

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “*Certificate*”), is executed and delivered by the City of San Diego (the “*City*”), as of March 30, 2016 in connection with the issuance of \$403,280,000 Public Facilities Financing Authority of the City of San Diego Senior Sewer Revenue Refunding Bonds, Series 2016A (Payable Solely From Installment Payments Secured By Wastewater System Net Revenues) (the “*Series 2016A Bonds*”). The Series 2016A Bonds are being issued by the Public Facilities Financing Authority of the City of San Diego (the “*Authority*”) pursuant to the provisions of the Joint Exercise of Powers Act (commencing with Section 6500) of the Government Code of the State of California, and an Indenture, dated as of May 1, 2009, as amended and supplemented by a First Supplemental Indenture dated as of June 1, 2009, a Second Supplemental Indenture, dated as of April 1, 2010, a Third Supplemental Indenture, dated as of September 1, 2015, and a Fourth Supplemental Indenture, dated as of March 1, 2016 (collectively, the “*Indenture*”), by and between the Authority and U.S. Bank National Association, as trustee (the “*Trustee*”). The City hereby covenants and agrees as follows:

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the City on behalf of the Authority for the benefit of the Owners (as defined in the Indenture) and the Beneficial Owners (as defined below) of the Series 2016A Bonds and in order to assist the Participating Underwriters (as defined below) in complying with the Rule (as defined below). The City is the only Obligated Person (as defined in the Rule) for the Series 2016A Bonds.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 hereof.

“*Beneficial Owner*” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2016A Bonds (including persons holding Series 2016A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2016A Bonds for federal income tax purposes.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means the City and any Person designated by the City to serve as Dissemination Agent.

“*MSRB*” means the Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access System.

“*Notice Event*” means any of the events listed in Sections 5(a), (b) and (c) hereof.

“*Official Statement*” means the Official Statement, dated March 2, 2016, as supplemented by the Supplement to the Official Statement, dated March 10, 2016, prepared and distributed in connection with the initial sale of the Series 2016A Bonds.

“*Participating Underwriters*” means any of the original purchasers of the Series 2016A Bonds required to comply with the Rule in connection with offering of the Series 2016A Bonds.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“*Rule*” means paragraph (b)(5) of Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including any official interpretation thereof issued either before or after the effective date of this Certificate that are applicable to this Certificate.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent (if other than the City) to, not later than each April 10 after the end of the City’s fiscal year (which currently ends June 30), commencing with the report for the fiscal year ending June 30, 2016 (the “*Filing Date*”), provide to the MSRB, in a format prescribed by the MSRB, copies of an Annual Report which is consistent with the requirements of Section 4 hereof. As of the date of this Certificate, the format prescribed by the MSRB is the Electronic Municipal Market Access (“*EMMA*”) system. Information regarding requirement for submissions to EMMA is available at emma.msrb.org.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 hereof; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Notice Event under subsection 5(c) hereof.

(b) Not later than fifteen (15) Business Days prior to the Filing Date for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to the MSRB an Annual Report by the Filing Date, the City shall, in a timely manner, send a notice to the MSRB in substantially the form of Exhibit A attached hereto, in an electronic format as prescribed by the MSRB.

(c) The Dissemination Agent (if other than the City) shall:

(i) determine each year prior to the date for providing the Annual Report the format for filing with the MSRB; and

(ii) file a report with the City certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the City for the most recently completed fiscal year, prepared in accordance with generally accepted accounting principles as applicable to state and local governments in the United States of America. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Financial information and operating data with respect to the City, as such information and data relate to the City's Public Utilities Department and the Sewer Revenue Fund, for the most recently completed fiscal year of the type included in the Official Statement, if any, in the following categories (to the extent not included in the City's audited financial statements):

(i) An update of the information contained in the table of the Official Statement entitled "Metropolitan Sub-System City and Participating Agencies Flow and Capacity Rights" (exclusive of the information contained under the column heading "Estimated Population");

(ii) An update of the information contained in the table of the Official Statement entitled "Wastewater System Total Annual Flow;"

(iii) An update of the information contained in the table of the Official Statement entitled "Wastewater System Historical Sources of Sewer Service Charge Revenues;"

(iv) An update of the information contained in the table of the Official Statement entitled "Municipal Sub-System Ten Largest Customers;"

(v) An update of the information contained in the table of the Official Statement entitled "Wastewater System Approved Rate Increases for Single Family Residential, Multifamily and Commercial and Industrial Customers," including rate(s) approved by the City Council for the most recently completed fiscal year that will become effective in a future fiscal year;

(vi) An update of the information contained in the table of the Official Statement entitled "Wastewater Customer Accounts Receivable and Shut-Offs;"

(vii) An update of the information contained in the table of the Official Statement entitled “Wastewater System - Municipal Sub-System Historical Equivalent Dwelling Units and Capacity Charge Revenues;”

(viii) An update of the information contained in the table of the Official Statement entitled “Sewer Revenue Fund Statements of Revenues, Expenses and Changes in Fund Net Assets” (will be available in the City’s comprehensive annual financial report for the most recently completed fiscal year or updated information will be presented in tabular form comparable to the referenced table);

(ix) An update of the information contained in the table of the Official Statement entitled “Reserves and Total Cash and Cash Equivalents in Sewer Revenue Fund” for the most recently completed fiscal year;

(x) An update of the information contained in the table of the Official Statement entitled “Calculation of Historical Parity and Aggregate Debt Service Coverage” (will be available in the City’s comprehensive annual financial report for the most recently completed fiscal year or updated information will be presented in tabular format comparable to referenced table);

(xi) An update of the information contained in the Official Statement under the heading “WASTEWATER SYSTEM FINANCIAL OPERATIONS—Labor Relations” for the most recently completed fiscal year;

(xii) An update of the information contained under the heading “WASTEWATER SYSTEM FINANCIAL OPERATIONS—Insurance and Liability Claims” and the table of the Official Statement entitled “Liability Claims Budget and Expenditures;”

(xiii) An update of the information contained under the heading “WASTEWATER SYSTEM FINANCIAL OPERATIONS—Investment of Funds” and information in the table of the Official Statement entitled “City of San Diego Pooled Investment Fund;”

(xiv) An update of the information contained in the table of the Official Statement entitled “City of San Diego Schedule of Funding Progress;”

(xv) An update of the information contained in the table of the Official Statement entitled “City and Wastewater System Pension Contribution”; and

(xvi) An update of the information contained under the heading “WASTEWATER SYSTEM FINANCIAL OPERATIONS—Postemployment Healthcare Benefits.”

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the MSRB or the Commission. The City shall clearly identify each such other document so included by reference.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the City to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the City or to reflect changes in the business, structure, operations, legal form of the City or any mergers, consolidations, acquisitions or dispositions made by or affecting the City; provided that any such modifications shall comply with the requirements of the Rule.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2016A Bonds, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Notice Event to the MSRB through EMMA:

- (i) principal and interest payment delinquencies;
- (ii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) unscheduled draws on credit enhancements reflecting financial difficulties* ;
- (iv) substitution of credit or liquidity providers, or their failure to perform* ;
- (v) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701-TEB);
- (vi) tender offers;
- (vii) defeasances;
- (viii) rating changes** ; and
- (ix) bankruptcy, insolvency, receivership or similar event of the City (such event being considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders

* The City has not obtained or provided, and does not expect to obtain or provide, any credit enhancement or credit or liquidity providers for the Series 2016A Bonds.

** The City's obligation to provide notice of any rating change shall be deemed to be satisfied if the applicable rating agency files such change with EMMA pursuant to the "automated data feeds" that have been established by the MSRB.

of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City).

(b) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2016A Bonds, if material, not in excess of ten (10) Business Days after the occurrence of such Notice Event to the MSRB through EMMA:

- (i) non-payment related defaults;
- (ii) Unless described in Section 5(a)(v) above, other notices or determinations with respect to the tax status of the Series 2016A Bonds, or other events affecting the tax status of the Series 2016A Bonds;
- (iii) modifications to rights of the holders of the Series 2016A Bonds;
- (iv) bond calls;
- (v) release, substitution or sale of property securing repayment of the Series 2016A Bonds;
- (vi) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets thereof, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
- (vii) appointment of a successor or additional trustee or the change of name of a trustee.

(c) If the City determines that knowledge of the occurrence of a Notice Event under subsection (b) above would be material under applicable federal securities laws, the City shall promptly file, or cause to be filed, a notice of such event with the MSRB through EMMA. Notwithstanding the foregoing, notice of Notice Events described in subsections (a)(vii) and (b)(iv) above need not be given under this subsection (c) any earlier than the notice, if any, of the underlying event is given to Owners of affected Series 2016A Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The City's obligation under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2016A Bonds. If such termination occurs prior to the final maturity of the Series 2016A Bonds, the City shall give notice of such termination in the same manner as for a Notice Event under subsection 5(c) hereof.

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligation under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent, if other than the City, shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Certificate. The initial Dissemination Agent shall be the City.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Certificate, the City may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of subsection 3(a), Section 4 or subsection 5(a) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2016A Bonds, or the type of business conducted;

(b) The undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the issuance of the Series 2016A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of a majority of outstanding principal amount of the Series 2016A Bonds, in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Series 2016A Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Notice Event under subsection 5(c) hereof, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Notice Event, in addition to that which is required by this Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Notice Event in addition to that which is specifically required by this

Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Notice Event.

Section 10. Default. In the event of a failure of the City to comply with any provision of this Certificate, any Owner or Beneficial Owner of the Series 2016A Bonds may commence an action in a court of competent jurisdiction in San Diego, California, seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Certificate; provided that any Beneficial Owner seeking to require the City to comply with this Certificate shall first provide at least thirty (30) days' prior written notice to the City of the City's failure, giving reasonable detail of such failure, following which notice the City shall have thirty (30) days to comply. A default under this Certificate shall not be deemed an Event of Default under the Indenture with respect to the Series 2016A Bonds, and the sole remedy under this Certificate in the event or any failure of the City to comply with this Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Certificate.

Section 11. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate.

Section 12. Beneficiaries. This Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Owners and the Beneficial Owners from time to time of the Series 2016A Bonds, and shall create no rights in any other person or entity.

Section 13. Governing Law. This Certificate shall be governed by the laws of the State of California and the federal securities laws.

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IN WITNESS WHEREOF, the City of San Diego has executed this Continuing Disclosure Certificate as of the date first set forth above.

CITY OF SAN DIEGO

By: Mary Lewis
Mary Lewis
Chief Financial Officer

[Signature page to Continuing Disclosure Certificate]

EXHIBIT A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: City of San Diego

Name of Issue: Public Facilities Financing Authority of the City of San Diego Senior Sewer Revenue Refunding Bonds, Series 2016A (Payable Solely From Installment Payments Secured By Wastewater System Net Revenues) (the "Series 2016A Bonds").

Date of Issuance: March 30, 2016

NOTICE IS HEREBY GIVEN that the City of San Diego has not provided an Annual Report with respect to the Series 2016A Bonds as required by the Continuing Disclosure Certificate, dated March 30, 2016, with respect to the Series 2016A Bonds. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY OF SAN DIEGO

By: _____
Title: _____