

**COMBINED ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
RELATING TO**

**\$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](#))**

**\$103,255,000**

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO  
Lease Revenue Refunding Bonds, Series 2016  
(Ballpark Refunding)  
(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, 2016 (the "Annual Report").

The City of San Diego's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016 ("CAFR"), which includes the City's Fiscal Year 2016 audited financial statements, was filed on the Electronic Municipal Market Access ("EMMA") System of the Municipal Securities Rulemaking Board ("MSRB") on February 23, 2017.

This Annual Report, including any amendment or supplement hereto, will be 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: 3-17-17

CITY OF SAN DIEGO

By: Mary Lewis  
Mary Lewis  
Chief Financial Officer

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

**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**  
**Ballpark Refunding Lease Revenue Refunding Bonds, Series 2016**

Annual Report for the Fiscal Year Ended June 30, 2016

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 caption "Pension Plan."

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# 1. Operating Budget Summary

**CITY OF SAN DIEGO  
GENERAL FUND  
OPERATING BUDGET SUMMARY  
Fiscal Years 2016 and 2017  
(Dollars in Thousands)**

	<b>Fiscal Year 2016</b>	<b>Fiscal Year 2017</b>
	<b>Actuals on a Budgetary Basis<sup>(1)</sup></b>	<b>Adopted Budget</b>
<b>REVENUE SOURCES:</b>		
Property Tax	\$ 471,321	\$ 501,966
Sales Tax	275,664	272,799
Property Transfer Tax	10,485	9,571
Transient Occupancy Tax	107,675	113,325
Licenses and Permits	24,929	23,885
Fines, Forfeitures, and Penalties	40,183	29,791
Interest Earnings	716	589
Franchises	81,929	82,568
Other Rents and Concessions	53,647	55,135
Revenue from Other Agencies/Private Sources	10,478	8,133
Charges for Current Services	133,648	136,523
Transfers from Other Funds	80,268	91,389
Other Revenue	7,874	4,290
Fund Balance Appropriation <sup>(2)</sup>	--	8,020
<b>Total General Fund Revenues and Transfers<sup>(3)</sup></b>	<b>\$ 1,298,817</b>	<b>\$ 1,337,981</b>
<b>EXPENDITURES:</b>		
Public Safety	\$ 662,866	\$ 660,456
Parks, Recreation, Culture and Leisure	144,650	152,007
Sanitation and Health	85,505	94,266
Transportation	59,739	58,686
Neighborhood Services	27,957	32,357
General Government and Support	229,247	246,260
Capital Projects	2,244	3,466
Debt Service	5,908	4,594
Transfers to Other Funds	88,493	85,888
<b>Total General Fund Expenditures and Transfers</b>	<b>\$ 1,306,609</b>	<b>\$ 1,337,981</b>

<sup>(1)</sup> 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, and (2) unrealized gains/losses resulting from the change in fair value of investments are excluded.

<sup>(2)</sup> The Fiscal Year 2016 Adopted Budget included appropriation of fund balance as well as additional appropriations approved with the Fiscal Year 2016 Year End Budget Monitoring Report. Use of fund balance is not reported as a revenue under Actuals on a Budgetary Basis. The Fiscal Year 2017 Adopted General Fund Budget includes an appropriation of fund balance of \$8 million for various one-time expenditures.

<sup>(3)</sup> The Fiscal Year 2017 Adopted Budget General Fund Revenues and Transfers total does not sum due to rounding.

Source: Fiscal Year 2016: Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego; Fiscal Year 2017: Adopted Budget, Financial Management, City of San Diego.

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

## 2. Assessed Valuation

**CITY OF SAN DIEGO**  
**ASSESSED VALUATION** <sup>(1)(2)(3)</sup>  
**Fiscal Years Ended June 30, 2008 through 2017**  
**(Dollars in Thousands)**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>Secured Property</b>	<b>Unsecured Property</b>	<b>Total Gross Assessed Valuation<sup>(4)</sup></b>	<b>Annual Assessed Valuation % Change</b>
2008	\$170,609,525	\$8,300,342	\$178,909,867	9.37%
2009	180,350,012	8,798,579	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	184,757,252	9,213,896	193,971,148	4.25
2015	196,336,515	9,686,457	206,022,972	6.21
2016	208,467,408	9,938,948	218,406,356	6.01
2017	220,872,043	10,120,321	230,992,364	5.76

<sup>(1)</sup> The official date of assessment is the first day of January preceding the Fiscal Year during which taxes are levied. For example, January 1, 2016 is the official assessment date for property taxes due during Fiscal Year 2017.

<sup>(2)</sup> Does not include state assessed utility property.

<sup>(3)</sup> Includes incremental value allocated to former redevelopment project areas.

<sup>(4)</sup> Total gross taxable assessed valuation before various exemptions are deducted. Fiscal Year 2017 exemptions equaled approximately \$11.2 million.

Source: Fiscal Years 2008 – 2016: Comprehensive Annual Financial Report Statistical Section (unaudited), Comptroller’s Office, City of San Diego. Fiscal Year 2017 data is from a June 29, 2016 memo from the County of San Diego Assessor/Recorder/Clerk’s Office.

## 3. Secured Tax Levies and Collections

*Refer to the Unaudited Statistical Section, Table 9 (Page 311) “Property Tax Levies and Collections,” to the Fiscal Year 2016 CAFR filed on EMMA under the Issue Details page.*

#### 4. Pension Plan

##### Pension Plan

The table below sets forth the City's portion of SDCERS historical funding progress for Fiscal Years 2007 through 2016. In addition, refer to Note 11, "Pension Plans," in the Fiscal Year 2016 CAFR.

**CITY OF SAN DIEGO  
SCHEDULE OF FUNDING PROGRESS  
Fiscal Years 2007 through 2016  
(Dollars in Thousands)  
(Unaudited)**

<b>Valuation Date (June 30)</b>	<b>Actuarial Value of Assets (A)</b>	<b>Market Value of Assets (B)</b>	<b>Actuarial Accrued Liability (AAL) (C)</b>	<b>Funded Ratio (Actuarial)</b>	<b>Funded Ratio (Market)</b>	<b>Unfunded AAL (Actuarial) (C) - (A)</b>	<b>AAL less Market Value of Assets (C) - (B)</b>	<b>Covered Payroll<sup>(1)</sup></b>	<b>Unfunded AAL to Covered Payroll</b>
2007 <sup>(2)</sup>	\$4,413,411	\$4,641,341	\$5,597,653	78.8%	82.9%	\$1,184,242	\$ 956,312	\$512,440	231.1%
2008 <sup>(3)</sup>	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 <sup>(3)</sup>	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 <sup>(4)</sup>	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 <sup>(5)</sup>	6,204,244	6,387,829	8,205,953	75.6	77.8	2,001,709	1,818,124	480,662	416.4
2016 <sup>(6)</sup>	6,455,378	6,307,412	9,013,130	71.6	70.0	2,557,752	2,705,718	465,100	549.9

<sup>(1)</sup> 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.

<sup>(2)</sup> Reflects revised actuarial assumptions, including the return to EAN actuarial funding method.

<sup>(3)</sup> Reflects revised actuarial methodologies and assumptions.

<sup>(4)</sup> Reflects revised actuarial assumptions.

<sup>(5)</sup> Reflects revised actuarial methodologies and assumptions.

<sup>(6)</sup> Reflects revised actuarial and economic assumptions.

Sources: SDCERS Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016 for Actuarial Value of Assets, AAL, Funded Ratio (Actuarial), Unfunded AAL (Actuarial), Covered Payroll and Unfunded AAL to Covered Payroll (2007-2015). Cheiron Actuarial Valuations for Market Value of Assets (2007-2016), Funded Ratio (Market) and AAL Less Market Value of Assets (2011-2016) and Actuarial Value of Assets, AAL, Funded Ratio (Actuarial), Unfunded AAL (Actuarial) and Covered Payroll (2016). Office of the City Comptroller, City of San Diego for Funded Ratio (Market) (2007-2010), AAL Less Market Value of Assets (2007-2010), and Unfunded AAL to Covered Payroll (2016).

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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 2013 through 2017. 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,” in the Fiscal Year 2016 CAFR.

**CITY OF SAN DIEGO  
PENSION CONTRIBUTION  
Fiscal Years 2013 through 2017  
(Dollars in Thousands)  
(Unaudited)**

<b>Fiscal Year ended (June 30)</b>	<b>Pension Plan ARC/ADC<sup>(1)</sup></b>	<b>Preservation of Benefits Plan ARC</b>	<b>Total Plan ARC/ADC<sup>(2)</sup></b>	<b>Pension Plan Contribution</b>	<b>Preservation of Benefits Plan Contribution</b>	<b>Total Pension Contribution<sup>(3)</sup></b>	<b>General Fund Pension Contribution</b>
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	254,900	842	255,742	254,900	1,595	256,495	188,832
2017 <sup>(4)</sup>	261,100	N/A	N/A	261,100	1,500	262,602	192,683

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

<sup>(2)</sup> Includes core pension ARC/ADC and Preservation of Benefits (POB) Plan ARC. See Note 11 in City’s Fiscal Year 2016 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.

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

<sup>(4)</sup> 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 (2013-2016); Financial Management, City of San Diego for General Fund Pension Contribution (2017).

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## 5. Postemployment Healthcare Benefits (OPEB)

### Funding Status

The following table shows the City's defined benefit OPEB Plan funding progress for Fiscal Years 2008 through 2016. In addition, refer to Note 12, "Other Postemployment Benefits," in the Fiscal Year 2016 CAFR.

**CITY OF SAN DIEGO**  
**SCHEDULE OF FUNDING PROGRESS (DEFINED BENEFIT OPEB PLAN)**  
**Fiscal Years 2008 through 2016**  
**(Dollars in Thousands Except for Percentages)**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL</b>	<b>Funded Ratio</b>	<b>Covered Payroll<sup>(1)</sup></b>	<b>Unfunded AAL as % of Covered Payroll</b>
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
2016	116,590	654,355	537,765	17.82	74,002	726.7

<sup>(1)</sup> Represents Defined Benefit OPEB Plan participation only.

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

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## 6. General Fund Lease Obligations

### Long-Term Obligations

As of June 30, 2016, the City had \$603,304,000 aggregate principal amount of long-term General Fund lease obligations outstanding, and \$86,500,000 aggregate principal amount of other 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, 2016.

**CITY OF SAN DIEGO**  
**GENERAL FUND LEASE PAYMENTS <sup>(1)</sup>**  
**As of June 30, 2016**  
**(Dollars in Thousands)**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>General Fund Lease Payments<sup>(1)</sup></b>	<b>Other Lease Obligations</b>	<b>Total</b>
2017	\$ 53,075	\$ 14,655	\$ 67,730
2018	53,036	13,169	66,205
2019	53,020	12,838	65,858
2020	52,995	10,662	63,657
2021	52,961	7,546	60,507
Thereafter	<u>693,480</u>	<u>65,228</u>	<u>758,708</u>
Subtotal	\$ 958,567	\$ 124,098	\$ 1,082,665
Less Interest Portion	<u>(355,263)</u>	<u>(37,598)</u>	<u>(392,861)</u>
Total Principal Portion	<u>\$ 603,304</u>	<u>\$ 86,500</u>	<u>\$ 689,804</u>

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

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

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

	<b>Principal Outstanding as of June 30, 2016</b>
<b>General Fund Lease Revenue Bonds<sup>(1)</sup></b>	
2010A – Master Refunding Bonds	\$ 144,330
2011 – Qualified Energy Conservation Bonds (Broad Spectrum Street Lighting) <sup>(2)</sup>	9,259
2012A – Convention Center Expansion Refunding Bonds	112,980
2012A – Deferred Capital Improvement Project Bonds	67,715
2012B – Fire and Life Safety Refunding Bonds	16,300
2013A – Capital Improvement Projects and Old Town Light Rail Refunding Bonds	38,975
2013B – Balboa Park/Mission Bay Park Refunding Bonds	4,865
2015A – Capital Improvement Projects Bonds	62,260
2015B – Capital Improvement Projects Bonds	43,365
2016 – Ballpark Project Refunding Bonds	103,255
<b>Total Principal of General Fund Lease Revenue Bonds</b>	<b>\$ 603,304</b>
<b>Other Lease Obligations<sup>(2)</sup></b>	
Essential Equipment, Vehicle, and Technology Leases (3-15 year leases)	42,946
Civic Center Plaza Capital Lease (20 year lease)	43,554
<b>Total Other Lease Obligations</b>	<b>\$ 86,500</b>
<b>Total Principal Outstanding</b>	<b>\$ 689,804</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> Private placement financing or direct loans.

Source: Fiscal Year 2016 Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego; and Debt Management Department, City of San Diego.

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## 7. 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, 2008 through 2017**  
**(Dollars in Thousands)**

<u>Fiscal Year</u>	<u>Principal Amount</u>
2008	116,000
2009	135,000
2010	124,070
2011	163,165
2012	161,000
2013	100,685
2014	--
2015	--
2016	--
2017	--

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Source: Debt Management Department, City of San Diego

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