

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

\$156,560,000

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
Lease Revenue Refunding Bonds, Series 2007A
(Ballpark Refunding)
(CUSIP Number [797299](#))**

\$167,635,000

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
Lease Revenue Refunding Bonds, Series 2010A
(Master Refunding Project)
(CUSIP Number [797299](#))**

\$140,440,000

**CONVENTION CENTER EXPANSION FINANCING AUTHORITY
Lease Revenue Refunding Bonds, Series 2012A
(City of San Diego, California as Lessee)
(CUSIP Number [79727L](#))**

\$72,000,000

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
Lease Revenue Bonds, Series 2012A
(Capital Improvement Projects)
(CUSIP Number [797299](#))**

\$18,745,000

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
Lease Revenue Refunding Bonds, Series 2012B
(Fire and Life Safety Facilities Refunding)
(CUSIP Number [797299](#))**

\$43,245,000

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
Lease Revenue Refunding Bonds, Series 2013A
(Capital Improvement Projects and Old Town Light Rail Extension Refunding)
(CUSIP NUMBER [797299](#))**

\$6,285,000

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
Lease Revenue Refunding Bonds, Series 2013B
(Balboa Park/Mission Bay Park Refunding)
(CUSIP Number [797299](#))**

\$62,260,000

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
Lease Revenue Bonds, Series 2015A
(Capital Improvement Projects)
(CUSIP Number [797299](#))**

\$45,030,000

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
Lease Revenue Bonds, Series 2015B
(Capital Improvement Projects)
(CUSIP Number [797299](#))**

Introduction

This Annual Report is being provided by the City of San Diego (the "City") on behalf of itself, the Public Facilities Financing Authority of the City of San Diego (the "PFFA"), and the Convention Center Expansion Financing Authority (the "Convention Center Authority") for the above stated issuances, pursuant to Continuing Disclosure Certificates (entered into to allow the respective underwriters to comply with Securities and Exchange Commission Rule 15c2-12) for the Fiscal Year ending June 30, 2015 (the "Annual Report").

The City of San Diego's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015 ("CAFR"), which includes the City's Fiscal Year 2015 audited financial statements, was filed on the Electronic Municipal Market Access ("EMMA") System of the Municipal Securities Rulemaking Board ("MSRB") on February 1, 2016.

This Annual Report, including any amendment or supplement hereto, is electronically transmitted by the City acting as the Dissemination Agent to the EMMA System of the MSRB.

This Annual Report is provided in accordance with the terms of the Continuing Disclosure Certificates, and does not purport to provide full and complete information on the terms of the above stated issuances. The filing of this Annual Report does not constitute or imply any representation that no changes, circumstances or events have occurred since the end of the Fiscal Year to which this Annual Report relates (other than as contained in this Annual Report), or that no other information exists, which may have a bearing on the security for the above stated issuances or an investor's decision to buy, sell or hold the above-stated issuances. Certain information and data provided herein was obtained from sources other than the City ("Outside Information"), as indicated by the source citations. Although the information contained in this Annual Report has been obtained from sources that are believed to be reliable, the City has not independently verified such Outside Information, and the City cannot guarantee its completeness or accuracy. Certain of the information presented in this Annual Report may contain forward-looking statements. Forward looking statements may be indicated by forward-looking words such as "may," "will," "should," "expects," "believes," "anticipates," "estimates," or others. Forward-looking statements are subject to a variety of uncertainties that could cause actual results to materially differ from the projected results. No statement in this Annual Report should be construed as a prediction or representation about future financial performance of the City, the PFFA, or the Convention Center Authority.

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

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

DATED: March 21, 2016

CITY OF SAN DIEGO

By: Mary Lewis

Mary Lewis
Chief Financial Officer

Distribution: Wells Fargo Bank, National Association
BNY Mellon Trust Company
Ambac Assurance Corporation

Ballpark Refunding Lease Revenue Refunding Bonds, Series 2007A
Master Refunding Bonds, Series 2010A
Convention Center Lease Revenue Refunding Bonds, Series 2012A
Capital Improvement Projects Lease Revenue Bonds, Series 2012A
Fire and Life Safety Facilities Project Lease Revenue Refunding Bonds, Series 2012B
Capital Improvement Projects and Old Town Light Rail Extension Refunding Bonds, Series 2013A
Balboa Park/Mission Bay Park Refunding Bonds, Series 2013B
Capital Improvement Projects Lease Revenue Bonds, Series 2015A & 2015B

Annual Report for the Fiscal Year Ended June 30, 2015

As required by the Continuing Disclosure Certificates for the issuances covered by this Annual Report, below are updates of the required certain tabular information from the Official Statements and updates of information under the captions “Labor Relations,” “Pension Plan,” “Public Liability Insurance,” and “Investment of Funds.”

1. Transient Occupancy Tax

CITY OF SAN DIEGO
TRANSIENT OCCUPANCY TAX ⁽¹⁾
Fiscal Years Ended June 30, 2011 through 2015
(Dollars in Thousands)

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$139,545
2012	\$148,795
2013	\$159,494
2014	\$170,475
2015	\$186,690

⁽¹⁾ Includes both the General Fund portion of TOT (5.5¢ of 10.5¢) and the balance (5¢ of 10.5¢) allocated to Special Promotional Programs. Special Promotional Programs are intended to: advance the City’s economy by promoting the City as a visitor destination; develop, maintain, and enhance visitor-related facilities; and support the City’s cultural amenities and natural attractions.

Source: Fiscal Year 2015 Comprehensive Annual Financial Report, Comptroller’s Office, City of San Diego.

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2. Operating Budget Summary

**CITY OF SAN DIEGO
GENERAL FUND
OPERATING BUDGET SUMMARY
Fiscal Years 2015 and 2016
(Dollars in Thousands)**

	Fiscal Year 2015	Fiscal Year 2016
	Actuals on a Budgetary Basis⁽¹⁾	Adopted Budget
REVENUE SOURCES:		
Property Tax	\$ 449,244	\$ 470,069
Sales Tax ⁽²⁾	256,507	285,771
Property Transfer Tax	8,664	8,372
Transient Occupancy Tax	98,138	102,164
Licenses and Permits	24,732	24,095
Fines, Forfeitures, and Penalties	30,194	29,684
Interest Earnings	589	462
Franchises	81,251	80,770
Other Rents and Concessions	50,731	45,776
Revenue from Other Agencies/Private Sources	14,204	6,874
Charges for Current Services	120,898	129,568
Transfers from Other Funds	76,686	93,633
Other Revenue	9,385	4,640
Fund Balance Appropriation ⁽³⁾	--	6,162
Total General Fund Revenues and Transfers⁽⁴⁾	\$ 1,221,223	\$ 1,288,039
EXPENDITURES:		
Public Safety	\$ 644,699	\$ 638,861
Parks, Recreation, Culture and Leisure	139,849	146,687
Sanitation and Health	75,082	82,136
Transportation	51,847	56,150
Neighborhood Services	26,149	29,190
General Government and Support ⁽⁵⁾	185,026	227,207
Capital Projects	2,951	5,817
Debt Service	3,278	3,677
Transfers to Other Funds	74,377	98,314
Total General Fund Expenditures and Transfers	\$ 1,203,258	\$ 1,288,039

⁽¹⁾ Actuals on a Budgetary Basis are prepared using the modified accrual basis of accounting except that (1) the increase/decrease in reserve for advances and deposits are considered as additions/deductions of expenditures, (2) unrealized gains/losses resulting from the change in fair value of investments are excluded, and (3) proceeds from capital leases are excluded.

⁽²⁾ The Fiscal Year 2016 Adopted Budget for sales tax includes a projected one-time increase of \$12.7 million in sales tax revenue recognized in Fiscal Year 2016 due to the City's accrual practices related to the end of the "triple flip."

⁽³⁾ The Fiscal Year 2016 Adopted General Fund Budget includes an appropriation of fund balance of \$6.2 million for various one-time expenditures.

⁽⁴⁾ The Fiscal Year 2016 Adopted Budget General Fund Revenues and Transfers total does not sum due to rounding.

⁽⁵⁾ The increase in General Government and Support from the Fiscal Year 2015 Actuals on a Budgetary Basis to the Fiscal Year 2016 Adopted Budget is related to enhancing services primarily within the Transportation and Storm Water Department.

Source: Fiscal Year 2015: Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego; Fiscal Year 2016: Adopted Budget, Financial Management, City of San Diego.

Footnotes: Comptroller's Office, City of San Diego; and Financial Management, City of San Diego

3. Assessed Valuation

CITY OF SAN DIEGO
ASSESSED VALUATION ⁽¹⁾⁽²⁾⁽³⁾
Fiscal Years Ended June 30, 2007 through 2016
(Dollars in Thousands)
(Unaudited)

Fiscal Year	Secured Property	Unsecured Property	Total Gross Assessed Valuation⁽⁴⁾	Annual Assessed Valuation % Change
2007	\$155,066,168	\$8,521,431	\$163,587,599	11.38%
2008	170,609,523	8,300,343	178,909,866	9.37
2009	180,350,011	8,798,580	189,148,591	5.72
2010	178,991,464	9,076,918	188,068,382	-0.57
2011	176,479,695	8,826,634	185,306,329	-1.47
2012	177,922,657	8,581,900	186,504,557	0.65
2013	177,302,834	8,762,568	186,065,402	-0.24
2014	184,757,253	9,213,895	193,971,148	4.25
2015	196,336,517	9,686,456	206,022,973	6.21
2016	208,467,408	9,978,105	218,445,513	6.03

⁽¹⁾ The official date of assessment is the first day of January preceding the Fiscal Year during which taxes are levied. For example, January 1, 2015 is the official assessment date for property taxes due during Fiscal Year 2016.

⁽²⁾ Does not include state assessed utility property.

⁽³⁾ Reflects incremental value allocated to former redevelopment project areas.

⁽⁴⁾ Total gross taxable assessed valuation before various exemptions are deducted. Fiscal Year 2016 exemptions equaled approximately \$10.8 million.

Source: Fiscal Years 2007 – 2015: Comprehensive Annual Financial Report Statistical Section (unaudited), Comptroller’s Office, City of San Diego. Fiscal Year 2016 data is from a June 24, 2015 memo from the County of San Diego Assessor/Recorder/Clerk’s Office.

4. Secured Tax Levies and Collections

Refer to the Unaudited Statistical Section, Table 8 (Page 307) “Property Tax Levies and Collections,” to the Fiscal Year 2015 CAFR.

5. Principal Property Taxpayers in City of San Diego

For Fiscal Year 2015, refer to the Unaudited Statistical Section, Table 7 (Page 306) “Principal Property Tax Payers,” to the Fiscal Year 2015 CAFR.

6. Labor Relations

General

The table below shows the City's several recognized employee organizations which represent City employees. Certain classified and unclassified City employees are unrepresented.

The City's Employee Organizations

Organization ⁽¹⁾	Represented Employees ⁽²⁾
San Diego Municipal Employees' Association ("MEA")	4,915
American Federation of State, County, and Municipal Employees, Local 127 ("AFSCME Local 127")	2,020
San Diego Police Officers Association ("POA")	2,030
San Diego City Firefighters, International Association of Firefighters, Local 145 ("IAFF Local 145")	906
California Teamsters Local 911 ("Teamsters Local 911")	161
Deputy City Attorneys Association ("DCAA") ⁽³⁾	146

⁽¹⁾ Represents classified employees, except where otherwise noted.

⁽²⁾ As of the Fiscal Year 2016 Adopted Budget release.

⁽³⁾ Represents unclassified deputy city attorneys.

Source: Financial Management, City of San Diego.

Collective Bargaining Agreements

In 2013, the City entered into a collective bargaining agreement with each of its recognized employee organizations, for a five-year term, from July 1, 2013 through June 30, 2018. Each agreement includes terms consistent with Proposition B, an initiative approved by City voters in June 2012 to reform the City's retirement system. Under Proposition B, and specifically Charter section 70.2, the City must comply with certain procedural requirements, from July 20, 2012, the effective date of Proposition B through June 30, 2018, if it intends to negotiate increases to pensionable pay. The City Council must obtain an actuarial analysis from its retirement system actuary that discloses the impact of any proposed pay increases and must approve any negotiated increases by a two-thirds vote of the City Council. The City and each recognized employee organization agreed that they would not negotiate any general salary increases, which are pensionable, during the five-year period covered by Charter section 70.2. However, individual employees may still receive merit increases or promotions within the parameters of the Fiscal Year 2011 salary schedules. In exchange for the agreement to limit pensionable pay of employees during this five-year period, the City agreed to increases in non-pensionable pay. Each of the collective bargaining agreements includes non-pensionable pay increases in Fiscal Year 2016, with reopeners in Fiscal Years 2017 and 2018 to meet and confer solely regarding increases to non-pensionable compensation. Flexible benefit credits are non-pensionable. Each collective bargaining agreement remains in effect through June 30, 2018; however, the City and POA have negotiated modifications to the POA's five-year agreement, which was approved by the City Council to amend the agreement for a term from July 1, 2015 through June 30, 2020. In addition, the City and MEA negotiated a successor collective bargaining agreement, which was approved

by City Council on December 8, 2015 and will go into effect for a new term from July 1, 2017 through June 30, 2020.

MEA: In 2015, the City and MEA mutually agreed to reopen negotiations to meet and confer on terms for Fiscal Year 2017 through 2020. The City and MEA have negotiated a successor collective bargaining agreement for a new term from July 1, 2017 through June 30, 2020. MEA-represented employees will receive a 3.3 percent increase in pensionable compensation in Fiscal Years 2019 and a 3.3 percent increase in pensionable compensation in Fiscal Year 2020. In addition, effective in Fiscal Year 2019 there will be special salary adjustments ranging from 5 percent to 7 percent for certain classifications experiencing recruitment and retention issues. The agreement also contains non-pensionable compensation increases in Fiscal Years 2017 through 2020. The non-pensionable compensation includes increases to flexible benefits credits for all MEA-represented employees.

AFSCME Local 127: AFSCME Local 127-represented employees received increased annual flexible benefit credits in Fiscal Year 2016. The employee organization has exercised its option to reopen negotiations solely for the purpose to meet and confer on non-pensionable compensation increases in Fiscal Years 2017 and 2018. The City has begun meeting and conferring with AFSCME Local 127.

POA: In 2014, the City and POA mutually agreed to reopen negotiations to meet and confer on terms for Fiscal Years 2016 through 2020. The City and POA have agreed to amend the collective bargaining agreement for a new term from July 1, 2015 through June 30, 2020. POA-represented employees will receive a 3.3 percent increase in pensionable compensation in Fiscal Years 2019 and a 3.3 percent increase in pensionable compensation in Fiscal Year 2020. The agreement also contains non-pensionable compensation increases in Fiscal Years 2016 through 2020. The non-pensionable compensation includes increases to flexible benefit credits for all POA-represented employees with additional credits for employees with eight or more years of service. Employees with eight or more years of service will also receive increases to annual uniform and equipment allowances, as will new recruits. Employees will also receive up to 40 hours of discretionary leave for full-time employees with proportionally reduced hours for part-time employees.

IAFF Local 145: IAFF Local 145-represented employees received increased annual flexible benefit credits in Fiscal Year 2016. IAFF Local 145 has exercised its option to reopen negotiations solely for the purpose to meet and confer upon non-pensionable compensation increases in Fiscal Years 2017 and 2018. The City has begun meeting and conferring with Local 145.

Teamsters Local 911: Teamsters Local 911-represented employees received increased annual flexible benefit credits in Fiscal Year 2016. The employee organization has exercised its option to reopen negotiations solely for the purpose to meet and confer over further increases to non-pensionable compensation in Fiscal Years 2017 and 2018. The City has begun meeting and conferring with Teamsters Local 911.

DCAA: DCAA-represented employees received an increase in their annual flexible benefit credit in Fiscal Year 2016. The employee organization has exercised its option to reopen negotiations solely for the purpose to meet and confer upon non-pensionable compensation increases in Fiscal Years 2017 and 2018. The City has begun meeting and conferring with DCAA.

7. Pension Plan

Pension Plan

The table below sets forth the City's portion of SDCERS historical funding progress for Fiscal Years 2006 through 2015. In addition, refer to Note 11, "Pension Plans," in the Fiscal Year 2015 CAFR.

CITY OF SAN DIEGO
SCHEDULE OF FUNDING PROGRESS
Fiscal Years 2006 through 2015
(Dollars in Thousands)
(Unaudited)

Valuation Date (June 30)	Actuarial Value of Assets (A)	Market Value of Assets (B)	AAL (C)	Funded Ratio (Actuarial)	Funded Ratio (Market)	UAAL (Actuarial) (C)-(A)	AAL less Market Value of Assets (C)-(B)	Covered Payroll ⁽¹⁾	UAAL to Covered Payroll
2006 ⁽²⁾	\$3,981,932	\$3,981,932	\$4,982,699	79.9%	79.9%	\$1,000,767	\$1,000,767	\$534,103	187.4%
2007 ⁽³⁾	4,413,411	4,641,341	5,597,653	78.8	82.9	1,184,242	956,312	512,440	231.1
2008 ⁽⁴⁾	4,660,346	4,408,719	5,963,549	78.1	73.9	1,303,203	1,554,830	535,774	243.2
2009	4,175,229	3,479,357	6,281,636	66.5	55.4	2,106,408	2,802,279	536,591	392.6
2010	4,382,047	3,900,537	6,527,224	67.1	59.8	2,145,177	2,626,687	530,238	404.6
2011 ⁽⁴⁾	4,739,399	4,848,054	6,917,175	68.5	70.1	2,177,776	2,069,121	514,265	423.5
2012	4,982,442	4,799,827	7,261,731	68.6	66.1	2,279,289	2,461,904	511,091	446.0
2013 ⁽⁵⁾	5,317,778	5,395,158	7,555,527	70.4	71.4	2,237,749	2,160,369	499,463	448.0
2014	5,828,594	6,292,855	7,858,703	74.2	80.1	2,030,110	1,565,848	480,536	422.5
2015 ⁽⁶⁾	6,204,244	6,387,829	8,205,953	75.6	77.8	2,001,709	1,818,124	480,662	416.4

⁽¹⁾ Covered payroll includes all elements of compensation paid to active City employees (who are in the SDCERS defined benefit plan) on which contributions to the pension plan are based.

⁽²⁾ Reflects revised actuarial methodologies.

⁽³⁾ Reflects revised actuarial assumptions, including the return to EAN actuarial funding method.

⁽⁴⁾ Reflects revised actuarial methodologies and assumptions.

⁽⁵⁾ Reflects revised actuarial assumptions.

⁽⁶⁾ Reflects revised actuarial methodologies and assumptions.

Source: SDCERS FY 2015 CAFR for Actuarial Value of Assets, AAL, Funded Ratio (Actuarial), UAAL (Actuarial), Covered Payroll and UAAL to Covered Payroll (2006-2014); Cheiron Actuarial Valuations for Market Value of Assets (2006-2015), Funded Ratio (Market) and AAL Less Market Value of Assets (2011-2015) and Actuarial Value of Assets, AAL, Funded Ratio (Actuarial), UAAL (Actuarial) and Covered Payroll (2015); City Comptroller for Funded Ratio (Market) (2006-2010), AAL Less Market Value of Assets (2006-2010), and UAAL to Covered Payroll (2015).

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Pension Contributions

The Table below sets forth the City’s pension contributions and the General Fund’s share for Fiscal Years 2012 through 2016. Prior to Fiscal Year 2014, in addition to the City contributions set forth in the table below, the City made certain pension contributions on behalf of certain employee groups. As of Fiscal Year 2015, the City no longer pays any portion of employee pension contributions. In addition, refer to Note 11, “Pension Plans,” to the Fiscal Year 2015 CAFR.

**CITY OF SAN DIEGO
PENSION CONTRIBUTION
Fiscal Years 2012 through 2016
(Dollars in Thousands)
(Unaudited)**

Fiscal Year ended (June 30)	Pension Plan ARC/ADC⁽¹⁾	Preservation of Benefits Plan ARC	Total Plan ARC/ADC⁽²⁾	Pension Plan Contribution	Preservation of Benefits Plan Contribution	Total Pension Contribution⁽³⁾	General Fund Pension Contribution
2012	\$231,200	\$1,269	\$232,469	\$231,200	\$1,626 ⁽⁴⁾	\$232,828	\$181,363
2013	231,100	1,314	232,414	231,100	1,572	232,672	181,883
2014	275,400	708	276,108	275,400	1,403	276,803	213,457
2015	263,600	876	264,476	263,600	1,399	264,999	192,846
2016 ⁽⁵⁾	254,900	842	255,742	254,902	1,500	256,402	189,103

⁽¹⁾ Actuarially Determined Contribution (“ADC”) has replaced the Annual Required Contribution (“ARC”) starting in Fiscal Year 2015.

⁽²⁾ Includes core pension ARC/ADC and Preservation of Benefits (POB) Plan ARC. See Note 11 in City’s Fiscal Year 2015 CAFR for more information on Pension Plan ARC/ADC and POB Plan ARC. Per IRS guidelines, the City may not pre-fund the POB Plan. Therefore, plan contributions may differ from the Total ARC/ADC in any given year

⁽³⁾ Comprised of the pension plan contribution and the POB Plan contribution; may not sum due to rounding.

⁽⁴⁾ Corrected.

⁽⁵⁾ Except for pension plan ARC/ADC all amounts are budgeted.

Source: SDCERS Comprehensive Annual Financial Reports; Cheiron Actuarial Valuations for Pension Plan ARC/ADC; SDCERS for POB Plan ARC; Comptroller’s Office, City of San Diego for Total Plan ARC/ADC, Pension Plan Contribution, POB Plan Contribution, Total Pension Contribution, General Fund Pension Contribution (2012-2015); Financial Management, City of San Diego for General Fund Pension Contribution (2016).

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8. Postemployment Healthcare Benefits (OPEB)

Funding Status

The following table shows the City's defined benefit OPEB Plan funding progress for Fiscal Years 2008 through 2015. In addition, refer to Note 12, "Other Postemployment Benefits," in the Fiscal Year 2015 CAFR.

CITY OF SAN DIEGO
SCHEDULE OF FUNDING PROGRESS (DEFINED BENEFIT OPEB PLAN)
Fiscal Years 2008 through 2015
(Dollars in Thousands)
(Unaudited)

Fiscal Year ending June 30	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability	Funded Ratio	Covered Payroll⁽¹⁾	UAAL as % of Covered Payroll
2008	\$29,637	\$1,235,707	\$1,206,070	2.40%	\$556,857	216.6%
2009	41,497	1,359,377	1,317,880	3.05	549,012	240.0
2010	72,720	1,200,910	1,128,190	6.06	472,561	238.7
2011	116,608	1,248,151	1,131,543	9.34	455,537	248.4
2012	104,304	553,432	449,128	18.85	124,675	360.2
2013	113,404	557,551	444,147	20.34	112,782	393.8
2014	128,238	607,712	479,474	21.10	98,742	485.6
2015	121,115	658,408	537,293	18.40	87,252	615.8

⁽¹⁾ Represents Defined Benefit Other Postemployment Benefits Plan participation only.

Source: Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego.

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9. Public Liability Insurance

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, and natural disasters. The City is self-insured for Public Liability, Workers' Compensation, and Long-Term Disability ("LTD") claims, and also maintains contracts with various insurance companies to manage additional risks. Public Liability, Workers' Compensation, and LTD estimated liabilities are determined based on results of independent actuarial valuations and include amounts for claims incurred but not reported (IBNR) and loss adjustment expenses (LAE). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Estimated liabilities for public liability claims have been recorded 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, Non-major Enterprise Funds, and Internal Service Funds. Estimated liabilities for long-term disability were recorded in the Miscellaneous Internal Service Fund.

The table below presents the public liability expense and the liability premium payments for the General Fund for the years presented. Amounts charged to the General Fund for claims and premiums vary from year to year based on a variety of factors, including distribution of claims among other responsible funds. In addition, refer to Note 14, "Risk Management," to the Fiscal Year 2015 CAFR.

CITY OF SAN DIEGO
GENERAL FUND LIABILITY CLAIMS AND PREMIUMS⁽¹⁾
Fiscal Years ended June 30, 2011 through 2015

<u>Fiscal Year</u>	<u>Liability Claims Payments and Settlement Costs⁽²⁾</u>	<u>Liability Premium Payments⁽³⁾</u>
2011	\$11,867,000	\$4,939,000
2012	7,341,000	3,851,000
2013	16,027,000	3,714,000
2014 ⁽⁴⁾	40,559,000	5,590,000
2015 ⁽⁵⁾	40,756,000	7,392,000

⁽¹⁾ Unaudited

⁽²⁾ The City's General Fund portion of settlement and investigation expenses for third party public liability claims, and other litigation expenses.

⁽³⁾ Premiums for various insurance contracts.

⁽⁴⁾ Higher than typical Liability Claims Payments and Settlement costs in Fiscal Year 2014 are primarily attributed to the following two large settled claims: Luke Acuna claim in the amount of \$18.5 million and Lexin v. City of San Diego in the amount of \$8.8 million.

⁽⁵⁾ Higher than typical Liability Claims Payments and Settlement Costs in Fiscal Year 2015 are primarily attributed to the following two large settled claims paid in full or in part during the fiscal year: *De Anza Cove Homeowners Association, et al. v City of San Diego* in the amount of \$17.6 million and Jane Doe in the amount of \$5.9 million.

Source: Risk Management Department, City of San Diego.

10. Investment of Funds (As of June 30, 2015)

Refer to Note 3, “Cash and Investments,” to the Fiscal Year 2015 CAFR for information regarding Investment of Funds as of June 30, 2015.

Investment of Funds (As of December 31, 2015)

Pool Liquidity and Other Characteristics

The City Pool (including both the “Liquidity” and the “Core” portfolios) is highly liquid. Based on unaudited month-end data as of December 31, 2015, approximately 7% of the City Pool’s investments mature within 62 days, 9% within 92 days, 19% within 184 days, 40% within 1 year, 76% within 2 years, 99% within 3 years, and 100% within 5 years (on a cumulative basis). As of December 31, 2015, the City Pool had a weighted average maturity of 1.38 years (504 days) and its weighted average yield was 0.75%. For purposes of calculating weighted average maturity, the City Treasurer treats investments in the State-wide Local Agency Investment Fund (California State Pool) as maturing within one day. The Liquidity portfolio had a duration of 0.37 years and the Core portfolio had a duration of 1.65 years as of December 31, 2015. Duration is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. Accordingly, the Liquidity portfolio should decrease in market value by 0.37% for every 1% increase in market interest rates while the Core portfolio should decrease in market value by 1.65% for every 1% increase in market interest rates. The City Pool’s composition is designed with a goal of having sufficient liquid funds available to meet disbursement requirements. The composition and value of investments under management in the City Treasurer’s Pooled Investment Fund will vary from time to time depending on cash flow needs of the City, maturity or sale of investments, purchase of new securities, and fluctuations in interest rates.

CITY OF SAN DIEGO POOLED INVESTMENT FUND

At December 31, 2015

(Dollars in thousands)

(Unaudited)

Investment Instrument	Book Value	Fair Value	Percent of Total⁽¹⁾
U.S. Treasury Notes	\$ 899,429	\$ 896,789	43.44%
Agency Discount Notes	235,543	235,651	11.38
Agency Notes & Bonds	364,750	364,254	17.62
Supranationals ⁽²⁾	69,927	69,485	3.38
Commercial Paper	49,805	49,838	2.41
Corporate Notes & Bonds	145,636	145,716	7.03
Local Agency Investment Fund	49,958	49,958	2.41
Negotiable Certificates of Deposit	175,001	175,018	8.45
Asset Backed Securities	<u>80,327</u>	<u>80,192</u>	<u>3.88</u>
TOTAL INVESTMENTS	\$ 2,070,377	\$ 2,066,902	100.00%

⁽¹⁾ Based on book value.

⁽²⁾ Supranationals are entities formed by two or more central governments through international treaties. Examples are the International Bank for Reconstruction and Development and the Inter-American Development Bank.

Source: Office of the City Treasurer, City of San Diego.

The City Pool is not invested in any structured investment vehicles or mortgage-backed securities. In addition, the City has no outstanding swap arrangements or liquidity facilities.

11. General Fund Lease Obligations

Long-Term Obligations

As of June 30, 2015, the City had \$644,080,000 aggregate principal amount of long-term General Fund lease obligations outstanding.

The table below provides a schedule, by years, of principal and interest payments required to be made by the City with respect to future obligations, as of June 30, 2015.

**CITY OF SAN DIEGO
GENERAL FUND LEASE PAYMENTS ⁽¹⁾
As of June 30, 2015
(Dollars in Thousands)
(Unaudited)**

Fiscal Year	General Fund Lease Payments⁽¹⁾⁽²⁾
2016	\$ 55,135
2017	55,104
2018	55,062
2019	55,045
2020	<u>55,021</u>
Thereafter	<u>\$ 770,749</u>
Subtotal	\$ 1,046,116
Less Interest Portion	<u>(402,036)</u>
Total Principal Portion	<u>\$ 644,080</u>

⁽¹⁾ Actual payment may be from a source other than the General Fund.

⁽²⁾ Includes lease payments related to Qualified Energy Conservation Bonds (“QECCBs”), which are partially offset by direct cash subsidy payments from the federal government annually over the life of the bonds. For example, the Fiscal Year 2016 subsidy is \$352,784 resulting in a net lease payment of \$1,078,365 after accounting for the subsidy. The amounts above reflect total lease payments.

Source: Debt Management Department, City of San Diego.

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The following table provides a summary list of long-term General Fund lease commitments and other General Fund supported obligations outstanding as of June 30, 2015.

**CITY OF SAN DIEGO
GENERAL FUND SUPPORTED OBLIGATIONS
(Dollars in Thousands)
(Unaudited)**

	<u>Principal Outstanding as of June 30, 2015</u>
General Fund Lease Commitments⁽¹⁾	
2007A – Ballpark Project Refunding Bonds	\$125,255
2010A – Master Refunding Bonds	149,855
2011 – Qualified Energy Conservation Bonds (Broad Spectrum Street Lighting) ⁽²⁾	10,070
2012A – Convention Center Expansion Refunding Bonds	119,930
2012A – Deferred Capital Improvement Project Bonds	68,995
2012B – Fire and Life Safety Refunding Bonds	17,020
2013A – Capital Improvement Projects and Old Town Light Rail Refunding Bonds	40,305
2013B – Balboa Park/Mission Bay Park Refunding Bonds	5,360
2015A – Capital Improvement Projects Bonds	62,260
2015B – Capital Improvement Projects Bonds	45,030
Total Principal of General Fund Lease Commitments	<u><u>\$644,080</u></u>

⁽¹⁾ The Lease Revenue Bonds were issued by two Joint Power Authorities. Bonds are paid from City lease payments made to the Joint Power Authorities from the General Fund.

⁽²⁾ Private placement financing.

Source: Debt Management Department, City of San Diego.

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12. Short-Term Borrowings

The City has not issued General Fund tax and revenue anticipation notes since Fiscal Year 2013. The following Table presents a 10-year history of the City's tax and revenue anticipation notes (TRANS):

**CITY OF SAN DIEGO
GENERAL FUND TAX AND REVENUE ANTICIPATION NOTES
For Fiscal Years Ended June 30, 2007 through 2016
(Dollars in Thousands)**

<u>Fiscal Year</u>	<u>Principal Amount</u>
2007	\$142,000
2008	116,000
2009	135,000
2010	124,070
2011	163,165
2012	161,000
2013	100,685
2014	--
2015	--
2016	--

Source: Debt Management Department, City of San Diego

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13. Future Rental Payments

The City has various General Fund lease contracts under which the City must make annual payments to occupy facilities necessary for City operations. The payments in Fiscal Year 2015 totaled \$5.9 million. The table below is a schedule by years of future minimum rental payments required under such leases entered into by the City that have initial or remaining noncancellable lease terms in excess of one year, as of June 30, 2015. Actual future rental payments will be affected by amendments or extensions to existing leases and by any new leases entered into by the City from time to time.

**CITY OF SAN DIEGO
FUTURE RENTAL PAYMENTS
GENERAL FUND OPERATING LEASE COMMITMENTS⁽¹⁾
(Dollars in Thousands)
As of June 30, 2015**

<u>Fiscal Year</u>	<u>Rent Payable</u>
2016	\$ 8,455
2017	8,400
2018	8,594
2019	8,833
2020	6,575
2021	5,911
2022	5,909
2023	6,057
2024	6,208
2025-2035	<u>73,136⁽²⁾</u>
Total	<u>\$138,078⁽³⁾</u>

⁽¹⁾ Table describes commercial rent payable by the City under the currently existing lease agreements.

⁽²⁾ Currently, the final lease expires in Fiscal Year 2035.

⁽³⁾ Line items do not add to total due to independent rounding.

Source: Real Estate Assets Department, City of San Diego.

14. Statement of Direct and Overlapping Bonded Debt

Refer to the Unaudited Statistical Section, Table 11 (Page 312) "Direct and Overlapping Debt," to the Fiscal Year 2015 CAFR.

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