cost of Issuance	341	952	—	1,293
Interest	7,691	22,045	2,731	32,467
TOTAL EXPENDITURES	18,367	43,222	11,771	73,360
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(18,367)	(43,222)	207	(61,382)
OTHER FINANCING SOURCES				
Transfers from Other Funds	12,182	37,052	—	49,234
Transfers to Other Funds	—	—	(97)	(97)
Payment to Refunded Bond Escrow Agent	(64,565)	(55,125)	—	(119,690)
Revenue Bonds Issued	70,750	61,459	—	132,209
TOTAL OTHER FINANCING SOURCES	18,367	43,386	(97)	61,656
NET CHANGE IN FUND BALANCES	—	164	110	274
Fund Balances at Beginning of Year	—	30	11,697	11,727
FUND BALANCES AT END OF YEAR	$ —	$ 194	$ 11,807	$ 12,001

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 City 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 City Charter. Fee assessments are only to be used in the community the assessments are collected and are the primary source of project funding, excluding maintenance costs.

IMPACT FEES - UNBUDGETED
This fund was established to account for building permit fees collected at the time of permit issuance and has specific State reporting requirements. Fee assessments are only to be used in the community the assessments are collected and are not the primary source of project funding and exclude maintenance costs.

SPECIAL ASSESSMENT/SPECIAL TAX BONDS - UNBUDGETED
This fund was established to account for Community Facilities Districts and Special Assessment Districts, which under various sections of State law, issue limited obligation bonds to finance infrastructure facilities and other public improvements necessary to facilitate development of the properties within each district. The bonds are secured solely by the properties within each district, and are repaid through revenues generated by the annual levy of special taxes or special assessments on the benefiting properties.

TRANSNET - UNBUDGETED
This fund was established to account for transportation improvements funded by local sales tax approved by voters in the County, as well as Commercial Paper and developer impact fees under the SANDAG administered TransNet Program. Funds are used to relieve traffic congestion, increase safety, and improve air quality by performing repairs, restorations, and construction of needed facilities within the public rights-of-way.

CAPITAL OUTLAY - UNBUDGETED
This fund was established to account for the acquisition, construction and completion of permanent public improvements and real property. This fund also accounts for a variety of capital projects including, but not limited to, park and street improvements, and the construction of public facilities in new development areas. Revenues in this fund are derived from developer contributions, private donations, special assessments, special taxes, fees, leases, and interest derived there from.

BLENDED COMPONENT UNITS

PUBLIC FACILITIES FINANCING AUTHORITY
This fund was established to account for the capital improvement acquisition and construction activities of the Public Facilities Financing Authority (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.

TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION
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.

ENHANCED INFRASTRUCTURE FINANCING DISTRICT PUBLIC FINANCING AUTHORITY
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, 2021
(Dollars in Thousands)

	City of San Diego	PFFA	TSRFC	EIFDPFA	Total
ASSETS					
Cash and Investments	$ 691,437	$ —	$ 6	$ 2,264	$ 693,707
Receivables:					
Taxes - Net of Allowance for Uncollectibles	27,730	—	—	—	27,730
Accounts - Net of Allowance for Uncollectibles	1,413	—	—	—	1,413
Claims	28,995	—	—	—	28,995
Accrued Interest	947	—	—	1	948
Grants	68,074	—	—	—	68,074
From Other Funds	25,000	—	2	—	25,002
Interfund Loan Receivable	26,167	—	—	—	26,167
Advances to Other Agencies	7,421	—	—	—	7,421
Restricted Cash and Investments	26,448	77,087	—	—	103,535
TOTAL ASSETS	$ 903,632	$ 77,087	$ 8	$ 2,265	$ 982,992
LIABILITIES					
Accounts Payable	$ 22,200	$ 2,088	$ —	$ —	$ 24,288
Other Accrued Liabilities	20,069	—	—	—	20,069
Due to Other Funds	41,905	2,980	—	—	44,885
Unearned Revenue	16,002	—	—	—	16,002
Interfund Loan Payable	26,167	—	—	—	26,167
TOTAL LIABILITIES	126,343	5,068	—	—	131,411
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Taxes	27,730	—	—	—	27,730
Unavailable Revenue - Grants	47,780	—	—	—	47,780
Unavailable Revenue - Other	1,413	—	—	—	1,413
TOTAL DEFERRED INFLOWS OF RESOURCES	76,923	—	—	—	76,923
FUND BALANCES					
Restricted	754,549	72,019	8	2,265	828,841
Committed	10,633	—	—	—	10,633
Unassigned (Deficit)	(64,816)	—	—	—	(64,816)
TOTAL FUND BALANCES	700,366	72,019	8	2,265	774,658
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 903,632	$ 77,087	$ 8	$ 2,265	$ 982,992

NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	City of San Diego	PFFA	TSRFC	EIFDPFA	Total
REVENUES					
Sales Taxes	$ 35,147	$ —	$ —	$ —	$ 35,147
Licenses and Permits	72,205	—	—	—	72,205
Revenue from Use of Money and Property	2,842	2	(37)	16	2,823
Revenue from Federal Agencies	25,563	—	—	—	25,563
Revenue from Other Agencies	1,776	—	—	—	1,776
Revenue from Private Sources	5,142	—	—	—	5,142
Charges for Current Services	90	—	—		90
Other Revenue	—	916	—	—	916
TOTAL REVENUES	142,765	918	(37)	16	143,662
EXPENDITURES					
Current:					
General Government and Support	3,147	—	—	—	3,147
Public Safety - Police	204	—	—		204
Public Safety - Fire and Life Safety and Homeland Security	534	—	—	—	534
Parks, Recreation, Culture and Leisure	818	—	—	—	818
Transportation	4,182	—	—	—	4,182
Sanitation and Health	233	12	—	—	245
Neighborhood Services	(100)	—	—	—	(100)
Capital Outlay	135,720	18,828	8,556	—	163,104
Debt Service:					
Principal Retirement	464	88,500	—	—	88,964
Interest	77	149	—	—	226
TOTAL EXPENDITURES	145,279	107,489	8,556	—	261,324
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,514)	(106,571)	(8,593)	16	(117,662)
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	2,959	149	—	1,138	4,246
Transfers to Other Funds	(32,360)	—	—	—	(32,360)
Proceeds from the Sale of Capital Assets	51,863	—	—	—	51,863
Commercial Paper Notes Issued	—	49,925	—	—	49,925
Revenue Bonds Issued	—	116,431	—	—	116,431
Premium on Bonds Issued	—	28,569	—	—	28,569
TOTAL OTHER FINANCING SOURCES	22,462	195,074	—	1,138	218,674
NET CHANGE IN FUND BALANCES	19,948	88,503	(8,593)	1,154	101,012
Fund Balances (Deficit) at Beginning of Year	680,418	(16,484)	8,601	1,111	673,646
FUND BALANCES AT END OF YEAR	$ 700,366	$ 72,019	$ 8	$ 2,265	$ 774,658

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
June 30, 2021
(Dollars in Thousands)

	Budgeted	
	TransNet	Capital Outlay
ASSETS		
Cash and Investments	$ 10,748	$ 57,954
Receivables:		
Taxes - Net of Allowance for Uncollectibles	27,730	—
Accounts - Net of Allowance for Uncollectibles	—	—
Claims	—	—
Accrued Interest	12	68
Grants	—	—
From Other Funds	—	25,000
Interfund Loan Receivable	—	—
Advances to Other Agencies	—	—
Restricted Cash and Investments	—	—
TOTAL ASSETS	$ 38,490	$ 83,022
LIABILITIES		
Accounts Payable	$ 1,542	$ 2,898
Other Accrued Liabilities	—	—
Due to Other Funds	—	—
Unearned Revenue	—	—
Interfund Loan Payable	—	—
TOTAL LIABILITIES	1,542	2,898
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Taxes	27,730	—
Unavailable Revenue - Grants	—	—
Unavailable Revenue - Other	—	—
TOTAL DEFERRED INFLOWS OF RESOURCES	27,730	—
FUND BALANCES		
Restricted	9,218	80,124
Committed	—	—
Unassigned (Deficit)	—	—
TOTAL FUND BALANCES (DEFICIT)	9,218	80,124
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 38,490	$ 83,022

Unbudgeted							
Capital Grants	Parks & Recreation Districts	Facilities Benefit Assessments	Impact Fees	Special Assessment/ Special Tax Bonds	TransNet	Capital Outlay	Total
$ 5,819	$ 2,096	$ 280,136	$ 181,732	$ 457	$ 25,447	$ 127,048	$ 691,437
—	—	—	—	—	—	—	27,730
—	—	182	60	—	14	1,157	1,413
—	—	—	—	—	—	28,995	28,995
—	3	426	269	1	38	130	947
68,074	—	—	—	—	—	—	68,074
—	—	—	—	—	—	—	25,000
—	—	—	—	—	26,167	—	26,167
—	—	—	7,000	—	—	421	7,421
—	—	—	—	—	—	26,448	26,448
$ 73,893	$ 2,099	$ 280,744	$ 189,061	$ 458	$ 51,666	$ 184,199	$ 903,632
$ 5,819	$ —	$ 655	$ 2,849	$ —	$ 1,751	$ 6,686	$ 22,200
—	—	—	—	—	—	20,069	20,069
41,905	—	—	—	—	—	—	41,905
2	—	—	—	—	—	16,000	16,002
26,167	—	—	—	—	—	—	26,167
73,893	—	655	2,849	—	1,751	42,755	126,343
—	—	—	—	—	—	—	27,730
47,780	—	—	—	—	—	—	47,780
—	—	182	60	—	14	1,157	1,413
47,780	—	182	60	—	14	1,157	76,923
—	2,099	279,907	186,152	458	49,901	146,690	754,549
—	—	—	—	—	—	10,633	10,633
(47,780)	—	—	—	—	—	(17,036)	(64,816)
(47,780)	2,099	279,907	186,152	458	49,901	140,287	700,366
$ 73,893	$ 2,099	$ 280,744	$ 189,061	$ 458	$ 51,666	$ 184,199	$ 903,632

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	Budgeted	
	TransNet	**Capital Outlay**
REVENUES		
Sales Taxes	$ 35,147	$ —
Licenses and Permits	—	—
Revenue from Use of Money and Property	(411)	198
Revenue from Federal Agencies	—	—
Revenue from Other Agencies	—	—
Revenue from Private Sources	—	—
Charges for Current Services	—	—
TOTAL REVENUES	34,736	198
EXPENDITURES		
Current:		
General Government and Support	451	28
Public Safety - Police	—	204
Public Safety - Fire and Life Safety and Homeland Security	—	—
Parks, Recreation, Culture and Leisure	—	521
Transportation	3,681	4
Sanitation and Health	56	—
Neighborhood Services	—	—
Capital Outlay	17,971	13,001
Debt Service:		
Principal Retirement	—	—
Interest	33	—
TOTAL EXPENDITURES	22,192	13,758
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	12,544	(13,560)
OTHER FINANCING SOURCES (USES)		
Transfers from Other Funds	—	1,784
Transfers to Other Funds	(10,385)	(18,588)
Proceeds from the Sale of Capital Assets	—	43,363
TOTAL OTHER FINANCING SOURCES (USES)	(10,385)	26,559
NET CHANGE IN FUND BALANCES	2,159	12,999
Fund Balances (Deficit) at Beginning of Year	7,059	67,125
FUND BALANCES (DEFICIT) AT END OF YEAR	$ 9,218	$ 80,124

Capital Grants	Parks & Recreation Districts	Facilities Benefit Assessments	Impact Fees	Special Assessment/ Special Tax Bonds	TransNet	Capital Outlay	Total
Unbudgeted							
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 35,147
—	—	38,597	25,608	—	7,653	347	72,205
—	(4)	1,060	659	2	140	1,198	2,842
25,563	—	—	—	—	—	—	25,563
1,776	—	—	—	—	—	—	1,776
—	—	—	—	—	—	5,142	5,142
—	—	—	—	—	—	90	90
27,339	(4)	39,657	26,267	2	7,793	6,777	142,765
—	—	1,325	894	—	94	355	3,147
—	—	—	—	—	—	—	204
—	—	3	—	—	—	531	534
—	—	79	9	—	—	209	818
—	—	219	—	—	5	273	4,182
—	—	—	—	—	—	177	233
—	—	10	—	—	—	(110)	(100)
37,337	2,330	26,096	16,878	—	4,397	17,710	135,720
—	—	—	—	—	—	464	464
—	—	—	—	—	—	44	77
37,337	2,330	27,732	17,781	—	4,496	19,653	145,279
(9,998)	(2,334)	11,925	8,486	2	3,297	(12,876)	(2,514)
—	—	—	—	—	—	1,175	2,959
—	—	—	—	—	—	(3,387)	(32,360)
—	—	—	—	—	—	8,500	51,863
—	—	—	—	—	—	6,288	22,462
(9,998)	(2,334)	11,925	8,486	2	3,297	(6,588)	19,948
(37,782)	4,433	267,982	177,666	456	46,604	146,875	680,418
$ (47,780)	$ 2,099	$ 279,907	$ 186,152	$ 458	$ 49,901	$ 140,287	$ 700,366

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, 2021
(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	$ 35,147	$ 34,967	$ 180	$ —	$ —	$ —
Revenue from Use of Money and Property	133	—	133	863	—	863
Charges for Current Services	—	—	—	—	415	(415)
TOTAL REVENUES	35,280	34,967	313	863	415	448
EXPENDITURES						
Current:						
General Government and Support	451	347	(104)	28	960	932
Public Safety - Police	—	—	—	204	2,727	2,523
Public Safety - Fire and Life Safety and Homeland Security	—	—	—	—	1,701	1,701
Parks, Recreation, Culture and Leisure	—	—	—	521	56,172	55,651
Transportation	3,681	43,838	40,157	4	3,267	3,263
Sanitation and Health	56	9,031	8,975	—	2,089	2,089
Capital Outlay	27,446	—	(27,446)	32,294	—	(32,294)
Debt Service-Interest	33	—	(33)	—	—	—
TOTAL EXPENDITURES	31,667	53,216	21,549	33,051	66,916	33,865
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,613	(18,249)	21,862	(32,188)	(66,501)	34,313
OTHER FINANCING SOURCES (USES)						
Transfers from Other Funds	—	—	—	1,784	10,227	(8,443)
Transfers to Other Funds	(10,385)	(10,453)	68	(18,588)	(18,588)	—
Proceeds from the Sale of Capital Assets	—	—	—	43,363	52,841	(9,478)
TOTAL OTHER FINANCING SOURCES (USES)	(10,385)	(10,453)	68	26,559	44,480	(17,921)
NET CHANGE IN FUND BALANCES	(6,772)	(28,702)	21,930	(5,629)	(22,021)	16,392
Prior Year Encumbrances	9,435	—	—	13,623	—	—
Fund Balances (Deficit) at Beginning of Year	(2,945)	(2,945)	—	52,732	52,732	—
FUND BALANCES (DEFICIT) AT END OF YEAR	$ (282)	$ (31,647)	$ 21,930	$ 60,726	$ 30,711	$ 16,392

Nonmajor Governmental Funds Permanent

PERMANENT FUNDS

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs (i.e., for the benefit of the City or its citizens).

CARROLL CANYON VERNAL POOL MITIGATION
This fund was established to account for an endowment from the San Diego Unified School District (The District). The endowment is to be used to implement a Memorandum of Understanding between the City and the District for biological mitigation, park land and joint use facilities involving Salk Elementary School, McAuliffe Community Park, and the Carroll Canyon Vernal Pool Preserve.

CEMETERY PERPETUITY
This fund was established to account for the Mt. Hope Cemetery endowment. Investment earnings derived from the endowment supplement grave sales revenues in order to finance cemetery operations.

LIBRARY ENDOWMENTS
This fund includes the Effie Sergeant endowment, which was established to account for donations to benefit the North Park Library, and the Scripps Ranch Library endowment. Investment earnings are used to finance library services and programs.

LOS PENASQUITOS CANYON
This fund was established to account for the Los Penasquitos Canyon Preserve Trust Fund. Investment earnings are used to finance operations, land acquisitions, historical restoration, and maintenance of the Penasquitos Preserve Park.

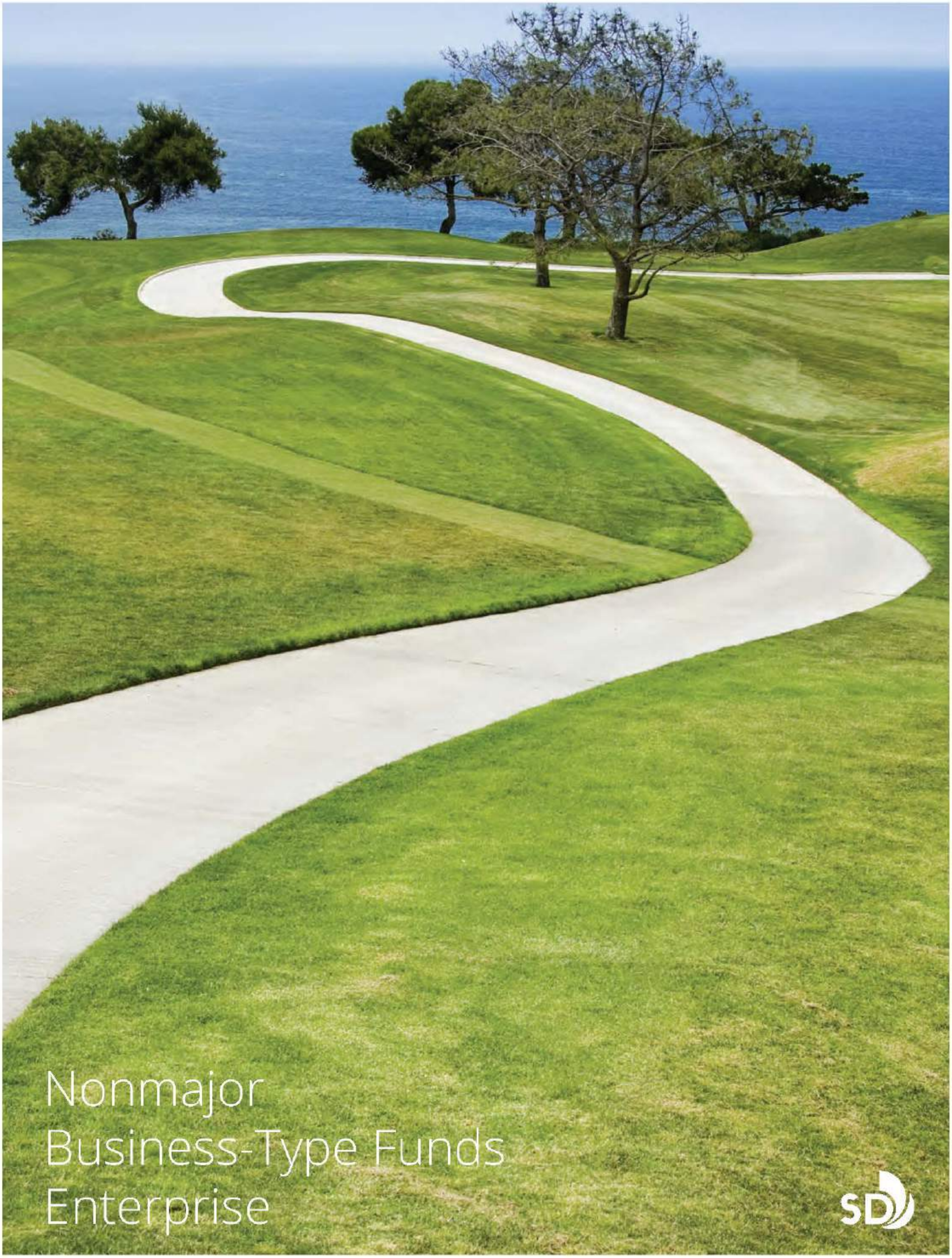
OTHER ENDOWMENTS
This fund includes several miscellaneous endowments, including, Carmel Valley Sewer Maintenance, Crescent Heights Habitat Management, Environmental Trust Bankruptcy Endowment, Figg Estate, Phillip Green Memorial Trust, Sycamore Estates, and the Zoological Society-Mission Trails.

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT
COMBINING BALANCE SHEET
June 30, 2021
(Dollars in Thousands)

	Carroll Canyon Vernal Pool Mitigation	Cemetery Perpetuity	Library Endowments	Los Penasquitos Canyon	Other Endowments	Total
ASSETS						
Receivables:						
Accrued Interest	$ 4	$ 3	$ 1	$ —	$ 1	$ 9
Restricted Cash and Investments	2,751	14,025	965	3,841	2,136	23,718
TOTAL ASSETS	$ 2,755	$ 14,028	$ 966	$ 3,841	$ 2,137	$ 23,727
LIABILITIES						
Accounts Payable	$ —	$ —	$ 1	$ —	$ 1	$ 2
FUND BALANCES						
Nonspendable	2,482	14,028	388	1,000	1,816	19,714
Restricted	273	—	577	2,841	320	4,011
TOTAL FUND BALANCES	2,755	14,028	965	3,841	2,136	23,725
TOTAL LIABILITIES AND FUND BALANCES	$ 2,755	$ 14,028	$ 966	$ 3,841	$ 2,137	$ 23,727

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2021
(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	$ 11	$ 1,697	$ 156	$ 869	$ 202	$ 2,935
Revenue from Private Sources	—	—	—	—	1	1
Charges for Current Services	—	153	—	—	—	153
TOTAL REVENUES	11	1,850	156	869	203	3,089
EXPENDITURES						
Current:						
Parks, Recreation, Culture and Leisure	—	—	59	2	3	64
Sanitation and Health	—	64	—	—	—	64
TOTAL EXPENDITURES	—	64	59	2	3	128
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11	1,786	97	867	200	2,961
OTHER FINANCING USES						
Transfers to Other Funds	—	(358)	—	(306)	—	(664)
NET CHANGE IN FUND BALANCES	11	1,428	97	561	200	2,297
Fund Balances at Beginning of Year	2,744	12,600	868	3,280	1,936	21,428
FUND BALANCES AT END OF YEAR	$ 2,755	$ 14,028	$ 965	$ 3,841	$ 2,136	$ 23,725



Nonmajor
Business-Type Funds
Enterprise

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.

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
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 BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF FUND NET POSITION
June 30, 2021
(Dollars in Thousands)

	Airports	Development Services	Environmental Services	Golf Course	Recycling	SDCCC	Total
ASSETS							
Current Assets:							
Cash and Investments	$ 15,367	$ 26,822	$ 38,834	$ 27,329	$ 36,754	$ 13,993	$ 159,099
Receivables:							
Accounts - Net of Allowance for Uncollectibles	467	1,160	1,191	1,873	4,031	25,618	34,340
Accrued Interest	24	49	117	42	86	—	318
Grants	96	—	720	—	7	—	823
Inventories	—	—	—	—	—	55	55
Total Current Assets	15,954	28,031	40,862	29,244	40,878	39,666	194,635
Non-Current Assets:							
Restricted Cash and Investments	75	8,271	34,628	—	11,491	—	54,465
Prepaid Expenses	—	—	—	—	—	790	790
Other Assets	—	—	—	—	—	551	551
Capital Assets - Non-Depreciable	2,502	2,546	14,637	2,730	—	174	22,589
Capital Assets - Depreciable	50,357	5,334	44,941	41,094	1,834	35,214	178,774
Total Non-Current Assets	52,934	16,151	94,206	43,824	13,325	36,729	257,169
TOTAL ASSETS	68,888	44,182	135,068	73,068	54,203	76,395	451,804
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Outflows Related to Other Postemployment Benefits	70	1,535	401	306	340	—	2,652
Deferred Outflows Related to Pensions	989	28,940	8,971	3,946	6,022	—	48,868
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,059	30,475	9,372	4,252	6,362	—	51,520
LIABILITIES							
Current Liabilities:							
Accounts Payable	178	5,733	2,516	408	1,071	1,280	11,186
Accrued Wages and Benefits	87	2,439	552	440	449	—	3,967
Other Accrued Liabilities	—	—	—	—	—	8,502	8,502
Long-Term Liabilities Due Within One Year	64	1,894	2,727	278	426	1,585	6,974
Unearned Revenue	—	20,149	—	—	849	9,059	30,057
Current Liabilities Payable from Restricted Assets:							
Customer Deposits Payable	—	—	—	—	11,491	—	11,491
Total Current Liabilities	329	30,215	5,795	1,126	14,286	20,426	72,177

NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF FUND NET POSITION
June 30, 2021
(Dollars in Thousands)

	Airports	Development Services	Environmental Services	Golf Course	Recycling	SDCCC	Total
Non-Current Liabilities:							
Non-Current Liabilities Payable from Restricted Assets:							
Deposits/Advances from Others	$ 75	$ 8,271	$ —	$ —	$ —	$ —	$ 8,346
Compensated Absences	65	2,430	448	248	198	—	3,389
Liability Claims	106	1,197	1,548	626	1,719	—	5,196
Capital Lease Obligations	—	—	6,455	—	—	—	6,455
Notes Payable	—	—	—	—	—	2	2
Loans Payable	—	—	—	—	—	23,224	23,224
Estimated Landfill Closure and Postclosure Care	—	—	51,656	—	—	—	51,656
Net Other Postemployment Benefits Liability	757	13,359	7,711	4,485	4,712	—	31,024
Pension Liabilities	3,662	102,793	40,864	18,542	25,562	—	191,423
Total Non-Current Liabilities	4,665	128,050	108,682	23,901	32,191	23,226	320,715
TOTAL LIABILITIES	4,994	158,265	114,477	25,027	46,477	43,652	392,892
NET POSITION (DEFICIT)							
Net Investment in Capital Assets	52,859	7,880	50,967	43,824	1,834	12,871	170,235
Restricted for Closure/Postclosure Maintenance	—	—	4,747	—	—	—	4,747
Unrestricted (Deficit)	12,094	(91,488)	(25,751)	8,469	12,254	19,872	(64,550)
TOTAL NET POSITION (DEFICIT)	$ 64,953	$ (83,608)	$ 29,963	$ 52,293	$ 14,088	$ 32,743	$ 110,432

NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	Airports	Development Services	Environmental Services	Golf Course	Recycling	SDCCC	Total
OPERATING REVENUES							
Charges for Services	$ 327	$ 81,267	$ 30,790	$ 27,776	$ 20,350	$ 22,126	$ 182,636
Revenue from Use of Property	5,402	—	394	1,411	208	1,262	8,677
Other	45	1,776	1,016	250	4,946	19,902	27,935
TOTAL OPERATING REVENUES	5,774	83,043	32,200	29,437	25,504	43,290	219,248
OPERATING EXPENSES							
Salaries and Employee Benefits	2,602	67,964	16,744	9,568	13,259	15,580	125,717
Materials and Supplies	120	420	1,299	1,518	1,809	563	5,729
Contractual Services	2,442	19,359	14,901	7,386	16,029	3,863	63,980
Information Technology	161	5,528	741	278	399	35	7,142
Energy and Utilities	531	603	1,410	2,228	720	3,496	8,988
Depreciation	3,542	456	3,996	1,681	154	3,111	12,940
Other Expenses	1	469	1,795	11	46	1,909	4,231
TOTAL OPERATING EXPENSES	9,399	94,799	40,886	22,670	32,416	28,557	228,727
OPERATING INCOME (LOSS)	(3,625)	(11,756)	(8,686)	6,767	(6,912)	14,733	(9,479)
NONOPERATING REVENUES (EXPENSES)							
Earnings on Investments	55	(18)	251	171	196	(9)	646
Federal Grant Assistance	—	—	406	—	—	—	406
Other Agency Grant Assistance	—	—	—	—	733	—	733
Gain (Loss) on Sale/Retirement of Capital Assets	9	—	(12)	—	—	—	(3)
Debt Service Interest Expense	—	(50)	(64)	—	—	(864)	(978)
Other	3	1,504	23	2	35	252	1,819
TOTAL NONOPERATING REVENUES (EXPENSES), NET	67	1,436	604	173	964	(621)	2,623
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(3,558)	(10,320)	(8,082)	6,940	(5,948)	14,112	(6,856)
Capital Contributions	807	—	123	—	186	—	1,116
Transfers from Other Funds	—	—	—	—	1,014	—	1,014
Transfers from Governmental Funds	1	82	34	46	42	—	205
Transfers to Other Funds	—	—	(1,014)	—	—	—	(1,014)
TOTAL CONTRIBUTIONS AND TRANSFERS	808	82	(857)	46	1,242	—	1,321
CHANGE IN NET POSITION	(2,750)	(10,238)	(8,939)	6,986	(4,706)	14,112	(5,535)
Net Position (Deficit) at Beginning of Year	67,703	(73,370)	38,902	45,307	18,794	18,631	115,967
NET POSITION (DEFICIT) AT END OF YEAR	$ 64,953	$ (83,608)	$ 29,963	$ 52,293	$ 14,088	$ 32,743	$ 110,432

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NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	Airports	Development Services	Environmental Services	Golf Course	Recycling	SDCCC	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Customers and Users	$ 5,816	$ 86,887	$ 31,444	$ 27,698	$ 26,901	$ 23,682	$ 202,428
Receipts from Interfund Services Provided	—	2,029	949	7	137	—	3,122
Payments to Suppliers	(2,975)	(26,286)	(20,150)	(12,004)	(21,080)	(10,740)	(93,235)
Payments to Employees	(2,295)	(53,281)	(11,905)	(7,641)	(9,110)	(16,264)	(100,496)
Payments for Interfund Services Used	(478)	(8,966)	(408)	(432)	(245)	—	(10,529)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	68	383	(70)	7,628	(3,397)	(3,322)	1,290
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers from Other Funds	—	—	—	—	1,014	—	1,014
Transfers from Governmental Funds	1	82	34	46	42	—	205
Transfers to Other Funds	—	—	(1,014)	—	—	—	(1,014)
Operating Grants Received	69	—	97	—	726	—	892
Proceeds from Advances and Deposits	—	—	—	—	481	—	481
Payments for Advances and Deposits	(2)	(856)	—	—	—	—	(858)
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	68	(774)	(883)	46	2,263	—	720
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from Capital Contributions	—	—	123	—	—	—	123
Proceeds from Sale of Capital Assets	9	—	—	—	—	—	9
Loans to Others	—	—	—	—	—	2,000	2,000
Acquisition of Capital Assets	(490)	(735)	(3,366)	(1,666)	(149)	(53)	(6,459)
Principal Payments on Capital Leases	—	(1,184)	(2,176)	—	—	—	(3,360)
Principal Payments on Notes	—	—	—	—	—	(2)	(2)
Principal Payments on Loans	—	—	—	—	—	(758)	(758)
Interest Paid on Long-Term Debt	—	(50)	(64)	—	—	(938)	(1,052)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(481)	(1,969)	(5,483)	(1,666)	(149)	249	(9,499)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of Investments	—	—	—	—	—	(6,292)	(6,292)
Interest Received on Investments	73	22	350	182	252	(9)	870
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	73	22	350	182	252	(6,301)	(5,422)
Net Increase (Decrease) in Cash and Cash Equivalents	(272)	(2,338)	(6,086)	6,190	(1,031)	(9,374)	(12,911)
Cash and Cash Equivalents at Beginning of Year	15,714	37,431	79,548	21,139	49,276	12,235	215,343
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 15,442	$ 35,093	$ 73,462	$ 27,329	$ 48,245	$ 2,861	$ 202,432

NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	Airports	Development Services	Environmental Services	Golf Course	Recycling	SDCCC	Total
Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Position:							
Cash and Investments	$ 15,367	$ 26,822	$ 38,834	$ 27,329	$ 36,754	$ 13,993	$ 159,099
Restricted Cash and Investments	75	8,271	34,628	—	11,491	—	54,465
Less Investments Not Meeting the Definition of Cash Equivalents	—	—	—	—	—	(11,132)	(11,132)
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 15,442	$ 35,093	$ 73,462	$ 27,329	$ 48,245	$ 2,861	$ 202,432
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:							
Operating Income (Loss)	$ (3,625)	$ (11,756)	$ (8,686)	$ 6,767	$ (6,912)	$ 14,733	$ (9,479)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:							
Depreciation	3,542	456	3,996	1,681	154	3,111	12,940
Other Nonoperating Revenue	3	1,504	23	2	35	252	1,819
(Increase) Decrease in Assets:							
Accounts Receivable - Net	39	1,185	170	(1,691)	1,378	(21,709)	(20,628)
Prepaid Expenses	—	—	—	—	—	210	210
Increase (Decrease) in Liabilities and Net Deferred Outflows/Inflows of Resources:							
Accounts Payable	(51)	(1,077)	281	(165)	(385)	(841)	(2,238)
Accrued Wages and Benefits	(1)	283	18	107	(8)	—	399
Other Accrued Liabilities	—	—	—	—	(70)	(474)	(544)
Unearned Revenue	—	3,184	—	(43)	122	1,776	5,039
Contracts Payable	—	(750)	—	—	—	—	(750)
Compensated Absences	18	891	(24)	41	(2)	(380)	544
Liability Claims	15	309	224	121	448	—	1,117
Estimated Landfill Closure and Postclosure Care	—	—	1,622	—	—	—	1,622
Net Other Postemployment Benefits Liability and Related Deferred Outflows/Inflows of Resources	19	252	101	78	93	—	543
Pension Liabilities and Related Deferred Outflows/ Inflows of Resources	109	5,902	2,205	730	1,750	—	10,696
Total Adjustments	3,693	12,139	8,616	861	3,515	(18,055)	10,769
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 68	$ 383	$ (70)	$ 7,628	$ (3,397)	$ (3,322)	$ 1,290
Noncash Investing, Capital, and Financing Activities:							
Developer Contributed and Donated Capital Assets	807	—	—	—	—	—	807
Capital Asset Acquisitions Related to Accounts Payable	(149)	196	(378)	10	(149)	—	(470)
Carrying Value of Retired Capital Assets	—	—	(12)	—	—	—	(12)
Transfers of Capital Assets From Governmental Activities	—	—	—	—	185	—	185

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Internal Service Funds

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units and/or funds.

CITY OF SAN DIEGO

FLEET OPERATIONS
This fund was established to account for the acquisition, replacement, maintenance and fueling of the City's motive equipment.

CENTRAL STORES
This fund was established to provide centralized storeroom services to all City departments.

PUBLISHING SERVICES
This fund was established to provide printing and reproduction services to all City departments.

MISCELLANEOUS INTERNAL SERVICE
This fund accounts for various administrative activities including risk management administration, energy conservation, public utilities inventory, and administration and operation of various employee related programs such as unused compensatory time, unused sick leave, unemployment insurance, and long-term disability. Revenues are derived from rates or fees charged to the departments for specific services rendered. All miscellaneous funds are reported with governmental activities in the government-wide financial statements, with the exception of the public utilities inventory fund, which is reported with business-type activities.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF FUND NET POSITION
June 30, 2021
(Dollars in Thousands)

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
ASSETS					
Current Assets:					
Cash and Investments	$ 93,511	$ 355	$ 153	$ 13,451	$ 107,470
Receivables:					
Accounts - Net of Allowance for Uncollectibles	681	—	—	35	716
Contributions	—	—	—	1,262	1,262
Accrued Interest	14	1	—	16	31
Grants	—	—	—	185	185
Inventories	—	1,754	—	5,641	7,395
Total Current Assets	94,206	2,110	153	20,590	117,059
Non-Current Assets:					
Capital Assets - Non-Depreciable	3,813	—	—	149	3,962
Capital Assets - Depreciable	198,121	75	84	178	198,458
Total Non-Current Assets	201,934	75	84	327	202,420
TOTAL ASSETS	296,140	2,185	237	20,917	319,479
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows Related to Other Postemployment Benefits	640	50	22	342	1,054
Deferred Outflows Related to Pensions	11,883	869	305	6,605	19,662
TOTAL DEFERRED OUTFLOWS OF RESOURCES	12,523	919	327	6,947	20,716
LIABILITIES					
Current Liabilities:					
Accounts Payable	5,876	458	54	711	7,099
Accrued Wages and Benefits	822	52	17	1,361	2,252
Other Accrued Liabilities	—	—	—	130	130
Interest Accrued on Long-Term Debt	300	—	—	—	300
Long-Term Liabilities Due Within One Year	13,477	47	15	5,797	19,336
Total Current Liabilities	20,475	557	86	7,999	29,117
Non-Current Liabilities:					
Compensated Absences	666	31	12	521	1,230
Liability Claims	4,626	119	34	3,905	8,684
Capital Lease Obligations	46,030	—	—	—	46,030
Net Other Postemployment Benefits Liability	11,793	1,017	844	4,237	17,891
Pension Liabilities	53,304	4,400	1,973	25,571	85,248
Total Non-Current Liabilities	116,419	5,567	2,863	34,234	159,083
TOTAL LIABILITIES	136,894	6,124	2,949	42,233	188,200
NET POSITION (DEFICIT)					
Net Investment in Capital Assets	143,743	75	84	327	144,229
Unrestricted (Deficit)	28,026	(3,095)	(2,469)	(14,696)	7,766
TOTAL NET POSITION (DEFICIT)	$ 171,769	$ (3,020)	$ (2,385)	$ (14,369)	$ 151,995

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
OPERATING REVENUES					
Charges for Services	$ 91,205	$ 7,440	$ 1,358	$ 37,676	$ 137,679
Revenue from Use of Property	24	—	—	—	24
Other	7	54	—	1,954	2,015
TOTAL OPERATING REVENUES	91,236	7,494	1,358	39,630	139,718
OPERATING EXPENSES					
Salaries and Employee Benefits	24,908	1,512	623	15,513	42,556
Materials and Supplies	14,070	5,043	111	3,922	23,146
Contractual Services	5,531	506	934	2,297	9,268
Information Technology	1,489	51	24	919	2,483
Energy and Utilities	10,915	138	46	5	11,104
Depreciation	29,245	16	14	3	29,278
Benefit and Claim Expenses	—	—	—	19,165	19,165
Other Expenses	5	—	—	187	192
TOTAL OPERATING EXPENSES	86,163	7,266	1,752	42,011	137,192
OPERATING INCOME (LOSS)	5,073	228	(394)	(2,381)	2,526
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments	35	6	(8)	(113)	(80)
Other Agency Grant Assistance	—	—	—	440	440
Gain on Sale/Retirement of Capital Assets	2,105	—	—	—	2,105
Debt Service Interest Expense	(844)	—	—	—	(844)
Other	1,026	—	—	126	1,152
TOTAL NONOPERATING REVENUES (EXPENSES), NET	2,322	6	(8)	453	2,773
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	7,395	234	(402)	(1,928)	5,299
Capital Contributions	1,054	—	—	—	1,054
Transfers from Other Funds	—	—	—	2,500	2,500
Transfers from Governmental Funds	24	71	296	28	419
Transfers to Governmental Funds	(16,700)	—	—	—	(16,700)
TOTAL CONTRIBUTIONS AND TRANSFERS	(15,622)	71	296	2,528	(12,727)
CHANGE IN NET POSITION	(8,227)	305	(106)	600	(7,428)
Net Position (Deficit) at Beginning of Year	179,996	(3,325)	(2,279)	(14,969)	159,423
NET POSITION (DEFICIT) AT END OF YEAR	$ 171,769	$ (3,020)	$ (2,385)	$ (14,369)	$ 151,995

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	$ —	$ —	$ —	$ 31,240	$ 31,240
Receipts from Interfund Services Provided	92,878	7,494	1,358	8,201	109,931
Payments to Suppliers	(35,268)	(6,198)	(1,090)	(13,446)	(56,002)
Payments to Employees	(18,973)	(1,066)	(505)	(28,605)	(49,149)
Payments for Interfund Services Used	(531)	(21)	(96)	(703)	(1,351)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	38,106	209	(333)	(3,313)	34,669
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	—	—	—	2,500	2,500
Transfers from Governmental Funds	24	71	296	28	419
Transfers to Other Funds	—	—	—	—	—
Transfers to Governmental Funds	(16,700)	—	—	—	(16,700)
Operating Grants Received	—	—	—	527	527
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(16,676)	71	296	3,055	(13,254)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from the Sale of Capital Assets	3,218	—	—	—	3,218
Acquisition of Capital Assets	(25,851)	—	—	(308)	(26,159)
Principal Payments on Capital Leases	(10,087)	—	—	—	(10,087)
Interest Paid on Long-Term Debt	(834)	—	—	—	(834)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(33,554)	—	—	(308)	(33,862)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received on Investments	37	5	(5)	(75)	(38)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	37	5	(5)	(75)	(38)
Net Increase (Decrease) in Cash and Cash Equivalents	(12,087)	285	(42)	(641)	(12,485)
Cash and Cash Equivalents at Beginning of Year	105,598	70	195	14,092	119,955
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 93,511	$ 355	$ 153	$ 13,451	$ 107,470

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2021
(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)	$ 5,073	$ 228	$ (394)	$ (2,381)	$ 2,526
Adjustments to Reconcile Operating Income (Loss) to					
Net Cash Provided By (Used For) Operating Activities:					
Depreciation	29,245	16	14	3	29,278
Other Nonoperating Revenue	1,026	—	—	126	1,152
(Increase) Decrease in Assets:					
Accounts Receivable - Net	615	—	—	8	623
Contributions Receivable	—	—	—	(322)	(322)
Inventories	—	(378)	—	(2,308)	(2,686)
Increase (Decrease) in Liabilities and Net Deferred Outflows/Inflows of Resources:					
Accounts Payable	(1,438)	141	(4)	(80)	(1,381)
Accrued Wages and Benefits	52	—	(9)	263	306
Compensated Absences	183	2	(12)	381	554
Liability Claims	921	(41)	(6)	(544)	330
Net Other Postemployment Benefits Liability and Related Deferred Outflows/Inflows of Resources	135	26	15	78	254
Pension Liabilities and Related Deferred Outflows/Inflows of Resources	2,294	215	63	1,463	4,035
Total Adjustments	33,033	(19)	61	(932)	32,143
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 38,106	$ 209	$ (333)	$ (3,313)	$ 34,669
Noncash Investing, Capital, and Financing Activites:					
Capital Assets Acquired through Capital Leases	$ 24,112	$ —	$ —	$ —	$ 24,112
Developer Contributed and Donated Capital Assets	47	—	—	—	47
Capital Asset Acquisitions Related to Accounts Payable	(43)	—	—	(3)	(46)
Carrying Value of Retired Capital Assets	(1,113)	—	—	—	(1,113)
Transfers of Capital Assets From Other Funds	1,007	—	—	—	1,007

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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

CITY EMPLOYEES' RETIREMENT SYSTEM
SDCERS provides retirement, disability, and death benefits. SDCERS is a defined benefit plan, whereby funds are accumulated from City and employee contributions, plus earnings from fund investments. Currently SDCERS also administers the Port of San Diego and the San Diego County Regional Airport Authority defined benefit plans. It also performs certain administrative functions on other post-employment benefits on behalf of the City.

CITY OF SAN DIEGO

CUSTODIAL FUNDS

These funds were established to account for assets held by the City as an agent for individuals, private organizations, or other governments, including special assessments and asset forfeitures.

FIDUCIARY FUNDS
PENSION TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021
(Dollars in Thousands)

	City Employees' Retirement System			
	City of San Diego	Unified Port District	Airport Authority	Total
ASSETS				
Cash and Investments	$ 290	$ 160	$ 153	$ 603
Cash and Investments with Custodian/Fiscal Agent	198,334	38,127	66,856	303,317
Investments at Fair Value:				
Domestic Fixed Income Securities	1,875,234	106,372	36,550	2,018,156
International Fixed Income Securities	634,538	36,796	13,466	684,800
Domestic Equity Securities (Stocks)	2,189,157	126,227	46,962	2,362,346
International Equity Securities (Stocks)	1,722,739	99,630	37,109	1,859,478
Global Equity Securities	684,107	40,029	15,229	739,365
Real Estate	964,863	55,595	20,277	1,040,735
Private Equity and Infrastructure	1,381,510	80,812	30,712	1,493,034
Receivables:				
Contributions	3,488	141	106	3,735
Accrued Interest	7,075	382	106	7,563
Securities Sold	352,397	20,575	7,831	380,803
Prepaid Expenses	327	21	11	359
Securities Lending Collateral	316,980	19,240	8,705	344,925
Capital Assets - Depreciable	2,644	141	16	2,801
TOTAL ASSETS	10,333,683	624,248	284,089	11,242,020
LIABILITIES				
Accounts Payable	3,506	227	106	3,839
Accrued Wages and Benefits	876	57	31	964
Supplemental Benefits Payable	11,674	313	78	12,065
Securities Lending Obligations	316,998	19,239	8,703	344,940
Securities Purchased	554,925	32,021	11,710	598,656
TOTAL LIABILITIES	887,979	51,857	20,628	960,464
NET POSITION				
Restricted for Pension Benefits	$ 9,445,704	$ 572,391	$ 263,461	$ 10,281,556

FIDUCIARY FUNDS
PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	City Employees' Retirement System			
	City of San Diego	Unified Port District	Airport Authority	Total
ADDITIONS				
Employer Contributions	$ 367,136	$ 19,705	$ 8,522	$ 395,363
Plan Member Contributions:				
Employee Contributions	64,508	3,547	3,051	71,106
DROP Contributions	5,060	301	148	5,509
Earnings on Investments:				
Investment Income	86,522	5,224	2,296	94,042
Investment Expense	(39,658)	(2,398)	(1,065)	(43,121)
Net Appreciation in Fair Value of Investments	1,932,513	116,878	51,885	2,101,276
Net Investment Income	1,979,377	119,704	53,116	2,152,197
Securities Lending:				
Gross Earnings	1,281	77	34	1,392
Borrower Rebates and Bank Charges	(369)	(22)	(10)	(401)
Net Securities Lending Income	912	55	24	991
TOTAL ADDITIONS	2,416,993	143,312	64,861	2,625,166
DEDUCTIONS				
DROP Interest Expense	21,218	607	71	21,896
Benefit and Claim Payments	576,196	29,979	8,749	614,924
Administration	11,160	760	423	12,343
TOTAL DEDUCTIONS	608,574	31,346	9,243	649,163
CHANGE IN NET POSITION	1,808,419	111,966	55,618	1,976,003
Net Position at Beginning of Year	7,637,285	460,425	207,843	8,305,553
NET POSITION AT END OF YEAR	$ 9,445,704	$ 572,391	$ 263,461	$ 10,281,556

FIDUCIARY FUNDS
CUSTODIAL FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021
(Dollars in Thousands)

	Community Facilities Districts	Other Custodial Funds	Total
ASSETS			
Cash and Investments	$ 857	$ 241	$ 1,098
Receivables:			
Special Assessments	146	—	146
Accrued Interest	4	—	4
Restricted Cash and Investments	14,395	—	14,395
TOTAL ASSETS	15,402	241	15,643
LIABILITIES			
Accounts Payable	—	6	6
Due to Bondholders	15,402	—	15,402
TOTAL LIABILITIES	15,402	6	15,408
NET POSITION			
Restricted for Others	$ —	$ 235	$ 235

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

	Community Facilities Districts	Other Custodial	Total
ADDITIONS			
Special Assessments	$ 7,526	$ —	$ 7,526
Earnings on Investments:			
Investment Income	30	—	30
TOTAL ADDITIONS	7,556	—	7,556
DEDUCTIONS			
Paid to Bondholders	7,383	—	7,383
Administration	173	—	173
Other Expenses	—	106	106
TOTAL DEDUCTIONS	7,556	106	7,662
NET CHANGE IN NET POSITION	—	(106)	(106)
Net Position at Beginning of Year	—	341	341
NET POSITION AT END OF YEAR	$ —	$ 235	$ 235

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)

	Fiscal Year			
	2012	**2013**	**2014**	**2015**
Governmental Activities				
Net Investment in Capital Assets	$ 3,835,923	$ 3,963,306	$ 3,988,284	$ 3,988,396
Restricted for:				
Capital Projects	521,015	456,874	459,115	575,798
Low-Moderate Income Housing	50,988	251,655	277,139	286,129
Nonexpendable Permanent Endowments	18,780	19,689	24,307	21,300
Grants	232,249	75,462	68,206	67,230
Other	157,462	202,705	277,586	358,647
Unrestricted (Deficit)	(278,413)	(341,390)	(274,916)	(1,493,831)
Total Governmental Activities Net Position	4,538,004	4,628,301	4,819,721	3,803,669
Business-type Activities				
Net Investment in Capital Assets	3,131,831	3,378,535	3,526,979	3,902,396
Restricted for:				
Debt Service	13,346	7,893	1,880	1,531
Other	24,462	24,822	25,404	26,245
Unrestricted	826,386	701,760	637,889	380,283
Total Business-type Activities Net Position	3,996,025	4,113,010	4,192,152	4,310,455
Primary Government				
Net Investment in Capital Assets	6,967,754	7,341,841	7,515,263	7,890,792
Restricted for:				
Capital Projects	521,015	456,874	459,115	575,798
Debt Service	13,346	7,893	1,880	1,531
Low-Moderate Income Housing	50,988	251,655	277,139	286,129
Nonexpendable Permanent Endowments	18,780	19,689	24,307	21,300
Grants	232,249	75,462	68,206	67,230
Other	181,924	227,527	302,990	384,892
Unrestricted (Deficit)	547,973	360,370	362,973	(1,113,548)
Total Primary Government Net Position	$ 8,534,029	$ 8,741,311	$ 9,011,873	$ 8,114,124

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

Table 1

Fiscal Year					
2016	2017	2018 [1]	2019	2020	2021
$ 4,129,002	$ 4,220,622	$ 4,308,123	$ 4,370,867	$ 4,424,146	$ 4,450,838
598,215	723,855	665,993	714,101	738,177	839,354
319,022	335,801	338,828	343,422	346,594	360,341
19,900	20,264	17,836	18,428	18,286	19,714
219,216	204,527	179,469	141,489	110,893	95,280
450,885	441,102	492,426	566,358	550,008	544,412
(1,418,869)	(1,577,390)	(1,919,740)	(2,032,257)	(2,222,923)	(2,515,327)
4,317,371	4,368,781	4,082,935	4,122,408	3,965,181	3,794,612
4,042,983	4,246,534	4,383,725	4,414,352	4,528,113	4,657,585
2,790	505	683	481	9,842	9,673
7,010	7,285	6,525	6,487	9,343	4,747
364,762	293,340	239,462	315,683	312,799	322,363
4,417,545	4,547,664	4,630,395	4,737,003	4,860,097	4,994,368
8,171,985	8,467,156	8,691,848	8,785,219	8,952,259	9,108,423
598,215	723,855	665,993	714,101	738,177	839,354
2,790	505	683	481	9,842	9,673
319,022	335,801	338,828	343,422	346,594	360,341
19,900	20,264	17,836	18,428	18,286	19,714
219,216	204,527	179,469	141,489	110,893	95,280
457,895	448,387	498,951	572,845	559,351	549,159
(1,054,107)	(1,284,050)	(1,680,278)	(1,716,574)	(1,910,124)	(2,192,964)
$ 8,734,916	$ 8,916,445	$ 8,713,330	$ 8,859,411	$ 8,825,278	$ 8,788,980

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

	Fiscal Year			
	2012	**2013**	**2014**	**2015**
Expenses				
Governmental Activities				
General Government and Support	$ 294,198	$ 313,800	$ 286,798	$ 271,094
Public Safety - Police	409,374	429,849	441,803	380,344
Public Safety - Fire and Life Safety and Homeland Security	233,635	241,029	253,741	221,446
Parks, Recreation, Culture and Leisure	270,199	270,540	267,523	263,127
Transportation	224,187	202,376	192,928	198,242
Sanitation and Health	73,299	67,623	89,448	92,833
Neighborhood Services	219,499	89,354	70,191	80,299
Debt Service:				
Interest	58,838	37,942	35,226	33,790
Cost of Issuance	—	—	518	—
Total Governmental Activities Expenses	1,783,229	1,652,513	1,638,176	1,541,175
Business-type Activities				
Sewer Utility	311,367	322,431	326,437	316,465
Water Utility	382,314	420,809	443,453	466,552
Airports	3,614	4,759	4,663	3,740
Development Services	43,842	46,024	50,825	50,244
Environmental Services	36,357	32,205	33,724	30,939
Golf Course	15,217	15,689	16,423	15,827
Recycling	18,105	18,895	20,475	17,200
San Diego Convention Center Corporation	—	—	—	—
Total Business-type Activities Expenses	810,816	860,812	896,000	900,967
Total Primary Government Expenses	2,594,045	2,513,325	2,534,176	2,442,142
Program Revenues				
Governmental Activities				
Charges for Services:				
General Government and Support	193,766	191,256	198,856	249,241
Public Safety - Police	38,367	44,723	42,976	40,304
Public Safety - Fire and Life Safety and Homeland Security	31,724	22,539	34,984	33,547
Parks, Recreation, Culture and Leisure	80,673	72,297	51,721	53,093
Transportation	56,742	28,759	30,262	34,459
Sanitation and Health	14,452	13,790	15,342	14,269
Neighborhood Services	22,699	35,792	36,339	49,825
Operating Grants and Contributions	62,181	82,760	60,591	49,049
Capital Grants and Contributions	46,770	152,193	120,538	106,237
Total Governmental Activities Program Revenues	547,374	644,109	591,609	630,024

Table 2

Fiscal Year					
2016	**2017**	**2018**	**2019**	**2020**	**2021**
$ 303,802	$ 344,484	$ 364,533	$ 383,177	$ 417,462	$ 415,720
412,571	501,314	542,128	567,625	629,922	677,483
233,688	290,178	321,016	339,282	338,128	373,607
311,372	355,714	383,122	397,391	374,335	377,559
224,620	239,099	264,278	279,724	311,561	280,336
99,079	103,039	101,440	108,371	117,473	115,935
65,994	82,384	91,686	121,036	131,086	304,155
41,537	36,943	36,515	34,265	34,027	24,920
—	—	—	—	—	—
1,692,663	1,953,155	2,104,718	2,230,871	2,353,994	2,569,715
296,422	339,189	351,145	356,630	362,289	360,203
437,304	477,037	532,056	515,273	535,567	596,764
4,824	6,306	7,415	8,211	9,044	9,391
54,002	69,949	78,287	81,012	88,032	94,980
54,385	34,253	41,397	38,510	32,500	40,897
16,182	19,925	21,072	20,090	21,420	22,679
18,036	19,444	25,002	24,780	27,326	32,015
—	36,760	37,986	41,898	39,834	29,421
881,155	1,002,863	1,094,360	1,086,404	1,116,012	1,186,350
2,573,818	2,956,018	3,199,078	3,317,275	3,470,006	3,756,065
213,490	176,696	176,366	198,942	188,116	178,892
46,238	45,126	40,738	43,117	33,551	31,716
36,645	32,491	43,814	52,760	48,626	42,975
74,531	133,451	114,893	125,122	91,225	63,482
44,555	47,655	51,422	53,862	69,213	66,528
14,730	16,629	15,625	15,778	15,531	15,311
32,982	37,105	40,123	40,624	37,242	38,900
65,173	46,476	134,682	154,764	226,203	413,621
140,408	75,694	26,218	77,952	72,502	73,172
668,752	611,323	643,881	762,921	782,209	924,597

(Continued on Next Page)

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

	Fiscal Year			
	2012	2013	2014	2015
Program Revenues (Continued)				
Business-type Activities				
Charges for Services:				
Sewer Utility	$ 370,299	$ 361,637	$ 364,548	$ 364,467
Water Utility	408,119	414,508	447,565	455,222
Airports	4,188	4,906	4,371	4,618
Development Services	44,557	50,006	52,402	56,395
Environmental Services	25,123	24,607	26,043	30,477
Golf Course	17,428	18,367	19,764	20,116
Recycling	17,323	18,056	19,046	20,305
San Diego Convention Center Corporation	—	—	—	—
Operating Grants and Contributions	2,939	1,761	1,531	1,044
Capital Grants and Contributions	75,194	91,878	70,739	386,952
Total Business-type Activities Program Revenues	965,170	985,726	1,006,009	1,339,596
Total Primary Government Program Revenues	1,512,544	1,629,835	1,597,618	1,969,620
Net (Expense)/Revenue:				
Governmental Activities	(1,235,855)	(1,008,404)	(1,046,567)	(911,151)
Business-type Activities	154,354	124,914	110,009	438,629
Total Primary Government Net Expense	(1,081,501)	(883,490)	(936,558)	(472,522)
General Revenues and Other Changes in Net Position				
Governmental Activities				
Property Taxes	508,938	421,894	470,905	460,948
Transient Occupancy Taxes	148,184	158,105	173,376	182,466
Sales Taxes - Shared State Revenue	253,624	269,504	282,345	296,837
Franchises	—	—	—	—
Other Local Taxes	173,954	166,548	186,747	208,970
Developer Contributions and Fees	55,635	66,312	47,765	86,440
Grants and Contributions not Restricted to Specific Programs	115	705	674	653
Investment Income	15,708	9,220	13,627	8,786
Gain on Sale of Capital Assets	—	—	—	—
Miscellaneous	36,086	14,471	32,482	47,071
Transfers	16,739	20,012	15,269	(150)
Total Governmental Activities General Revenues and Transfers	1,208,983	1,126,771	1,223,190	1,292,021
Business-type Activities				
Investment Income	11,519	2,429	8,489	8,012
Gain on Sale of Capital Assets	—	—	—	—
Miscellaneous	8,225	11,520	12,096	21,285
Transfers	(16,739)	(20,012)	(15,269)	150
Total Business-type Activities General Revenues and Transfers	3,005	(6,063)	5,316	29,447
Total Primary Government General Revenues and Transfers	1,211,988	1,120,708	1,228,506	1,321,468
Special Items and Extraordinary Gain (Loss)				
Governmental Activities	195,473	(28,070)	(14,828)	—
Business-type Activities	1,866	(1,866)	—	—
Change in Net Position:				
Governmental Activities	168,601	90,297	161,795	380,870
Business-type Activities	159,225	116,985	115,325	468,076
Total Primary Government Change in Net Position	$ 327,826	$ 207,282	$ 277,120	$ 848,946

Source: Annual Comprehensive Financial Reports

Table 2

Fiscal Year					
2016	**2017**	**2018**	**2019**	**2020**	**2021**
$ 346,950	$ 353,488	$ 360,710	$ 367,979	$ 360,823	$ 361,334
413,008	501,404	569,524	539,128	552,214	591,776
4,691	5,307	4,888	5,619	5,474	5,774
59,808	64,699	70,703	74,741	85,700	83,043
33,048	32,194	34,960	35,329	35,366	32,200
17,987	18,087	23,502	24,320	22,446	29,437
23,203	23,186	27,957	26,055	25,757	25,504
—	36,505	34,256	41,245	30,370	43,290
2,629	10,088	9,958	6,435	18,906	16,549
59,226	56,837	70,109	30,801	62,301	62,990
960,550	1,101,795	1,206,567	1,151,652	1,199,357	1,251,897
1,629,302	1,713,118	1,850,448	1,914,573	1,981,566	2,176,494
(1,023,911)	(1,341,832)	(1,460,837)	(1,467,950)	(1,571,785)	(1,645,118)
79,395	98,932	112,207	65,248	83,345	65,547
(944,516)	(1,242,900)	(1,348,630)	(1,402,702)	(1,488,440)	(1,579,571)
489,548	520,186	548,509	586,510	627,272	659,417
200,612	222,228	231,863	250,883	181,181	129,530
319,030	310,935	323,113	339,609	327,311	352,131
—	141,942	96,313	97,365	93,474	94,046
204,387	36,310	52,603	66,375	68,117	72,464
104,516	99,075	82,883	75,101	50,125	74,925
1,045	700	833	835	1,982	1,468
16,075	7,846	13,337	52,056	52,746	8,669
—	28,005	809	770	6,178	62,446
37,751	36,881	15,959	38,530	20,311	20,622
(733)	(3,207)	(2,814)	(611)	(4,022)	(1,169)
1,372,231	1,400,901	1,363,408	1,507,423	1,424,675	1,474,549
13,742	3,330	8,435	28,713	27,752	3,799
—	—	—	—	—	30,509
13,220	7,076	13,758	12,036	7,975	33,247
733	3,207	2,814	611	4,022	1,169
27,695	13,613	25,007	41,360	39,749	68,724
1,399,926	1,414,514	1,388,415	1,548,783	1,464,424	1,543,273
165,382	—	—	—	(10,117)	—
—	—	—	—	—	—
513,702	59,069	(97,429)	39,473	(157,227)	(170,569)
107,090	112,545	137,214	106,608	123,094	134,271
$ 620,792	$ 171,614	$ 39,785	$ 146,081	$ (34,133)	$ (36,298)

CITY OF SAN DIEGO
FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2012	2013	2014	2015
General Fund:				
Nonspendable	$ 22,140	$ —	$ 1,248	$ 849
Spendable:				
Restricted	102,104	60,507	104,885	140,358
Committed	44,831	40,953	147,053	130,891
Assigned	—	8,717	5,575	6,162
Unassigned	109,475	112,321	91,353	99,555
Total General Fund	$ 278,550	$ 222,498	$ 350,114	$ 377,815
Nonmajor Governmental Funds:				
Nonspendable	$ 19,502	$ 115,806	$ 24,326	$ 21,427
Spendable:				
Restricted	876,460	866,750	1,011,875	1,288,739
Committed	114,722	87,655	140,268	108,239
Unassigned	(43,841)	(22,578)	(15,156)	(11,287)
Total Nonmajor Governmental Funds	$ 966,843	$ 1,047,633	$ 1,161,313	$ 1,407,118

Source: Annual Comprehensive Financial Reports

Table 3

Fiscal Year					
2016	**2017**	**2018**	**2019**	**2020**	**2021**
$ 2,502	$ 783	$ 863	$ 1,154	$ —	$ —
146,228	116,253	132,307	160,400	195,085	193,301
109,474	116,497	100,483	92,189	88,665	89,203
11,189	28,869	24,717	42,842	2,133	10,598
106,508	111,057	95,434	115,582	124,583	136,340
$ 375,901	$ 373,459	$ 353,804	$ 412,167	$ 410,466	$ 429,442
$ 19,917	$ 20,299	$ 18,042	$ 18,451	$ 18,286	$ 19,714
1,573,516	1,617,147	1,582,579	1,618,657	1,564,819	1,660,091
106,851	114,692	97,911	87,428	63,338	51,466
(27,289)	(33,843)	(43,514)	(65,721)	(89,319)	(79,662)
$ 1,672,995	$ 1,718,295	$ 1,655,018	$ 1,658,815	$ 1,557,124	$ 1,651,609

CITY OF SAN DIEGO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Modified Accrual Basis of Accounting)

	Fiscal Year		
	2012	2013	2014
Revenues			
Property Taxes	$ 512,178	$ 422,617	$ 470,960
Special Assessments	46,964	50,510	50,796
Sales Taxes - Shared State Revenue	265,057	269,929	278,564
Transient Occupancy Taxes	148,795	159,494	170,475
Franchises	—	—	—
Other Local Taxes	173,954	166,548	186,747
Licenses and Permits	41,906	51,662	53,329
Fines, Forfeitures and Penalties	64,816	31,261	31,363
Revenue from Use of Money and Property	77,654	80,994	87,212
Revenue from Federal Agencies	70,132	59,863	52,504
Revenue from Other Agencies	46,604	57,770	39,804
Revenue from Private Sources	38,451	71,280	78,875
Charges for Current Services	215,914	189,551	207,101
Other Revenue	41,446	20,829	33,890
Total Revenues	1,743,871	1,632,308	1,741,620
Expenditures			
Current:			
General Government and Support	279,663	265,489	299,739
Public Safety - Police	396,098	406,599	431,531
Public Safety - Fire and Life Safety and Homeland Security	226,623	228,128	245,650
Parks, Recreation, Culture and Leisure	228,255	225,411	216,635
Transportation	149,344	120,594	108,836
Sanitation and Health	72,980	65,969	83,128
Neighborhood Services	218,724	81,559	63,846
Capital Outlay	193,727	158,460	118,187
Debt Service:			
Principal Retirement	70,614	46,323	66,534
Cost of Issuance	880	814	518
Interest	56,695	37,399	36,070
Payment to Refunded Bond Escrow Agent	—	1,572	—
Total Expenditures	1,893,603	1,638,317	1,670,674
Excess (Deficiency) of Revenues Over Expenditures	(149,732)	(6,009)	70,946
Other Financing Sources (Uses)			
Transfers In	274,458	302,999	192,049
Transfers Out	(286,274)	(294,922)	(173,249)
Payment to Refunded Bond Escrow Agent	(152,936)	(18,973)	(16,025)
Contracts, Notes, and Loans Issued	2,700	—	761
Bonds Issued	153,964	94,808	51,713
Other Sources	12,058	7,477	29,747
Total Other Financing Sources (Uses)	3,970	91,389	84,996
Special Items and Extraordinary Gain (Loss)	(317,084)	(60,642)	(21,067)
Net Change in Fund Balances	$ (462,846)	$ 24,738	$ 134,875
Debt Service as a Percentage of Noncapital Expenditures	7.5 %	5.7 %	6.6 %

Source: Annual Comprehensive Financial Reports

Table 4

Fiscal Year

2015	2016	2017	2018	2019	2020	2021
$ 460,515	$ 489,664	$ 519,386	$ 548,870	$ 585,391	$ 624,834	$ 658,985
57,343	54,304	61,736	63,870	70,590	56,705	47,120
293,929	333,821	319,343	314,023	355,383	329,981	349,005
186,690	204,559	222,228	231,863	250,883	181,181	128,310
—	—	141,942	160,185	167,025	157,052	158,773
208,907	204,450	36,304	52,608	66,375	68,026	72,302
57,388	78,595	125,087	108,516	115,968	100,378	126,730
33,832	41,465	32,480	32,157	30,060	31,676	26,477
92,452	103,307	97,902	103,746	143,014	129,210	72,568
45,217	44,529	35,149	54,336	96,372	161,152	354,936
87,364	35,748	56,267	35,670	34,387	56,881	47,199
71,581	87,739	13,286	9,348	30,162	6,673	7,417
238,516	260,933	267,708	289,731	320,560	314,440	295,649
49,200	39,718	37,846	16,304	17,359	19,350	17,324
1,882,934	1,978,832	1,966,664	2,021,227	2,283,529	2,237,539	2,362,795
305,594	334,883	335,344	363,126	392,779	438,157	428,357
430,411	445,027	441,999	473,969	501,731	557,815	575,546
254,603	252,608	255,451	285,567	293,267	299,525	313,138
228,157	276,730	293,083	322,467	347,127	312,948	258,367
120,102	144,145	147,397	175,931	180,758	218,467	186,428
92,907	94,982	99,012	95,366	99,947	105,551	97,571
82,812	79,745	90,673	97,978	146,370	142,315	298,756
185,018	194,957	290,550	253,249	227,042	231,457	196,482
42,812	37,077	36,428	40,961	44,435	48,189	139,607
1,140	712	28	1,500	469	—	1,293
34,135	40,330	39,108	54,994	35,090	35,142	37,762
—	3,811	—	13,125	—	—	—
1,777,691	1,905,007	2,029,073	2,178,233	2,269,015	2,389,566	2,533,307
105,243	73,825	(62,409)	(157,006)	14,514	(152,027)	(170,512)
253,570	173,710	138,412	143,061	128,577	122,912	115,288
(253,139)	(174,166)	(140,795)	(146,077)	(120,496)	(120,006)	(99,968)
—	(122,186)	—	(183,745)	—	—	(119,690)
1,512	—	—	—	—	26,167	—
121,200	123,294	—	226,971	—	—	277,209
45,120	24,104	107,650	33,864	39,565	29,679	111,134
168,263	24,756	105,267	74,074	47,646	58,752	283,973
—	165,382	—	—	—	(10,117)	—
$ 273,506	$ 263,963	$ 42,858	$ (82,932)	$ 62,160	$ (103,392)	$ 113,461
4.8 %	4.5 %	4.3 %	5 %	3.9 %	3.9 %	7.6 %

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
2012	$ 160,568,111	$ 7,614,792	$ (7,713,035)	$ 160,469,868	$ 17,354,546	$ 967,108	$ (1,610,637)	$ 16,711,017	0.172%
2013	159,731,138	7,784,851	(7,883,818)	159,632,171	17,571,696	977,717	(1,683,396)	16,866,017	0.172%
2014	166,492,182	8,229,813	(8,321,763)	166,400,232	18,265,071	984,082	(1,712,162)	17,536,991	0.172%
2015	176,702,157	8,671,311	(8,592,636)	176,780,832	19,634,360	1,015,145	(1,694,855)	18,954,650	0.172%
2016	187,297,981	8,906,099	(9,002,912)	187,201,168	21,169,427	1,032,849	(1,795,081)	20,407,195	0.172%
2017	197,932,308	8,861,982	(9,478,879)	197,315,411	22,939,735	1,078,149	(1,814,669)	22,203,215	0.172%
2018	210,056,793	9,316,411	(9,765,866)	209,607,338	24,856,106	1,127,636	(2,011,257)	23,972,485	0.172%
2019	223,287,219	9,594,809	(10,907,691)	221,974,337	27,179,889	1,165,784	(2,170,961)	26,174,712	0.172%
2020	235,623,512	10,360,876	(11,645,531)	234,338,857	29,706,476	1,190,951	(2,227,755)	28,669,672	0.172%
2021	247,222,440	10,580,060	(11,339,067)	246,463,433	32,001,177	1,207,260	(2,179,831)	31,028,606	0.172%

[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
ASSESSED VALUE OF PROPERTY BY USE CODE / ASSESSED VALUE BY MAJOR COMPONENT (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

	Fiscal Year			
Category	**2012**	**2013**	**2014**	**2015**
Residential	$ 122,014,996	$ 121,392,331	$ 126,493,049	$ 135,781,072
Commercial	22,615,974	23,337,037	24,553,545	25,423,193
Industrial	11,578,295	11,564,607	11,753,860	12,258,818
Institution	1,618,090	1,626,508	1,688,359	1,733,140
Recreation	1,341,813	1,346,278	1,383,655	1,344,234
Government	—	—	—	—
Agriculture	14,116	14,853	15,155	16,607
Rural	243,543	239,073	199,226	205,324
Vacant	2,892,284	2,622,931	2,588,138	2,611,582
Unknown	15,603,546	15,159,216	16,082,265	16,962,545
Gross Secured Value	177,922,657	177,302,834	184,757,252	196,336,515
Unsecured	8,581,900	8,762,568	9,213,896	9,686,457
Less Exemptions	(9,323,672)	(9,567,214)	(10,033,925)	(10,287,491)
Net Taxable Value	$ 177,180,885	$ 176,498,188	$ 183,937,223	$ 195,735,481

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

Source: Avenu Insights and Analytics, LLC

Table 6

Fiscal Year					
2016	**2017**	**2018**	**2019**	**2020**	**2021**
$ 144,566,532	$ 153,836,389	$ 163,783,938	$ 174,763,775	$ 185,410,856	$ 195,634,112
26,788,688	42,781,822	45,175,379	47,995,505	50,635,658	52,900,687
12,786,249	13,716,011	14,580,784	16,009,633	17,065,994	17,848,209
1,738,339	4,177,303	4,455,194	4,742,848	4,878,576	5,035,567
1,384,431	1,657,970	1,659,558	1,741,950	1,782,059	1,866,749
—	1,198,602	1,308,936	1,385,959	1,438,338	1,480,367
17,989	472,200	530,505	551,261	593,440	666,923
239,901	202,834	198,630	175,835	184,651	183,620
3,023,596	2,826,026	3,219,104	3,099,378	3,339,367	3,606,350
17,921,683	2,886	871	964	1,049	1,034
208,467,408	220,872,043	234,912,899	250,467,108	265,329,988	279,223,618
9,938,948	9,940,131	10,444,047	10,760,593	11,551,827	11,787,320
(10,797,993)	(11,293,548)	(11,777,123)	(13,078,652)	(13,873,286)	(13,518,898)
$ 207,608,363	$ 219,518,626	$ 233,579,823	$ 248,149,049	$ 263,008,529	$ 277,492,040

CITY OF SAN DIEGO
DIRECT AND OVERLAPPING PROPERTY TAX RATES (UNAUDITED)
Last Ten Fiscal Years
($1 Per $100 of Assessed Value)

	Fiscal Year			
Basic City and County Direct Rates	2012	2013	2014	2015
County of San Diego	0.15731 %	0.15731 %	0.15731 %	0.15731 %
City of San Diego	0.17213 %	0.17213 %	0.17213 %	0.17213 %
San Diego Unified School District	0.44679 %	0.44679 %	0.44679 %	0.44679 %
San Diego Community College District	0.06463 %	0.06463 %	0.06463 %	0.06463 %
County School Service	0.00748 %	0.00748 %	0.00748 %	0.00748 %
County School Service - Capital Outlay	0.00189 %	0.00189 %	0.00189 %	0.00189 %
Childrens Institution Tuition	0.00160 %	0.00160 %	0.00160 %	0.00160 %
Regional Occupational Center	0.00477 %	0.00477 %	0.00477 %	0.00477 %
Carlsbad Project	0.00010 %	0.00010 %	0.00010 %	0.00010 %
Educational Revenue Augmentation Fund (ERAF)	0.14330 %	0.14330 %	0.14330 %	0.14330 %
Total Basic City and County Direct Rates [1]	1.00000 %	1.00000 %	1.00000 %	1.00000 %
Overlapping Rates				
City of San Diego	0.00870 %	0.00850 %	0.00850 %	0.00850 %
Education	0.10410 %	0.10303 %	0.17427 %	0.17051 %
Total Overlapping	0.11280 %	0.11153 %	0.18277 %	0.17901 %
Total Direct and Overlapping Tax Rates	1.11280 %	1.11153 %	1.18277 %	1.17901 %

[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					
2016	**2017**	**2018**	**2019**	**2020**	**2021**
0.15731 %	0.15731 %	0.15731 %	0.15731 %	0.15731 %	0.15731 %
0.17213 %	0.17213 %	0.17213 %	0.17213 %	0.17213 %	0.17213 %
0.44679 %	0.44679 %	0.44679 %	0.44679 %	0.44679 %	0.44679 %
0.06463 %	0.06463 %	0.06463 %	0.06463 %	0.06463 %	0.06463 %
0.00748 %	0.00748 %	0.00748 %	0.00748 %	0.00748 %	0.00748 %
0.00189 %	0.00189 %	0.00189 %	0.00189 %	0.00189 %	0.00189 %
0.00160 %	0.00160 %	0.00160 %	0.00160 %	0.00160 %	0.00160 %
0.00477 %	0.00477 %	0.00477 %	0.00477 %	0.00477 %	0.00477 %
0.00010 %	0.00010 %	0.00010 %	0.00010 %	0.00010 %	0.00010 %
0.14330 %	0.14330 %	0.14330 %	0.14330 %	0.14330 %	0.14330 %
1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %
0.00850 %	0.00850 %	0.00850 %	0.00850 %	0.00850 %	0.00850 %
0.16609 %	0.16582 %	0.16117 %	0.16611 %	0.22349 %	0.22132 %
0.17459 %	0.17432 %	0.16967 %	0.17461 %	0.23199 %	0.22982 %
1.17459 %	1.17432 %	1.16967 %	1.17461 %	1.23199 %	1.22982 %

Table 8

CITY OF SAN DIEGO
PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)
Current Year and Nine Years Ago
(Dollars in Thousands)

Property Tax Payer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
For the Fiscal Year Ended June 30, 2021		
Qualcomm, Inc.	$ 2,227,793	0.81%
Irvine Co., LLC	1,133,417	0.57%
Kilroy Realty, LP	1,120,862	0.42%
UTC Venture, LLC	834,429	0.35%
Host Hotels & Resorts, LP	826,470	0.31%
Scripps Health	584,147	0.19%
AAT La Jolla Commons, LLC	523,915	0.19%
One Park Boulevard, LLC	516,041	0.18%
Fashion Valley Mall, LLC	506,181	0.18%
BEX Portfolio, LLC	493,221	0.16%
For the Fiscal Year Ended June 30, 2012		
Irvine Company, LLC	1,521,871	0.92%
Qualcomm, Inc.	1,341,718	0.79%
Kilroy Realty, LP	1,340,571	0.71%
San Diego Family Housing, LLC	689,756	0.43%
Arden Realty, LP	477,788	0.39%
Pfizer, Inc.	465,939	0.27%
Fashion Valley Mall, LLC	429,801	0.26%
Seaworld Parks & Entertainment	414,129	0.25%
OC SD Holdings, LLC	411,572	0.23%
One Park Boulevard, LLC	404,800	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: Amount Collected [2]	Collected within the Fiscal Year of Levy: Percent of Levy	Delinquent Collections [3]	Total Collections to Date: Amount	Total Collections to Date: Percent of Levy
2012	$ 296,007	$ 289,530	97.81%	$ 4,041	$ 293,571	99.18%
2013	299,332	293,577	98.08%	2,854	296,431	99.03%
2014	315,060	308,606	97.95%	2,627	311,233	98.79%
2015	331,187	325,794	98.37%	2,810	328,604	99.22%
2016	330,483	327,903	99.22%	2,413	330,316	99.95%
2017	349,650	346,510	99.10%	2,780	349,290	99.90%
2018	370,127	367,047	99.17%	2,506	369,553	99.84%
2019	391,665	388,224	99.12%	2,647	390,871	99.80%
2020	432,393	422,798	97.78%	4,241	427,039	98.76%
2021	443,719	439,043	98.95%	—	439,043	98.95%

[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

CITY OF SAN DIEGO
RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

	Governmental Activities				
Fiscal Year Ended June 30	Capital Lease Obligations	QECB Lease Obligation	Notes Payable	Loans Payable	Commercial Paper Notes
2012	$ 69,638	$ 12,392	$ —	$ 38,748	$ —
2013	65,369	11,637	—	27,268	—
2014	58,094	10,864	—	17,633	—
2015	92,539	10,071	—	9,568	—
2016	86,500	9,259	—	8,480	—
2017	165,626	8,429	—	7,341	—
2018	197,649	7,578	—	6,383	—
2019	219,147	6,708	—	5,388	15,889
2020	207,010	5,816	—	30,737	38,575
2021	231,048	4,903	—	29,888	—

	Business-Type Activities				
Fiscal Year Ended June 30	Capital Lease Obligations	Contracts Payable	Notes Payable	Loans Payable	Commercial Paper Notes
2012	$ —	$ —	$ —	$ 125,406	$ —
2013	—	—	—	145,330	—
2014	2,590	—	—	161,360	—
2015	2,250	—	—	158,241	—
2016	7,588	3,606	—	162,194	—
2017	6,091	2,888	13	191,658	—
2018	4,624	2,194	11	203,273	168,213
2019	3,123	1,481	8	223,896	53,597
2020	12,374	750	6	238,034	18,724
2021	8,624	—	4	243,223	98,724

[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

General Obligation Bonds	Pooled Financing Bonds	Lease Revenue Bonds Net	Tax Allocation Bonds	Tobacco Settlement-Asset Backed Bonds	Total Government Activities
$ —	$ —	$ 492,532	$ —	$ 86,195	$ 699,505
—	—	546,884	—	81,635	732,793
—	—	572,008	—	77,785	736,384
—	—	670,977	—	73,705	856,860
—	—	641,832	—	69,440	815,511
—	—	615,280	—	64,570	861,246
—	—	583,508	—	89,195	884,313
—	—	554,380	—	81,170	882,682
—	—	524,158	—	73,330	879,626
—	—	640,344	—	64,290	970,473

Bonds Payable Net	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income [1]	Debt Per Capita [2]
$ 1,989,104	$ 2,114,510	$ 2,814,015	6.58%	$ 2.13
1,915,775	2,061,105	2,793,898	6.42%	2.11
1,851,771	2,015,721	2,752,105	6%	2.04
1,771,085	1,931,576	2,788,436	6.02%	2.04
1,843,259	2,016,647	2,832,158	5.94%	2.04
1,735,166	1,935,816	2,797,062	5.53%	1.99
1,630,758	2,009,073	2,893,386	5.33%	2.04
1,804,916	2,087,021	2,969,703	5.18%	2.09
1,930,160	2,200,048	3,079,674	5.38%	2.15
1,805,965	2,156,540	3,127,013	5.21%	2.22

Table 11

CITY OF SAN DIEGO
RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)
Last Ten Fiscal Years

Fiscal Year Ended June 30	General Obligation Bonds (Thousands)	Assessed Valuation (Thousands)	Percentage of Assessed Value [1]	Population	Debt Per Capita [2]
2012	$ —	$ 160,469,868	— %	1,321,315	$ —
2013	—	159,632,171	—	1,326,238	—
2014	—	166,400,232	—	1,345,895	—
2015	—	176,780,832	—	1,368,061	—
2016	—	187,201,168	—	1,391,676	—
2017	—	197,315,411	—	1,406,318	—
2018	—	209,607,338	—	1,419,845	—
2019	—	221,974,337	—	1,420,572	—
2020	—	234,338,857	—	1,430,489	—
2021	—	246,463,433	—	1,411,034	—

Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

[1] Percentage is calculated using assessed property values.

[2] Ratio is calculated using population data.

Sources: Avenu Insights and Analytics, LLC, California Department of Finance, and Annual Comprehensive Financial Reports

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CITY OF SAN DIEGO
DIRECT AND OVERLAPPING DEBT (UNAUDITED)
June 30, 2021
(Dollars in Thousands)

	Total Debt June 30, 2021	% Applicable [1]	City's Share of Debt June 30, 2021
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	$ 26,830	8.544%	$ 2,292
Palomar Community College District	650,751	23.407%	152,321
San Diego Community College District	1,281,209	99.938%	1,280,415
Poway Unified School District School Facilities Improvement District No. 2002-1 & 2007-1	290,479	55.281, 56.151%	162,042
San Diego Unified School District	4,484,628	99.941%	4,481,982
San Dieguito Union High School District	431,325	34.265%	147,794
San Ysidro School District	147,108	84.413%	124,179
Other School, High School and Community College Districts	3,029,091	Various	357,948
Grossmont Healthcare District	249,978	8.013%	20,031
Palomar Pomerado Health System	415,527	27.877%	115,836
City of San Diego Special Assessment/Special Tax Bonds [2]	67,090	100%	67,090
Del Mar Unified School District Community Facilities District No. 99-1 & 95-1	50,945	100%	50,945
North City West School District Community Facilities District	34,813	100%	34,813
Poway Unified School District Community Facilities Districts	340,423	100%	340,423
San Dieguito Union High School District Community Facilities Districts	64,650	81.063-100%	59,389
Sweetwater Union High School District Community Facilities Districts	8,075	8.935-100%	6,024
Solana Beach School District Community Facilities Districts	28,710	100%	28,710
Other Special District 1915 Act Bonds	50,837	Various	44,699
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			$ 7,476,933
DIRECT AND OVERLAPPING DEBT:			
San Diego County General Fund Obligations	$ 211,585	47.632%	$ 100,782
San Diego County Pension Obligations	400,125	47.632%	190,588
San Diego Superintendent of Schools Certificates of Participation	8,585	47.632%	4,089
Poway Unified School District Certificates of Participation	55,100	64.827%	35,720
Sweetwater Union High School District Certificates of Participation	36,105	19.535%	7,053
Chula Vista School District General Fund Obligations	143,795	5.043%	7,252
San Ysidro School District Certificates of Participation	43,439	84.413%	36,668
Other School, High School and Community College District Certificates of Participation	145,803	Various	5,407
City of San Diego Obligations [3]	950,715	100%	950,715
TOTAL DIRECT AND OVERLAPPING DEBT			$ 1,338,274
TOTAL OVERLAPPING TAX INCREMENT DEBT	$ 333,779	0.786-100%	$ 306,332
TOTAL DIRECT DEBT			950,715
TOTAL OVERLAPPING DEBT			8,170,824
COMBINED TOTAL DEBT [4]			9,121,539

Table 12

Ratios to 2020-21 Assessed Valuations ($278,960,853):	
Total Overlapping Tax and Assessment Debt	2.68 %
Total Direct Debt ($950,715)	0.34 %
Combined Total Debt	3.27 %
Ratios to Successor Agency Incremental Valuation ($31,163,905)	
Total Overlapping Tax Increment Debt	0.98 %

[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] Amounts for Total Debt reconcile to Note 5, Total Lease Revenue Bonds, Total QECB Obligations, Total Loans Payable, Section 108 Loans Payable, EVFP Capital Lease Obligations, Tobacco Settlement Asset Backed Bonds, and Other Capital Lease Obligations.

[4] Excludes Tax and Revenue Anticipation Notes, Enterprise Revenue, Mortgage Revenue and Non-Bonded Capital Lease 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)

	Fiscal Year			
	2012	**2013**	**2014**	**2015**
Assessed valuation	$ 160,469,868	$ 159,632,171	$ 166,400,232	$ 176,780,832
Debt limit percentage [1, 2]	25 %	25 %	25 %	25 %
Debt limit	40,117,467	39,908,043	41,600,058	44,195,208
Total net debt applicable to limit:				
General Obligation Bonds	—	—	—	—
Legal debt margin	40,117,467	39,908,043	41,600,058	44,195,208
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 City 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 City Charter effective in fiscal year 2017.

Sources: Avenu Insights and Analytics, LLC and Annual Comprehensive Financial Reports

Table 13

Fiscal Year					
2016	**2017**	**2018**	**2019**	**2020**	**2021**
$ 187,201,168	$ 197,315,411	$ 209,607,338	$ 221,974,337	$ 234,338,857	$ 246,463,432
25 %	15 %	15 %	15 %	15 %	15 %
46,800,292	29,597,312	31,441,101	33,296,151	35,150,829	36,969,515
—	—	—	—	—	—
46,800,292	29,597,312	31,441,101	33,296,151	35,150,829	36,969,515
— %	— %	— %	— %	— %	— %

CITY OF SAN DIEGO
PLEDGED-REVENUE COVERAGE - WATER OBLIGATIONS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

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]
2012	$ 431,188	$ 307,465	$ 123,723	$ (1,919)	$ 121,804
2013	444,751	342,989	101,762	(363)	101,399
2014	473,908	362,989	110,919	(1,017)	109,902
2015	468,274	381,389	86,885	(897)	85,988
2016	455,055	370,064	84,991	(4,474)	80,517
2017	498,520	402,475	96,045	(4)	96,041
2018	589,608	435,673	153,935	(35)	153,900
2019	558,349	428,932	129,417	(73)	129,344
2020	573,989	436,668	137,321	(40)	137,281
2021[7]	629,839	492,144	137,695	(1)	137,694

[1] Total System Revenues and affected coverage ratios are net of transfers to the Water Rate Stabilization and Secondary Purchase reserves.

[2] Pursuant to the Amended and Restated Master Installment Purchase Agreement (MIPA), Net System Revenues are 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] Includes Senior Bonds and Senior 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 and Subordinate Bonds and SRF Loans. Utilizes definitions in accordance with the MIPA. Effective FY 2017, All Obligations includes debt service paid on Subordinate Water Revenue Commercial Paper Notes program. See Note 6 and 8.

[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, there are various outstanding SRF Loans agreements pursuant to which the City has covenanted to maintain other coverage requirements such as maintaining minimum debt service coverage equal to at least 1.10 times the maximum annual debt service for all obligations each Fiscal Year. City verifies loan covenants, including the rate covenant annually.

[7] Total System Revenues and affected coverage ratios are net of a $52,000 transfer to the Water Rate Stabilization Fund. Aggregate Debt Service coverage before the transfer was approximately 2.03.

Source: City of San Diego, Department of Finance

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]
$ 7,164	$ 30,354	$ 37,518	$ (1,919)	$ 35,599	3.42	$ 66,191	1.87
8,719	30,988	39,707	(363)	39,344	2.58	64,210	1.58
8,986	30,935	39,921	(1,017)	38,904	2.82	66,691	1.66
9,330	30,733	40,063	(897)	39,166	2.20	66,835	1.3
10,580	30,413	40,993	(4,474)	36,519	2.20	67,389	1.26
2,703	1,302	4,005	(4)	4,001	24.00	61,842	1.55
2,820	1,439	4,259	(35)	4,224	36.43	65,613	2.35
2,887	1,600	4,487	(73)	4,414	29.30	68,136	1.9
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

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

				Senior Obligations [3]				All Obligations [4]	
Fiscal Year Ended June 30	Total System Revenues [1]	Total Maintenance and Operation Costs (Excludes Depreciation)	Net System Revenues [2]	Principal	Interest	Total	Senior Debt Service Coverage [5]	Total Debt Service	Aggregate Debt Service Coverage [5]
2012	$ 391,587	$ 202,132	$ 189,455	$ 44,230	$ 58,253	$ 102,483	1.85	$ 108,542	1.75
2013	385,211	205,215	179,996	46,120	56,368	102,488	1.76	108,547	1.66
2014	396,042	210,981	185,061	48,821	54,473	103,294	1.79	109,353	1.69
2015	382,164	195,358	186,806	51,576	52,461	104,037	1.80	110,096	1.70
2016	368,195	192,185	176,010	66,187	34,633	100,820	1.75	106,879	1.65
2017	382,599	218,336	164,263	58,455	43,974	102,429	1.60	108,489	1.51
2018	388,395	223,013	165,382	61,751	41,376	103,127	1.60	109,185	1.51
2019	404,377	239,556	164,821	64,635	38,487	103,122	1.60	109,181	1.51
2020	405,301	244,894	160,407	65,080	35,115	100,195	1.60	106,254	1.51
2021 [6]	396,550	250,273	146,277	67,954	32,287	100,241	1.46	105,412	1.39

[1] Total System Revenues and affected coverage ratios are net of transfers to the Sewer Rate Stabilization reserve.

[2] As defined in the MIPA, Net System Revenues are defined as "System Revenues" less "Maintenance and Operation Costs" of the Wastewater System for the fiscal year.

[3] Includes all Senior Bonds and Senior SRF Loans and utilizes the definitions in accordance with the MIPA.

[4] All Obligations consist of Senior Bonds, Senior SRF Loans and Subordinate 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 SRF Loans agreements pursuant to which the City has covenanted to maintain other coverage requirements such as maintaining 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. City verifies loan covenants, including the rate covenant annually.

[6] Total System Revenues and affected coverage ratios are net of a $5,000 transfer from the Sewer Rate Stabilization Fund. Aggregate Debt Service coverage before the transfer was approximately 1.34.

Source: City of San Diego, Department of Finance

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]
2012	1,321,315	$ 42,754,529	$ 32,358	9.5 %
2013	1,326,238	43,540,765	32,830	8.9 %
2014	1,345,895	45,869,488	34,081	6.1 %
2015	1,368,061	46,297,920	33,842	4.6 %
2016	1,391,676	47,718,552	34,289	4.9 %
2017	1,406,318	50,542,056	35,939	4.4 %
2018	1,419,845	54,274,285	38,225	3.1 %
2019	1,420,572	57,277,776	40,320	3.2 %
2020	1,430,489	59,988,300	41,936	14.7 %
2021	1,411,034	63,871,018	45,265	9 %

[1] Population projections are provided by the California Department of Finance Projections.

[2] Income data is provided by the United States Census Bureau.

[3] Unemployment Data is provided by the California Employment Development Department's Bureau of Labor Statistics Department.

Sources: Avenu Insights and Analytics, LLC and California Department of Finance

Table 17

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

Employer	Number of Employees	Percentage of Total Employment [1]
For the Fiscal Year Ended June 30, 2021		
Naval Base San Diego [2]	43,003	6.17 %
University of California, San Diego [3]	35,807	5.14 %
Sharp Health Care [4]	19,321	2.77 %
County of San Diego	17,285	2.48 %
Scripps Health [5]	14,001	2.01 %
San Diego Unified School District	13,559	1.95 %
Qualcomm Inc [6]	11,200	1.61 %
City of San Diego [7]	11,295	1.41 %
Kaiser Permanente [8]	9,166	1.32 %
Northrop Grumman Corporation	5,652	0.81 %
Total Top Employers	180,289	25.67 %
For the Fiscal Year Ended June 30, 2012		
University of California, San Diego [3]	28,071	3.95 %
Naval Base San Diego [2]	27,869	3.92 %
Sharp Health Care [4]	15,366	2.16 %
County of San Diego	15,171	2.13 %
San Diego Unified School District	13,633	1.92 %
Qualcomm Inc [6]	11,877	1.67 %
City of San Diego	9,841	1.38 %
Kaiser Permanente [7]	7,425	1.04 %
University of California San Diego Medical Center	6,039	0.85 %
San Diego Gas & Electric Co.	5,028	0.71 %
Total Top Employers	140,320	19.73 %

[1] Percentage based on total employment of 696,600 and 711,500 for fiscal years 2021 and 2012, respectively.

[2] Includes Active Duty Navy and Marine, and Civil Services 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.

[6] Excludes temps and interns.

[7] As of the last pay-period of the fiscal year.

[8] Count includes physicians.

Sources: Avenu Insights and Analytics, LLC and City of San Diego, Department of Finance - Payroll Division

CITY OF SAN DIEGO **Table 18**
FULL-TIME AND PART-TIME CITY EMPLOYEES BY FUNCTION (UNAUDITED) [1]
Last Ten Fiscal Years

	Fiscal Year									
Function	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
General Government and Support	2,101	2,058	2,134	2,283	2,433	2,569	2,611	2,690	2,702	2,601
Public Safety - Police	2,402	2,427	2,489	2,519	2,577	2,540	2,564	2,595	2,614	2,584
Public Safety - Fire and Life Safety and Homeland Security	1,208	1,235	1,283	1,397	1,428	1,433	1,450	1,481	1,515	1,526
Parks, Recreation, Culture and Leisure	1,525	1,646	1,720	1,871	1,908	1,976	1,896	1,880	1,848	1,663
Transportation	276	298	325	337	376	409	403	409	378	389
Sanitation and Health	132	121	135	139	144	128	127	132	136	126
Neighborhood Services	127	141	152	162	172	169	185	174	178	91
Airports	17	18	16	18	21	19	17	22	21	19
Development Services	268	293	332	367	408	415	426	412	441	513
Environmental Services	157	153	145	154	145	139	103	163	160	167
Golf Course	100	98	106	106	108	102	114	107	110	106
Recycling	94	97	104	93	85	83	126	91	93	95
Sewer Utility	731	721	775	693	694	660	653	614	613	612
Water Utility	703	720	695	829	888	841	863	828	789	803
Total Employees	9,841	10,026	10,411	10,968	11,387	11,483	11,538	11,598	11,598	11,295

[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

Function	Fiscal Year 2012	2013	2014	2015
Public Safety - Police				
Calls for Police Services Dispatched	583,629	570,628	583,556	562,360
Calls for 9-1-1 Emergencies	572,808	605,015	583,391	626,694
Public Safety - Fire and Life Safety and Homeland Security				
Fire Department:				
Emergency Calls - Fire	2,557	3,659	3,184	5,591
Emergency Calls - Medical/Rescue	104,086	112,864	113,858	124,189
Emergency Calls - Other	16,478	12,698	12,838	12,748
Lifeguard:				
Water Rescues	6,011	5,482	5,299	6,673
Other Rescues	6,094	6,714	5,486	6,281
Beach Attendance	24,558,435	23,403,527	23,414,313	24,928,079
Parks, Recreation, Culture and Leisure				
Parks and Recreation:				
Number of Aquatic Users	304,900	308,025	296,000	311,788
Number of Youth Served in After School Program Sites	78,500	81,889	109,670	107,515
Library:				
Circulation	6,973,727	6,956,000	6,877,913	6,923,853
Total Attendance - All Libraries	5,602,380	5,818,941	6,170,931	6,654,351
Sewer Utility				
Average Daily Sewage Flow (millions of gallons)	164	160	155	149
Average Daily Peak - Maximum Sewage Flow (millions of gallons)	226	207	196	187
System Daily Capacity (millions of gallons)	255	255	255	255
Water Utility				
Average Daily Production (millions of gallons)	172	181	188	171
Maximum Daily Production (millions of gallons)	247	249	267	243
Total Water Consumption (millions of gallons)	60,944	62,501	65,552	60,474
Total Water Production (millions of gallons)	63,240	66,167	68,457	62,289

[1] Number of Calls for 9-1-1 emergencies is missing calls received during June 4th through June 30th, 2014.

[2] Number of calls for police dispatch are preliminary for FY18 and FY19 due to implementation of a new computer aided dispatch system.

Source: City Departments

Table 19

Fiscal Year					
2016	**2017**	**2018**	**2019**	**2020**	**2021**
529,564	515,351	499,309	507,338	523,472	499,252
615,158	595,309	622,696	655,155	655,097	726,921
5,639	5,845	6,288	6,005	4,772	6,368
136,750	138,632	140,704	140,371	139,067	143,104
11,875	12,024	11,531	12,338	13,134	11,795
7,835	8,611	8,830	5,929	5,277	7,505
5,584	5,265	4,829	6,257	5,083	4,544
17,939,665	16,266,398	17,723,916	17,490,806	16,055,737	19,827,093
304,125	321,751	315,315	286,617	175,341	28,006
108,160	128,774	147,516	143,108	81,759	—
6,840,359	6,322,664	7,743,970	8,047,378	6,201,501	3,609,267
6,940,237	6,591,169	6,772,535	6,996,143	5,377,801	418,787
146	156	146	157	168	161
220	298	196	240	198	175
255	255	255	255	255	255
150	158	166	155	152	159
215	220	218	229	224	228
54,702	49,209	52,015	47,263	45,659	49,265
54,875	57,709	60,532	56,435	55,350	58,000

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

	Fiscal Year			
Function	**2012**	**2013**	**2014**	**2015**
Public Safety - Police				
Stations [1]	10	10	11	11
Public Safety - Fire and Life Safety and Homeland Security				
Fire Stations	47	47	47	47
Parks, Recreation, Culture and Leisure				
Parks and Recreation Sites	387	387	387	387
Transportation				
Miles of Streets - Concrete and Asphalt [2]	2,774	2,777	2,777	2,778
Airports				
Municipal Airports	2	2	2	2
Golf Course				
Municipal Golf Courses [3]	10	10	10	10
Sewer Utility				
Miles of Sewers	3,017	3,021	3,020	3,026
Sewer Service Laterals	274,788	275,404	261,632	261,837
Water Utility				
Miles of Water Mains	3,277	3,294	3,376	3,384
Water Meters in Service	276,478	276,998	278,241	279,625
Fire Hydrants	25,098	25,157	25,195	25,364

[1] Includes Headquarters and Traffic.

[2] Numbers for 2016 - 2021 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					
2016	**2017**	**2018**	**2019**	**2020**	**2021**
11	11	11	11	11	11
48	48	49	49	49	49
387	390	395	397	400	400
2,981	2,964	2,996	2,996	3,000	3,045
2	2	2	2	2	2
10	10	10	10	10	10
3,031	3,031	3,032	3,036	3,039	3,044
264,652	262,275	262,252	262,268	262,447	262,751
3,295	3,294	3,295	3,297	3,316	3,320
280,631	283,751	284,202	284,724	285,237	285,582
25,492	25,533	25,534	25,545	25,610	25,652