

**CITY OF SAN DIEGO
REPORT OF RATING CHANGE**

**PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO, CALIFORNIA (Base CUSIP: 797299)**

**\$167,635,000 Lease Revenue Refunding Bonds, Series 2010A
(Master Refunding Project)**

NOTICE IS HEREBY GIVEN that on October 10, 2016, Moody's Investor Service raised its rating on the City of San Diego's Lease Revenue Refunding Bonds, Series 2010A to "Aa3" from "A1". The outlook on the rating is stable.

This is not a recommendation to buy, sell or hold any City indebtedness. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such ratings will continue for any given period or that such ratings will not be revised downward or withdrawn entirely provided, if in the view of such rating agency, circumstances warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price or marketability of the City's obligations identified above.

DATED: October 13, 2016

CITY OF SAN DIEGO

By: _____


Mary Lewis

Chief Financial Officer, City of San Diego



Rating Action: Moody's Upgrades City of San Diego, CA's Lease Revenue Refunding Bonds 2010A to Aa3; Outlook is Stable

Global Credit Research - 10 Oct 2016

New York, October 10, 2016 -- SUMMARY RATING RATIONALE

Moody's Investors Service has upgraded the rating of the City of San Diego, CA's Lease Revenue Refunding Bonds, Series 2010A to Aa3 from A1. The outlook is stable.

The Aa3 rating is one notch lower than Moody's Aa2 Issuer Rating on the City. The notching reflects the "moderate" legal structure of this California abatement lease financing and the "more essential" nature of the leased assets, San Diego Police Headquarters, Northwestern Division Police Station, Rose Canyon Operation Center, Dana Inn and Marina Site, Islandia Hyatt Regency and Marina Site, Paradise Point Resort Site. The notching also reflects the strong legal features of California general obligation bonds that are not shared by lease revenue debt.

This action concludes a review undertaken in conjunction with the publication on July 26, 2016 of the Lease, Appropriation, Moral Obligation, and Comparable Debt of US State and Local Governments Methodology.

Rating Outlook

The outlook on the ratings is stable. Moody's expects the city will continue to operate with strong fiscal discipline resulting in a stable financial position and reserves. We also expect continued improvement in the city and regional economy contributing to growth in the city's important revenue sources.

Factors that Could Lead to an Upgrade

- Improvement of the general credit profile of the issuer

Factors that Could Lead to a Downgrade

- Deterioration in the general credit profile of the issuer

Legal Security

The Lease Revenue Refunding Bonds are secured by lease payments made by the City for the use and occupancy for the underlying leased assets, San Diego Police Headquarters, Northwestern Division Police Station, Rose Canyon Operation Center, Dana Inn and Marina Site, Islandia Hyatt Regency and Marina Site, Paradise Point Resort Site.

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was Lease, Appropriation, Moral Obligation and Comparable Debt of US State and Local Governments published in July 2016. Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

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