REQUEST FOR COUNCIL ACTION CITY OF SAN DIEGO		CERTIFICATE NUMBER (FOR AUDITOR'S USE ONLY)
TO: Public Facilities Financing Authority	FROM (ORIGINATING DEPARTMENT): City Attorney	DATE: 3/13/2015
SUBJECT: Authorizing the Distribution of the Preliminary Official Statement for the Public Facilities Financing Authority of the City of San Diego's Lease Revenue Bonds Series 2015A and Series 2015B.		
PRIMARY CONTACT (NAME, PHONE): Brant Will, 619-236-6220	SECONDARY CONTACT (NAME, PHONE): ,	

COMPLETE FOR ACCOUNTING PURPOSES						
FUND						
FUNCTIONAL AREA						
COST CENTER						
GENERAL LEDGER ACCT						
WBS OR INTERNAL ORDER						
CAPITAL PROJECT No.						
AMOUNT	0.00	0.00	0.00	0.00	0.00	0.00
FUND						
FUNCTIONAL AREA						
COST CENTER						
GENERAL LEDGER ACCT						
WBS OR INTERNAL ORDER						
CAPITAL PROJECT No.						
AMOUNT	0.00	0.00	0.00	0.00	0.00	0.00

COST SUMMARY (IF APPLICABLE):

ROUTING AND APPROVALS

CONTRIBUTORS/REVIEWERS:		APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
		ORIG DEPT.	Nuesca, Mary	03/17/2015
		CFO		
		COO		
		CITY ATTORNEY		
		COUNCIL PRESIDENTS OFFICE	Jurado-Sainz, Diana	03/18/2015

PREPARATION OF:	☒ RESOLUTIONS	☐ ORDINANCE(S)	☐ AGREEMENT(S)	☐ DEED(S)

A resolution of the Public Facilities Financing Authority of the City of San Diego approving the form and authorizing the distribution of the Preliminary Official Statement and authorizing the execution, delivery and distribution of the Official Statement, all in connection with the issuance of the Authority's Lease Revenue Bonds Series 2015A and Series 2015B.	
STAFF RECOMMENDATIONS: Approve the resolution.	
SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION)	
COUNCIL DISTRICT(S):	
COMMUNITY AREA(S):	
ENVIRONMENTAL IMPACT:	
CITY CLERK INSTRUCTIONS:	

COUNCIL ACTION
EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE: 3/13/2015
ORIGINATING DEPARTMENT: City Attorney
SUBJECT: Authorizing the Distribution of the Preliminary Official Statement for the Public Facilities Financing Authority of the City of San Diego's Lease Revenue Bonds Series 2015A and Series 2015B.
COUNCIL DISTRICT(S):
CONTACT/PHONE NUMBER: Brant Will/619-236-6220

REQUESTED ACTION:
Approve the resolution approving the form and authorizing the distribution of the Preliminary Official Statement and final Official Statement for the Authority's Lease Revenue Bonds, Series 2015A and Series 2015B.
STAFF RECOMMENDATION:
Approve the resolution.
EXECUTIVE SUMMARY OF ITEM BACKGROUND:
This action would approve the form and authorize the distribution of the Preliminary Official Statement and final Official Statement to be used in marketing the Public Facility Financing Authority's Lease Revenue Bonds, Series 2015A and 2015B (Bonds) to investors.

The Council of the City of San Diego has requested that the Authority issue lease revenue bonds in an amount not to exceed $130 million to assist the City in financing needed capital improvements. On March 11, 2014, the Authority authorized the issuance of a series of lease revenue bonds in an amount not to exceed $71 million. On April 8, 2014, the Authority authorized the issuance of lease revenue bonds in an amount not to exceed $59 million. Due to delays caused by litigation challenging the validity of authorizations of both the series A bonds and the series B bonds, the 2014 bonds are now denominated the 2015A Bonds and 2015B Bonds. Also due to that delay, the 2015A Bond and 2015B Bonds will now be issued at the same time.

The litigation challenging the Bonds has not been resolved. The City and Authority were successful at the Superior Court level and the complainant is challenging those rulings in favor of the City and Authority. It is likely that these challenges will still be pending when the Bonds are issued and the litigation is discussed extensively in the Preliminary Official Statement.

FISCAL CONSIDERATIONS:

EQUAL OPPORTUNITY CONTRACTING INFORMATION (IF APPLICABLE):

PREVIOUS COUNCIL and/or COMMITTEE ACTION (describe any changes made to the item from what was presented at committee):
On January 28, 2014, the City Council approve Ordinance O-20350 approving leases and authorizing the issuance of up to $130 million in lease revenue bonds.

On March 11, 2014 the PFFA approved Resolution FA-2014-2 authorizing the issuance of up to $71 million in lease revenue bonds.
On April 8, 2014, the PFFA approved Resolution FA-2014-4 authorizing the issuance of up to $59 million in lease revenue bonds.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Nuesca, Mary
Originating Department

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

RESOLUTION NUMBER FA-2015-4

ADOPTED ON MARCH 24, 2015

RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO APPROVING THE FORM AND AUTHORIZING THE DISTRIBUTION OF THE PRELIMINARY OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION, DELIVERY AND DISTRIBUTION OF THE OFFICIAL STATEMENT; AND APPROVING OTHER ACTIONS IN CONNECTION THEREWITH.

WHEREAS, The City of San Diego (the "City"), the Successor Agency to the Redevelopment Agency of the City of San Diego, and the Housing Authority of the City of San Diego have heretofore entered into a Third Amended and Restated Joint Exercise of Powers Agreement dated January 1, 2013 (the "Joint Powers Agreement"), which created and established the Public Facilities Financing Authority of the City of San Diego (the "Authority") for the purpose, among others, of issuing its bonds to be used to provide financial assistance to the City to finance and refinance public capital improvements; and

WHEREAS, the Authority has previously adopted its Resolution Number FA-2014-2 on March 11, 2014 authorizing the issuance of up to $71,000,000 of bonds (the "2015A Bonds") and Resolution Number FA-2014-4 on April 8, 2014 authorizing the issuance of up to $59,000,000 of bonds (the "2015B Bonds" and together with the 2015A Bonds, the "2015 Bonds"); and

WHEREAS, there has been presented to this meeting a proposed form of Preliminary Official Statement relating to the 2015 Bonds ("Preliminary Official Statement"), a copy of which is on file in the office of the Secretary of the Authority as Document No. _____, which will be used in marketing the 2015 Bonds; and

WHEREAS, the Authority is authorized to undertake the actions described in this Resolution pursuant to the laws of the State of California; NOW, THEREFORE,

BE IT RESOLVED by the Board of Commissioners of the Public Facilities Financing Authority of the City of San Diego as follows:

1. The Authority hereby finds and determines that the statements set forth above in the recitals to this Resolution are true and correct.

2. The form and content of the proposed Preliminary Official Statement substantially in the form presented to and considered at this meeting, are hereby approved, with such changes thereto as any of the Chair of the Authority or Vice Chair of the Authority and each of them or any of their respective designees (each, an "Authorized Signatory") may require or approve, such approval to be conclusively evidenced by the execution of the certificate described below by an Authorized Signatory. Each Authorized Signatory is hereby severally authorized and directed, for and in the name of and on behalf of the Authority, to execute and deliver an official statement with respect to the 2015 Bonds (the "Official Statement"), in substantially the form of the final Preliminary Official Statement, with such changes thereto as such Authorized Signatory executing and delivering such document shall determine to be necessary and desirable and shall require or approve and believes to be in the best interests of the Authority and the City, such requirement or approval to be conclusively evidenced by the execution and delivery thereof. The use and distribution of electronic or physical copies of the Preliminary Official Statement and the Official Statement to persons who may be interested in the purchase of 2015 Bonds is hereby authorized and approved. Each Authorized Signatory, acting alone, is hereby authorized to certify on behalf of the Authority that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission (except for the omission of certain information as permitted by such Rule).

3. All actions heretofore taken by any Authorized Signatory or by any officers, employees, agents or directors of the Authority with respect to the issuance, delivery or sale of the 2015 Bonds, or in connection with financing the Projects, are hereby approved, confirmed and ratified. Any Authorized Signatory, the Secretary of the Authority, the General Counsel to the Authority and other officers, employees, agents and directors of the Authority are, and each of the foregoing acting alone or through their specified designee, is hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things, take any and all actions, and execute and deliver such documents, agreements and certificates (including, but not limited to, the tax compliance certificate), which they, or any of them, may deem necessary or advisable to effectuate the purposes of this Resolution or the lawful issuance and delivery of the 2015 Bonds are hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things and take any and all actions, and execute and deliver any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable to consummate the issuance of the 2015 Bonds in accordance with this Resolution, Resolution Number FA-2014-2 and Resolution Number FA-2014-4.

4. This Resolution shall take effect immediately upon its adoption.

[Remainder of Page Left Intentionally Blank]

ADOPTED, SIGNED AND APPROVED this 24 day of March, 2015, by the following vote:

AYES:_____

NAYS:_____

ABSENT:_____

VACANT:_____

ABSTAIN:_____

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

_____
Sherri Lightner, Chair, Board of Commissioners

Attest:

_____
Secretary to Board of Commissioners

REQUEST FOR COUNCIL ACTION CITY OF SAN DIEGO		CERTIFICATE NUMBER (FOR COMPTROLLER'S USE ONLY)
TO: CITY COUNCIL	FROM (ORIGINATING DEPARTMENT): Debt Management	DATE: 11/14/2014
SUBJECT: Series 2015 A&B Lease Revenue Bonds – Preliminary Official Statement Authorization		
PRIMARY CONTACT (NAME, PHONE): Lakshmi Kommi,(619)236-6928; MS 7B	SECONDARY CONTACT (NAME, PHONE): Jyothi Pantulu, (619)236-6917; MS 7B	

COMPLETE FOR ACCOUNTING PURPOSES

FUND					
FUNCTIONAL AREA					
COST CENTER					
GENERAL LEDGER ACCT					
WBS OR INTERNAL ORDER					
CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00

FUND					
FUNCTIONAL AREA					
COST CENTER					
GENERAL LEDGER ACCT					
WBS OR INTERNAL ORDER					
CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00

COST SUMMARY (IF APPLICABLE): Series 2015A&B Bonds debt service is projected at approximately $7.0 million annually in Fiscal Years 2016–2045. These are estimates, subject to change.

ROUTING AND APPROVALS

CONTRIBUTORS/REVIEWERS:		APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
Liaison Office		ORIG DEPT.	Kommi, Lakshmi	11/17/2014
Environmental Analysis		CFO		
Financial Management		DEPUTY CHIEF	Lewis, Mary	03/10/2015
Comptroller		COO		
Equal Opportunity Contracting		CITY ATTORNEY	Will, Brant	03/10/2015
		COUNCIL PRESIDENTS OFFICE		

PREPARATION OF: ☒ RESOLUTIONS ☐ ORDINANCE(S) ☐ AGREEMENT(S) ☐ DEED(S)

Authorize the form of and distribution of the Preliminary Official Statement for the Lease Revenue Bonds, Series 2015A&B (Capital Improvement Projects), and authorize the execution, delivery and distribution of the Official Statement.

STAFF RECOMMENDATIONS:
Approve Requested Actions.

SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION)	
COUNCIL DISTRICT(S):	All Districts.
COMMUNITY AREA(S):	City-wide.
ENVIRONMENTAL IMPACT:	This activity is not a "project" and is therefore not subject to CEQA pursuant to State CEQA Guidelines Section §15060(c)(3).
CITY CLERK INSTRUCTIONS:	Please provide a copy of the approved and executed Resolution to Debt Management at MS 7B.

CITY COUNCIL
EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE: 11/14/2014
ORIGINATING DEPARTMENT: Debt Management
SUBJECT: Series 2015 A&B Lease Revenue Bonds – Preliminary Official Statement Authorization
COUNCIL DISTRICT(S): All Districts.
CONTACT/PHONE NUMBER: Lakshmi Kommi/ (619)236-6928 & MS7B

DESCRIPTIVE SUMMARY OF ITEM:
Authorize the form of and distribution of the Preliminary Official Statement for the Lease Revenue Bonds, Series 2015A&B (Capital Improvement Projects), and authorize the execution, delivery and distribution of the Official Statement.

STAFF RECOMMENDATION:
Approve Requested Action.

EXECUTIVE SUMMARY OF ITEM BACKGROUND: (See Full Staff Report No. 15-022)

BACKGROUND
In January 2014, the City Council authorized the issuance of lease revenue bonds, in one or more series, to finance General Fund capital improvement projects in an amount up to $120 million ("Phase 3 CIP Bonds"). The authorization included the approval of all the financing documents related to the Phase 3 CIP Bonds. The financing ordinance approving the issuance of the Phase 3 CIP Bonds was introduced on January 14, 2014 and was approved by City Council on January 28, 2014 (O-20350). Subsequently, the City Council authorized the form and distribution of the Preliminary Official Statement for the Lease Revenue Bonds, Series 2014 A in March 2014 (R-308808). Concurrent with the City Council authorization, the Public Facilities Financing Authority ("PFFA") authorized the issuance of the first series (Series A Bonds) (Resolution FA-2014-2). On April 8, 2014, the PFFA also took an action authorizing the second series ("Series B Bonds") (Resolution FA-2014-4).

In April 2014, a reverse validation action was filed challenging the validity of the bond authorizations by the City and the PFFA for, among other things, the Series A Bonds. A similar complaint was filed by the same parties challenging the PFFA's authorization of the Series B Bonds in June 2014. After consultation with the Office of the City Attorney, the transaction bond counsel Stradling Yocca Carlson and Rauth, the lead underwriter Citigroup, and the City's municipal advisor Public Financial Management, the City has made a determination to sell the bonds to suitable investors while the appeal is pending.

In accordance with the updated financing plan, Lease Revenue Bonds Series 2015 A&B will be issued to establish a construction fund of $120 million. The syndicate is comprised of Citigroup Global Markets, Inc. as senior managing underwriter; and Wells Fargo Securities, J.P. Morgan Securities LLC, and Loop Capital Markets serving as co-managers.

Upon issuance of the Series 2015 A&B Bonds, bond counsel will render its final approving opinion that while it cannot guaranty the outcome of the litigation, based on certain assumptions described in the opinion, it is of the belief that the plaintiff's allegations are without merit. The form of the final approving opinion is attached to the Preliminary Official Statement (Appendix D1 & D2).

PRELIMINARY OFFICIAL STATEMENT AUTHORIZATION ("POS"):
The docketed POS includes disclosures regarding the litigation challenges and appeal risk to the Lease Revenue Bonds, Series 2015A&B. This is described in following sections: Introduction – Litigation; Certain Risk Factors – Litigation; Pending Litigation Challenges to the 2015 Bonds – Series 2015A Bonds Litigation and Series 2015B Bonds Litigation; Tax Matters; Appendix G Complaint in Series 2015A Litigation; Appendix H Judgment and Transcript in Series 2015A Litigation; Appendix I Complaint in Series 2015B Litigation; and Appendix J Order of Dismissal in Series 2015B Bonds Litigation.

In addition to disclosures regarding the litigation, the POS has been updated to reflect the latest financial information including information about the Fiscal Year 2014 financial results, General Fund current fiscal year budget trends including the Fiscal Year 2015 Adopted Budget and mid-year budget results. Additional updates have been made to various sections including the General Fund Infrastructure and Multi-Year Capital Program, Storm Water Program, Litigation Potentially Adversely Affecting the City's General Fund, Labor Relations, Postemployment Healthcare Benefits, Risk Management, Investment of Funds, Bonded and Other Indebtedness, and certain demographic and economic information pertaining to the City to reflect latest data available.

The Disclosure Practices Working Group ("DPWG") has reviewed all the updates to the POS for City Council approval. Consistent with the DPWG Controls and Procedures, necessary certifications from various City management staff involved in the preparation or review of the disclosures will be compiled by DPWG. The certifications of the Mayor, the City Attorney, the Chief Financial Officer, and DPWG will be provided to the City Council prior to the City Council hearing.

Concurrent with this POS Authorization, the Public Facilities Financing Authority of the City of San Diego will convene to approve the form and distribution of the POS, and delivery and distribution of the Official Statement (OS).

FISCAL CONSIDERATIONS:
Series 2015A&B Bonds debt service is projected at approximately $7.0 million annually in Fiscal Years 2016–2045. These are estimates, subject to change.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (IF APPLICABLE):
These agreements are subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Sections 22.2701 through 22.2708) and Non Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

PREVIOUS COUNCIL and/or COMMITTEE ACTION (describe any changes made to the item from what was presented at committee):
- On March 11, 2014, Resolution No. R-308808 was approved by City Council, authorizing the form and distribution of the Preliminary Official Statement and authorizing the execution, delivery and distribution of the Official Statement – See Item No. 331 to City Council Meeting of March 11, 2014.

- On January 28, 2014, Ordinance No. O-20350 was approved by City Council, authorizing the issuance of the Phase 3 CIP Bonds and the related financing documents – See Report to City Council Number 14-01.

- On January 27, 2014, Resolution No. R-308714 was approved by City Council, authorizing the appropriation and expenditure of Phase 3 CIP Bonds.

- On October 28, 2013 the Infrastructure Committee reviewed and approved the Phase 3 CIP Bond Authorization to advance to City Council – See Infrastructure Committee Report Number 13-087, and Infrastructure Committee Report Number 13-088 – Deferred Capital Bond Funded Program Update.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:
Community outreach and public participation is handled on a project basis through the Department of Public Works. Also see above.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:
Business entities associated with the bond offering: Stradling Yocca Carlson & Rauth (Bond and Disclosure Counsel); Citigroup Global Markets, Inc. (Senior Managing Underwriter); Orrick, Herrington & Sutcliffe LLP (Underwriters' Counsel); Wells Fargo Securities (Co-Managing Underwriter); J.P. Morgan (Co-Managing Underwriter); Loop Capital Markets (Co-Managing Underwriter); Wells Fargo Bank, National Association (Trustee); Public Financial Management, Inc. (Financial Advisor); Standard & Poor's (Rating Agency); Fitch Ratings (Rating Agency); Chicago Title Company (title insurance); D.F. Davis Real Estate, Inc., Hilco Real Estate Appraisal, LLC and FirstService PGP Valuation (appraisals); and the AVIA (Electronic Printing of POS and OS).

Kommi, Lakshmi
Originating Department

Lewis, Mary
Deputy Chief/Chief Operating Officer

THE CITY OF SAN DIEGO

REPORT TO THE CITY COUNCIL

DATE ISSUED: March 10, 2015 REPORT NO: 15-022

ATTENTION: Council President and City Council

SUBJECT: Series 2015 A&B Lease Revenue Bonds –Preliminary Official Statement Authorization

REFERENCE: 2014 Capital Improvement Program Bond Authorization, Infrastructure Committee (Report No. 13-087) October 21, 2013

2014 Capital Improvement Program Lease Revenue Bonds (Report No. 14-01) December 20, 2013

2014 Capital Improvement Program Lease Revenue Bonds Preliminary Official Statement Authorization (Item 331) March 11, 2014

REQUESTED ACTIONS:

Authorize the form of and distribution of the Preliminary Official Statement ("POS") for the Lease Revenue Bonds, Series 2015A&B, and authorize the execution, delivery and distribution of the Official Statement.

STAFF RECOMMENDATION:
Approve the requested actions.

SUMMARY:

I. Background

In January 2014, the City Council authorized the issuance of lease revenue bonds in an amount up to $130 million, in one or more series, to finance General Fund capital improvement projects in an amount up to $120 million ("Phase 3 CIP Bonds"). The authorization included the approval of all the financing documents related to the Phase 3 CIP Bonds. The financing ordinance approving the issuance of the Phase 3 CIP Bonds was introduced on January 14, 2014, and was approved by City Council on January 28, 2014 (O-20350 – Attachment 1).

The financing plan envisioned the issuance of the Phase 3 CIP Bonds in two series, with the first series to be issued by early April 2014 and the second series planned to occur in April 2015, approximately 12 months from the first issue. The City Council authorized the form and distribution of a Preliminary Official Statement for the first series at the meeting of March 11, 2014. Concurrent with the City Council authorization, the Public Facilities Financing Authority ("PFFA") authorized the issuance of the first series ("Series A Bonds") (Resolution FA-2014-

2). On April 8, 2014, the PFFA also took an action authorizing the second series ("Series B Bonds") (Resolution FA-2014-4).

In April 2014, the Series A issuance process was postponed due to the filing of a reverse validation action challenging the validity of the bond authorizations by the City and the PFFA for, among other things, the Series A Bonds. On November 3, 2014, after trial, the Court ruled in favor of the City and the PFFA and the Court's judgment was entered on November 20, 2014. The complainant filed a notice of appeal on December 12, 2014 and a briefing schedule has not yet been set by the Court of Appeal.

A similar complaint was filed by the same parties challenging the PFFA's authorization of the Series B Bonds in June 2014. On January 12, 2015 the Court dismissed the case on procedural grounds. The Court did not reach the merit of the claims finding instead that the complainant's failure to serve the state certain state officials, as required by statute, denied the Court jurisdiction. Complainant attempted to revive his claim on a procedural motion but this was denied on January 27, 2015. On March 3, 2015, plaintiff filed an appeal from the January 27, 2015 order denying the requested relief. The City Attorney believes that this appeal was not timely filed and intends to file a motion to dismiss the appeal.

After consultation with the Office of the City Attorney, the transaction bond counsel Stradling Yocca Carlson and Rauth, the lead underwriter Citigroup, and the City's municipal advisor Public Financial Management, the City has made a determination to sell the bonds to suitable investors while the appeal of the November 2014 judgment is pending. Upon issuance of the Series 2015 A&B Bonds, bond counsel will render its final approving opinion that while it cannot guaranty the outcome of the litigation, based on certain assumptions described in the opinion, it is of the belief that the plaintiff's allegations are without merit. The form of the final approving opinion is attached to the Preliminary Official Statement (Appendix D1 & D2).

II. Discussion

A. Summary of the Series 2015A&B Lease Revenue Bonds

- ***Structure***

  Due to the litigation delay, it is recommended that the Series 2015A&B Bonds be issued to generate a combined amount of $120 million for General Fund capital projects. Due to initial bond approvals as two separate series, and the City receiving two separate judicial rulings for Series A and Series B, the Series 2015 A&B Bonds will remain as two separate series.

  There will not be any differences with respect to the use of funds for projects due to the bifurcation. The two series, issued under separate supplements to the Master Indenture and separate amendments to the Master Site Lease and Master Facilities Lease established with the 2012 Deferred Capital Improvement Bonds (see Legal Structure), will be sold on the same day and under a single Official Statement.

- ***Method of Sale:*** Public Offering (limited to institutional investors and professional money managers), Negotiated Sale with ratings from Standard and Poor's and Fitch Ratings.

A competitive sale was proposed for Series A issue in March 2014. Due to legal complexities with the current bond offering, it is more suitable to sell the bonds utilizing an experienced underwriting syndicate. In a negotiated sale, the City will benefit from pre-marketing resources provided by the underwriters and the City will maintain more flexibility to respond quickly to market conditions. The syndicate is comprised of Citigroup Global Markets, Inc ("Citi") as senior managing underwriter; with Wells Fargo Securities, J.P. Morgan, and Loop Capital Markets serving as co-managers. The syndicate members were selected through a competitive process in December 2014. The City expects to receive ratings from Fitch Rating Agency ("Fitch") and Standard & Poor's Rating Agency ("S&P") prior to the release of the POS.

- ***Lease of City properties***
  To provide lease payments to repay the Series 2015A&B Bonds, the City will execute the second and third amendments of the Master Lease created in 2012. To date, $140.3 million bonds have been issued using the 2012 Master Lease structure, including Lease Revenue Bonds, Series 2012A (Capital Improvement Projects) in the amount of $72.0 million, Series 2012B (Fire and Life Safety Facilities Refunding) in the amount of $18.7 million; Series 2013A (Capital Improvement Projects and Old Town Light Rail Extension Refunding) in the amount of $43.2 million, and Series 2013B (Balboa Park/Mission Bay Park Refunding) in the amount of $6.3 million ("Prior Bonds"). The Leased Property section of the POS provides descriptions and a table listing properties leased under the Master Lease. In order to support the Series 2015 A&B Bonds, four additional General Fund properties will be leased pursuant to the Master Lease. The proposed properties are listed in Table 1 below, which also notes changes from the preliminary list of properties identified in January 2014 at the time the financing ordinance approval for $120 million in bond funds was presented to the City Council.

Table 1

General Fund Properties for Series 2015A&B Bonds
~~Central Police Vehicle Maintenance Facility~~
Fire Station #16 (Mt. Soledad)
~~Fire Station #24 (Carmel Valley)~~
Southern Division Police Station
~~City Operations Building Complex (City Operations Building and Parkade)~~
Scripps Miramar Ranch Library Center
Carmel Valley Multipurpose Community Complex (Park and Recreation Center)
~~North University Community Library & Recreation Center~~
Existing General Fund Properties Pledged Under the Master Lease
Lodge at Torrey Pines (ground lease)
Hilton San Diego Resort (ground lease)
Scripps Health Land (ground lease)
Mission Valley Library
Fire Communications Building
Fire Station #9
Fire Station #11
Fire Station #37
Fire Station #44
House of Charm (Mingei International Museum and Art Institute Building)

UC Regents (ground lease)
Northeastern Police Station

- ***Tax Status***
  The Series 2015A&B Bonds will be issued as tax-exempt issuances. The financed projects under each of the categories will be capital in nature with uses limited to governmental purpose. Consistent with the IRS regulations for tax-exempt bonds, the weighted average life of the bonds will not exceed 120% of the weighted average remaining aggregate useful life of all the projects funded by the bonds.

B. Updates to the Form of the Financing & Legal Documents

When City Council authorized the issuance of lease revenue bonds in an amount up to $130 million in January 2014 (Ordinance No. O-20350), the authorization included the approval of the financing documents related to the Series 2015 A&B Bonds, including: the form of the Second Amendment to the Site Lease, the form of the Second Amendment to the Facilities Lease, the form of the Second Supplemental Indenture, the form of the Continuing Disclosure Certificate, the form of the Notice Inviting Bids, and the form of the Bond Purchase Agreement and authorized the execution of documents substantially in such form for each series of the bonds to be sold.

Of the forms of financing documents authorized, the following documents will be executed: the Second Amendment to the Site Lease and the Third Amendment to the Site Lease, the Second Amendment to the Facilities Lease and the Third Amendment to the Facilities Lease, the Second Supplemental Indenture and the Third Supplemental Indenture, the Continuing Disclosure Certificate, and the Bond Purchase Agreement.

The Notice Inviting Bids will not be utilized because the Series 2015 A&B Bonds will be sold on a negotiated basis. A Bond Purchase agreement ("BPA"), which is an agreement among the City, the PFFA, and the Underwriters, will be executed concurrent with the pricing of the Bonds.

Since the Series 2015 A &B Bonds are sold with pending litigation, the form of the Continuing Disclosure Certificate is being updated. Under Section 5 – Reporting of Significant Events, a requirement has been added that the City shall give notice of the occurrences of any entry of final judgment on litigation related to either Series 2015A or Series 2015B Bonds or upon resolution of any appeal, within ten business days to the Municipal Securities Rulemaking Board (MSRB) through the Electronic Municipal Market Access (EMMA) service.

C. City Council Authorization of the Preliminary Official Statement ("POS")

The POS for the Series 2015 A&B Bonds describes the bond offering to the marketplace and includes information about the structure and plan of finance, sources and uses of funds, security and sources of payment of the bonds, risk factors, and the leased property. It provides information that a reasonable investor for these types of securities would need to have to make an informed investment decision.

The POS consists of information regarding the City government and financial information (Appendix A) and certain demographic and economic information pertaining to the City (Appendix B).The POS reflects the latest financial information including information about the

Fiscal Year 2014 financial results, and General Fund current fiscal year budget trends, including the Fiscal Year 2015 Adopted Budget and Mid-Year Budget results. The POS also includes the latest information on General Fund Infrastructure and the Multi-Year Capital Program, Storm Water Program, Litigation Potentially Adversely Affecting the City's General Fund, Labor Relations, Postemployment Healthcare Benefits, Risk Management, Investment of Funds, Bonded and Other Indebtedness, and certain demographic and economic information pertaining to the City. Other appendices include a Summary of Legal Documents (Appendix C), the Form of Bond Counsel Opinion (Appendix D-1 and D-2), DTC and the Book-Entry Only System (Appendix E), and the Form of the Continuing Disclosure Certificate (Appendix F).

The POS includes disclosures regarding the litigation challenges and appeal risk to the Lease Revenue Bonds, Series 2015A&B. The litigation and its risks are described in the following sections: "Introduction – Litigation"; "Certain Risk Factors – Litigation"; "Pending Litigation Challenges to the 2015 Bonds – Series 2015A Bonds Litigation and Series 2015B Bonds Litigation".

With respect to litigation risks, in the POS City discloses to the prospective investors the following: In the event that the California Court of Appeal reverses the favorable decision of the trial court in the Series A litigation, the City intends to appeal to the California Supreme Court. If the California Supreme Court were to issue an adverse final ruling in the pending litigation invalidating the Series 2015 A&B Bonds and financing documents, the PFFA would not be obligated to make, and may be precluded from making, principal and interest payments on the Series 2015A&B Bonds and the City would not be obligated to make, and may be precluded from making, Lease Payments under the Second and Third Amendments to Facilities Lease related to the Series 2015A&B Bonds. In such event, investors could lose their entire investment and may be required to pay back to the PFFA payments previously paid by the PFFA on the Series 2015A&B Bonds. As discussed in the POS, such an outcome could also have an adverse effect on the owners of the Prior Bonds. In addition, as discussed under the section titled "Ta Matters," and "Pending Litigation Challenging the 201 Bonds"interest on the 2015 Bonds previously paid to owners of the Series 2015A&B Bonds would not be excludable in gross income for purposes of federal income taxation retroactive to the date the Series 2015A&B Bonds were issued.

In light of the litigation challenging the validity of the 2015 Bonds and related documents, the purchase of the Series 2015A&B Bonds involves investment risk and are not suitable investments for all investors. City will be requiring that only professional investors (institutional and professional money managers) will be permitted to purchase the initial offering of the 2015 Bonds.

For prospective investors review, a copy of the complaint filed by the plaintiff in the Series 2015A Bonds Litigation is attached to the POS as Appendix G and a copy of the judgment and official transcript of the Superior Court's ruling is attached as Appendi H. A copy of the complaint filed by the plaintiff in the Series 2015B Bonds Litigation is attached as Appendix I and a copy of the order of dismissal entered by the Superior Court's is attached as Appendix J.

In accordance with the Disclosure Practices Working Group ("DPWG") Controls and Procedures, a Financing Group convened to assist in the preparation of the POS and in identifying and soliciting material from City departments. The Financing Group consisted of the Disclosure Counsel, Deputy City Attorney for Finance, and staff from Debt Management,

Financial Management, Real Estate Assets, and Office of the City Comptroller. Other City departments involved in the preparation of the POS include Risk Management, City Treasurer's Office, Transportation & Storm Water, and Public Works. All of the aforementioned City departments have provided pertinent information for inclusion in the POS and were available to address questions from the Disclosure Counsel, DPWG and underwriters and their counsel. Representatives from the underwriting syndicate, senior and co-manager firms, and the underwriter's counsel have reviewed the disclosure document.

DPWG has reviewed all the updates to the POS for City Council approval. Consistent with the DPWG Controls and Procedures, necessary certifications from various City management staff involved in the preparation or review of the disclosures will be compiled by DPWG. The certifications of the Mayor, the City Attorney, the Chief Financial Officer, and DPWG will be provided to the City Council prior to the City Council hearing.

Concurrent with this POS Authorization, the PFFA will convene to approve the form and distribution of the POS, and delivery and distribution of the Official Statement (OS).

D. Financing Timeline

The POS for the Series 2015A&B Bonds is expected to be released on or about March 26, 2015, prior to which any changes or updates to the POS will be distributed electronically to the City Council by DPWG after review and approval. The Series 2015A&B Bonds are planned to be priced the week of April 6, 2015 and bond closing with monies made available for capital projects is anticipated to occur on April 21, 2015.

E. Financing Team

The City's Financing Team consists of staff of the Department of Finance, including the Chief Financial Officer and staff of the Debt Management Department, the Comptroller's Office, the Treasurer's Office, the Risk Management Department, and the Financial Management Department. The Financing Team also includes staff of the Real Estate Assets Department, the City Attorney's Office, the Department of Public Works, Engineering & Capital Projects, and the Department of Transportation & Storm Water. External members include: Public Financial Management, Inc. ("PFM") as the financial advisor; Stradling Yocca Carlson & Rauth as Bond and Disclosure Counsel; Citigroup Global Markets, Inc. as Senior Managing Underwriter; Orrick, Herrington & Sutcliffe LLP, as Underwriters' Counsel, Wells Fargo Securities as Co-Managing Underwriter; J.P. Morgan as Co-Managing Underwriter; Loop Capital Markets as Co-Managing Underwriter; Wells Fargo Bank, National Association as Trustee; Chicago Title Company as title insurance provider; and DF Davis Real Estate, Inc., Hilco Real Estate Appraisal, LLC and FirstService PGP Valuation as appraisers.

FISCAL CONSIDERATIONS:

A. Bond Proceeds, Interest Rate, and Projected Debt Service

Based upon current market conditions, the total proceeds from the Series 2015A&B Bonds is estimated to be approximately $121.2 million, providing funding to establish the $120.0 million construction fund for CIP expenditures and to pay for financing costs of issuance.

Table 2

Estimated Sources and Uses of Funds[1]	
	Total
Estimated Sources	
Bond Proceeds	$121,206,000
Total Sources of Funds	**$121,206,000**
Estimated Uses	
Deposit to Construction Fund	$120,000,000
Costs of Issuance[2]	1,206,000
Total Uses of Funds	**$121,206,000**

[1] Preliminary, subject to change.
[2] Costs of issuance include underwriters' discount, bond and disclosure counsel fees, municipal advisory fees, trustee fees, title insurance costs, appraisal fees, rating agency fees, POS and OS electronic printing/posting costs, City staff costs, and other miscellaneous expenses (see Attachment 2). Additional proceeds due to rounding are $6,000.

Below is a summary of fiscal impact at current market rates (estimates, subject to change).

- All-in True Interest Cost (All-in TIC) for the Series 2015A&B Bonds: 4.16%
- Average annual debt service for Series 2015A&B Bonds: $7.0 million

Series 2015A&B Bonds debt service is budgeted in Citywide Program Expenditures and is projected at approximately $7.0 million annually in Fiscal Years 2016–2045. These are estimates.

The actual cost of borrowing will depend on the market conditions at the time the Series 2015 A&B Bonds are sold.

Under the current lease revenue bond levels, the projected Lease Payments payable by the City as a percentage of General Fund revenues is at 4.56% for Fiscal Year 2015. The Series 2015 A&B Bonds debt service commences in Fiscal Year 2016 and would increase the Lease Payments as a percentage of General Fund revenues from a projected 3.67% to 4.20% in Fiscal Year 2016 (no impact in Fiscal Year 2015). The significant reduction in the lease burden percentage from Fiscal Year 2015 to Fiscal Year 2016 is due to the retirement of the McGuigan Settlement Obligation which was paid off on July 1, 2014.

B. Use of Bond Proceeds

The proceeds amounting to $120 million from the bond issue will be allocated to the following capital improvement categories.

• ADA Improvements	$ 4,300,000
• Facilities - Improvements	8,830,000
• Facilities - New	34,750,000
• Sidewalks	1,000,000
• Storm Drain Improvements	21,960,000
• Streets	49,160,000
TOTAL	$120,000,000

Public Works and Finance branch will also be periodically evaluating actual cash draw needs for the planned projects within these asset categories and monitor availability of other funding including pay-go funds for the projects. Programming of the bond funds in project categories that are in active funding utilization phases will allow for an efficient timely spend down of the bond proceeds.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:
On March 11, 2014, Resolution No. R-308808 was approved by City Council, authorizing the form and distribution of a Preliminary Official Statement and authorizing the execution, delivery and distribution of an Official Statement for the Series 2014 Bonds.– See Item No. 331 to City Council Meeting of March 11, 2014.

On January 28, 2014, Ordinance No. O-20350 was approved by City Council, authorizing the issuance of the Phase 3 CIP Bonds and the related financing documents – See Report to City Council Number 14-01.

On January 27, 2014, Resolution No. R-308714 was approved by City Council, authorizing the appropriation and expenditure of Phase 3 CIP Bonds.

On October 28, 2013 the Infrastructure Committee reviewed and approved the Phase 3 CIP Bond Authorization to advance to City Council – See Infrastructure Committee Report Number 13-087, and Infrastructure Committee Report Number 13-088 – Deferred Capital Bond Funded Program Update.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:
Community outreach and public participation is handled on a project basis through the Department of Public Works. Also see above.

KEY STAKEHOLDERS:
Business entities associated with the bond offering: Stradling Yocca Carlson & Rauth (Bond and Disclosure Counsel); Citigroup Global Markets, Inc. (Senior Managing Underwriter); Orrick, Herrington & Sutcliffe LLP (Underwriters' Counsel); Wells Fargo Securities (Co-Managing Underwriter); J.P. Morgan (Co-Managing Underwriter); Loop Capital Markets (Co-Managing Underwriter); Wells Fargo Bank, National Association (Trustee); Public Financial Management, Inc. (Financial Advisor); Standard & Poor's (Rating Agency); Fitch Ratings (Rating Agency); Chicago Title Company (title insurance); D.F. Davis Real Estate, Inc., Hilco Real Estate Appraisal, LLC and FirstService PGP Valuation (appraisals); and the AVIA (Electronic Printing of POS and OS).

Lakshmi Kommi
Debt Management Director

Mary Lewis
Chief Financial Officer

Attachment 1 - Ordinance No. O-20350
Attachment 2 – Estimated Costs of Issuance for Series 2015 A & B Bonds

S500- 1/28/14

Attachment 1

(O-2014-77)

ORDINANCE NUMBER O-20350 (NEW SERIES)

DATE OF FINAL PASSAGE FEB 12 2014

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SAN DIEGO APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF ONE OR MORE AMENDMENTS TO SITE LEASE, AMENDMENTS TO FACILITIES LEASE AND OFFICIAL NOTICE INVITING BIDS; AUTHORIZING THE EXECUTION, DELIVERY AND PERFORMANCE OF ONE OR MORE SUPPLEMENTAL INDENTURES BY THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO; AUTHORIZING THE CITY ATTORNEY TO APPOINT BOND COUNSEL AND DISCLOSURE COUNSEL; APPROVING AND AUTHORIZING THE ISSUANCE AND SALE IN ONE OR MORE SERIES OF THE AUTHORITY'S LEASE REVENUE BONDS; AND APPROVING OTHER DOCUMENTS AND ACTIONS IN CONNECTION THEREWITH.

WHEREAS, Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California authorizes and empowers local agencies to form a joint powers authority and Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (Marks-Roos Local Bond Pooling Act of 1985) authorizes and empowers such an authority to issue bonds for the purpose of financing and refinancing public capital improvements or projects to further public purposes and effect significant public benefits, as determined by the local agency; and

WHEREAS, the City of San Diego (City), the Successor Agency to the Redevelopment Agency of the City of San Diego, and the Housing Authority of the City of San Diego have heretofore entered into a Third Amended and Restated Joint Exercise of Powers Agreement dated January 1, 2013 (Joint Powers Agreement), which created and established the Public Facilities Financing Authority of the City of San Diego (Authority) for the purpose, among

others, of issuing its bonds to be used to provide financial assistance to the City to finance and refinance public capital improvements; and

WHEREAS, the Authority has previously entered into an Indenture, dated as of July 1, 2012 as supplemented and amended by the First Supplemental Indenture, dated as of July 1, 2013 (together, the Master Indenture), each with Wells Fargo Bank, National Association, as trustee (the Trustee), to provide for the issuance of lease revenue bonds pursuant to the terms of the Master Indenture for the benefit of the City; and

WHEREAS, pursuant to the Master Indenture, the Authority has issued various series of bonds (the Prior Bonds) to finance certain capital projects and to refund various obligations of the City and the Authority; and

WHEREAS, pursuant to Section 2.13 of the Master Indenture, the Authority may at any time issue additional bonds pursuant to Supplemental Indentures to be secured under the Master Indenture on a parity with the Prior Bonds; and

WHEREAS, the City has determined that: (i) the issuance of Additional Bonds (defined below) by the Authority is in the public interest and will benefit the inhabitants of the City; (ii) there are significant public benefits (within the meaning of California Government Code section 6586) to be derived from securing the assistance of the Authority to finance the costs of the acquisition, design, construction, installation, improvement, replacement and equipping of certain capital improvement projects of the City (collectively, the Projects); and (iii) the Projects are or will be at various locations within the geographic boundaries of the City; and

WHEREAS, the Council of the City made the aforementioned determinations after holding a public hearing on the date thereof and hearing all interested persons desiring to be heard; and

WHEREAS, a notice of a public hearing concerning the adoption of this Ordinance was duly published once at least five days prior to such hearing in a newspaper of general circulation in the City; and

WHEREAS, the City currently contemplates selling the Additional Bonds in two separate bond sales and desires to maintain the flexibility to sell the Additional Bonds in one or more series at separate intervals as described herein; and

WHEREAS, in order to finance the Projects with net bond proceeds of $120,000,000 and to achieve such public purposes, and to timely issue bonds when funds are needed for the Projects, the City has determined to request and approve the Authority's issuance in one or more series of not to exceed $130,000,000 aggregate principal amount of its Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds (the Additional Bonds) pursuant to the Marks-Roos Local Bond Pooling Act of 1985 and secured by the Master Indenture, as supplemented and amended by one or more Supplemental Indentures, each by and between the Authority and the Trustee; and

WHEREAS, in order to provide for the payment of the Prior Bonds, the City has leased certain real property of the City (the Existing Property) to the Authority pursuant to the Site Lease, dated as of July 1, 2012 as amended by the First Amendment to Site Lease, dated as of July 1, 2013 (together, the Master Site Lease), and the Authority has leased to the City pursuant to the Facilities Lease, dated as of July 1, 2012 as amended by the First Amendment to Facilities

Lease, dated as of July 1, 2013 (together, the Master Facilities Lease) certain real property as described therein; and

WHEREAS, in order to provide for the payment, equally and ratably, of the Prior Bonds and the Additional Bonds, the Authority and the City will enter into one or more amendments to the Master Site Lease pursuant to which the City will add to the property leased to the Authority thereunder additional property of the City (the Additional Leased Property and, together with the Existing Property, the City Property), and one or more amendments to the Master Facilities Lease, pursuant to which the Authority will add to the property leased to the City thereunder the Additional Leased Property (together, the Leased Property) and the City will agree to make base rental payments to the Authority (the Base Rental Payments) calculated to be sufficient to enable the Authority to pay the principal of and interest, and premium (if any), on the Prior Bonds and the Additional Bonds when due and payable; and

WHEREAS, the City has determined that the Additional Bonds be sold by a competitive sale pursuant to an Official Notice Inviting Bids (the Notice Inviting Bids), and a summary thereof to be published as required by law, or, as and to the extent described herein, by a negotiated sale pursuant to the terms of one or more Bond Purchase Agreements (the Purchase Agreements) among the City, the Authority and the underwriters therein named; and

WHEREAS, there has been presented to this meeting the following documents relating to the issuance of the Additional Bonds; and

1. a proposed form of Second Amendment to Site Lease between the City and the Authority, a copy of which is on file in the office of the City Clerk as Document No. 00-20350-1, under which the City will lease the City Property to the Authority;

2. a proposed form of Second Amendment to Facilities Lease between the Authority and the City, a copy of which is on file in the office of the City Clerk as Document No. 00-20350-2 under which the Authority will lease the Leased Property to the City;

3. a proposed form of Second Supplemental Indenture between the Authority and the Trustee, a copy of which is on file in the office of the City Clerk as Document No. 00-20350-3, under which the Authority will issue one or more series of the Additional Bonds;

4. a proposed form of Notice Inviting Bids regarding the Additional Bonds, a copy of which is on file in the office of City Clerk as Document No. 00-20350-4, under which the Additional Bonds will be sold at competitive sale;

5. a proposed form of Purchase Agreement regarding the Additional Bonds among the City, the Authority and the underwriters to be selected as described herein should any of the Additional Bonds be sold at a negotiated sale, a copy of which is on file in the office of City Clerk as Document No. 00-20350-5, under which the Additional Bonds; and

6. a proposed form of Continuing Disclosure Certificate of the City, a copy of which is on file in the office of the City Clerk as Document No. 00-20350-6 (the documents described in paragraphs 1 through 6, are collectively referred to as the "Financing Documents"); and

WHEREAS, pursuant to Chapter 730 of the statutes of 1976, section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund in the State Treasury for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Council does hereby find that the deposit and withdrawal of the proceeds of the sale of Additional Bonds in the Local Agency Investment Fund in accordance with the provisions of California Government Code section 16429.1 for the purpose of investment as stated therein are in the best interests of the City; and

WHEREAS, the City is authorized to undertake the actions described in this Ordinance pursuant to its Charter and the Constitution and other applicable laws of the State of California; NOW, THEREFORE,

BE IT ORDAINED by the Council of the City of San Diego, as follows:

Section 1. The Council hereby finds and determines that the statements set forth above in the recitals to this Ordinance are true and correct.

Section 2. The Council hereby finds that the financing of the Projects, as described in the recitals to this Ordinance, will provide significant public benefits in accordance with the criteria specified in California Government Code section 6586.

Section 3. The form and content of the Second Amendment to Site Lease, pursuant to which the City leases the City Property to the Authority, are hereby authorized and approved. Any of the Mayor, the Chief Operating Officer or the Chief Financial Officer and each of them or any of their respective designees (each, an Authorized Signatory) are hereby severally authorized and directed, for and in the name and on behalf of the City to execute and deliver one or more amendments to the Master Site Lease substantially in the form of the Second Amendment to Site Lease (with each amendment to be numbered sequentially) presented to and considered at this meeting, and the City Clerk or her specified designees, and each of them, are authorized and directed to attest thereto, with such additions and changes therein (including, without limitation, the description of the Additional Leased Property to be leased thereunder) as

any Authorized Signatory, in consultation with the City Attorney, shall determine are necessary or desirable and shall require or approve and that such Authorized Signatory believes to be in the best interests of the City, and as are approved as to form by the City Attorney or his specified designee, such approvals to be conclusively evidenced by such Authorized Signatory's execution and delivery thereof.

Section 4. The form and content of the Second Amendment to Facilities Lease, pursuant to which the Authority leases to the City the Leased Property and the City agrees to pay Base Rental Payments and other payments, are hereby authorized and approved. Each Authorized Signatory is hereby severally authorized and directed, for and in the name and on behalf of the City, to execute and deliver one or more amendments to the Master Facilities Lease substantially in the form of the Second Amendment to Facilities Lease (with each amendment to be numbered sequentially) presented to and considered at this meeting, and the City Clerk or her specified designees, and each of them, are authorized and directed to attest thereto, with such additions and changes therein (including, without limitation, the description of the Additional Leased Property to be leased thereunder) as any Authorized Signatory, in consultation with the City Attorney, shall determine are necessary or desirable and shall require or approve and that such Authorized Signatory believes to be in the best interests of the City, and as are approved as to form by the City Attorney or his specified designee, such approvals to be conclusively evidenced by such Authorized Signatory's execution and delivery thereof.

Section 5. The form and content of the Second Supplemental Indenture, pursuant to which the Authority will issue one or more series of Additional Bonds, and the execution, delivery and performance by the Authority of one or more Supplemental Indentures substantially in the form of the Second Supplemental Indenture (with each supplement to be numbered

sequentially) presented to and considered at this meeting, are hereby authorized and approved. Each Authorized Signatory is severally authorized and directed to take such action as is necessary or appropriate to effectuate the transactions set forth in the Supplemental Indentures with such additions and changes therein as any Authorized Signatory shall determine are necessary or desirable and shall require or approve and that such Authorized Signatory believes to be in the best interests of the City, and as are approved as to form by the City Attorney or his specified designee, such approvals will be conclusively evidenced by such Authorized Signatory's execution and delivery of its approval thereof.

Section 6. The City Attorney or his specified designee is authorized to retain Stradling Yocca Carlson & Rauth, a Professional Corporation as bond counsel and disclosure counsel for the City and the Authority in connection with the issuance of the Additional Bonds under such contracts or other arrangements as the City Attorney or his specified designee shall approve and believes to be in the best interests of the City. Such contracts or other arrangements shall be in an amount not to exceed $65,000 for the first issue of Additional Bonds and $60,000 for each subsequent issue plus, in each case, reasonable out-of-pocket expenses not to exceed $1,500.

Section 7. The City hereby authorizes and approves, and requests the Authority to approve and authorize, the issuance and sale by the Authority of its Additional Bonds in one or more series in a total aggregate principal amount not to exceed $130,000,000 by competitive sale, or, alternatively, under the conditions described herein, by negotiated sale, provided that: (i) the true interest cost of each series of the Additional Bonds shall not exceed 7.0%, (ii) the final maturity of each series of the Additional Bonds shall not be later than 30 years following their date of issuance, and (iii) there shall first be presented to the Disclosure Practices Working

Group and this Council for approval a form of preliminary official statement for each series of Additional Bonds. Each of the Chief Financial Officer and the Chief Operating Officer, or their designees, in consultation with the City's Financial Advisor, is hereby authorized to approve the Additional Bond pricing, the timing and number of Additional Bond issues, the redemption, maturities, interest rates, and other Additional Bond features, and to award the sale of the Additional Bonds to the winning bidder as determined under the terms set forth in the Notice Inviting Bids for each series of Additional Bonds.

Section 8. The form and content of the Notice Inviting Bids, pursuant to which the Authority is authorized to offer each series of the Additional Bonds for competitive sale, are hereby authorized and approved. Each Authorized Signatory is hereby severally authorized and directed for and in the name and on behalf of the City to cause each series of the Additional Bonds to be sold by the Authority at competitive sale in accordance with the terms set forth in Section 7 above and the terms set forth in the Notice Inviting Bids for each series and to cause a summary of the Notice Inviting Bids to be published in accordance with any notice requirements imposed by law; provided, however, if an Authorized Signatory, with the advice of the City's Financial Advisor for a series of Additional Bonds, determines that a competitive sale is not in the best interests of the City due to market conditions or other factors, then that series of Additional Bonds may be sold at a negotiated sale pursuant to Section 9 below.

Section 9. The form and content of the Purchase Agreement are hereby authorized and approved. In the event that a determination is made in accordance with Section 8 above that a series of Additional Bonds is to be sold at negotiated sale, each Authorized Signatory is hereby severally authorized and directed for and in the name and on behalf of the City, to execute and deliver one or more Purchase Agreements in connection with the purchase and sale of such

Additional Bonds, substantially in the form presented to and considered at this meeting, with such changes and additions therein, including without limitation naming the underwriters for each series of Additional Bonds sold at a negotiated sale, as such Authorized Signatory shall determine are necessary and desirable and that any such Authorized Signatory believes are in the best interests of the City and as are approved as to form by the City Attorney or his specified designee, such approvals to be conclusively evidenced by the execution and delivery of each Purchase Agreement.

Section 10. The source of revenue for payment of the Additional Bonds hereby authorized is the Base Rental Payments to be made by the City under and as defined in the Master Facilities Lease.

Section 11. The form and content of the Continuing Disclosure Certificate are hereby authorized and approved. Each Authorized Signatory is hereby severally authorized and directed for and in the name and on behalf of the City, to execute and deliver one or more Continuing Disclosure Certificates in connection with the purchase and sale of the Additional Bonds, substantially in the form presented to and considered at this meeting, with such changes and additions therein as such Authorized Signatory shall determine are necessary or desirable and shall require or approve and believes to be in the best interest of the City and as are approved as to form by the City Attorney or his specified designee, such approvals to be conclusively evidenced by the execution and delivery thereof.

Section 12. Authorized officers of the City are hereby authorized and directed to pay all the fees and other costs of issuance of the Additional Bonds in accordance with the Supplemental Indentures, any Purchase Agreements and as otherwise agreed with the City and the respective parties thereto.

Section 13. All actions heretofore taken by any officers, employees or agents of the City with respect to the issuance, delivery or sale of the Additional Bonds, or in connection with or related to any of the Financing Documents or of the other documents referenced herein or related to consummating the financing of the Projects, are hereby approved, confirmed and ratified. Any Authorized Signatory and any other officers, employees or agents of the City as may be authorized by the Mayor, the Chief Financial Officer or the Chief Operating Officer, and each of them acting alone, is hereby severally authorized and directed, for and in the name and on behalf of the City: (i) to do any and all things and take any and all actions, from time to time, consistent with this Ordinance and the Financing Documents and other documents authorized by this Ordinance including, without limitation, adding or removing real property assets of the City from the Leased Property for each series of Additional Bonds and the payment of necessary and appropriate fees and expenses of bond counsel, disclosure counsel, financial advisor and other services retained by the City; and (ii) to execute and deliver any and all certificates, agreements and other documents (including, without limitation, a tax compliance certificate) required pursuant to the terms of the Notice Inviting Bids, any Purchase Agreement or any other Financing Document, or which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Additional Bonds and the disbursement of proceeds thereof in accordance with this Ordinance and to consummate the transactions authorized hereby and evidenced by the Financing Documents. In addition, each of the Mayor, the Chief Financial Officer and the Chief Operating Officer is hereby authorized to approve additions and changes to the Financing Documents and the other documents authorized by this Ordinance (including, but not limited to, establishing the redemption provisions of the Additional Bonds, determining which capital improvement Projects are financed with proceeds of the

Additional Bonds, and determining which parcel or parcels of City property shall be included as Additional Leased Property for each series of Additional Bonds), which additions and changes the Mayor, the Chief Financial Officer or the Chief Operating Officer shall believe, with the advice of the City's Financial Advisor for the Additional Bonds, to be in the best interest of the City in light of the financing costs, credit and market conditions, such determination shall be conclusively evidenced by the execution and delivery of such Financing Documents and other documents by the City; and provided further that no such addition or changes may be inconsistent with limitations in Sections 7, 8 or 9 hereof.

Section 14. The Council does hereby authorize the deposit and withdrawal of the proceeds of the sale of Additional Bonds, including such proceeds held by the Trustee, in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of section 16429.1 of the California Government Code for the purpose of investment as stated therein, and verification by the State Treasurer's Office of all banking information provided in that regard. Any of the Mayor, Chief Operating Officer, Chief Financial Officer, City Treasurer, City Comptroller, or the Trustee on behalf of the City are hereby authorized to order the deposit or withdrawal of the proceeds of the sale of Additional Bonds in the Local Agency Investment Fund.

Section 15. The Chief Financial Officer is authorized to establish one or more special interest-bearing account(s) to deposit proceeds from the Additional Bonds.

Section 16. A full reading of this ordinance is dispensed with prior to its passage, a written or printed copy having been made available to the City Council and the public prior to the day of its passage.

Section 17. That this ordinance shall take effect and be in force on the thirtieth day from and after its final passage.

APPROVED: JAN I. GOLDSMITH, City Attorney

By _____
Brant C. Will
Deputy City Attorney

BCW:jdf
12/26/2013
Or.Dept: Debt Management
Doc. No.: 696098_2

I hereby certify that the foregoing Ordinance was passed by the Council of the City of San Diego, at this meeting of JAN 28 2014.

ELIZABETH S. MALAND
City Clerk

By _____
Deputy City Clerk

Approved pursuant to Charter section 265(i):

_____
(date)

_____
TODD GLORIA, Council President

Attachment 1

Passed by the Council of The City of San Diego on JAN 28 2014, by the following vote:

Councilmembers	Yeas	Nays	Not Present	Recused
Sherri Lightner	☑	☐	☐	☐
Kevin Faulconer	☑	☐	☐	☐
Todd Gloria	☑	☐	☐	☐
Myrtle Cole	☑	☐	☐	☐
Mark Kersey	☐	☐	☑	☐
Lorie Zapf	☑	☐	☐	☐
Scott Sherman	☑	☐	☐	☐
David Alvarez	☑	☐	☐	☐
Marti Emerald	☑	☐	☐	☐

Date of final passage FEB 12 2014.

AUTHENTICATED BY:

TODD GLORIA, COUNCIL PRESIDENT
as interim Mayor of The City of San Diego, California.

(Seal)

ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.

By _____, Deputy

I HEREBY CERTIFY that the foregoing ordinance was not finally passed until twelve calendar days had elapsed between the day of its introduction and the day of its final passage, to wit, on JAN 14 2014, and on FEB 12 2014.

I FURTHER CERTIFY that said ordinance was read in full prior to passage or that such reading was dispensed with by a vote of five members of the Council, and that a written copy of the ordinance was made available to each member of the Council and the public prior to the day of its passage.

ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.

(Seal)

By _____, Deputy

Office of the City Clerk, San Diego, California

Ordinance Number O-_____

Attachment 2

2015 A&B Lease Revenue Bonds - $120 Million
Estimated Costs of Issuance

Description	***Firm***		***Estimate***
Bond & Disclosure Counsel (inc. expenses)	Stradling Yocca Carlson & Rauth	$	245,000
General Disclosure Counsel	Hawkins Delafield & Wood		20,000
Financial Advisor (inc. expenses)	Public Financial Management, Inc.		83,000
Trustee Fees	Wells Fargo		15,000
Title Insurance Policies	Chicago Title Company		69,600
Property Appraisal Fees	D.F. Davis, Hilco Real Estate		26,000
POS/OS Printing	AVIA		300
Advertising	Bond Buyer		500
City Labor Costs	City Staff		175,000
Rating Agency Fees	Standard & Poor's, Fitch Ratings		144,500
Misc. (OBD Table)	MuniServices		475
Contingency (5% of subtotal) & Additional Proceeds due to Rounding			44,625
	Subtotal	**$**	**824,000**
Underwriter's Discount			382,000
	Estimated Total Costs of Issuance	**$**	**1,206,000**

RESOLUTION NUMBER R-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO APPROVING THE FORM AND AUTHORIZING THE DISTRIBUTION OF THE PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING THE EXECUTION, DELIVERY AND DISTRIBUTION OF THE OFFICIAL STATEMENT IN CONNECTION WITH THE ISSUANCE AND SALE BY THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO OF ITS LEASE REVENUE BONDS SERIES 2015A AND SERIES 2015B; AND APPROVING OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, The City of San Diego (City), the Successor Agency to the Redevelopment Agency of the City of San Diego, and the Housing Authority of the City of San Diego have heretofore entered into a Third Amended and Restated Joint Exercise of Powers Agreement, dated as of January 1, 2013, which established and created the Public Facilities Financing Authority of the City of San Diego (Authority), a California joint exercise of powers authority duly organized for the purpose, among others, of issuing its bonds to be used to provide financial assistance to the City to finance and refinance public capital improvements; and

WHEREAS, the Authority has previously entered into an Indenture, dated as of July 1, 2012 as supplemented and amended (the Indenture) with Wells Fargo Bank, National Association, as trustee, to provide for the issuance of lease revenue bonds pursuant to the terms of the Indenture to finance and refinance public capital improvements for the City and has previously issued several series of bonds (the Prior Bonds) for such purpose; and

WHEREAS, the City Council (the Council) has in Ordinance No. 20350 (the Bond Ordinance) requested the Authority to issue, in one or more additional series of bonds pursuant

to the Indenture, in a total aggregate principal amount not to exceed $130,000,000 to finance the costs of the acquisition, construction, installation and equipping of certain capital improvement projects of the City (collectively, the Projects); and

WHEREAS, in connection with the issuance of the Prior Bonds the City has leased certain real property to the Authority, and in connection with the issuance of the 2015 Bonds will lease additional real property of the City (together, the Leased Property) to the Authority pursuant to the Site Lease, dated as of July 1, 2012 as amended, which Leased Property will be leased back to the City pursuant to the Facilities Lease, dated as of July 1, 2012 as amended; and

WHEREAS, the lease of the Leased Property is made for the purpose of facilitating the financing and refinancing by the Authority of public capital improvements for the City by providing lease payments from the City to the Authority to be used by the Trustee as a source of funds to repay the Prior Bonds and the 2015 Bonds; and

WHEREAS, the Leased Property was described in the form of Second Amendment to Site Lease referenced in the Bond Ordinance, which Second Amendment to Site Lease was on file with the City Clerk at the time that the Bond Ordinance was adopted and is also described in the Preliminary Official Statement (defined below); and

WHEREAS, the Leased Property has been appraised by independent appraisers or City appraisers at a market value of $262,000,000; and

WHEREAS, there has been presented to this meeting a proposed form of Preliminary Official Statement (Preliminary Official Statement) relating to the issuance by the Authority of its Lease Revenue Bonds, Series 2015A and its Lease Revenue Bonds, Series 2015B (together, the 2015 Bonds), a copy of which is on file in the office of the City Clerk as Document

No. _____, which will be used in marketing the 2015 Bonds; and

WHEREAS, pursuant to section 22.4107 of the San Diego Municipal Code (Section 22.4107) (as enacted by Ordinance O-19320), the Disclosure Practices Working Group (DPWG) is required to review disclosure documents of the City and on March 9, 2015 DPWG conducted a final review and approved, in accordance with Section 5.2 of the Disclosure Practices and Procedures, the form of the Preliminary Official Statement; and

WHEREAS, the City is authorized to undertake all of the actions described in this Resolution pursuant to its Charter and the Constitution and other applicable laws of the State of California; NOW, THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego, hereby finds and determines that the statements set forth above in the recitals to this Resolution are true and correct.

BE IT FURTHER RESOLVED, the form and content of the proposed Preliminary Official Statement substantially in the form presented to and considered at this meeting, are hereby approved, with such changes thereto as the Mayor, the Chief Operating Officer or the Chief Financial Officer and each of them or any of their respective designees (together, the Authorized Signatories and each, an Authorized Signatory) shall determine are necessary and desirable and may require or approve, such approval to be conclusively evidenced by the delivery of the Preliminary Official Statement to the underwriters of the 2015 Bonds listed in the Preliminary Official Statement for release to prospective purchasers of the 2015 Bonds. Each Authorized Signatory is hereby severally authorized and directed, for and in the name of and on behalf of the City, to execute and deliver an official statement with respect to the 2015 Bonds (the Official Statement), in substantially the form of the final Preliminary Official Statement,

with such changes thereto as such Authorized Signatory executing and delivering such document shall determine are necessary and desirable and may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof. The distribution of electronic or physical copies of the Preliminary Official Statement and the Official Statement to persons who may be interested in the purchase of the 2015 Bonds is hereby authorized and approved. The Authorized Signatories are, and each of them acting alone is, hereby authorized to certify on behalf of the City that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission (except for the omission of certain information as permitted by such Rule).

BE IT FURTHER RESOLVED, all actions heretofore taken by any Authorized Signatory or by any officers, employees or agents of the City with respect to: (i) the issuance, delivery, or sale of the 2015 Bonds; (ii) the financing of the Projects; or (iii) the Preliminary Official Statement, are hereby approved, confirmed and ratified. Any Authorized Signatory and such other officers, employees or agents of the City as may be authorized by the Mayor, the Chief Financial Officer or the Chief Operating Officer, are hereby authorized and directed, for and in the name of and on behalf of the City, to do any and all things and take any and all actions, including, without limitation, payment of necessary and appropriate fees and expenses, and execute and deliver any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable to consummate the transactions evidenced by the documents referenced herein in accordance with the Bond Ordinance and this Resolution. As a result of additional legal work required as a result of litigation filed with respect to the 2015 Bonds, the City Attorney, or his specified designee, is authorized to increase the fees to be paid to Stradling Yocca Carlson & Rauth, a Professional Corporation as bond counsel and disclosure

counsel for the 2015 Bonds by an additional $120,000 above the amounts approved in the Bond Ordinance and to engage such firm to represent the City and the Authority in the litigation challenging the 2015 Bonds under such contracts or other arrangements as the City Attorney, or his specified designee, shall approve and believes to be in the best interests of the City. The contracts or other arrangements related to the litigation representation shall be in an amount not to exceed $50,000.

APPROVED: JAN I. GOLDSMITH, City Attorney

By: _____
Brant C. Will
Deputy City Attorney

BCW:jdf
3/9/15
Or.Dept: Debt Management
Doc. No. 970209

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of _____.

ELIZABETH S. MALAND
City Clerk

By_____
Deputy City Clerk

Approved: _____ (date)

_____
KEVIN L. FAULCONER, Mayor

Vetoed: _____ (date)

_____
KEVIN L. FAULCONER, Mayor

DOCKET SUPPORTING INFORMATION CITY OF SAN DIEGO **EQUAL OPPORTUNITY CONTRACTING PROGRAM EVALUATION**	DATE: March 9, 2015
SUBJECT: Series 2015 A&B Lease Revenue Bonds - Preliminary Official Statement Authorization	

GENERAL CONTRACT INFORMATION

Recommended Consultant:	Citigroup Global Markets, Inc. (Not Certified) Wells Fargo Bank, N.A. (Not Certified) J.P. Morgan Securities LLC (Not Certified) Loop Capital Markets (Not Certified)
Amount of this Action:	TBD (Dependent on actual bonds sold)
Funding Source:	Bond Proceeds (Series 2015 A&B Lease Revenue Bonds)
Goal:	20% Voluntary

Citigroup Global Markets, Inc.

SUBCONSULTANT PARTICIPATION

There is no subcontractor participation associated with this action.

EQUAL EMPLOYMENT OPPORTUNITY COMPLIANCE

Equal Opportunity: Required

Citigroup Global Markets, Inc. submitted a Work Force Report for their Los Angeles County employees dated, March 10, 2015 indicating 634 employees in their Administrative Work Force.

The Work Force Report Analysis indicates under representations in the following categories:

African American in Mgmt & Financial, Technical, and Administrative Support
Latino in Technical
Asian in Mgmt & Financial, Sales, and Administration Support
Filipino in Mgmt & Financial, Professional, Technical, Sales, and Administrative Support
Female in Professional, Technical, and Sales

Based on the under representations in the workforce noted above, staff has requested an Equal Employment Opportunity (EEO) Plan which describes the firm's EEO policies and practices to be submitted no later than March 16, 2015, for approval. Once approved, staff will continue to monitor the firm's efforts to implement their EEO plan.

Wells Fargo Bank, N.A.

SUBCONSULTANT PARTICIPATION

There is no subcontractor participation associated with this action.

EQUAL EMPLOYMENT OPPORTUNITY COMPLIANCE

Equal Opportunity: Required

Wells Fargo Bank, N.A. submitted a Work Force Report for their San Francisco County employees dated March 9, 2015, indicating 9,566 employees in their Administrative Work Force.

The Work Force Report Analysis indicates under representations in the following categories:

African American in Sales
Latino in Professional, Sales, and Operative Workers
American Indian in Mgmt & Financial, Professional, and Administration Support
Filipinos in Mgmt & Financial, Professional, Technical, Sales, Administrative Support, and Operative Workers
Female in Professional, Technical, Sales, Administrative Support, and Operative Workers

Based on the under representations in the workforce noted above, staff has an approved Equal Employment Opportunity (EEO) Plan on file as of March 9, 2015. Staff will continue to monitor the firm's efforts to implement their EEO plan.

J.P. Morgan Securities LLC

SUBCONSULTANT PARTICIPATION

There is no subcontractor participation associated with this action.

EQUAL EMPLOYMENT OPPORTUNITY COMPLIANCE

Equal Opportunity: Required

J.P. Morgan Securities LLC submitted a Work Force Report for their Maricopa, AZ County employees dated January 28, 2015 indicating 1,262 employees in their Administrative Work Force.

The Work Force Report Analysis indicates under representations in the following categories:

African American in Professional, Sales, and Administrative Support
American Indian in Sales and Administrative Support
Filipinos in Mgmt & Financial, Professional, Sales, and Administrative Support
Female in Professional

Based on the under representations in the workforce noted above, staff has an approved Equal Employment Opportunity (EEO) Plan on file as of January 29, 2015. Staff will continue to monitor the firm's efforts to implement their EEO plan.

Loop Capital Markets

SUBCONSULTANT PARTICIPATION

There is no subcontractor participation associated with this action.

EQUAL EMPLOYMENT OPPORTUNITY COMPLIANCE

Equal Opportunity: Required

Loop Capital Markets submitted a Work Force Report for their Chicago (Cook) County employees dated March 5, 2015, indicating 92 employees in their Administrative Work Force.

The Work Force Report Analysis indicates under representations in the following categories:

Latino in Mgmt & Financial, Professional, and Administrative Support
Filipinos in Mgmt & Financial and Professional
Female in Mgmt & Financial and Professional

These agreements are subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 181 3, Sections 22.2701 through 22.2708) and Non Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

ADDITIONAL COMMENTS

The principal amount of the Lease Revenue Bonds, Series 2015 A&B is not to exceed $130 million aggregate amount, of which $120 million net bond proceeds shall finance General Fund Capital Improvement Projects.

Series 2015 A&B Bonds debt service is projected at $7 million annually in Fiscal Years 2016-2045. These are estimates and are subject to change.

CCA for KM

PRELIMINARY OFFICIAL STATEMENT

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS, SERIES 2015A AND 2015B
(CAPITAL IMPROVEMENT PROJECTS)

Log of Outstanding Items

Page		*Responsible Party*	*Expected Availability*
	Outstanding Items		
Cover	Date of Official Statement	Bond Counsel	Upon Sale of Bonds
Cover	Ratings	City	Upon Posting of POS
Cover	Principal Amount of Bonds	Bond Counsel	Upon Sale of Bonds
Cover	Bond Delivery Date to DTC	Underwriters	Upon Sale of Bonds
Cover	Date of Preliminary Official Statement	Bond Counsel	Upon Sale of Bonds
Inside Cover	Maturity Schedule	Underwriters	Upon Sale of Bonds
1	Principal Amount of Bonds	Underwriters	Upon Sale of Bonds
6	Date of EMMA Posting	City	Upon Posting of CAFR
6-9	Redemption Provisions	Underwriters	Upon Sale of Bonds
12	Estimated Sources and Uses of Funds	Underwriters	Upon Sale of Bonds
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44	Original Issue Premium	Underwriters	Upon Sale of Bonds
44	Underwriters' Discount	Underwriters	Upon Sale of Bonds
45	Signature Page	Authority/City	Preclosing
B-3	Update Table B-2	Bond Counsel/City	Upon Posting of POS
B-4	Update Table B-3	Bond Counsel/City	Upon Posting of POS
B-5	Update Table B-4	Bond Counsel/City	Upon Posting of POS
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D-1-1	Form of 2015A Opinion	Bond Counsel	Upon Closing Date
D-2-1	Form of 2015B Opinion	Bond Counsel	Upon Closing Date
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F-1	Date of Official Statement	Bond Counsel	Upon Sale of Bonds
F-7	Signature Page	City	Preclosing
F-8	Date of Issuance	Bond Counsel	Upon Sale of Bonds
F-8	Filing Date of Annual Report	City/Dissemination Agent	Upon Failure to File

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

PRELIMINARY OFFICIAL STATEMENT DATED _____ __, 2015

NEW ISSUE FULL BOOK-ENTRY-ONLY

__" "
__" "
[Include Outlook]
"

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2015 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the 2015 Bonds is exempt from State of California personal income tax. See "LEGAL MATTERS — Tax Matters" herein.

$[AMOUNT]
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS
SERIES 2015A
(CAPITAL IMPROVEMENT PROJECTS)

$[AMOUNT]
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS
SERIES 2015B
(CAPITAL IMPROVEMENT PROJECTS)

Dated: Date of Delivery Due: October 15, as shown on the inside cover

This cover contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices, to obtain information essential to making an informed investment decision.

The Public Facilities Financing Authority of the City of San Diego (the "Authority") is issuing $[AMOUNT] aggregate principal amount of its Lease Revenue Bonds, Series 2015A (Capital Improvement Projects) (the "Series 2015A Bonds") and $[AMOUNT] aggregate principal amount of its Lease Revenue Bonds, Series 2015B (Capital Improvement Projects) (the "Series 201 B Bonds" and, together with the Series 201 A Bonds, the "201 Bonds") pursuant to the Indenture, dated as of July 1, 2012, as amended and supplemented by the First Supplemental Indenture, dated as of July 1, 2013 (together, the "Master Indenture"), as amended and supplemented by the Second Supplemental Indenture, dated as of April 1, 2015 (the "Second Supplemental Indenture"), and the Third Supplemental Indenture, dated as of April 1, 201 (the "Third Supplemental Indentureand, together with the Second Supplemental Indenture and the Master Indenture, the "Indenture"), each by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee").

The 2015 Bonds are being issued to (i) finance the costs of the acquisition, design, construction, installation, improvement, replacement and equipping of certain capital improvement projects of the City of San Diego (the "City"); and (ii) pay costs of issuance incurred in connection with the issuance of the 2015 Bonds. See "PLAN OF FINANCE."

The 2015 Bonds are being issued as fully registered bonds, without coupons, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the 2015 Bonds will be made in book-entry form only, in the principal amount of $5,000 or any multiple thereof. Interest on the 2015 Bonds will be payable on April 15 and October 15 of each year, commencing October 15, 2015. See "THE 201 BONDS."

The 2015 Bonds are payable from revenues derived from Base Rental Payments paid by the City for the use and occupancy of the Leased Property (each as defined in the Lease (defined below)) as long as the City has such use and occupancy of the Leased Property, and amounts on deposit in the Revenue Fund and the Redemption Fund established under the Indenture, all as set forth in the Indenture. The Base Rental Payments are subject to abatement under certain circumstances. There is no debt service reserve fund for the 2015 Bonds. The Authority has leased the Leased Property to the City pursuant to the Facilities Lease, dated as of July 1, 2012, as amended and supplemented by the First Amendment to Facilities Lease, dated as of July 1, 2013 (together, the "Master Facilities Lease"), as amended and supplemented by the Second Amendment to Facilities Lease, dated as of April 1, 2015 (the "Second Amendment to Facilities Lease"), and the Third Amendment to Facilities Lease, dated as of April 1, 201 (the "Third Amendment to Facilities Lease" and, together with the Master Facilities Lease and the Second Amendment to Facilities Lease, the "Lease"). The 2015 Bonds are also payable from certain insurance or condemnation awards, if any, payable under the Lease to the Trustee. The 2015 Bonds are payable on a parity with four series of bonds currently outstanding under the Master Indenture and any additional bonds issued under the Indenture in the future. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS" and "CERTAIN RIS FACTORS."

The 2015 Bonds are subject to optional, mandatory sinking fund, and special mandatory redemption, as more fully set forth herein. See "THE 2015 BONDS – Redemption Provisions."

THE 2015 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY SECURED SOLELY BY THE REVENUES AND OTHER AMOUNTS PLEDGED UNDER THE INDENTURE, AND DO NOT CONSTITUTE A DEBT LIABILITY OR OBLIGATION OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE FAITH AND CREDIT OF THE CITY NOR THE STATE ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2015 BONDS. THE AUTHORITY HAS NO TAXING POWER. THE 2015 BONDS DO NOT CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION WITH RESPECT TO THE CITY OR ANY OTHER POLITICAL SUBDIVISION OR GOVERNMENTAL ENTITY.

THE PURCHASE AND OWNERSHIP OF THE 2015 BONDS INVOLVE SIGNIFICANT INVESTMENT RISK AND THE 2015 BONDS ARE NOT A SUITABLE INVESTMENT FOR ALL INVESTORS. IN PARTICULAR, LITIGATION IS NOW PENDING CHALLENGING THE VALIDITY OF THE 2015 BONDS AND RELATED DOCUMENTS. SEE "CERTAIN RIS FACTORS LITIGATION" AND "PENDING LITIGATION CHALLENGING THE 2015 BONDS" FOR A DESCRIPTION OF THE LITIGATION AND CERTAIN ADDITIONAL INFORMATION.

The 2015 Bonds are offered when, as and if issued and received by the Underwriters, subject to the opinion on certain legal matters relating to their issuance by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Bond Counsel and Disclosure Counsel to the City and the Authority. Certain additional legal matters will be passed upon for the City and the Authority by the City Attorney, and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP. It is anticipated that the 2015 Bonds will be available for delivery through the facilities of DTC in book-entry form on or about _____, 2015.

Citigroup

Wells Fargo Securities **Loop Capital Markets** **J.P. Morgan**

Dated: _____, 2015

MATURITY SCHEDULE

$[AMOUNT]
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS

SERIES 2015A
(CAPITAL IMPROVEMENT PROJECTS)
(BASE CUSIP NUMBER: 797299)[1]

Maturity Date (October 15)	*Principal Amount*	*Interest Rate*	*Yield[2]*	*Price[2]*	*CUSIP[1]*

$_____ ____% Term Bond due October 15, 20__, Yield: ____%; Price: _____; CUSIP[1] 797299__
$_____ ____% Term Bond due October 15, 20__, Yield: ____%; Price: _____; CUSIP[1] 797299__
$_____ ____% Term Bond due October 15, 20__, Yield: ____%; Price: _____; CUSIP[1] 797299__

SERIES 2015B
(CAPITAL IMPROVEMENT PROJECTS)
(BASE CUSIP NUMBER: 797299)

Maturity Date (October 15)	*Principal Amount*	*Interest Rate*	*Yield[2]*	*Price[2]*	*CUSIP[1]*

$_____ ____% Term Bond due October 15, 20__, Yield: ____%; Price: _____; CUSIP[1] 797299__
$_____ ____% Term Bond due October 15, 20__, Yield: ____%; Price: _____; CUSIP[1] 797299__
$_____ ____% Term Bond due October 15, 20__, Yield: ____%; Price: _____; CUSIP[1] 797299__

[1] CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2015 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way as a substitute for CGS. CUSIP® numbers are provided for convenience of reference only. None of the City, the Authority, Bond Counsel, Disclosure Counsel, the Underwriters, Underwriters' Counsel or the Municipal Advisor assume any responsibility for the accuracy of such numbers.
[2] Reoffering yields/prices are furnished by the Underwriters. Neither the Authority nor the City takes any responsibility for the accuracy thereof.

CITY OF SAN DIEGO

MAYOR
Kevin L. Faulconer

CITY COUNCIL

(which also serves as the Board of Commissioners of the
Public Facilities Financing Authority of the City of San Diego)

Sherri S. Lightner, City Council President *(District 1)*
Lorie Zapf *(District 2)*
Todd Gloria *(District 3)*
Myrtle Cole *(District 4)*
Mark Kersey *(District 5)*
Chris Cate *(District 6)*
Scott Sherman *(District 7)*
David Alvarez *(District 8)*
Marti Emerald City Council
President Pro Tem *(District 9)*

CITY ATTORNEY

Jan I. Goldsmith

CITY OFFICIALS

Scott Chadwick, *Chief Operating Officer*
Mary Lewis, *Chief Financial Officer*
Gail R. Granewich, *City Treasurer*
Eduardo Luna, *City Auditor*
Rolando Charvel, *City Comptroller*
Andrea Tevlin, *Independent Budget Analyst*
Elizabeth Maland, *City Clerk*

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth, a Professional Corporation

MUNICIPAL ADVISOR

Public Financial Management, Inc.

TRUSTEE

Wells Fargo Bank, National Association

No dealer, broker, salesperson or other person has been authorized by the Authority or the City to give any information or to make any representations other than those contained herein, and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2015 Bonds by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2015 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information in APPENDIX E "DTC AND THE BOO -ENTRY-ONLY SYSTEM" attached hereto has been furnished by The Depository Trust Company and no representation has been made by the Authority, the City or the Underwriters as to the accuracy or completeness of such information.

The information set forth herein other than that provided by the City or the Authority, although obtained from sources which are believed by the City to be reliable, is not guaranteed by the City or the Authority as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date thereof. This Official Statement is submitted with respect to the sale of the 2015 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such documents and laws.

In connection with this offering, the Underwriters may overallot or effect transactions which stabilize or maintain the market prices of the 2015 Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2015 Bonds to certain dealers, institutional investors and others at prices lower or yields higher than the public offering prices or yields stated on the inside front cover hereof, and said public offering prices may be changed from time to time by the Underwriters.

A wide variety of other information, including financial information, concerning the City, is available from publications and websites of the City and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted.

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OFFICIAL STATEMENT

$[AMOUNT]
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS
SERIES 2015A
(CAPITAL IMPROVEMENT PROJECTS)

$[AMOUNT]
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS
SERIES 2015B
(CAPITAL IMPROVEMENT PROJECTS)

INTRODUCTION

This Introduction contains only a brief summary of certain terms of the 2015 Bonds being offered hereby and other material information. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement, including the Appendices. References to, and summaries of, provisions of the City Charter, the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions thereof. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

General

This Official Statement, which includes the cover page, inside cover page, and appendices hereto (the "Official Statement"), is provided for the purpose of setting forth information concerning the issuance and sale by the Public Facilities Financing Authority of the City of San Diego (the "Authority") of $[AMOUNT] aggregate principal amount of its Lease Revenue Bonds, Series 2015A (Capital Improvement Projects) (the "Series 2015A Bonds") and its Lease Revenue Bonds, Series 2015B (Capital Improvement Projects) (the "Series 201 B Bonds" and, together with the Series 2015A Bonds, the 2015 Bonds"). Capitalized terms not otherwise defined herein have the meanings given in the Indenture and the Lease (hereinafter defined) or in APPENDIX C "SUMMARY OF LEGAL DOCUMENTS."

Litigation

LITIGATION IS NOW PENDING CHALLENGING THE VALIDITY OF THE 2015 BONDS AND RELATED DOCUMENTS. THE CITY, THE CITY AS SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO, THE AUTHORITY AND THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO (COLLECTI ELY, THE "SAN DIEGO ENTITIES") ARE DEFENDANTS IN A LAWSUIT CHALLENGING THE ALIDITY OF AUTHORITY'S APPRO AL OF THE SERIES 201 A BONDS AND RELATED DOCUMENTS AND THE CITY'S APPROVAL OF THE 2015 BONDS AND RELATED DOCUMENTS AND IN A SEPARATE LAWSUIT CHALLENGING THE AUTHORITY'S APPRO AL OF THE SERIES 201 B BONDS AND RELATED DOCUMENTS. THE PENDENCY OF THE LITIGATION PRESENTS SIGNIFICANT RISKS TO BONDHOLDERS IN WHICH AN AD ERSE FINAL RULING COULD RESULT IN A LOSS OF A BONDHOLDER'S ENTIRE INVESTMENT IN THE 2015 BONDS AND IN A LOSS OF TAX EXEMPTION FOR ALL INTEREST PAID ON THE 201 BONDS. SEE "CERTAIN RIS FACTORS – LITIGATION" AND "PENDING LITIGATION CHALLENGING THE 201 BONDS."

The two lawsuits were filed by the same plaintiff and raise substantially the same legal challenges to the validity of the Series 2015A Bonds and the Series 2015B Bonds. Separate actions were filed because the Series 2015A Bonds and the Series 2015B Bonds were approved by separate resolutions of the Authority adopted at different times. The first lawsuit seeks to invalidate the Series 2015A Bonds and the resolution adopted by the Authority authorizing the issuance of the Series 2015A Bonds and the ordinance and resolution adopted by the City authorizing various actions with respect to the issuance of the Series 2015A Bonds and the Series 2015B Bonds. The second action seeks to invalidate the Series 2015B Bonds and the resolution adopted by the Authority to approve those bonds. Given that the City adopted a single ordinance approving both the

Series 2015A Bonds and the Series 2015B Bonds and related documents, if a final ruling is entered in the first lawsuit invalidating the City's ordinance, then both the Series 2015A Bonds and the Series 2015B Bonds would be adversely affected.

Series 2015A Bonds Litigation. The litigation filed with respect to the Series 2015A Bonds (the "Series 201 A Bonds Litigation") alleges that theresolution adopted by the Authority with respect to the Series 2015A Bonds and the ordinance and resolution adopted by City with respect to the Series 2015A Bonds and the Series 2015B Bonds (the "Initial Bond Approvals") are invalid and violate applicable laws and seeks to enjoin the San Diego Entities from taking any actions contemplated by the Initial Bond Approvals. The San Diego Entities denied the allegations in the complaint and sought a judgment validating the Initial Bond Approvals and the issuance of the Series 2015A Bonds by the Authority. On November 3, 2014, following a court trial by the Judge, without a jury, the San Diego County Superior Court ruled in favor of the San Diego Entities in an oral ruling from the bench and on November 20, 2014 entered judgment in favor of the San Diego Entities on all claims, causes of action and requests for relief requested by plaintiff . A copy of the complaint filed by the plaintiff in the Series 2015A Bonds Litigation is attached hereto as Appendix G and copies of the judgment and official transcript of the Superior Court's ruling are attached hereto as Appendix H. The plaintiff filed an appeal of the judgment with the California Court of Appeal on December 12, 2014 which is currently pending and will be heard by the Court of Appeal after the issuance of the Series 2015A Bonds. See "PENDING LITIGATION CHALLENGING THE 201 BONDS–Series 2015A Bonds Litigation" for further information.

Upon issuance of the Series 2015A Bonds, Bond Counsel proposes to render its final approving opinion with respect to the validity of the Series 2015A Bonds, the Indenture and the Lease substantially in the form attached hereto as Appendix D-1. Such opinion includes Bond Counsel's analysis of the allegations made by the plaintiff in the Series 201 A Bonds Litigation and Bond Counsel's opinion that, based on the analysis described in Bond Counsel's final approving opinion, such allegations are without merit in that Bond Counsel believes that, under the law as in effect on the date of delivery of the Series 2015A Bonds, the California Supreme Court, acting reasonably and properly briefed on the issues, would not conclude that the Initial Bond Approvals are invalid based on such allegations. An opinion of counsel represents that counsel's judgment as to the law applicable to the facts of the matter and is not a guarantee as to such judgment. See APPENDIX D-1 "FORM OF BOND COUNSEL OPINION FOR SERIES 201 A BONDS."

Notwithstanding the conclusions stated in Bond Counsel's final approving opinion for the Series 2015A Bonds, there could be a final judgment entered in the Series 2015A Bonds Litigation which invalidates Initial Bond Approvals and adversely impacts the Beneficial Owners of the Series 2015A Bonds. See "PENDING LITIGATION CHALLENGING THE 201 BONDS–Series 201 A Bonds Litigation" for a discussion of the potential adverse impacts on Beneficial Owners of the Series 2015A Bonds.

Series 2015B Bonds Litigation. The litigation filed with respect to the Series 2015B Bonds (the "Series 201 B Bonds Litigation") alleges that theresolution adopted by the Authority with respect to the Series 201 B Bonds (the "Series 201 B Bond Approval") is invalid and violates applicable laws and seeks to enjoin the San Diego Entities from taking any actions contemplated by the Series 2015B Bond Approval. The San Diego Entities denied the allegations in the complaint and filed a motion for summary judgment asking for judgment to be entered in favor of the San Diego Entities on all claims made by plaintiff. The motion for summary judgment was heard on January 9, 2015 by a Judge of the San Diego Superior Court different from the Judge who conducted the trial in the Series 2015A Bonds Litigation. On January 12, 2015, the San Diego County Superior Court entered an order of dismissal with prejudice in the case on the grounds that plaintiff failed to serve the Attorney General of the State of California and the Treasurer of the State of California with a copy of the complaint in the Series 2015B Bonds Litigation as required by Government Code Section 6599. Plaintiff filed a motion with the Superior Court for relief from its failure to properly serve the complaint which was denied on January 27, 2015. A dismissal with prejudice is a final disposition of the case by the Superior Court, and plaintiff is not permitted to amend and refile the complaint, but is permitted to appeal the ruling. Plaintiff did not timely file an appeal from the January 12, 2015 order of dismissal but on March 3, 2015 filed

an appeal of the January 27, 2015 order denying relief. The San Diego Entities believe that this appeal was not timely filed and intend to file a motion to dismiss the appeal. The final copy of the complaint filed by the plaintiff in the Series 2015B Bonds Litigation is attached hereto as Appendix I and copies of the order of dismissal and the January 27, 2015 order denying relief entered by the Superior Court are attached hereto as Appendi . Any appeal will be heard after the issuance of the Series 201 B Bonds. See "PENDING LITIGATION CHALLENGING THE 2015 BONDS –Series 201 B Bonds Litigation" for further information.

Upon issuance of the Series 2015B Bonds, Bond Counsel proposes to render its final approving opinion with respect to the validity of the Series 2015B Bonds, the Indenture and the Lease substantially in the form attached hereto as Appendix D-2. Such opinion includes Bond Counsel's analysis of the allegations made by the plaintiff in the Series 2015B Bonds Litigation and in the Series 2015A Bonds Litigation and Bond Counsel's opinion that, based on the analysis described in Bond Counsel's final approving opinion, such allegations are without merit in that Bond Counsel believes that, under the law as in effect on the date of delivery of the Series 2015B Bonds, the California Supreme Court, acting reasonably and properly briefed on the issues, would not conclude that the Series 2015B Bond Approval or the Initial Bond Approvals are invalid based on such allegations. An opinion of counsel represents that counsel's judgment as to the law applicable to the facts of the matter and is not a guarantee as to such judgment. See APPENDIX D-2 "FORM OF BOND COUNSEL OPINION FOR SERIES 201 B BONDS."

Notwithstanding the conclusions stated in Bond Counsel's final approving opinion for the Series 2015B Bonds, there could be a final judgment entered in the Series 2015B Bonds Litigation which invalidates the Series 2015B Bond Approval or a final judgment entered in the Series 2015A Bonds Litigation which invalidates the Initial Bond Approvals and adversely impacts the Beneficial Owners of the Series 2015B Bonds. See "PENDING LITIGATION CHALLENGING THE 201 BONDS –Series 2015A Bonds Litigation" and " Series 201 B Bonds Litigation" for a discussion of the potential adverse impacts on Beneficial Owners of the Series 2015B Bonds.

Authority; Purpose for Issuance

The 2015 Bonds are authorized under the provisions of Article 4 of the California Joint Exercise of Powers Act (commencing with Section 6500) constituting Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act") and the laws of the State of California. The Series 2015A Bonds are being issued pursuant to the Indenture, dated as of July 1, 2012 as amended and supplemented by the First Supplemental Indenture, dated as of July 1, 2013 (together, the "Master Indenture"), as amended and supplemented by the Second Supplemental Indenture, dated as of April 1, 2015 (the "Second Supplemental Indenture"). The Series 2015B Bonds are being issued pursuant to the Master Indenture, as amended and supplemented by the Second Supplemental Indenture and the Third Supplemental Indenture, dated as of April 1, 2015 (the "Third Supplemental Indenture" and, together with the Master Indenture and the Second Supplemental Indenture, the "Indenture"), each by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee").

The 2015 Bonds are being issued to (i) finance the costs of the acquisition, design, construction, installation, improvement, replacement and equipping of certain capital improvement projects of the City of San Diego (the "City"); and (ii) pay costs of issuance incurred in connection with the issuance of the 2015 Bonds. See "PLAN OF FINANCE."

Pursuant to the Master Indenture, the Authority previously issued $72,000,000 aggregate principal amount of its Lease Revenue Bonds, Series 2012A (Capital Improvement Projects) (the "Series 2012A Bonds"), to finance certain capital projects, 18, 4 ,000 aggregate principal amount of its Lease Revenue Refunding Bonds, Series 2012B (Fire and Life Safety Facilities Refunding) (the "Series 2012B Bonds"), $43,245,000 aggregate principal amount of its Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2013A (Capital Improvement Projects and Old Town Light Rail Extension Refunding) (the "Series 2013A Bonds") and $6,285,000 aggregate principal amount of its Lease Revenue Refunding Bonds,

Series 2013B (Balboa Park Mission Bay Park Refunding) (the "Series 2013B Bonds" and, together with the Series 2012A Bonds, the Series 2012B Bonds, the Series 2013A Bonds and the Series 2013B Bonds, the "Prior Bonds"). The Prior Bonds, the 2015 Bonds and any Additional Bonds (hereinafter defined) issued pursuant to a Supplemental Indenture are collectively referred to herein as the "Bonds." The Prior Bonds are, and any Additional Bonds will be, payable on a parity with the 2015 Bonds from Revenues pledged under the Indenture which consist primarily of Base Rental Payments made by the City under the Lease for the use and occupancy of the Leased Property (defined below). As of March 1, 2015, the Prior Bonds are outstanding in the principal amount of $132,645,000.

The Lease Payments and the Leased Property

The City, exercising its powers under the City Charter (the "Charter") to convey and lease property, has leased certain real property (including land, buildings and other improvements thereon) owned by the City in connection with the issuance of the Prior Bonds, and in connection with the issuance of the 2015 Bonds, will lease additional real property (including land, buildings and other improvements thereon) owned by the City (collectively, the "City Property") to the Authority pursuant to the Site Lease, dated as of July 1, 2012, as amended and supplemented by the First Amendment to Site Lease, dated as of July 1, 2013 (together, the "Master Site Lease"), by the Second Amendment to Site Lease, dated as of April 1, 2015 (the "Second Amendment to Site Lease"), and by the Third Amendment to Site Lease, dated as of April 1, 201 (the "Third Amendment to Site Lease" and, together with the Master Site Lease and the Second Amendment to Site Lease, the "Site Lease"), each by and between the City and the Authority. The Authority has previously leased from the San Diego Metropolitan Transit System ("MTS") certain interests in real property of MTS (the "MTS Property") pursuant to and as described in the MTS Site Lease, dated as of July 1, 2013 (the "MTS Site Lease"), by and between MTS and the Authority. The City Property and the MTS Property (collectively, the "Leased Property") will be leased to the City pursuant to the Facilities Lease, dated as of July 1, 2012 as amended and supplemented by the First Amendment to Facilities Lease, dated as of July 1, 2013 (together, the "Master Facilities Lease"), by the Second Amendment to Facilities Lease, dated as of April 1, 2015 (the "Second Amendment to Facilities Lease"), and by the Third Amendment to Facilities Lease, dated as of April 1, 201 (the "Third Amendment to Facilities Lease" and, together with the Master Facilities Lease and the Second Amendment to Facilities Lease, the "Lease"), each by and between the Authority and the City. It is expected that the MTS Property will be released from the provisions of the Lease and MTS Facility Lease on October 15, 2022. Additionally, there may be substitutions, removal and additions to the Leased Property under the Lease, the Site Lease and the MTS Site Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS Substitution, Removal or Addition of Leased Property."

On or before each Lease Payment Date (occurring on April 10 and October 10 of each year) during the term of the Lease, the City is required to pay to the Trustee the Base Rental Payments due on such Lease Payment Date from the City's General Fund, or from other legally available sources. The Trustee, as assignee of the Authority, will receive the Base Rental Payments for the benefit of the Owners of the Bonds and credit such Base Rental Payments to the Revenue Fund established pursuant to the Indenture. Under the Lease, the City covenants to take such action as may be necessary to include all Base Rental Payments payable under the Lease in its operating budget for each fiscal year and make the necessary annual appropriations therefor. The Lease provides that such covenants of the City are deemed by the City to be and will be construed to be ministerial duties imposed by law. The Bonds, including the 2015 Bonds, are not secured by any security interest in or mortgage on the Leased Property or any other real property.

During any period in which material damage, destruction, title defect or condemnation of all or a portion of the Leased Property results in substantial interference with the use and occupancy of the Leased Property or any portion thereof, such that the annual fair rental value of the Leased Property available for use and occupancy by the City is less than the annual Lease Payments due under the Lease, all or a portion of such Base Rental Payments will be abated such that the remaining Base Rental Payments due under the Lease in any Lease Year do not exceed the annual fair rental value for the use of the portion of the Leased Property not affected.

In the event of any such interruption of use and occupancy, the Lease will continue in full force and effect and proceeds of use and occupancy insurance, if any, will be used to pay Base Rental Payments that would otherwise be abated. Abatement of Base Rental Payments under such circumstances is not an event of default under the Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Abatement of Lease Payments," "CERTAIN RIS FACTORS Abatement" and APPENDIX C "SUMMARY OF LEGAL DOCUMENTS– THE LEASE – Rental Payments – Rental Abatement."

Security for the Bonds; Limited Obligations of Authority

The Bonds, including the 2015 Bonds, are limited obligations of the Authority secured under the Indenture solely by a pledge of Revenues (defined below) and moneys held in the Redemption Fund under the Indenture and by an assignment and security interest in the Authority's rights (e cept for certain rights to indemnification) under the Site Lease and the Lease. The Revenues are pledged to the payment of all of the Bonds on a parity basis. The Revenues consist of (a) all Base Rental Payments, prepayments, insurance proceeds and condemnation proceeds with respect to the Leased Property, and (b) the Revenue Fund and all interest and other income deposited, pursuant to the Indenture, in the Revenue Fund.

There is no debt service reserve fund for the Bonds.

Additional Bonds

The Authority may at any time issue Additional Bonds pursuant to a Supplemental Indenture, payable from the Revenues as provided in the Indenture and secured by a pledge of and charge and lien upon the Revenues and other security pledged under the Indenture equal to the pledge, charge and lien securing the Bonds, subject to the conditions precedent set forth in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Additional Bonds."

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In addition to the Series 2015A Bonds Litigation and the Series 2015B Bonds Litigation discussed above, there are a number of risks associated with the purchase of the 2015 Bonds. See "CERTAIN RIS FACTORS" for a discussion of some of these risks.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "e pect," "estimate," "budget," "projected" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are believed by the City to be reasonable, there can be no assurance that such expectations will prove to be correct in whole or in part. Neither the Authority nor the City is obligated to issue any updates or revisions to the forward-looking statements if or when expectations, events, conditions or circumstances on which such statements are based do or do not occur.

The presentation of information in APPENDIX A "CITY GO ERNMENT AND FINANCIAL INFORMATION," including tables of receipt of revenues, is intended to show recent historical information (except as otherwise indicated), and the City disclaims any representation that any of such information may indicate future or continuing trends in the financial condition, results of operations or any other affairs of the City. No representation is made that past experience, results of operations or financial condition, as it might be shown by such financial and other information, will continue or be repeated in the future. References in this

Official Statement to any particular fiscal year (*e.g.*, Fiscal Year 2014) shall mean the fiscal year ending on June 30 of the referenced year.

Other Information in This Official Statement

For important information regarding the City's budget and finances, see APPENDIX A "CITY GOVERNMENT AND FINANCIAL INFORMATION." In addition, certain demographic, financial and other information with respect to or affecting the City is contained elsewhere in APPENDIX A "CITY GOVERNMENT AND FINANCIAL INFORMATION," in APPENDIX B "DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY" and in the City's Comprehensive Annual Financial Report ("CAFR") for Fiscal Year 2014, which includes the City's audited basic financial statements as of and for the fiscal year ended June 30, 2014. The CAFR is available through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") at http://emma.msrb.org/_____.

Brief descriptions of the 2015 Bonds, the Indenture, the Lease, the Site Lease, the MTS Site Lease and other documents and information are included in this Official Statement, including the Appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to the documents summarized, copies of which may be obtained upon request to Wells Fargo Bank, National Association, 333 South Grand Ave, 5th Floor, Los Angeles, California, 90071; Corporate Trust Department, Phone: (213) 253-7517, Fax: (213) 253-7598.

THE 2015 BONDS

General Terms

The 2015 Bonds will be dated, and accrue interest from, the date of their delivery and will bear interest at the rates per annum and mature in the amounts and on the dates shown on the inside cover page of this Official Statement. The 2015 Bonds will be issued as fully registered bonds, without coupons, registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Individual purchases of the 2015 Bonds will be made in book-entry form only in the principal amount of $5,000 or any multiple thereof. Interest on the 2015 Bonds will be payable on April 15 and October 15 of each year, commencing October 15, 201 (each, an "Interest Payment Date".) The Trustee will make payments of the principal of and interest on the 2015 Bonds directly to DTC, or its nominee, Cede & Co., so long as DTC or Cede & Co., or other affiliate or nominee of DTC, is the registered owner of the 2015 Bonds. See APPENDIX E "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Redemption Provisions

Optional Redemption of Series 2015A Bonds. The Series 2015A Bonds maturing on or before October 15, 20__ are not subject to optional redemption prior to their respective stated maturities. The Series 2015A Bonds maturing on or after October 15, 20__, shall be subject to optional redemption, in whole or in part, on any date on or after October 15, 20__, from any available source of funds of the City, at a redemption price equal to the principal amount of the Series 2015A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. Any such redemption will be in such order of maturity as the City will designate in a written notice (and, if no specific order of redemption is designated by the City, *pro rata* among maturities).

Mandatory Sinking Fund Redemption of Series 2015A Bonds. The Series 2015A Bonds maturing on October 15, 20__ are also subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments derived from scheduled Base Rental Payments made by the City and deposited in the Series 2015A Bonds Sinking Account, on each sinking fund redemption date for such Series 2015A Bonds commencing October 15, 20__, at a redemption price equal to the principal amount thereof to be

redeemed plus interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

Sinking Fund Redemption Date	***Principal Amount to be Redeemed***
20__*	

* Maturity date.

The Series 2015A Bonds maturing on October 15, 20__ are subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments derived from scheduled Base Rental Payments made by the City and deposited in the Series 2015A Bonds Sinking Account, on each sinking fund redemption date for such Series 2015A Bonds commencing October 15, 20__, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

Sinking Fund Redemption Date	***Principal Amount to be Redeemed***
20__*	

* Maturity date.

The Series 2015A Bonds maturing on October 15, 20__ are also subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments derived from scheduled Base Rental Payments made by the City and deposited in the Series 2015A Bonds Sinking Account, on each sinking fund redemption date for such Series 2015A Bonds commencing October 15, 20__, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

Sinking Fund Redemption Date	***Principal Amount to be Redeemed***
20__*	

* Maturity date.

Provided, however, that if some but not all of the Series 2015A Bonds maturing on October 15, 20__, October 15, 20__ or October 15, 20__ (collectively, the "2015A Term Bonds") have been optionally redeemed as described above, the total amount of all future sinking account payments with respect to such redeemed 2015A Term Bonds will be reduced by the aggregate principal amount of such 2015A Term Bonds so redeemed, to be allocated among the sinking account payments for such 2015A Term Bonds as are thereafter payable as nearly as practicable on a *pro rata* basis in integral multiples of $5,000.

Special Mandatory Redemption of Series 2015A Bonds. The Series 2015A Bonds will be subject to redemption as a whole or in part on any date, to the extent the Trustee has received hazard or title insurance proceeds or condemnation proceeds not used to repair or replace any portion of the Leased Property damaged, destroyed or taken and elected by the City to be used for such purpose as provided in the Indenture, at a redemption price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium.

Optional Redemption of Series 2015B Bonds. The Series 2015B Bonds maturing on or before October 15, 20__ are not subject to optional redemption prior to their respective stated maturities. The Series 2015B Bonds maturing on or after October 15, 20__, shall be subject to optional redemption, in whole or in part, on any date on or after October 15, 20__, from any available source of funds of the City, at a redemption price equal to the principal amount of the Series 2015B Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. Any such redemption will be in such order of maturity as the City will designate in a written notice (and, if no specific order of redemption is designated by the City, pro rata among maturities).

Mandatory Sinking Fund Redemption of Series 2015B Bonds. The Series 2015B Bonds maturing on October 15, 20__ are also subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments derived from scheduled Base Rental Payments made by the City and deposited in the Series 2015B Bonds Sinking Account, on each sinking fund redemption date for such Series 2015B Bonds commencing October 15, 20__, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

Sinking Fund Redemption Date	***Principal Amount to Be Redeemed***
20__*	

* Maturity date.

The Series 2015B Bonds maturing on October 15, 20__ are subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments derived from scheduled Base Rental Payments made by the City and deposited in the Series 2015B Bonds Sinking Account, on each sinking fund redemption date for such Series 2015B Bonds commencing October 15, 20__, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

Sinking Fund Redemption Date	***Principal Amount to Be Redeemed***
20__*	

* Maturity date.

The Series 2015B Bonds maturing on October 15, 20__ are also subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments derived from scheduled Base Rental Payments made by the City and deposited in the Series 2015B Bonds Sinking Account, on each sinking

fund redemption date for such Series 2015B Bonds commencing October 15, 20__, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

Sinking Fund Redemption Date	***Principal Amount to Be Redeemed***
20__*	

* Maturity date.

Provided, however, that if some but not all of the Series 2015B Bonds maturing on October 15, 20__, October 1 , 20 or October 1 , 20 (collectively, the "2015B Term Bonds") have been optionally redeemed as described above, the total amount of all future sinking account payments with respect to such redeemed 2015B Term Bonds will be reduced by the aggregate principal amount of such 2015B Term Bonds so redeemed, to be allocated among the sinking account payments for such 2015B Term Bonds as are thereafter payable as nearly as practicable on a pro rata basis in integral multiples of $5,000.

Special Mandatory Redemption of Series 2015B Bonds. The Series 2015B Bonds will be subject to redemption as a whole or in part on any date, to the extent the Trustee has received hazard or title insurance proceeds or condemnation proceeds not used to repair or replace any portion of the Leased Property damaged, destroyed or taken and elected by the City to be used for such purpose as provided in the Indenture, at a redemption price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium.

Selection for Redemption. If less than all of the 2015 Bonds of a particular maturity and series are to be redeemed, the Trustee will select the 2015 Bonds to be redeemed from all 2015 Bonds of such maturity and series or such given portion thereof not previously called for redemption, by lot in any manner which the Trustee in its sole discretion will deem appropriate. For purposes of such selection, the Trustee will treat each 2015 Bond as consisting of separate $5,000 portions and each such portion will be subject to redemption as if such portion were a separate 2015 Bond. If less than all Outstanding Bonds are called for redemption from proceeds of eminent domain or insurance at any one time, the Authority will designate a principal amount in each maturity to be redeemed, which, to the extent practicable, results in approximately equal annual debt service on the Bonds Outstanding following such redemption.

Notice of Redemption. Notice of redemption will be mailed by the Trustee by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any 2015 Bonds designated for redemption at their addresses appearing on the Registration Books, and to the Securities Depositories by means acceptable to such institutions. Each notice of redemption will state the name of the 2015 Bonds (including series) to be redeemed, the date of the notice, the redemption date, the place or places of redemption, whether less than all of the 2015 Bonds (or all 2015 Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all 2015 Bonds within a maturity and series are called for redemption) bond numbers of the 2015 Bonds to be redeemed, the maturity or maturities of the 2015 Bonds to be redeemed and in the case of 2015 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the redemption date there will become due and payable on each of said 2015 Bonds the redemption price thereof, and that from and after such redemption date interest thereon will cease to accrue, and will require that such 2015 Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date.

Notwithstanding the foregoing, in the case of any optional redemption of the 2015 Bonds, the notice of redemption will state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the 2015 Bonds on the anticipated redemption date, and that the optional redemption will not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the 2015 Bonds have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled optional redemption date to so redeem the 2015 Bonds, such event will not constitute an Event of Default, the Trustee will send written notice to the Owners and to the Securities Depositories to the effect that the redemption did not occur as anticipated, and the 2015 Bonds for which notice of optional redemption was given will remain Outstanding.

The City will have the right to rescind any optional or special mandatory redemption by written notice to the Trustee on or prior to the date fixed for redemption. The Trustee will mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

Purchase in Lieu of Optional Redemption. Purchase in lieu of redemption will be available to all 2015 Bonds called for optional redemption or for such lesser portion of such 2015 Bonds as constitute authorized denominations. The City may direct the Trustee (or another agent appointed by the City to make such purchase on behalf of the City) to purchase all or such lesser portion of the 2015 Bonds called for optional redemption. Any such direction to the Trustee must: (i) be in writing; (ii) state either that all the 2015 Bonds called for redemption therein identified are to be purchased or, if less than all of the 2015 Bonds called for redemption are to be purchased, identify those 2015 Bonds to be purchased by maturity date and outstanding principal amount in authorized denominations; and (iii) be received by the Trustee no later than 12:00 noon one Business Day prior to the scheduled redemption date thereof.

If so directed, the Trustee will purchase such 2015 Bonds on the date which otherwise would be the redemption date of such 2015 Bonds. Any of the 2015 Bonds called for redemption that are not purchased in lieu of redemption will be redeemed as otherwise required by the Indenture on such redemption date.

On or prior to the scheduled redemption date, any direction given to the Trustee as described above may be withdrawn by the City by delivering a written certificate to the Trustee. Subject generally to the terms of the Indenture, should a direction to purchase be withdrawn, the scheduled redemption of such 2015 Bonds will occur.

If the purchase is directed by the City, the purchase will be made for the account of the City or its designee. The purchase price of the 2015 Bonds purchased in lieu of redemption will be equal to the outstanding principal of, accrued and unpaid interest on and the redemption premium, if any, which would have been payable on such 2015 Bonds on the scheduled redemption date for such redemption. To pay the purchase price of such 2015 Bonds, the Trustee will use money deposited by the City with the Trustee for such purpose. The Trustee will not purchase the 2015 Bonds in lieu of optional redemption if, by no later than the redemption date, sufficient moneys have not been deposited with the Trustee or such moneys are deposited, but are not available.

No notice of the purchase in lieu of optional redemption is required to be given to the Owners (other than the notice of redemption otherwise described above under the subcaption "– *Notice of Redemption*").

Purchase in Lieu of Redemption of Term Bonds. The City will have the option, in lieu of sinking fund redemption of any Term Bonds of a series, to direct the Trustee to use and withdraw amounts on deposit as sinking account payments for such Term Bonds, at any time for the purchase by the City (or the Trustee on behalf of the City) of Term Bonds of such series otherwise required to be redeemed on the following sinking fund redemption date, at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the City may in its discretion determine. The par amount of any Term Bonds so purchased by the City and surrendered to the Trustee for cancellation in any twelve-month period ending on the sinking fund redemption date will be credited towards and will reduce the par amount of

such Term Bonds otherwise required to be redeemed on such sinking fund redemption date pursuant to mandatory sinking account payment (and corresponding mandatory redemption obligation), as set forth in the Indenture.

The City will also have the option to deliver for cancellation to the Trustee Term Bond of a series in any aggregate principal amount, and to receive a credit therefor against the mandatory sinking account payment (and corresponding mandatory redemption obligation) for such series. This option will be exercised by the City on or before the 35th day preceding the applicable mandatory sinking fund redemption date, by furnishing to the Trustee a written certificate setting forth the extent of the credit to be applied with respect to the mandatory sinking account payment for the specified Term Bonds. If the written certificate is not furnished timely to the Trustee, no credit will be made against that mandatory sinking account payment (and corresponding mandatory redemption obligation), although credits may be available against subsequent mandatory sinking account payments.

To the extent not applied theretofore as a credit against any mandatory sinking account payment (and corresponding mandatory redemption obligation) described in the preceding paragraph, such a credit will also be received by the City for any 2015A Term Bonds or 2015B Term Bonds, as applicable, which prior thereto have been purchased or redeemed other than through the operation of the mandatory sinking account payment or have been purchased for cancellation and cancelled by the Trustee.

Each Term Bond so delivered, redeemed previously, or purchased and cancelled, will be credited by the Trustee at 100% of the principal amount thereof against the mandatory sinking account payment, subject to the completion of the procedures described above. Any excess of that amount over the then current mandatory sinking account payment will be credited against subsequent mandatory sinking account payments starting with the next subsequent such payment, unless otherwise directed by the City in a written certificate.

DTC and the Book-Entry Only System

DTC will act as securities depository for the 2015 Bonds. The 2015 Bonds will be registered in the name of Cede & Co. (DTC's partnership nominee), and will be available to ultimate purchasers (the "Beneficial Owners") only under the book-entry system maintained by DTC in the denomination of $5,000 or any integral multiple thereof. Beneficial Owners of 2015 Bonds will not receive physical certificates representing their interest in the 2015 Bonds. So long as the 2015 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners of the 2015 Bonds will mean Cede & Co., and will not mean the Beneficial Owners of the 2015 Bonds. Payments by the Trustee of the principal of and interest on the 2015 Bonds and any notice with respect to any 2015 Bond will be sent directly to DTC, or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the 2015 Bonds. Disbursements of such payments and delivery of such notices to DTC's Participants are the responsibility of DTC and disbursements of such payments and delivery of such notices to the Beneficial Owners are the responsibility of DTC's Participants and Indirect Participants. See APPENDIX E "DTC AND THE BOO -ENTRY ONLY SYSTEM."

PLAN OF FINANCE

The City expects to apply the proceeds of the 2015 Bonds to finance the acquisition, design, construction, installation and equipping of various capital improvement projects of the City. These projects include City facility upgrades, repairs or replacement of storm drains, streets and sidewalks improvements, street lighting upgrades and Americans with Disabilities Act (ADA) access upgrades. An estimated $49 million is anticipated to be used for City streets improvements throughout the City which is part of a comprehensive multi-year street pavement repair program. The City currently anticipates utilizing approximately 27% of the proceeds of the 2015 Bonds by early 2016, 64% by early 2017 and the remainder by early 2018.

ESTIMATED SOURCES AND USES OF FUNDS

The sources of funds to be received from the sale of the 2015 Bonds and the proposed uses of the 2015 Bond proceeds are estimated to be in the amounts shown below.

	SERIES 2015A	*SERIES 2015B*	*TOTAL*
SOURCES OF FUNDS			
Principal Amount			
[Plus Net Original Issue Premium/Less Net Original Issue Discount]			
Total Sources			
USES OF FUNDS			
Deposit to Series 2015A Construction Fund			
Deposit to Series 2015B Construction Fund			
Costs of Issuance[1]			
Total Uses			

[1] Includes fees and costs associated with the issuance of the 2015 Bonds, including, but not limited to, trustee fees, Underwriters' Discount, Municipal Advisor fees and expenses, bond counsel fees and expenses, disclosure counsel fees and expenses, rating agency fees, title insurance costs, and appraisal fees.

DEBT SERVICE SCHEDULE

The following table summarizes the debt service requirements of the Authority's outstanding Prior Bonds and the 2015 Bonds payable from Revenues pledged under the Indenture

.

Date	Debt Service on Outstanding Prior Bonds[2]	Series 2015A		Total Series 2015A Debt Service	Series 2015B		Total Series 2015B Debt Service	Aggregate Parity Debt Service[1]
		Principal	Interest		Principal	Interest		
04/15/2015	$ 4,061,462.51							
10/15/2015	5,892,587.51							
04/15/2016	4,040,412.51							
10/15/2016	5,925,637.51							
04/15/2017	4,002,337.51							
10/15/2017	5,971,712.51							
04/15/2018	3,952,962.51							
10/15/2018	6,032,637.51							
04/15/2019	3,903,362.51							
10/15/2019	6,091,862.51							
04/15/2020	3,843,837.51							
10/15/2020	6,146,287.51							
04/15/2021	3,791,662.51							
10/15/2021	6,205,662.51							
04/15/2022	3,730,787.51							
10/15/2022	6,267,837.51							
04/15/2023	3,668,562.51							
10/15/2023	5,251,912.51							
04/15/2024	3,629,987.51							
10/15/2024	4,541,812.51							
04/15/2025	3,605,112.53							
10/15/2025	4,560,412.51							
04/15/2026	3,584,806.26							
10/15/2026	4,577,037.51							
04/15/2027	3,568,512.51							
10/15/2027	4,613,800.01							
04/15/2028	3,537,056.26							
10/15/2028	4,630,500.01							
04/15/2029	3,514,331.26							
10/15/2029	4,665,325.01							
04/15/2030	3,493,059.38							
10/15/2030	4,693,315.63							
04/15/2031	3,462,146.88							
10/15/2031	4,724,853.13							
04/15/2032	3,433,046.88							
10/15/2032	4,038,490.63							
04/15/2033	2,703,253.13							
10/15/2033	4,071,503.13							
04/15/2034	2,672,187.50							
10/15/2034	4,108,562.50							
04/15/2035	2,639,856.25							
10/15/2035	4,139,231.25							
04/15/2036	2,601,981.25							
10/15/2036	4,179,356.25							
04/15/2037	2,568,200.00							

10/15/2037	4,218,325.00
04/15/2038	2,527,737.50
10/15/2038	4,260,437.50
04/15/2039	2,485,356.25
10/15/2039	4,306,143.75
04/15/2040	2,441,981.25
10/15/2040	4,350,743.75
04/15/2041	2,397,381.25
10/15/2041	4,399,006.25
04/15/2042	2,346,212.50
10/15/2042	2,150,700.00
TOTAL	**$227,223,287.86**

(1) Represents total debt service on the Prior Bonds and the 2015 Bonds, but does not include any payments on any other outstanding bonds or outstanding lease obligations of the City or the Authority, which, like the Bonds, are payable from lease payments by the City made from its General Fund. See APPENDIX A "CITY GOVERNMENT AND FINANCIAL INFORMATION– BONDED AND OTHER INDEBTEDNESS – Long-Term Obligations" and "– Other Obligations" for a description of City's other outstanding lease obligations.

(2) As of [_____ 1, 2015].

SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS

General

The 2015 Bonds are special, limited obligations of the Authority and do not constitute a debt, liability or obligation of the City or of the State or any of its political subdivisions and neither the faith and credit of the City nor the State are pledged to the payment of the principal of or interest on the 2015 Bonds. The Authority has no taxing power.

The 2015 Bonds will be secured solely by a pledge of Revenues and certain moneys, funds and accounts pledged to the payment of all Bonds outstanding under the Indenture and by an assignment and security interest in the Authority's rights (e cept for certain rights to indemnification) under the Site Lease and the Lease. The 2015 Bonds will be secured under the Indenture on a parity with the outstanding Prior Bonds and any Additional Bonds issued in the future. The Revenues consist of (a) all Base Rental Payments (described below), prepayments, insurance proceeds, and condemnation proceeds with respect to the Leased Property and (b) the Revenue Fund and all interest and other income deposited in the Revenue Fund.

The Base Rental Payments will be paid by the City, from the City's General Fund or from other legally available sources, to the Trustee in an amount sufficient to pay the principal of and interest on the Bonds, including the 2015 Bonds, on each Interest Payment Date and redemption date. The Authority may, from time to time, enter into supplemental indentures without the consent of the owners of the Outstanding Bonds for the purpose of issuing Additional Bonds, payable from Revenues as provided in the Indenture and secured by a pledge of such Revenues and other security pledged thereunder on a parity with the pledge securing the Outstanding Bonds, subject to certain specific conditions set forth in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds."

LITIGATION HAS BEEN INSTITUTED CHALLENGING THE VALIDITY OF THE 2015 BONDS AND RELATED DOCUMENTS, WHICH COULD HAVE AN ADVERSE AFFECT ON THE VALIDITY, TAX-EXEMPTION, SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS. See "CERTAIN RISK FACTORS – Litigation" and "PENDING LITIGATION CHALLENGING THE 2015 BONDS."

Base Rental Payments; Additional Payments

On or before each Lease Payment Date (occurring on April 10 and October 10 of each year) during the term of the Lease, the City is required to pay to the Trustee the Base Rental Payments due on such date from the City's General Fund, or from other legally available sources, subject to abatement as discussed under "Abatement of Lease Payments" below. The Trustee, as assignee of the Authority, will receive the Base Rental Payments for the benefit of the Owners of the Bonds and credit such Base Rental Payments to the Revenue Fund established pursuant to the Indenture. The Trustee will apply the Revenues held in the Revenue Fund on each Interest Payment Date to pay principal and interest due on such date on the Bonds.

Under the Lease, in addition to the Base Rental Payments payable thereunder, the City has agreed to pay Additional Payments consisting of such amounts, if any, in each year as will be required for the payment of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Site Lease or the Lease, including but not limited to all fees, costs and expenses and all administrative costs of the Authority relating to the Leased Property and indemnification of the Trustee. The Base Rental Payments and Additional Payments, collectively, constitute the "Lease Payments."

Under the Lease, such payments of Base Rental Payments and Additional Payments for each Lease Year or portion thereof during the term of the Lease will constitute the total rental for such Lease Year or portion thereof and will be paid or payable by the City from funds of the City lawfully available therefor for

and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of, the Leased Property by the City for and during such Lease Year.

Covenant to Budget

The City has covenanted in the Lease to take such action as may be necessary to include all Lease Payments payable by the City thereunder in its operating budget for each Fiscal Year and to make the necessary annual appropriations for all such Lease Payments. The Lease provides that such covenants on the part of the City are deemed to be and will be construed to be ministerial duties imposed by law, and it will be the duty of the applicable officials of the City to take such action and do such things as are required by law in the performance of the official duty of such official to enable the City to carry out and perform the covenants and agreements in the Lease.

The Charter requires the City Council to approve the annual budget no later than June 15 of each fiscal year. The annual budget is enacted by the City Council with the adoption of the annual Appropriation Ordinance in uly. The Charter provides for continuing appropriation of the prior year's appropriations until a new Appropriation Ordinance is adopted. This would allow the Chief Financial Officer to continue to make Base Rental Payments once such payments have been budgeted and appropriated in the event that the City Council fails to timely adopt the Appropriation Ordinance. For a discussion of financial and budgetary information relating to the City's General Fund, see APPENDI A "CITY GO ERNMENT AND FINANCIAL INFORMATION."

Limited Obligation of City

The obligation of the City to make Base Rental Payments under the Lease does not constitute an obligation to levy or pledge, or for which the City has levied or pledged, any form of taxation. The obligation of the City to make Base Rental Payments and Additional Payments does not constitute indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. See "CERTAIN RIS FACTORS– Limited Obligations of the City.

Abatement of Lease Payments

Except to the extent of (i) amounts held by the Trustee under the Indenture in the Interest Account and Principal Account of the Revenue Fund, (ii) amounts received in respect of use and occupancy insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect or condemnation, there is substantial interference with the use and occupancy by the City of any portion of the Leased Property, rental payments due under the Lease with respect to the Leased Property will be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Lease Payments, in which case rental payments will be abated only by an amount equal to the difference between the annual Lease Payments and the annual fair rental value.

In the case of abatement relating to the Leased Property, the amount of annual rental abatement will be such that the resulting Base Rental Payments in any Lease Year during which such interference continues, excluding any amounts described in clauses (i), (ii), (iii) above, do not exceed the annual fair rental value for each Lease Year of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of an Authorized Representative of the City. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the restoration of the Leased Property or portion thereof to tenantable condition or correction of title defect or substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned. See "CERTAIN RIS FACTORS– Abatement," and APPENDIX C "SUMMARY OF LEGAL DOCUMENTS– THE LEASE – Rental Payments – *Rental Abatement*."

In order to help mitigate the risk that an abatement event will cause a disruption in payment of Lease Payments, the Lease requires the City to maintain, or cause to be maintained, use and occupancy insurance against loss of use caused by hazards covered by property insurance (see " Fire and Extended Coverage Insurance" below) (e cluding the Ground Lease Sites)in an amount sufficient to pay the Base Rental Payments attributable to the Leased Property for a twenty-four month period; provided, that the amount of such insurance need not exceed the total remaining Base Rental Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Fire and E tended Coverage Insurance" and " Use and Occupancy Insurance" below.

During any period of abatement with respect to all or any part of the Leased Property, the Trustee is required to use the proceeds of the use and occupancy insurance to make payments of principal of and interest on the Outstanding Bonds. In the event that such funds are insufficient to make all payments with respect to the 2015 Bonds during the period that the Leased Property, or portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Trustee or the Owners under the Lease or Indenture for nonpayment under such circumstances. **Failure to pay principal, premium, if any, or interest on to the 2015 Bonds r Base Rental Payments under the Lease is not an event of default under the Indenture or the Lease**. In the event that Base Rental Payments are abated due to damage caused by earthquake or flood, such abatement may continue indefinitely, as no insurance for such damages is required under the Lease and the City cannot be compelled to repair or replace the damaged Leased Property or to redeem the Bonds. In lieu of abatement of Lease Payments, the City in its sole discretion may elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Leased Property, or portion thereof, pursuant to the substitution provisions of the Lease. See "– Substitution, Removal or Addition of Leased Property" below.

The City participates in the joint purchase of insurance through the CSAC-EIA Pool (as defined below), which includes flood insurance and use and occupancy insurance for all of the City Property (excluding the Ground Lease Sites) but does not include earthquake insurance or use and occupancy insurance in the event of an earthquake. MTS also participates in the joint purchase of insurance through the CSAC-EIA Pool, which includes flood insurance for the MTS Property and use and occupancy insurance, but does not include any earthquake coverage or use and occupancy insurance in the event of an earthquake. See "– CSAC-EIA Pool" below and APPENDI A— "CITY GO ERNMENT AND FINANCIAL INFORMATION – RISK MANAGEMENT – Property and Flood Insurance" and "– Earthquake Insurance." **None of the Leased Property is covered by earthquake insurance. The City is not required to obtain flood insurance for the Leased Property pursuant to the Lease, and MTS is not required to obtain flood insurance for the MTS Property pursuant to the MTS Site Lease. The City, in its discretion, may elect at any time to modify the designation of covered properties in the future, in which case it is possible that none of the Leased Property will be covered by flood insurance, and in which case in the event of loss of use from flood, no such insurance funds will be available to make Base Rental Payments.**

No Debt Service Reserve Fund

Neither the Authority nor the City will establish or maintain a debt service reserve fund for the 2015 Bonds and there is no debt service reserve fund for the Prior Bonds. Amounts held or to be held in a debt service reserve fund or account established for any other obligations payable from the City's General Fund may not be used or drawn upon to pay principal of or interest on the Prior Bonds or the 2015 Bonds.

Parity Bonds

As of March 1, 2015, the Authority had $132,645,000 aggregate principal amount of Prior Bonds outstanding under the Indenture which will be secured on a parity with the 2015 Bonds when issued. Currently, the Prior Bonds are the only Bonds outstanding under the Indenture. See "DEBT SER ICE SCHEDULE." See APPENDIX A "CITY GO ERNMENT AND FINANCIAL INFORMATION–

BONDED AND OTHER INDEBTEDNESS" for a discussion of the Authority's other outstanding bonds and the City's general fund obligations.

Additional Bonds

The Indenture provides that the Authority and the City may, at any time, determine to issue and deliver Additional Bonds without the consent of the Owners of Outstanding Bonds, payable from the Revenues as provided in the Indenture and secured by a pledge of and charge and lien upon the Revenues as provided in the Indenture equal to the pledge, charge and lien securing the Outstanding Bonds, subject to satisfying certain terms and conditions set forth in the Indenture. The conditions for the issuance of Additional Bonds include:

(1) No Event of Default will be continuing under the Indenture after giving effect to the issuance of the Additional Bonds and the application of the proceeds thereof.

(2) The Supplemental Indenture will require that the proceeds of such Additional Bonds will be applied to finance or refinance capital improvements, or for the refunding or repayment of any Outstanding Bonds or other obligations of the City issued to finance or refinance capital improvements, including payment of the interest to become due on said Additional Bonds during the estimated period of any construction and for a period of not to exceed 12 months thereafter.

(3) The Lease will be amended, if necessary, so that the Base Rental Payments payable by the City thereunder in each Fiscal Year will at least equal projected Debt Service, including Debt Service on the Additional Bonds, in each Fiscal Year.

(4) If the additional facilities, if any, to be leased are not situated on Leased Property described in the Lease and the Site Lease, then the Lease and Site Lease will be amended to add such additional Leased Property. See APPENDIX C "SUMMARY OF LEGAL DOCUMENTS – THE INDENTURE – Issuance of Bonds – *Conditions for the Issuance of Additional Bonds*."

Nothing in the Indenture prevents payment of Debt Service on any Series of Additional Bonds from being secured and payable from sources, or by property, instruments or documents, not applicable to the Bonds or any one or more Series of Additional Bonds. See "CERTAIN RISK FACTORS – No Limitation on Incurring Additional Obligations."

Repair and Maintenance; Taxes and Assessments; Insurance; Modification of the Leased Property

During the term of the Lease, the City with respect to the City Property, and MTS with respect to the MTS Property (pursuant to the MTS Site Lease) will, at its own cost and expense, maintain, preserve and keep its portion of the Leased Property in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. In addition, the City and MTS will provide, or cause to be provided, each at its own expense, all power, gas, telephone, light, heating and water, and other public utility services for their respective portions of the Leased Property. The Authority will have no responsibility in any of these matters or for the making of additions or improvements to the Leased Property.

The City and the Authority will not create, or suffer to be created, any mortgage, pledge, lien, charge or other encumbrance upon the Leased Property, except Permitted Encumbrances. The City and the Authority will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as provided in the Lease. During the term of the MTS Site Lease, MTS will not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the MTS Property, other than the Permitted Encumbrances.

Notwithstanding anything to the contrary contained in the Lease, but subject to the rights of the City described above, the City may assign, transfer or sublease any and all of the Leased Property or its other rights under the Lease, provided that: (i) the rights of any assignee, transferee or sublessee will be subordinate to all rights of the Authority and the Trustee under the Lease; (ii) no such assignment, transfer or sublease will relieve the City of any of its obligations under the Lease; (iii) the assignment, transfer or sublease will not result in a breach of any covenant of the City contained in the Lease; (iv) any such assignment, transfer or sublease will by its terms expressly provide that the fair rental value of the Leased Property for all purposes shall be first allocated to the Lease, as the same may be amended from time to time before or after any such assignment, transfer or sublease; and (v) no such assignment, transfer or sublease will confer upon the parties thereto (other than the City) any remedy which allows re-entry upon the Leased Property and such right of re-entry will be subordinated to the remedies available under the Lease.

In the event that the use, possession or acquisition by the City or the Authority of the Leased Property is found to be subject to taxation in any form, the City will pay or cause to be paid during the term of the Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the City in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Leased Property, as well as all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Property; provided, however, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the City will be obligated to pay only such installments as are accrued during such time as the Lease is in effect.

During the term of the MTS Site Lease, MTS will pay, as the same respectively come due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the MTS Property, as well as all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the MTS Property; provided that, with respect to any governmental charges that may lawfully be paid in installments over a period of years, MTS shall be obligated to pay only such installments as have accrued during the time the MTS Site Lease is in effect.

Fire and Extended Coverage Insurance

The City, with respect to the City Property pursuant to the Lease, and MTS, with respect to the MTS Property pursuant to the MTS Site Lease, are each required to procure and maintain, or cause to be procured and maintained, throughout the term of the Lease, insurance against loss or damage to their respective portions of the Leased Property (excluding the Ground Lease Sites (as defined below)) caused by fire and lightning, but exclusive of flood and earthquake, with an extended coverage endorsement covering the risk of vandalism and malicious mischief, sprinkler system leakage and boiler loss. Such insurance will be in an amount equal to the lesser of (A) the replacement cost (without deduction for depreciation) of improvements located or to be located on the Leased Property; or (B) the remaining unpaid principal amount of their allocated portion of Bonds Outstanding, plus the amount of use and occupancy coverage (described below), except that such insurance may be subject to deductible clauses of not to exceed the first $100,000 of the total amount of any one loss. Fire and extended coverage insurance and use and occupancy insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property insured by the City or MTS, respectively; provided that the amount of coverage available thereunder will be at least equal to the cumulative replacement values of their respective portions of the Leased Property and any other such property which is the subject of a lease, installment purchase or other financing arrangement ("Financed Property") for which bonds, certificates of participation or other obligations have been issued ("Obligations") plus the amount of use and occupancy coverage required by the Lease; in the event the City or MTS elects to obtain insurance for the Leased Property and one or more additional parcels of real property and the amount of the insurance proceeds available to pay all claims thereunder is not sufficient to cover the replacement values of all such properties, then any such proceeds will be used first to rebuild or repair the Leased Property or to repay the Bonds. Such insurance may be part of a joint-purchase insurance program. The provider of such

insurance will be rated at least "A-" by A.M. Best & Company. As an alternative to providing the fire and extended coverage insurance required by the Lease, or any portion thereof, the City or MTS may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection will afford reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City. See APPENDIX C "SUMMARY OF LEGAL DOCUMENTS – THE LEASE – Maintenance; Taxes; Insurance and Other Charges."

Use and Occupancy Insurance

The City, with respect to the City Property pursuant to the Lease, and MTS, with respect to the MTS Property pursuant to the MTS Site Lease, are each required to procure and maintain, or to cause to be procured and maintained, use and occupancy insurance against loss, total or partial, of the use and occupancy of the Leased Property (excluding the Ground Lease Sites) against loss of use caused by hazards covered by property insurance required by the Lease (see "– Fire and Extended Coverage Insurance" above), in an amount sufficient to pay the Base Rental Payments attributable to their respective portions of the Leased Property for a twenty-four month period; provided, that the amount of such insurance need not exceed the total remaining Base Rental Payments; provided further, that such insurance may be part of a policy of fire and extended coverage insurance permitted by the Lease; provided further, the City or MTS may obtain use and occupancy insurance covering the Leased Property as well as other parcels of property owned by the City or MTS, provided that the cumulative amount thereof is at least equal to the cumulative amount of use and occupancy insurance required by the Lease with respect to their respective portions of the Leased Property and any agreements relating to Financed Property in respect of which Obligations are outstanding; in the event the City or MTS elects to obtain insurance for the Leased Property and one or more additional parcels of real property and the amount of the insurance proceeds available to pay all claims thereunder is not sufficient to cover the replacement values of all such properties, then any such proceeds will be used first to rebuild or repair the Leased Property or to repay the Bonds. Any proceeds of such insurance will be payable to and used by the Trustee as provided in the Indenture to pay principal of and interest on the Bonds for a period of time during which the payment of rental under the Lease is abated. Such insurance may be subject to a deductible clause of not to exceed $50,000. Such insurance may be part of a joint-purchase insurance program. The provider of such insurance will be rated at least "A-" by A.M. Best & Company. Pursuant to the Lease, use and occupancy insurance cannot be provided by self-insurance.

CSAC-EIA Pool

The City and MTS each participate in the joint purchase of insurance through the California State Association of Counties-Excess Insurance Authority pool (the "CSAC-EIA Pool"), a statewide joint powers authority risk pool. Flood coverage for all components of the City Property (except the Ground Lease Sites) and the MTS Property is currently provided to the City and MTS through their participation in the CSAC-EIA Pool. The City and MTS, in their discretion, may elect at any time to modify the designation of covered properties in the future, in which case it is possible that none of the Leased Property will be covered by flood insurance. The CSAC-EIA Pool provides earthquake coverage in limited amounts for certain designated buildings and structures and certain City lease financed locations. None of the City Property or the MTS Property has any earthquake coverage. See "– Abatement of Lease Payments" above and APPENDIX A— "CITY GOVERNMENT AND FINANCIAL INFORMATION– RISK MANAGEMENT – Property and Flood Insurance" and "– Earthquake Insurance." The City is not required to obtain flood or earthquake insurance for the Leased Property pursuant to the Lease, and MTS is not required to obtain flood or earthquake insurance for the MTS Property pursuant to the MTS Site Lease.

Title Insurance

The Lease provides that the City will have or obtain, on or before the Closing Date for the 2015 Bonds, a California Land Title Association (CLTA) leasehold policy or policies, or a commitment for such

policy or policies, with respect to all of the Leased Property with liability in the aggregate amount equal to the principal amount represented by the Outstanding Bonds. Such policy or policies, when issued, will name the Trustee as the insured and will insure the leasehold estate of the Authority under the Site Lease and the MTS Site Lease in the Leased Property, subject only to Permitted Encumbrances.

Substitution, Removal or Addition of Leased Property

Pursuant to the Lease, the City and the Authority may amend the Lease and the Site Lease to (i) substitute real property and or improvements (the "Substitution") for all or a portion of the e ing Leased Property; (ii) remove all or a portion of real property (including undivided interests therein) or improvements ("Removal") from the definition of Leased Property; or (iii) to add real property and or improvements (the "Additional Leased Property") to the Leased Property, upon compliance with all of the applicable conditions set forth in the Lease. After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected will be released from the leasehold under the Lease and under the Site Lease. See APPENDIX C "SUMMARY OF LEGAL DOCUMENTS– THE LEASE – The Leased Property – Substitution, Removal or Addition of Leased Property."

Pursuant to the MTS Site Lease, MTS may request the Authority to substitute or remove property for all or part of the MTS Property subject to the MTS Site Lease, but only upon compliance by MTS, at its sole expense, with all requirements for the substitution of property by the City under the Lease. The City may consent to such substitution, such consent not to be unreasonably withheld. A portion of the proceeds of the Series 2013A Bonds was used to refund certain outstanding bonds of the Authority. When all debt service payments on the Series 2013A Bonds relating to these refunded bonds have been paid, which is expected to occur on October 15, 2022, the MTS Property will be released from the provisions of the Lease and the MTS Site Lease and will no longer be part of the Leased Property. See APPENDIX C "SUMMARY OF LEGAL DOCUMENTS – MTS SITE LEASE – Retained Rights and Obligations of MTS – *Substitution of MTS Property*."

Eminent Domain

If title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the City or the Authority in the Leased Property or any portion thereof is taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the City and the Authority will cause the Net Proceeds of any condemnation award to be transferred to the Trustee for deposit in the Insurance and Condemnation Fund and applied as described in the Indenture. See "THE 2015 BONDS – Redemption Provisions" and APPENDI C "SUMMARY OF LEGAL DOCUMENTS – THE LEASE – Damage, Destruction, Title Defect and Condemnation."

Investment of Funds under the Indenture

Money held by the Trustee under any fund or account held under the Indenture will be invested by the Trustee at the direction of the City solely in Permitted Investments, pending application as provided in the Indenture. Unless otherwise provided in a Supplemental Indenture, all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture (except any Rebate Fund) will be deposited, at the City's direction, in the Construction Fund or the Revenue Fund.

THE LEASED PROPERTY

General

The City is leasing the City Property to the Authority pursuant to the Site Lease. MTS is leasing the MTS Property to the Authority pursuant to the MTS Site Lease. The Authority is leasing the Leased Property (comprised of the City Property and the MTS Property) to the City pursuant to the Lease. Pursuant to the

Lease, the City's rights to the MTS Property are subject to the retained rights of MTS as described in the MTS Site Lease. The retained rights of MTS include a right to continue to perform, maintain and manage its operations on the MTS Property and to enter upon the MTS Property, to make repairs, additions and improvements to the MTS Property. See APPENDIX C – "SUMMARY OF LEGAL DOCUMENTS– MTS SITE LEASE – Retained Rights and Obligations of MTS."

The Leased Property includes several sites located in the City and (other than with respect to the Ground Lease Sites (as defined below)) the buildings and other improvements thereon owned by the City and MTS. When all debt service payments on the Series 2013A Bonds relating to the refunded 2003 Old Town Light Rail Refunding Bonds have been paid, which is expected to occur on October 15, 2022, the MTS Property will be released from the provisions of the Lease and the MTS Site Lease and will no longer be part of the Leased Property.

The Leased Property is comprised of properties each of which has been appraised at least once since 2010 with an aggregate value based on the most recent appraisals of approximately $262 million. The City will certify on the Closing Date to the effect that the total Base Rental Payments required to be paid by the City pursuant to the Lease in each Lease Year is not in excess of the total fair rental value of the Leased Property in any Lease Year. Although a portion of the proceeds of the 2015 Bonds may be used to make improvements to one or more of the properties comprising the Leased Property, the construction will not reduce the fair rental value of the Leased Property. However, the Leased Property itself is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners.

Upon the issuance of the 2015 Bonds, the Leased Property will consist of the 17 leased properties described below and summarized in the table that follows. The properties comprising the Leased Property are geographically dispersed throughout the City. All Bonds Outstanding under the Indenture are secured by all of the Base Rental Payments, and no portion of the Leased Property or the Base Rental Payments secures any specific series of Bonds.

See "RIS FACTORS" for certain risks that could impact the City's use and occupancy of theLeased Property.

Public Safety Facilities

Fire Communications Center consists of a two-story combination wood and steel frame building with a stucco exterior and includes a satellite communication tower. The Fire Communications Center is staffed 24 hours a day, seven days a week with dispatchers and administrative personnel. The Center is responsible for all citywide medical, fire, and rescue operations and is also contracted to dispatch for the Cities of Poway and Chula Vista in the region.

Fire Station #9 consists of a single story wood frame building with a stucco exterior. Fire Station #9 houses one fire engine and one paramedic unit, and primarily serves La Jolla and its surrounding areas in the City. Engine 's district is 4. 2 square miles. The City personnel at Station #9 are all Firefighter/Paramedics and are responsible for orientation and continued training of field paramedics as well as maintenance of emergency medical equipment. Fire Station #9 also handles department medical forms and other administrative projects.

Fire Station #11 consists of a two-story combination steel and wood frame building with a stucco exterior. Fire Station #11 houses one fire engine, one aerial fire truck, and one paramedic unit; and serves Golden Hill and its surrounding areas in the City. Engine 11's district is 2.8 square miles.

Fire Station #16 consists of a single story wood frame with concrete building. Fire Station #16 houses one fire engine; and serves La Jolla and its surrounding areas in the City. Engine 's district is 3.4 square miles.

Fire Station #37 consists of a two-story combination steel and wood frame building with a stucco exterior. Fire Station #37 houses one fire engine, one fire brush engine, and one paramedic unit; and serves Scripps Ranch and its surrounding areas in the City. Engine 3 's district is 11.28 square miles.

Fire Station #44 consists of a single-story concrete tilt-up building with a partial mezzanine area. Fire Station #44 houses one battalion chief's vehicle, one fire engine, one aerial fire truck, and two primary hazardous materials response units. Fire Station #44 is the only Hazardous Material ("HazMat") station in the City. HazMat is responsible for identifying, containing and removing hazardous materials. Fire Station #44 serves Eastern Mira Mesa and its surrounding areas in the City. Engine 44's district is . 8 square miles.

Northeastern Police Station consists of a single story concrete police station and a separate single story concrete vehicle maintenance building. Within the vehicle maintenance building is a car wash, and below the roof area is a fuel island with two 10,000 gallon underground fuel storage tanks. See "CERTAIN RISK FACTORS Underground Fuel Tanks" herein. The Northeastern Police Station serves the northern portions of the City, including the neighborhoods of Carmel Mountain, Miramar, Miramar Ranch North, Mira Mesa, Rancho Bernardo, Rancho Encantada, Rancho Penasquitos, Sabre Springs and Scripps Ranch. The Northeastern Police Station's district encompasses 103.8 square miles.

Southern Division Police Station serves the neighborhoods of Border, Egger Highlands, Nestor, Ocean Crest, Otay Mesa, Otay Mesa West, Palm City and San Ysidro. Southern Division serves a population of 107,631 people and encompasses 31.5 square miles. The facilities are on a 3.30 acre site and consist of one police substation-office building, a police vehicle maintenance facility building with a car wash and a fuel island that includes underground fuel tanks. See "CERTAIN RIS FACTORS Underground Fuel Tanks" herein.

Ground Lease Sites

A portion of the Leased Property consists of ground leases at four locations (collectively, the "Ground Lease Sites") each consisting of the City's interest in the land underlying the respective sites. The buildings and improvements on each of the Ground Lease Sites are not owned by the City, are not part of the Leased Property and are not insured by the City. The Lease does not require the City to maintain hazard or use and occupancy insurance on property not owned by the City, and the City has confirmed that such insurance is not available for the City's interest in the Ground Lease Sites. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Fire and E tended Coverage Insurance" and " Use and Occupancy Insurance."

The City has not pledged rental income it receives from tenants under any of the leases entered into or to be entered into by the City on portions of the Leased Property (including, without limitation, leases entered into by the City with respect to the Ground Lease Sites (the "E isting Leases")) to pay the Base Rental Payments securing the Bonds, including the 2015 Bonds. However, in the event of default under the Lease, the Trustee may bring an action to collect and receive rent and other income derived by the City from the Existing Leases in an amount not to exceed the lesser of (i) Base Rental Payments attributable to each Ground Lease Site as set forth in the Lease, and (ii) the rent and other income from the Existing Leases actually received by the City. In Fiscal Year 2014, the rent received by the City under the Existing Leases for each Ground Lease Site exceeded the anticipated Base Rental Payments attributable to each Ground Lease Site. The City can give no assurance that this will be the case in future years.

Hilton San Diego Resort Site is located on Mission Bay Drive in the Mission Beach neighborhood, a popular recreational area in the City. This area lies west of Interstate 5, along Mission Bay Drive. The site is located on tidelands of Mission Bay that have been granted to the City from the State for the purpose of creating San Diego Mission Bay Park.

The lease site consists of approximately 18 acres of land area and 1 acre of water area (improved with a boat dock). The City has leased the site to LHO Mission Bay Rosie Hotel, LP, for a 50-year term that

commenced on January 1, 1996. A 357 room resort hotel, along with a restaurant, spa, swimming pool, tennis court and boat dock, are located at the Hilton San Diego Resort Site, which improvements are not owned by the City and are not part of the Leased Property. The City collects monthly rent installments (the greater of annual minimum rent, percentage rent consisting of percentages of the gross income resulting from the uses of the premises for various business activities, or the annual guaranteed minimum rent on a calendar month basis, under the terms of the ground lease) which comprises a recurring annual rental revenue source to the City's General Fund.

The Lodge at Torrey Pines Site is located on North Torrey Pines Road in La Jolla, approximately 2 miles north of the University of California, San Diego campus. This site is located adjacent to the Torrey Pines golf course, which is an internationally known golf destination. The site location generally lies west of Interstate 5, along the west side of Torrey Pines Road.

The site is leased to Lodge at Torrey Pines Partnership for a 66-year term that commenced on June 5, 1995. A 170 room resort hotel consisting of three 4-story structures, and one 3- story structure, along with one, 2-story parking garage is located at the Lodge, which improvements are not owned by the City and are not part of the Leased Property. The City collects monthly rent installments (the greater of annual minimum rent, percentage rent consisting of percentages of the gross income resulting from the uses of the premises for various business activities, or the annual guaranteed minimum rent on a calendar month basis under the terms of the ground lease) which comprise a recurring annual rental revenue source to the City's General Fund.

Scripps Health Site is located on North Torrey Pines Road, San Diego. The site is located in the southwesterly portion of the University of California San Diego campus, between Torrey Pines to the north and La Jolla Shores and La Jolla, to the south. To the east is the community of University Towne Centre.

The site is leased to Scripps Health from the City of San Diego for a 55-year term that commenced August 1, 1988. A sports center consisting a two-story 27,500 square foot building and related site improvements (surface parking area, walking-jogging track surrounding two sand volleyball courts and a swimming pool) are located at the Scripps Health Site, which improvements are not owned by the City and are not part of the Leased Property. The City collects monthly rent installments (fixed rent, subject to adjustments, under the terms of the ground lease) which comprise a recurring annual rental revenue source to the City's General Fund.

University of California San Diego Site is located on North Torrey Pines Road in San Diego. The site is leased to Regents of the University of California from the City of San Diego for a 55-year term that commenced February 1, 1985. A 2-story 140,000 square foot university administration building and related site improvements over two levels of subterranean parking are located at the University of California San Diego Site, which improvements are not owned by the City and are not part of the Leased Property. The City collects monthly rent installments (fixed rent, under the terms of the ground lease) which comprise a recurring annual rental revenue source to the City's General Fund.

Library Facilities

Mission Valley Library is located in the southwest corner of a large retail center, Fenton Marketplace, on City-owned land. The Mission Valley Library consists of a 2-story wood framed, steel and masonry public library building and 85 paved open surface parking spaces on the site. Qualcomm Stadium is located less than one-mile to the east. The library is staffed and operated by the City's Library Department.

Scripps Miramar Ranch Library Center is located south of Miramar Lake and west of Evans Pond, and serves Scripps Ranch and surrounding communities. The Scripps Miramar Ranch Library Center consists of 2-story wood frame building with pitched, built up roof and poured concrete slab foundation and sits on 9.14 acres.

Other Facilities

Mingei International Museum and Art Institute Building (House of Charm) consists of a four level special purpose building, with the lower level and basement level below grade. The House of Charm is located adjacent to one of the two main entrances to Balboa Park. Represented on the National Register of Historical Places, the House of Charm is home to the Mingei International Museum of Folk Art; the San Diego Art Institute, featuring art produced by local artists; and three full-scale rehearsal spaces for the Old Globe Theater. These three non-profit organizations have long terms leases through 2021. The City anticipates renewing the leases with these organizations.

Light Rail Transit System Maintenance Yard (the "MTS Property") located on Newton Avenue in San Diego. The MTS Property totals approximately 4.17 acres and is owned by San Diego Metropolitan Transit Development Board. The MTS Property includes the MTS maintenance yard, trolley tracks and staging yard, and a single story maintenance facility building, converted from an existing precast concrete, high-bay warehouse building. The building consists of administrative offices, showers and lockers, classrooms, security offices, and repair and maintenance shops. The building also includes parts storage, laydown areas, bridge and 5-ton overhead cranes and washdown areas. The building has capacity for 25 light rail vehicles and includes maintenance offices and pit. It is expected that the MTS Property will be released from the provisions of the Lease and Site Lease on October 15, 2022.

Carmel Valley Multipurpose Community Complex is an 18.7-acre multipurpose community complex located on Townsgate Dr. in the Carmel Valley area proximate to Del Mar area of the City. The multifunctional complex consists of a recreation center with an 11,000 square foot gymnasium, an aquatics center consisting of three pools, tennis courts, basketball courts, playgrounds, amphitheater, and a multipurpose athletic field. The Carmel Valley Multipurpose Community Complex is programmed for active recreation and is an essential amenity for the community serving a population estimated at 39,000 persons. There are approximately 1,500 youths and 400 adults participating in sports organizations which use the complex weekly. Adjacent to a middle school within the San Dieguito Union School District, a City library and a City police station, the community complex is also a heavily used public space after school hours.

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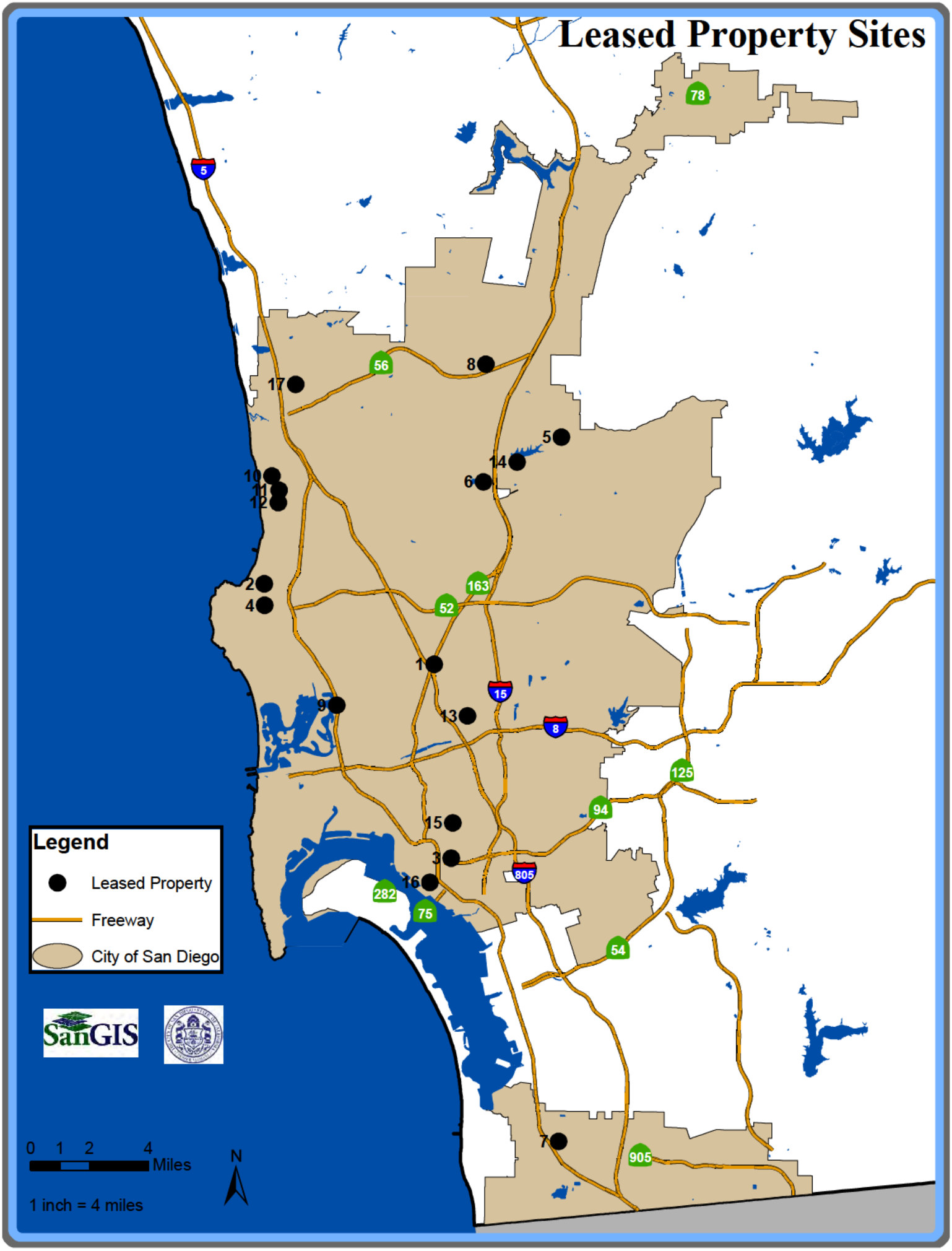
SUMMARY OF LEASED PROPERTY

	Site	*Address*[1]	*General Description*	*Original Completion Date*	*Approx. Acreage of Site*	*Approx. Building Square Footage*
1.	Fire Communications Center	3750 Kearny Villa Rd., 92123	Fire communications building and related facilities	1990	1.47	11,738
2.	Fire Station #9	7870 Ardath Lane, 92037	Fire station	1979	1.15	6,482
3.	Fire Station #11	945 25th St., 92102	Fire station	1995	0.29	11,050
4.	Fire Station #16	2110 Via Casa Alta, 92037	Fire station	1982	0.82	21,700
5.	Fire Station #37	11640 Spring Canyon, 92131	Fire station	2001	1.09	8,400
6.	Fire Station #44	10011 Black Mountain Rd., 92126	Fire station	2000	1.64	9,430
7.	Southern Division Police Station	1120 27th St., 92154	Police station and police vehicle maintenance facility	1993	3.30	22,558
8.	Northeastern Police Station	13396 Salmon River Rd., 92129	Police station and police vehicle maintenance facility	1989	3.22	22,558
9.	Hilton San Diego Resort (Ground Lease)[2]	1775 E. Mission Bay Dr., 92109	Ground Lease under a resort hotel	Not applicable	17.74	Not applicable
10.	The Lodge at Torrey Pines (Ground Lease)[2]	11480 N. Torrey Pines Rd., 92037	Ground Lease under a resort hotel	Not applicable	6.05	Not applicable
11.	Scripps Health Land (Ground Lease)[2]	10820 N. Torrey Pines Rd., 92037	Ground Lease under a sports center that is part of the Scripps Health Clinic campus	Not applicable	3.50	Not applicable
12.	University of California San Diego (Ground Lease)[2]	10280 N. Torrey Pines Rd., 92037	Ground Lease under a university administrative building	Not applicable	2.87	Not applicable
13.	Mission Valley Library	2123 Fenton Parkway, 92108	Public library and parking	2002	2.00	18,930
14.	Scripps Miramar Ranch Library Center	10301 Scripps Lake Drive, 92131	Public library and parking	1993	9.14	21,700
15.	Mingei International Museum and Art Institute Building (House of Charm)	1439 El Prado, Balboa Park, 92101	Two museums and three theater rehearsal spaces	1996	1.01	69,865
16.	Light Rail Transit System Maintenance Yard Portion[3][4]	1535 Newton Ave., 92101	Rail yard and maintenance facility for light rail transit system	1993	4.17	92,000
17.	Carmel Valley Multipurpose Community Complex	3777 Townsgate Drive, 92130	Community park including a recreation center, aquatics center, tennis courts, basketball, playgrounds, amphitheater, multi-purpose athletic field.	1998	18.7	23,150 (total for 3 buildings)

(1) All properties are located in San Diego, California.
(2) Only the underlying ground is owned by the City and is part of the Leased Property. The site includes improvements that are not owned by the City, are not part of the Leased Property and are not insured by the City. See "– Ground Lease Sites" above.
(3) San Diego Metropolitan Transit Development Board Property.
(4) Located in the 100-year flood zone per FEMA.

Source: City of San Diego.


Leased Property Sites
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Existing Encumbrances on Leased Property

Pursuant to the Site Lease, the MTS Site Lease and the Lease, the Authority acknowledges existing encumbrances on the Leased Property, including, but not limited to, with respect to the Ground Lease Sites, the Existing Leases and restrictions relating to the grant of the Hilton Resort Site to the City by the State in trust for the uses and purposes and upon the express conditions as provided in an act of legislature approved April 27, 1945 Statutes of California Chapter 143 and the rights therein reserved to the people of the State. Upon the issuance of the 2015 Bonds, the City will certify that these existing encumbrances do not interfere with the City's beneficial use and occupancy of the Leased Property. See APPENDIX C "SUMMARY OF LEGAL DOCUMENTS – THE SITE LEASE – Lease of the Leased Property."

THE AUTHORITY

The Authority is a California joint exercise of powers authority existing pursuant to the Third Amended and Restated Joint Exercise of Powers Agreement, dated as of January 1, 2013, by and among the City, the City in its capacity as the designated successor agency (the "Successor Agency") to the former Redevelopment Agency of the City of San Diego (the "Former RDA") and the Housing Authority of the City of San Diego (the "Housing Authority"). The Authority is organized, in part, to finance certain public capital improvements of the City, the Successor Agency or the Housing Authority. The Authority's authority to issue the 2015 Bonds is being challenged in two pending lawsuits, as further described in "PENDING LITIGATION CHALLENGING THE 2015 BONDS."

Except as provided by the Indenture, the Authority has no liability to the owners or Beneficial Owners of any 2015 Bonds and has pledged none of its moneys, funds or assets toward the payment of any amount due in connection with the 2015 Bonds. The Authority is governed by its own Board of Commissioners consisting of the members of the City Council. The Authority is dependent upon the officers and employees of the City to administer its program.

THE CITY

APPENDIX A "CITY GOVERNMENT AND FINANCIAL INFORMATION" and APPENDIX B "DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY" set forth important information prepared by the City for inclusion in this Official Statement regarding its finances and operations. *Investors are advised to carefully consider the information presented in Appendix A and Appendix B in making an informed investment decision.*

CERTAIN RISK FACTORS

The following risk factors should be considered by potential investors, along with all other information in this Official Statement, in evaluating the risks inherent in the purchase of the 2015 Bonds. The following discussion is not meant to be a comprehensive or definitive list of the risks associated with an investment in the 2015 Bonds. The order in which this information is presented does not necessarily reflect the relative importance of the various issues. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the liquidity of the 2015 Bonds or failure by the City to pay Base Rental Payments. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Litigation

THE SAN DIEGO ENTITIES ARE DEFENDANTS IN TWO PENDING LAWSUITS CHALLENGING THE VALIDITY OF THE 2015 BONDS. BECAUSE OF THIS LITIGATION, THE PURCHASE AND OWNERSHIP OF THE 2015 BONDS INVOLVE SIGNIFICANT INVESTMENT RISK AND THE 2015 BONDS ARE NOT A SUITABLE INVESTMENT FOR ALL INVESTORS. AN

ADVERSE FINAL RULING COULD RESULT IN A LOSS OF A BONDHOLDER'S ENTIRE INVESTMENT IN THE 2015 BONDS AND IN A LOSS OF TAX EXEMPTION FOR ALL INTEREST PAID ON THE 2015 BONDS.

The litigation challenges the Initial Bond Approvals and the Series 2015B Bond Approval and seeks to declare invalid the 2015 Bonds, the Second Supplemental Indenture, the Second Amendment to Site Lease, the Second Amendment to Facilities Lease, the Third Supplemental Indenture, the Third Amendment to Site Lease, and the Third Amendment to Facilities Lease. The San Diego Entities denied the challenges in both lawsuits and a ruling was entered in each lawsuit by the Superior Court in favor of the San Diego Entities as defendants. Plaintiff has appealed the judgment in the Series 2015A Bonds Litigation and the January 27, 2015 ruling in the Series 2015B Bonds Litigation which appeals are now pending before the California Court of Appeal. The appeals in both cases will be heard after the issuance of the 2015 Bonds.

In the event that the California Court of Appeal reverses the decision of the Superior Court in either case, the City and the Authority intend to appeal to the California Supreme Court. If the California Supreme Court were to issue a final ruling in the plaintiff's favor, or refuse to hear an appeal by the San Diego Entities from a Court of Appeal ruling adverse to the San Diego Entities, then the Authority could be precluded from making payments of principal and interest on the 2015 Bonds and, even if not precluded from making payment, could lack sufficient funds to make such payments if the ruling prohibited the City from making Lease Payments under the Second Amendment to Facilities Lease or the Third Amendment to Facilities Lease. In addition, if the California Supreme Court were to rule in the plaintiff's favor or refuse to hear an appeal by the San Diego Entities from a Court of Appeal ruling holding that the 2015 Bonds are invalid, interest previously paid to Beneficial Owners of the 2015 Bonds would not be excludable from gross income for federal income tax purposes and interest previously paid to Beneficial Owners of the 2015 Bonds would not be exempt from State of California personal income taxes. In such an event, Beneficial Owners may be required to repay to the Authority any previous payments of principal and interest made on the 2015 Bonds. See "PENDING LITIGATION CHALLENGING THE 2015 BONDS" for more details.

It is not clear what remedies, if any, the Owners and Beneficial Owners would have in the event that the 2015 Bonds, the Second Supplemental Indenture, the Second Amendment to Site Lease, the Second Amendment to Facilities Lease and the Third Supplemental Indenture, the Third Amendment to Site Lease, and the Third Amendment to Facilities Lease were held to be invalid. Accordingly, prior to making a decision to purchase any 2015 Bonds, prospective investors should thoroughly review the complaint filed by the plaintiff in the Series 2015A Bonds Litigation attached hereto as Appendix G, the Superior Court judgment and official transcript of the judge's ruling in the Series 2015A Bonds Litigation attached hereto as Appendix H, the complaint filed by the plaintiff in the Series 2015B Bonds Litigation attached hereto as Appendix I and the order of dismissal with prejudice and order denying relief from the order of dismissal in the Series 2015B Bonds Litigation attached hereto as Appendix J.

It is possible that a final ruling against the San Diego Entities in the Series 2015A Bonds Litigation or the Series 2015B Bonds Litigation could also adversely impact the owners of the Prior Bonds. If a ruling was entered upholding the validity of the 2015 Bonds but invalidating the Initial Bond Approvals of the City, then the Trustee would have inadequate Revenues to repay all of the principal and interest on the Prior Bonds and the 2015 Bonds when due. Since the Prior Bonds and the 2015 Bonds are secured on a parity under the Indenture, such an outcome could result in the owners of the Prior Bonds and the 2015 Bonds receiving only partial payments of principal and interest.

Limited Obligations of the Authority

The 2015 Bonds are special, limited obligations of the Authority and are payable solely from Revenues, which consist primarily of Base Rental Payments made by the City pursuant to the Lease, and certain other funds held under the Indenture, subject to the provisions of the Indenture permitting the application of such amounts for the purposes and on the terms and conditions set forth therein. Neither the

City nor any of its officers will incur any liability or any other obligation with respect to the payment of the 2015 Bonds other than the obligation of the City to make Base Rental Payments under the Lease.

Nothing within this Official Statement is intended to imply that there exists any cross-application or cross-collateralization, including, without limitation, any cross-defaults between the Indenture or any other indenture related to bonds issued by the City or the Authority.

Limited Obligations of the City

THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE, OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED, ANY FORM OF TAXATION. THE 2015 BONDS AND THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER.

Abatement

Except to the extent of (i) amounts held by the Trustee under the Indenture in the Interest Account and Principal Account of the Revenue Fund, (ii) amounts received in respect of use and occupancy insurance, if any, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect or condemnation, there is substantial interference with the use and occupancy by the City of any portion of the Leased Property, rental payments due under the Lease with respect to the Leased Property will be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Rental, in which case rental payments will be abated only by an amount equal to the difference.

In the case of abatement relating to the Leased Property, the amount of annual rental abatement will be such that the resulting Base Rental Payments in any Lease Year during which such interference continues, excluding any amounts described in clauses (i), (ii), (iii) above, do not exceed the annual fair rental value for such Lease Year of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of an Authorized Representative of the City. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the restoration of the Leased Property or portion thereof to tenantable condition or correction of title defect or substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Use and Occupancy Insurance" and APPENDI C "SUMMARY OF LEGAL DOCUMENTS – THE LEASE – Damage, Destruction, Title Defect and Condemnation."

The obligation of the City under the Lease to make Base Rental Payments is in consideration for the right to use and occupy the Leased Property, and is absolute and unconditional without any right of set-off or counterclaim, except as to amounts which may be credited to such payment under the Lease, and except as such obligation may be abated as described herein.

There is no statute, judicial decision or other law specifying how an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Lease or at the time of the abatement or may be adjusted during an event of abatement. Upon abatement, it may be that the value of the Leased Property is substantially higher or lower than its value at the time of issuance of the 2015 Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the 2015 Bonds.

During any period in which material damage, destruction, title defect or condemnation of all or a portion of the Leased Property results in substantial interference with the use and occupancy of the Leased Property or any portion thereof, all or a portion of the Base Rental Payments due under the Lease will be abated to the extent described above, the Lease will continue in full force and effect and the proceeds of use and occupancy insurance, if any, will be used to pay Base Rental Payments that would otherwise be abated. In the event that such funds are insufficient to make all payments with respect to the 2015 Bonds during the period that the Leased Property, or portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Trustee or the Owners under the Lease or Indenture for nonpayment under such circumstances. **Failure to pay principal, premium, if any, or interest on to the 2015 Bonds r Base Rental Payments under the Lease is not an event of default under the Indenture or the Lease**. In the event that Base Rental Payments are abated due to damage caused by earthquake or flood, such abatement may continue indefinitely, as no insurance for such damages is required under the Lease and the City cannot be compelled to repair or replace the damaged Leased Property or to redeem the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Abatement of Lease Payments"

Notwithstanding the provisions of the Lease and the Indenture specifying the extent of abatement of Base Rental Payments, the requirement for insurance and the application of other funds in the event of the City's failure to have use and occupancy of the Leased Property, the resulting Base Rental Payments of the City may not be sufficient to pay all of the remaining principal and interest on the 2015 Bonds.

No Limitation on Incurring Additional Obligations

Neither the Lease nor the Indenture contains any limitations on the ability of the City to enter into other obligations, without the consent of the Owners of the Outstanding Bonds, which may constitute additional obligations payable from its General Fund. To the extent that the City incurs such additional obligations, the City's funds available to make Base Rental Payments may be decreased. The City is currently liable on other obligations payable from General Fund revenues and is currently contemplating entering into other such obligations. See APPENDIX A "CITY GO ERNMENT AND FINANCIAL INFORMATION – BONDED AND OTHER INDEBTEDNESS."

Earthquake and Seismic Conditions

According to the County of San Diego Office of Emergency Services, every year approximately 500 earthquakes occur in the state of California that are large enough to be felt. San Diego County, in comparison to other southern California areas, has sparse seismicity. However, since 1984, earthquake activity in San Diego County has doubled over that of the preceding 50 years. The Mission Valley Library and the Light Rail Transit System Maintenance Yard, which comprise a portion of the Leased Property, are located in areas thought to have a greater risk of a seismic event than exists for the remainder of the Leased Property.

A major earthquake could cause widespread destruction and significant loss of life in a populated area such as the City. If an earthquake were to substantially damage or destroy taxable property within the City, a reduction in taxable values of property in the City and a reduction in revenues available to the General Fund to make Lease Payments would be likely to occur. Seismic activity may also affect the use and occupancy of the Leased Property. See "CERTAIN RIS FACTORS– Abatement" above.

There is no assurance that, in the event of a natural disaster, sufficient City reserves or Federal Emergency Management Agency assistance would be available for the repair or replacement of any Leased Property. The Lease does not require the City to maintain earthquake insurance coverage or to repair or restore the Leased Property if damaged by earthquake where there are no insurance proceeds. The City participates in the joint purchase of insurance through the CSAC-EIA pool, which includes earthquake coverage in limited amounts for certain scheduled locations. None of the Leased Property is currently covered by such earthquake insurance. See "THE LEASED PROPERTY" and APPENDI A — "CITY GO ERNMENT AND

FINANCIAL INFORMATION – RISK MANAGEMENT – Property and Flood Insurance." The City is not required to obtain earthquake insurance for the Leased Property pursuant to the Lease, and MTS is not required to obtain earthquake insurance for the MTS Property pursuant to the MTS Site Lease.

The Lease provides that, in the event that rent is abated, in whole or in part, pursuant due to damage, destruction, title defect or condemnation of any part of the Leased Property and the City is unable to repair, replace or rebuild the Leased Property from the Net Proceeds, if any, of insurance or eminent domain, the City will apply for and use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Risks of Flood

The Lease does not require the City to maintain insurance coverage against loss or damage due to flood. However, flood coverage for all components of the City Property is currently provided to the City through its participation in the CSAC-EIA Pool. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – CSAC-EIA Pool" above and APPENDI A — "CITY GO ERNMENT AND FINANCIAL INFORMATION – RISK MANAGEMENT – Property and Flood Insurance." The City in its discretion may elect at any time to modify the designation of covered properties in the future, in which case it is possible that none of the City Property will be covered for flood damage.

The MTS Site Lease does not require MTS to maintain insurance coverage insuring against loss or damage due to flood. However, flood coverage for all components of the MTS Property is currently provided to MTS through its participation in the CSAC-EIA Pool. MTS in its discretion may elect at any time to modify the designation of covered properties in the future, in which case it is possible that none of the MTS Property will be covered for flood damage.

The MTS Property, which is a portion of the Leased Property, is located in the 100-year flood plain as described by the Federal Emergency Management Agency. See "THE LEASED PROPERTY."

Constitutional and Statutory Limitations on Increase of Revenues

Article XIII A (Limitation on Ad Valorem Tax), Article XIII B (Government Spending Limitation), Article XIII C (Voter Approval for Local Tax Levies) and Article XIII D (Assessment and Property Related Fee Reform) of the Constitution of the State of California were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time, other initiative measures may be adopted, which may affect the City's revenues and its ability to e pend said revenues. The above mentioned measures and any future measures could restrict the City's ability to raise additional funds for its General Fund. See APPENDIX A "CITY GO ERNMENT AND FINANCIAL INFORMATION– LIMITATIONS ON TA ES AND APPROPRIATIONS."

Limited Recourse on Default; Re-Letting of Leased Property

In the event of non-payment by the City of the Lease Payments, or other default by the City under the Lease, the enforcement of any remedies provided in the Indenture and in the Lease by or on behalf of Owners of the 2015 Bonds could prove both expensive and time consuming. Although the Indenture and the Lease provide that if there is a default by the City under the Lease the Trustee may terminate the Lease and re-let the Leased Property (other than the Ground Lease Sites), such Leased Property may not be easily re-leased and any re-letting of the Leased Property could result in lease payments that would be substantially less than the Lease Payments payable by the City under the Lease. Furthermore, due to the essential nature of the governmental function of certain of the Leased Property, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect to any or all of such Leased Property. The Trustee may exercise any and all remedies available pursuant to the Lease and applicable laws, but the Lease provides that there will be no right under any circumstances to accelerate the Lease Payments not then in

default to be immediately due and payable. The Lease also provides that, notwithstanding anything to the contrary contained in the Lease, the Trustee will not re-enter or re-let the Leased Property upon an Event of Default unless the Trustee or its sublessee agrees to perform the City's obligations under any then e isting lease, sublease, license, management contract, or other agreement substantially relating to the Leased Property.

The Trustee will not re-enter or re-let the Ground Lease Sites. The Ground Lease Sites are subject to the E isting Leases, which the Trustee cannot terminate, and the Trustee's rights with respect to such sites are expressly subject to the Existing Leases and the rights of the tenants thereunder. **Notwithstanding anything to the contrary in the Lease or the Indenture, neither the Authority nor the Trustee can disturb the peaceful possession of the tenants and their successors and assigns to which they are entitled under the Existing Leases.** However, in the event of default under the Lease, the Trustee may bring an action to collect and receive rent and other income derived by the City from the Existing Leases in an amount not to exceed the lesser of (i) Base Rental Payments attributable to each Ground Lease Site as set forth in the Lease, and (ii) the rent and other income from the Existing Leases actually received by the City. The City can give no assurance that the rent received by the City under the Existing Leases for each Ground Lease Site will equal or exceed the anticipated Base Rental Payments attributable to each Ground Lease Site.

Enforcement of Remedies

The enforcement of any remedies provided in the Lease and the Indenture could prove both expensive and time consuming. The rights and remedies provided in the Lease and the Indenture may be limited by and are subject to the limitations on legal remedies against cities, including State constitutional limits on expenditures, and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest; by federal bankruptcy laws, as now or hereafter enacted; applicable State, bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect (see "– Bankruptcy of the City" below); equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the 2015 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The legal opinions to be delivered concurrently with the delivery of the 2015 Bonds (including Bond Counsel's legal opinion) will be qualified, as to the enforceability of the 2015 Bonds, the Indenture, the Site Lease, the Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitation on legal remedies against cities in the State. See "– Bankruptcy of the City" below.

No Acceleration on Default

In the event of a default under the Indenture or the Lease, there is no remedy of acceleration of the Base Rental Payments. Owners of the 2015 Bonds would have to sue for payment of unpaid Base Rental Payments as and when it becomes due. Any suit for money damages would be subject to the legal limitations on remedies against cities and joint exercise of powers authorities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Risk Management and Insurance

The Lease obligates the City to maintain and keep, or cause to be maintained or kept, in force various forms of insurance, subject to deductibles, on the City-owned Leased Property for repair or replacement in the

event of damage or destruction to such Leased Property caused by certain hazards. The City is also required to maintain, or cause to be maintained, use and occupancy insurance with respect to insured casualty risks. MTS is required to maintain, or cause to be maintained, the same policies of insurance with respect to the MTS Property as the policies of insurance required to be maintained with respect to the City-owned Leased Property under the Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS Use and Occupancy Insurance" and "– Insurance for the MTS Property" above. Neither the Authority nor the City makes any representation as to the ability of any insurer to fulfill its obligations under any insurance policy required under the Lease or the MTS Site Lease and no assurance can be given as to adequacy of any such insurance to fund necessary repair or replacement or to pay principal and interest with respect to the 2015 Bonds.

The Lease allows the City to self-insure against any or all risks, except use and occupancy and title defects. The MTS Site Lease allows MTS to self-insure against any or all risks, except use and occupancy and title defects. See APPENDIX C "SUMMARY OF LEGAL DOCUMENTS– THE LEASE – Maintenance; Ta es; Insurance and Other Charges."

Environmental Concerns

Owners or operators of real property, including the City and MTS, may be required by law to remedy conditions of a property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response Compensation and Liability Act of 1980 commonly referred to as the "Superfund Act," is the most widely applicable of these laws, but California laws with regard to hazardous substances are also stringent. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition on the property whether or not the owner or operator created the hazardous substance condition.

Underground Fuel Tanks

Certain of the Leased Property sites contain underground storage tanks for the storage of unleaded gasoline, diesel fuel, motor oils and related materials. See "THE LEASED PROPERTY" herein. The fuels used on such sites and any compressed gas storage are inherently hazardous and subject to risks, including risks of fire, explosion, leaks and spills. The City uses such sites pursuant to environmental permits issued by various local, State and federal authorities, and is in compliance with all permits, laws and regulations governing the City's use of such sites. The City's Fleet Services Division operates and maintains the underground storage tanks on the Leased Property to ensure compliance with all applicable codes and regulations governing their operation and maintenance. Despite such measures, however, it is possible that loss or damage to the Leased Property or adjacent property, or injury to persons on or near the sites, could result from the City's use of these sites.

Change in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives or Charter amendments or that the State Legislature or the City Council will not enact legislation that will amend the laws of the State Constitution or the City's municipal code, respectively, in a manner that could result in a reduction of the City's General Fund revenues and therefore a reduction of the funds legally available to the City to make Base Rental Payments.

Bankruptcy of the City

In addition to the limitations on remedies contained in the Indenture and the Lease, the rights and remedies in the Lease may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs bankruptcy proceedings of public entities such as the City, no involuntary bankruptcy petition may be filed against a public entity. However, upon satisfaction of certain prerequisite conditions, a voluntary bankruptcy petition may be filed by the City. The filing of a bankruptcy petition results in a stay against enforcement of remedies under agreements to which the bankrupt entity is a party. A bankruptcy filing by the City could thus limit remedies under the Lease. A bankruptcy debtor may choose to assume or reject executory contracts and leases, such as the Lease. In the event of rejection of a lease by debtor lessee, the leased property is returned to the lessor and the lessor has a claim for a limited amount of the resulting damages.

Under the Indenture, the Trustee holds a security interest in the Revenues, including Base Rental Payments, for the benefit of the Owners of the Bonds, but such security interest arises only when the Base Rental Payments are actually received by the Trustee following payment by the City. The Leased Property itself is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners. In the event of a bankruptcy filed by the City and the subsequent rejection of the Lease by the City, the Authority would recover possession of the Leased Property and the Trustee, as assignee of the Authority, would have a claim for damages against the City. The Trustee's claim would constitute a secured claim only to the extent of Revenues in the possession of the Trustee; the balance of such claim would be unsecured.

In a bankruptcy of the City, if a material unpaid liability is owed to the San Diego City Employees' Retirement System ("SDCERS") or any other pension system (collectively the "Pension Systems") on the filing date, or accrues thereafter, such circumstances could create additional uncertainty as to the City's ability to make Lease Payments if the Lease is rejected. Given that municipal pension systems in California are usually administered pursuant to state constitutional provisions and, as applicable, other state and/or city law, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems have the right to enforce payment by injunction or other proceedings outside of a City bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a City bankruptcy would rule on these matters. In addition, this area of law is presently very unsettled because issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) are presently the subject of litigation in the Chapter 9 cases of several California municipalities, including Stockton and San Bernardino.

Former Redevelopment Agency

The Former RDA was dissolved as of February 1, 2012 pursuant to State legislation that dissolved all such redevelopment agencies statewide and the City is serving as the Successor Agency and as the successor housing entity to the Former RDA. The Former RDA had agreements with the City pursuant to which it contributed to debt service otherwise payable from the General Fund for certain projects. The Former RDA had additional agreements with and obligations to the City and other parties. As part of the dissolution process, the State Department of Finance has taken the position that a number of these agreements are invalid resulting in liability to the General Fund for amounts that would otherwise be paid from tax increment levied and collected in redevelopment areas. The liabilities arising from the City's role as the Successor Agency and the successor housing entity to the Former RDA could result in a negative, material impact to the General fund individually or in the aggregate. See APPENDIX A "CITY GOVERNMENT AND FINANCIAL INFORMATION – CITY BUDGET AND RELATED MATTERS – Former Redevelopment Agency."

State of California Financial Condition

Although improving, the State is still facing unfunded long-term liabilities, which could result in future reductions or deferrals in amounts payable to the City by the State. The State's financial condition and budget policies affect local public agencies throughout California. To the extent that the State budget process

results in reduced revenues to the City, the City will be required to make adjustments to its budget. State budget policies can also impact conditions in the local economy and could have an adverse effect on the local economy and the City's major revenue sources. For more information regarding the State's financial condition, see APPENDIX A "CITY GOVERNMENT AND FINANCIAL INFORMATION– STATE BUDGET INFORMATION."

Impact of Military Spending

Military and related defense spending are significant factors in the San Diego County (the "County") economy. Military installations include Marine Corps Base Camp Joseph H. Pendleton; the Marine Corps Recruit Depot; Marine Corps Air Station at Miramar; Naval Air Station North Island; Naval Station San Diego; and Naval Submarine Base, San Diego.

The San Diego Military Economic Impact Study (the "Military Study") released in September 2014 by the San Diego Military Advisory Council estimates that approximately 22% of the jobs in the County for the federal fiscal year ending September 30, 2014 were directly and indirectly related to the military. According to the Military Study, as of September 30, 2014, there were approximately 108,600 active duty and reserve military personnel and 24,000 full-time civilian workers directly employed by the military throughout the County. The Military Study concludes that overall spending in the County related to the military in the federal fiscal year ended September 30, 2014 represented approximately 20 of the County's total gross regional product. See "APPENDIX B DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY OF SAN DIEGO Military."

Given the substantial role that the military plays in the local economy, significant reductions in defense spending or the relocation of military bases out of the area could negatively impact the local economy and, in turn, reduce revenues to the City from such major sources as property taxes, sales taxes and transient occupancy taxes. Any direct impact on the City operations or finances is uncertain and the City is unable to predict the extent of any negative impact on the area economy as a result of reduced military spending.

Impact of Economic Conditions on the City

The United States economy is now recovering after experiencing a severe economic recession. The City cannot predict the extent to which fiscal problems will be encountered in this and in any future fiscal years, and it is not clear what additional measures, if any, will be taken by the State or federal government to address the economic recession and budgetary deficits. Accordingly, the City cannot predict the final outcome of future State or federal actions or the impact that such actions will have on the City's finances and operations. See APPENDIX A "CITY GOVERNMENT AND FINANCIAL INFORMATION."

Loss of Tax Exemption

As discussed under the caption "PENDING LITIGATION CHALLENGING THE 2015 BONDS" herein, an adverse final ruling in the pending litigation challenging the validity of the 2015 Bonds could result in interest on the 2015 Bonds being includable in gross income for purposes of federal income taxation retroactive to the date the 2015 Bonds were issued.

In addition, as discussed under the caption "TAX MATTERS" herein, interest on the 2015 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2015 Bonds were issued, as a result of future acts or omissions of the Authority or the City in violation of covenants in the Indenture and the Lease.

Current or future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2015 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the

full current benefit of the tax status of such interest. Legislative changes have been proposed in Congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the 2015 Bonds. The introduction or enactment of any of the pending or future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2015 Bonds. Prospective purchasers of the 2015 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is possible that subsequent to the issuance of the 2015 Bonds there might be federal, State, or local statutory changes (or judicial or regulatory interpretations of federal, State, or local law) that affect the federal, State, or local tax treatment of the 2015 Bonds or the market value of the 2015 Bonds. No assurance can be given that subsequent to the issuance of the 2015 Bonds such changes or interpretations will not occur. See "TA MATTERS" below.

Should a future event of taxability occur, the 2015 Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Certificate of the City (the "Disclosure Certificate"), the City has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board in the manner prescribed by the Securities E change Commission (the "SEC") certain annual financial information and operating data and notice of certain Notice Events (as described in the Continuing Disclosure Certificate). The form of the Disclosure Certificate is attached hereto as APPENDIX F "FORM OF CONTINUING DISCLOSURE CERTIFICATE." The City's covenants in the Continuing Disclosure Certificate have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) adopted by the SEC under the Securities E change Act of 1 34 (the "Rule"). A failure by the City to comply with any of the covenants therein is not an event of default under the Indenture or the Lease.

The City is party to a number of continuing disclosure undertakings with respect to securities payable from the City's General Fund, the Sewer Utility Fund, and the Water Utility Fund pursuant to the Rule. During the last five years, there was one instance where the City failed to comply in all material respects with certain of its previous undertakings with regard to the Rule. The annual reports Fiscal Year 2010 were filed late incomplete due to the unavailability of the City's financial statements. The delay in releasing the audited financial statements for Fiscal Year 2010 was principally due to the implementation of a new accounting reporting system for the City. The City subsequently filed its audited financial statements for Fiscal Year 2010 on October 20, 2011, and filed its annual reports for Fiscal Year 2010 in November 2011, approximately seven months after its annual reporting deadlines under its continuing disclosure undertakings. The City timely filed its audited financial statements and annual reports for Fiscal Years 2011, 2012, 2013 [and 2014] in compliance with its continuing disclosure undertakings.

FINANCIAL STATEMENTS FOR FISCAL YEAR 2014

The City's CAFR for Fiscal Year 2014, which includes the City's audited basic financial statements as of and for the fiscal year ended June 30, 2014, is available through EMMA at [_____].

The City's basic financial statements as of une 30, 2014 and for the year then ended have been audited by Macias Gini & O'Connell LLP as stated in its report dated _____, 2014, which is included with the financial statements. Macias Gini & O'Connell LLP as the independent auditors did not review this Official Statement. The City did not request the consent of the independent auditors to incorporate the City's financial statements or the auditor's report as a part of this Official Statement. Accordingly, the independent auditors did not perform any procedures relating to any of the information in this Official Statement.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2015 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the 2015 Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the 2015 Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations.

In the opinion of Bond Counsel, the difference between the issue price of a 2015 Bond (the first price at which a substantial amount of the 2015 Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such 2015 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2015 Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the 2015 Bond Owner will increase the 2015 Bond Owner's basis in the 2015 Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owner of a 2015 Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the 2015 Bonds is based upon certain representations of fact and certifications made by the Authority, the City and others and is subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2015 Bonds to assure that interest (and original issue discount) on the 2015 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the 2015 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2015 Bonds. The Authority and the City will each covenant to comply with all such requirements.

The amount by which a 2015 Bond Owner's original basis for determining loss on sale or exchange in the applicable 2015 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2015 Bond premium, which must be amortized under Section 171 of the Code; such amortizable 2015 Bond premium reduces the 2015 Bond Owner's basis in the applicable 2015 Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2015 Bond premium may result in a 2015 Bond Owner realizing a taxable gain when a 2015 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2015 Bond to the Owner. Purchasers of the 2015 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable 2015 Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2015 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2015 Bonds might be affected as a result of such an audit of the 2015 Bonds (or by an audit of other similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2015 Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the 2015 Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2015 BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST ON THE 2015 BONDS OR THE MARKET VALUE OF THE 2015 BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2015 BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2015 BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE 2015 BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE 2015 BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2015 BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2015 Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2015 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the exclusion from gross income of interest (and original issue discount) on the 2015 Bonds for federal income tax purposes with respect to any 2015 Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the 2015 Bonds is excluded from gross income for federal income tax purposes provided that the Authority and the City continue to comply with certain requirements of the Code, the ownership of the 2015 Bonds and the accrual or receipt of interest (and original issue discount) with respect to the 2015 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2015 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2015 Bonds.

See "CERTAIN RISK FACTORS – Litigation" for the effect adverse decisions in the pending litigation challenging the validity of the 2015 Bonds could have on the excludability of interest on the 2015 Bonds from gross income for federal tax purposes and the exemption of interest on the 2015 Bonds from State of California personal income taxes.

Should interest on the 2015 Bonds (including any original issue discount) become includable in gross income for federal income tax purposes, the 2015 Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

See APPENDIX D-1 "FORM OF BOND COUNSEL OPINION FOR SERIES 2015A BONDS" for a form of the opinion to be provided by Bond Counsel on the date of issuance of the Series 2015A Bonds and APPENDIX D-2 "FORM OF BOND COUNSEL OPINION FOR SERIES 201 B BONDS" for a form of the opinion to be provided by Bond Counsel on the date of issuance of the Series 2015B Bonds.

PENDING LITIGATION CHALLENGING THE 2015 BONDS

Series 2015A Bonds Litigation

On April 1, 2014, San Diegans for Open Government ("plaintiff") filed the Series 201 A Bonds Litigation as a reverse validation lawsuit in the San Diego Superior Court against the San Diego Entities and

all interested parties. *San Diegans for Open Government v. City of San Diego et al.,* Case No. 37-2014-00009217-CU-MC-CTL. The plaintiff sought declaratory relief to invalidate the Initial Bond Approvals, which consist of the ordinance and resolution of the City authorizing various actions with respect to the issuance of the 2015 Bonds and the resolution of the Authority adopted with respect to the Series 2015A Bonds and injunctive relief prohibiting the San Diego Entities from taking any of the actions contemplated by the Initial Bond Approvals. The plaintiff made three primary allegations against the validity of the Initial Bond Approvals. First, the Authority lacks the power to issue the Series 2015A Bonds because neither the Housing Authority nor the City of San Diego as the Successor Agency to the Redevelopment Agency of the City of San Diego are proper members of the Authority and upon the dissolution of all redevelopment agencies in California pursuant to state statute, the Authority lost the legal authority to issue bonds. Second, the issuance of the Series 2015A Bonds and the Series 2015B Bonds required voter approval under the California Constitution and the City's Charter. Third, the City failed to satisfy a requirement of the City's municipal code in connection with the Initial Bond Approvals. The complaint filed by the plaintiff in the Series 2015A Bonds Litigation is attached hereto as Appendix G.

The San Diego Entities denied all the plaintiff's allegations and requested the court render a judgment finding that the Initial Bond Approvals and all other resolutions and actions taken by the San Diego Entities approving the 2015 Bonds are conclusively valid and binding pursuant to Code of Civil Procedure Section 870 and any other applicable law.

On November 3, 2014, the Superior Court, in an oral ruling from the bench, ruled in favor of the San Diego Entities. The Superior Court rejected all the plaintiff's substantive arguments. On November 20, 2014, the Superior Court filed its judgment in the action. A copy of such judgment and official transcript of the Superior Court's ruling from the bench is attached hereto as Appendix H. The plaintiff filed an appeal of the judgment to the California Court of Appeal on December 12, 2014 where the matter is now pending. The appeal will be heard after the issuance of the Series 2015A Bonds. Pursuant to Code of Civil Procedure Section 860 *et seq.*, the statute of limitations to challenge the validity of the Series 2015A Bonds and the Initial Bond Approvals expired 60 days following the adoption of the Initial Bond Approvals. Accordingly, further lawsuits with respect to the Series 2015A Bonds and the related documents, including new lawsuits or an amended complaint by the plaintiff in the Series 2015A Bonds Litigation with respect to the Initial Bond Approvals, are barred by the statute of limitations.

Upon issuance of the Series 2015A Bonds, Bond Counsel proposes to render its final approving opinion with respect to the Series 2015A Bonds in substantially the form contained in Appendix D-1 hereto. Such opinion includes Bond Counsel's analysis of the allegations made by the plaintiff in the Series 2015A Bonds Litigation and Bond Counsel's opinion that, based on the analysis described in Bond Counsel's final approving opinion, such allegations are without merit in that Bond Counsel believes under the law as in effect on the date of delivery of the Series 2015A Bonds, the California Supreme Court, acting reasonably and properly briefed on the issues, would not conclude that the Initial Bond Approvals are invalid based on such allegations. An opinion of counsel represents that counsel's judgment as to the law applicable to the facts of the matter and is not a guarantee as to such judgment.

Because there are no disputed facts in the Series 2015A Bonds Litigation, a review by an appellate court would be *de novo*, that is the appellate court's decision regarding the matters at issue in the Series 2015A Bonds Litigation would be based on the appellate court's own analysis and interpretation of the applicable legal principles as applied to the undisputed facts. The City and the Authority believe that they will prevail in the pending appeal of the Superior Court judgment in the Series 2015A Bonds Litigation. However, no guarantee can be given as to the outcome of the appeal. In the event that the California Court of Appeal reverses the decision of the Superior Court, the City and the Authority intend to appeal to the California Supreme Court. If the California Supreme Court were to rule in the plaintiff's favor or refuse to hear an appeal by the San Diego Entities from a Court of Appeal ruling adverse to the San Diego Entities, the Series 2015A Bonds, the Second Supplemental Indenture, the Second Amendment to Site Lease and the Second Amendment to Facilities Lease would be invalid.

In the event of such a final adverse ruling, the Authority would not be obligated to make, and may be precluded from making, principal and interest payments on the Series 2015A Bonds and the City would not be obligated to make, and may be precluded from making, Lease Payments under the Second Amendment to Facilities Lease and the Third Amendment to Facilities Lease. Even if the ruling on appeal did not preclude the Authority from making payment on the Series 2015A Bonds, the failure of the Trustee to receive Lease Payments as scheduled under the Second Amendment to Facilities Lease would result in the Trustee not having sufficient money available to pay debt service on the Series 2015A Bonds.

If the California Supreme Court were to issue a final ruling in the plaintiff's favor, or refuse to hear an appeal by the San Diego Entities from a Court of Appeal ruling holding that the Series 2015A Bonds are invalid, interest previously paid to Beneficial Owners of the Series 2015A Bonds would not be excludable from gross income for federal income tax purposes and interest previously paid to Beneficial Owners of the Series 2015A Bonds would not be exempt from State of California personal income taxes. In such an event, Beneficial Owners may also be required to repay to the Authority any previous payments of principal and interest made on the Series 2015A Bonds.

It is not clear what remedies, if any, the Owners and Beneficial Owners of the Series 2015A Bonds would have in the event the Series 2015A Bonds, the Second Supplemental Indenture, the Second Amendment to Site Lease and the Second Amendment to Facilities Lease were to be invalidated. Accordingly, prospective investors should thoroughly review the complaint filed by the plaintiff in the Series 2015A Litigation attached hereto as Appendix G, the Superior Court judgment and official transcript of the court's ruling attached hereto as Appendix H, and the form of final approving opinion of Bond Counsel attached hereto as Appendix D-1, in connection with any decision to purchase Series 2015A Bonds.

Series 2015B Bonds Litigation

As described below, the Series 2015A Bonds Litigation could adversely affect the Series 2015B Bonds if the City's actions comprising the Initial Bond Approvals are invalidated. See " Series 2015A Bonds Litigation" above. The Series 201 Bonds could also be adversely affected by a ruling in the Series 2015B Bonds Litigation as described below.

On June 6, 2014, the plaintiff commenced the Series 2015B Bonds Litigation by filing a reverse validation lawsuit in the San Diego County Superior Court against the San Diego Entities and all interested parties. *San Diegans for Open Government v. Public Facilities Financing Authority of the City of San Diego et al.*, Case No. 37-2014-00018335-CU-MC-CTL. The plaintiff sought declaratory relief to invalidate the Series 2015B Bond Approval of the Authority and injunctive relief prohibiting the San Diego Entities from taking any of the actions contemplated by the Series 2015B Bond Approval. The plaintiff made three primary allegations against the validity of the Series B Bond Approval that were substantially identical to the allegations made in the Series 2015A Bonds Litigation. First, the Authority lacks the power to issue the Series 2015B Bonds because neither the Housing Authority nor the City of San Diego as the Successor Agency to the Redevelopment Agency of the City of San Diego are proper members of the Authority and upon the dissolution of all redevelopment agencies in California pursuant to state statute, the Authority lost the authority to issue bonds. Second, the issuance of the Series 2015B Bonds required voter approval under the California Constitution and the City's Charter. Third, the City failed to satisfy a requirement of the City's municipal code in connection with the Series 2015B Bond Approval. The complaint filed by the plaintiff in the Series B Litigation is attached hereto as Appendix I.

The San Diego Entities denied all the plaintiff's allegations and requested the court render a judgment finding that the Series 2015B Bonds, the Series 2015B Bond Approval and all other resolutions and actions taken by the San Diego Entities approving the Series 2015B Bonds are conclusively valid and binding pursuant to Code of Civil Procedure Section 870 and any other applicable law.

The San Diego Entities filed a motion for summary judgment requesting that the Superior Court enter a judgment in favor of the San Diego Entities and deny plaintiff any of its requested relief. On January 12, 2015, rather than ruling on the motion for summary judgment, the Superior Court entered an order of dismissal with prejudice in the case on the grounds that plaintiff failed to serve the Attorney General of the State of California and the Treasurer of the State of California with a copy of the complaint in the Series 2015B Bonds Litigation as required by Government Code Section 6599. A copy of the order of dismissal is attached hereto as Appendix J. Plaintiff then filed a motion pursuant to Code of Civil Procedure Section 473 requesting relief from the Superior Court for its failure to properly serve the complaint in a timely manner. On January 27, 2015, that motion was denied by the Superior Court. Copies of the order of dismissal and the order denying relief from the order of dismissal are attached hereto as Appendix J. A dismissal with prejudice is a final disposition of the case by the Superior Court, and plaintiff is not permitted to amend and refile the complaint, but is permitted to appeal the ruling. Plaintiff did not timely file an appeal from the January 9, 2015 order of dismissal but on March 3, 2015 filed an appeal of the January 27, 2015 order denying relief from the order of dismissal. The San Diego Entities believe that this appeal was not timely filed and intend to file a motion to dismiss the appeal. Pursuant to Code of Civil Procedure Section 860 *et seq.*, the statute of limitations to challenge the validity of the Series 2015B Bonds has expired. Accordingly, further lawsuits with respect to the Series 2015B Bonds and the related documents, including new lawsuits or an amended complaint by the plaintiff in the Series 2015B Bonds Litigation with respect to the Series 2015B Bond Approval are barred by the statute of limitations.

Upon issuance of the Series 2015B Bonds, Bond Counsel proposes to render its final approving opinion with respect to the Series 2015B Bonds in substantially the form contained in Appendix D-2 hereto. Such opinion includes Bond Counsel's analysis of the allegations made by the plaintiff in the Series 2015B Bonds Litigation and the Series 2015A Bonds Litigation and Bond Counsel's opinion that, based on the analysis described in Bond Counsel's final approving opinion, such allegations are without merit in that Bond Counsel believes under the law as in effect on the date of delivery of the Series 2015B Bonds, the California Supreme Court, acting reasonably and properly briefed on the issues, would not conclude that the Series B Bond Approval or the Initial Bond Approvals are invalid based on such allegations. An opinion of counsel represents that counsel's judgment as to the law applicable to the facts of the matter and is not a guarantee as to such judgment.

Because there are no disputed facts in the Series 2015B Bonds Litigation and the Series 2015A Bonds Litigation, a review by an appellate court would be de novo, that is the appellate court's decisions regarding the matters pursued by the plaintiff in the Series 2015B Bonds Litigation and the Series 2015A Bonds Litigation would be based on the appellate court's own analysis and interpretation of the applicable legal principles as applied to the undisputed facts. The City and the Authority believe that they will prevail in any appeal of the Superior Court judgment in the Series 2015B Bonds Litigation and the pending appeal in the Series 2015A Bonds Litigation. However, no guarantee can be given as to the outcome of any appeal in either case. In the event that the California Court of Appeal reverses the decision of the Superior Court in either case, the City and the Authority intend to appeal to the California Supreme Court. If the California Supreme Court were to rule in the plaintiff's favor or refuse to hear an appeal by the San Diego Entities from a Court of Appeal ruling in plaintiff's favor, the Series 2015B Bonds, the Third Supplemental Indenture, the Third Amendment to Site Lease and the Third Amendment to Facilities Lease would be invalid.

In the event of such a final adverse ruling in the Series 2015B Litigation, the Authority would not be obligated to make, and may be precluded from making, principal and interest payments on the Series 2015B Bonds and the City would not be obligated to make, and may be precluded from making, Lease Payments under the Third Amendment to Facilities Lease related to the Series 2015B Bonds. Even if the ruling on appeal did not preclude the Authority from making payment on the Series 2015B Bonds, the failure of the Trustee to receive Lease Payments as scheduled under the Third Amendment to Facilities Lease would result in the Trustee not having sufficient money available to pay debt service on the Series 2015B Bonds.

If the California Supreme Court were to issue a final ruling in the plaintiff's favor, or refuse to hear an appeal by the San Diego Entities from a Court of Appeal ruling holding that the Series 2015B Bonds are invalid, interest previously paid to Beneficial Owners of the Series 2015B Bonds would not be excludable from gross income for federal income tax purposes and interest previously paid to Beneficial Owners of the Series 2015B Bonds would not be exempt from State of California personal income taxes. In such an event, Beneficial Owners may also be required to repay to the Authority any previous payments of principal and interest made on the Series 2015B Bonds.

It is not clear what remedies, if any, the Owners and Beneficial Owners of the Series 2015B Bonds would have in the event the Series 2015B Bonds, the Third Supplemental Indenture, and the Third Amendment to Facilities Lease were to be invalidated. Accordingly, prospective investors should thoroughly review the complaint filed by the plaintiff in the Series 2015A Bonds Litigation attached hereto as Appendix G, the Superior Court judgment attached hereto as Appendix H, the complaint filed by the plaintiff in the Series 2015B Bonds Litigation attached hereto as Appendix I, the Superior Court order of dismissal with prejudice attached hereto as Appendix J, and the form of final approving opinion of Bond Counsel attached hereto as Appendix D-2, in connection with any decision to purchase Series 2015B Bonds.

LITIGATION

Except as disclosed in this Official Statement, there is no controversy of any nature now pending against the City or the Authority or, to the knowledge of their respective responsible officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2015 Bonds or the related documents, or in any way contesting or affecting the validity of the 2015 Bonds or any proceedings of the City or the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the 2015 Bonds or the use of the 2015 Bond proceeds. There is, however, other litigation pending against the City unrelated to the 2015 Bonds. See APPENDIX A "CITY GOVERNMENT AND FINANCIAL INFORMATION – LITIGATION POTENTIALLY ADVERSELY AFFECTING THE GENERAL FUND."

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the 2015 Bonds and with regard to the tax-exempt status of the interest on the 2015 Bonds (see "TA MATTERS") are subject to the legal opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel to the City and the Authority. The signed legal opinion of Bond Counsel for each series of the 2015 Bonds will be delivered to the initial purchasers of the 2015 Bonds at the time of original delivery of the 2015 Bonds. The proposed form of the legal opinion of Bond Counsel for the Series 2015A Bonds is set forth in APPENDIX D-1 "FORM OF BOND COUNSEL OPINION FOR SERIES 201 A BONDS." The proposed form of the legal opinion of Bond Counsel for the Series 2015B Bonds is set forth in APPENDIX D-2 "FORM OF BOND COUNSEL OPINION FOR SERIES 2015B BONDS."

Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed on for the City and the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, and by the City Attorney. Bond Counsel and Disclosure Counsel will receive compensation contingent upon the sale and delivery of the 2015 Bonds.

RATINGS

Fitch Ratings and Standard & Poor's Ratings Services, a Standard and Poor's Financial Services LLC business, have assigned the ratings of " " with stable outlook and " " with stable outlook, respectively, to the 2015 Bonds. Such credit ratings and outlooks reflect only the views of such organizations and any desired explanation of the significance of such credit ratings and outlooks should be obtained from the rating agency

furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York, New York 10004, and Standard & Poor's, Water Street, New York, New York 10041.

The City furnished to the rating agencies certain information, including information that may not be included herein. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that a rating will not be revised downward or withdrawn entirely by the applicable rating agency, if in the judgment of such rating agency, circumstances so warrant. The City undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of the ratings obtained, or other actions by a rating agency relating to its rating, may have an adverse effect on the market price and marketability of the 2015 Bonds.

UNDERWRITING

The 2015 Bonds are being purchased by Citigroup Global Markets Inc., Wells Fargo Bank, National Association, Loop Capital Markets LLC and J.P. Morgan Securities LLC (the "Underwriters"). The Underwriters have agreed to purchase the Series 2015A Bonds at a price of $_____ (being $_____ aggregate principal amount thereof, less Underwriters' discount of plus original issue premium of $_____) and to purchase the Series 2015B Bonds at a price of $_____ (being $_____ aggregate principal amount thereof, less Underwriters' discount of $_____ plus original issue premium of $_____). The purchase agreement relating to the 2015 Bonds provides that the Underwriters will purchase all of the 2015 Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriters may offer and sell the 2015 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriters.

Wells Fargo Bank, National Association is serving as both underwriter and trustee for the 2015 Bonds. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

MUNICIPAL ADVISOR

Public Financial Management, Inc. (the "Municipal Advisor") has acted as Municipal Advisor to the City in conjunction with the issuance of the 2015 Bonds. The Municipal Advisor has assisted the City in preparation of this Official Statement and in other matters related to the planning, structuring, execution and delivery of the 2015 Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the 2015 Bonds.

The Municipal Advisor has not audited, authenticated or otherwise independently verified the information set forth in the Official Statement, or any other information related to the City with respect to the accuracy or completeness of disclosure of such information. The Municipal Advisor makes no guaranty, warranty or other representation respecting the accuracy or completeness of this Official Statement or any other matter related to this Official Statement.

MISCELLANEOUS

This Official Statement has been duly approved, executed and delivered by the Authority and has been duly approved, executed and delivered by the City.

There are appended to this Official Statement, among other things, a summary of certain provisions of the principal legal documents, the proposed forms of the opinions of Bond Counsel, a general description of the City and a description of DTC's Book-Entry Only System. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

This Official Statement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or Owners of any of the Series 2015 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the financial condition, results of operations or any other affairs of the City or the Authority since the date hereof.

PUBLIC FACILITIES FINANCING AUTHORITY OF
THE CITY OF SAN DIEGO

By: _____
Chair

THE CITY OF SAN DIEGO

By: _____
Chief Financial Officer

APPENDIX A

CITY GOVERNMENT AND FINANCIAL INFORMATION

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APPENDIX A

CITY GOVERNMENT AND FINANCIAL INFORMATION

This Appendix A to the Official Statement covers general information about the City of San Diego's (the "City") governance structure, budget processes, reserves, property taxation system and other tax and revenue sources, City expenditures, including labor relations, employment benefits and retirement costs, and investments, bonds and other long-term obligations. The information and data within this Appendix A are the latest data available to the City; however, events or circumstances may have changed since the dates of the data presented.

As explained under "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS" in the front part of this Official Statement, the 2015 Bonds (as defined in this Official Statement) are payable solely from Revenues pledged under the Indenture consisting primarily of the Base Rental Payments (as defined in this Official Statement) to be made by the City under the Lease and certain other money held by the Trustee under the Indenture. The 2015 Bonds are not a debt of the City, the State of California ('the "State"), or any of its political subdivisions, and none of the City, the State or any of its political subdivisions is liable thereon.

GENERAL

Profile of the City of San Diego

The City was incorporated in 1850. The City is comprised of 342 square miles and, as of January 1, 2014, the California Department of Finance estimates the population to be 1,345,895. The City, with approximately 10,400 full-time and part-time employees as of June 30, 2014, provides a full range of governmental services, which include police and fire protection, sanitation and health services, construction and maintenance of streets and infrastructure, recreational activities and cultural events, and maintenance and operation of the water and sewer utilities.

The General Fund is the principal operating fund of the City. Departments within the General Fund provide core community services, such as public safety (including police and fire protection), parks and recreation, library services, and refuse collection, as well as vital support functions such as finance, legal and human resources. These core services are primarily supported by major revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees.

Governing Structure

The City operates under and is governed by the laws of the State and the City Charter (the "Charter"), as periodically amended since its adoption by the electorate in 1 31. The City operates under a "Strong Mayor" form of government. Under the Strong Mayor form of government, the Mayor, who is elected to a four-year term and may serve up to two consecutive terms, is the Chief Executive Officer of the City and has direct oversight over all City functions and services, except for the City Council, Personnel, City Clerk, Independent Budget Analyst, Ethics Commission, City Attorney and City Auditor departments.

The City Council is composed of nine members who are elected to staggered four-year terms and may serve up to two consecutive terms. The City Council is presided over in open meetings by the City Council President, who is selected by a majority vote of the City Council. The Mayor presides over City Council in closed session meetings of the City Council. The City Council retains its 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 Appropriation Ordinances. The City Council may override a Mayoral veto with six votes. The City Attorney, who is elected for a four-year term, serves as the chief legal advisor of and attorney for the City and all departments. The City Attorney is also limited to two consecutive terms in office.

Accounting Practices

The City's accounting policies conform to generally accepted accounting principles applicable to governmental entities. The City's Governmental Funds, including the General Fund, use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when both available and measurable. Licenses, permits, parking citation and other revenues, however, are recorded when received, as they are not susceptible to accrual. Expenditures are recognized when the related liability is incurred except for (1) principal of and interest on general long-term debt, which are recognized when due, and (2) employee annual leave and claims and judgments from litigation and self-insurance, which are recorded in the period due and payable. Proprietary and Fiduciary Funds use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when a liability is incurred.

The City prepares financial statements annually in conformity with generally accepted accounting principles for governmental entities, which are audited by an independent auditing firm. The City's most recent financial statements for the Fiscal Year ended June 30, 2014 were audited by Macias Gini & O'Connell LLP, CPAs. (For ease of reference, references in this APPENDIX A to any particular Fiscal Year (e.g., Fiscal Year 2014) shall mean the Fiscal Year ending June 30 of the referenced year).

CITY BUDGET AND RELATED MATTERS

Budget Process

Budget Development

The City's budgetary process begins with the development of a Five-Year Financial Outlook, which serves as a guiding document for long-range fiscal planning and provides the framework for the development of the City's annual operating budget. The City's most recently published outlook is the Fiscal Year 2016-2020 Five-Year Financial Outlook (the "Five Year Outlook"), which was released on November 14, 2014 and will be the basis for the Fiscal Year 201 budget. See " Five Year Financial Outlook" below.

General Fund revenues and expenditures are established and balanced through the budgeting process and included in the Mayor's proposed budget, along with changes to the non-general funds and capital improvement projects.. The budget document is created, presented by the Mayor to the City Council, and made public by April 15 in compliance with the Charter. The Mayor's proposed budget for Fiscal Year 201 (the "Fiscal Year 201 Proposed Budget") will be released by April 1 , 201 and will be available on the City's website. Set forth in the Mayor's proposed budget are the anticipated revenues and e penditures of the General Fund, certain Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, and certain debt service funds for the ensuing Fiscal Year. Additionally, project-length financial plans are presented to and adopted by the City Council for the Capital Improvements Program.

The City's budgets for Governmental Funds, such as the General Fund, Debt Service Funds, Special Revenue Funds, and Capital Project Funds are prepared based on the modified accrual basis of accounting (revenues are recognized in the accounting period in which they become available and measurable, and expenditures are recognized in the accounting period in which the fund liability is incurred) except that the increase/decrease in reserve for advances and deposits to other funds and agencies are considered as additions deductions of e penditures. The budget for the City's Proprietary Funds, which are comprised of Enterprise Funds and Internal Service Funds, are prepared on the modified accrual basis of accounting with the e ception that revenues are recognized when they are earned. The City's budget e clude unrealized gains or losses resulting from the change in fair value of investments and proceeds from capital leases. These calculations are performed solely for financial statement reporting purposes to be in compliance with Generally Accepted Accounting Principles (GAAP).

Budget Review

The proposed budget is reviewed by City Council and available for review by the public upon its presentation by the Mayor, no later than April 15. During the month of May, the City Council holds a series of public budget hearings to obtain input from City residents on spending priorities. The Mayor then releases in May revisions to the proposed budget, which contains the Mayor's recommended changes to the budget based on updated policy related issues, revised current Fiscal Year-end expenditure and revenue projections, and revised projections of revenues and expenditures in the next fiscal year.

Budget Adoption

As required by the Charter, the City Council adopts the annual budget by June 15 of each Fiscal Year. The City is not aware of the City Council ever having failed to adopt an annual budget by June 15. 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 (the "Appropriation Ordinance") is prepared by the Chief Financial Officer and the City Attorney based on the approved budget and the adopted Salary Ordinance. The Appropriation Ordinance is presented to the City Council for review and adoption in July, following two noticed public hearings as required by the Charter. Amendments to the adopted budget require City Council approval, except as delegated in the annual Appropriation Ordinance.

Budget Monitoring

The City's Financial Management Department and Comptroller's Office monitor fund balances, as well as revenue and e penditure projections, throughout the Fiscal Year. The Comptroller's Office prepares monthly and periodic reports to the City Council that serve as a summary of the year-to-date financial activity of the General Fund and certain other budgeted funds. The Financial Management Department 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 Year-End Budget Monitoring Reports). The First Quarter Budget Monitoring Report includes three months of actual budgetary data. In accordance with Municipal Code Section 22.0229, after six months of actual budgetary data, the Mayor recommends to the City Council mid-year budget adjustments for any projected deficit or surplus. The Year-End Budget Monitoring Report is prepared incorporating nine months of actual results. The Year-End Budget Monitoring Report is typically released at the same time as the City Council's first public hearing on final budget decisions for the upcoming fiscal year. This allows the City Council to have the most current budget information available for the current fiscal year prior to making decisions on the budget for the upcoming fiscal year.

If revenues decline and/or expenditures increase, various alternatives are considered, including alternative funding sources, budget reductions or reallocations of funds between departments to support the ongoing activities of the City. The City also maintains a variety of reserves that are available for expenditure subject to City Council approval and in accordance with the City's Reserve Policy. See "-Reserves" below.

Five Year Summary of Financial Results

Tables A-1 and A-2 present the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance of the City's General Fund, respectively, for Fiscal Years 2010 through 2014.

TABLE A-1
CITY OF SAN DIEGO
BALANCE SHEET FOR THE GENERAL FUND
Fiscal Years 2010 through 2014
(in thousands)
(audited)

ASSETS	***2010***	***2011***	***2012***	***2013***	***2014***
Cash and Investments[1][2]	$ 101,059	$ 222,352	$ 236,030	$ 242,330	$ 322,758
Receivables:					
Taxes – Net[3]	67,070	66,170	84,110	66,132	72,755
Accounts – Net	8,569	12,359	9,846	10,676	8,530
Claims	214	214	214	214	221
Notes and Loans – Net[4]	--	--	21,094	--	--
Accrued Interest	493	498	477	593	535
Grants	--	1	--	--	1,186
From Other Funds[5]	1,000	6,510	1,600	--	38,805
Investment in Joint Venture	1,688	2,055	--	--	--
Advances to Other Funds	--	--	--	1,693	1,548
Advances to Other Agencies	--	45	44	1,083	3,730
Land Held for Resale[6]	--	9,403	7,769	--	--
Prepaid Items	--	--	1,707	--	--
Total Assets	$ 180,093	$ 319,607	$ 362,891	$ 322,721	$ 450,068
LIABILITIES					
Accounts Payable[7]	$ 15,446	$ 16,765	$ 18,172	$ 27,015	$ 34,141
Accrued Wages and Benefits[1]	27,469	36,475	40,838	43,564	48,594
Due to Other Funds[8]	220	--	7,769	--	--
Due to Other Agencies	17	26	34	1,025	50
Unearned Revenue	--	2,563	--	--	--
Deferred Revenue[9]	21,558	17,661	17,005	18,673	--
Contract Deposits	360	369	523	339	403
Total Liabilities	$ 65,070	$ 73,859	$ 84,341	$ 90,616	$ 83,188
TOTAL DEFERRED INFLOWS OF RESOURCES[9]	--	--	--	--	$ 16,766
FUND BALANCE					
Post-GASB 54[1]					
Nonspendable[4]		--	$ 22,140	$ --	$ 1,248
Restricted[2][10]		$ 145,880	102,104	60,507	104,885
Committed[2][7][11]		1,183	44,831	50,560	147,053
Assigned		38,153	--	8,717	5,575
Unassigned		60,532	109,475	112,321	91,353
Total Fund Balance		$ 245,748	$ 278,550	$ 232,105	$ 350,114
Total Liabilities & Fund Balance		$ 319,607	$ 362,891	$ 322,721	$ 450,068
Pre-GASB 54					
Reserves:					
Reserved for Encumbrances	$ 6,307				
Reserved for Advances & Deposits	--				
Reserved for Investment in Joint Venture	1,689				
Unreserved:					
Designated for Unrealized Gains	1,816				
Designated for Subsequent Years' E penditures	197				
Undesignated	105,014				
Total Fund Balance	$ 115,023				
Total Liabilities & Fund Balance	$ 180,093				

(footnotes (unaudited) to Table A-1 appear on next page)

(1) Government Accounting Standards Board Statement No. 4 ("GASB 4") was implemented in Fiscal Year 2011, causing certain variances between the reporting of Fiscal Year 2010 and Fiscal Year 2011.

(2) In Fiscal Year 2014, additional funds were consolidated with the General Fund that had previously been presented separately in the Comprehensive Annual Financial Report. The addition of these funds has caused certain variances from Fiscal Year 2011 through Fiscal Year 2013 as compared to Fiscal Year 2014.

(3) The increase in Fiscal Year 2012 is a result of a residual balance of property tax from the dissolution of the Former RDA (as defined herein).

(4) The increase in Fiscal Year 2012 was due to the recording of a receivable due from the Successor Agency Trust Fund, as a result of the dissolution of the Former RDA. The fund balance component of this receivable was reported as Nonspendable fund balance. This receivable was reduced to $0 in Fiscal Year 2013 to reflect the legal uncertainty regarding its collectability.

(5) Due From Other Funds increased in Fiscal Year 2011 resulting from a loan to the TransNet Fund. The loan was repaid in Fiscal Year 2012 and was executed to cover a negative cash balance resulting from the timing of TransNet receipts. In Fiscal Year 2014 the increase was primarily due to a loan to front construction fund expenses charged to bond funds. The loan was repaid in Fiscal Year 2015 subsequent to receipts of bond construction fund proceeds from the trustee.

(6) Land Held for Resale related to housing projects was reported in the General Fund as part of GASB 54 implementation. These assets were transferred in Fiscal Year 2013 to the Low-Moderate Income Housing Fund.

(7) Fiscal Year 2013 amounts were restated in Fiscal Year 2014 due to a correction of accrued expenditures.

(8) The increase in Fiscal Year 2012 was due to a payable balance due to the Successor Agency Trust Fund, as a result of the dissolution of the Former RDA.

(9) Government Accounting Standards Board Statement No. ("GASB ") was implemented in Fiscal Year 2014, eliminating use of the term deferred in the financial statements. These assets and liabilities are now reported as "Deferred Outflows of Resources" and "Deferred Inflows of Resources." Deferred Revenue recorded in Fiscal Years 2010-2013 is now recorded in Fiscal Year 2014 as a Deferred Inflow of Resources.

(10) Restricted Fund Equity decreased in Fiscal Year 2013 as a result of the low and moderate housing assets and liabilities being transferred from the General Fund to the Low-Moderate Housing Fund. The increase in Fiscal Year 2014 is a result of a contribution to the emergency reserve of appro imately 2 .1 million per the City's reserve policy and the consolidation of certain funds previously classified as special revenue.

(11) A clarification in the implementation guidance of GASB 54 was issued between Fiscal Years 2011 and 2012. The clarification resulted in the Assigned fund balance being reclassified as Committed. The increase in Committed in Fiscal Year 2014 is a result of the consolidation of the Worker's Compensation Fund and Public Liability Fund.

Source: Table: Fiscal Years 2010 - 2014 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego.
Footnotes Comptroller's Office, City of San Diego.

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TABLE A-2
CITY OF SAN DIEGO
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE FOR THE GENERAL FUND
Fiscal Years Ended June 30, 2010 through 2014
(in thousands)
(audited)

	2010	*2011*	*2012*	*2013*	*2014*
REVENUES[1]					
Property Taxes[2]	$ 391,382	$ 384,023	$ 408,776	$ 412,204	$ 460,592
Sales Taxes[3]	192,650	215,873	227,650	240,922	254,219
Transient Occupancy Taxes[4]	65,222	73,399	78,268	83,904	89,673
Other Local Taxes	73,260	70,994	74,818	74,691	117,347
Licenses and Permits	28,024	28,621	31,117	32,772	34,952
Fines, Forfeitures and Penalties[5]	30,179	31,598	62,976	29,656	30,327
Revenues from Federal Agencies	2,859	1,431	1,608	1,341	1,875
Revenues from Other Agencies[6]	6,007	8,773	969	7,645	7,399
Revenues from Private Sources	14	1,016	--	84	2,647
Revenues from Use of Money and Property	40,615	49,923	51,679	56,263	58,637
Charges for Current Services[7]	127,536	181,006	181,682	155,389	186,547
Other Revenue	7,859	4,505	6,239	8,686	16,403
Total Revenues	$ 965,607	$ 1,051,162	$ 1,125,782	$ 1,103,557	$ 1,260,618
EXPENDITURES[1]					
Current:					
General Government and Other Support Services	$ 230,270	$ 259,782	$ 233,122	$ 247,644	$ 264,867
Neighborhood Services[8]	15,845	25,767	60,255	30,994	28,295
Public Safety[9]	563,475	574,248	586,663	599,333	652,266
Parks, Recreation and Culture	121,269	114,375	112,569	119,226	135,879
Transportation	62,884	42,704	58,772	58,813	65,178
Sanitation and Health	73,461	66,320	62,874	63,270	80,543
Capital Outlay	--	776	894	1,351	5,554
Debt Service:					
Principal Retirement[10]	2,640	10,391	11,580	11,688	32,478
Interest	2,888	5,030	3,580	4,905	1,979
Total Expenditures	$ 1,072,732	$ 1,099,393	$ 1,130,309	$ 1,137,224	$ 1,267,040
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(107,125)	(48,231)	(4,527)	(33,667)	(6,423)
OTHER FINANCING SOURCES (USES)[1]					
Transfers from Proprietary Funds[11]	5,723	1,983	17,013	20,127	27,109
Transfers from Other Funds[12]	140,595	158,874	74,273	85,228	27,798
Transfers to Proprietary Funds[13]	(10,157)	(2,852)	(30,234)	(13,013)	(9,134)
Transfers to Other Funds[15]	(28,426)	(22,601)	(36,390)	(61,665)	(37,804)
Net Income (Loss) from Joint Venture	--	--	--	--	--
Proceeds from the Sale of Capital Assets	21	--	3	--	--
Capital Leases	--	--	--	2,824	22,850
TOTAL OTHER FINANCING SOURCES (USES)	$ 107,756	$ 135,404	$ 24,665	$ 33,501	$ 30,819
Extraordinary Gain/Loss[15]	--	--	12,664	(46,279)	(21,067)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	631	87,173	32,802	(46,445)	3,330
FUND BALANCE AT JULY 1[16]	114,392	158,575	245,748	278,550	346,784
FUND BALANCE AT FOLLOWING JUNE 30	$ 115,023	$ 245,748	$ 278,550	$ 232,105	$ 350,114

(footnotes (unaudited) to Table A-2 follow)

(1) GASB 54 was implemented in Fiscal Year 2011 causing certain variances between the reporting of Fiscal Year 2010 and Fiscal Year 2011. In Fiscal Year 2014, additional funds were consolidated with the General Fund that had previously been presented separately in the Comprehensive Annual Financial Report. The addition of these funds has caused certain variances from Fiscal Year 2011 through Fiscal Year 2013 as compared to Fiscal Year 2014.

(2) Does not include sales tax triple flip or vehicle license fees. For a discussion of sales ta triple flip, see " Major Revenue Sources – Sales Ta " below. Property Ta revenue increased in Fiscal Year 2012 mainly due to the dissolution of the Former RDA. The increase in Fiscal Year 2014 is primarily due to a one-time residual distribution related to the Non-Housing DDR of the Successor Agency's Non-Housing Assets.

(3) Includes Proposition 172 safety sales tax revenues and sales tax triple flip.

(4) Includes the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy) only; the balance (5.0% of the 10.5% levy) is allocated to Special Promotional Programs. Of this 5% balance, approximately 1% may be budgeted in the General Fund as discretionary revenue and for Special Promotional Programs in the General Fund.

(5) In Fiscal Year 2012, Fines, Forfeitures, and Penalties increased primarily due to the $27 million settlement awarded to the City from SDG&E for the San Diego wildfires.

(6) In Fiscal Year 2012, the decrease in Revenues from Other Agencies was primarily due to the State of California elimination of motor vehicle license fee revenue. The increase in Fiscal Year 2013 was due to one-time revenues and reimbursement to the City from the Successor Agency for administrative costs.

(7) Charges for Services decreased in Fiscal Year 2013 primarily due to the reclassification of Gas Tax revenues to Transfers from Other Funds.

(8) In Fiscal Year 2012, Neighborhood Services expenditures increased due to the transfer of the Redevelopment Cooperation Agreement Funds to the Successor Agency. Fiscal Year 2013 amount restated in Fiscal Year 2014 due to a correction of accrued expenditures.

(9) Public Safety expenditures increased from Fiscal Year 2013 to Fiscal Year 2014 due to an increase in retirement contributions and flexible benefit costs.

(10) Principal Retirement expenditures increased from Fiscal Year 2013 to 2014 due to the refinancing of certain capital leases.

(11) In Fiscal Year 2012, the Transfers from Proprietary Funds increased due to investments in the Customer Care Solutions application by Public Utilities.

(12) In Fiscal Year 2012, the decrease in Transfers From Other Funds was due to the dissolution of the Former RDA.

(13) In Fiscal Year 2012, the increase in Transfers to Proprietary Funds was due to a $27 million cash transfer received from SDG&E for the San Diego wildfires. Capital expenditures (comprised of equipment purchased by several different departments) are shown separately from other operational expenditures in Fiscal Year 2011.

(14)- In Fiscal Year 2013, transfers from the General Fund to CIP increased by approximately $9 million, and a transfer of housing related balances of approximately $14 million was made from the General Fund to the Low-Moderate Income Housing Fund.

(15) In Fiscal Year 2012, the extraordinary gain was due to the dissolution of the Former RDA. In Fiscal Year 2013, the extraordinary loss was due to the establishment of an allowance for uncollectible interfund loans from the Successor Agency. In Fiscal Year 2014, the extraordinary loss was due to a one-time payment to the Successor Agency to partially fund the Due Diligence Review payment.

(16) The beginning fund balance for Fiscal Year 2011 increased from the ending fund balance for Fiscal Year 2010 due to the consolidation of previously reported special revenue funds with the General Fund, pursuant to GASB 54.

Source: Table: Fiscal Years 2010 - 2014 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego.
Footnotes Comptroller's Office, City of San Diego

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General Fund Operating Budget Summary

Set forth in Table A-3 below are the City's actual results on a budgetary basis for Fiscal Year 2013 and Fiscal Year 2014 and the City's Fiscal Year 201 Adopted Budget for the General Fund. The Fiscal Year 2015 General Fund revenue budget is approximately $1.19 billion and the General Fund expenditure budget is appro imately 1.20 billion. For information on the Fiscal Year 201 Adopted Budget, see "Fiscal Year 2015 Budget" herein.

TABLE A-3
CITY OF SAN DIEGO
GENERAL FUND
OPERATING BUDGET SUMMARY
Fiscal Years 2013 through 2015
(in thousands)

	Fiscal Year 2013	*Fiscal Year 2014*	*Fiscal Year 2015*
	Actuals on a Budgetary Basis[1]	*Actuals on a Budgetary Basis*[1]	*Adopted Budget*
REVENUE SOURCES:			
Property Tax[2]	$ 412,204	$ 460,592	$ 445,429
Sales Tax	232,939	245,932	257,106
Property Transfer Tax	6,968	8,309	9,176
Transient Occupancy Tax	83,904	89,673	92,332
Licenses and Permits[3]	32,772	34,952	24,460
Fines, Forfeitures, and Penalties	29,656	30,327	28,929
Interest Earnings	4,379	313	1,414
Franchises	67,723	71,953	72,044
Other Rents and Concessions	49,036	48,639	45,912
Revenue from Other Agencies/Private Sources	8,754	11,067	9,495
Charges for Current Services[4]	155,102	164,739	120,721
Transfers from Other Funds	91,739	104,719	77,133
Other Revenue	8,862	5,170	4,399
Fund Balance/Excess Equity Appropriation[5]	0	0	13,872
Total General Fund Revenues and Transfers[5]	$ 1,184,038	$ 1,276,385	$ 1,202,422
EXPENDITURES:			
Public Safety	$ 596,848	$ 635,862	$ 618,405
Parks, Recreation, Culture and Leisure	122,008	132,968	133,465
Sanitation and Health	63,553	68,110	77,116
Transportation	59,371	62,166	49,575
Neighborhood Services	22,992	23,832	26,356
General Government and Support[4]	215,601	248,164	200,901
Capital Projects	1,183	3,022	3,356
Debt Service	7,632	3,977	4,087
Transfers to Other Funds	91,276	73,290	89,161
Total General Fund Expenditures and Transfers	$ 1,180,464	$ 1,251,391	$ 1,202,422

(footnotes to Table A-3 appear on next page)

(1) Actuals on a budgetary basis are prepared using the modified accrual basis of accounting except that (1) encumbrances outstanding at year-end are considered expenditures (in Fiscal Year 2013 and 2014 only), (2) the increase/decrease in reserve for advances and deposits are considered as additions/deductions of expenditures, and (3) unrealized gains/losses resulting from the change in fair value of investments, and (4) proceeds from capital leases.

(2) The variance in Property Tax is primarily due to a one-time $34.9 million residual distribution in Fiscal Year 2014 of Redevelopment Property Ta Trust Fund (RPTTF) revenue as a result of the Successor Agency's payment of theNon-Housing Due-Diligence Review."

(3) Licenses and Permits revenue decreased in Fiscal Year 2015 due to restructure of Parking Meter Operations out of the General Fund and into a Special Revenue Fund.

(4) Charges for Services Revenue decreased in Fiscal Year 2015 due to a restructure of the Engineering and Capital Projects Department out of the General Fund and into an Internal Service Fund. Also, expenditures for General Government and Support decreased due to this restructure.

(5) The Fiscal Year 2015 Adopted General Fund Budget had an approved use of Fund Balance/Excess Equity of $13.9 million to maintain a balanced budget. This appropriated fund balance was used for a one-time transfer to the Public Liability Reserve and for Council District Community Projects, Programs and Services in Fiscal Year 2015.

Source: Table: Fiscal Year 2013 and Fiscal Year 2014 Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego; Fiscal Year 2015: Financial Management, City of San Diego.
Footnotes Comptroller's Office, City of San Diego; and Financial Management, City of San Diego.

Fiscal Year 2015 Budget

The City's budget for Fiscal Year 201 (the "Fiscal Year 201 Adopted Budget") reflects General Fund revenue sources at $1.19 billion and expenditures of $1.20 billion. The General Fund budget is appro imately 40.0 percent of the City's total Fiscal Year 201 Adopted Budget of 3.01 billion. The General Fund budgeted expenditure level for Fiscal Year 2015 reflects a net decrease of $49.0 million, compared to the actual results for Fiscal Year 2014 at $1.25 billion. In the development of the Fiscal Year 2015 Budget, a one-time reduction in the General Fund and corresponding increases in the Special Revenue and Internal Service Funds is primarily attributed to the restructure of the Public Works – Engineering and Capital Projects Department from the General Fund to an internal service fund and the restructure of the Parking Meter Operations program from the General Fund to a Special Revenue Fund.

The Fiscal Year 2015 Adopted Budget General Fund expenditures are higher than the General Fund revenues by $13.9 million which is supported by the appropriation of prior year-end fund balance/excess equity. The Fiscal Year 2015 Adopted General Fund Budget includes 6,975.29 budgeted full-time equivalent ("FTE") positions, a net decrease of 292.21 FTE positions from the Fiscal Year 2014 Adopted General Fund Budget, primarily due to the restructure of two General Fund departments to Internal Service and Special Revenue Funds.

The General Fund's four largest revenue sources - property tax (37.5%), sales tax (21.6%), transient occupancy ta ("TOT") (.8), and franchise fees (.1- account for approximately $866.8 million or 72.9% of the total budgeted General Fund revenues in Fiscal Year 2015.

Fiscal Year 2015 Mid-Year Budget Monitoring Report

The Fiscal Year 2015 Mid-Year Budget Monitoring Report, released on February 20, 2015 and revised on February 26, 2015, projects a year-end General Fund budgetary surplus of $4.9 million, with $14.2 million of revenues projected to be over budget and $9.3 million in expenditure projected over budget. The City Council has authorized $3.9 million allocated to prefund the Public Liability Reserve and the Long-term Disability Reserve to Fiscal Year 2016 Reserve Policy levels, which are 40% and 100% respectively.

Presented below are Major General Fund Revenue Projections based on the Fiscal Year 2015 Mid-Year Budget Monitoring Report.

General Fund Major Revenue Projections
Fiscal Year 2015 Mid-Year Budget Monitoring Report
($ in millions)

Revenue Source	Adopted Budget	Year-End Projection	Variance	Variance %
Property Tax	$445.4	$446.6	$1.2	0.3%
Sales Tax	257.1	259.1	2.0	0.8%
Transient Occupancy Tax[(1)]	92.3	94.5	2.2	2.3%
Franchise Fees[(2)(3)]	70.7	76.1	5.4	7.7%

(1) Total City Fiscal Year 2015 Adopted Budget for Transient Occupancy Tax is $176.3 million and the projection is $180.4 million. The balance is budgeted in the Transient Occupancy Tax Fund.
(2) Total City Fiscal Year 2015 Adopted Budget for Franchise Fees is $137.1 million and the projection is $151.6 million. The balance is budgeted in the Environmental Growth and Underground Surcharge Funds.
(3) The total General Fund Franchise Fee revenue is $72.6 million as shown in Table A-3, which includes $1.3 million to fund the vehicles tow program within the Police departmental budget. The above table does not include the $1.3 million amount.
Source: Financial Management, City of San Diego.

Five Year Financial Outlook

The City's Fiscal Year 201 -2020 Five-Year Financial Outlook ("Five-Year Outlook") guides long-range fiscal planning and serves as the framework for development of the Fiscal Year 2016 Adopted Budget. This is the tenth Outlook the City has published since November 2006 and incorporates projected General Fund revenues and information on the methodology and basis for those projections, and priority appropriation needs in General Fund departments over the next five fiscal years. This Five-Year Outlook focuses on identified Priority Initiatives for the coming fiscal years, as well as providing additional information on departmental requests submitted in the development of the Five-Year Outlook. This document is not a budget, and therefore does not include all departmental requests that may be identified and considered in the preparation of the Fiscal Year 2016 Proposed Budget and future budgets. The Priority Initiatives identified in the Five-Year Outlook are: (1) Infrastructure and Neighborhood Investments; (2) Public Safety; (3) Technology Improvements to better serve the public; and, (4) Transparency and Open Data Initiatives. Priority departmental submissions for future budgetary appropriations have been grouped into these categories for the Fiscal Year 2016 Budget

The Five-Year Outlook is built on the Fiscal Year 2015 Adopted Budget less one-time revenues and expenditures from the Fiscal Year 2015 Adopted Budget and includes updated revenue and expenditure projections for Fiscal Year 2016 through Fiscal Year 2020. The Five-Year Outlook projects an estimated 8. million surplus for the City's Fiscal Year 201 General Fund budget with a projected surplus of 1 4.1 million by Fiscal Year 2020. The Five-Year Outlook projects that all four major revenue sources (property tax, sales tax, transient occupancy tax, and franchise fees) will increase in Fiscal Year 2016, however, the rate of increase in outer years is expected to slow returning to more normal levels of growth.

The four Priority Initiatives mentioned above are the focus of the Five-Year Outlook to allocate resources to infrastructure, neighborhoods, public safety, technology improvements, and transparency initiatives while maintaining strong financial management practices. The Priority Initiative categories identify revenues and e penditures for programs and services in addition to the General Fund's ongoing revenues and expenditures included in the Fiscal Year 2016-2020 projections. Adding these Priority Initiatives to the City's Fiscal Year 2016-2020 projections results in a projected surplus of $2.9 million for Fiscal Year 2016 increasing to $61.8 million by Fiscal Year 2020. The revenue and expenditure projections will be updated during the development of the Fiscal Year 2016 Proposed Budget.

Reserves

City Reserve Policy

The City Charter Section 1 requires the City to create and maintain a "General Reserve Fund" to meet cash obligations for the first four months or other necessary period of each Fiscal Year prior to the collection of taxes. The City fulfills this requirement through City's pooled investment fund and if necessary through the sale of tax and revenue anticipation notes.

In 2008, the City Council established a "City Reserve Policy", which sets forth the City's approach to establishing and maintaining adequate reserves across the spectrum of City operations, including the General Fund (the "General Fund Reserves") and Risk Management (the "Risk Management Reserves"). The City Reserve Policy is reviewed biennially, with any updates and changes approved by the City Council. An updated City Reserve Policy ("Revised Reserve Policy") was reviewed and approved by the City Council in July 2014.

General Fund Reserves

The Revised Reserve Policy updated in July 2014 restructured the General Fund reserve levels into two primary categories: the Emergency Reserve and the Stability Reserve. The Emergency Reserve target is set at 8.0% and the Stability Reserve makes up the remaining 6.0% of the overall 14.0% goal under the Revised Policy. Any funds above 14.0% are considered to be Excess Equity which are spendable and unrestricted General Fund fund balance that is not assigned to General Fund Reserves.

In the event either of these reserves is reduced below the amount established by the Reserve Policy, the Mayor is required to prepare a plan as promptly as conditions warrant to replenish such reserve balance to policy levels.

Emergency Reserve. The Emergency Reserve is 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. The Emergency Reserve is not to be accessed to meet operating shortfalls or to fund new programs or personnel. This reserve may be expended only if an event is determined to be a public emergency by a two-thirds vote of the City Council, when such e penditures are necessary to ensure the safety of the City's residents and their property.

Stability Reserve. The Stability Reserve is 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 will be brought forward by the Mayor and require approval by a majority of the City Council.

The fund balance of the General Fund includes the Emergency Reserve and Stability Reserve, and the spendable and unrestricted fund balance referred to as E cess Equity in the City's Reserve Policy. The City's Revised Reserve Policy requires the total General Fund reserves equal 14.0% of the most recent three-year average of annual audited General Fund operating revenues. The audited Fiscal Year 2014 ending fund balance was $182.5 million, or 17.1% of the three-year average of Fiscal Year 2011 through Fiscal Year 2013 audited General Fund operating revenues, exceeding the required reserve by 3.1%, or $32.7 million (amounts e ceeding the required reserve are referred to as the "E cess Equity.")The Fiscal Year 2014 ending fund balance is comprised of $85.6 million in the Emergency Reserve, $64.2 million in the Stability Reserve, and $32.7 million in Excess Equity, a portion of which was appropriated in Fiscal Year 2015 ($12.8 million was budgeted to the Public Liability Reserve Fund and $1.7 million was budgeted for City Council Community Projects, Programs and Services).

Based on the activity projected in the Fiscal Year 2015 Mid-Year Budget Monitoring Report, the ending fund balance for Fiscal Year 2015 is projected to be $169.78 million, or 15.1% of the average of Fiscal Year 2012 through Fiscal Year 2014 audited General Fund operating revenues. The required reserves have increased due to higher operating revenues in Fiscal Year 2015. After accounting for the required reserve level of 14.0%, or $157.4 million, and the projected funding of $1.1 million for the City Council Community Projects, Programs and Services in Fiscal Year 2016, the available Excess Equity is projected to be $11.34 million, for Fiscal Year 2015.

Risk Management Reserves

Additionally, the City maintains separate Risk Management Reserves in order to provide funding for claims made against the City. The Risk Management Reserves include the Workers' Compensation Fund Reserve, the Long-Term Disability Fund Reserve, and the Public Liability Fund Reserve. See "RIS MANAGEMENT – Self Insurance – Workers' Compensation and Long-Term Disability" and "– Public Liability Insurance" herein.

All operating funds including General Fund and the enterprise funds contribute a pro rata amount equal to a specified rate based on the gross employee salaries paid from all the operating funds, to both the Workers' Compensation Fund Reserve and the Long-Term Disability Fund Reserve. These contributions consist of the funding for current expenditures and for the annual reserve contributions as specified in the Revised Reserve Policy.

Workers' Compensation Fund Reserve. The Workers' Compensation Fund Reserve is maintained as a contingency in the event the annual expense for claims exceeds the annual "pay-go" budgeted amount. Consistent with the Revised Reserve Policy, year to year fluctuations in the City's outstanding liability are factored into the City's Workers' Compensation Fund contributions to achieve a target reserve level equal to 25% of the average outstanding liability for the three most recent fiscal years.

As of June 30, 2014, the outstanding balance in the Worker's Compensation Fund Reserve was $44.2 million, or 26.6% of the three year average of the outstanding liability for Fiscal Years 2012 through 2014. The projected Fiscal Year 2015 reserve is $48.5 million, or 25%, per the Five Year Outlook. This is the updated three year average of the outstanding liability reported in the actuarial valuations for Fiscal Year 2012 through Fiscal Year 2014.

Long-Term Disability Fund Reserve. The Long-Term Disability Fund Reserve is maintained to fund self-insured claims in the event the annual expense for a claim exceeds the annual "pay-go" budgeted amount. As of June 30, 2014, the outstanding balance in the Long Term Disability Reserve was $14.8 million and is projected to be approximately $16.7 million as of June 30, 2015 per the Five Year Outlook. The target level, based on the average outstanding liability reported in the actuarial valuations for Fiscal Year 2012 through Fiscal Year 2014, is $18.3 million by the end of Fiscal Year 2016 as reported in the Five Year Outlook. The City planned to make an additional contribution of $1.6 million ($1.1 million General Fund and $.5 million non-general funds) in Fiscal Year 2016 to meet the target level of 100% funding. The City Council approved pre-funding the General Fund contribution of $1.1 million for Fiscal Year 2016 on March 2, 2015. The City is evaluating the feasibility of purchasing a commercial insurance policy to cover liability claims as an alternative to the current practice of self-insurance.

Public Liability Fund Reserve. The Public Liability Fund Reserve is maintained as a contingency in the event the annual expense for claims exceeds the "pay-go" budgeted amount. Consistent with the Revised Reserve Policy, year to year fluctuations in the City's outstanding liability are factored into the City's Public Liability Fund contributions to achieve certain incremental reserve targets annually and achieve a final target reserve level equal to 50% of current estimated outstanding public liability obligations by Fiscal Year 2019. The City Council approved pre-funding the General Fund $2.8 million contribution for Fiscal Year 2016 on

March 2, 2015. With this approval, the City has reached the Fiscal Year 2016 target reserve level of 40% one year early.

The Public Liability Fund Reserve receives an annual allocation solely funded from the City General Fund, as approved by City Council in the annual budget ordinance. The allocation includes funding for current expenditures and for the annual reserve contribution as specified in the Revised Reserve Policy.

The balance in the Public Liability Fund Reserve was $39.6 million as of June 30, 2014 and is projected to be $35.1 million as of June 30, 2015 per the Five Year Outlook. Based on the average value of outstanding liability for Fiscal Years 2012 through 2014, a total contribution of $12.3 million is projected for Fiscal Years 2016 through Fiscal Year 2019, in order to meet the 50% target level of $47.4 million by Fiscal Year 2019.

Potential Impacts from Federal and State Budget

Federal fiscal policies and State budget actions can impact the General Fund adversely. Direct funding contributed by federal and state governments for the General Fund for Fiscal Year 2014 is projected to be less than one percent (1%) of revenues. Although federal and state contributions are not a major revenue source to the General Fund, federal and State budget decisions can negatively impact the local economy which, in turn, can result in lower revenues to the General Fund from the major sources such as property taxes, sales taxes and TOT revenues.

Given the current uncertainty regarding federal fiscal policy and its impact on the State, and the inherent volatility in the State's revenue system, the City cannot fully anticipate the impacts of these factors on the revenues or expenditures of the City. The City cannot predict the extent of any fiscal problems that will be encountered in this or in any future Fiscal Years, and it is not clear what measures will be taken by the State or federal government to address current or future economic conditions. Future federal and State budgets will be affected by national economic conditions and other factors over which the City will have no control. Also, the City cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the State's budget challenges, or the impact that such actions will have on the City's finances and operations. To the extent that the State budget process results in reduced revenues or increased expenses to the City, the City will be required to make adjustments to its budget. See "STATE BUDGET INFORMATION" herein.

Major Revenue Sources

Property Taxes

Property ta revenue is the City's largest revenue source, representing 3 . of the total General Fund revenue for the Fiscal Year 2015 Adopted Budget. The County of San Diego (the "County") assesses and collects secured and unsecured property taxes for the cities, school districts, and special districts within the County, including the City. The delinquency dates for property tax payment are December 10 for the first installment and April 10 for the second installment. Once the property taxes are collected, the County conducts its internal reconciliation for accounting purposes and distributes the City's share of such ta es to the City, periodically and typically pursuant to a published schedule. Prior to distribution, the moneys are deposited in an account established on behalf of the City in the County Treasurer's Investment Pool (the "Pool"). If the County or the Pool were at any time to become subject to bankruptcy proceedings, it is possible that City property taxes held in the Pool, if any, could be temporarily unavailable to the City. In the event of such an occurrence, the City believes that General Fund revenue requirements could be met for a limited period of time through the use of other City funds. *Ad valorem* taxes are subject to constitutional limits as discussed under the section "LIMITATIONS ON TA ES AND APPROPRIATIONS." The City does not participate in a Teeter Plan, which is an alternate method for allocating property taxes by counties. A Teeter Plan allows counties to allocate 100% of property taxes levied for a city in exchange for retaining future

delinquent tax payments, penalties and interest. Since the City does not participate in the Teeter Plan, it receives taxes, penalties and interest on delinquent taxes as collected by the County.

Taxes are levied for each Fiscal Year on taxable real and personal property which is situated in the City as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing the taxes on which there is a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the ta es. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the Fiscal Year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. If not paid, the property is subject to default. Such property may be redeemed by payment of the delinquent taxes and the delinquent penalty, plus a redemption penalty of 1.5% per month from July 1 of the following year to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due following the January 1 lien date and become delinquent, if unpaid, on August 31 of the Fiscal Year. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the Fiscal Year. The taxing authority has four ways of collecting unsecured personal property taxes: (a) commencing a civil action against the taxpayer; (b) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (c) filing a certificate of delinquency for record in the County Recorder's Office, in order to obtain a lien on certain property of the taxpayer; and (d) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee.

A supplemental assessment occurs upon a change of ownership of existing property and for new construction upon completion. A supplemental tax bill is issued for the difference in property value resulting from the increase or decrease in assessed value prorated for the remainder of the year.

Effective July 1, 1988, Assembly Bill 454, Chapter 921, eliminated the reporting of the unitary valuations pertaining to public utilities such as San Diego Gas and Electric. In lieu of the property tax on these previously included assessed valuations, the City now receives from the State (through the County) an amount of unitary revenue based upon the unitary property tax received in the prior year.

Property taxes allocated to the City include an amount to compensate cities for the loss of motor vehicle license fees. Motor ehicle License Fees ("M LF" or " LF") are levied as a percentage of an automobile's purchase price, subject to depreciation, and are paid annually to the California Department of Motor ehicles at the time of registration. The fees are then forwarded to the State Controller's Office, which allocates the funds to local governments per capita on a monthly basis. Beginning in 1999, the MVLF underwent a series of offsets, first initiated by the State Legislature as part of the 1998-1999 Budget agreement. These offsets ultimately resulted in a 67.0% reduction in the effective MVLF rate, from 2.0% of a vehicle's value to 0. . To compensate cities and counties for the ta offset, the State began providing State General Fund revenue to cities and counties on a dollar-for-dollar basis, known as the MVLF backfill. As part of the Fiscal Year 2005 State Budget agreement, the MVLF rate was statutorily reduced to 0.65%, thereby eliminating the MVLF backfill. Cities were compensated for the loss in MVLF revenue with increased property tax revenues. Although the MVLF rate has subsequently increased, the City does not share in this increase.

Property taxes allocated to the City also include a special tax levy of $0.005 per $100 of assessed value, authorized by the Charter for the maintenance of zoological exhibits in Balboa Park. These funds are remitted to the San Diego Zoological Society, a not-for-profit corporation independent from the City that

manages the zoo, in accordance with a contractual agreement with such society. As required by the Charter, these revenues are collected in the Zoological Exhibits Fund, a special revenue fund.

Fiscal Year 2015 Property Tax Budget. The total Fiscal Year 2015 property tax budget is $445.4 million, which includes additional property tax distributions from the Former RDA. See " Former Redevelopment Agency" below. The Fiscal Year 201 Adopted Budget for property ta revenue, e cluding property tax revenue from the Former RDA, is $428.3 million, consisting of $314.3 million of 1% property tax levy and 114.0 million of "in lieu of LF" property ta revenue. The property ta budget was developed based on the City's assessed valuation growth of .2 percent as well as stronger home sales, increases in median home price, a positive California CPI in calendar year 2013 and a projected decrease in the number of foreclosures. In addition, the Fiscal Year 2015 Adopted Budget includes $4.2 million in tax sharing pass-through payment from the Former RDA as part of the Recognized Obligations Payment Schedule ("ROPS"), and $12.9 million in anticipated residual property tax payments. The residual property tax payments are the City s proportionate share of funds remaining in the Redevelopment Property Ta Trust Fund ("RPTTF") after ROPS requirements have been met.

In the Fiscal Year 2015 Mid-Year Budget Monitoring Report, property tax revenue is projected to be slightly above budget at year-end. The projected increase from the current budget is primarily due to a residual distribution from the Redevelopment Property Tax Trust Fund ("RPTTF") and an increase in the MVLF backfill payment. The mid-year projection also reflects a $2.9 million increase from the projection in the First Quarter Report due to a $2.8 million increase in RPTTF revenue and a $100,000 increase in the 1.0% base property tax receivables. The year-end projection for the 1.0% base property tax varies from the current budget by $400,000 due to slight variations in the current secured and unsecured categories. The MVLF backfill payment varies from the current budget by $1.4 million as a result of the actual payment being higher than budgeted.

The property tax projection includes a total tax sharing pass-through payment of $4.2 million from the former Redevelopment Agency based on projections for the upcoming Recognized Obligation Payments Schedule ("ROPS") and is reflected in the current budget. In addition to tax sharing pass-through payments, the City will also receive residual property ta payments. The residual property ta payment is the City's proportionate share of funds remaining in the RPTTF after the ROPS requirements have been met. The projected residual property tax payment is approximately $13.1 million, $200,000 over budget.

Table A-4 presents the assessed valuation within the City for each of the last ten Fiscal Years.

TABLE A-4
CITY OF SAN DIEGO
ASSESSED VALUATION [(1)(2)(3)]
Fiscal Years Ended June 30, 2006 through 2015
(in thousands except for percentages)
(unaudited)

Fiscal Year	*Secured Property*	*Unsecured Property*	*Total Gross Assessed Valuation[(4)]*	*Annual Assessed Valuation % Change*
2006	$139,172,550	$7,696,421	$146,868,971	12.88%
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	9,724,519	206,061,036	6.23%

(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, 2014 is the official assessment date for property taxes due during Fiscal Year 2015.
(2) Does not include state assessed utility property.
(3) Reflects incremental value allocated to former redevelopment project areas.
(4) Total assessed valuation before various exemptions are deducted. Fiscal Year 2014 exemptions equaled approximately $10 million.

Source: Fiscal Years 2006 – 2014: Comprehensive Annual Financial Report Statistical Section (unaudited), Comptroller's Office, City of San Diego. Fiscal Year 201 Assessor's Office, County of San Diego

Table A-5 shows the City's secured tax collections for each of the ten Fiscal Years shown.

TABLE A-5
SECURED TAX LEVIES AND COLLECTIONS[1]
Fiscal Years 2005 through 2014
(in thousands except for percentages)
(unaudited)

Fiscal Year	*Tax Levy*	*Current Year Collections*	*Current Year Collections as Percentage of Current Tax Levy*	*Total Tax Collections[2]*	*Total Collections as Percentage of Current Tax Levy*
2005	$227,422	$213,173	93.73%	$221,126	97.23%
2006	255,211	240,895	94.39	249,047	97.58
2007	272,983	257,034	94.16	266,172	97.50
2008	289,235	271,657	93.92	281,842	97.44
2009	299,935	284,212	94.76	299,200	99.75
2010	297,208	284,600	95.76	298,538	100.45
2011	293,617	283,978	96.72	297,049	101.17
2012	295,977	289,500	97.81	298,151	100.73
2013	299,311	293,557	98.08	301,487	100.73
2014	315,046	308,592	97.95	315,811	100.24

(1) Property Tax Levies and Collections for the General Fund and Zoological Exhibits Fund. Current Year Collections as Percentage of Current Tax Levy column reflects combined collection rate for secured and unsecured property taxes collected in General Fund and unsecured property taxes collected in Zoological Exhibits Fund.

(2) Total Collections include unpaid taxes and penalties from previous years' tax levies collected in the current Fiscal Year, which is why Total Collections can be in excess of Tax Levy.

Source: Fiscal Year 2014 Comprehensive Annual Financial Report Statistical Section (unaudited), Comptroller's Office, City of San Diego.

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Table A-6 below indicates the ten largest secured and unsecured property taxpayers in the City for the tax roll of Fiscal Year 2014.

TABLE A-6
PRINCIPAL PROPERTY TAXPAYERS IN CITY OF SAN DIEGO[(1)(2)]
Tax Roll for Fiscal Year 2014
(in thousands, except for percentages)
(unaudited)

Taxpayers	*Type of Business*	*Taxable Assessed Value*	*Percent of Total City Taxable Assessed Value*
Irvine Co.	Real Estate	$ 1,618,629	0.88%
Qualcomm, Inc	Electronics	1,434,626	0.78
Kilroy Realty, LP	Real Estate	1,428,488	0.78
Are SD Region Exchange LLC	Real Estate	853,654	0.46
Host Hotels Resorts LP	Hotel Management	781,415	0.42
One Park Boulevard LLC	Hotel Management	612,551	0.33
OCSD Holdings	Real Estate	488,798	0.27
Fashion Valley Mall, LLC	Developer	476,580	0.26
Arden Realty LTD. Partnership	Real Estate	455,245	0.25
SeaWorld Parks	Entertainment	436,958	0.24
TOTAL		$ 8,586,944	4.67%

Source: Fiscal Year 2014 Comprehensive Annual Financial Report Statistical Section (unaudited).

Sales Tax

Sales tax is collected and distributed by the State Board of Equalization. The sales tax rate is established by the State Legislature. Sales ta is the City's second largest revenue source representing 21. of General Fund revenues in the Fiscal Year 2015 Adopted Budget.

The City's sales ta revenues shown in Table A3 include a reimbursement from property taxes that the City will receive as a result of the "triple flip." Triple flip is the shift enacted by the State in Fiscal Year 2005 whereby local governments shift one-quarter of a cent of their Bradley-Burns Sales and Use Tax to the State to pay economic recovery bonds in exchange for an equivalent amount of property tax. Sales Tax projections include the anticipated end of the "triple flip," which is now scheduled to occur in Fiscal Year 2016. The end of the "triple-flip" is projected to result in a one-time increase in sales tax revenue. Based on current estimates of the timeline to unwind the "triple flip," the City will accrue a one-time increase of $12.6 million in sales tax revenue in Fiscal Year 2016.

Collected at the point of sale, sales tax receipts are remitted to the State Board of Equalization, which allocates tax revenue owed to the City in the form of monthly payments. According to the Bradley-Burns Sales and Use Tax law, cities are to receive one cent of the total 7.50 cent statewide sales tax levied on each dollar of taxable sales (one-fourth of which is now received as property tax). In addition to the Bradley-Burns sales tax, San Diego County voters approved a half-cent supplemental sales tax in 1987 to fund the San Diego Transportation Improvement Program ("TransNet"), resulting in a total countywide sales ta of 8.0 . The TransNet sales tax was renewed in 2008 for an additional 40-year term. TransNet sales tax revenues are not City General Fund revenues, are restricted to transportation projects and are not available to pay the City's General Fund lease obligations. Sales tax also includes a half-cent sales tax known as the Proposition 172 safety sales tax, which the California voters approved in 1993 for the purpose of funding local public safety expenditures, and a quarter-cent sales tax increase effective January 1, 2013, which the California voters

approved at the November 2012 election. The new quarter-cent sales tax revenues are not available to pay the City's General Fund lease obligations.

Fiscal Year 2015 Sales Tax Budget. The Fiscal Year 2015 General Fund Adopted Budget for sales tax revenues is $257.1 million (excluding Proposition 172 safety sales tax), consisting of $190.4 million in sales tax revenue and $66.7 million in triple-flip reimbursements. The Fiscal Year 2015 Adopted Budget for sales tax assumed an improvement in consumer confidence and lower unemployment compared to previous years.

In the Fiscal Year 2015 Mid-Year Budget Monitoring Report, sales tax revenue is projected to exceed the Adopted Budget at fiscal year-end by $2.0 million, primarily due to continued growth in consumer spending in almost all industry groups. The City can provide no assurance that actual sales tax receipts will not be materially less than projected. See Official Statement, APPENDIX B "DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY – Table B-4" for historic taxable transactions in the City.

Transient Occupancy Tax

The City's TOT is levied at 10.5 cents per dollar of the daily room price in hotels and motels used by visitors staying in San Diego for fewer than 30 consecutive days. The TOT is allocated pursuant to the City Municipal Code, with guidelines provided by the City Council Policy 100-3. Of the 10.5 cents of collected TOT, 5.5 cents is allocated toward general government purposes; 4.0 cents is allocated to special programs to promote the City's cultural amenities and natural attractions and to support the City's General Fund departments that provide services related to promoting local tourism; and the remaining 1.0 cent is allocated for any purposes approved by the City Council.

San Diego's local attractions, natural amenities, and proximity to other popular tourist sites continue to make the area a top destination. According to estimates from the San Diego Tourism Authority (the "Tourism Authority"), there will be 34.[illegible] million visitors in calendar year 201[illegible] in San Diego, which is a 2.3% increase than in calendar year 2014. The average hotel occupancy is expected to increase by 1.0% to be at 75.4% in calendar year 2015. Although the region remains a popular spot for vacations and conventions, future economic weakness and other factors could have an adverse impact on tourism in San Diego and, in turn, could result in a reduction in TOT.

Fiscal Year 2015 Transient Occupancy Tax Budget. The Fiscal Year 2015 Adopted Budget for TOT revenues is $176.3 million. Of the total budgeted amount, $92.3 million in TOT revenue are allocated to the General Fund, which comprises 7.8% of the General Fund revenue budget. The remaining funds are allocated to Special Promotional Programs, which includes the one-cent City Council discretionary TOT funding budgeted to be transferred to the General Fund and TOT allocated for reimbursement of General Fund tourism related expenditures. The TOT revenue estimate for Fiscal Year 2015 is based on the growth in receipts experienced over the past two calendar years and projections for continued increases in overnight visitors. As a result, growth in TOT receipts is expected to continue through the remainder of Fiscal Year 2015.

In the Fiscal Year 2015 Mid-Year Budget Monitoring Report, General Fund TOT revenue is projected to exceed budget at fiscal year-end by $2.2 million, or 2.3%, primarily due to gains in occupancy and room rates, and an increase in overnight visitors to San Diego during calendar year 2014.

For further discussion of tourism in the City and County, see APPENDIX B "DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY – Tourism."

Franchise Fees

Franchise fees revenue results from agreements with private utility companies in exchange for use of the City's rights-of-way. Currently, San Diego Gas and Electric ("SDG&E"), Cox Communications, Time

Warner Cable, and AT&T are the primary sources of franchise fee revenue to the City. In addition, the City collects franchise fees from private refuse haulers that conduct business within its borders. The revenue received from such agreements is based on a percentage of gross sales.

SDG&E, the single largest contributor of franchise fee revenue, is charged 3.0% of the gross sales of gas and electricity within the City. In addition, the City receives a 3. surcharge on SDG&E's electricity sales for the undergrounding of electric utility lines that was approved by the California Public Utilities Commission in December 2002. The City also generates franchise fee revenue by collecting 5.0% of gross revenues from Cox Communications, Time Warner Cable, and AT&T. Refuse hauler fees are imposed on private refuse haulers depending on tonnage per year: Class I haulers (less than 75,000 tons per year) or Class II haulers (more than 75,000 tons per year).

Fiscal Year 2015 Franchise Fees Budget. The Fiscal Year 2015 Budget includes $72.0 million in franchise fee revenue, which comprises 6.1% of the General Fund revenue budget. The budget is based on the average growth of actual receipts in previous years.

The Fiscal Year 2015 General Fund Budget for SDG&E franchise fee revenue is $40.0 million. The revenue from cable franchise fees is primarily from Cox Communications, Time Warner Cable and AT&T. The Fiscal Year 2015 Adopted Budget includes cable franchise fee revenue of $18.1 million.

Another category of franchise fee revenue is from private refuse haulers and is based on the total amount of refuse hauled annually. The Fiscal Year 2015 Adopted Budget for refuse hauler franchise fee revenue from refuse haulers is $9.5 million. The City also budgeted $3.0 million in franchise fees from the EDCO and Sycamore Landfill facilities, $1.3 million from the vehicle tow program, and $0.2 million from other franchise fee sources.

In the Fiscal Year 2015 Mid-Year Budget Monitoring Report a surplus of $5.4 million is projected for total franchise fee revenue at year-end as compared to the Adopted Budget. The projected increase in franchise fees is attributed to increases in revenue from SDG&E and cable companies. The increase in SDG&E franchise fee revenue is primarily due to increased energy rates and consumption. The increase in cable franchise fees is due to increased receipts from all cable providers. SDG&E has implemented several rate increases approved by the Public Utilities Commission after the adoption of the Fiscal Year 2015 budget. The increase in revenues is partially offset with increases in electricity costs for all City departments (including $2 million for General Fund departments).

Former Redevelopment Agency

The Redevelopment Agency of the City of San Diego (the "Former RDA") was dissolved as of February 1, 2012. The City is serving as the Successor Agency to the Former RDA and as the successor housing entity to the Former RDA. The Successor Agency is a separate and distinct legal entity from the City, whereas the successor housing entity is the City, not a separate legal entity. The role of the Successor Agency is to wind down the activities of the Former RDA. On December 2, 2013, the California Department of Finance (DOF) issued a finding of completion to the Successor Agency, signifying the Successor Agency's completion of three lump-sum payments of unencumbered funds to the San Diego County Auditor-Controller for pro rata distribution to the local taxing entities, including the City. The Successor Agency made one of those lump-sum payments – in the amount of $89.6 million – in uly 2012, shortly after the Former RDA's dissolution, and made two of those payments – in the amounts of $13.3 million and $167.3 million, respectively – in 2013 related to the two-part due diligence review of the Former RDA's affordable housing funds and non-housing funds. The dissolution laws do not set forth a process for any additional mandatory lump-sum payments of this nature. At this time and absent any new legislation by the State, the City does not expect significant additional payments to be made from the General Fund related to the dissolution of the Former RDA. While uncertainty remains regarding the obligations of the Former RDA, particularly with

respect to the successor housing entity and with certain loan repayment agreements, much of the impact to the General Fund has already been absorbed.

The City has assumed certain obligations as the successor housing entity of the Former RDA, particularly with respect to affordable housing. A nonprofit organization, known as the Affordable Housing Coalition of San Diego County ("Coalition"), has initiated litigation, now pending in Sacramento County Superior Court, alleging that all successor agencies in San Diego County must fulfill any historical, unmet obligations related to the production of affordable housing units under the Redevelopment Law despite the dissolution of all redevelopment agencies and the elimination of tax increment revenue. If the Coalition prevails on the merits in this lawsuit, and if the court does not allow the Successor Agency to receive any new source of funds to fulfill any historical, unmet affordable housing obligations, then the City's General Fund could be exposed to substantial liability in an undetermined amount in excess.

The DOF invalidated two repayment agreements between the Former RDA and the City, totaling approximately $68.4 million, resulting from loans issued by the City to the Former RDA from United States Department of Housing and Urban Development ("HUD") sources. These agreements were invalidated by the DOF eliminating the Successor Agency's source for repayment. It is possible that the City will be required to make future scheduled payments from the General Fund or from other City sources for the benefit of HUD. See CAFR, Note 17 for additional information.

General Fund Infrastructure and Multi-Year Capital Program

The City owns a wide array of public assets, including police stations, fire stations, library facilities, operational facilities, parks, recreation centers, streets, and bridges which are maintained with amounts expended from the General Fund. Over the years, under the pressure of competing financial priorities, the City has deferred investment in the City's infrastructure. The City deferred the repair, maintenance, and funding for capital expenditures for many of these asset classes resulting in deteriorated structures, including parts of the City's core infrastructure. Starting in 2007, the City undertook planning to assess the condition of the key asset classes and also began to address the deferred capital costs through a multi-year financing program supplemented by cash funding from various sources including the General Fund, TransNet, and Proposition 42 funds. In 2011, the City estimated there was a backlog of approximately $898 million in deferred capital needs for the City's existing infrastructure to be funded from the General Fund, estimated at $478 million for streets, $185 million for public buildings, and $235 million for storm drain infrastructure (see "Storm Water Program" herein).

The 2011 estimate was based on a partial assessment of the three major asset classes described above. This initial estimate of the large backlog of capital needs provided the City with a starting point to formulate multi-year financial and capital plans using existing financial resources and gradually rebuilding the core General Fund infrastructure.

Beginning in Fiscal Year 2014, the City has identified additional funding to conduct comprehensive condition assessment studies for City sidewalks, streets, parks, and General Fund facilities occupied by City or leased to other agencies. Condition assessments for General Fund Facilities (buildings) are currently underway. These assessments evaluate the physical structure (superstructure and foundation), the building systems (roofing, plumbing, electrical, equipment, fire protection, HVAC), and interior finishes (paint, carpeting). To date the preliminary condition assessments of 349 out of 680 General Fund facilities have been completed. The preliminary estimate from City Public Works to bring these facilities to a near new condition is $983 million in 2014 dollars. The estimate for ongoing capital renewal to sustain these facilities for the next 20 years (2014-2034) at the same very good condition is estimated at $1.8 billion in 2014 dollars. Despite the comprehensive condition assessment processes and cost estimating the City is undertaking, the City notes that it is not an industry standard to bring and sustain all facilities to a near new condition level. The City is developing appropriate service and condition levels for facility types based on industry best practices. The result of this effort will reduce the cost estimates provided above and capital renewal requirements for the 349

General Fund facilities. The City expects to complete the development of service levels and assessments of the remaining 331 General Fund facilities by Fiscal Year 2016.

Evaluation of the condition of City sidewalks is anticipated to be completed in the first half of calendar year 2015, followed by the completion of City streets assessment by the end of the calendar year 2015, and then park and recreation facilities in Fiscal Year 2016. Concurrent with the completion of the condition assessment of all major General Fund asset classes which are to be followed by the identification of appropriate service level goals for these asset classes, the City expects to generate a realistic and updated total General Fund assets capital backlog amount. While the existing asset condition assessments are being completed, the City continues to program available resources for the most immediate and critical capital needs.

An active financial plan for addressing the General Fund core infrastructure was initiated in 2009 with the issuance of the deferred capital Lease Revenue Bonds for $103 million. In 2012, the City Council approved a multi-year deferred capital program funding plan that provides bond funding for approximately $420 million over a five-year period from Fiscal Years 2013 through 2017, and an increase in annual cash funding for maintenance and repair and capital expenditures from $50 million in Fiscal Year 2014 to $79 million by Fiscal Year 2017. So far, approximately $213 million in lease revenue bond proceeds has been allocated to General Fund Capital Improvement Program (CIP) projects for planning, design, and construction for the capital repair, expansion, and/or replacement of streets, sidewalks, facilities, and stormdrains and other infrastructure. This includes proceeds from the City's 200 A Lease Revenue Bonds (subsequently refunded with the 2010A Lease Revenue Bonds), the 2012A Lease Revenue Bonds, and the 2013A Lease Revenue Bonds. To continue to expand the program, as of January 2014, the City Council approved lease revenue bonds to fund infrastructure projects in an amount up to $120 million. The proceeds of the 2015 Bonds being issued under this authorization will finance all or portions of the acquisition, design, construction, installation and equipping of various capital improvement projects of the City, including new facilities, improvements to various existing facilities, street resurfacing, storm drain replacements and other capital projects. See "BONDED AND OTHER INDEBTEDNESS – Future Financing Plans" herein.

In addition to deferred capital needs, the City's infrastructure needs include annual maintenance and repair costs for existing assets as well as needed new assets to provide essential services. 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 "Storm Water Program" herein), capital and operational needs for the San Diego Convention Center (estimated to be $43.8 million through Fiscal Year 2020) and other needed new public facilities in the community including fire stations, libraries, and parks. Over the prior ten year period capturing Fiscal Year 2005 through Fiscal Year 2014, a total of approximately $29 million was expended on ongoing capital maintenance.

The Five-Year Outlook identifies Infrastructure and Neighborhood Investment as one of the top priority initiatives for the City, and allocates 50 percent of new major General Fund revenue growth on infrastructure and neighborhood improvements (see "Five Year Financial Outlook" herein) in addition to allocating required projected annual debt service for the remaining bond issuances to be issued in Fiscal Years 2015-2017 in accordance with the multi-year deferred capital program funding plan approved by the City Council 2012.

In January 2015, the City released the Consolidated Multi-Year Capital Plan (MYCP) for General Fund and non-General Fund asset classes including Water and Sewer enterprises, airports, and City landfill. The analysis identified capital needs and projected revenue sources (as presented in the Five-Year Outlook) over the next five years (Fiscal Years 2016-2020). The projected capital needs were developed based on information currently available to the City which included condition assessments (and those portions thereof that have been completed) and projects currently listed in the annual budget with unfunded needs. In comparing the identified capital needs of $3.9 billion and revenue of $2.2 billion, the MYCP identified a citywide funding gap of $1.7 billion across all asset classes. For General Fund managed assets, there is an estimated $2.3 billion in capital needs and revenue of $0.6 billion resulting in an estimated funding gap of

$1.7 billion for General Fund-managed assets over Fiscal Years 2016 to 2020. Certain key Assumptions made in developing the estimates for the consolidated capital planning needs include informal service level standards, partial condition assessments, establishing a targeted average Overall Condition Index (OCI) of 70 over the next ten years for pavement of streets and roads; and projections in revenue growth. These assumptions were necessary in order to develop the analysis. As more refined data and information is acquired, the MYCP will be updated and refined periodically to continue to provide guidance in developing and implementing a comprehensive multi-year capital improvement program.

Storm Water Program

The City has over 48,000 storm drain structures, 700 miles of drainage pipe, and 15 storm water pump stations. The City has adopted a Storm Water Program to maintain and keep facilities in good repair to reduce pollutants in urban runoff and storm water and comply with all local, State, and Federal environmental regulations. The City's storm water program is currently funded primarily from the General Fund and partially from property-related storm water fees, revenue from parking enforcement related to street sweeping, and bond proceeds.

In May 2013, the Regional Water Quality Control Board (RWQCB), the State agency charged with implementing the federal Clean Water Act, adopted a new a National Pollution Discharge Elimination System Permit ("NPDES Permit"), which became effective in uly 2013. The NPDES Permit covers the City, the County and other municipalities within the County ("Co-Permittees"). The new permit incorporates Dissolved Metals and Bacteria Total Ma imum Daily Loads ("TMDLs") and Areas of Special Biological Significance ("ASBS") requirements, making violations of these regulations subject to fines and penalties. In une 2014, the RWQCB also adopted a Sediment TMDL and is currently amending the NPDES Permit to incorporate its requirements. The permit requires all Co-Permittees to come into compliance by calendar year 2018 per water quality regulations. If the City does not meet the required storm water regulations by 2018, it is possible that the RWQCB could levy fines and penalties on the City of $10,000 per day per violation and the federal Environmental Protection Agency could levy penalties of $16,000 per day per violation. See Note 16 of the City's CAFR for Fiscal Year 2014. Even if the RWQCB or the federal government does not take a compliance action against the City, a third party could file an action against the City or other Co-Permittees seeking damages or seeking an order from the court that the City make certain storm water improvements. Currently, there is no pending litigation against the City related to the NPDES.

The City reached a settlement with the RWQCB in August 2014, to satisfy alleged violations of its NPDES Permit included in Notice of Violation No. R9-2010-0135, issued to the City in October 2010. The settlement agreement assessed an administrative civil liability in the amount of $949,634 to the City. The City paid the unsuspended amount of the penalty totaling $492,734 to the RWQCB. The remaining amount totaling $456,900 is suspended and will be forgiven upon the successful completion of water quality improvements at six City facilities which are currently in progress.

The City submitted a Comprehensive Load Reduction Plan ("CLRP") to the Regional Water Quality Control Board in 2012, which included a compliance plan for the TMDL and ASBS regulations. The CLRP identified ways that the City could comply with the TMDLs and ASBS requirements over a 20-year term. The City developed a comprehensive storm water program cost model in 2013 as part of a Watershed Asset Management Plan. The cost model consists of all elements of storm water program, including CLRP, the NPDES Permit requirement, flood risk management, and existing storm water deferred capital needs. The cost model projects estimated operating and capital costs to comply with the TMDLs in the near term (Fiscal Years 2016 through 2020) will be approximately $1.04 billion (of which approximately $777 million in capital costs are included in the City's Consolidated Multi-Year Plan described above, and $264 million in operating costs as identified in the 2013 Watershed Asset Management Plan). Due to current capital project implementation capacity and overall budgetary priorities, in Fiscal Year 2015 the City has budgeted an estimated $45 million for related operating expenses, including $3.4 million for capital expenditures.

The cost estimate for the remainder of the compliance period (Fiscal Years 2021 through 2031) is expected to be up to approximately $2.81 billion, of which an estimated $1.85 billion are projected capital expenses and $960 million are operating expenses. These estimates could be higher or lower depending on numerous factors including but not limited to changes in regulatory standards, science and technology advancements. Additionally, the City is currently negotiating with the RWQCB to update the Dissolved Metals TMDL which could result in a cost reduction of approximately $1 billion in capital expenditures between Fiscal Year 2019 and 2031.

The Five-Year Outlook concludes that significant increases in funding for both operating and capital expenditures will be required to meet the 2018 compliance deadline for the new water quality regulations. The City is developing a plan to fund the increased expenditures and implementing a capital program for compliance with the storm water permit requirements. Currently, the available funding sources are storm water fees, general City revenues and bond proceeds. The City's storm water fees, which have not been increased since 1996, generated approximately $6 million in revenue in Fiscal Year 2014 and cover only a small portion of the City's annual storm water costs. The City's ability to increase these fees could be limited by objections by property owners or voters. For a discussion of Articles XIIIC and XIIID of the California Constitution, see "LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIIIC and XIIID (Proposition 218) of the California Constitution – Article XIIIC." If the storm water fees are not substantially increased, most of the costs associated with the Watershed Asset Management Plan will be paid from general City revenues. Any increase in General Fund moneys budgeted for storm water management purposes would reduce funds available for other General Fund purposes. Absent new or increased funding sources, the City's storm water liabilities represent an ongoing, multi-year fiscal challenge for the City's General Fund.

Since 2009, approximately $30.1 million in bond proceeds from past bond issuances has been allocated to the Storm Water Division's Capital Improvements Program, including storm drains and watershed projects. Approximately $22 million of the proceeds from the 2015 Bonds will be used to finance storm drain replacement and watershed projects. The City expects to continue to use proceeds from future bond issues to finance storm water program and water quality capital projects.

In addition to the compliance cost estimates described above, there may be additional operational storm water needs related to City-owned property and facilities (including approximately 26,000 acres of open space and 9,000 acres of community parks, fire stations, police stations and libraries) that could affect the City's General Fund. The City intends to evaluate these operational needs, related costs and budget resources following condition assessment and data gathering for these properties.

STATE BUDGET INFORMATION

The following information concerning the State's budget has been obtained from publicly available information which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. The following information is provided as supplementary information only, and it should not be inferred from inclusion of this information that the 2015 Bonds are payable from State revenues. The 2015 Bonds are payable solely from Base Rental Payments to be made by the City under the Lease and certain other moneys held under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS" in the front part of this Official Statement. The 2015 Bonds are not a debt of the City, the State, or any of its political subdivisions, and none of the City, the State or any of its political subdivisions is liable thereon.

State Budgeting Process

According to the State Constitution, the Governor is required to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by a majority vote of each house of the State Legislature no later than June 15, although this deadline is routinely breached. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the State Department of Finance website, www.govbud.dof.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer at www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

Fiscal Year 2015 State Budget

On June 20, 2014, the State Legislature adopted the State's Fiscal Year 2015 Budget (the "201 State Budget"). For Fiscal Year 2014, the 2015 State Budget projected revised total State general fund revenues of $102.2 billion, and total State general fund expenditures of $100.7 billion and a general fund surplus of $2.9 billion. For Fiscal Year 2015, the 2015 State Budget projects total State general fund revenues of $109.4 billion and expenditures of $108 billion and a State general fund surplus of approximately $2.1 billion. This amount is a combination of $449 million in the traditional general fund reserve, and an authorized deposit of $1.6 billion into the Budget Stabilization Account (the " BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

As part of implementing certain provisions of the 2015 State Budget, a legislatively-referred constitutional amendment (Proposition 2) was placed on the ballot, and ultimately approved by the voters at the November 4, 2014 statewide election. Among other things, Proposition 2 will create a reserve account that is expected to smooth fluctuations in State revenues. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2."

The 2015 State Budget identified a number of risks with potential significant State General Fund impact for Fiscal Year 2015 including the threat of a future recession, a shifting of costs from the federal government to the State, a decline in the stock market given the State's reliance on capital gains as a source of revenue, costs related to ongoing litigation over the State prison population, litigation arising from the dissolution of redevelopment agencies, costs of implementing federal health care reforms and costs associated with the State's substantial unfunded liabilities for pensions and post-employment health care costs.

r r r 6 State Budget r

On January 9, 2015, the Governor released his proposed State budget for Fiscal Year 2016 (the "Proposed State Budget"). The following information is taken from the Legislative Analyst Office's overview of the Proposed State Budget, dated January 13, 2015.

The Proposed State Budget assumes, for Fiscal Year 2015, total general fund revenues and transfers of $108 billion and authorizes total expenditures of $111.7 billion. The State is projected to end the 2015 fiscal year with a general fund surplus of $2.1 billion, comprised of a balance of $452 million in the State's traditional budget reserve and a balance of 1. billion in the BSA. For Fiscal Year 2016, the Proposed State Budget assumes total general fund revenues of $113.4 billion and authorizes expenditures of $113.3 billion. The State is projected to end the 2016 Fiscal Year with a $3.4 billion general fund surplus, comprised of a $534 million balance in the budget reserve and $2.8 billion in the BSA. The balance in the BSA includes a $1.2 billion deposit mandated by the provisions of Proposition 2. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2." This 1.2 billion deposit to the BSA reflects half of the total Annual BSA Transfer and Supplemental BSA Transfer required by Proposition 2, and the Proposed State Budget allocates the other $1.2 billion towards paying down special fund loans and certain Proposition 98

"settle up" obligations created by previous budgetary legislation that understated the minimum funding guarantee for education.

Effect of State Budget on General Fund Revenues

State budgets and budget policies can have either a positive or a negative effect on the City's financial condition. State budgets are affected by national and State economic conditions and other factors over which the City has no control. The City is monitors fiscal measures taken by the State for their potential effects on the City's General Fund revenues and e pected cash flows. To the e tent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget.

LABOR RELATIONS

General

The City has five recognized employee organizations which represent classified employees. They are the San Diego Municipal Employees' Association ("MEA"), the American Federation of State, County, and Municipal Employees, Local 12 ("AFSCME Local 127"), the San Diego Police Officers Association ("POA"), the San Diego City Firefighters, International Association of Firefighters, Local 14 ("IAFF Local 145"), and the California Teamsters Local 11 ("Teamsters Local 911"), which represents lifeguards. A si th recognized employee organization, the Deputy City Attorneys Association ("DCAA"), represents unclassified deputy city attorneys. Certain classified and unclassified City employees are unrepresented.

As of December 31, 2014, the City has approximately 5,004 MEA-represented employees; 1,763 AFSCME Local 127-represented employees; 1,851 POA-represented employees; 847 IAFF Local 145-represented employees; 331 Teamsters Local 911-represented employees; 142 DCAA-represented employees; and 807 unrepresented employees.

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 une 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 organizations 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, if approved by the City Council, will result in an amended agreement for a term from July 1, 2015 through June 30, 2020.

MEA: MEA-represented employees will receive increased annual flexible benefit credits s in Fiscal Year 2016. The employee organization will have the option to reopen negotiations solely for the purpose to meet and confer on non-pensionable compensation increases in Fiscal Years 2017 and 2018.

AFSCME Local 127: AFSCME Local 127-represented employees will receive increased annual flexible benefit credits in Fiscal Year 2016. The employee organization will have the option to reopen negotiations solely for the purpose to meet and confer on non-pensionable compensation increases in Fiscal Years 2017 and 2018.

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 reached an agreement, subject to City Council approval, to amend the collective bargaining agreement for a new term from July 1, 2015 through June 30, 2020. If approved by the City Council, POA members 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 members with additional credits for members with eight or more years of service. Members with eight or more years of service will also receive increases to annual uniform and equipment allowances, as will new recruits. Members 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 will receive increased annual flexible benefit credits in Fiscal Year 2016. IAFF Local 145 will have the option to reopen negotiations solely for the purpose to meet and confer upon non-pensionable compensation increases in Fiscal Years 2017 and 2018.

Teamsters Local 911: Teamsters Local 911-represented employees will receive increased annual flexible benefit credits in Fiscal Year 2016. The employee organization will have the 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.

DCAA: DCAA-represented employees will receive an increase in their annual flexible benefit credit in Fiscal Year 2016. The employee organization will have the option to reopen negotiations solely for the purpose to meet and confer upon non-pensionable compensation increases in Fiscal Years 2017 and 2018.

See also sections on "CITY BUDGET AND RELATED MATTERS" and "SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM" for impacts of collective bargaining agreements on the City's Fiscal Year 2016 Proposed Budget and pension contributions.

M M M

The City faces significant financial challenges in addressing an unfunded pension liability of approximately $2.03 billion as of June 30, 2014.

General

SDCERS is a public employee retirement system established in Fiscal Year 1927 by the City. SDCERS administers independent, qualified, single employer governmental defined benefit plans and trusts for the City, the San Diego Unified Port District (the "Port") and the San Diego County Regional Airport Authority (the "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 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 the Airport are eligible for membership and are required to join SDCERS.

Due to the implementation of Proposition B, discussed below, as of July 20, 2012, SDCERS is closed to new City employees, except for the Police plan, which will remain open. SDCERS is considered part of the City's financial reporting entity and is included in the City's CAFR as a pension trust fund. See Note 11, "Pension Plans," in the City's Fiscal Year 2014 Comprehensive Annual Financial Report. SDCERS also prepares its own CAFR, the most recent of which is for Fiscal Year 2014.

The amounts and percentages set forth under this caption relating to SDCERS, including, for example, actuarial accrued liabilities and funded ratios, are based upon numerous demographic and economic assumptions, including investment return rates, inflation rates, salary increase rates, cost of living adjustments, postemployment mortality, active member mortality, and rates of retirement. Prospective purchasers of the 2015 Bonds are cautioned to review and carefully assess the reasonableness of the assumptions set forth in the documents that are cited as the sources for the information under this caption. In addition, the prospective purchasers of the 2015 Bonds are cautioned that such sources and the underlying assumptions speak as of their respective dates, and are subject to change. Prospective purchasers of the 2015 Bonds should also be aware that some of the information presented under this caption contains forward-looking statements and the actual results of the pension system may differ materially from the information presented herein.

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

TABLE A-7
CITY OF SAN DIEGO PLAN MEMBERSHIP
As of June 30, 2014 (actual member count)

	General	***Safety***	***Total by Classification***
Active Members	5,118	2,157	7,275
Inactive Members	2,359	559	2,918
Retirees, Disabled and Beneficiaries	4,809	3,058	7,867
DROP Participants[(1)]	629	447	1,076
Total Members, as of June 30, 2014	12,915	6,221	19,136

[(1)] Participants in the Deferred Retirement Option Plan ("DROP") no longer accrue service credits and do not make contributions to SDCERS. They continue to work for the City and contribute 3.05% of their salary, with an employer match, into a personal DROP account. Their service retirement benefit is also deposited into their DROP account and they must retire within five years of entering DROP. Employees hired after June 30, 2005 are ineligible for DROP.

Source: SDCERS Comprehensive Annual Financial Report 2014.

The City is required to make contributions to the pension system as determined by the SDCERS Board. Pension contributions are authorized and appropriated annually in accordance with the adoption of the City's annual budget. The City's Actuarially Determined Contribution ("ADC")[2] is calculated by the SDCERS' actuary, Cheiron, Inc. ("Cheiron") and approved by the SDCERS Board. Cheiron conducts an actuarial analysis for SDCERS annually, the most recent of which is the June 30, 2014 Annual Actuarial Valuation of SDCERS, dated February 26, 2015 (the "2014 aluation"). The 2014 aluation will serve as the basis for the City's pension contribution for Fiscal Year 2016. The City's actual annual pension contribution may differ from the ADC based on a number of factors discussed below, but the pension contribution is not expected to be less than the ADC in any Fiscal Year.

Actuarial Assumptions and Methods

Funding Method

Cheiron calculates the City's contribution using the Entry Age Normal ("EAN") actuarial funding method. Under EAN, there are two components to the total contribution: the normal cost and an amortization payment on any unfunded actuarially accrued liability ("UAAL"). For Fiscal Year 201 , a third component will be added representing a portion of SDCERS expected administrative expenses, as discussed below. The normal cost (associated with active employees only) is the present value of the benefits that SDCERS expects to become payable in the future attributable to the current year's employment. Normal cost is computed as the level annual percentage of pay required to fund the retirement benefits between each member's date of hire and assumed retirement. The difference between the EAN actuarial liability and the actuarial value of assets is the UAAL.

Amortization Periods and Methodology

The UAAL as of June 30, 2014 for the Police portion of SDCERS is amortized over several different closed periods as follows: changes in the UAAL due to changes in methods and assumptions are amortized over 30 years, changes in the UAAL due to benefit changes are amortized over five years, the outstanding balance of the Fiscal Year 2007 UAAL is amortized over a closed 20 year period (such that, as of Fiscal Year 2015, 13 years of amortization remain), and subsequent yearly experience gains and losses are amortized over 15 years. As a result of Proposition B and in compliance with current GASB standards, the non-Police portion of UAAL is amortized over 15 years. Finally, if necessary, there is an additional UAAL cost component to ensure that there is no negative amortization in any year. Also as a result of Proposition B, the non-Police portion of the UAAL is amortized using the level dollar method while the Police portion is amortized using the level percentage of payroll method. Level dollar amortization generally results in decreasing inflation-adjusted payments over time whereas level percentage of payroll amortization generally results in level inflation-adjusted payments over time.

In January 2015, the SDCERS Board voted to account for expected administrative expenses explicitly as a cost component in the ADC. The administrative expense component is $4.2 million for Fiscal Year 2016, based on a three-year phase in of $12.5 million in expected expenses. In Fiscal Year 2017 two-thirds of expected administrative expenses will be added to the ADC and beginning in Fiscal Year 2018 100% of expected administrative expenses will be added to the ADC.

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[2] Actuarially Determined Contribution ("ADC") has replaced the Annual Required Contribution ("ARC") as the funding policy for SDCERS. This change, in accordance with GASB 67, was approved by the SDCERS Board in November 2013. This action formalized a funding policy that is based on the existing practices formerly used to develop the ARC, which are described above under the caption "Funding Method."

Actuarial Assumptions

The following are the principal actuarial assumptions used by Cheiron in preparing the 2014 Valuation. The actuarial assumptions reflect recommendations approved by the SDCERS Board in November 2013 and were also used in the preparation of the Fiscal Year 2013 Actuarial Valuation.

1. Investment Return Rate: 7.25% per year, net of both administrative and investment expenses.

2. Inflation Rate: 3.3% per year, compounded annually.

3. Interest Credited to Member Contributions: 7.25% compounded annually.

4. Projected Salary Increases Due to Inflation: 0% in Fiscal Years 2015-2018, 3.3% thereafter.

5. Cost-of-Living Adjustments: 2.00% per year, compounded annually.

6. Additional Assumptions: Additional assumptions were used regarding rates of separation from active membership, post-retirement mortality, active member mortality, and rates of retirement.

Actuarial Value of Assets (Asset Smoothing Method)

SDCERS uses an actuarial value of assets to calculate the City's pension contribution each year and uses an asset smoothing method to dampen the volatility in asset values that could occur because of fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process. The actuarial value of assets each year is equal to 100% of the expected actuarial value of assets[(3)] plus 25% of the difference between the current market value of assets and the expected actuarial value of assets. The market value of assets represents, as of the valuation date, the value of the assets as if they were liquidated on that date. This means that changes in the market value of assets are factored into the actuarial value of assets roughly over a four year period. The actuarial value of assets will also be adjusted, if necessary, to ensure that the actuarial value of assets will never be less than 80% of the market value of assets, nor greater than 120% of the market value of assets. The consequence of the smoothing methodology is that the actuarial value of assets increased by 9.6%, while the market value of assets increased by 16.6% from June 30, 2013 to June 30, 2014. As of June 30, 2014, the market value of plan assets was approximately $6.293 billion, and the actuarial value was approximately $5.829 billion.

Implementation of GASB Statements No. 67 and 68

In Fiscal Year 2014, GASB 67, which applies to pension plans, replaced GASB 25, and in Fiscal Year 2015, GASB 68, which applies to plan sponsors, will replace the current GASB 27. GASB 67 is intended to enhance note disclosures and schedules of required supplementary information that will be presented by pension plans in their audited financial statements. GASB 67 was implemented by SDCERS in Fiscal Year 2014. The 2014 Valuation reflects the funding policy adopted by SDCERS to calculate the ADC. This funding policy requires the ADC to be calculated in the same manner previously used to calculate the City's annual required contribution ("ARC").

GASB 68, which will be implemented by the City in Fiscal Year 2015, requires the City to recognize its long-term obligation for pension benefits as a liability in the Government-wide Statement of Net Position and in the Statement of Net Position of Proprietary Funds. GASB 68 is intended to measure more comprehensively and comparably the annual costs of those pension benefits and enhance accountability and transparency through revised and new note disclosures and required supplementary information in the City's

[(3)] The expected actuarial value of assets is equal to the prior year's actuarial value of assets increased by actual contributions made, decreased by actual disbursements made, all items further adjusted with the expected investment returns for the year.

audited financial statements. Cheiron delivered a GASB 67/68 Report to the City in December 2014, which concluded that, if the City had implemented GASB 68 in Fiscal Year 2014, as of the end of the reporting year, the City would have reported a Net Pension Liability of $1.535 billion and Deferred Inflows of Resources of $428.4 million for a net impact on the government-wide Statement of Net Position of $1.963 billion.

Funding Status

According to the 2014 Valuation, at June 30, 2014, the City had a UAAL of $2.030 billion and a funded ratio of 74.2%. The UAAL decreased by $207.6 million over the UAAL at the 2013 Valuation, which was $2.237 billion, and the funded ratio increased by 3.8%. The primary cause for the decrease in the UAAL was investment experience greater than projected. This decreased the UAAL by $131.8 million. Partially offsetting this was a liability experience loss which increased the UAAL by $28.1 million.

Table A-8 below sets forth the City's portion of SDCERS' historical funding progress for Fiscal Years 2005 through 2014.

TABLE A-8
CITY OF SAN DIEGO
SCHEDULE OF FUNDING PROGRESS
Fiscal Years 2005 through 2014
($ in thousands)
(unaudited)

Valuation Date (June 30)	*Actuarial Value of Assets*	*Market Value of Assets*	*AAL*	*Funded Ratio (Actuarial)*	*Funded Ratio (Market)*	*UAAL (Actuarial)*	*AAL less Market Value of Assets*	*Covered Payroll [4]*	*UAAL to Covered Payroll*
2005	$2,983,080	$3,205,722	$4,377,093	68.2%	73.2%	$1,394,013	$1,171,371	$557,631	250.0%
2006[1]	3,981,932	3,981,932	4,982,699	79.9	79.9	1,000,767	1,000,767	534,103	187.4
2007[2]	4,413,411	4,641,341	5,597,653	78.8	82.9	1,184,242	956,312	512,440	231.1
2008[3]	4,660,346	4,408,719	5,963,549	78.1	73.9	1,303,203	1,554,831	535,774	243.2
2009	4,175,229	3,479,357	6,281,636	66.5	55.4	2,106,407	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[3]	4,739,399	4,848,059	6,917,175	68.5	70.1	2,177,776	2,069,116	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

(1) Reflects revised actuarial methodologies.
(2) Reflects revised actuarial assumptions, including the return to EAN actuarial funding method.
(3) Reflects revised actuarial methodologies and assumptions.
(4) Covered payroll includes all elements of compensation paid to active City employees on which contributions to the pension plan are based.
(5) Current year methodologies and assumptions are discussed above. Methodologies and assumptions were not changed from 2013 to 2014.

Source: SDCERS Comprehensive Annual Financial Reports for 2004 through 2014; Cheiron Actuarial Valuations; Comptroller's Office, City of San Diego.

Preservation of Benefits Plan

The Preservation of Benefits ("POB") Plan is a qualified governmental e cess benefit arrangement (" EBA") under Internal Revenue Code ("IRC") section 41 (m). The POB Plan allows for the payment of promised benefits that exceed IRC section 415(b) limits and therefore cannot be paid from SDCERS assets. The POB Plan is unfunded within the meaning of federal tax law and the City may not prefund the POB Plan to cover future liabilities. Because the POB Plan is not administered by a trust, GASB 27 remains applicable

for accounting and disclosure purposes. Pursuant to GASB 27, Cheiron prepares an annual actuarial valuation ("POB aluation") for the POB Plan. This valuation is separate from the actuarial valuation for the pension plan, and the POB ADC included in the POB aluation is not used to calculate the City's POB contribution. Contributions to the POB Plan are funded annually on a pay-go basis by the City and the payments are calculated by Cheiron based on the amount of pension benefits earned in excess of the IRC Section 415(b) limit in any particular fiscal year. See "Table A- " below. The actuarial liability for the POB Plan as of une 30, 2013, the most recent year for which the City has data, was $8.4 million, and this entire amount is unfunded.

Citywide and General Fund Pension Contributions

The City's ADC for Fiscal Year 201 is 2 4. million. The City's pension plan payment is typically made on July 1 of each fiscal year. POB Plan contributions are made on a monthly basis as payments are owed to beneficiaries.

Table A- sets forth the City's pension contributions and the General Fund's share for Fiscal Years 2011 through 2015 and the projected contribution for Fiscal Year 2016. Prior to Fiscal Year 2014, in addition to the City contributions set forth in Table A-9 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.

TABLE A-9
CITY OF SAN DIEGO
PENSION CONTRIBUTION
Fiscal Years 2011 through 2016
($ In Thousands)

Fiscal Year ended (June 30)	*Pension Plan ARC/ADC*	*POB Plan ARC/ADC*	*Total Plan ARC/ADC*	*Pension Plan Contribution*	*POB Plan Contribution*	*Total Pension Contribution*[1]	*General Fund Pension Contribution*
2011	$229,100	$1,817	$230,917	$229,100	$1,323	$230,423	$182,913
2012	231,200	1,269	232,469	231,200	1,687	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[2]	263,600	876	264,476	263,604	1,700	265,304	192,846
2016[2]	254,900				1,500		

(1) Comprised of the pension plan contribution and the POB Plan contribution; may not sum due to rounding.
(2) Pension Plan ARC/ADC column reflects the actual amounts for Fiscal Year 2015 and Fiscal Year 2016 and other amounts are projected.
Source: SDCERS Comprehensive Annual Financial Reports; Cheiron Actuarial aluations; Comptroller's Office, City of San Diego; Financial Management, City of San Diego.

Prospective Funding Status

As part of its actuarial valuations for SDCERS, Cheiron prepares projected financial trends to show the City's e pected cost progression. The following table uses the actuarial assumptions and methodologies discussed above and further assumes the validity of Proposition B, which is discussed below. It is important to note that the table also assumes investment returns will average 7.25% per year and the projections are calculated as if the returns were to be 7.25% each and every year, which is unlikely to occur given historical variability in annual investment returns. The City expects investment returns will vary, and may vary

significantly from year to year, which will potentially result in greater volatility and higher (or lower) ADC payments than presented in the table.

TABLE A-10
CITY OF SAN DIEGO ACTUARIAL FUNDING PROJECTIONS
Fiscal Years 2016 through 2025
(earnings as assumed)

Fiscal Year Ending June 30	*Investment Return Rate*	*Actuarially Determined Contribution (millions)*	*UAAL (billions)*
2016	7.25%	$254.9	$2.03
2017	7.25	248.1	1.83
2018	7.25	243.7	1.65
2019	7.25	236.9	1.48
2020	7.25	231.7	1.32
2021	7.25	227.6	1.17
2022	7.25	224.4	1.02
2023	7.25	221.8	0.87
2024	7.25	220.0	0.72
2025	7.25	218.0	0.56

Source: Cheiron Actuarial Valuation as of June 30, 2014.

Supplemental COLA

On August 5, 2013, the City Council amended the San Diego Municipal Code to provide a method for funding for 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. The Supplemental COLA was established in 2000 to increase retirement benefits up to a determined amount according to a formula in the Municipal Code. Pursuant to the Municipal Code, the funding for this benefit is an annual appropriation by the City, however, the City is not required to pay the benefit. In Fiscal Year 2015, $2.1 million was budgeted citywide ($1.6 million in the General Fund) to fund the Supplemental COLA benefit. The estimated Fiscal Year 2016 Supplemental COLA is $2.2 million, of which $1.7 million is the General Fund allocation.. SDCERS maintains Supplemental COLA funding separate from SDCERS assets and no system assets can be used to pay the benefit.

Proposition B

Proposition B was approved by voters on June 5, 2012 and implemented by the City in Fiscal Year 2013. Generally, the measure amends the City Charter to provide all new City employees hired on or after July 20, 2012, except sworn police officers, with a 401(a) defined contribution plan instead of a defined benefit plan. The initiative contains other provisions intended to limit pension costs for existing employees by directing the City to seek, through labor negotiations, to limit City employees' compensation used to calculate pension benefits. Effective in Fiscal Year 2014, the City reached agreements with each employee organization that will freeze pensionable pay and cost of living increases for Fiscal Years 2014 through 2018. See "LABOR RELATIONS" above. The labor agreements may be reopened at the option of employee organizations in Fiscal Years 2017 and 2018.

Proposition B is the subject of ongoing litigation before the California Public Employment Relations Board ("PERB"). On February 11, 2013, a PERB administrative law judge issued a proposed decision finding that the City violated state labor laws by failing to meet and confer with City labor organizations prior to placing Proposition B on the ballot. The City has filed exceptions to the proposed decision, which will be

reviewed by the full PERB board. There is currently no hearing date set for this review. The decision of the PERB board may also be appealed to the Fourth District Court of Appeal. The litigation could potentially repeal or unwind the implementation of some or all of the requirements of Proposition B. The City is unable to quantify the cost impact of any repeal or unwind of Proposition B. Notwithstanding the PERB litigation, the 2014 Valuation assumes the validity of Proposition B, the City has fully implemented its requirements and the City intends to comply with those requirements under the terms specified in the initiative.

SDCERS Plan Sponsor Contribution and Reporting Audit

On February 27, 2015, SDCERS released an audit of the City's contributions and reporting to SDCERS. The audit was prepared by the SDCERS internal auditor. The audit identified one high priority issue related to the discount of employee offsets, meaning the portion of an employee's pension contribution that is paid by the City. Beginning July 1, 1976, the City began paying employee offsets and, on the recommendation of the SDCERS actuary, discounted the employee offset payments to SDCERS based on anticipated savings from employees terminating employment and not receiving a retirement allowance from SDCERS. From 1994 to 2003, the pension system actuaries recommended at various times that the SDCERS Board take action to have the City contribute the entire offset rate without a discount because the anticipated savings from employees terminating employment should be recognized at the system level and included in the actuarial valuation. The SDCERS Board did not act on these recommendations and did not require the City to change the practice of discounting offset contributions. As of Fiscal Year 2014, the City no longer pays any employee offsets so those payments are no longer being discounted.

The SDCERS internal auditor estimates the net discounted employee offsets not remitted to SDCERS to be $23 million as of June 30, 2014. This does not account for interest or years when the City's contribution to SDCERS was less than the ARC/ADC. The SDCERS internal auditor recommends, among other things, that SDCERS determine the feasibility of calculating the exact amount due from the City for discounted employee offsets from July 1, 1994 to June 30, 2013 and that the SDCERS Board should determine how this amount should be paid.

Any underfunding resulting from the employee offset discounts is currently being amortized through the annual ADC payment; however, the SDCERS Board could request that the City make additional payments to address the underfunded amount.

OTHER RETIREMENT PLANS

In addition to the defined benefit plan administered by SDCERS, the City offers various defined contribution plans to its employees that include employer contributions. In Fiscal Year 2014, the City contributed approximately $22.1 million as an employer match for the plans discussed below.

Supplemental Pension Savings Plan

Pursuant to the City's withdrawal from the federal Social Security system, effective January 8, 1982, the City established its Supplemental Pension Savings Plan ("SPSP"). SPSP is a 401(a) plan. SPSP was previously available to General members, lifeguards and elected officers. SPSP was closed to new General members as of July 1, 2009 and lifeguards as of January 1, 2011. SPSP remains open only for elected officers.

SPSP requires both the City and the employee to contribute an amount equal to 3% of the employee's salary each pay period. Employees hired before July 1, 1986 may voluntarily contribute up to an additional 4.5% of salary and participants hired on or after July 1, 1986 may voluntarily contribute up to an additional 3.05% of salary. Hourly employees contribute 3.75% on mandatory basis and the City matches all mandatory and voluntary contributions. City contributions for employees vest at 20% per year and are fully vested after 5 years of continuous employment. Hourly employees are fully vested immediately upon employment.

Post-Proposition B SPSP-H Plan

Pursuant to Proposition B, new employees hired after July 20, 2012, except police officers, are not eligible to participate in SDCERS and are provided 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 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.

2009 401(a) Plan

The City established a separate 401(a) plan for General employees hired between July 1, 2009 and July 20, 2012. These employees are not eligible for SPSP but are SDCERS members. Employees contribute an amount equal to 1% of salary on a mandatory basis with a matching City contribution. Voluntary contributions are permitted up to IRS limits but there is no City match for voluntary contributions.

The City also provides a variety of other tax-advantaged retirement plans that are funded exclusively through employee contributions and do not require an employer match.

POSTEMPLOYMENT HEALTHCARE BENEFITS

General

The only post-employment benefits provided by the City are retiree healthcare benefits, also known as other postemployment benefits ("OPEB"), to certain health-eligible retirees and employees through a variety of defined benefit and defined contribution plans. Plan determination is based on several factors including hire date, termination date and individual employee election. Effective April 1, 2012, pursuant to the memoranda of understanding described below ("Post Employment Healthcare Benefit ("PEHB MOU"), OPEB benefits were modified and a significant group of participants opted out of the defined benefit plan and into a defined contribution plan. Accordingly, those participants have been removed from the GASB 45 valuation information below because they no longer represent a GASB 4 liability. The City's defined benefit OPEB plan ("DB OPEB Plan") includes ,0 retirees, and 1, 11 active employees as of une 30, 2014. All other health-eligible employees, former employees and retirees are now participating in the defined contribution retiree healthcare plan ("DC Plan"). The City closed the Defined Benefit OPEB plan to employees hired on or after July 1, 2005.

The City initiated actuarial funding of its DB OPEB Plan in 2008 and has entered into an agreement with the California Public Employees Retirement System ("CalPERS") as a participating employer in the California Employers' Retiree Benefit Trust ("CERBT") to pre-fund future DB OPEB Plan expenses. As of une 30, 2014, the City's assets invested in CERBT totaled 128.2 million.

See Note 12, "Other Postemployment Benefits," in the City's Fiscal Year 2014 Comprehensive Annual Financial Report for information regarding the City's OPEB plans.

Actuarial Assumptions and Methods

The City commissions an actuarial valuation of its DB OPEB Plan liability annually for the purpose of determining the City's annual cost in accordance with GASB 4 . The valuation as of une 30, 2014 ("2014 OPEB aluation"), dated November 10, 2014, was performed by Buck Consultants ("Buck"). The following are the major actuarial assumptions and methods employed by Buck in performing the 2014 OPEB Valuation:

1. Actuarial Cost Method: Entry Age Normal (see description under San Diego Employees' Retirement System for more information).

2. Amortization Rate: Level Dollar.

3. Remaining Amortization Period: 23 years, closed.

4. Actuarial Asset Valuation Method: Market Value.

5. Discount Rate: 6.81%.

6. Inflation Rate: N/A (benefits are determined based on Health Care Cost Trend Rate).

7. Projected Payroll Increase: N/A (benefits are determined based on Health Care Cost Trend Rate).

8. Health Care Cost Trend: 8.0% for Fiscal Year 2014, grading down 0.5% each year to 4.5%.

The OPEB Valuation is also required to use the actuarial assumptions adopted by the SDCERS Board with respect to assumptions such as termination, disability, retirement rates and mortality rates because the health-eligible employee and retiree population is very similar to the City's SDCERS membership.

Funding Status

According to the 2014 OPEB Valuation, at June 30, 2014, the City had a DB OPEB Plan UAAL of $479.5 million and a funded ratio of 21.1%. The DB OPEB Plan UAAL increased by approximately $35.3 million over the OPEB UAAL at the 2013 OPEB Valuation, which was $444.1 million, and the funded ratio increased from 20.34%.

The City began prefunding the DB OPEB Plan in 2008. The following table shows the DB OPEB Plan funding progress for Fiscal Years 2008 through 2014:

TABLE A-11
CITY OF SAN DIEGO
SCHEDULE OF FUNDING PROGRESS (DB OPEB PLAN)
Fiscal Years 2008 through 2014
($ in thousands except for percentages)
(unaudited)

Fiscal Year ending June 30	*Actuarial Value of Assets*	*Actuarial Accrued Liability*	*Unfunded Actuarial Liability*	*Funded Ratio*	*Covered Payroll*	*UAAL as % of Covered Payroll*[1]
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

[1] Represents DB OPEB Plan participation only.
Source: Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego.

Citywide and General Fund OPEB Contributions

In Fiscal Year 2012, the City entered into the 15-year PEHB MOU through Fiscal Year 2027, which significantly reduced its OPEB liabilities and created the DC Plan for certain health-eligible employees and former employees. Pursuant to the PEHB MOU, the City's total retiree healthcare annual contribution is not anticipated to be more than $57.8 million for Fiscal Year 2015 ("MOU Contribution"), distributed among the City's DB OPEB Paygo and DC Plan. The City's MOU Contribution will increase by up to 2.5% annually thereafter. The PEHB MOU also requires that certain employees contribute towards the DB OPEB Plan to fund a portion of the DB OPEB Paygo ("Employee Contributions"). The terms of PEHB MOU may be renegotiated with a two-thirds vote of the City Council. As of March 2015, there are no discussions ongoing to renegotiate the PEHB MOU.

The City's annual payment for the DB OPEB Plan and the DC Plan are made on a pay-go basis. The City funds these payments through its MOU Contribution, employee contributions and withdrawals from the CERBT ("Healthcare Obligations"). In Fiscal Year 2014, Healthcare Obligations totaled $63.1 million, that were funded by the $57.8 million MOU Contribution, $2.7 million in employee contributions and a withdrawal from the CERBT of $2.6 million. For Fiscal Year 2015, the total City retiree healthcare contribution is budgeted at $57.8 million with a General Fund proportionate share budgeted at $38.3 million.

TABLE A-12
CITY OF SAN DIEGO
CITY RETIREE HEALTH CONTRIBUTIONS
Fiscal Years 2011 through 2015[1]
(in thousands)

Fiscal Year	*DB OPEB ARC*	*City DB OPEB Paygo*	*City DC Plan Contribution*	*City Retiree Health Contribution[2]*	*General Fund Retiree Health Contribution*
2011	$120,324	$33,868	N/A	$33,868	$42,065
2012	49,061	23,857	$34,424	58,281	38,474
2013	35,348	35,644	19,679	55,323	40,981
2014	38,097	31,540	25,639	57,179	41,270
2015[3]	41,740	N/A	N/A	57,809	38,293

(1) Data for Fiscal Year 2015 is budgeted. All other data is actual.
(2) City Retiree Health Contributions do not equal the MOU Contribution because a portion of the MOU Contribution was used for administrative costs of the DB OPEB Paygo plan or for contributions to the CERBT. The City Retiree Health Contribution includes employer contributions only, and does not include employee contributions/withdrawals to CERBT.
(3) Actual distribution of the City Retiree Health Contribution between City DB OPEB Paygo and DC Plan Contribution will be determined at the end of Fiscal Year 2015.
Source: Risk Management, Financial Management, Comptroller's Office, City of San Diego.

In addition to the retiree healthcare plan discussed above, the City created a Retiree Medical Trust for certain City employees hired on or after July 1, 2009. The Retiree Medical Trust contributions are separate from and in addition to the $57.8 million required by the PEHB MOU and the City's obligation is limited to an employer match of 0.25% of the salary of eligible employees. Total Retiree Medical Trust City contribution for Fiscal Year 2014 was $137,000.

RISK MANAGEMENT

Self-Insurance

The City is self-insured for Public Liability, Workers' Compensation, and Long-Term Disability ("LTD") claims. Public Liability, Workers' Compensation, and LTD estimated liabilities are determined based on results of independent actuarial evaluations 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 Funds.

Table A-13 presents both 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.

TABLE A-13
CITY OF SAN DIEGO
GENERAL FUND LIABILITY CLAIMS AND PREMIUMS
Fiscal Years 2010 through 2014

Fiscal Year	*Liability Claims Payments and Settlement Costs*[(1)]	*Liability Premium Payments*
2010	$16,616,000	$5,729,000
2011	11,867,000	4,939,000
2012	7,341,000	3,851,000
2013	16,027,000	3,714,000
2014[(2)]	40,559,000	5,590,000

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

(2) Increase in Liability Claims Payments and Settlement Costs from Fiscal Year 2013 to 2014 is 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.

Source: Risk Management Department, City of San Diego (unaudited).

During Fiscal Year 2014 and to date in Fiscal Year 2015, there were no significant reductions in insurance coverage from the prior year. For each of the past three full Fiscal Years, the settlements have not exceeded insurance coverage. The City can give no assurance that particular losses will be covered or that providers will be able to pay covered losses.

Workers' Compensation and Long-Term Disability

All operating funds of the City participate in both the workers' compensation and LTD programs. Workers' Compensation activity is reported within the General Fund and LTD activity is reported within the Miscellaneous Internal Service Fund. Each operating fund contributes an amount equal to a specified rate multiplied by the gross salaries payable from such fund. These payments are treated as operating expenditures in the contributing funds and operating revenues in the General Fund and Miscellaneous Internal Service Fund. The Five Year Outlook addresses reserves for the Workers' Compensation Fund. See "Reserves" herein.

Public Liability Insurance

The City's self-insured retention for public liability is $3,000,000 per occurrence. The City maintains excess public liability insurance policies in collaboration with a statewide joint powers authority risk pool, the California State Association of Counties-Excess Insurance Authority (CSAC-EIA) for amounts up to $50,000,000 per occurrence (inclusive of the $3,000,000 self-insured retention for public liability). The Five Year Outlook addresses reserves for the Public Liability Fund. See "Reserves" herein.

Employee Group Health Insurance

The City currently offers a cafeteria-style flexible benefits plan. For MEA, Teamsters 911, and Local 127 represented employees, this plan requires employees to choose a health plan unless covered elsewhere, and also a life insurance plan. It also gives employees the option of obtaining dental and/or vision insurance. For all other employees, the benefits plan is the same, with the exception that $50,000 of City-paid life insurance is automatically provided outside of the flexible benefit credit. Employees receive flexible benefit dollars as taxable earnings and may use those dollars for medical/dental/vision and childcare reimbursement accounts.

The City is currently assessing the impact of the Affordable Care Act (ACA) on employee health benefits and fle ible benefits. Negotiations with the City's five recognized employee organizations will need to occur prior to determining the impact on City benefit plans. It is anticipated that compliance with the ACA legislation will be implemented in Fiscal Year 2016 and future fiscal years.

Property and Flood Insurance

The City participates in the joint purchase of property insurance and flood insurance through the CSAC-EIA pool (policy term March 31, 2014 through March 31, 2015), which includes flood coverage for all components of the City Property. For a discussion of fire and other property insurance for the City Property (except the Ground Lease Sites), see "SECURITY AND SOURCES OF PAYMENT FOR THE 201 BONDS" in the front part of this Official Statement. The City is not required to provide flood insurance for the Leased Property pursuant to the Lease, and in its discretion, may elect to modify the designation of covered properties in the future, in which case it is possible that none of the Leased Property will be covered.

This joint purchase of the City's "all risk" property insurance through the CSAC-EIA pool insures approximately $2.78 billion of City property and provides coverage for loss to City property under the primary policy up to approximately $25 million per occurrence, with a $25,000 deductible. This limit of insurance includes coverage for rental interruption for designated lease financed locations. There is no sharing of limits among the City and member counties of the CSAC-EIA pool, unless the City and member counties are mutually subject to losses due to the same occurrence. Limits and coverage may be adjusted periodically in response to requirements of bond financed projects, acquisitions, and in response to changes in the insurance marketplace. The City can give no assurance that any future losses will be covered or that its insurance provider will be able to cover any such losses.

[The City is in the process of renewing its property and flood insurance policies for a one-year policy term commencing March 31, 2015. The City does not expect the changes to the coverage limits during the new policy term.]

Earthquake Insurance

The City has access up to $327.5 million of coverage limits, including coverage for rental interruption, for earthquake for designated buildings and structures. The City is not required to provide earthquake insurance for the Leased Property pursuant to the Lease, and the City, in its discretion, may elect to modify the designation of covered properties in the future. None of the Leased Property is currently covered by earthquake insurance. See "SECURITY AND SOURCES OF PAYMENTS FOR THE 201 BONDS–

Abatement of Lease Payments" and "– CSAC-EIA Pool" in the front part of this Official Statement. Depending upon the availability and affordability of such earthquake insurance, the City may continue to elect not to purchase such coverage for the Leased Property, or, if the City elects to purchase earthquake insurance for any of the Leased Property, the City may elect to increase the deductible or reduce the coverage at any time. The earthquake coverage is subject to a 5% of total values deductible per unit per occurrence, subject to a minimum of $100,000, effective through March 31, 2015. The City's earthquake coverage is purchased jointly and shared with the member counties in the CSAC-EIA pool. Due to the potential for geographically concentrated earthquake losses, the CSAC-EIA pool is geographically diverse to minimize any potential sharing of coverage in the case of an earthquake. The City can give no assurance that any future losses will be covered by its insurance or that its insurance will be able to pay any covered losses.

[The City is in the process of renewing its earthquake coverage for a one-year policy term commencing March 31, 2015. The City does not expect the changes to the coverage limits during the new policy term.]

Employee Dishonesty and Faithful Performance Insurance

The City is a public agency subject to liability for the dishonest acts, 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 CSAC-EIA pool. Coverage is provided in the amount of $15 million per occurrence subject to a $25,000 deductible.

LITIGATION POTENTIALLY ADVERSELY AFFECTING THE GENERAL FUND

Pending Litigation Regarding the 2015 Bonds

Except for the Series 2015A Bonds Litigation and the Series 2015B Bonds Litigation described under the caption "PENDING LITIGATION CHALLENGING THE 201 BONDS," there is no litigation against the City pending or, to the knowledge of the executive officers of the City, threatened in any court or other tribunal of competent jurisdiction, state or federal, in any way (i) restraining or enjoining the issuance, sale or delivery of any of the 2015 Bonds; (ii) questioning or affecting the validity of the 2015 Bonds; or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the 2015 Bonds. There are, however, lawsuits and claims pending against the City arising in the ordinary course of the City's activities which, taken individually or in the aggregate, could materially affect the City's finances. Please see note 18 of the City's CAFR for Fiscal Year 2014 for additional information.

Litigation and Regulatory Actions

The City is a defendant in lawsuits pertaining to various 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 1,425 notices of claims in Fiscal Year 2013 and 1,439 notices of claim in Fiscal Year 2014.

The Office of the City Attorney has prepared the following summary of certain pending claims and lawsuits for which, as of the date of the Official Statement, the City Attorney believes, in the event of an unfavorable outcome for the City, the potential loss could exceed $10 million. All figures provided in this section are preliminary and subject to change. Nothing disclosed herein should be considered an admission by the City. In the event of an adverse ruling, certain pending lawsuits, including those disclosed individually herein, may potentially result in an additional material liability to the City. See Notes 18 and 24 of the City's CAFR for Fiscal Year 2014 for additional information regarding the City's contingent liabilities related to litigation. Please note that the information presented in the CAFR includes citywide liabilities and is not

limited to the General Fund. Additionally, the City maintains a Public Liability Fund Reserve to pay, in part, claims against the General Fund. See subsection "Public Liability Fund Reserve" under "Reserves" herein.

Concelcao McCaffrey, et al. v. San Diego Police Department et al.

The case involves a wrongful death action where a San Diego police officer responding to call made a U-turn against a red arrow into the path of a motorcyclist who was later pronounced dead. The plaintiffs are the deceased's heirs. Plaintiffs have claimed damages of $50 million and have filed an offer to compromise in an amount of $20 million. The likely potential exposure to the City is between $0 and $20 million.

San Diegans for Open Government v. City of San Diego

San Diegans for Open Government ("SDOG") has filed a lawsuit challenging the renewal of and assessments levied in the City's Tourism Marketing District ("TMD"). If the TMD levy is invalidated and the assessments ordered refunded the total cost would be approximately $32 million. The City has begun to set aside a portion of the assessments collected in a reserve which will be used first to pay refunds in the event of an unfavorable outcome in the lawsuit. There is currently approximately $9.8 million in the reserve and the City plans to increase the balance in the reserve each fiscal year with a target of a $30 million reserve in Fiscal Year 2017 should the case still be unresolved at that point. To the extent that any refunds exceed the amount in the TMD reserve, such refunds will be payable from other City funds.

Border Business Park, Inc. (aka De La Fuente Business Park, Inc.) v. City of San Diego

Starting in 1995, an Otay Mesa developer filed the first of five lawsuits against the City concerning activities surrounding the development of a business park adjacent to the Mexican border. Four cases involve alleged breaches of a 1986 development agreement and inverse condemnation. The fifth concerns an alleged breach of a sewer reimbursement agreement. The developer, Roque De La Fuente, controls all of the plaintiff entities. In the first lawsuit, Border Business Park, Inc. III, a jury returned a verdict of $94.5 million in plaintiff's favor. On appeal, however, the Court of Appeal overturned the jury's verdict and ordered a new trial on the breach of contract claim only. Two other lawsuits, National Enterprises, Inc. and Otay Acquisitions, LLC, were stayed during the pendency of the Border Business Park appeal. Upon remand, the City successfully demurred in each of the three cases, and each was dismissed. Plaintiff subsequently filed appeals in these matters. On June 7, 2010, the California Court of Appeal, Fourth Appellate District, Division Two, reversed the judgments entered in favor of the City on the breach of contract causes of action only. The dismissal of the inverse condemnation causes of action was affirmed. A fourth lawsuit, Otay Truck Parking, L.P., setting forth substantially similar allegations, including an inverse condemnation claim, was filed in August 2009. The fifth lawsuit, Border Business Park, Inc. IV, was filed in April 2011. These matters are currently awaiting the assignment of a new trial date. The possible aggregate exposure of these cases ranges between $0 and $30 million.

De Anza Cove Homeowners Association, Inc. et al. v. City of San Diego et al. (To be Updated)

This case, along with other cases based on the same facts, involves residents of the De Anza Mobilehome Park who have filed suit alleging violations by the City of the California Mobilehome Residency laws. The court found the City liable for failing to prepare a tenant impact report when the City sought to close the mobilehome park in 2003. The Amended Judgment of October 16, 2014 provides that the City pay a Judgment of approximately $32 million in the class action portion of the lawsuit.

A related claim, *Joseph Aglio et al. v. City of San Diego, et al*., involves residents excluded from the *Homeowners* action either because they had entered into settlement agreements or were evicted from the park. The *Aglio* case involves potential costs to the City of up to $10 million. In both De Anza cases, the City has insurance policies that may cover some or all of the City's costs.

In a cross claim related to the De Anza class action matter, the former lessee of the park, De Anza Harbor Resort and Golf, LLC (DHRG) seeks payment for the value of the improvements left at the park. The value alleged by DHRG, is approximately $35 million for the value of the property plus an additional $35 million for the loss of use of funds it would have realized if it operated the park over the last 12 years during the litigation. Its lease term ended November 23, 2003.

Related to the defense of the class action, Scottsdale Insurance Company, is seeking a determination of no coverage afforded to the City under the policy at issue. Scottsdale will also seek reimbursement of uncovered claims for which it has provided a defense over the last 12 years, placing a value on those uncovered claims in the range of $3-4 million.

INVESTMENT OF FUNDS

Investment of Funds

Amounts in the funds and accounts of the General Fund are invested by the City Treasurer in the City Treasurer's Pooled Investment Fund (the "City Pool") described below. The City accounts for such amounts separately from other funds of the City.

City Pool

In accordance with the Charter of the City and authority granted by the City Council, the City Treasurer is responsible for investing the unexpended cash in the City Pool. Responsibility for the daily investment of funds in the City Pool is delegated to the City's Chief Investment Officer. The City and certain related entities are the only participants in the City Pool; there are no other participants either voluntary or involuntary in the City Pool. The investment objectives of the City Pool are preservation of capital, liquidity and return.

Oversight and Reporting Requirements

The City Treasurer provides both a monthly and quarterly investment report to the Chief Financial Officer, the City Comptroller and the City Council and annually presents the City Treasurer's Investment Policy to the Chief Financial Officer, the City Treasurer's Investment Advisory Committee (the "IAC"), the Budget and Government Efficiency Committee, and the City Council. The IAC is comprised of two City employees, currently the Chief Financial Officer and the Director of Debt Management, and three outside investment professionals and is charged with overseeing the review of the City Treasurer's Investment Policy and practices of the City Treasurer and recommending changes thereto. Investments in the City Pool are audited annually by an independent firm of certified public accountants as part of the overall audit of the City's financial statements.

The City's Investments Division uses outside services to provide investment portfolio valuations and accounting and reporting services. These services provide monthly portfolio valuation, investment performance statistics, and other portfolio reports that are distributed to the Office of the City Treasurer Accounting program and the Office of the Comptroller for review and reconciliation. The Office of the City Treasurer's Accounting program prepares a series of monthly reports, including the portfolio market valuation, and distributes these to the Mayor, City Council, Chief Financial Officer, and other officials.

Authorized Investments

Investments in the City Pool are governed by State law and further restricted by the City Treasurer's Investment Policy. The Investment Policy is prepared with safety of principal being the foremost objective. Permitted investments include U.S. Treasury securities, U.S. Agency securities, U.S. Agency mortgage backed securities, corporate medium term notes, money market instruments, non-negotiable Federal Deposit Insurance

Corporation-insured certificates of deposit and the Local Agency Investment Fund (California State Pool). Reverse repurchase agreements ("reverse repos") and securities lending arrangements are restricted to 20% of the base value of the portfolio and are governed by various maturity restrictions as well. The main operating funds of the City are managed in two separate portfolios, the Liquidity and Core portfolios. In its management of the "Liquidity" portfolio, comprising appro imately 3 of total funds, the City invests in a variety of debt securities with maturities typically ranging from one day to one year; performance is measured against the Bank of America Merrill Lynch three-to-six month Treasury Bill Index. The remaining 65% of funds are managed in a separate "Core" portfolio that consists of a variety of debt securities ranging from one day to five years; performance is measured against the Bank of America Merrill Lynch one- to three-year U.S. Treasury Index. The 35% Liquidity/65% Core portfolio split serves as a guideline. The actual split may vary due to market conditions or other factors. Safety of principal and liquidity are paramount considerations in the management of both portfolios.

Pool Liquidity and Other Characteristics

The City Treasurer's Pooled Investment Fund (including both the "Liquidity" and the "Core" portfolios) is highly liquid. Based on unaudited month-end data as of December 31, 2014, approximately 10% of the pool investments mature within 62 days, 12% within 92 days, 29% within 184 days, 40% within 1 year, 78% within 2 years, 98% within 3 years, and 100% within 5 years (on a cumulative basis). As of December 31, 2014, the City Treasurer's Pooled Investment Fund had a weighted average maturity of 1.31 years (479 days) and its weighted average yield was 0.48%. 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, 2014. 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. for every 1 increase in market interest rates. The City Treasurer's Pooled Investment Fund 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.

Table A-14 sets forth information concerning the City Pool at December 31, 2014.

TABLE A-14
CITY OF SAN DIEGO POOLED INVESTMENT FUND
At December 31, 2014
(in thousands)
(unaudited)

Investment Instrument	*Book Value*	*Fair Value*	*Percent of Total*[1]
U.S. Treasury Notes	$ 934,115	$ 934,661	46.26%
Agency Discount Notes	183,568	183,609	9.09
Agency Notes & Bonds	369,807	369,492	18.31
Commercial Paper	84,905	84,929	4.20
Corporate Notes & Bonds	102,690	102,684	5.08
Local Agency Investment Fund	49,819	49,819	2.47
Repurchase Agreement	44,200	44,200	2.19
Negotiable Certificates of Deposit	175,002	175,019	8.67
Asset Backed Securities	75,379	75,393	3.73
TOTAL INVESTMENTS	$ 2,019,485	$ 2,019,807	100.00%

(1) Based on book value.
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.

BONDED AND OTHER INDEBTEDNESS

Issuer Ratings

As of March 1, 201 , the City had an "Aa2" Issuer Rating from Moody's Investors Service, Inc., an "AA" Issuer Credit Rating from Standard & Poor's Rating Services and an "AA-" Implied GO Rating from Fitch Ratings. These ratings are separate from the ratings on the 2015 Bonds and do not reflect the ratings assigned by the rating agencies to the 201 Bonds. See "RATINGS" in the forepart of the Official Statement

Long-Term Obligations

As of March 1, 2015, the City had $545,227,000 aggregate principal amount of long-term General Fund lease obligations outstanding.

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Table A-15 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, 2014.

TABLE A-15
CITY OF SAN DIEGO
GENERAL FUND LEASE PAYMENTS AND OTHER GENERAL FUND OBLIGATIONS[1]
As of June 30, 2014
(in thousands)
(Unaudited)

Fiscal Year	*General Fund Lease Payments[1]*	*Other*	*Total Principal and Interest Payable*
2015	$ 48,259	$ 8,994[2]	$ 57,253
2016	48,236	0	48,236
2017	48,204	0	48,204
2018	48,162	0	48,162
2019	48,146	0	48,146
Thereafter	$ 646,422	$ 0	646,422
Subtotal	$ 887,428	$ 8,994	$ 896,422
Less Interest Portion	(329,636)	(333)	329,969
Total Principal Portion	$ 557,793	$ 8,661	$ 566,454

(1) Includes lease payments related to ualified Energy Conservation Bonds (" ECBs"), 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 2015 subsidy is $379,187 resulting in a net lease payment of $1,081,749 after accounting for the subsidy. The amounts above reflect total lease payments.

(2) Includes the payment on the Sale of McGuigan Judgment concerning the court-approved class action settlement in the case of William J. McGuigan v. City of San Diego, et. al., which was paid in full on July 1, 2014.

Source: Debt Management Department, City of San Diego.

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Table A-16 provides a summary list of long-term General Fund lease commitments and other General Fund supported obligations outstanding as of June 30, 2014 and March 1, 2015.

TABLE A-16
CITY OF SAN DIEGO
GENERAL FUND SUPPORTED OBLIGATIONS
(in thousands)
(Unaudited)

	Principal Outstanding as of June 30, 2014	***Principal Outstanding as of March 1, 2015***
General Fund Lease Commitments[1]		
2007A – Ballpark Project Refunding Bonds[2]	$ 129,780	$ 125,255
2010A – Master Refunding Bonds	155,170	149,855
2011 – Qualified Energy Conservation Bonds (Broad Spectrum Street Lighting[2]	10,863	10,862
2012A – Convention Center Expansion Refunding Bonds	126,610	126,610
2012A – Deferred Capital Improvement Project Bonds	70,215	69,610
2012B – Fire and Life Safety Refunding Bonds	17,720	17,370
2013A – Capital Improvement Projects and Old Town Light Rail Refunding	41,590	40,305
2013B – Balboa Park/Mission Bay Park Refunding	5,845	5,360
Total Principal of General Fund Lease Commitments	$ 557,793	$ 545,227
Other		
McGuigan Settlement Modification	$ 8,661	$ 0
Total Other	$ 8,661	$ 0
Total Principal Outstanding	$ 566,454	$ 545,227

(1) The Lease Revenue Bonds were issued by two Joint Power Authorities and are not obligations of the City. 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.

Other Obligations

The City periodically enters into various short-term vehicle and equipment capital leases that are obligations of the City's General Fund which, as of une 30, 2014, were outstanding in an aggregate principal amount equal to $58.1 million.

Future Financing Plans

From time to time, the City conducts bond offerings to fund various General Fund capital improvements and projects.

As of January 2014, the City Council approved lease revenue bonds to fund infrastructure projects in an amount up to 120 million (see "General Fund Infrastructure and Mul-Year Capital Program" herein). The Series 2015 Bonds are being issued under this authorization with construction fund proceeds totaling approximately $120 million. Additionally, the City currently expects to issue an estimated $270 million in General Fund supported lease obligations in as needed amounts between Fiscal Years 2017 and 2019 . to continue to address the City's ongoing General Fund capital improvement priorities in streets pavement, public facilities, and the storm drain system. The projected annual lease payment costs for General Fund supported

bond program will be taken into account in the City's General Fund Five Year Outlook updates prepared annually. The timing of the individual bond series will be dependent on the actual spend down of the available bond construction funds.

The Mayor has recently announced City streets repair as his highest infrastructure priority and anticipates doubling current efforts and a goal to repair estimated one thousand miles of City streets over 5 years starting Fiscal Year 2016. To implement this proposal, a funding plan is formulated relying on multiple sources of funding, including General Fund supported bond program described above and pay go sources from voter approved TransNet sales tax funds and Gas Tax allocations.

The City monitors outstanding General Fund obligations and conducts refundings if economically advantageous. Currently, the City expects to advance refund the 2007A Public Facilities Financing Authority Ballpark Lease Revenue Refunding Bonds in the summer of 2015, which would result in lease payment savings for the City's General Fund.

Short-Term Borrowings

Prior to Fiscal Year 2014, the City had historically issued tax and revenue anticipation notes annually in anticipation of receipt of taxes and other General Fund revenues. The note offerings during Fiscal Years 2006 to 2013 ranged from approximately $100 million to $163 million. There were no tax and revenue anticipation notes issued in Fiscal Year 2014 and Fiscal Year 2015.

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Operating Lease Commitments

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 2014 totaled $7.9 million. Table 17 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, 2014. 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.

TABLE A-17
CITY OF SAN DIEGO
FUTURE MINIMUM RENTAL PAYMENTS
GENERAL FUND OPERATING LEASE COMMITMENTS[(1)]
(in thousands)
As of June 30, 2014

Fiscal Year	*Rent Payable*
2015	6,814
2016	9,361
2017	9,325
2018	9,513
2019	9,746
2020	7,530
2021	6,159
2022	6,164
2023	6,318
2024	6,476
2025-2034	78,888[(2)]
Total	$156,295[(3)]

(1) Table describes commercial rent payable by the City under the currently existing lease agreements.
(2) As of March 3, 2015, the final lease expiration date is 3/16/2035 and, therefore, no lease commitment is projected 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.

Overlapping Debt and Debt Ratios

Table A-18 presents a statement of direct and overlapping bonded debt (the "Debt Statement") of the City as of June 30, 2014. The City has issued bonds secured by and payable out of loans and installment sale contracts, in order to provide conduit financing for single and multi-family housing, industrial development, and 501(c)(3) non-profit corporations. These bonds are not secured by City General Fund amounts or revenues.

The Debt Statement is prepared by California Municipal Statistics Inc. and is included for general information purposes only. The City has not reviewed the Debt Statement for completeness or accuracy and makes no representations in connection therewith. The Debt Statement does not include the 2015 Bonds described in the front part of this Official Statement. The Debt Statement generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The City contains numerous school districts and special purpose districts, such as for water and sanitation, many of which have issued general obligation bonds. Some of the issues may be payable from self-supporting enterprises or revenue sources other than property taxation.

The City periodically issues Special Assessment or Community Facilities District (Mello-Roos) bonds on behalf of petitioning developers or citizens when the City determines that the public facilities to be financed are of a defined extraordinary benefit to the City. These bonds are secured by property owner assessments or special taxes. As of March 1, 2015, there were three 1984 Act Reassessment District bond issues with aggregate outstanding principal of $7,596,902, and six Community Facilities District bond issues with outstanding principal of $99,930,000.

The reserve funds for each of the City's outstanding Assessment District and Community Facilities District bond issues were fully funded as of March 1, 2015. The City is not in any way obligated to make debt service payments for either Assessment District or Community Facilities District bond obligations which are designated as Debt Without Government Commitment in the City's financial statement.

The entry in Table A-18 below for City of San Diego General Fund Obligations differs from the March 1, 2015 total in Table A-16 above because it does not include the Qualified Energy Conservation Bonds (Broad Spectrum Street Financing) which was privately placed.

TABLE A-18
CITY OF SAN DIEGO
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
As of March 1, 2015
(in thousands, except for percentages)
(unaudited)

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 3/1/15	% Applicable[1]	City's Share of Debt 3/1/15
Metropolitan Water District	$ 110,420,000	8.507%	$ 9,393,429
Palomar Community College District	300,493,901	23.440	70,435,770
San Diego Community College District	1,283,588,742	99.934	1,282,741,573
Poway Unified School District School Facilities Improvement District Nos. 2002-1 and 2007-1	337,923,406	55.832 & 56.362	189,618,091
San Diego Unified School District	2,271,623,481	99.937	2,270,192,358
Sweetwater Union High School District	336,119,415	19.676	66,134,856
San Ysidro School District	120,227,611	87.653	105,383,108
Other School, High School and Community College Districts	1,448,254,330	Various	126,443,068
Grossmont Healthcare District	219,577,076	8.074	17,728,653
Palomar Pomerado Health System	471,441,406	27.619	130,207,402
City of San Diego Community Facilities District No. 1	19,295,000	100.	19,295,000
City of San Diego Community Facilities District No. 2, Improvement Area Nos. 1, 3 and 4	54,665,000	100.	54,665,000
City of San Diego Community Facilities District No. 3	15,120,000	100.	15,120,000
City of San Diego Community Facilities District No. 4	10,925,000	100.	10,925,000
City of San Diego 1915 Act Bonds	7,596,902	100.	7,596,902
Del Mar Unified School District Community Facilities District No. 99-1 & 95-1	26,505,000	100.	26,505,000
North City West School District Community Facilities District	63,872,921	100.	63,872,921
Poway Unified School District Community Facilities Districts	358,259,239	99.334-100.	358,137,128
San Dieguito Union High School District Community Facilities Districts	40,695,817	82.533-100.	35,697,703
Sweetwater Union High School District Community Facilities Districts	19,514,953	12.707-100.	12,847,111
Solana Beach School District Community Facilities Districts	33,015,000	100.	33,015,000
Other Special District 1915 Act Bonds	18,572,014	Various	5,394,771
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			$4,911,349,844
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	$346,755,000	47.028%	$ 163,071,941
San Diego County Pension Obligation Bonds	682,615,180	47.028	321,020,267
San Diego Superintendent of Schools Certificates of Participation	14,732,500	47.028	6,928,400
Palomar Community College District General Fund Obligations	4,435,000	23.440	1,039,564
Poway Unified School District Certificates of Participation	62,408,869	63.698	39,753,201
Sweetwater Union High School District Certificates of Participation	42,475,000	19.676	8,357,381
Chula Vista School District General Fund Obligations	134,745,000	5.199	7,005,393
San Ysidro School District Certificates of Participation	41,015,125	87.653	35,950,988
Other School, High School and Community College District Certificates of Participation	126,987,349	Various	5,182,566
City of San Diego General Fund Obligations	**534,365,000**	**100.**	**534,365,000**
Otay Municipal Water District Certificates of Participation	45,195,000	6.831	3,087,270
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			$1,125,761,971
Less: Otay Municipal Water District Certificates of Participation			3,087,270
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			$1,122,674,701
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):	$556,404,396	1.261-100.%	$518,394,818
TOTAL DIRECT DEBT			**$534,365,000**
TOTAL GROSS OVERLAPPING DEBT			$6,021,141,633
TOTAL NET OVERLAPPING DEBT			$6,018,054,363
GROSS COMBINED TOTAL DEBT			$6,555,506,633[2]
NET COMBINED TOTAL DEBT			$6,552,419,363

(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) 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.

Ratios to 2014-15 Assessed Valuation:

Overlapping Tax and Assessment Debt	2.49%
Total Direct Debt ($534,365,000)	**0.27%**
Gross Combined Total Debt	3.33%
Net Combined Total Debt	3.32%

Ratios to Redevelopment Successor Agency Incremental Valuation ($19,017,941,513):

Total Overlapping Tax Increment Debt	2.73%

Source: Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2014.

LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

Section 1(a) of Article XIIIA of the California Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIIIA), to be collected by each county and apportioned among the county and other public agencies and funds according to law. Section 1(b) of Article XIIIA, as enacted in 1978 by Proposition 13, provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on indebtedness approved by the voters prior to July 1, 1978. On June 3, 1986, California voters approved an amendment to Article XIIIA, which allows for an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire bonds approved on or after July 1, 1978, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property. Later amendments allow for property tax increases to pay for certain school district general obligation bonds approved by 55% of those voting in a local election.

Section 2 of Article III A defines "full cash value" to mean "the County Assessor's valuation of real property as shown on the 1975/76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to e ceed 2 per year or to reflect a reduction in the consumer price index or comparable data for the area under the taxing jurisdiction, or reduced in the event of declining property values caused by substantial damage, destruction, or other factors. Legislation enacted by the State Legislature to implement Article XIIIA provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

In addition, legislation enacted by the California Legislature to implement Article XIIIA provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value.

In the June 1990 election, the voters of the State approved amendments to Article XIIIA permitting the State Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for a replacement dwelling purchased or newly constructed on or after June 5, 1990, and to e clude from the definition of "newly constructed" improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 2010 election, the voters of the State approved an amendment of Article IIIA to e clude from the definition of "newly constructed" seismic retrofitting improvements to existing structures. Voters have approved several other minor exemptions from the reassessment provisions of Article XIIIA.

Article XIIIB of the California Constitution

Article XIIIB of the California Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior Fiscal Year, as adjusted annually for changes in the cost of living, population, and services for which the fiscal responsibility is shifted to or from the governmental entity (the "Gann Limit"). The "base year" for establishing this appropriations limit is the 1 -1979 fiscal year.

Appropriations subject to Article XIIIB generally include any authorizations to expend during a Fiscal Year the proceeds of taxes levied by or for the entity, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of Ta es" include, but are not limited to, all tax revenues, most State subventions and the proceeds to the local

government entity from (a) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost reasonably borne by such entity) and (b) the investment of tax revenues. Article XIIIB provides that if a governmental entity's revenues in any year e ceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two years.

Article XIIIB does not limit the appropriation of money to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose. Article XIIIB allows voters to approve a temporary waiver of a government's Article XIIIB limit.

In the June 1990 election, the voters of the State approved Proposition 111, which amended the method of calculating State and local appropriations limits. Proposition 111 made several changes to Article IIIB, three of which are reflected in the City's annual computation of its appropriation limit. First, the term "change in the cost of living" was redefined as the change in the California per capita personal income ("CPCPI") from the preceding year. Previously the lower of the CPCPI or the United States Consumer Price Index was used. Second, the appropriations limit for the Fiscal Year was recomputed by adjusting the Fiscal Year 1987 limit by the CPCPI for the three subsequent years. Third, Proposition 111 excluded from the appropriations limit "all qualified capital outlay projects, as defined by the Legislature."

The City's appropriations limit for Fiscal Year 2014 has been established at 1. 2 bil h. Using the Fiscal Year 2014 Budget, the appropriations subject to the limit (i.e., proceeds of taxes, excluding debt service on voter-approved debt and qualified capital outlays) have been calculated to be $826.4 million, which is $896.6 million lower than the Gann Limit. The impact of the appropriations limit on the City's financial needs in the future is unknown.

Articles XIIIC and XIIID (Proposition 218) of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to ote on Ta es Act" ("Proposition 218"). Proposition 218 added Articles IIIC and XIIID to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes and assessments, fees and charges.

Article XIIIC

Section 2 of Article XIIIC requires majority voter approval for the imposition, extension or increase of general taxes and requires two thirds voter approval for the imposition, extension or increase of special taxes. These voter approval requirements of Article XIIIC reduce the flexibility of the City to raise revenues by the levy of general or special taxes and, given such voter approval requirements, no assurance can be given that the City will be able to enact, impose, extend or increase any such taxes in the future to meet increased expenditure requirements.

Although a portion of the City's General Fund revenues are derived from general taxes purported to be governed by Proposition 218, all of such taxes were either imposed, extended or increased prior to the effective date of Proposition 218 or in accordance with the requirements of Proposition 218. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges, such as the TOT, Proposition 172 revenues, or storm water fees which support the City's General Fund. TOT and other local taxes, assessments, fees and charges, could be subject to reduction or repeal by initiative under Proposition 218.

Section 3 of Article XIIIC expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments,

fees and charges that had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIIIC to fees imposed after November 6, 1996, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments or fees and charges imposed prior to November 6, 1996.

"Fees" and "charges" are not e pressly defined in Article IIIC or in SB 1 , the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article IIIC and Article IIID ("SB 1 "). However, on uly 24, 200 , the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil (Kelley)* (the "Bighorn Decision") that charges for ongoing water delivery are fees and charges within the meaning Section 3 of Article XIIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIIC. The Bighorn Decision has been interpreted to mean that ongoing water delivery charges are also property-related fees and charges within the meaning of Article XIIID.

In the *Bighorn Decision*, the Supreme Court stated that nothing in Section 3 of Article XIIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the *Bighorn Decision* that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water and wastewater service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution.

Article XIIIC also removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. "Assessments," "fees" and "charges" are not defined in Article XIIIC, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIIIC as for Article XIIID described below. If not, the scope of the initiative power under Article XIIIC potentially could include any General Fund local tax, assessment, or fee not received from or imposed by the federal or State government or derived from investment income.

If the City is unable to continue to collect assessment revenues for a particular program, the program might have to be curtailed and or funded by the City's General Fund. Given the approval requirements imposed by Article XIIID, the City is unable to predict whether it will be able to continue to collect assessment revenues for these programs. If the City chose to fund any such programs from the General Fund instead, the General Fund budget would be affected.

Article XIIID

Article IIID defines a "fee" or "charge" as any levy other than an ad valorem ta , special ta , or assessment imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A "property-related service" is defined as "a public service having a direct relationship to a property ownership" herein. Article IIID further provides that

reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership. In the *Bighorn Decision*, the Supreme Court stated that ongoing water delivery charges are also property-related fees and charges within the meaning of Article XIIID.

Article XIIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a "fee" or "charge" as defined in Article IIID, the local government's ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIIID also includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Depending on the interpretation of what constitutes a "property-related fee" under Article XIIID, there could be future restrictions on the ability of the City's General Fund to charge its enterprise funds for various services provided. In the event that fees and charges of enterprise funds cannot be appropriately increased or are reduced pursuant to exercise of the initiative power, the City may have to decide whether to supplement any deficiencies in these enterprise funds with moneys from the General Fund or to curtail service, or both.

The City believes its current water and wastewater rates materially comply with the notice and substantive provisions of Article XIIID.

The interpretation and application of Proposition 218 will ultimately be determined by the courts or through implementing legislation with respect to a number of the matters described above, and it is not possible at this time to predict with certainty the outcome of such determination or the nature or scope of any such legislation.

Both Articles XIIIA and XIIIB, as well as Articles XIIIC and XIIID described above, were adopted as measures that qualified for the ballot pursuant to California's constitutional initiative process. From time to time other initiative measures could be adopted, affecting the ability of the City to increase revenues and to increase appropriations.

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature, or (iv) decrease Vehicle License Fees revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

The State legislature suspended the requirements of Proposition 1A in an effort to balance the State's Fiscal Year 2010 budget. In Fiscal Year 2010, the State borrowed approximately $1.9 billion in property tax revenue from local jurisdictions to help balance the State budget; the City's share of this is approximately $35.8 million. However, the City recovered this property tax revenue during Fiscal Year 2010 through a securitization program of the California Statewide Communities Development Authority. As discussed below, subsequent to the enactment of Proposition 22, Proposition 1A can no longer be suspended.

Proposition 1A may, in some circumstances, result in decreased resources being available for State programs. The decreased resources in turn, could affect actions taken by the State to resolve budget difficulties. Such actions have recently included increasing State taxes, and could include decreasing spending on other state programs or other actions, some of which could be adverse to the City. While Proposition 1A provides some protection to the City from the State taking of property tax, sales tax and vehicle license fees, there are certain significant issues that relate to sources of funds not covered by Proposition 1A and to the statutory relationships between the State and San Diego County. Impacts to the City's budget that are controlled by the State and County include property tax administration fees, booking fees and the SB 172 allocation.

Proposition 22

On November 2, 2010, the voters of the State approved Proposition 22, known as "The Local Ta payer, Public Safety, and Transportation Protection Act" ("Proposition 22"). Proposition 22, among other things, broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the California Constitution to prohibit the State from appropriating or borrowing local property tax revenues under any circumstances. The State can no longer borrow local property tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government's purposes. Furthermore, Proposition 22 restricts the State's ability to redirect redevelopment agency property ta revenues to school districts and other local governments and limits uses of certain other funds. Proposition 22 is intended to stabilize local government revenue sources by restricting the State government's control over local revenues. The City cannot predict whether Proposition 22 will have a beneficial effect on the City's financial condition. See "CITY BUDGET AND RELATED MATTERS – Former Redevelopment Agency" above for a discussion of the dissolution of redevelopment agencies.

Proposition 26

On November 2, 2010, the voters of the State approved Proposition 2 , known as the "Supermajority Vote to Pass New Ta es and Fees Act" ("Proposition 2 "). Proposition 2 , among other things, amends Article IIIC to the California Constitution principally to define what constitutes a "ta " under the limitations and requirements of that provision. Article XIIIC imposes limitations on local governments like the City when imposing certain taxes, including a requirement that the local government submit certain taxes to the electorate for its approval. Before Proposition 2 , Article IIIC did not define the term "ta ." Proposition 26 broadly defines a ta under Article IIIC to include "any levy, charge, or e action of any kind imposed by a local government." Proposition 2 lists several e ceptions to the definition of "ta ," which include (a) a charge for a specific benefit or privilege, which does not exceed the reasonable costs of providing the benefit or privilege, (b) a charge for a government service or product, which does not exceed the reasonable costs of providing the service or product, (c) a charge for the reasonable regulatory costs of issuing licenses and permits, performing investigations, inspections, and audits, and the administrative enforcement thereof, (d) a charge for entrance to or use of local government property, or the purchase, rental, or lease of local government property, (e) a fine, penalty, or other monetary charge imposed as a result of a violation of law, (f) a charge imposed as a condition of property development, and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII D.

It appears that Proposition 26 does not apply retroactively to local government. Thus, even if a fee enacted by the City prior to November 3, 2010 does not fit within any of Proposition 2 's e ceptions, it will nonetheless remain valid provided that the legislation authorizing it is not amended so as to extend or increase the fee. The City does not believe that it has enacted, extended or increased any fees since passage of Proposition 26 that would not be exempt from Proposition 26 or that would require voter approval pursuant to Proposition 26.

Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2017. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $608,000 for joint filers).

The revenues generated from the temporary tax increases will be included in the calculation of the minimum funding guarantee for school districts and community college districts contained in the State Constitution. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). By dedicating the Proposition 30 funds to education, other revenues in the State General Fund are freed up to fund other programs. Proposition 30 also placed into the state Constitution the current statutory provisions transferring 1.0625 percent of the state sales tax to local governments to fund realignment

Proposition 2

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as "Proposition 2"). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the "Annual BSA Transfer"). Supplemental transfers to the BSA (a "Supplemental BSA Transfer") are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of total estimated general fund tax revenues. Such excess capital gains taxes net of any portion thereof owed to K-14 school districts pursuant to Proposition 98 will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15 year period ending with fiscal year 2029-30, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State

liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers the BSA, nor does the Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a "budget emergency," defined as a an emergency within the meaning of Article XIIIB of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the "PSSSA") into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would be otherwise paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 8 formula for the fiscal year in which a PSSSA transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for student growth and cost of living.

Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Propositions 1A, 2, 22, 26 and 30 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State and the City to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues.

APPENDIX B

DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY OF SAN DIEGO

APPENDIX B

DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY OF SAN DIEGO

Set forth below is certain demographic information regarding the City of San Diego (the "City") and the County of San Diego (the "County"). This information is provided for informational purposes only and general background. The information set forth herein has been obtained from third party sources believed to be reliable, but such information is not guaranteed by the City or the Public Facilities Financing Authority of the City (the "Authority") as to accuracy or completeness. The information and data within this Appendix B speak only as of the dates indicated and may have changed, perhaps materially, from such time. Neither the delivery of this Official Statement nor any sale thereafter of the securities offered hereby shall under any circumstances create any implication that there has been no change in any information contained in this Appendix B since the date of such information. The 2015 Bonds are not a debt of the City, the County, the State of California (the "State"), or any of its political subdivisions, and none of the City, the County, the State nor any of its political subdivisions is liable thereon.

Introduction

The City, with a total population of approximately 1,345,895 as of January 1, 2014 and a land area of approximately 342 square miles, is the eighth largest city in the nation and the second largest city in California. The City is the county seat for the County. In addition to having a favorable climate, the City offers a wide range of cultural and recreational services to both residents and visitors. Major components of the City's diversified economy include defense, tourism, biotechnology/biosciences, financial and business services, software and telecommunications. The City's economic base is also anchored by higher education and major scientific research institutions, including the University of California, San Diego, San Diego State University, Scripps Research Institute, the Salk Institute for Biological Studies, and the San Diego Supercomputer Center.

Population

The following Table B-1 sets forth annual population figures for the City, the County and the State for calendar years 2005 through 2014. The City's population increased by appro imately . 3 between 200 and 2014, with an average annual increase of approximately 9,429.

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TABLE B-1
CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, AND STATE OF CALIFORNIA
POPULATION GROWTH
Calendar Years 2005 through 2014

Calendar Year[(1)]	*City of San Diego*	*Annual Growth Rate*	*County of San Diego*	*Annual Growth Rate*	*State of California*	*Annual Growth Rate*
2005	1,261,035	0.29	2,966,783	0.44	35,869,173	0.84
2006	1,261,633	0.05	2,976,492	0.33	36,116,202	0.69
2007	1,266,978	0.42	2,998,477	0.74	36,399,676	0.78
2008	1,279,505	0.99	3,032,689	1.14	36,704,375	0.84
2009	1,294,031	1.14	3,064,436	1.05	36,966,713	0.71
2010	1,304,482	0.81	3,091,579	0.89	37,223,900	0.70
2011	1,309,784	0.41	3,115,810	0.78	37,427,946	0.55
2012	1,315,173	0.41	3,128,734	0.41	37,668,804	0.64
2013	1,328,073	0.98	3,154,574	0.83	37,984,138	0.84
2014	1,345,895	1.34	3,194,362	1.26	38,340,074	0.94

(1) As of January 1 of the calendar year.
Source: State of California Department of Finance, Demographic Research Unit.

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Employment

The following Table B-2 sets forth information regarding the size of the labor force, employment and unemployment rates for the City, the County, the State and the United States for calendar years 2010 through 2013, and for December 2014 (Preliminary).

TABLE B-2
LABOR FORCE ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND UNEMPLOYMENT OF CITY OF SAN DIEGO CIVILIAN LABOR FORCE[(1)]
Calendar Years 2010 through 2013, and December 2014[(2)]
(Not Seasonally Adjusted) [To be Updated: January 2015 data and revised SD 2014 annual data]

	Calendar Year				*December 2014[(2)]*
	2010	*2011*	*2012*	*2013*	
Civilian Labor Force					
City of San Diego					
Employed	625,800	633,100	648,400	656,200	680,300
Unemployed	74,100	70,900	63,600	53,500	37,000
Unemployment Rates					
City	10.6%	10.1%	8.9%	7.5%	5.2%
County	10.6	10.1	8.9	7.5	5.2
California	12.4	11.8	10.4	8.9	6.7
United States[(3)]	9.6	8.9	8.1	7.4	5.4

(1) City, County and State data based on March 2013 Benchmark Report.
(2) Preliminary, subject to change.
(3) The United States unemployment rates for calendar years 2010-2013 were generated as of November 7, 2014.
Source: State of California Employment Development Department, Labor Market Information Division; U.S. Department of Labor, Bureau of Labor Statistics.

The State of California Employment Development Department, Labor Market Information Division (the "EDD"), preliminarily estimates that, on a seasonally unadjusted basis, the civilian labor force in the City in December of 2014 was 717,200, of which approximately 37,000 persons were unemployed. Based on preliminary estimates of the EDD as of anuary 23, 201 , the City's unemployment rate of .2 in December of 2014, on a seasonally unadjusted basis, matched that of the County at 5.2% and was below the unemployment rate of the State, which was . . The City's unemployment rate was below the United States, which was 5.4%. The following Table B-3 sets forth estimates of total annual civilian nonfarm employment by number of employees in each major industry category in the County for calendar years 2010 through December of 2014. Annual industry employment information is not compiled by sector for the City.

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TABLE B-3
COUNTY OF SAN DIEGO
NONFARM EMPLOYMENT
Calendar Years 2010 through December 2014[1]
(In Number of Jobs By Industry)

[To be Updated: 2014 Annual average data]

Industry Category	*2010*	*2011*	*2012*	*2013*	*2014*
Services[2]	592,900	600,000	621,900	642,700	675,600
Government	230,400	229,000	227,800	229,500	235,500
Federal	47,000	46,700	46,800	46,500	46,000
State and Local	183,500	182,200	141,100	183,000	189,500
Trade	170,800	174,700	180,500	185,100	199,700
Wholesale	40,100	41,300	43,300	44,300	47,200
Retail	130,700	133,400	137,200	140,800	152,500
Manufacturing	92,900	93,100	94,300	94,600	98,500
Nondurable Goods	21,900	22,200	23,100	23,800	24,000
Durable Goods	71,000	70,900	71,300	70,800	74,500
Financial Activities[3]	67,200	67,500	70,100	71,400	71,400
Construction	55,300	55,200	56,900	61,200	66,500
Transportation, Warehousing & Utilities	26,500	26,100	27,300	27,200	28,500
Mining & Logging	400	400	400	400	400
TOTAL NONFARM[4]	1,236,400	1,246,000	1,279,200	1,312,000	1,376,100

(1) Based on March 2013 Benchmark Report.
(2) Includes professional and business, information, educational and health, leisure and hospitality and other services.
(3) Includes finance, insurance, and real estate.
(4) Line items may not add to totals due to independent rounding.
Source: State of California Employment Development Department, Labor Market Information Division.

Since the industry employment data referenced above are organized by standard industrial classification codes, employment in the various high tech categories, such as telecommunications, software and biotechnology may not fall into a single employment section alone. For example, some telecommunications firms appear in Manufacturing while others appear in Services.

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Taxable Sales

The following Table B-4 sets forth taxable transactions in the City for calendar years 2009 through the third quarter of 2013. Annual figures are not yet available for 2014. See APPENDIX A – "CITY GOVERNMENT AND FINANCIAL INFORMATION – CITY BUDGET AND RELATED MATTERS – Major Revenue Sources" for a discussion of the City's assumptions regarding trends of ta able transactions and sales tax revenues for Fiscal Year 2014 and Fiscal Year 2015.

TABLE B-4
CITY OF SAN DIEGO
TAXABLE TRANSACTIONS
Calendar Years 2009 through 2013[1]
(In Thousands) [To Be Updated: 4th Quarter 2013 Taxable Sales data]

	2009	*2010*	*2011*	*2012*	*2013[1]*
Retail and Food Services					
Apparel	$ 1,358,011	$ 1,476,887	$ 1,608,393	$ 1,719,615	$ 1,290,219
General Merchandise	1,443,341	1,505,694	1,571,106	1,612,806	1,143,689
Food	864,733	874,855	909,541	950,005	736,607
Eating and Drinking	2,582,572	2,674,975	2,888,953	3,168,490	2,497,150
Home Furnishings and Appliances	1,005,324	1,064,083	1,132,638	1,137,855	872,335
Building Materials	707,657	735,040	795,649	848,388	694,323
Motor Vehicles and Parts	1,606,349	1,720,348	1,884,077	2,124,016	1,723,116
Service Stations	1,319,720	1,527,002	1,850,576	1,916,674	1,443,645
Other Retail Stores	1,481,096	1,483,428	1,550,568	1,549,302	1,197,034
Total Retail and Food Services	$ 12,368,802	$ 13,062,313	$ 14,191,502	$ 15,027,152	$ 11,598,119
All Other Outlets	4,795,162	4,816,619	5,306,003	5,517,501	4,287,116
TOTAL ALL OUTLETS[2]	$ 17,163,965	$ 17,878,932	$ 19,497,504	$ 20,544,652	$ 15,885,234

(1) Through third quarter of 2013.
(2) Line items may not add to totals due to independent rounding.
Source: California State Board of Equalization, Research & Statistics Section, Taxable Sales in California.

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Tourism

The following Table B-5 sets forth total visitor spending in the County for the calendar years 2010 through 2014.

TABLE B-5
COUNTY OF SAN DIEGO
TOTAL VISITOR SPENDING
Calendar Years 2010 through 2014
(In Millions)

Calendar Year	*Amount*
2010	$7,080
2011	7,485
2012	7,979
2013	8,394
2014	9,209

Source: Visitor Industry Summary compiled by the San Diego Tourism Authority from data prepared by CIC Research, Inc., Oxford Economics.

The following Table B- sets forth the City's transient occupancy ta revenues for Fiscal Years 20 through 2014. See "APPENDI A– "CITY GO ERNMENT AND FINANCIAL INFORMATION– CITY BUDGET AND RELATED MATTERS – Major Revenue Sources" for a discussion of trends of City transient occupancy tax projected for Fiscal Year 2015.

TABLE B-6
CITY OF SAN DIEGO
TRANSIENT OCCUPANCY TAX[(1)]
Fiscal Years 2010 through 2014
(in thousands)

Fiscal Year	*Amount*
2010	$123,879
2011	139,545
2012	148,795
2013	159,494
2014	170,475

(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 2014 Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego.

The City is the focal point for tourism in the County. According to the San Diego Tourism Authority in its annual San Diego County Visitor Industry Performance summary, in calendar year 2014, 67.6% of hotel rooms in the County were located within the City. For calendar year 2014, the San Diego Tourism Authority reported that hotel occupancy in the City averaged 76.7%, up 4.1% compared to the prior year.

In addition, most of the County's major tourist attractions, including the world-renowned San Diego Zoo and SeaWorld San Diego, are located in the City. Other attractions located in the City include the Cabrillo

National Monument on Point Loma, the historic Gaslamp Quarter in the downtown area, the Old Town State Park, Balboa Park and a host of other cultural and recreational activities.

Based on information provided by the San Diego Tourism Authority in its annual San Diego County Visitor Industry Performance summary, in calendar year 2014 there were more than 33.8 million visitors to San Diego County, and they spent more than $9 billion. About half of the 33.8 million visitors stayed overnight in private homes or hotels. In calendar year 2014, there were 9,378,868 airport arrivals and 758,697 Amtrak arrivals, up 6.1% and down 0.1%, respectively, compared to the same time for the prior year.

In addition to the many permanent attractions available to visitors, the City has also been host to a number of major sporting events. The City annually hosts the Farmers Insurance Open, a Professional Golfers' Association Tour Event played at the world renowned Torrey Pines Golf Course. In addition, the City has annually hosted a pair of post season contests of elite college football teams, the Holiday Bowl and the Poinsettia Bowl.

The San Diego Convention Center (the "Convention Center') has 2. million total gross square feet of buildings, including the parking structure. According to the San Diego Convention Center Corporation Annual Report for Fiscal Year ended June 30, 2014, events in the Convention Center generated over $1.3 billion in economic impact for the San Diego regional economy through direct attendee spending, tax revenues, and hotel room nights in Fiscal Year 2014.

Military

The information set forth below is taken from the San Diego Military Economic Impact Study released in September 2014 (the "Military Study") prepared by the San Diego Military Advisory Council ("SDMAC"). Neither the Authority nor the City has independently verified the information in the Military Study.

Military and related defense spending are significant factors in the County economy. Military installations include Marine Corps Base Camp Joseph H. Pendleton; the Marine Corps Recruit Depot; Marine Corps Air Station at Miramar; Naval Air Station North Island; Naval Station San Diego; and Naval Submarine Base, San Diego.

There are approximately 133,000 uniformed military personnel and Department of Defense civilians employed in the County including approximately 100,000 active duty military personnel, 8,600 reserves and 24,000 full-time civilian workers. These totals are expected to decline to approximately 130,300 in the current federal fiscal year ending September 30, 2015. The estimated direct defense-related spending by the military in the County for the fiscal year ending September 30, 2014 fell approximately 2% to $25.2 billion from $25.8 billion for the federal fiscal year ending September 30, 2013.

The direct spending by the military results in additional jobs and spending in the local economy. Approximately 22% (317,000) of the jobs in the County were directly and indirectly related to the military in the fiscal year ended September 30, 2014 and the gross regional product in the County related to the military was estimated at $38.7 billion up from $32.2 billion in the prior federal fiscal year. It is estimated that the military's total impact on the region represents about 20 of the County's total gross regional product

Efforts by the federal government to reduce the federal deficit have negatively impacted military spending throughout the country. Automatic across-the-board spending cuts (referred to as sequestration) to numerous federal programs began to be implemented in Fiscal Year 2013; however, Congress approved at the end of 2013 a plan to suspend sequestration for two years. Uncertainty about the return of sequestration in Fiscal Year 2016 again makes forecasts for the coming years difficult, according to SDMAC.

International Trade

The following Table B-7 sets forth the valuation of exports originating in the San Diego Customs District for calendar years 2010 through 2014.

TABLE B-7
VALUATION OF EXPORTS
ORIGINATING IN SAN DIEGO CUSTOMS DISTRICT[1]
Calendar Years 2010 through 2014
(In Millions)

Calendar Year	*Amount*
2010	$16,252
2011	18,559
2012	19,896
2013	20,631
2014	22,176

[1] The San Diego Customs District includes the ports of San Diego, Andrade, Calexico, San Ysidro, Tecate, Otay Mesa Station, and Calexico-East.

Source: U.S. Census Bureau, Foreign Trade Statistics.

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Top Ten Principal Employers

The following Table B-8 sets forth the top 10 principal employers in the City for Fiscal Year 2014.

TABLE B-8
CITY OF SAN DIEGO
TOP TEN PRINCIPAL EMPLOYERS
Fiscal Year 2014
(unaudited)

Employer	*Number of Employees*	*Percentage of Total Employment*[1]
United States Navy[2]	30,588	4.31%
University of California San Diego[3]	28,672	4.04
Sharp Healthcare[4]	16,446	2.32
County of San Diego	16,215	2.28
Qualcomm, Inc.	13,725	1.93
San Diego Unified School District	13,071	1.84
City of San Diego[5]	10,411	1.47
Kaiser Permanente	8,172	1.15
UC San Diego Medical Center	6,302	0.89
San Diego Gas & Electric Co.[6]	4,457	0.63
Total Top Employers	148,059	20.86%

(1) Percentage based on total employment of 709,800 provided by the EDD Labor Force Data.
(2) Employee count includes Navy, Marine and Civic Services personnel.
(3) Employee count includes full and part time, academic and support staff.
(4) Employee count is companywide.
(5) Employee count is provided by the City of San Diego, Office of the Comptroller – Payroll Division.
(6) Employee count does not include Sempra Energy or other affiliate companies.

Source: Fiscal Year 2014 Comprehensive Annual Financial Report, Statistical Section (Unaudited), Comptroller's Office, City of San Diego.

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Personal Income

The following Table B-9 sets forth the per capita personal income in the State and the United States for calendar years 2009 through 2013. Annual figures are not yet available for 2014.

TABLE B-9
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA AND UNITED STATES
PER CAPITA PERSONAL INCOME[(1)]
Calendar Years 2009 through 2013

Calendar Year	*County of San Diego*	*State of California*	*United States*
2009	$44,864	$41,587	$39,379
2010	45,501	42,282	40,144
2011	48,260	44,749	42,332
2012	50,664	47,505	44,200
2013	51,384	48,434	44,765

(1) Amounts for County and State may not be comparable based on different source methodology.
Source: U.S. Bureau of Economic Analysis and Bureau of the Census.

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Property Value and Construction

Residential and non-residential construction declined after peaking in 2005, in part due to the subprime mortgage crisis and the resulting significant increase in the number of foreclosures. However, residential and non-residential construction activity has increased since 2010. Total issued building permits and permit valuation (residential and non-residential) are used as indicators of overall construction activity. In Fiscal Year 2014, construction permits valuation increased by 15.2%, or $307.2 million, from Fiscal Year 2013.

The following Table B-10 sets forth total City assessed value, building permit valuations and the number of new construction permits issued in the City for Fiscal Years 2010 through 2014.

TABLE B-10
CITY OF SAN DIEGO
Assessed Value and Construction Permit Valuation
Fiscal Years 2010 through 2014
($ in thousands)
(unaudited)

	Residential[1]		*Non-Residential*[2]		
Fiscal Year	***Dwelling Units***	***Assessed Value***[3]	***Permits***	***Assessed Value***[3]	***Total Permit Assessed Value Estimate***[3]
2010	1,147	$234,868	76	$ 368,098	$ 602,966
2011	2,024	342,598	98	818,627	1,161,225
2012	2,406	518,091	113	1,142,674	1,660,765
2013	4,629	854,489	111	1,162,254	2,016,743
2014	4,258	836,074	136	1,487,835	2,323,909

(1) Residential reflects construction of new structures.
(2) Non-residential reflects construction of new structures whose intended use includes commercial, industrial, and other uses. Each permit is a separate structure.
(3) Valuation figures only include valuation of newly created structures. These figures do not include minor modification work such as interior remodels, reroofs, etc. Total Permit Assessed Value is an estimate determined at time of permit issuance; actuals may vary.
Source: Permit Tracking System Database, Development Services Department, City of San Diego.

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Foreclosure Activity

The following Table B-11 sets forth foreclosure activity in the County for calendar years 2010 through 2014.

TABLE B-11
COUNTY OF SAN DIEGO
FORECLOSURE ACTIVITY
Calendar Years 2010 through 2014

Calendar Year	*Foreclosures*	*Total Number of Housing Units*[1]	*% of Total Housing Units*
2010	13,467	1,158,076	1.16%
2011	12,216	1,161,720	1.05
2012	7,195	1,165,970	0.62
2013	3,236	1,169,095	0.28
2014	2,036	1,176,046	0.17

(1) 2010 data based on 2010 census. All other data are estimates provided by SANDAG as of January 1 of the indicated year.
Source: County of San Diego, Assessor's Records; and SANDAG.

According to the San Diego County Recorder's Office, there has been a decrease in the number of notices of loan defaults recorded in the County in calendar year 2014 compared to calendar year 2013. In addition, foreclosures have dropped during this time frame as well. There were 7,614 notices of default recorded in the County in calendar year 2013, which decreased to 5,855 notices recorded in 2014. Furthermore, there were 3,236 foreclosures in the County in calendar year 2013, which decreased by 37% to 2,036 foreclosures in 2014. As of February 28, 2015, there were 884 notices of default and 320 foreclosures thus far in calendar year 2015, decreases of 13% from 1,019 notices of default and 29% from 448 foreclosures in the same period of 2014.

APPENDIX C

SUMMARY OF LEGAL DOCUMENTS

APPENDIX C

SUMMARY OF LEGAL DOCUMENTS

The following is a brief summary of the provisions of the Indenture, the Lease, the Site Lease and the MTS Site Lease pertaining to the 2015 Bonds that are not summarized elsewhere in this Official Statement. This summary is not intended to be definitive, and is qualified in its entirety by reference to the full terms of such documents.

CERTAIN DEFINITIONS

The following are definitions of certain terms used in the Indenture, the Lease, the Site Lease, the MTS Site Lease and this Official Statement, which are not otherwise defined in this Official Statement. Reference is made to the entire documents for the definitions of all terms used in such documents. The following definitions are equally applicable to both singular and plural forms of any of the terms defined in the Indenture:

"2015A Project" means the financing of the Construction Costs of certain capital improvement projects of the City with proceeds of the Series 2015A Bonds.

"2015B Project" means the financing of the Construction Costs of certain capital improvement projects of the City with proceeds of the Series 2015B Bonds.

"Addition" means the addition of Leased Property to the leasehold of the Lease, and the lease of additional real property and improvements under the Lease from the Authority to the City, as provided in the Lease.

"Additional Bonds" means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Indenture and executed, issued and delivered in accordance with the Indenture.

"Additional Projects" means public capital improvements, including equipment, financed in whole or in part with the proceeds of Additional Bonds.

"Additional Rental" means amounts payable by the City as described under "THE LEASE – Rental Payments – *Rental Payments – Additional Rental*" herein.

"Authorized Representative" means (a) with respect to the Authority, its Chair, Treasurer or Secretary or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Chair, and filed with the City and the Trustee; and (b) with respect to the City, its Chief Operating Officer or its Chief Financial Officer, or any other person duly designated by its Chief Operating Officer or its Chief Financial Officer as an Authorized Representative of the City by a Written Certificate of the Chief Operating Officer or the Chief Financial Officer filed with the City and the Trustee.

"Base Rental Payment Schedule" means the schedule of Base Rental Payments attached to the Lease, as from time to time amended as permitted in the Lease.

"Bond Counsel" means (a) Stradling Yocca Carlson & Rauth, or (b) any other firm of attorneys, designated by the City, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America. Any Opinion of Bond Counsel may be based, insofar as it relates to factual matters, upon information that is in the possession of the City or the Trustee, as applicable, upon a certificate or opinion of,

or representation by, an officer or officers of the City, the Trustee or the Authority, unless such Counsel knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which their opinion may be based, is erroneous.

"Bond Year" means each twelve-month period extending from April 16 in one calendar year to April 15 of the succeeding calendar year, both dates inclusive; provided that the first Bond Year with respect to the 2015 Bonds will commence on the respective Closing Date and end on April 15, 2016.

"Bonds" means the Prior Bonds, the 2015 Bonds and any Additional Bonds, authorized by and at any time Outstanding pursuant to the Indenture.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in San Diego, California or New York, New York are authorized or required by law to close, or (iii) a day upon which the Trustee is authorized by law to remain closed.

"Certificate of Completion" means, with respect to the 2015A Project, a Certificate of the City filed with the Trustee stating that the 2015A Project, which was financed with the proceeds of the Series 2015A Bonds deposited into the Series 2015A Construction Fund, has been acquired, constructed, installed and improved and that all Construction Costs have been paid or provided for and with respect to the 2015B Project, a Certificate of the City filed with the Trustee stating that the 2015B Project, which was financed with the proceeds of the Series 2015B Bonds deposited into the Series 2015B Construction Fund, has been acquired, constructed, installed and improved and that all Construction Costs have been paid or provided for.

"Closing Date" means, with respect to the 2015 Bonds, the date the 2015 Bonds are issued and delivered to the initial purchasers thereof.

"Code" means the Internal Revenue Code of 1 8 , as amended from time to time, or, where pertinent, its statutory predecessor, the Internal Revenue Code of 1 4, as amended (the "1 4 Code"). References to the Code and Sections of the Code include relevant applicable regulations and proposed regulations under the Indenture and under the 1945 Code, as amended from time to time, and any successor provision to those Sections, regulations or proposed regulations and, in addition, all revenue rulings, announcements, notices, procedures and judicial determinations under the foregoing applicable to the Bonds.

"Construction Costs" means, with respect to the Series 2015A Bonds, all costs of acquiring, constructing, installing or improving the 2015A Project and with respect to the Series 2015B Bonds, all costs of acquiring, constructing, installing or improving the 2015B Project, including but not limited to:

(i) all costs which the Authority or the City will be required to pay to a manufacturer, vendor or contractor or any other person under the terms of any contract or contracts for the acquisition, construction, installation or improvement of the 2015B Project or the 2015B Project, as applicable;

(ii) obligations of the Authority or the City incurred for labor and materials (including obligations payable by the Authority or the City for actual out of pocket expenses of the Authority or the City) in connection with the acquisition, construction, installation, improvement, replacement or equipping of the 2015A Project or the 2015B Project, as applicable, including reimbursement to the Authority or the City for all advances and payments made in connection with the 2015A Project or the 2015B Project prior to or after delivery of the 2015 Bonds;

(iii) the costs of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect during the course of acquisition, construction, installation, improvement, replacement or equipping of the 2015A Project;

(iv) all costs of planning, development, design, engineering and architectural services, including the actual out of pocket costs of the Authority or the City for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and sales commissions, and for supervising acquisition, design, construction, installation, improvement, replacement and equipping, as well as for the performance of all other duties required by or consequent to the proper acquisition, design, construction, installation, improvement, replacement or equipping of the 2015A Project; and

(v) any sums required to reimburse the Authority or the City for advances made by the Authority or the City for any of the above items or for any other costs incurred and for work done by the Authority or the City which are properly chargeable to the acquisition, design, construction, installation, improvement, replacement or equipping of the 2015A Project. "Construction Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Continuing Disclosure Certificate" means, with respect to the 2015 Bonds, that certain Continuing Disclosure Certificate relating to the 2015 Bonds, executed by the City and dated the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all expenses directly or indirectly incurred in connection with the authorization, execution and delivery of the Site Lease, the Lease and the Indenture (including any supplements or amendments) and the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority or the City, initial fees and expenses of the Trustee (including but not limited to fees and expenses for legal counsel), compensation to any financial consultants or Underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation, reproduction and publication of documents, out-of-pocket expenses of the Authority or the City, Authority and City staff costs and costs of printing.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Damaged Improvement" shall have the meaning contained in the Lease as described under the subheading "THE LEASE – Damage, Destruction, Title Defect and Condemnation".

"Debt Service" means, during any period of computation, the amount obtained for such period by totaling the following amounts: (a) the principal amount of all Outstanding Bonds coming due and payable by their terms in such period; and (b) the interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer Outstanding.

"Defeasance Obligations" means (a) Federal Securities and Federal Certificates which are fixed rate and not callable for redemption prior to their maturity by any person other than the owner thereof and (b) other Permitted Investments (i) which either are not callable for redemption prior to their maturities by any person other than the owner thereof or for which an option to redeem prior to maturity has previously been irrevocably exercised (or an irrevocable covenant to exercise such option has previously been made by the person entitled to exercise such option) and the redemption date of such securities has thereby been irrevocably fixed prior to the use of any such securities as Defeasance Obligations, and (ii) which are rated, at the time of their initial deposit with the Trustee as Defeasance Obligations, by S&P and Moody's in their highest Rating Category.

"Event of Default," with respect to the Indenture, means any of the events described under "THE INDENTURE – Events of Default and Remedies – *Events of Default; Notice*" herein and, with respect to the Lease, means any of the events described under "THE LEASE – Default and Remedies – *Default*" herein.

"E piry Date" means , 20 , e cept as e tended or sooner terminated pu rsuant to the Lease, or such other date or dates as set forth in an amendment to the Lease.

"Federal Certificates" means evidences of indebtedness or ownership of proportionate interests in future principal and interest payments of Federal Securities, including depository receipts thereof, wherein (i) a bank or trust company acts as custodian and holds the underlying Federal Securities; (ii) the owner of the Federal Certificate is a real party in interest with the right to proceed directly and individually against the obligor of the underlying Federal Securities; and (iii) the underlying Federal Securities are held in trust in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian or any person claiming through the custodian, or any person to whom the custodian may be obligated.

"Federal Securities" means direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or evidence of ownership in a portion thereof (which may consist of specified portions of interest thereon and obligations of the Resolution Funding Corporation which constitute interest strips) if held by a custodian on behalf of the Trustee; obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; and prerefunded municipal obligations rated, at the time of purchase, by Moody's and S&P in their highest Rating Category; provided that "structured securities" (including flip notes, range notes, inverse floaters and step-ups) will not be considered Federal Securities; provided further that floaters (based on single, interest rate based indices) and callable securities of the above-enumerated agencies may be treated as Federal Securities.

"Financing Documents" means the Lease, the Site Lease, and the Indenture.

"First Amendment to Facilities Lease" means the First Amendment to Facilities Lease, dated as of July 1, 2013, by and between the Authority, as sublessor, and the City, as sublessee.

"First Amendment to Site Lease" means the First Amendment to Site Lease, dated as of uly 1, 2013, by and between the City, as lessor, and the Authority, as lessee.

"First Supplemental Indenture" means the First Supplemental Indenture, dated as of July 1, 2013, by and between the Authority and the Trustee.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority or the City, as applicable, as its official fiscal year period.

"Indenture" means the Indenture dated as of July 1, 2012 as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions thereof, including as amended and supplemented by the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture.

"Independent Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the City, and who, or each of whom:

(a) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Authority or the City;

(b) does not have a substantial financial interest, direct or indirect, in the operations of the Authority or the City; and

(c) is not connected with the Authority or the City as a member, officer or employee of the Authority or the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority or the City.

"Insurance and Condemnation Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Insurance Consultant" means an individual or firm retained by the City as an independent insurance consultant, experienced in the field of risk management.

"Interest Account" means the account by that name established in the Revenue Fund pursuant to the Indenture.

"Interest Payment Date" means, with respect to the 2015 Bonds, each April 15 and October 15, commencing April 15, 2015, and for any series of Additional Bonds, such dates as shall be specified in the Supplemental Indenture authorizing such Additional Bonds.

"Lease" means that certain Facilities Lease, dated as of uly 1, 2012, by and between the Authority, as sublessor, and the City, as sublessee, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Indenture, including as amended and supplemented by the First Amendment to Facilities Lease, the Second Amendment to Facilities Lease and the Third Amendment to Facilities Lease.

"Leased Property" means the property more particularly described in an e hibit to the Lease.

"Lease Payment Date" means, with respect to the 2015 Bonds, April 10 and October 10 of each year commencing October 10, 2015.

"Lease Year" means, with respect to the 2015 Bonds, the period from April 16 to and including the following April 15, during the term hereof; except that the initial Lease Year means the period from the respective Closing Date to and including April 15, 2015.

"Master Indenture" means the Indenture, dated as of uly 1, 2012, as amended and supplemented by the First Supplemental Indenture, each by and between the Authority and the Trustee.

"MTS" means the San Diego Metropolitan Transit System.

"MTS Property" means the property more particularly described in an e hibit to the MTS Site Lease.

"MTS Site Lease" means the Site Lease, dated as of uly 1, 2013, by and between the Authority and MTS, under which MTS leases the MTS Property to the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

"Moody's" means Moody's Investors Service, New York, New York, or its successors, and if such organization will for any reason no longer perform the functions of a securities rating agency, "Moody's" will be deemed to refer to any other nationally recognized securities rating agency designated by the City.

"Net Proceeds" means amounts derived by the City from any policy of casualty insurance with respect to any portion of the Leased Property, or the proceeds of any taking of the Leased Property or any portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

"Office" means, with respect to the Trustee, the designated corporate trust office of the Trustee which is initially located in Los Angeles, California, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term will mean the office or agency of the Trustee at which, at any particular time, its corporate agency business will be conducted.

"Opinion of Counsel" means a written opinion of an attorney or a firm of attorneys (who may be counsel for the City or the Trustee) retained by the City or the Trustee. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon information that is in the possession of the City or the Trustee, as applicable, upon a certificate or opinion of, or representation by an officer or officers of the City or the Trustee, unless such counsel knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which his or her opinion may be based, is erroneous.

"Original Purchaser" means, with respect to the 2015 Bonds, the original purchaser(s) of the 2015 Bonds upon their delivery by the Trustee on the Closing Date.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions as described under "THE INDENTURE – Defeasance" herein) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture, as described under the subheading "THE INDENTURE – Defeasance – *Deposit of Money or Securities with Trustee to Defease Bonds*" herein, including Bonds (or portions thereof) described under the subheading "THE INDENTURE – Defeasance" herein; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Owner," whenever used in the Indenture with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

"Permitted Encumbrances" means, as of any particular time

(a) (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to the Lease, permit to remain unpaid; (ii) the Lease, the Site Lease, the Indenture and Existing Leases, as each may be amended from time to time pursuant to its terms; (iii) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (iv) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, which (A) exist as of the date of recordation of the Lease or (B) are established thereafter, including without limitation, in a supplement or amendment to the Lease which adds Added Property or Substituted Property to the Leased Property, which Added Property or Substituted Property is subject to such restriction, and no restriction in (A) and (B) substantially interferes with City's right to use and occupy such real property; and (v) rights granted by the City pursuant to the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Repair and Maintenance; Taxes and Assessments; Insurance; Modification of the Leased Property" in the front part of this Official Statement; and

(b) in all cases will not result in abatement of Base Rental Payments payable by the City under the Lease.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) Federal Securities or Federal Certificates;

(b) The following listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(i) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

(ii) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes

(iii) Federal Home Loan Banks (FHL Banks) consolidated debt obligations

(iv) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

(c) Obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing, that are rated, at the time of purchase, in the highest Rating Category by two Rating Agencies;

(d) Bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are rated, at the time of purchase, by "A1 P1 F1" by two Rating Agencies or, if the term of such indebtedness is longer than one year, rated in the highest Rating Category by two Rating Agencies;

(e) Taxable commercial paper or tax-exempt commercial paper with a maturity of not more than 270 days, which are rated, at the time of purchase, "A1 P1 F1" by two Rating Agencies;

(f) Deposit accounts or certificates of deposit, whether negotiable or non-negotiable, issued by a state or national bank (including the Trustee) or a state or federal savings and loan association or a state-licensed branch of a foreign bank; provided, however, that such certificates of deposit or deposit accounts will be either (a) continuously insured by the Federal Deposit Insurance Corporation; or (b) have maturities of not more than 365 days (including certificates of deposit) and are issued by any state or national bank or a state or federal savings and loan association, the short-term obligations of which are rated, at the time of purchase, in the highest short term rating by two Rating Agencies;

(g) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which bank has short-term obligations outstanding which are rated, at the time of purchase, by two Rating Agencies in the highest short-term Rating Category, and which bankers acceptances mature not later than 365 days from the date of purchase;

(h) Any repurchase agreement: (a) with (i) any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee), or a state-licensed branch of a foreign bank, having a minimum permanent capital of one hundred million dollars ($100,000,000) and having short-term debt which is rated, at the time of the purchase, by two Rating Agencies in one of the three highest short-term Rating Categories; or (ii) any government bond dealer reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York; and (b) which agreement is secured by any one or more of the securities and obligations described in clause (i) or (ii) of this definition and having maturities equal to or less than 5 years from the date of delivery, which will have a market value (valued at least monthly) not less than 102% of the principal amount of such investment and will be placed with the Trustee or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement. The entity executing each such repurchase agreement required to be so secured will furnish the Trustee with an undertaking satisfactory to the Trustee that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at

least monthly) will be an amount equal to 102% the principal amount of such repurchase agreement, and the Trustee will be entitled to rely on each such undertaking;

(i) Any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (i), (ii), (iii) and (viii) of this definition and any money market fund, the entire investments of which are limited to investments described in clauses (i), (ii) (iii) and (viii) of this definition and which money market fund is rated, at the time or purchase, by two Rating Agencies in the highest Rating Category;

(j) Any guaranteed investment contract, including forward delivery agreements ("FDAs") and forward purchase agreements ("FPAs"), with a financial institution or insurance company which has (or which is unconditionally guaranteed by a legal entity which has), at the date of execution thereof, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims-paying ability which is rated, at the time of purchase, by two Rating Agencies in one of two highest long-term Rating Categories. Only Permitted Investments described in clause (i) and (ii) above and having maturities equal to or less than 30 years from their date of delivery will be considered eligible for any collateralization/delivery purposes for guaranteed investment contracts, FDAs or FPAs;

(k) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State or of any political subdivision or public agency thereof which are rated, at the time of purchase, by two Rating Agencies in the highest short-term Rating Category or within one of the three highest long-term Rating Categories, but excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date;

(l) For amounts less than $100,000, interest-bearing demand or time deposits (including certificates of deposit) in a nationally or state-chartered bank, or a state or federal savings and loan association in the State, fully insured by the Federal Deposit Insurance Corporation, including the Trustee or any affiliate thereof;

(m) Investments in taxable money market funds or portfolios restricted to obligations with an average maturity of one year or less and which funds or portfolios are: (a) rated, at the time of purchase, by two Rating Agencies in one of the two highest Rating Categories; or (b) have or are portfolios guaranteed as to payment of principal and interest by the full faith and credit of the United States of America;

(n) Investments in the City's pooled investment fund;

(o) Investments in the Local Agency Investment Fund created pursuant to Section 16429.1 of the Government Code of the State;

(p) Shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (i) through (xiii) of this definition and which companies are: (a) rated, at the time of purchase, by two Rating Agencies in the highest Rating Category; or (b) have an investment advisor registered with the Securities and E change Commission with not less than five years' experience investing in such securities and obligations and with assets under management in excess of five hundred million dollars ($500,000,000);

(q) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which consists exclusively of investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended; and

(r) Any other investment, with confirmation (or other action, satisfactory to the City) from each rating agency that has a current rating on the Bonds at the time of initial purchase thereof, that its rating on the Bonds will not be lowered or withdrawn as a result of such investment.

"Principal Account" means the account by that name established in the Revenue Fund pursuant to the Indenture.

"Prior Bonds" means the Series 2012 Bonds and the Series 2013 Bonds.

"Rating Agency" means Moody's, S&P or Fitch, or any other nationally recognized statistical rating organization.

"Rating Category" means one of the generic categories of rating by a Rating Agency applicable to a Permitted Investment, without regard to any refinement or graduation of such rating category by a plus or minus sign or a numeral.

"Record Date" means, with respect to any Interest Payment Date, the last calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established pursuant to the Indenture.

"Registration Books" means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

"Removal" means the release of all or a portion of the Leased Property from the leasehold as provided in the Lease.

"Revenue Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture and all accounts and funds in the Indenture.

"Revenues" means (a) all Base Rental Payments, prepayments, insurance proceeds and condemnation proceeds with respect to the Leased Property and (b) the Revenue Fund and all interest and other income deposited, pursuant to the Indenture, in the Revenue Fund.

"Second Amendment to Facilities Lease" means the Second Amendment to Facilities Lease, dated as of April 1, 2015, by and between the Authority, as sublessor, and the City, as sublessee.

"Second Amendment to Site Lease" means the Second Amendment to Site Lease, dated as of April 1, 2015, by and between the City, as lessor, and the Authority, as lessee.

"Second Supplemental Indenture" means the Second Supplemental Indenture, dated as of April 1, 2015, by and between the Authority and the Trustee.

"Securities Depositories" means The Depository Trust Company, Water Street, th Floor, New York, NY 10041-0099, Attention: Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in a Written Certificate of the City delivered to the Trustee.

"Series," or "series" whenever used with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

"Series 2012 Bonds" means, collectively, the Series 2012A Bonds and the Series 2012B Bonds.

"Series 2012A Bonds" means the Authority's Lease Revenue Bonds, Series 2012A (Capital Improvement Projects).

"Series 2012B Bonds" means the Authority's Lease Revenue Refunding Bonds, Series 2012B (Fire and Life Safety Facilities Refunding).

"Series 2013 Bonds" means, collectively, the Series 2013A Bonds and the Series 2013B Bonds.

"Series 2013A Bonds" means the Authority's Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2013A (Capital Improvement Projects and Old Town Light Rail Extension Refunding).

"Series 2013B Bonds" means the Authority's Lease Revenue Refunding Bonds, Series 2013B (Balboa Park/Mission Bay Park Refunding).

"Series 2015A Bonds" means the Authority's Lease Revenue Bonds, Series 2015A (Capital Improvement Projects).

"Series 2015A Bonds Sinking Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Series 2015A Construction Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Series 2015A Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Series 2015A Rebate Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Series 2015B Bonds" means the Authority's Lease Revenue Bonds, Series 2015B (Capital Improvement Projects).

"Series 2015B Bonds Sinking Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Series 2015B Construction Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Series 2015B Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Series 2015B Rebate Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Site" means the Leased Property more particularly described in e hibits to the Site Lease and the Lease.

"Site Lease" means the Site Lease, dated as of July 1, 2012, by and between the City, as lessor, and the Authority, as lessee, together with any duly authorized and executed amendments thereto, including as amended and supplemented by the First Amendment to Site Lease, the Second Amendment to Site Lease and the Third Amendment to Site Lease.

"Substitution" means the release of all or a portion of the Leased Property from the leasehold of the Lease, and the lease of substituted real property and improvements under the Lease as provided in the Lease.

"Supplemental Indenture" means any indenture duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Ta Certificate" means, with respect to the 2015 Bonds, the tax certificate of the Authority and City.

"Third Amendment to Facilities Lease" means the Third Amendment to Facilities Lease, dated as of April 1, 2015, by and between the Authority, as sublessor, and the City, as sublessee.

"Third Amendment to Site Lease" means the Third Amendment to Site Lease, dated as of April 1, 2015, by and between the City, as lessor, and the Authority, as lessee.

"Third Supplemental Indenture" means the Third Supplemental Indenture, dated as of April 1, 2015, by and between the Authority and the Trustee.

"Term Bonds" means, with respect to the Series 2015A Bonds, the Series 2015A Bonds maturing on October 15, 20__ and October 15, 20__ and with respect to the Series 2015B Bonds, the Series 2015B Bonds maturing on October 15, 20__ and October 15, 20__.

"Written Certificate," "Certificate," "Written Request," "Request" and "Written Requisition" of the Authority or the City mean, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument.

THE INDENTURE

Certain of the provisions of the Indenture are summarized below; this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

Equal Security

In consideration of the acceptance of the Bonds by the Owners thereof, the Indenture will be deemed to be and will constitute a contract between the Authority and the Owners from time to time of the Bonds; and the covenants and agreements set forth in the Indenture to be performed on behalf of the Authority will be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided in the Indenture.

Issuance of Bonds

Transfer and Exchange of Bonds

Any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Transfer of any Bond will not be permitted by the Trustee during the period established by the

Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption pursuant to the Indenture. Whenever any Bond or Bonds will be surrendered for transfer, the Authority will execute and the Trustee will authenticate and will deliver a new Bond or Bonds for a like aggregate principal amount and of like maturity. The Trustee may require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer will be paid by the Authority.

Any Bond may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of like maturity. Exchange of any Bond will not be permitted during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption pursuant to the Indenture. The Trustee may require the Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer will be paid by the Authority.

Conditions for the Issuance of Additional Bonds

The Authority may at any time issue Additional Bonds pursuant to a Supplemental Indenture, payable from the Revenues as provided in the Indenture and secured by a pledge of and charge and lien upon the Revenues as provided in the Indenture equal to the pledge, charge and lien securing the Outstanding Bonds theretofore issued under the Indenture, and subject to the following specific conditions, which are conditions precedent to the issuance of any such Additional Bonds:

(a) No Event of Default will be continuing after giving effect to the issuance of the Additional Bonds and the application of the proceeds thereof.

(b) The Supplemental Indenture will require that the proceeds of the sale of such Additional Bonds will be applied to finance or refinance capital improvements, or for the refunding or repayment of any Outstanding Bonds or other obligations of the City issued to finance or refinance capital improvements, including the payment of costs and expenses of and incident to the authorization and sale of such Additional Bonds. The Supplemental Indenture may also provide that a portion of such proceeds will be applied to the payment of the interest due or to become due on said Additional Bonds during the estimated period of any construction and for a period of not to exceed twelve (12) months thereafter.

(c) The aggregate principal amount of Bonds issued and at any time Outstanding under the Indenture will not exceed any limit imposed by law, by the Indenture or by any Supplemental Indenture.

(d) The Lease will have been amended, if necessary, so that the Base Rental Payments payable by the City under the Lease in each Fiscal Year will at least equal projected Debt Service, including Debt Service on the Additional Bonds, in each Fiscal Year.

(e) If the additional facilities, if any, to be leased are not situated on Leased Property described in the Lease and the Site Lease, then the Lease and Site Lease will have been amended to add such additional Leased Property.

Nothing in the Indenture will prevent payment of Debt Service on any Series of Additional Bonds from being secured and payable from sources, or by property, instruments or documents, not applicable to the Bonds or any one or more Series of Additional Bonds.

Proceedings for Authorization of Additional Bonds

Whenever the Authority and the City determine to execute and deliver any Additional Bonds pursuant to the Indenture, the Authority and the Trustee will enter into a Supplemental Indenture providing for the issuance of such Additional Bonds, specifying the maximum principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds. The Supplemental Indenture will prescribe the form or forms of such Additional Bonds and, subject to the provisions of the Indenture, will provide for the distinctive designation, denominations, method of numbering, dates, interest rates, provisions for redemption (if desired) and places of payment of principal and interest.

Before such Additional Bonds will be issued, the City and the Authority will file or cause to be filed the following documents with the Trustee:

(a) An Opinion of Bond Counsel setting forth (1) that such Bond Counsel has examined the Supplemental Indenture and the amendment to the Lease and to the Site Lease required by the Indenture, as described under the subheading "– *Conditions for the Issuance of Additional Bonds*" herein; (2) that the execution and delivery of the Additional Bonds have been duly authorized by the City and the Authority; and (3) that said amendment to the Lease and to the Site Lease, when duly executed by the City and the Authority, will be a valid and binding obligation of the City and the Authority.

(b) A Certificate of the City that the requirements of the Indenture described herein under the subheading "– *Conditions for the Issuance of Additional Bonds*" have been met.

(c) A Certificate of the City stating that the insurance required by the Lease as described under "THE LEASE – Maintenance; Taxes; Insurance and Other Charges – *Insurance*" herein and "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Fire and E tended Coverage Insurance," " Use and Occupancy Insurance" and "– Title Insurance" in the front part of this Official Statement is in effect.

Upon the delivery to the Trustee of the foregoing instruments and upon the Trustee's receipt of Certificates of the City and of the Authority stating that all applicable provisions of the Indenture have been complied with (so as to permit the execution and delivery of the Additional Bonds in accordance with the Supplemental Indenture then delivered to the Trustee), the Trustee will execute and deliver said Additional Bonds, in the aggregate principal amount specified in such Supplemental Indenture, to, or upon the Written Request of the Authority.

Limitations on the Issuance of Obligations Payable from Revenues

The Authority will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, however denominated, payable in whole or in part from Revenues except the following:

(a) Bonds of any Series authorized pursuant to the Indenture;

(b) Obligations which are junior and subordinate to the payment of the Debt Service for the Bonds and any other amounts payable under the Indenture and related to the Bonds; which subordinated obligations are payable as to principal, premium, interest, reserve fund requirements, if any, and other amounts payable under the Indenture, only out of Revenues after the prior payment of all amounts then required to be paid under the Indenture from Revenues for payment of Debt Service for the Bonds and any other amounts payable under the Indenture and related to the Bonds, as the same become due and payable and at the times and in the manner as required in the Indenture.

Application of Proceeds

Establishment and Application of Series 2015A Costs of Issuance Fund

The Trustee will establish, maintain and keep separate and apart from all other funds held by the Trustee a separate fund designated as the "Series 2015A Costs of Issuance Fund." Notwithstanding any other provision of the Second Supplemental Indenture, the Series 2015A Cost of Issuance Fund is not pledged to, nor does it secure, the Bonds.

The moneys in the Series 2015A Costs of Issuance Fund will be used by the Trustee to pay the Costs of Issuance upon submission of Written Requisitions of the City in the form of an exhibit to the Second Supplemental Indenture and stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each such Written Requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

On October 1, 2015, or upon the earlier Written Request of the City, all amounts remaining in the Series 2015A Costs of Issuance Fund will be transferred by the Trustee to the Series 2015A Construction Fund to be used for the payment of Construction Costs or to Revenue Fund to be used for the payment of interest on the Series 2015A Bonds.

Series 2015A Construction Fund

(a) The Trustee will establish and maintain a fund designated as the "Series 2015A Construction Fund." Notwithstanding any other provision of the Indenture, the Series 2015A Construction Fund is not pledged to, nor does it secure, the Bonds.

(b) The Trustee will hold the moneys in the Series 2015A Construction Fund separate and apart from all other funds held by the Trustee and will use such moneys, as provided by the Second Supplemental Indenture: (i) to pay the Construction Costs; or (ii) at the election of the City, as set forth in a Written Request of the City to the Trustee, to transfer moneys therefrom for deposit into the Interest Account to pay interest on the Series 2015B Bonds, when and as the same become due and payable.

Such payments of Construction Costs will be made from time to time upon receipt by the Trustee of a Written Requisition of the City (in the form as set forth in an exhibit to the Second Supplemental Indenture, signed by the Public Works Director and Comptroller or their designees) which requisition: (i) states with respect to each payment to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due; (C) the amount to be paid; and (D) that each obligation therein has been properly incurred, and is a proper charge against the Series 2015A Construction Fund and has not been the basis of any previous disbursement; (ii) specifies in reasonable detail the nature of the obligation; and (iii) is accompanied by a bill or statement of account for each obligation.

Each such written requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

(c) If, after payment by the Trustee of all Written Requisitions of the City and delivery by the City to the Trustee of a Certificate of Completion, there remains any balance of money in the Series 2015A Construction Fund, all money so remaining will be transferred by the Trustee to the Interest Account or the Redemption Fund, as directed by the City in a Written Request.

Series 2015A Bonds Sinking Account

The Trustee will establish, maintain and keep separate and apart from all other funds held by the Trustee a separate account within the Principal Account designated as the "Series 2015A Bonds Sinking Account" into which the Trustee will deposit sinking fund payments derived from Base Rental Payments made by the City and from which funds will be applied to the Sinking Fund Redemption of Series 2015A Bonds pursuant to the Second Supplemental Indenture.

Establishment and Application of Series 2015B Costs of Issuance Fund

The Trustee will establish, maintain and keep separate and apart from all other funds held by the Trustee a separate fund designated as the "Series 2015B Costs of Issuance Fund." Notwithstanding any other provision of the Third Supplemental Indenture, the Series 2015B Cost of Issuance Fund is not pledged to, nor does it secure, the Bonds.

The moneys in the Series 2015B Costs of Issuance Fund will be used by the Trustee to pay the Costs of Issuance upon submission of Written Requisitions of the City in the form of an exhibit to the Third Supplemental Indenture and stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each such Written Requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

On October 1, 2015, or upon the earlier Written Request of the City, all amounts remaining in the Series 2015A Costs of Issuance Fund will be transferred by the Trustee to the Series 2015B Construction Fund to be used for the payment of Construction Costs or to Revenue Fund to be used for the payment of interest on the Series 2015B Bonds.

Series 2015B Construction Fund

(a) The Trustee will establish and maintain a fund designated as the "Series 2015B Construction Fund." Notwithstanding any other provision of the Indenture, the Series 2015B Construction Fund is not pledged to, nor does it secure, the Bonds.

(b) The Trustee will hold the moneys in the Series 2015B Construction Fund separate and apart from all other funds held by the Trustee and will use such moneys, as provided by the Third Supplemental Indenture: (i) to pay the Construction Costs; or (ii) at the election of the City, as set forth in a Written Request of the City to the Trustee, to transfer moneys therefrom for deposit into the Interest Account to pay interest on the Series 2015B Bonds, when and as the same become due and payable.

Such payments of Construction Costs will be made from time to time upon receipt by the Trustee of a Written Requisition of the City (in the form as set forth in an exhibit to the Third Supplemental Indenture, signed by the Public Works Director and Comptroller or their designees) which requisition: (i) states with respect to each payment to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due; (C) the amount to be paid; and (D) that each obligation therein has been properly incurred, and is a proper charge against the Series 2015B Construction Fund and has not been the basis of any previous disbursement; (ii) specifies in reasonable detail the nature of the obligation; and (iii) is accompanied by a bill or statement of account for each obligation.

Each such written requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

(c) If, after payment by the Trustee of all Written Requisitions of the City and delivery by the City to the Trustee of a Certificate of Completion, there remains any balance of money in the Series 2015B Construction Fund, all money so remaining will be transferred by the Trustee to the Interest Account or the Redemption Fund, as directed by the City in a Written Request.

Series 2015B Bonds Sinking Account

The Trustee will establish, maintain and keep separate and apart from all other funds held by the Trustee a separate account within the Principal Account designated as the "Series 2015B Bonds Sinking Account" into which the Trustee will deposit sinking fund payments derived from Base Rental Payments made

by the City and from which funds will be applied to the Sinking Fund Redemption of Series 2015B Bonds pursuant to the Third Supplemental Indenture.

Validity of Bonds

The validity of the authorization and issuance of the Bonds is not dependent on and will not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with the Lease. The recital contained in the Bonds that the same are issued pursuant to the Constitution and laws of the State will be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

Revenues; Funds and Accounts; Payment of Principal and Interest

Pledge and Assignment; Revenue Fund

(a) Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Revenues including any other amounts (including proceeds of the sale of the Bonds) held in the Revenue Fund are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture, and the Revenues will not be used for any other purpose while any of the Bonds will remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied in such sums and for such purposes as are permitted under the Indenture. This pledge will constitute a pledge of and charge and lien upon the Revenues for the payment of Debt Service on the Bonds in accordance with the terms of the Indenture. Said pledge will constitute a first lien on and security interest in such assets and will attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act.

(b) The Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds: (i) all of the Revenues and (ii) all of the rights of the Authority in the Lease (except for certain rights to indemnification set forth in the Lease), and in the Site Lease (except for certain rights to indemnification set forth in the Indenture). The Trustee will be entitled to and will collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee. The Trustee also will be entitled to and will, subject to the provisions of the Indenture, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority, all of the obligations of the City under the Lease. The assignment of the Lease and the Site Lease to the Trustee is solely in its capacity as Trustee under the Indenture and the duties, powers and liabilities of the Trustee in acting under the Indenture will be subject to the provisions of the Indenture. The Trustee will not be responsible for any representations, warranties, covenants or obligations of the Authority.

(c) The Trustee agrees to provide written notice to the City at least five Business Days prior to each Lease Payment Date of the amount, if any, on deposit in the Revenue Fund which will serve as a credit against, and will relieve the City of making, the Base Rental Payments due from the City on such Lease Payment Date.

(d) Subject to the provisions of the Indenture described in "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Investment of Funds Under the Indenture," in the front part of this Official Statement, all Revenues will be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee will establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Lease to be deposited in the

Redemption Fund or the Insurance and Condemnation Fund will be promptly deposited in such Funds. Within the Revenue Fund there will be established an Interest Account and a Principal Account. All Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund

Revenue Fund. All money in the Revenue Fund will be set aside by the Trustee in the following respective special accounts and funds within the Revenue Fund (each of which is created and each of which the Trustee covenants and agrees to cause to be maintained) in the following order of priority:

(i) Interest Account; and

(ii) Principal Account.

All money in each of such accounts and funds will be held in trust by the Trustee and will be applied, used and withdrawn only for the purposes under the Indenture.

Interest Account. On or before each Interest Payment Date, and on or before each redemption date, the Trustee will set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest coming due and payable on all Outstanding Bonds on such date.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest coming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it will become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Account. On or before each April 15 and October 15, commencing October 15, 2012, the Trustee will set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the principal amount (including the payment of principal with respect to any mandatory sinking account payments) of all Outstanding Bonds maturing or subject to mandatory sinking account payments on such April 15 or October 15. On or before each redemption date, the Trustee will transfer from the Revenue Fund and deposit in the Principal Account the principal amount of the Bonds to be redeemed, and premium, if any. No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Bonds maturing by their terms on such April 15 or October 15. All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as they will become due and payable, whether at maturity or redemption, and premium, if any.

Redemption Fund

The Trustee will establish and maintain the Redemption Fund, amounts in which will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium on the Bonds to be redeemed pursuant to the provisions of the Indenture regarding optional redemption and special mandatory redemption from insurance or condemnation proceeds; provided, however, that at any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, in accordance with the provision of the Indenture regarding purchase in lieu of redemption with respect to Term Bonds.

Insurance and Condemnation Fund; Title Insurance

Establishment of Fund. Upon the receipt of any proceeds of insurance or eminent domain with respect to any portion of the Leased Property, the Trustee will establish and maintain an Insurance and Condemnation Fund, to be held and applied under the Indenture as described below.

Application of Insurance Proceeds. Any Net Proceeds of insurance against accident to or destruction of the Leased Property collected by the City in the event of any such accident or destruction will be paid to the Trustee by the City pursuant to the Lease and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund. If the City fails to determine and notify the Trustee in writing of its determination, within forty-five (45) days following the date of such deposit, to replace, repair, restore, modify or improve the Leased Property, then such Net Proceeds will be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of Bonds as permitted by the Indenture, including pursuant to the provisions of the Indenture described under "THE 2015 BONDS – Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement to the extent that such Net Proceeds permit. All proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund will be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the City, upon receipt of Written Requisitions of the City, as agent for the Authority, which: (i) states with respect to each payment to be made (A) the requisition number, (B) the name and address of the person to whom payment is due, (C) the amount to be paid and (D) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal; and (ii) specifies in reasonable detail the nature of the obligation. Each such Written Requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts. Any balance of the proceeds remaining after such work has been completed as certified by the City to the Trustee will after payment of amounts due the Trustee be paid to the City.

Application of Eminent Domain Proceeds. If all or any part of the Leased Property will be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom will be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the provisions of the Lease as described under "THE LEASE – Damage, Destruction, Title Defect and Condemnation" herein and will be applied and disbursed by the Trustee as follows

(a) If the City has not given written notice to the Trustee, within forty-five (45) days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for the replacement of the Leased Property or such portion thereof, the Trustee will transfer such Net Proceeds to the Redemption Fund to be applied towards the redemption of the Bonds as permitted by the Indenture, including pursuant to the provisions of the Indenture described under "THE 2015 BONDS – Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement.

(b) If the City has given written notice to the Trustee, within forty-five (45) days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for replacement of the Leased Property or such portion thereof, the Trustee will pay to the City, or to its order, from said proceeds such amounts as the City may expend for such repair or rehabilitation, upon the filing of Written Requisitions of the City as agent for the Authority in the form and containing the provisions of the Indenture described above under "– *Application of Insurance Proceeds*." Each such Written Requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

Title Insurance. Proceeds of any policy of title insurance received by the Trustee in respect of the Leased Property or any portion thereof for the benefit of the Owners will be applied and disbursed by the Trustee as follows:

(a) If the City determines that the title defect giving rise to such proceeds has not materially affected the City's right to the use and possession of the Leased Property and will not result in an abatement of Base Rental Payments by the City under the Lease, upon Written Request of the City such proceeds will, if there is first delivered to the Trustee a Written Certificate of a City Representative to the effect that the annual fair rental value of the Leased Property, notwithstanding the title defect for which the payment was made, is at

least equal to the maximum amount of Base Rental Payments becoming due under the Lease in the then current Lease Year or any subsequent Lease Year, be paid to the City to be used for any lawful purpose. If the City cannot deliver the certificate described in the preceding sentence, then such amounts will be transferred to the Redemption Fund and used to redeem Bonds as permitted by the Indenture, including pursuant to the terms of the Indenture as described under "THE 2015 BONDS – Redemption Provisions – *Special Mandatory Redemption-Series 2015A Bonds"* and *–Special Mandatory Redemption—Series 2015B Bonds"* in the front part of this Official Statement, unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund.

(b) If any portion of the Leased Property has been affected by such title defect and if the City certifies in writing that such title defect will result in an abatement of Base Rental Payments by the City under the Lease, then upon Written Request of the City: either (A) such insurance proceeds will be used by the City to remove the title defect, or (B) the Trustee will, if not notified in writing by a City Representative within 90 days of the receipt by the Trustee of the insurance proceeds that the City will use the proceeds to remove the title defect, deposit such proceeds in the Redemption Fund and such proceeds will be applied to redeem Bonds in the manner as permitted by the Indenture, including pursuant to the terms of the Indenture as described under "THE 2015 BONDS – Redemption Provisions – *Special Mandatory Redemption-Series 2015A Bonds"* and *–Special Mandatory Redemption—Series 2015B Bonds"* in the front part of this Official Statement.

(c) Any excess proceeds with respect to title insurance remaining after application pursuant to the terms of the Indenture will be paid to the City to be used for any lawful purpose.

Particular Covenants

Punctual Payment

The Authority will punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Against Encumbrances

The Authority will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes. Nothing in this section will in any way limit the City's ability (i) to encumber its assets other than Leased Property or (ii) to encumber the Leased Property in accordance with the terms of the Lease.

Power to Issue Bonds and Make Pledge and Assignment

The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee will at all times, subject to the provisions of the Indenture and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records

The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries will be made of all transactions made by it relating to the proceeds of Bonds, the Revenues, the Lease and all funds and accounts established pursuant to the Indenture. Such books of record and account will be available for inspection by the Authority and the City, during business hours and under reasonable circumstances.

Compliance with Indenture

The Trustee will not execute or deliver any Bonds in any manner other than in accordance with the provisions of the Indenture, and the Authority will not suffer or permit any default by it to occur under the Indenture, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Indenture required to be complied with, kept, observed and performed by it.

Tax Covenants for 2015 Bonds

The Authority covenants to and for the benefit of the Owners of the 2015 Bonds that, notwithstanding any other provisions of the Indenture (other than as described under the subheading "Miscellaneous – *Liability of Authority Limited to Revenues*" herein), it will

(a) neither make or use nor cause to be made or used any investment or other use of the proceeds of the 2015 Bonds or the moneys and investments held in the funds and accounts established under the Second Supplemental Indenture and the Third Supplemental Indenture which would cause the 2015 Bonds to be arbitrage bonds under section 103(b) and section 148 of the Code or which would otherwise cause the interest payable on the 2015 Bonds to be includable in gross income for federal income tax purposes;

(b) not take or cause to be taken any other action or actions, or fail to take any action or actions, which would cause the interest payable on the 2015 Bonds to be includable in gross income for federal income tax purposes;

(c) at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Authority on the 2015 Bonds will be excluded from the gross income, for federal income tax purposes, of the Owners pursuant to section 103 of the Code; and

(d) not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2015 Bonds to be "federally guaranteed" within the meaning of section 14 (b) of the Code.

In furtherance of the tax covenants for the 2015 Bonds, the Authority will execute, deliver and comply with the provisions of the Tax Certificate for the 2015 Bonds, which is incorporated into the Second Supplemental Indenture and the Third Supplemental Indenture and made a part thereof as if set forth therein in full including all of the defined terms therein, and by its acceptance of the Second Supplemental Indenture and the Third Supplemental Indenture, the Trustee acknowledges receipt of such Tax Certificate and acknowledges its incorporation in the Second Supplemental Indenture and the Third Supplemental Indenture. The Trustee agrees it will invest funds held under the Indenture in accordance with the terms of the Indenture (which covenant will extend throughout the term of the 2015 Bonds, to all funds and accounts created under the Second Supplemental Indenture and all moneys on deposit to the credit of any fund or account).

Rebate Funds for the 2015 Bonds

(a) The Trustee will establish and maintain, when required, a fund separate from any other fund established and maintained under the Indenture designated as the Series 2015A Rebate Fund for the Series 2015A Bonds and the Series 2015B Rebate Fund for the Series 2015B Bonds, which are not pledged to the Bonds. Neither the Authority nor the Owner of any Bonds will have any rights in or claim to such money. Within the Series 2015A Rebate Fund and the Series 2015B Rebate Fund, the Trustee will maintain such

accounts as will be necessary to comply with instructions of the City given pursuant to the terms and conditions of the Tax Certificate. Subject to the transfer provisions described in paragraph (e) below, all money at any time deposited in the Series 2015A Rebate Fund and the Series 2015B Rebate will be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate) for the 2015 Bonds, for payment to the federal government of the United States of America.

All amounts deposited into or on deposit in the Series 2015A Rebate Fund and the Series 2015B Rebate Fund will be governed by the terms of the Indenture relating to the Rebate Fund and tax covenants and by the Tax Certificate (which is incorporated to the Indenture by reference). The Trustee will be deemed conclusively to have complied with such provisions if it follows the Written Request of the City including supplying all necessary information in the manner provided in the Tax Certificate, and will have no liability or responsibility to enforce compliance by the Authority or City with the terms of the Tax Certificate or any other tax covenants contained in the Indenture. The Trustee will not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Trustee will have no independent duty to review such calculations or enforce the compliance by the City with such rebate requirements. The Trustee will have no duty or obligation to determine the applicability of the Code and will only be obligated to act in accordance with Written Request provided by the City.

(b) Upon the City's Written Request, an amount will be deposited to the Series 2015A Rebate Fund by the Trustee from deposits by the City, if and to the extent required, so that the balance in the Series 2015A Rebate Fund will equal the Rebate Requirement for the Series 2015A Bonds and an amount will be deposited to the Series 2015A Rebate Fund by the Trustee from deposits by the City, if and to the extent required, so that the balance in the Series 2015A Rebate Fund will equal the Rebate Requirement for the Series 2015A Bonds. Computations of the Rebate Requirement will be furnished by or on behalf of the City in accordance with the Tax Certificate. The Trustee will supply to the City all necessary information in the manner provided in the Tax Certificate, to the extent such information is reasonably available to the Trustee.

(c) The Trustee will have no obligation to rebate any amounts required to be rebated pursuant to the Rebate Fund provisions of the Indenture, other than from moneys held in the funds and accounts created under the Second Supplemental Indenture or the Third Supplemental Indenture or from other moneys provided to it by the City.

(d) At the Written Request of the City, the Trustee will invest all amounts held in the Series 2015A Rebate Fund and the Series 2015B Rebate Fund in Permitted Investments. Moneys will not be transferred from the Series 2015A Rebate Fund or the Series 2015B Rebate Fund except as described in paragraph (e) below. The Trustee will not be liable for any consequences arising from such investment.

(e) Upon receipt of the City's Written Request, the Trustee will remit part or all of the balances in the Series 2015A Rebate Fund and the Series 2015B Rebate Fund to the United States, as so directed. In addition, if the City so directs, the Trustee will deposit money into or transfer money out of the Series 2015A Rebate Fund and the Series 2015B Rebate Fund from or into such accounts or funds as directed by the City's Written Request; provided, however, only moneys in excess of the Rebate Requirement may, at the written direction of the City, be transferred out of the Series 2015A Rebate Fund and the Series 2015B Rebate Fund to such other accounts or funds or to anyone other than the United States in satisfaction of the arbitrage rebate obligation. Any funds remaining in the Series 2015A Rebate Fund and the Series 2015B Rebate Fund after each five year remission to the United States, redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Trustee, will be withdrawn and remitted to the City.

(f) Notwithstanding any other provision of the Indenture, including in particular those provisions described under "THE INDENTURE – Defeasance" herein, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of Indenture relating to tax covenants and the Rebate Fund and the Tax Certificate will survive the defeasance or payment in full of the 2015 Bonds.

Collection of Amounts Due Under Lease; Amendments

The Trustee will promptly collect all amounts due from the City pursuant to the Lease. Subject to the provisions of the Indenture, the Trustee will enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights under the Indenture as assignee of the Authority, for the enforcement of all of the obligations of the City under the Lease.

The Authority will not amend, modify or terminate any of the terms of the Lease or the Site Lease, or consent to any such amendment, modification or termination, without the prior written consent of the Trustee. The Trustee will give such written consent only if it determines the requirements of the Lease relating the amendment thereof have been complied with.

Waiver of Laws

The Authority will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension of law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the Authority to the extent permitted by law.

Further Assurances

The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Events of Default and Remedies

Events of Default; Notice

The following events will be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal, redemption premium, if any or sinking fund installments of any Bonds when and as the same will become due and payable, whether at maturity as expressed in the Indenture, by proceedings for redemption (other than with respect to conditional redemption as permitted by the Indenture) or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bonds when and as the same will become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default will have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, will have been given to the Authority by the Trustee; provided, however, that if in the reasonable opinion of the Authority the default stated in the notice can be corrected, but not within such sixty (60) day period, such default will not constitute an Event of Default under the Indenture if the Authority will commence to cure such default within such sixty (60) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The occurrence and continuation of an event of default under and as defined in the Lease.

If an Event of Default occurs under the Indenture, the Trustee will give notice, at the expense of the City, of such Event of Default to the Owners. Such notice will state that an Event of Default has occurred and

will provide a brief description of such Event of Default. The Trustee in its discretion may withhold notice if it deems it in the best interests of the Owners. Such notice provided will be given by first-class mail, postage prepaid, to the Owners within 30 days of the Trustee's receipt of knowledge of the occurrence of such Event of Default.

Remedies Upon Event of Default

(a) Upon the occurrence and continuance of any Event of Default, then and in every such case the Trustee in its discretion may, and upon the written request of the Owners of not less than 50% in principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction, and payment of its fees and expenses, including the fees and expenses of its counsel, will in its own name and as the Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners under the Indenture, and require the Authority or the City to carry out any agreements with or for the benefit of the Owners of Bonds and to perform its or their duties under the Lease and the Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Lease or the Indenture, as the case may be;

(ii) bring suit upon the Bonds;

(iii) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Owners of Bonds; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of Bonds under the Indenture.

(b) Upon the occurrence of an Event of Default, the Trustee will be entitled as a matter of right to the appointment of a receiver or receivers for the Revenues, ex parte, and without notice, and the Authority consents to the appointment of such receiver upon the occurrence of an Event of Default. In the case of any receivership, insolvency, bankruptcy, or other judicial proceedings affecting the Authority or the City, the Trustee will be entitled to file such proofs of claims and other documents as may be necessary or advisable in order to have the claims of the Trustee and the Bond Owners allowed in such proceedings, without prejudice, however, to the right of any Bond Owner to file a claim on his or her own behalf; provided, the Trustee will be entitled to compensation and reimbursement for the reasonable fees and expenses of its counsel and indemnity for its reasonable expenses and liability from the Authority, the City or the Bond Owners, as appropriate.

(c) Notwithstanding the foregoing, neither the Indenture nor the Bonds provide for the remedy of acceleration of principal or interest due with respect to the Bonds prior to their stated due dates.

Application of Revenues and Other Funds After Default

If an Event of Default will occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture will be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which will have become due, whether at maturity or by redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available will not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Trustee to Represent Bond Owners

The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, will be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture and applicable provisions of any law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, the Trustee will, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it will deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power in the Indenture granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds, the Indenture or any other law; and upon instituting such proceeding, the Trustee will be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Bond Owners' Direction of Proceedings

Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding will have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction will not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee will have the right to decline to follow any such direction which in the opinion of the Trustee would expose it to liability.

Limitation on Bond Owners' Right to Sue

Notwithstanding any other provision of the Indenture, no Owner of any Bonds will have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Lease or any other applicable law with respect to such Bonds, unless (a) such

Owner will have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners will have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee will have failed to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee; and (e) no direction inconsistent with such written request will have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture, the Lease or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner in the Indenture provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of Authority

Nothing in the Indenture as described herein under the subheading "– Events Of Default And Remedies – *Limitation on Bond Owners' Right to Sue*" or in any other provision of the Indenture or in the Bonds contained will affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Revenues and other assets in the Indenture pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings

If any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or will have been determined adversely to the Trustee or the Bond Owners, then the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners will continue as though no such proceedings had been taken.

Remedies Not Exclusive

No remedy conferred upon or reserved to the Trustee or the Owners of the Bonds in the Indenture is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, will be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default

No delay or omission of the Trustee or any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by the

Indenture to the Trustee or the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Parties Interested In the Indenture

Nothing in the Indenture expressed or implied is intended or will be construed to confer upon, or to give to, any person or entity, other than the City, the Authority, the Trustee, their officers, employees and agents, and the Owners any right, remedy or claim under or by reason of the Indenture, or any covenant, condition or stipulation of the Indenture, and all covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Authority will be for the sole and exclusive benefit of the City, the Authority, the Trustee, their officers, employees and agents, and the Owners.

Remedies Subject to Provisions of Law

All rights, remedies and powers provided by the Indenture may be exercised only to the extent that the exercise thereof does not violate any applicable provision of the City Charter and other applicable law, and all of the provisions of the Indenture are intended to be subject to the City Charter and all other applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this instrument or the provisions of the Indenture invalid or unenforceable under the provisions of the City Charter or other applicable law.

Modification or Amendment of the Indenture

Amendments Permitted

(a) The Indenture and any of the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding which are affected by the amendment, will have been filed with the Trustee; provided, however, no such modification or amendment without the consent of the Owners of all of the Bonds then Outstanding which would be affected thereby, will (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or (iv) deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it will be sufficient if such consent will approve the substance thereof. Consent of the Owners may be obtained as provided in the Indenture.

(b) In addition to any Supplemental Indenture authorized pursuant to the Indenture, the Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority in the Indenture, or to close the Indenture against, or provide limitations and restrictions

in addition to the limitations and restrictions contained in the Indenture on, the authentication and delivery of Additional Bonds;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; or

(iv) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income under the Code.

(v) to permit the Trustee to comply with any duties imposed upon it by law;

(vi) to provide for the refunding or advance refunding of any Bonds, so long as such amendment is not inconsistent with the provisions of the Indenture relating to the defeasance of Bonds;

(vii) to evidence the appointment of a separate trustee or the succession of a new trustee under the Indenture;

(viii) to make any amendments appropriate or necessary to provide for or facilitate the delivery of credit enhancement for any Bonds; or

(ix) for any other reason, provided such modification or amendment does not, in the judgment of the Trustee, materially adversely affect the interests of the Owners of the Bonds then Outstanding.

(c) The Trustee may in its discretion, but will not be obligated to, enter into any such Supplemental Indenture authorized by paragraphs (a) or (b) under this subheading which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture under the Indenture, there will be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

(e) Provision of the Indenture described under this subheading are subject to the provisions of the Indenture described under the subheading "Modification or Amendment of the Indenture – *City's Consent to Supplemental Indentures*" herein.

Consent of Owners

(a) If at any time the Authority (or the City on behalf of the Authority) will request the Trustee to enter into any Supplemental Indenture requiring consent of the Owners, the Trustee, upon being satisfactorily indemnified with respect to expenses, will cause notice (unless waived by the affected Owners in their consent) of the proposed Supplemental Agreement to be mailed to each affected Owners, as shown in the Registration Books at the close of business on the 15th day preceding that mailing and at its address as it appears on the Registration Books on that 15th day preceding the mailing. The notice will describe briefly the nature of the

proposed amendment and will state that copies thereof are on file at the office of the Trustee designated therein for inspection by all such Owners.

Consent of Owners may also be evidenced: (i) by Bonds being sold to such Owners under an official statement or other offering document which describes the proposed amendment and states that their purchase shall be treated as their consent to such amendment; or (ii) in any other manner acceptable to the Trustee.

If the Supplemental Indenture will not take effect so long as any particular Bonds remain Outstanding, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of determining the required consents.

(b) *Disqualified Bonds.* Bonds owned or held by or for the account of the Authority or the City will not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in the Indenture as described under this subheading "Modification or Amendment of the Indenture", and will not be entitled to consent to or take any other action provided in the Indenture as described under this subheading "– Modification or Amendment of the Indenture"; provided, however, that the Trustee will not be deemed to have knowledge that any Bond is owned or held by or for the account of the Authority or the City unless the Authority or the City is the registered Owner or the Trustee has received written notice that any other registered Owner is holding for the account of the Authority or City.

(c) The Trustee will not be subject to any liability to any Owner of Bonds by reason of the Trustee's failure to mail, or the failure of any such Owner to receive, the notice required by the Indenture as described under this subheading. Any failure of that nature will not affect the validity of the Supplemental Indenture when there has been consent thereto as provided in the Indenture as described under this subheading.

(d) If the Trustee will receive, within a period not exceeding one year as prescribed by the City upon behalf of the Authority, following the mailing of the notice (unless waived by the affected Owners in their consent), an instrument or document or instruments or documents, in a form or forms to which the Trustee does not object reasonably, purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the affected Outstanding Bonds, but not otherwise, the Trustee will execute and deliver the Supplemental Indenture in substantially the form to which reference is made in the notice, without liability or responsibility to any affected Owner, regardless of whether that Owner will have consented thereto. The instrument or document or instruments or documents described in this paragraph shall refer to the proposed Supplemental Indenture in the form described in the notice and shall consent specifically to the Supplemental Indenture in substantially that form.

(e) At any time after the Owners of the required percentage of the Bonds will have filed their consents with the Trustee to the Supplemental Indenture, the Trustee will make and file with the Authority and City a written statement that the Owners of the required percentage of the Bonds have filed those consents. That written statement will be conclusive evidence that the consents have been so filed. Prior to the Trustee filing such written statement, a consent may be revoked in writing by the Owner who gave the consent or by a subsequent Owner of the Bonds by a written revocation received by the Trustee.

City's Consent to Supplemental Indentures

Anything in the Indenture to the contrary notwithstanding, so long as the City is not in default under the Lease, a Supplemental Indenture under the Indenture will not become effective unless and until the City will have consented in writing to the execution and delivery of such Supplemental Indenture. In this regard, the Trustee will cause notice of the proposed execution and delivery of any Supplemental Indenture, together with a copy of the proposed Supplemental Indenture, to be mailed by first-class mail to the City at least 30 days prior to the proposed date of execution and delivery of any Supplemental Indenture.

Effect of Supplemental Indenture

Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding will thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds

Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the Authority so determines will, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation will be made on such Bonds. If the Supplemental Indenture will so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, will be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding will be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same series and maturity.

Amendment of Particular Bonds

The provisions of the Indenture as described under this subheading "– Modification or Amendment of the Indenture" shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by him.

Defeasance

Discharge of Indenture

(a) Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

(i) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;

(ii) by depositing with the Trustee, in trust, at or before maturity, Defeasance Obligations in the necessary amount and in accordance with the terms of the Indenture to pay or redeem such Bonds; or

(iii) by delivering to the Trustee, for cancellation by it, such Bonds.

If the Authority will also pay or cause to be paid all other sums payable under the Indenture by the Authority, then and in that case, at the election of the Authority evidenced by a Written Certificate of the Authority (or of the City upon behalf of the Authority), filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under the Indenture with respect to such Bonds will cease, terminate, become void and be completely discharged and satisfied (except for those provisions surviving by reason of those provisions of the

Indenture described under paragraph (c) below in the event that the Bonds are deemed to be paid and discharged pursuant to the provisions of the Indenture described under the subheading "*–Deposit of Money or Securities with Trustee to Defease Bonds*" below). In such event, upon the Written Request of the Authority (or of the City upon behalf of the Authority), the Trustee will execute and deliver to the Authority and City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver to the City all moneys or securities or other Leased Property held by it pursuant to the Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption.

If the Authority will pay or cause to be paid, or there will otherwise be paid, to the Owners of the Outstanding Bonds of a particular Series, or of a particular maturity or particular Bonds within a Series, the Debt Service due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Bonds will cease to be entitled to any lien, pledge, benefit or security under the Indenture, and all covenants, agreements and obligations of the Authority to the Owners of such Bonds will thereupon cease, terminate and become void and be discharged and satisfied (subject to provisions of the Indenture described in paragraph (c) below).

Bonds or interest installments, for the payment or redemption of which moneys will have been set aside and held in trust by the Trustee (through deposit by the City of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof, will be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) under this subheading.

(b) If, in connection with a redemption of all or any part of the Bonds, or in connection with providing for payment of all or any part of the Bonds pursuant to the Indenture as described herein under the subheading "Defeasance", moneys and or Defeasance Obligations are deposited with the Trustee sufficient to pay Debt Service on all or a portion of the Bonds being defeased in accordance with the provisions of the Indenture described under the subheading "Deposit of Money or Securities with Trustee to Defease Bonds" below to any date after the first date on which such Bonds may be redeemed, the City on behalf of the Authority may expressly reserve and retain the right to subsequently change the date on which any such Bonds are to be redeemed. The City may further reserve and retain the right to restructure the moneys and/or Defeasance Obligations held by the Trustee for payment such Bonds as provided in the Indenture as described in paragraphs (c), (d) or (e) under the subheading "*– Deposit of Money or Securities with Trustee to Defease Bonds*" below, and to apply any of the proceeds, which are available following such restructuring and are not needed to pay Debt Service on the Bonds being defeased, for any lawful purpose.

(c) If the City desires to reserve and retain any such rights, it shall so advise the Trustee at the time of the deposits of such funds with the Trustee and the Trustee will include a statement of such reserved and retained rights in the notice given to Owners pursuant to the Indenture. Notwithstanding the foregoing, any provisions of the Indenture which relate to:

(i) the maturity of Bonds;

(ii) the interest payments and dates thereof;

(iii) the optional and mandatory redemption provisions;

(iv) the credits against the mandatory sinking fund requirements;

(v) the exchange, transfer and registration of Bonds;

(vi) the replacement of mutilated, destroyed, lost or stolen Bonds;

(vii) the safekeeping and cancellation of Bonds;

(viii) the nonpresentment of Bonds;

(ix) the holding of moneys in trust;

(x) the repayments to the Authority from the escrow fund;

(xi) the timely payment of any rebate of arbitrage earnings to the United States and any other provisions which relate to exclusion of interest on the Bonds from gross income for federal income tax purposes; and

(xii) the duties of the Trustee in connection with all of the foregoing and payment of its fees and expenses;

will remain in effect and will be binding upon the Authority, the Trustee and the Owners, notwithstanding the release, discharge and satisfaction of the Indenture. The provisions of the Indenture described under this paragraph (c) will survive the release, discharge and satisfaction of the Indenture.

Deposit of Money or Securities with Trustee to Defease Bonds

(a) Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and available for such purposes.

(b) Subject to the provisions of paragraphs (c) and (d) under this subheading, any Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid, within the meaning and with the effect e pressed in paragraph (a) under the subheading "*Discharge of Indenture*" above, if

(i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City upon behalf of the Authority will have given to the Trustee written instructions, accepted in writing by the Trustee, to mail as provided in the Indenture notice of redemption of such Bonds (other than Bonds which have been purchased or otherwise acquired by the City and delivered to the Trustee as provided in the Indenture prior to the mailing of such notice of redemption);

(ii) there will have been deposited with the Trustee (or another trust company selected by the City which meets the requirements of the Indenture), in trust for the Owners of such Bonds, either moneys in an amount which shall be sufficient, or Defeasance Obligations (including any Defeasance Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient (without regard to further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, which earnings are to be held likewise in trust and so committed, except as provided in the Indenture) to pay when due the Debt Service due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be;

(iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the City upon behalf of the Authority will have given written instructions to the Trustee in form satisfactory to it to mail a notice to the Owners of such Bonds, within 15 days of the date on which the Bonds are deemed to be paid and discharged, at their address as it appears on the Registration Books on that date on which such Bonds are deemed to be paid and discharged. The notice will: (1) state the numbers of the Bonds deemed to be paid and discharged, or will state that all Bonds of a particular Series are deemed to be paid and discharged; (2) that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in

accordance with the terms of the Indenture described under this subheading; and (3)state such maturity or redemption date upon which moneys are expected to be available for the payment of the Debt Service on said Bonds (other than Bonds which have been purchased or otherwise acquired by the City and delivered to the Trustee as provided in the Indenture provided prior to the mailing of the notice of redemption referred to in clause (i) under this subheading);

(iv) the Trustee will have received a report of an independent firm of certified public accountants or a financial consulting firm of recognized standing in the field of municipal bonds to the effect that the amount of principal of and interest when due on the Defeasance Obligations and any money deposited at the same time with the Trustee shall be sufficient to pay when due the Debt Service due and to become due on said Bonds prior to and on the redemption or maturity date thereof, as the case may be; and

(v) if the Bonds deemed paid with Defeasance Obligations were issued as obligations the interest on which was excluded from gross income for federal tax purposes, then the City will furnish to the Trustee an opinion of Bond Counsel to the effect that the provisions for paying such Bonds (assuming compliance by the Authority, the City and the Trustee with their duties under the Indenture and any related escrow agreement) will not, by itself, cause such Bonds to lose such exclusion.

Any notice of redemption mailed pursuant to (i) with respect to Bonds which constitute less than all of the Outstanding Bonds of any maturity within a Series will specify the letter and number or other distinguishing mark of each such Bond.

Defeasance Obligations will consist of securities which are not subject to redemption prior to their maturity other than at the option of the holder thereof, or will consist of securities as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date.

(c) The Trustee will, if so directed by the City, (i) prior to the maturity date of Bonds that have been deemed to have been paid in accordance with the provisions of the Indenture described under this subheading (the "Defeased Bonds") which are not to be redeemed prior to their maturity date or (ii) prior to mailing of the notice of redemption referred to in clause (i) above with respect to any Defeased Bonds which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee for such Defeased Bonds and redeem or sell Defeasance Obligations so deposited with the Trustee and apply the proceeds thereof to the purchase of such Defeased Bonds and the Trustee shall immediately thereafter cancel all such Defeased Bonds so purchased; provided, however, that the moneys and Defeasance Obligations remaining on deposit with the Trustee after such purchase and cancellation of such Defeasance Bonds must be determined by the Trustee to be sufficient to pay when due the Debt Service due or to become due on all remaining unpaid Defeased Bonds, in respect of which such moneys and Defeasance Obligations are being held by the Trustee, on or prior to the redemption date or maturity date thereof, as the case may be.

(d) If, at any time (i) prior to the maturity date of Defeased Bonds which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in clause (i) with respect to any Defeased Bonds which are to be redeemed on any date prior to their maturity, the City shall purchase or otherwise acquire any such Defeased Bonds and deliver such Defeased Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee will immediately cancel all such Defeased Bonds so delivered; and such delivery of Defeased Bonds to the Trustee shall be accompanied by Written Direction from the City to the Trustee as to the manner in which such Defeased Bonds are to be applied against the obligation of the Trustee to pay or redeem Defeased Bonds. Such directions of the City will also specify the portion, if any, of such Defeased Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to pay Defeased Bonds upon their maturity date or dates and the portion, if any, of such Defeased Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to redeem Defeased Bonds on any date or dates prior to their maturity.

(e) If on any date: (i) as a result of any purchases, acquisitions and cancellations of Defeased Bonds as provided in the Indenture as described under this subheading the total amount of moneys and Defeasance Obligations remaining on deposit with the Trustee under the Indenture as described under this subheading is in excess of the total, determined by the Trustee, which would have been required to be deposited with the Trustee on such date in respect of the remaining unpaid Defeased Bonds in order to satisfy paragraph (b)(ii) under this subheading, the Trustee will, if requested by the City in Written Certificate, sell specified Defeasance Obligations and transfer the amount of such excess as directed by the City; or (ii) the City directs the Trustee in Written Certificate to sell and re-invest specified Defeasance Obligations as directed by the City;

then before any such excess is so transferred or any such Defeasance Obligations sold and re-invested, as applicable, the Trustee shall have received a report, of an independent firm of certified public accountants or a financial consulting firm of recognized standing in the field of municipal bonds, to the effect that the amount of money and the principal of and interest when due on the Defeasance Obligations remaining on deposit with the Trustee after such transfer or sale or re-investment, as applicable, will be sufficient to pay when due the Debt Service due and to become due on said unpaid Defeased Bonds on or prior to the redemption or maturity date thereof, as the case may be.

(f) Except as otherwise provided under this subheading, neither Defeasance Obligations nor moneys deposited with the Trustee pursuant to this subheading nor principal or interest payments on any such Defeasance Obligations will be withdrawn or used for any purpose other than, and will be held in trust by the Trustee solely for, the payment of the Debt Service on the Defeased Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee (i) to the extent such cash will not be required at any time for such purpose as determined by the Trustee, will be transferred as directed by the City, and (ii) to the extent such cash will be required for such purpose at a later date, will, to the extent practicable and as directed by the City, be reinvested by the Trustee in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the Debt Service due on said remaining unpaid Defeased Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be transferred as directed by the City.

Miscellaneous

Liability of Authority Limited to Revenues

Notwithstanding anything in the Indenture or in the Bonds contained, the Authority will not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Authority may, but will not be required to, advance for any of the purposes of the Indenture any funds of the Authority which may be made available to it for such purposes.

Limitation of Rights to Parties and Bond Owners

Nothing in the Indenture or in the Bonds expressed or implied is intended or will be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or in the Indenture contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Trustee, the City, the Authority and the Owners of the Bonds.

Unclaimed Funds

Notwithstanding any provisions of the Indenture, and subject to applicable provisions of State law, any moneys held by the Trustee in trust for the payment of the principal of, premium, if any, or interest on, any

Bonds and remaining unclaimed for two (2) years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, will be repaid to the City free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the City as aforesaid, the Trustee shall (at the written request and cost of the City) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof. Thereafter, the Owner of such Bond will look only to the City for payment and then only to the extent of the amount so returned to the City without any interest thereon, and the Trustee will have no responsibility with respect to such money. During any period in which the Trustee holds such unclaimed money, the Trustee will not be required to invest such money; nonetheless if the Trustee should invest such money any earnings on such amounts shall be remitted to the City as such earnings are realized.

Waiver of Notice; Requirement of Mailed Notice

Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in the Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Evidence of Acts of Owners

(a) Any request, direction, consent or other instrument provided to be signed and executed by the Owners may be in any number of concurrent writings of similar tenor and may be signed or executed by such Owners in person or by agent appointed in writing. Proof of the execution of any such request, direction or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of the Indenture and will be conclusive in favor of the Trustee, Authority and City, with regard to any action taken by them, or either of them, under such request or other instrument, namely:

(i) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(ii) The ownership of Bonds shall be proved by the Registration Books.

Nothing under this subheading will be construed as limiting the Trustee to the proof specified in the Indenture, it being intended that the Trustee may accept any other evidence of the matters stated in the Indenture which it may deem sufficient including, without limitation, an affidavit evidencing beneficial ownership of Bonds while the Bonds are held in book-entry only system.

(b) Any action taken or suffered by the Trustee pursuant to any provision of the Indenture, upon the request or with the assent of any person who at the time is the Owner of any Bond or Bonds, will be conclusive and binding upon all future Owners of the same Bond or Bonds.

(c) Any request, consent, or other instrument or writing of the Owner of any Bond will bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu

thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Holidays

If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, will be a legal holiday or a day on which the Authority, the City, the Trustee or banking institutions in the State are authorized by law or otherwise to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which the Authority, the City, the Trustee or such banking institutions are authorized by law or otherwise to remain closed, with the same force and effect as if done on the nominal date provided in the Indenture, and no interest shall accrue for the period after such nominal date.

Waiver of Personal Liability

No member, officer, agent or employee of the Authority will be individually or personally liable for the payment of the principal of or interest or premium (if any) on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing in the Indenture contained will relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by the Indenture.

THE LEASE

Certain provisions of the Lease are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Lease.

The Leased Property

Lease of the Leased Property; Title to Leased Property

The Authority subleases to the City, and the City subleases back from the Authority, the Leased Property, all on the conditions and terms set forth in the Lease. The City agrees and covenants that during the term of the Lease, except as provided in the Lease, it will use the Leased Property for public purposes so as to afford the public the benefits contemplated thereby and so as to permit the Authority to carry out its agreements and covenants contained the Lease and in the Indenture, and the City thereby further agrees and covenants that during the term of the Lease that it will not abandon or vacate the Leased Property.

During the term of the Lease, title to all moveable property (i) that is located on, in or about the Leased Property on the Closing Date, or (ii) that is placed on, in or about Leased Property by the City at any time thereafter during the term of the Lease, will remain the property of the City (or property of the City's tenant, as provided in the lease between the City and such tenant). During the term of the Lease, the Authority will hold leasehold title to the Leased Property and any and all additions which comprise fixtures, repairs, replacements or modifications thereof, except for any items added to the Leased Property by the City pursuant to the terms of the Lease.

If both the Trustee's and the City's estate under the Lease or any other lease relating to the Leased Property or any portion thereof will at any time for any reason become vested in one owner, the Lease and the estate created thereby will not be destroyed or terminated by the doctrine of merger unless the City and the Trustee so elect as evidenced by recording a written declaration so stating; and unless and until the City and

the Trustee so elect, the Authority will continue to have and hold a leasehold estate in the Leased Property pursuant to the Site Lease throughout the term thereof and the term of the Lease, and the Lease will be deemed and constitute a sublease of the Leased Property. The City covenants not to permit or consent to any such merger as long as any Bonds are Outstanding.

Quiet Enjoyment

The parties to the Lease mutually covenant that the City, so long as it observes and performs the agreements, conditions, covenants and terms required to be observed or performed by it contained in the Lease and is not in default under the Lease, will at all times during the term of the Lease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Right of Entry and Inspection

The Authority will have the right to enter the Leased Property and inspect the Leased Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations under the Lease and for all other lawful purposes.

Additions and Improvements to Leased Property; Mechanics Liens

The City will have the right during the term of the Lease to make any additions or improvements to the Leased Property, to attach fixtures, structures or signs, and to affix any personal property to the Leased Property, so long as the fair rental value of the Leased Property is not thereby reduced. Title to all fixtures, equipment or personal property, which is placed by the City in or on the Leased Property, will remain in the City to the extent that such items may be removed from the Leased Property without damage thereto. Title to any personal property, improvements or fixtures placed in or on any portion of the Leased Property by any sublessee or licensee of the City shall be controlled by the sublease or license agreement between such sublessee or licensee and the City, which sublease or license agreement will not be inconsistent with the Lease.

In the event the City will at any time during the term of the Lease cause any improvements to the Leased Property to be constructed or materials to be supplied in or upon or attached to the Leased Property, the City shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon, about or relating to the Leased Property and will keep the Leased Property free of any and all liens against the Leased Property or the Authority's interest therein, e cept for Permitted Encumbrances. In the event any such lien attaches to or is filed against the Leased Property or the Authority's interest therein, and the enforcement thereof is not stayed or if so stayed such stay thereafter expires, the City shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due. If any such lien will be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City shall forthwith pay and discharge or cause to be paid and discharged such judgment.

Substitution, Removal or Addition of Leased Property

(a) The City and the Authority may amend the Lease and Site Lease to: (i) substitute real property and or improvements (the "Substituted Property") for all or a portion of the e isting Leased Property; (ii) remove all or a portion of real property (including undivided interests therein) or improvements ("Removal") from the definition of Leased Property; or (iii) to add real property and/or improvements (the "Added Property") to the Leased Property, upon compliance with all of the applicable conditions set forth in

paragraph (b). After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected will be released from the leasehold under the Lease and under the Site Lease.

(b) No Substitution, Addition or Removal shall take place under the Lease and under the Site Lease until the City delivers to the Authority and the Trustee each of the following:

(i) Executed counterparts (in proper recordable form) of amendments to the Site Lease and the Lease, containing: (A) in the event of a Removal, a legal description of all or part of the Leased Property to be released; (B) in the event of a Substitution, a legal description of the Substituted Property to be substituted in its place; and (C) in the case of an Addition, a legal description of the Added Property.

(ii) A certificate of the City, evidencing that the annual fair rental value (which may be based on, but not limited to, the construction or acquisition cost or replacement cost of such Substitution or Addition to the City) of the property that will constitute the Leased Property after such Addition, Substitution or Removal, will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current Lease Year or in any subsequent Lease Year during term of the Lease. At the sole discretion of the City, in the alternative, in the event of a Substitution only, the certificate of the City may evidence that the annual fair rental value of the new property is at least equal to that of the Substituted Property.

(iii) An Opinion of Counsel to the effect that: (A) the amendments to the Lease and to the Site Lease in connection with such Substitution, Addition or Removal of property have been duly authorized, executed and delivered and constitute the valid and binding obligations of the City and the Authority enforceable in accordance with their terms; and (B) the Substitution, Addition or Removal is authorized or permitted under the Lease.

(iv) With respect to an Addition or Substitution of property, a leasehold owner's title insurance policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing title insurance policy or policies, resulting in title insurance with respect to the Leased Property after such Addition or Substitution in an amount at least equal to the aggregate principal amount of Bonds Outstanding; each such insurance instrument, when issued, will name the Authority and Trustee as the insured, and shall insure the leasehold estate of the Authority and the Trustee, as assignee of the Authority, in such real property subject only to Permitted Encumbrances.

(v) In the event of a Substitution or Addition, an opinion of the City Attorney of the City to the effect that the exceptions, if any, contained in the title insurance policy referred to in (iv) above (A) constitute Permitted Encumbrances and (B) do not substantially interfere with the use and occupancy of the Substituted Property or Added Property described in such policy by the City for the purposes of leasing or using the Substituted Property or Added Property.

(vi) An Opinion of Bond Counsel that the Substitution, Addition and/or Removal will not, in and of itself, cause the interest on any Bonds to be includable in gross income of the Owners thereof for federal income tax purposes.

(vii) A Certificate of the City stating that the City has complied with the requirements of the Lease pertaining to fire and extended coverage insurance and use and occupancy insurance with respect to the Substituted or Added Property.

(viii) In the event the Added Property is under construction at the time such property is added to the Lease, the following additional conditions will be satisfied: (A) interest on the Additional Bonds issued to finance such property may be capitalized for a period of at least six

months past the estimated completion date of the property; and (B) the City will have entered into a construction contract for the Added Property.

(ix) In the event of a Substitution or Addition, a certified copy of a resolution duly adopted by the City Council of the City authorizing the amendments to the Lease and to the Site Lease in connection with such Substitution or Addition.

Term of the Lease

Commencement of the Lease; Term of Lease

The term of the Lease will commence on the Closing Date, and will end on the Expiry Date, unless the Expiry Date is extended or is sooner terminated as provided under the Lease. If on the Expiry Date, the stated rental payable under the Lease will not be fully paid and all Bonds will not be fully paid and defeased as provided under the Indenture, or if the rental payable under the Lease will have been abated at any time or for any reason, then the term of the Lease will be extended until the first Business Day following the day the rental payable under the Lease will be fully paid and all Bonds will be fully paid and defeased as provided under the Indenture; provided, however, that the term of the Lease will be extended until all Bonds have been fully paid and defeased as provided under the Indenture, except the term of the Lease will in no event be extended beyond 10 years after the then existing Expiry Date.

If prior to the Expiry Date, the rental payable under the Lease will be fully paid and all Bonds will have been fully paid or defeased in accordance with the Indenture, the term of the Lease will end immediately upon the City providing written notice from the Trustee to the Authority to the effect that all Bonds have been fully paid or defeased in accordance with the Indenture.

The City will take possession of the Leased Property on the Closing Date, and the obligation of the City to pay Base Rental Payments and Additional Rental will commence on the Closing Date, subject to the limitations of the Lease.

Tax Covenants

Tax Covenants for 2015 Bonds

(a) The City covenants that it will use, and will restrict the use and investment of, the proceeds of the 2015 Bonds in such manner and to such extent as may be necessary so that: (1) the 2015 Bonds will not (A) constitute private activity bonds arbitrage bonds or hedge bonds under Section 141, 148 or 149 of the Code, or (B) be treated other than as obligations to which Section 103 of the Code applies, and (ii) the interest thereon will not be treated as a preference item for purposes of the federal alternative minimum tax.

(b) The City further covenants (i) that it will take or cause to be taken such actions that may be required of it for the interest on the 2015 Bonds to be and remain excluded from gross income for federal income tax purposes, (ii) that will not take or authorize to be taken any actions that would adversely affect that exclusion, and (iii) that it, or persons acting for it, will, among other acts of compliance, (A) apply the proceeds of the 2015 Bonds to governmental purposes, (B) restrict the yield on investment property, (C) make timely and adequate payments to the federal government as required under the Tax Certificate, (D) maintain books and records and make calculations and reports, and (E) refrain from certain uses of those proceeds and, as applicable, of property financed with such proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code.

(c) The Authorized Representative of the City is hereby authorized: (i) to make or effect any election, selection, designation, choice, consent, approval, or waiver on behalf of the City with respect to the 2015 Bonds as the City is permitted or required to make or give under the federal income tax laws, including, without limitation thereto, any of the elections provided for in Section 148(f)(4)(B) and (C) of the Code or available under Section 148 of the Code, for the purpose of assuring, enhancing or protecting favorable tax treatment or status of the 2015 Bonds or interest thereon or assisting compliance with requirements for the purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments of penalties or making payments of special amounts in lieu of making computations determined by that officer, which action shall be in writing and signed by the Authorized Representative, (ii) to take any and all other actions, make or obtain calculations, make payments and make or give reports, covenants and certifications of and on behalf of the City, as may be appropriate to assure the exclusion of interest from gross income and the intended tax status of the 2015 Bonds, and (iii) to set forth in the Tax Certificate and/or in one or more appropriate certificates of the City, for inclusion in the transcript of proceedings for the 2015 Bonds, the reasonable expectations of the City regarding the amount and use of all the proceeds of the 2015 Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of the interest represented by the 2015 Bonds.

(d) The City may create, or may direct the Trustee to create, such accounts or sub-accounts in any fund or account held under the Indenture as it shall deem necessary or advisable in order to comply with the foregoing covenants and the Tax Certificate.

Rental Payments

Rental Payments

The City agrees, subject to the terms of the Lease, to pay to the Trustee, as assignee of the Authority pursuant to the Indenture, without deduction or offset of any kind, as rental for the use and occupancy of the Leased Property, the following amounts at the following times:

Base Rental Payments. The City will pay, from any and all legally available funds, to the Trustee, as assignee of the Authority, the Base Rental Payments with respect to the Leased Property at the times and in the amounts set forth in the Base Rental Payment Schedule attached to the Lease as Exhibit B and incorporated therein. The obligation of the City to pay Base Rental Payments (and Additional Rental) will commence on the Closing Date. Notwithstanding the foregoing, the City will deposit with the Trustee not later than (i) the Lease Payment Date six months preceding each Interest Payment Date and (ii) if principal is payable on other than an Interest Payment Date, the third Business Day preceding each date on which principal is due, the Base Rental Payment due on such date, as the case may be, and the same will be held by the Trustee as security for the Base Rental Payments due on such dates.

If the term of the Lease will have been extended pursuant to the terms thereof, Base Rental Payment installments will continue to be due on the third Business Day preceding any date payment of principal of or interest on any Bonds is due, continuing to and including the date of termination of the Lease.

Additional Rental. The City will also pay, as rental under the Lease in addition to the Base Rental Payments, to the Authority or the Trustee, as hereinafter provided, such amounts, if any, in each year as will be required for the payment of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Site Lease or the Lease or the assignment of the Lease pursuant to the Indenture or the respective interests in the Leased Property and the lease of the Leased Property by the Authority to the City under the Lease, including but not limited to all fees, costs and expenses and all administrative costs of the Authority relating to the Leased Property including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee (to the extent not paid or otherwise provided for out of the proceeds of the sale of the Bonds), fees of auditors, accountants, attorneys or engineers,

insurance premiums, rebate amounts payable to the United States pursuant to the Tax Certificate, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or the Indenture, or otherwise incurred in connection with the administration of the Lease or of the Indenture.

(a) The foregoing Additional Rental, if any, will be billed to the City by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority, the Trustee or the Trustee on behalf of the Authority, for one or more of the items above described, or that such amount is then so payable for such items. Amounts so billed will be paid by the City not later than the latest time as such amounts may be paid without penalty or, if no penalty is associated with a late payment of such amounts, within 30 days after receipt of a bill by the City for such amounts.

(b) The Authority may issue bonds and may enter into leases to finance facilities other than the Leased Property. The administrative costs of the Authority will be allocated among said facilities and the Leased Property, as hereinafter in this paragraph provided. Any taxes levied against the Authority with respect to the Leased Property, the fees of the Trustee, and any other expenses directly attributable to the Leased Property will be included in the Additional Rental payable under the Lease. Any taxes levied against the Authority with respect to real property other than the Leased Property, the fees of any trustee or paying agent under any resolution securing other bonds of the Authority or any trust agreement or indenture other than the Indenture, and any other expenses directly attributable to any facilities other than the Leased Property, will not be included in the administrative costs of the Leased Property and will not be paid from the Additional Rental payable under the Lease. Any expenses of the Authority not directly attributable to any particular project of the Authority will be equitably allocated among all such projects, including the Leased Property, in accordance with sound accounting practice. In the event of any question or dispute as to such allocation, the written opinion of an independent firm of certified public accountants, employed by the Authority to consider the question and render an opinion thereon, shall be final and conclusive determination as to such allocation. The Trustee may conclusively rely upon a certificate of the Authority in making any determination that costs are payable as Additional Rental under the Lease, and will not be required to make any investigation as to whether or not the items so requested to be paid are expenses of operation of the Leased Property.

Consideration for Leasehold Estate and Fair Rental Value. Payments of Base Rental Payments and Additional Rental for each Lease Year or portion thereof during the term of the Lease will constitute the total rental for such Lease Year or portion thereof and will be paid or payable by the City from funds of the City lawfully available therefor for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of, the Leased Property by the City for and during such Lease Year.

The City has determined and certified to the Trustee and the Authority on the Closing Date that such total rental in any Lease Year is not in excess of the total fair rental value of the Leased Property for such Lease Year. In making such determination, the City has considered a variety of factors including: (i) the uses and purposes served by the Leased Property and the benefits therefrom that will accrue to the City by reason of the Lease and to the general public by reason of the City's use and occupancy of the Leased Property, including the general public's use of portions of the Leased Property; (ii) the replacement costs of the existing improvements on the Leased Property; (iii) third-party or City appraisals; and (iv) upon payment of all rental due under the Lease and the termination of the Lease and the Site Lease, the transfer by the Authority to the City, pursuant to of the Site Lease and without any additional payment or consideration by the City, of all of the Authority's right, title and interest with respect to the Leased Property.

The parties acknowledge under the Lease that the parties may amend the Lease from time to time to increase the Base Rental Payments payable under the Lease so that Additional Bonds may be executed and delivered pursuant to the provisions of the Lease and of the Indenture. Notwithstanding anything to the contrary contained in the Lease, the Lease may not be amended in a manner such that the sum of Base Rental Payments (including Base Rental Payments payable pursuant to such amendment) and Additional Rental with respect to Outstanding Bonds and Additional Bonds, in any Lease Year is in excess of the annual fair rental

value of the Leased Property and other land and improvements leased to the City under the Lease for such Lease Year, after giving effect to the application of proceeds of any Additional Bonds executed and delivered in connection therewith.

Application of Rental Payments

All rental payments received will be applied: first to the Base Rental Payments due under the Lease (including any prepayment premium components); and thereafter to all Additional Rental due under the Lease, but no such application of any payments which are less than the total rental due and owing will be deemed a waiver of any default under the Lease.

Rental Abatement

(a) Except to the extent of (i) amounts held by the Trustee in the Interest Account or Principal Account of the Revenue Fund, (ii) amounts received in respect of use and occupancy insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect or condemnation, there is substantial interference with the use and occupancy by the City of any portion of the Leased Property, rental payments due under the Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Rental, in which case rental payments shall be abated only by an amount equal to the difference. In the case of abatement relating to the Leased Property, the amount of annual rental abatement will be such that the resulting Base Rental Payments in any Lease Year during which such interference continues, excluding any amounts described in clauses (i), (ii), (iii) above, do not exceed the annual fair rental value for each Lease Year of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of an Authorized Representative of the City. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the restoration of the Leased Property or portion thereof to tenantable condition or correction of title defect or substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

In the event the City will assign, transfer or sublease any or all of the Leased Property or other rights under the Lease, as permitted by the Lease, for purposes of determining the annual fair rental value available to pay Base Rental Payments and Additional Rental, annual fair rental value of the Leased Property will first be allocated to the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Repair and Maintenance; Ta es and Assessments; Insurance; Modification of the Leased Property" in the front part of this Official Statement.

(b) Any abatement of rental payments pursuant to the Lease as described under this subheading will not be considered an Event of Default as defined in the Lease, but will result in the extension of the Expiry Date by a period equal to the period of abatement for which Base Rental Payment has not been paid in full (but in no event later than 10 years after the then existing Expiry Date), and Base Rental Payment for such extension period will be equal to the unpaid Base Rental Payments during the period of abatement but without interest thereon. The City waives the benefits of California Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Lease by virtue of any such interference and the Lease shall continue in full force and effect.

(c) In the event that rental is abated, in whole or in part, pursuant to the Lease as described under this subheading due to damage, destruction, title defect or condemnation of any part of the Leased Property and the City is unable to repair, replace or rebuild the Leased Property from the Net Proceeds, if any, the City agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

(d) The City acknowledges and agrees under the Lease that during any period of abatement with respect to all or any part of the Leased Property, the Trustee on behalf of the City will use the proceeds of use and occupancy insurance to make payments of principal and interest on the Bonds.

(e) The City has the option, but not the obligation, to deliver Substituted Property for all or a portion of the Leased Property pursuant to the Lease during any period of abatement.

Prepayment of Base Rental Payments

The Authority grants an option to the City to prepay the principal component of the Base Rental Payments in full, or in part, without premium.

Said option will be exercised by the City by giving written notice to the Authority and the Trustee of the exercise of such option at least forty five (45) days prior to the due date of such Base Rental Payment. Such option will be exercised in the event of prepayment in full, by depositing with said notice cash in an amount, which, together with amounts then on deposit in the Insurance and Condemnation Fund and the Revenue Fund, will be sufficient to pay the aggregate unpaid Base Rental Payments on said due date as set forth in Exhibit B to the Lease, together with any Base Rental Payments then due but unpaid, or, in the event of prepayment in part, by depositing with said notice cash equal to the amount desired to be prepaid (the principal component of which shall be an amount divisible by $5,000) together with any Base Rental Payments then due but unpaid. In the event of prepayment in part, the partial prepayment will be applied against Base Rental Payments in such manner as the City will determine and if the City will fail to make such determination, starting with the next succeeding payment dates. Base Rental Payments due after any such partial prepayment shall be in the amounts set forth in a revised Base Rental Payment Schedule which shall be provided by, or caused to be provided by, the City to the Trustee and which will represent an adjustment to the schedule set forth in Exhibit B attached to the Lease taking into account said partial prepayment.

Obligation to Make Rental Payments

The agreements and covenants on the part of the City contained in the Lease will be deemed to be and will be construed to be duties imposed by law and it will be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the agreements and covenants contained in the Lease agreed to be carried out and performed by the City.

THE OBLIGATION OF THE CITY OF SAN DIEGO TO MAKE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE COUNTY OF SAN DIEGO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Additional Bonds

In addition to the Prior Bonds and the 2015 Bonds to be executed and delivered under the Indenture, the Authority may, from time to time at the request of the City, but only upon satisfaction of the conditions to the execution and delivery of Additional Bonds set forth in the Indenture, enter into a Supplemental Indenture to authorize Additional Bonds the proceeds of which may be used as provided in the Indenture and as provided in the Supplemental Indenture; provided that prior to or concurrently with the execution and delivery of the

Additional Bonds, the City and the Authority will have entered into an amendment to the Lease providing for an increase in the Base Rental Payments to be made under the Lease to pay Debt Service on such Additional Bonds, subject to the limitations set forth in the Lease pertaining to fair rental value.

Maintenance; Taxes; Insurance and Other Charges

Insurance

(a) The City will adjust all moneys which may become due and payable under any policies contemplated by the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Fire and Extended Coverage Insurance" and "– Use and Occupancy Insurance" in the front part of this Official Statement, may compromise any and all claims thereunder and will cause the deposit of the Net Proceeds with the Trustee for application as provided in the Lease or in the Indenture. The Trustee will not be responsible for the sufficiency of any insurance required under the Lease. The Trustee will be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the City.

(b) Any insurance policy issued pursuant to the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Fire and Extended Coverage Insurance" in the front part of this Official Statement will be so written or endorsed as to make losses, if any, payable to the City, the Authority and the Trustee as their respective interests may appear and the Net Proceeds of such insurance will be applied as provided in the Lease as described herein under "– Damage, Destruction, Title Defect and Condemnation." The Net Proceeds, if any, of such insurance policy shall, to the extent that such proceeds are paid on account of loss or damage to the Leased Property, be payable to the Trustee and deposited in the Insurance and Condemnation Fund and applied as described in the Indenture. The Net Proceeds, if any, of the insurance policy described in "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Use and Occupancy Insurance" in the front part of this Official Statement will, to the extent that such proceeds relate to the use and occupancy of the Leased Property, be payable to the Trustee and deposited in the Revenue Fund. Each insurance policy provided for in the Lease shall contain a provision to the effect that the insurance company will not cancel the policy or modify it materially and adversely to the interests of the Authority and the Trustee without first giving written notice thereof to the Authority and the Trustee at least 60 days in advance of such intended cancellation or modification. If the insurance carrier cannot include this notice provision, the policy will require the insurance company to so notify the Authority and the Trustee.

(c) By the date each year that is 30 days after the effective date of the insurance policies, the City's Insurance Consultant will certify to the City that the type of insurance required by the Lease is in place, subject to subsequent confirmation of the certificates and endorsements. The City will file a certificate with the Trustee not later than nine months following the effective date of the insurance policies each year, commencing in 2012, certifying that the insurance required by the Lease is in full force and effect and that the Trustee and the Authority are named as loss payees on each insurance policy which the Lease requires to be so endorsed.

(d) As an alternative to providing the insurance required under the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Fire and Extended Coverage Insurance" in the front part of this Official Statement, or any portion thereof, through a commercial insurance policy, the City may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection shall afford reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City. Before such self-insurance method or plan may be provided by the City, and annually thereafter on or before April 1 of each year so long as such method or plan is being provided to satisfy the requirements of the Lease, the City will file with the Trustee:

(i) a Written Certificate of the City describing such self-insurance method or plan;

(ii) a Written Certificate of an Insurance Consultant stating that, in the opinion of the signer, such self-insurance method or plan is in accordance with the requirements of this Section and, when effective, will afford reasonable coverage for the risks required to be insured against under the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Fire and Extended Coverage Insurance" in the front part of this Official Statement; and

(iii) a Written Certificate of City stating that, during the time such method or plan is in effect and all of the risks described in the provisions of the Lease relating to fire and extended coverage insurance are not covered by policies of insurance, the policies of use and occupancy insurance required by the Lease will remain in effect.

In the event of loss covered by any such self-insurance method or plan, the liability of the City with respect to the damaged portion of the Leased Property will be limited to the amounts in the self-insurance reserve fund or funds created under such method or plan.

Advances

In the event the City will fail to maintain the full insurance coverage required by the Lease or will fail to keep the Leased Property in good repair and operating condition, the Authority may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Authority will become Additional Rental, which amounts the City agrees to pay within 30 days of a written request therefor, together with interest thereon at the maximum rate allowed by law.

Damage, Destruction, Title Defect and Condemnation

Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds

(a) If prior to the termination of the term of the Lease, (i) the Leased Property or any improvements in or on the Leased Property are damaged (each of which is hereinafter called "Damaged Improvements") by a peril covered by a policy of insurance described the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Fire and Extended Coverage Insurance" in the front part of this Official Statement (an "Insured Peril"); or (ii) title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the City or the Authority in the Leased Property or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the City and the Authority will cause the Net Proceeds of any insurance claim (other than use and occupancy insurance as described under "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Use and Occupancy Insurance" which shall be directly transferred to the Trustee for deposit in the Revenue Fund pursuant to the Lease) or condemnation award to be transferred to the Trustee for deposit in the Insurance and Condemnation Fund established pursuant to the Indenture and applied by the Trustee as follows:

(i) *Net Proceeds Exceeding Costs*. Within 120 days of the date of said Insured Peril, the City will obtain a written estimate(s) of the (i) cost of the repair, replacement and reconstruction of the Damaged Improvements (collectively referred to herein as the "Reconstruction"); and (ii) Net Proceeds available to pay such costs. Copies of such estimate(s) will be made available to the Trustee at the Trustee's request. If the 120 day period is insufficient to obtain said estimates, the period shall be reasonably extended by the Authorized Representative of the City. If the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property) exceed the estimated costs of Reconstruction, the Damaged Improvements will be repaired, replaced and reconstructed to the same or better quality as existed before the damage occurred. The City will commence and manage the Reconstruction and will complete the Reconstruction as soon as reasonably possible after the occurrence of such damage. Any

balance of Net Proceeds remaining after the Reconstruction has been completed will be transferred by the Trustee to the Redemption Fund established under the Indenture and applied, as directed by the City, to redeem Outstanding Bonds in the manner provided by the Indenture as described under "THE 2015 BONDS – Redemption Provisions – *Special Mandatory Redemption—Series 2015A Bonds"* and *"—Series 2015B Bonds"* in the front part of this Official Statement.

(ii) *Costs Exceeding Net Proceeds*. If the estimated costs of Reconstruction exceed the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property), the City, in its sole discretion, may elect to budget and appropriate to the Reconstruction the amount of such excess, whether the same is greater or less than the estimated excess, and to manage the Reconstruction as set forth in paragraph (a)(5) under this subheading. The City will exercise this election by written notice thereof delivered to the Trustee within 30 days after the City obtains said written estimate(s).

(iii) *Net Proceeds Sufficient to Redeem All Bonds*. If the City does not exercise the election to reconstruct pursuant to paragraph (a)(2) above and Net Proceeds are at least sufficient to redeem all Outstanding Bonds pursuant to the Indenture as described under "THE 2015 BONDS – Redemption Provisions – *Special Mandatory Redemption—Series 2015A Bonds"* and *"—Series 2015B Bonds"* in the front part of this Official Statement, such Net Proceeds will be transferred by the Trustee to the Redemption Fund established under the Indenture and used to redeem all Outstanding Bonds in the manner provided by the Indenture as described under "THE 2015 BONDS – Redemption Provisions – *Special Mandatory Redemption—Series 2015A Bonds"* and *"—Series 2015B Bonds"* in the front part of this Official Statement. If the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property) exceed the amount necessary to redeem all Outstanding Bonds, the City will be entitled to the amount of proceeds remaining after redemption of all Outstanding Bonds ("E cess Proceeds") and will have the option (i) to distribute the Excess Proceeds to the Reconstruction and to manage the Reconstruction pursuant to paragraph (a)(5) below; or (ii) if required by law or if the City so elects, to demolish any remaining improvements on the Leased Property and remove all debris from the Leased Property.

(iv) *Net Proceeds Insufficient to Redeem All Bonds*. If the City does not exercise the election to reconstruct pursuant to paragraph (a)(2) above and Net Proceeds are insufficient to redeem all Outstanding Bonds pursuant to the Indenture as described under "THE 2015 BONDS – Redemption Provisions – *Special Mandatory Redemption—Series 2015A Bonds"* and *"—Series 2015B Bonds"* in the front part of this Official Statement, the City, in its sole discretion, may elect to budget and appropriate funds to cause the redemption of the remaining Outstanding Bonds and the Net Proceeds, together with such funds, will be transferred to the Trustee with directions to apply the proceeds to the Redemption Fund established under the Indenture to redeem all Outstanding Bonds in the manner by the Indenture described under "THE 2015 BONDS – Redemption Provisions – *Special Mandatory Redemption—Series 2015A Bonds"* and *"—Series 2015B Bonds"* in the front part of this Official Statement; provided, that if the City elects not to appropriate funds for the redemption of the remaining Outstanding Bonds, the City will apply Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property) to the Reconstruction. If the City, in its sole discretion, elects to budget or appropriate funds for the redemption of the remaining Outstanding Bonds, the City will transfer such funds to the Trustee for deposit in the Redemption Fund established pursuant to the Indenture.

(v) *Management of Reconstruction*. If the Leased Property or any part thereof becomes Damaged Improvements, the City will promptly cause, manage and supervise the Reconstruction. Nothing described under this subheading will be construed to preclude the City from agreeing to issue a joint contract for, or otherwise cooperating in, the Reconstruction of any of the Damaged Improvements.

(b) The proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property will be applied in accordance with the Indenture as described under "THE INDENTURE – Revenues; Funds and Accounts; Payment of Principal and Interest – *Insurance and Condemnation Fund*; *Title Insurance – Application of Insurance Proceeds*" above.

Disclaimer of Warranties; Use of the Leased Property

Disclaimer of Warranties

THE AUTHORITY MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE CITY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE CITY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY. In no event will the Authority or its assigns be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Lease or the e istence, furnishing, functioning or the City's use of the Leased Property as provided by the Lease.

Use of the Leased Property

The City will not use, operate or maintain the Leased Property in violation of any applicable law or in a manner contrary to that contemplated by the Lease. The City will provide all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the City agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Leased Property) with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; provided, that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the City adversely affect the leasehold estate of the Authority in and to the Leased Property or its interest or rights under the Lease.

Assignment

Assignment by Authority

The parties understand that certain of the rights of the Authority under the Lease will be assigned to the Trustee pursuant to the Indenture and accordingly the City agrees to make all payments due under the Lease to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of the Lease or otherwise) that the City may from time to time have against the Authority. The City agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Authority or the Trustee to protect their interests in the Leased Property during the term of the Lease.

Assignment by City

The Lease and the interest of the City in the Leased Property may not be assigned or encumbered by the City e cept as permitted by the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Repair and Maintenance; Taxes and Assessments; Insurance; Modification of the Leased Property" in the front part of this Official Statement.

Default and Remedies

Default

The following events will be "Events of Default" under the Lease and the terms "Event of Default" and "Default" will mean, whenever they are used in the Lease, any one or more of the following events

(i) the City will fail to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is required pursuant to the Lease, provided, that the failure to deposit any Base Rental Payments abated pursuant to the Lease shall not constitute an Event of Default; or

(ii) subject to the provisions of the Lease described in paragraph (c) below, the City will fail to pay any item of Additional Rental when the same will become due and payable pursuant to the Lease; or

(iii) the City will breach any other terms, covenants or conditions contained in the Lease or in the Indenture, and will (i) fail to remedy any such breach with all reasonable dispatch within a period of 60 days after written notice thereof from the Trustee to the City; or (ii) if the failure stated in the notice cannot be corrected within such period, the City will fail to institute corrective action within such 60-day period and diligently pursue the same to completion; or

(iv) the City's interest in the Lease or any part thereof be assigned, sublet or transferred without the written consent of the Trustee (except as otherwise permitted by the Lease), either voluntarily or by operation of law; or

(v) the City or any assignee will file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the City shall make a general or any assignment for the benefit of its creditors; or

(vi) the City will abandon or vacate the Leased Property or any portion thereof (except as permitted by the Lease).

Upon the happening of any Event of Default, the Trustee, as assignee of the rights of the Authority pursuant to the Indenture, may exercise those remedies granted to it pursuant to law or under the Lease, subject to the terms of the Lease. The Trustee, in addition to all other rights and remedies it may have at law, will have the option to do any of the following:

(i) To terminate the Lease in the manner provided in the Lease on account of default by the City, notwithstanding any retaking of possession or re-letting of the Leased Property as hereinafter provided for in the paragraph below, and to retake possession of the Leased Property (other than the Ground Lease Sites). In the event of such termination, the City agrees to surrender immediately possession of the Leased Property (other than the Ground Lease Sites), without let or hindrance, and to pay the Trustee all damages recoverable at law that the Trustee may incur by reason of default by the City, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such retaking possession of the Leased Property. Neither notice to pay rent nor to deliver up possession of the Leased Property given pursuant to law nor any proceeding

in unlawful detainer, or otherwise, brought by the Trustee for the purpose of obtaining possession of the Leased Property nor the appointment of a receiver upon initiative of the Trustee to protect the Trustee's interest under the Lease shall of itself operate to terminate the Lease, and no termination of the Lease on account of default by the City shall be or become effective by operation of law or acts of the parties to the Lease, unless and until the Trustee will have given written notice to the City of the election on the part of the Trustee to terminate the Lease.

(ii) Without terminating the Lease, (i) to collect each installment of rent as it becomes due and enforce any other term or provision of the Lease to be kept or performed by the City, and/or (ii) to exercise any and all rights to re-enter upon the Leased Property (other than the Ground Lease Sites). In the event the Trustee does not elect to terminate the Lease in the manner provided for under the Lease, the City shall remain liable and agrees to keep or perform all covenants and conditions contained in the Lease to be kept or performed by the City and to pay the rent to the end of the term of the Lease or, in the event that the Leased Property (other than the Ground Lease Sites) is re-let, to pay any deficiency in rent that results therefrom; and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as provided in the Lease as described above for the payment of rent under the Lease (without acceleration), notwithstanding the fact that the Trustee may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental specified in the Lease and notwithstanding any retaking of possession of the Leased Property (other than the Ground Lease Sites) by the Trustee or suit in unlawful detainer, or otherwise, brought by the Trustee for the purpose of obtaining possession of the Leased Property (other than the Ground Lease Sites). Should the Trustee elect to retake possession of the Leased Property (other than the Ground Lease Sites) as provided in the Lease, the City irrevocably appoints the Trustee as the agent and attorney-in-fact of the City to re-let the Leased Property (other than the Ground Lease Sites), or any items thereof, from time to time, either in the Trustee's name or otherwise, upon such terms and conditions and for such use and period as the Trustee may deem advisable and the City indemnifies and agrees to save harmless the Trustee from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any retaking of possession of and re-letting of the Leased Property (other than the Ground Lease Sites) by the Trustee or its duly authorized agents in accordance with the provisions contained in the Lease. The City agrees that the terms of the Lease constitute full and sufficient notice of the right of the Trustee to re-let the Leased Property (other than the Ground Lease Sites) in the event of such reentry without effecting a surrender of the Lease, and further agrees that no acts of the Trustee in effecting such re-letting shall constitute a surrender of termination of the Lease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that on the contrary, in the event of such default by the City, the right to terminate the Lease shall vest in the Trustee to be effected in the sole and exclusive manner provided for in subparagraph (1). The City further waives the right to rental obtained by the Trustee in excess of the rental specified in the Lease and conveys and releases such excess to the Trustee as compensation to the Trustee for its services in re-letting the Leased Property (other than the Ground Lease Sites) or any items thereof.

(iii) To collect and receive ground rent and other income derived by the City from the Existing Leases in an amount not to exceed the lesser of (i) Base Rental Payments due and owing and attributable to each Ground Lease Site as set forth in the Lease, and (ii) ground rent and other income from the Existing Leases actually received by the City.

The City waives any and all claims for damages caused or which may be caused by the Trustee in taking possession of the Leased Property as provided in the Lease and all claims for damages that may result from the destruction of or injury to the Leased Property and all claims for damages to or loss of any property belonging to the City, or any other person, that may be on or about the Leased Property. Notwithstanding anything to the contrary contained in the Lease, the Trustee shall not re-enter or re-let the Leased Property upon an Event of Default unless the Trustee or its sublessee agrees to perform the City's obligations under any then existing sublease, license, management contract, or other agreement substantially relating to the Leased

Property, unless the other party to such sublease, license, management contract, or other agreement is in default thereunder. The Authority expressly waives the right to receive any amount from the City pursuant to Section 1951.2(a)(3) of the California Civil Code. The City and Authority and its successors and assigns shall honor the exclusive rights of the City under the Lease to use the Leased Property, subject to the exercise of any and all rights to retake possession of the Leased Property upon the happening of any Event of Default pursuant to the Lease.

The Authority acknowledges and agrees for itself and the Trustee that its rights with respect to the Ground Lease Sites are expressly subject to the Existing Leases and the rights of the lessees and their successors and assigns thereunder. The Trustee will not re-enter or re-let the Ground Lease Sites. **Notwithstanding anything to the contrary in the Lease or the Indenture, the Authority and the Trustee must not disturb the peaceful possession of the lessees and their successors and assigns to which they are entitled under the Existing Leases.**

Each and all of the remedies given to the Trustee under the Lease or by any law now or hereafter enacted are cumulative, and the single or partial exercise of any right, power, or privilege under the Lease shall not impair the right of the Trustee to other or further exercise thereof or the exercise of any or all other rights, powers, or privileges. If the City Charter, any statute or rule of law shall limit the remedies given to the Trustee under the Lease, the Trustee nevertheless will be entitled to whatever remedies are allowable under the City Charter, any statute or rule of law, except those specifically waived in the Lease. All rights, remedies and powers provided by under the provisions of the Lease relating to default may be exercised only to the extent that the exercise thereof does not violate any applicable provision of the City Charter or law, and all of the provisions of the Lease relating to default are intended to be subject to all applicable mandatory provisions of the City Charter and law which may be controlling and to be limited to the extent necessary so that they will not render the Lease or the provisions of the Lease invalid or unenforceable under the provisions of the City Charter and any applicable law.

Notwithstanding any other provision of the Lease or the Indenture, in no event will the Trustee have the right to accelerate the payment of any Base Rental Payment under the Lease and, without limiting the generality of the foregoing, the Trustee specifically waives its rights under Section 1951.2 of the California Civil Code to accelerate payment of any Base Rental Payment in the event of default by the City. In the event the Trustee shall prevail in any action brought to enforce any of the terms and provisions of the Lease, the City agrees to pay a reasonable amount as and for attorney's fees incurred by the Trustee in attempting to enforce any of the remedies available to the Trustee under the Lease. All damages and other payments received by the Trustee as described under this subheading shall be applied in the manner set forth in the Indenture as described under "THE INDENTURE – Events of Default and Remedies – *Application of Revenues and Other Funds After Default*" herein.

Waiver

Failure of the Trustee to take advantage of any default on the part of the City will not be, or be construed as, a waiver thereof, nor will any custom or practice that may grow up between the parties in the course of administering this instrument be construed to waive or to lessen the right of the Trustee to insist upon performance by the City of any term, covenant, or condition of the Lease, or to exercise any rights given the Trustee on account of such default. A waiver of a particular default will not be deemed to be a waiver of the same or any subsequent default. The acceptance of rental payments under the Lease shall not be, or be construed to be, a waiver of any term, covenant, or condition of the Lease.

Miscellaneous

Net Lease

The Lease is a triple net lease. It is the purpose and intent of the Authority and the City that lease payments under the Lease will be absolutely net to the Authority so that the Lease will yield to the Authority the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the City except as specifically otherwise provided in the Lease. The Authority will not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability under the Lease except as expressly set forth in the Lease, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Leased Property which may arise or become due during the term of the Lease shall be paid by the City.

Amendments to the Lease

The Lease may be amended in writing as may be mutually agreed by the Authority and the City, subject to the written approval of the Trustee; provided, however, that no such amendment which materially adversely affects the rights of the Owners will be effective unless it shall have been consented to by the Owners of more than 50% in principal amount of the affected Bonds Outstanding; and provided further that no such amendment shall (i) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment (except a reduction to reflect prepayment or defeasance of any Bonds pursuant to the Indenture, so long as the remaining Base Rental Payments are at least sufficient to pay Debt Service on Outstanding Bonds), without the prior written consent of the Owner of each Series of Bonds so affected; or (ii) reduce the percentage of the value of the Bonds Outstanding, the consent of the Owners of which is required for the execution of any amendment of the Lease.

The Lease and the rights and obligations of the Authority and the City under the Lease may also be amended or supplemented at any time by an amendment of the Lease or supplement to the Lease which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed in the Lease and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the City, or to surrender any right or power reserved in the Lease to or conferred in the Lease on the Authority or the City, and which in either case shall not, in the judgment of the Trustee, materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Lease or in regard to questions arising under the Lease which the Authority or the City may deem desirable or necessary and not inconsistent herewith, and which shall not, in the judgment of the Trustee, materially adversely affect the interests of the Owners;

(c) to effect a Substitution, Addition or Removal in accordance with the Lease; and

(d) to facilitate the issuance of Additional Bonds;

(e) after prepayment or defeasance of any Bond, to revise Base Rental Payment Schedule to be sufficient to pay Debt Service on Bonds then Outstanding; and

(f) to make any other addition, amendment or deletion which does not, in the judgment of the Trustee, materially adversely affect the interests of the Owners.

Discharge of City

Upon the payment to the Owners of all Outstanding Bonds in accordance with the provisions of the Indenture described herein under the subheading "THE INDENTURE – Defeasance," all of the obligations of

the City under the Lease shall thereupon cease, terminate and become void and shall be discharged and satisfied.

THE SITE LEASE

Certain provisions of the Site Lease are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Site Lease.

Lease of the Leased Property

The City leases to the Authority and the Authority rents from the City, on the terms and conditions set forth in the Site Lease, the Leased Property including, but not limited to, the right, upon the occurrence of an Event of Default under the Lease, to receive rent and other income derived by the City from the Existing Leases to the extent set forth in the Lease. The Authority acknowledges the existing encumbrances on the Leased Property, including, but not limited to, with respect to the Ground Lease Sites, the Existing Leases and restrictions relating to the grant of the Hilton Resort Site to the City by the State in trust for the uses and purposes and upon the express conditions as provided in an act of legislature approved April 27, 1945 Statutes of California Chapter 143 and the rights therein reserved to the people of the State.

Term

The term of the Site Lease will commence on the Closing Date and will end on the Expiry Date, unless such term is extended or sooner terminated, all as provided in the Lease. If prior to the Expiry Date, all rental payable under the Lease shall have been paid and all Bonds have been fully paid or defeased in accordance with the Indenture, the term of the Site Lease will end immediately upon the City providing written notice from the Trustee to the Authority to the effect that all Bonds have been fully paid or defeased in accordance with the Indenture. The term of the Site Lease will not be extended beyond the Expiry Date, except as otherwise provided in the Lease.

Rent

The Authority will pay to the City an advance rent of $1.00 as full consideration for the Site Lease over its term. The Authority hereby waives any right that it may have under the laws of the State of California to receive a rebate of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Authority of the Leased Property or portion thereof as a result of material damage, destruction or condemnation.

Purpose

The Authority will use the Leased Property solely for the purpose of subleasing the same to the City pursuant to the Lease and the City leases the Leased Property to the Authority expressly on said condition; provided, however, that in the event of default by the City under the Lease, the Authority may exercise the remedies provided in the Lease; provided further, however, that any Leased Property that is dedicated parkland shall be used exclusively for park and recreation purposes pursuant to City Charter Section 55.

Owner in Fee

The City covenants that it has the right to lease the Leased Property under the Site Lease free and clear of all liens, claims or encumbrances, except Permitted Encumbrances.

Assignments and Subleases

The Authority will not assign its rights under the Site Lease or sublet the Leased Property, except as provided in the Lease and the Indenture and as security for the Bonds.

Right of Entry

The City reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time: to inspect the same; to make any repairs, improvements or changes necessary for the preservation thereof; to perform any of its other duties; or exercise any of its other rights, as contemplated under the Lease.

Default

In the event the Authority will be in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, which default continues for thirty (30) days following notice and demand by the City for correction thereof to the Authority, the City may exercise any and all remedies granted by law, except that no merger of the Site Lease and the Lease shall be deemed to occur as a result thereof; provided, however, prior to the Expiry Date, the City will have no power to terminate the Site Lease by reason of any default on the part of the Authority, if such termination would affect or impair any assignment of the Lease then in effect between the Authority and the Trustee.

Quiet Enjoyment

The Authority at all times during the term of the Site Lease will peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the City.

Eminent Domain

In the event the whole or any portion of the Leased Property is taken by eminent domain proceedings, any interests of the Authority shall be recognized in accordance with the provisions of the Lease described under "THE LEASE – Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds".

Observance and Performance under the Indenture

The City agrees and covenants that during the term of the Site Lease and so long as the Indenture remains in effect, it will observe and perform the agreements, conditions, covenants and terms required to be observed or performed by it contained in the Indenture.

Amendments

The Site Lease may be amended: (a) for the purpose of effecting an Addition, Substitution or Removal, as provided in the Lease, and (b) for any other purpose subject to the same requirements provided in the Lease for amendments to the Lease.

MTS SITE LEASE

Certain provisions of the MTS Site Lease are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the MTS Site Lease.

Lease of MTS Property

Lease of the MTS Property

MTS leases to the Authority and the Authority rents from MTS, on the terms and conditions set forth in the MTS Site Lease, the MTS Property.

Term

The term of the MTS Site Lease will commence on the Closing Date and will end on October 15, 2022 (the "Termination Date"), unless such term is e tended or sooner terminated upon written agreement by the MTS and the Authority. Notwithstanding provisions of the Lease relating to substitution, removal or addition of Leased Property, on the Termination Date, the MTS Property will be released from the provisions of the Lease and the MTS Site Lease and no longer part of the Leased Property.

Termination

The Authority agrees, upon the termination of the MTS Site Lease, to quit and surrender the MTS Property in the same good order and condition as the same was in at the time of commencement of the term of the MTS Site Lease, reasonable wear and tear excepted, and agrees that any additions, improvements or alterations to the MTS Property at the time of the termination shall remain thereon and title will vest in MTS.

Rent

The Authority shall pay to MTS an advance rent of $1.00 as full consideration for the MTS Site Lease over its term. The Authority waives any right that it may have under the laws of the State of California to receive a rebate of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Authority of the MTS Property or portion thereof as a result of material damage, destruction or condemnation.

Purpose

The Authority shall use the MTS Property solely for the purpose of leasing the same to the City pursuant to the Lease and MTS leases the MTS Property to the Authority expressly on said condition and subject to the retained rights of MTS as described in the MTS Site Lease; provided, however, that in the event of default by the City under the Lease, the Authority may exercise the remedies provided in the Lease.

Owner in Fee

MTS covenants that it has the right to lease the MTS Property free and clear of all liens, claims or encumbrances, except Permitted Encumbrances.

Assignments and Subleases

The Authority shall not assign its rights hereunder or sublet the MTS Property, except as provided in the Lease and the Indenture and as security for the Bonds.

Quiet Enjoyment

The Authority at all times during the term of the MTS Site Lease will peaceably and quietly have, hold and enjoy the MTS Property without suit, trouble or hindrance from MTS.

City's Access to the MTS Property

MTS agrees that the City will have the right during MTS' normal working hours on MTS' normal working days to examine and inspect the MTS Property for the purpose of assuring that the MTS Property is being properly maintained, preserved, and kept in good repair, working order and condition. MTS further agrees that the City will have such rights of access to the MTS Property as may be reasonably necessary to cause the proper maintenance of the MTS Property in the event of failure by MTS to perform its obligations under the MTS Site Lease.

Manufacturer's Warranties

MTS expressly acknowledges that neither the City nor the Authority makes, or has made, any representation or warranty whatsoever as to the existence or availability of warranties of the manufacturer or supplier of any item to be incorporated in the MTS Property.

Tax Covenant

MTS covenants with the Authority that it will make no use of the proceeds of the Bonds, or the MTS Property or of any income attributable thereto, which would cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Internal Revenue Code of 1986, as amended, to be "private activity bonds" within the meaning of Section 141 of such Code, or otherwise cause the Bonds to not be excludable from gross income under Section 103 of the Code.

Eminent Domain

In the event the whole or any portion of the MTS Property is taken by eminent domain proceedings, any interests of the Authority shall be recognized in accordance with the provisions of the Lease described under "THE LEASE – Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds."

Retained Rights and Obligations of MTS

MTS Right of Entry

MTS reserves the right to continue to perform, maintain and manage its operations, on, in and through the MTS Property and for any of its duly authorized representatives, employees and agents to enter upon the MTS Property at any reasonable time: to inspect the same; to operate, make any repairs, improvements or changes necessary for the preservation thereof, including maintenance of the MTS Property as described below; to perform any of its other duties; or exercise any of its other rights, as contemplated by the MTS Site Lease.

Maintenance of Property by MTS

MTS agrees that at all times during the term of the MTS Site Lease, MTS will, at MTS' own cost and expense, maintain, preserve and keep the MTS Property in good repair, working order and condition, and that MTS will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals thereto. MTS will at its own expense, provide or cause to be provided all security service, custodial service, power, gas, telephone, light, heating and water, and all other public utility services for the MTS Property.

Additions and Improvements

MTS shall have the right during the term of the MTS Site Lease to make any additions or improvements to the MTS Property, to attach fixtures, structures or signs, and to affix any personal property to the improvements on the MTS Property, provided the use of the MTS Property for the purposes contemplated in the MTS Site Lease is not impaired and provided the value of the MTS Property is not impaired. MTS will have the right in its discretion and without the approval of the City or the Authority to acquire, construct, install and provide for the financing of additional improvements and facilities with respect to the MTS Property and provided the value of the MTS Property is not impaired. Title to all personal property which is part of the MTS Property shall remain in the name of MTS. The title to any personal property, improvements or fixtures placed on the MTS Property by MTS shall remain in the name of MTS.

Taxes, Other Governmental and Utility Charges

MTS will pay during the term of the MTS Site Lease, as the same respectively come due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the MTS Property, as well as all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the MTS Property; provided that, with respect to any governmental charges that may lawfully be paid in installments over a period of years, MTS will be obligated to pay only such installments as have accrued during the time the MTS Site Lease is in effect.

Insurance

MTS shall maintain, or cause to be maintained, the same policies of insurance with respect to the MTS Property as the policies of insurance required to be maintained with respect to the Leased Property under the Lease.

Release and Indemnification of the City, the Trustee and the Authority

To the extent permitted by law, MTS will defend, protect, hold harmless and indemnify the City, the Authority, the Trustee, and the employees, directors and officers of each from and against any and all liability, obligations, claims and damages whatsoever, regardless of cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of the MTS Site Lease, the ownership of the MTS Property, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any item of equipment, or any accident in connection with any of the foregoing resulting in damage to property or injury to or death of any person. However, MTS will not hold harmless or indemnify the Authority, the Trustee or any employee, director or officer of each for any losses which are caused by the bad faith or willful misconduct of such party.

Liens

During the term of the MTS Site Lease, MTS will not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the MTS Property, other than the Permitted Encumbrances. MTS may construct alterations, refurbishment and improvements to the Maintenance Yard Portion (as described in the MTS Site Lease) so long as such work does not reduce the fair rental value thereof below the amount of Lease Payments attributable to the Maintenance Yard Portion which are in excess of the Lease Payments comprising the fair rental value of the Right-of-Way Portion. MTS will promptly pay or cause to be paid all sums of money that may become due for any labor, services, materials, supplies or equipment alleged to have been furnished to or for, in, upon or about the MTS Property and which may be secured by any mechanic's, materialman's or other lien against the MTS Property, or the interests of the City and the Authority therein, and shall cause each such lien to be fully discharged and released; provided, however, that the City or the Authority may (i) contest any such claim or lien without payment thereof so long as such nonpayment and contest stays execution or enforcement of the

lien, but if such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event MTS shall forthwith pay and discharge such judgment or lien; or (ii) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty; unless, in the opinion of Bond Counsel, by nonpayment of any such items, the interest of the City in the MTS Property will be materially endangered or the MTS Property or any part thereof will be subject to loss or forfeiture, in which event MTS will be required promptly to pay such taxes, assessments or charges or provide the City and the Authority with full security against any loss which may result from nonpayment satisfactory to MTS, the City, the Authority and the Trustee.

Use of the MTS Property

MTS will not install, use, operate or maintain the MTS Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this MTS Site Lease. MTS shall provide all permits and licenses, if any, necessary for the acquisition, construction, installation and operation of the MTS Property. In addition, MTS agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the MTS Property) with all laws of the jurisdictions in which its operations involving the MTS Property may extend and with all regulations, orders and decrees of any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the MTS Property; provided, however, that MTS may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not adversely affect the estate of the Authority or the City in and to the MTS Property or either of their interest or rights under the Lease.

Substitution of MTS Property

MTS may request the Authority substitute or remove property for all or part of the MTS Property subject to this MTS Site Lease, but only upon compliance by MTS, at its sole expense, with all requirements for the substitution of property by the City under the Lease. The City may consent to such substitution, such consent not to be unreasonably withheld.

Assignments by MTS

Neither the MTS Site Lease nor any interest of MTS under the MTS Site Lease will, at any time after the date hereof, be mortgaged, pledged, assigned or transferred by MTS by voluntary act or by operation of law, or otherwise, except as specifically provided herein, in the Lease or pursuant to the Indenture. MTS will at all times remain liable for the performance of the covenants and conditions on its part to be performed.

Default

Default by Authority

In the event the Authority shall be in default in the performance of any obligation on its part to be performed under the terms of the MTS Site Lease, which default continues for thirty (30) days following notice and demand by MTS for correction thereof to the Authority, MTS may exercise any and all remedies granted by law, except that no merger of the MTS Site Lease and the Lease will be deemed to occur as a result thereof; provided, however, prior to the Termination Date, MTS shall have no power to terminate this MTS Site Lease by reason of any default on the part of the Authority, if such termination would affect or impair the City's rights under the Lease.

Default by MTS

In the event MTS will be in default in the performance of any obligation on its part to be performed under the terms of the MTS Site Lease, which default continues for thirty (30) days following notice and

demand by the City, the Authority or its assignee for correction thereof to MTS, the Authority may exercise any and all remedies granted by law, except that no merger of the MTS Site Lease and the Lease w be deemed to occur as a result thereof; provided, however, that the City, the Authority or its assignee may, upon written request of MTS prior to the expiration of such thirty (30) day period, consent to an extension of such time in order to cure such failure if corrective action has been instituted by MTS and is being diligently pursued and will, in the judgment of the City, the Authority or its assignee, be diligently pursued until the default is corrected.

Amendments

The MTS Site Lease will not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by MTS and the Authority or their successors in interest.

APPENDIX D-1

FORM OF BOND COUNSEL OPINION FOR SERIES 2015A BONDS

_____ __, 2015

Public Facilities Financing Authority of the City of San Diego
San Diego, California 92101

City of San Diego
San Diego, California 92101

Re: $_____ Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds Series 2015A (Capital Improvement Projects)

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of San Diego (the "City") and the Public Facilities Financing Authority of the City of San Diego (the "Authority") in connection with the issuance by the Authority of its $[AMOUNT] Lease Revenue Bonds, Series 2015A (Capital Improvement Projects) (the "Series 201 A Bonds").

The Authority is a California joint exercise of powers authority established pursuant to the Third Amended and Restated Joint Exercise of Powers Agreement, dated as of January 1, 2013 (the " PA Agreement"), by and among the City, the City in its capacity as the designated successor agency (the "Successor Agency") to the former Redevelopment Agency of the City of San Diego (the "Former RDA") and the Housing Authority of the City of San Diego (the "Housing Authority"). The JPA Agreement was entered into pursuant to Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code) (the " PA Act").

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the City and the Authority taken in connection with the issuance by the Authority of the Series 2015A Bonds and have reviewed: (i) the Site Lease, dated as of July 1, 2012 as amended and supplemented by the First Amendment to Site Lease, dated as of July 1, 2013 (together, the "Master Site Lease"), as amended and supplemented by the Second Amendment to Site Lease, dated as of April 1, 201 (the "Second Amendmentto Site Lease" and together with the Master Site Lease, the "Site Lease"), each by and between the City and the Authority; (ii) the Facilities Lease, dated as of July 1, 2012 as amended and supplemented by the First Amendment to Facilities Lease, dated as of uly 1, 2013 (together, the "Master Facilities Lease"), and as amended and supplemented by the Second Amendment to Facilities Lease, dated as of April 1, 2015 (the "Second Amendment to Facilities Lease" and together with the Master Facilities Lease, the "Lease"), each by and between the Authority and the City; (iii) the MTS Site Lease, dated as of July 1, 2013 (the "MTS Site Lease"), by and between the San Diego Metropolitan Transit System and the Authority; (iv) the Indenture, dated as of July 1, 2012 as supplemented by the First Supplemental Indenture, dated as of uly 1, 2013 (together, the "Master Indenture"), as supplemented by the Second Supplemental Indenture, dated as of April 1, 201 (the "Second Supplemental Indenture" and together with the Master Indenture, collectively, the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as Trustee (the "Trustee"); (v) a Ta Certificate of the Authority and the City with Exhibits, dated the date hereof (collectively the "Ta Certificate"); (v)

opinions of the City Attorney, as counsel to the City and the Authority, and counsel to the Trustee; (vi) certificates of the City, the Trustee, the Authority and others; (vi) the pleadings in the Series 2015A Bonds Litigation (defined below), and (vii) such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture and the Lease.

The Series 2015A Bonds have been issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, as amended (Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code) (the " Marks-Roos Act") and the Indenture. The Series 2015A Bonds are dated as of their date of delivery and mature on the dates and in the amounts set forth in the Indenture. Interest on the Series 2015A Bonds is payable on the dates and at the rates per annum set forth in the Indenture. The Series 2015A Bonds are registered bonds in the form set forth in the Indenture and are redeemable in the amounts, at the times and in the manner set forth in the Indenture.

I.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2015A Bonds has concluded with their issuance, and we disclaim any obligation to update this letter.

We have assumed the genuineness of all documents and signatures presented to us, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the preceding paragraphs of this opinion. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Lease, the Site Lease, the MTS Site Lease and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest on the Series 2015A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2015A Bonds, the Indenture, the Site Lease, the Lease and the Tax Certificate may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, by the application of equitable principles and the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against cities and public agencies in the State of California.

We express no opinion herein with respect to any indemnification, contribution, choice of law, choice of forum, penalty or waiver provisions contained in the Series 2015A Bonds, the Indenture, the Site Lease or the Lease; nor do we express any opinion with respect to the state or quality of title to any of the real or personal property described in the Site Lease, the MTS Site Lease and the Lease, or the accuracy or sufficiency of the description contained therein, or the remedies available to enforce liens on, any such property contained therein.

Our opinions expressed herein are limited to matters governed by the laws of the State of California and federal income tax law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Series 2015A Bonds or other offering material relating to the Series 2015A Bonds and expressly disclaim any duty to advise the owners of the Series 2015A Bonds with respect to matters contained in the Official Statement.

II.

A. On April 1, 2014, San Diegans for Open Government (referred to herein as "plaintiff") filed a reverse validation lawsuit in the San Diego County Superior Court (the "Series 201 A Bonds Litigation") against the Authority, the City, the Successor Agency, the Housing Authority and all interested parties (collectively, the "San Diego Entities") titled San Diegans for Open Government v. City of San Diego et al., Case No. 37-2014-00009217-CU-MC-CTL. The plaintiff sought a judgment declaring that the resolution of the Authority and the ordinance and initial resolution of the City adopted with respect to the Series 201 A Bonds (together, the "Bond Approvals") fail to comply with all applicable laws rendering the Bond Approvals, null and void, invalid and without legal effect, and injunctive relief prohibiting the defendants from taking any action contemplated by the Bond Approvals. The San Diego Entities denied all the plaintiff's allegations and requested the court render a judgment finding that the Series 2015A Bonds, the Bond Approvals and all other resolutions and actions taken by the San Diego Entities approving the Series 2015A Bonds are conclusively valid and binding pursuant to Code of Civil Procedure Section 870 and any other applicable law. The Superior Court ruled against the plaintiff with respect to all the allegations raised by plaintiff in the Series 2015A Bonds Litigation and entered judgment in favor of the San Diego Entities in the matter. On December 12, 2014, the plaintiff filed a notice of appeal which appeals the ruling of the Superior Court to the California Court of Appeal where the matter is now pending.

B. The gravamen of the complaint in the Series 2015A Bonds Litigation (as detailed in the pleadings filed, the briefs submitted and the arguments made by the plaintiff) (collectively, the "Complaint") is that (i) the Bond Approvals are invalid because the Authority was not lawfully formed, and they contemplate a structure contrary to the JPA Agreement and require the Authority to act in excess of its lawful powers, (ii) the financing structure approved by the Bond Approvals was not approved by the San Diego electorate in violation the debt limitations contained in Article XVI, Section 18(a) of the California Constitution (the "Constitutional Debt Limit") and San Diego City Charter Sections 0a and (the "Charter Provisions" and, together with the Constitutional Debt Limit, the "Debt Limits") and by the Revenue Bond Law of 1 41, Chapter of Division 2 of Title of the California Government Code (the "Revenue Bond Law of 1 41"), (iii) the financing structure approved by the Bond Approvals constitutes an impermissible gift or loan of the City's credit to the Authority in violation of City Charter Section 93, and (iv) the Bond Approvals violated Section 22.0 01 of the City's Municipal Code due to the City's failure to adopt a required resolution under that section.

C. The particular issues upon which the Complaint bases its allegations that the Bond Approvals are not valid are discussed below.

(i) (a) The Complaint alleges that the JPA Agreement is void because both the Successor Agency and the Housing Authority lacked the legal authority to enter into the JPA Agreement and because the JPA Agreement specifies the Former RDA as the entity whose restrictions must be complied with in exercising common powers of the members of the Authority. Each of these allegations is addressed separately below.

The Complaint alleges that given the dissolution of the Former RDA, the Successor Agency lacked the power to enter into the JPA Agreement which results in a limitation on the powers of the Authority to issue the Series 2015A Bonds. Pursuant to California Health and Safety Code Section 34173 and Resolution Number R-307238, adopted by the City Council on January 12, 2012, the City serves as the Successor Agency to the Former RDA.

California Health and Safety Code Sections 34173(a) and 34178(b) provide that the Successor Agency succeeds to the position of the Former RDA under the JPA Agreement by operation of the act adding such section. Although California Health and Safety Code Section 34178(a) generally provides that agreements between the City and the Former RDA are invalid and not binding on the successor agency, California Health and Safety Code Section 34178(b)(3) expressly provides that a joint exercise of powers agreement in which a redevelopment agency is a member of the joint powers authority "is not invalid and may bind the successor agency."

Further, California Health and Safety Code Section 34178(a) provides that the City and Successor Agency are authorized to "enter or reenter into agreements" subject to approval of the Oversight Board. The JPA Agreement was approved by the Oversight Board to the Successor Agency pursuant to Oversight Board Resolution Number OB-2012-39, adopted December 11, 2012 ("Oversight Board Resolution"), as required by California Health and Safety Code Sections 34178(a) and 34180(h). The Oversight Board Resolution was submitted to the California Department of Finance on December 11, 2012, in electronic form in the manner directed by the Department, as required by California Health and Safety Code Sections 34179(h) and 34180(j). Because the California Department of Finance did not request review of the Oversight Board Resolution within five business days of this submittal, the Oversight Board Resolution became effective on December 19, 2012. (Cal. Health & Saf. Code Section 34179(h).)

While California Health and Safety Code Section 34178(b) limits the Successor Agency's rights, duties and performance obligations under the PA Agreement, such constraints do not limit the Authority's ability to issue the Series 201 A Bonds. The Authority's activities are governed by the PA Act (Cal. Govt. Code Section 0 *et seq.*), and the JPA Agreement.

The Complaint also alleges that the Housing Authority did not have the legal authority to enter into the JPA Agreement. Pursuant to California Government Code Section 02 ("Section 02"), two or more public agencies by agreement may jointly exercise any power common to the contracting parties. As the Housing Authority constitutes a "public agency" for purposes of Section 02, and the City, the Successor Agency and the Housing Authority possess one or more of the

necessary common powers, the Housing Authority possessed the power to enter into the JPA Agreement.

Section 02 defines "public agency" to include, among other entities, "any state department or agency, or public corporation." Housing authorities formed and functioning pursuant to the Housing Authorities Law, (Cal. Health & Saf. Code Section 34200, *et seq*.), are public bodies, corporate and politic (Cal. Health & Saf. Code Section 34240) and, as they are created pursuant to State law to fulfill State purposes, are agencies of the State of California (Housing Authority of Los Angeles v. Los Angeles (1952) 38 Cal.2d 853). Thus, the Housing Authority was authorized to enter into the JPA Agreement.

The City, Housing Authority and Successor Agency are each authorized to issue bonds, acquire and dispose of property, construct public improvements and other developments, and otherwise expend bond proceeds for their public purposes. Thus, the City, Housing Authority and Successor Agency have common powers within the meaning of the JPA Act. See, e.g. Zach v. Marin Emergency Radio Authority, 118 Cal.App.4th 617 (2004) (various public agencies have the implied authority to construct and operate emergency communications system).

The Complaint further alleges that the Authority lacks the legal authority to issue the Series 2015A Bonds because Section 4 of the JPA Agreement provides that the manner in which the Authority shall exercise its powers and perform its duties "shall be subject to the restrictions upon the manner of exercising such power as are imposed upon the [Former] Agency in the exercise of similar powers, as provided in Section 0 of the PA Act." Specifically, the Complaint alleges that since the Former RDA has been dissolved and its powers have been withdrawn by the Legislature, this reference to the Former RDA in Section 4 of the JPA Agreement renders the Authority powerless to act.

First, this allegation is contrary to the express purpose of California Health and Safety Code Section 34178(b)(3) discussed above which intends for joint exercise of powers agreements to remain valid following assignment to a successor agency. Second, Section 6509 is not applicable to the Authority's actions taken with respect to the Series 2015A Bonds. Section 6509 provides that the power of the Authority "shall be subject to the restrictions upon the manner of e ercising the power of one of the contracting parties, which party shall be designated by the agreement." However, Section 6509 and the related language in the JPA Agreement only apply in instances where the Authority is exercising common powers of the members. In issuing the Series 2015A Bonds, the Authority is not exercising a common power of its members but an independent power granted by the Marks-Roos Act.

In City of San Diego v. Rider (18 Cal. 4th 103 (1 8) ("Rider"), the California Supreme Court held that Section 0 "does not apply when a joint powers agency exercises a power it holds independently of the contracting parties." Id. at 1052 The Authority is exercising its powers to issue the Series 2015A Bonds under the provisions of Article 4 of the JPA Act. Article 4 of the JPA Act confers independent power on the Authority to issue bonds and is not the exercise of a common power. Cal. Govt. Code Section 6588; Id. at 1053. Thus, even if the reference in Section 4 of

the JPA Agreement is deemed to have eliminated the power of the Authority to exercise common powers of its members, it did not eliminate the power to exercise the independent power to issue bonds under the Marks-Roos Act.

(b) The Complaint alleges the Series 2015A Bonds violate the provisions of Section 8 of the JPA Agreement, which prohibits any bonded indebtedness that relies in whole or in part on any pledge of the City's "faith and credit." These allegations are contrary to the express language in Section 8 of the JPA Agreement and the Series 2015A Bonds.

Government Code Section 6508.1 provides that if a joint exercise of powers agreement creates a separate agency " the debts, liabilities, and obligations of the agency shall be debts, liabilities and obligations of the parties to the agreement, unless the agreement specifies otherwise." Emphasis added. Section 8 of the JPA Agreement provides in relevant part that bonds issued by the Authority "shall not be deemed to constitute a debt of the City or pledge of the faith and credit of the City nor shall the City be obligated to make any appropriation for such payment."

The Series 2015A Bonds specifically provide that the Series 2015A Bonds are not obligations of the City. The form of the Series 2015A Bonds appended to the Second Supplemental Indenture provides in relevant part:

> "The Series 201 A Bonds are special, limited obligations of the Authority and do not constitute a debt, liability or obligation of the City or of the State of California (the "State") or any political subdivision thereof and neither the faith and credit of the City nor the State are pledged to the payment of the principal of or interest on the Series 201 A Bonds. The Authority has no ta ing power."

In Rider, the Supreme Court held that a lease revenue bond of a joint powers agency is not a debt or obligation of a member of the agency even if such bonds are payable primarily from lease payments to be made under a lease between the agency and such member. The Supreme Court recognized that in a lease revenue bond transaction the obligations of the lessee (in this case the City) are restricted to its obligations under the lease. 18 Cal 4th at 1044.

(c) The Complaint alleges that the Bond Approvals and the issuance of the Series 2015A Bonds are invalid because they fail to comply with various provisions of Article 2 of the JPA Act. However, the Series 2015A Bonds are being issued pursuant to the Marks-Roos Act which constitutes Article 4 of the JPA Act ((Cal. Govt. Code Section 6584, *et seq*.) Government Code Section 6587, a part of Article 4, provides that:

> This article shall be deemed to provide a complete and supplemental method for exercising the powers authorized by this article, and shall be deemed as being supplemental to the powers conferred by other applicable laws. The issuance of bonds, financing or refinancing under this article need not comply with the requirements of any other state laws applicable to the issuance

> of bonds, including, but not limited to, other articles of this chapter." Emphasis added .

Government Code Section 6588 expressly provides that the powers granted joint powers agencies such as the Authority under Article 4 are in addition to the other powers specified in the joint powers agreement and Article 2 of the JPA Act. Section 6588(c) authorizes the Authority to issue bonds to pay the cost of any public capital improvement.

(d) The Complaint alleges that even if the JPA Agreement is valid, the Authority lacks the power to issue the Series 2015A Bonds, because following the dissolution of the Former RDA, the Former RDA, the Successor Agency and the City lack a common power. As discussed above, the Authority possesses independent powers under Article 4 of the JPA Act such that the absence of a common power among its members would not preclude the issuance of the Series 2015A Bonds. Government Code Section 6588, which is a part of the Marks-Roos Act pursuant to which the Series 2015A Bonds are being issued, provides that the powers granted pursuant to that section are in addition to the common powers specified in a joint powers agreement. The Supreme Court in the Rider case rejected the position that a joint powers agency's authority to issue bonds had to be a common power of the parties to the joint powers agreement. 18 Cal. 4th at 1053. The Supreme Court held in relevant part:

> The power to issue bonds under articles 2 and 4 of the Act is a power a joint powers agency holds independently. For example article 2 states that the power to issue bonds "is additional to the powers common to the parties to the joint powers agreement. (Gov. Code 4 .)" Similarly, article 4 provides that the power to issue bonds is " i n addition to other powers specified in the agreement. (Gov. Code 88, subd. (c))." Moreover, even if we were to adopt plaintiff's argument that section 0 is, by its own terms, somehow applicable to the issuance of bonds under articles 2 and 4, then the express exemption in article 4 would come into play. Id. at 1503-1054

(ii) The Complaint alleges that the City's use of the Authority to issue bonds, instead of issuing bonds in its own name, is an artifice and subterfuge designed to circumvent the voter-assent requirements of the Debt Limits and the Revenue Bond Law of 1941.

The Constitutional Debt Limit provides that a city may not incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue received for such year. Charter Section 90 provides that the City may contract bonded indebtedness the purposes set forth therein, pledging the credit of the City or the property or revenue of any public utility owned by the City and that a vote of two-thirds of the electors voting at an election is required for the issuance of such bonds. Charter Section 99 provides in relevant part that the City shall not incur any indebtedness or liability in any manner or for any purpose exceeding in any year the

income and revenue provided for such year unless approved by a majority of the voters.

With respect to the allegations in the Complaint relating to the Debt Limits, in Rider, the Supreme Court rejected substantially identical allegations in the context of a lease-back transaction involving a lease of facilities by the City and the issuance of lease revenue bonds by a joint powers agency of which the City was a member. In Rider, the Supreme Court reaffirmed the well-established principle that leases, commonly referred to as Offner-Dean or abatement leases, in which a city's obligations to pay rent are conditioned upon the leased premises being available to the city, do not violate the Constitutional Debt Limit or analogous debt limit provisions, such as Charter Sections 90 and 93. 18 Cal. 4th at 1050. The Lease contains abatement provisions substantially the same as the abatement provisions in the lease before the Supreme Court in the Rider case. In summarizing its ruling, the Court stated:

> In this case, we consider the validity of a financing plan under which a joint powers agency will issue bonds, use the bond proceeds to construct a capital improvement, and lease that improvement to a city. We conclude that the voter approval requirements that would apply if the city issued the bonds do not, by their terms, apply to the debts of a joint powers agency, and the city's obligation to make rent payments to the joint powers agency does not itself constitute a debt requiring voter approval. We also conclude that the law governing joint powers agencies gives these agencies independent authority to issue bonds without complying with restrictions, such as voter approval requirements, that apply to local governments. Finally, we conclude that state law does not in this regard violate the "home rule" provision of the California Constitution. Accordingly, we affirm the judgment of the Court of Appeal. Id. at 1039.

Plaintiff attempts to distinguish Rider because the proceeds of the Series 2015A Bonds will be spent on improvements other than those comprising the leased property. Plaintiff asserts that in Rider, the property leased was the property where the proceeds were to be e pended to e pand the City's convention center. In fact, the property leased in Rider consisted of the existing convention center and the site of the planned expansion. 18 Cal. 4th at 1040. Moreover, the use of the proceeds of the financings is not relevant for purposes of determining compliance with the Debt Limits. In City of San Diego et al. v. Richard Rider, (47 Cal. App. 4th 1473 (1996)), a decision affirming a lower court decision upholding the validity of a lease-back financing by the City for a football stadium, the Court of Appeal stated:

> Rider asserts it is improper under Starr v. City and County of San Francisco, supra, 72 Cal.App.3d 164, 140 Cal.Rptr. 73, to spend part of the bond proceeds on off-site improvements to build a training facility and offices for the San Diego Chargers. Rider attempts to take Starr too far.

> In Starr, the court determined a municipal lease-back arrangement was valid because each rental payment would be supported by consideration furnished that year, i.e., occupancy and use of the project. (Starr v. City and County of San Francisco, supra, 72 Cal.App.3d at p. 172, 140 Cal.Rptr. 73.) A separate HUD repayment contract, however, was held not to satisfy the Offner–Dean rule because it created a "future charge against general funds," which was not supported by consideration in the year the obligation was incurred and which could not be included in the yearly budget. (Id. at p. 176, 140 Cal.Rptr. 3.) Contrary to Rider's contention, nothing in the opinion suggests a restriction on how or for what purpose a public entity may use bond proceeds obtained in the financing arrangement. Id. at 1492.

As to the financing structure approved by the Bond Approvals being an artifice or subterfuge to avoid the Debt Limits, the Supreme Court in the *Rider* case made the following statement:

> We are not naive about the character of this transaction. If the City had issued bonds to pay for the Convention Center expansion, the two-thirds vote requirement would have applied. Here, the City and the Port District have created a financing mechanism that matches as closely as possible (in practical effect, if not in form) a City-financed project, but avoids the two-thirds vote requirement. Nevertheless, the law permits what the City and the Port District have done. Plaintiffs are correct that this conclusion allows local governments to burden taxpayers with potentially high costs that voters have not approved, but local governments impose similar burdens on taxpayers every time they enter into long-term leases involving property of substantial value. We have long held that the two-thirds vote requirement does not apply to these leases so long as the obligation to pay rent is contingent on continued use of the leased property.

18 Cal. 4th at 1055 (quoting Dean v. Kuchel, 35 Cal. 2d 444, 447-448 (1950); Los Angeles v. Offner, 19 Cal. 2d, 483, 487 (1942); Doland v. Clark, 143 Cal. 176, 181 (1904)).

The Complaint alleges that the Authority is merely a component unit and subordinate agency of the City as evidenced by the overlap in governing board members and officers of the San Diego Entities, and is therefore subject to the voter approval requirements applicable to the City under the Debt Limits. The Supreme Court rejected a similar argument in the Rider case, stating:

> The short answer to plaintiff's argument is that the Constitution and the City's charter permit the City to avoid the two-thirds vote requirement by creating a joint powers agency to finance public works projects. Therefore, however we might characterize the financing plan at issue here, we cannot characterize it as unlawful.

18 Cal. 4th at 1042.

By its terms, the Constitutional Debt Limit applies to counties, cities, towns, townships, boards of education, and school districts and is not applicable to entities such as the Authority which are not specified in the section. 18 Cal. 4th at 1043. As the Series 2015A Bonds are being issued by the Authority not the City, Charter Sections 90 and 99 are not applicable. The Complaint takes the position the Series 2015A Bonds should be treated as debt of the City asserting that the Series 2015A Bonds are bonds of the City in substance if not in form. The Supreme Court disagreed with a virtually identical claim concerning the City Charter in the Rider case, where the Supreme Court stated:

> The City's charter regulates the manner in which the City may incur certain indebtedness. In this case, the City is incurring no indebtedness; rather, the Financing Authority is incurring indebtedness. As we already have noted, the Financing Authority is a separate legal entity from the City (Gov. Code, § 6503.5), and the Financing Authority's debts are not the City's debts (Gov. Code, § 6508.1, 6551). On the other hand, articles 2 and 4 of the Act authorize joint powers agencies, including the Financing Authority, to issue bonds. Articles 2 and 4 do not authorize cities to issue bonds. Therefore, the two-thirds vote requirement in the City's charter does not conflict with articles 2 and 4 of the [Joint Exercise of Powers] Act because the former applies to the City, while the latter applies to the Financing Authority.

18 Cal. 4th at 1055.

The Complaint alleges that because the voters of the City have not assented to the issuance of the Series 2015A Bonds as required by Government Code Section 54380 contained in the Revenue Bond Law of 1941, the issuance cannot satisfy the requirements of the Revenue Bond Law of 1941. In Government Code Section 4301.1, the Revenue Bond Law of 1 41 provides an "alternate method of financing" and Government Code Section 54302 provides that the powers conferred under the Revenue Bond Law of 1 41 "are in addition to, and the limitations imposed by this chapter do not affect, the powers conferred by any other law." Thus, by its terms, the Revenue Bond Law of 1941 has no effect on the powers conferred upon the Authority by the Marks-Roos Act. Likewise, Government Code Section 6587 provides that bonds issued under the Marks-Roos Act, such as the Series 201 A Bonds, "need not comply with the requirements of any other state laws applicable to the issuance of bonds "

(iii) The Complaint alleges that the leasing of City property to the Authority for a nominal sum pursuant to the Site Lease constitutes an unconstitutional gift of public funds and that the City is giving or loaning its credit to the Authority in violation of Section 93 of the City Charter. Article XVI Section 6 of the California Constitution prohibits California public agencies from making of any gift of any public money or thing of value to any individual, municipal or other corporation. Section 3 of the City's Charter provides that " t he credit of the City shall not be given or loaned to or in aid

of any individual, association or corporation; except that suitable provision may be made for the aid and support of the poor." The City's lease to the Authority does not violate either of these principles.

Acknowledging that gifts of public money violate the California Constitution, the California Court of Appeal, Fourth District, Division One, has stated, in White v. California, 88 Cal.App.4th 2 8, 311 (2001) ("White"), that "'money spent for public purposes is not a gift .'" (quoting County of Alameda v. Carleson, Cal. 3d 30, 4 (1 1)). "The determination of what constitutes a public purpose is primarily a matter for legislative discretion [citations] which is not disturbed by the courts so long as it has a reasonable basis citations ." (Santa Barbara County Water Agency v. All Persons & Parties, 47 Cal.2d 699, 707- 08 (1) ("SBCWA"), reversed on other grounds by Ivanhoe v. McCracken, 357 U.S. 275 (1958); see also White, 88 Cal.App.4th at 311.) A contribution from one public agency to another must serve the public purpose of the donor agency (as opposed to the donee agency), but is legal if it does so, even if the contribution also serves the purposes of the donee agency. (SBCWA, 47 Cal.2d at 707; see also Oakland v. Garrison, 194 Cal. 298 (1924).) Further, pursuant to White, 88 Cal.App.4th at 312-313, " a showing of specific public benefit to the transferor agency is only necessary where there is not a substantial identity between the taxpayers who paid the taxes and those who will benefit."

The City's lease to the Authority of its facilities pursuant to the Site Lease for a nominal rental does not constitute a gift of public funds. The transaction must be viewed as a whole to determine whether an impermissible gift of public funds will occur. The lease to the Authority is made in consideration of a lease-back to the City and the ultimate issuance of debt to support public purposes of the City. Further, the taxpayers served by the City and the Authority are the same. Thus, the Site Lease does not constitute an impermissible gift of public funds.

The public purposes of the City are promoted by the proposed transaction. See, e.g., Housing Authority of County of Los Angeles v. Dockweiler, 14 Cal. 2d 437, 457 (1939) (appropriation of money by a city or county for the purpose of eliminating slums does not constitute a gift or loan of credit within the meaning of former Cal. Const. Art. IV, § 31). The City is not, through this financing transaction, giving or loaning its credit to the Authority.

(iv) The Complaint alleges that the Bond Approvals violated San Diego Municipal Code Section 22.0901 because they do not contain a resolution of the City stating the market value of the real estate as appraised by an independent fee appraiser or City staff. The lease of property authorized by the Bond Approvals does not violate Section 22.0901 for two reasons. First, Section 22.0901 is not applicable where a lease of property is provided for by ordinance as is the case here with the Bond Approvals. Section 22.0 01 begins as follows "E cept as otherwise provided in the Charter, or by ordinance, the Council shall have the power to lease the real property of the City as follows " Here, since the lease of the City property to the Authority was approved by Ordinance No. O-20350, the requirement in Section 22.0901 does not apply. Notwithstanding this fact, on March 24, 2015 the City adopted Resolution No. _____ which contains a statement of the market value of the real property

leased by the City pursuant to the Site Lease as appraised by an independent appraiser. Even if Section 22.0901 is read as requiring the adoption of a resolution as a condition to the execution of the Second Amendment to Site Lease authorized by the Bond Approvals, that resolution was adopted prior to the execution of the amendment and the issuance of the Series 2015A Bonds.

D. We are of the opinion that the plaintiff's allegations in the Complaint are without merit in that we believe under the law as in effect on the date hereof, the California Supreme Court, acting reasonably and properly briefed on the issues, would not conclude that the Bond Approvals are invalid based on such allegations.

In connection with the Series 201 A Bonds Litigation we note that a court's decisions regarding the matters raised in the Series 201 A Bonds Litigation would be based on the court's own analysis and interpretation of the factual evidence before the court and of the applicable legal principles. The opinion e pressed herein with respect to the plaintiff's claims in the Series 201 A Bonds Litigation is not intended to be a guaranty as to what the California Supreme Court will actually hold if it considers the matter, but an opinion as to the conclusion the Supreme Court would reach if the facts were determined to be as recited in the administrative record for the Series 2015A Bonds presented to the Superior Court, the issues as to the plaintiff's claims in the Series 201 A Bonds Litigation were properly raised, briefed and presented to the Supreme Court and the Supreme Court followed what we believe to be the applicable legal principles in effect on the date hereof.

III.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

(1) The Series 2015A Bonds have been duly and validly authorized by the Authority and are legal, valid and binding limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture.

(2) The Second Supplemental Indenture has been duly executed and delivered by the Authority. The Indenture creates a valid pledge of the Revenues and the amounts on deposit in certain funds and accounts established under the Indenture to secure the Series 2015A Bonds, as and to the extent provided in the Indenture. The Indenture constitutes the valid and binding agreement of the Authority and is enforceable in accordance with its terms.

(3) The Second Amendment to Facilities Lease has been duly authorized and executed by the City and the Authority and the Lease constitutes the valid and binding agreement of the City and the Authority and is enforceable in accordance with its terms.

(4) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Series 2015A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest (and original issue discount) may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

(5) Interest (and original issue discount) on the Series 2015A Bonds is exempt from State of California personal income tax.

(6) The difference between the issue price of a Series 2015A Bond (the first price at which a substantial amount of the Series 2015A Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Series 2015A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Series 2015A Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Series 2015A Bond owner will increase the Series 201 A Bond owner's basis in the applicable Series 201 A Bond. Original issue discount that accrues to the Series 2015A Bond owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations (as described in paragraph 3 above), and is exempt from State of California personal income tax.

(7) The amount by which a Series 201 A Bond owner's original basis for determining loss on sale or exchange in the applicable Series 2015A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the Series 201 A Bond owner's basis in the applicable Series 2015A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Series 2015A Bond premium may result in a Series 2015A Bond owner realizing a taxable gain when a Series 2015A Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2015A Bond to the owner.

The opinions expressed in paragraphs (4) and (6) above as to the exclusion from gross income for federal income tax purposes of interest and original issue discount on the Series 2015A Bonds is subject to the condition that the Authority and the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2015A Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Series 2015A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2015A Bonds. The Authority and the City each has covenanted to comply with all such requirements. Except as set forth in paragraphs (4) through (7) above, we express no opinion as to any tax consequences related to the Series 2015A Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate and the Lease may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series 2015A Bonds if any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Respectfully submitted,

APPENDIX D-2

FORM OF BOND COUNSEL OPINION FOR SERIES 2015B BONDS

_____ __, 2015

Public Facilities Financing Authority of the City of San Diego
San Diego, California 92101

City of San Diego
San Diego, California 92101

Re: $_____ Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds Series 2015B (Capital Improvement Projects)

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of San Diego (the "City") and the Public Facilities Financing Authority of the City of San Diego (the "Authority") in connection with the issuance by the Authority of its $[AMOUNT] Lease Revenue Bonds, Series 2015B (Capital Improvement Projects) (the "Series 201 B Bonds").

The Authority is a California joint exercise of powers authority established pursuant to the Third Amended and Restated Joint Exercise of Powers Agreement, dated as of January 1, 2013 (the " PA Agreement"), by and among the City, the City in its capacity as the designated successor agency (the "Successor Agency") to the former Redevelopment Agency of the City of San Diego (the "Former RDA") and the Housing Authority of the City of San Diego (the "Housing Authority"). The JPA Agreement was entered into pursuant to Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code) (the " PA Act").

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the City and the Authority taken in connection with the issuance by the Authority of the Series 2015B Bonds and have reviewed: (i) the Site Lease, dated as of July 1, 2012 as amended and supplemented by the First Amendment to Site Lease, dated as of July 1, 2013 (together, the "Master Site Lease"), as amended and supplemented by the Second Amendment to Site Lease, dated as of April 1, 201 (the "Second Amendment to Site Lease") and the Third Supplement to Site Lease, dated as of April 1, 201 (the "Third Amendment to Site Lease" and together with the Master Site Lease and the Second Amendment to Site Lease, the "Site Lease"), each by and between the City and the Authority; (ii) the Facilities Lease, dated as of July 1, 2012 as amended and supplemented by the First Amendment to Facilities Lease, dated as of July 1, 2013 (together, the "Master Facilities Lease"), and as amended and supplemented by the Second Amendment to Facilities Lease, dated as of April 1, 201 (the "Second Amendment to Facilities Lease") and the Third Amendment to Facilities Lease, dated as of April 1, 201 (the "Third Amendment to Facilities Lease" and together with the Master Facilities Lease and the Second Amendment to Facilities Lease, the "Lease"), each by and between the Authority and the City; (iii) the MTS Site Lease, dated as of uly 1, 2013 (the "MTS Site Lease"), by and between the San Diego Metropolitan Transit System and the Authority; (iv) the Indenture, dated as of July 1, 2012 as supplemented by the First Supplemental Indenture, dated as of uly 1, 2013 (together, the "Master Indenture"), as supplemented by the Second Supplemental Indenture, dated as of April 1, 2015 (the "Second Supplemental

Indenture") and the Third Supplemental Indenture, dated as of April 1, 201 (the "Third Supplemental Indenture" and together with the Master Indenture and the Second Supplemental Indenture, collectively, the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as Trustee (the "Trustee"); (v) a Ta Certificate of the Authority and the City with E hibits, dated the date hereof (collectively the "Ta Certificate"); (v) opinions of the City Attorney, as counsel to the City and the Authority, and counsel to the Trustee; (vi) certificates of the City, the Trustee, the Authority and others; (vi) the pleadings in the Series 2015B Bonds Litigation (defined below), and (vii) such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture and the Lease.

The Series 2015B Bonds have been issued pursuant to the Marks Roos Local Bond Pooling Act of 1985, as amended (Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code) (the " Marks-Roos Act") and the Indenture. The Series 201 B Bonds are dated as of their date of delivery and mature on the dates and in the amounts set forth in the Indenture. Interest on the Series 2015B Bonds is payable on the dates and at the rates per annum set forth in the Indenture. The Series 2015B Bonds are registered bonds in the form set forth in the Indenture and are redeemable in the amounts, at the times and in the manner set forth in the Indenture.

On the date hereof, the Authority has also issued its $[AMOUNT] Lease Revenue Bonds, Series 2015A (Capital Improvement Projects) under the Master Indenture as supplemented by the Second Supplemental Indenture (the "Series 201 A Bonds").

I.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2015B Bonds has concluded with their issuance, and we disclaim any obligation to update this letter.

We have assumed the genuineness of all documents and signatures presented to us, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the preceding paragraphs of this opinion. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Lease, the Site Lease, the MTS Site Lease and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest on the Series 2015B Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2015B Bonds, the Indenture, the Site Lease, the Lease and the Tax Certificate may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, by the application of

equitable principles and the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against cities and public agencies in the State of California.

We express no opinion herein with respect to any indemnification, contribution, choice of law, choice of forum, penalty or waiver provisions contained in the Series 2015B Bonds, the Indenture, the Site Lease or the Lease; nor do we express any opinion with respect to the state or quality of title to any of the real or personal property described in the Site Lease, the MTS Site Lease or the Lease, or the accuracy or sufficiency of the description contained therein, or the remedies available to enforce liens on, any such property contained therein.

Our opinions expressed herein are limited to matters governed by the laws of the State of California and federal income tax law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Series 2015B Bonds or other offering material relating to the Series 2015B Bonds and expressly disclaim any duty to advise the owners of the Series 2015B Bonds with respect to matters contained in the Official Statement.

II.

A. On April 1, 2014, San Diegans for Open Government (referred to herein as "plaintiff") filed a reverse validation lawsuit in the San Diego County Superior Court (the "Series 201 A Bonds Litigation") against the Authority, the City, the Successor Agency, the Housing Authority and all interested parties (collectively, the "San Diego Entities") titled San Diegans for Open Government v. City of San Diego et al., Case No. 37-2014-00009217-CU-MC-CTL. The plaintiff sought a judgment declaring that the resolution of the Authority and the ordinance and initial resolution of the City adopted with respect to the Series 201 A Bonds (together, the "Initial Bond Approvals") fail to comply with all applicable laws rendering the Initial Bond Approvals, null and void, invalid and without legal effect, and injunctive relief prohibiting the defendants from taking any action contemplated by the Initial Bond Approvals. The San Diego Entities denied all the plaintiff's allegations and requested the court render a judgment finding that the Series 2015A Bonds, the Initial Bond Approvals and all other resolutions and actions taken by the San Diego Entities approving the Series 2015A Bonds are conclusively valid and binding pursuant to Code of Civil Procedure Section 870 and any other applicable law. The Superior Court ruled against the plaintiff with respect to all the allegations raised by plaintiff in the Series 2015A Bonds Litigation and entered judgment in favor of the San Diego Entities in the matter. On December 12, 2014, the plaintiff filed a notice of appeal which appeals the ruling of the Superior Court to the California Court of Appeal where the matter is now pending.

On June 6, 2014, plaintiff filed a second reverse validation lawsuit in the San Diego County Superior Court (the "Series 201 B Bonds Litigation") against the San Diego Entities titled San Diegans for Open Government v. Public Facilities Financing Authority of the City of San Diego et al., Case No. 37-2014-00018335-CU-MC-CTL. The plaintiff sought a judgment declaring that the resolution of the Authority adopted with respect to the Series 201 B Bonds (the "Series 201 B Bond Approval") fails to comply with all applicable laws rendering the Series 201 B Bond Approval null and void, invalid and without legal effect, and injunctive relief prohibiting the defendants from taking any action contemplated by the Series 2015B Bond Approval. The San Diego Entities denied all the plaintiff's allegations and requested the court render a judgment finding that the Series 2015B

Bonds, the Series 2015B Bond Approval and all other resolutions and actions taken by the San Diego Entities approving the Series 2015B Bonds are conclusively valid and binding pursuant to Code of Civil Procedure Section 870 and any other applicable law.

The San Diego Entities filed a motion for summary judgment in the Series 2015B Bonds Litigation requesting that the Superior Court enter a judgment in favor of the San Diego Entities and deny plaintiff any of its requested relief. On January 12, 2015 the Superior Court entered an order of dismissal with prejudice in the case on the grounds that plaintiff failed to timely serve the Attorney General of the State of California and the Treasurer of the State of California with a copy of the complaint in the Series 2015B Bonds Litigation as required by Government Code Section 6599. Plaintiff then filed a motion pursuant to Code of Civil Procedure Section 473 requesting relief from the order of dismissal with prejudice for its failure to properly serve the complaint in a timely manner. On January 27, 2015, that motion was denied by the Superior Court. On March 3, 2015, the plaintiff filed a notice of appeal from the January 27, 2015 ruling which appeals the Superior Court's order denying relief from the order of dismissal with prejudice to the California Court of Appeal where the matter is now pending.

B. The gravamen of the complaint in the Series 2015A Bonds Litigation and the complaint in the Series 2015B Bonds Litigation (as detailed in the pleadings filed, the briefs submitted and the arguments made by the plaintiff) (collectively, the "Complaint") is that (i) the Initial Bond Approvals and the Series 201 B Bond Approval (together, the "Bond Approvals") are invalid because the Authority was not lawfully formed, and they contemplate a structure contrary to the JPA Agreement and require the Authority to act in excess of its lawful powers, (ii) the financing structure approved by the Bond Approvals was not approved by the San Diego electorate in violation the debt limitations contained in Article XVI, Section 18(a) of the California Constitution (the "Constitutional Debt Limit") and San Diego City Charter Sections 0a and (the "Charter Provisions" and, together with the Constitutional Debt Limit, the "Debt Limits") and by the Revenue Bond Law of 1941, Chapter 6 of Division 2 of Title 5 of the California Government Code (the "Revenue Bond Law of 1 41"), (iii) the financing structure approved by the Bond Approvals constitutes an impermissible gift or loan of the City's credit to the Authority in violation of City Charter Section 3, and (iv) the Bond Approvals violated Section 22.0 01 of the City's Municipal Code due to the City's failure to adopt a required resolution under that section.

C. The particular issues upon which the Complaint bases its allegations that the Bond Approvals are not valid are discussed below.

(i) (a) The Complaint alleges that the JPA Agreement is void because both the Successor Agency and the Housing Authority lacked the legal authority to enter into the JPA Agreement and because the JPA Agreement specifies the Former RDA as the entity whose restrictions must be complied with in exercising common powers of the members of the Authority. Each of these allegations is addressed separately below.

The Complaint alleges that given the dissolution of the Former RDA, the Successor Agency lacked the power to enter into the JPA Agreement which results in a limitation on the powers of the Authority to issue the Series 2015B Bonds. Pursuant to California Health and Safety Code Section 34173 and Resolution Number R-307238, adopted by the City Council on January 12, 2012, the City serves as the Successor Agency to the Former RDA.

California Health and Safety Code Sections 34173(a) and 34178(b) provide that the Successor Agency succeeds to the position of the Former RDA under the JPA Agreement by operation of the act adding such section. Although California Health and Safety Code Section 34178(a) generally provides that agreements between the City and the Former RDA are invalid and not binding on the successor agency, California Health and Safety Code Section 34178(b)(3) expressly provides that a joint exercise of powers agreement in which a redevelopment agency is a member of the joint powers authority "is not invalid and may bind the successor agency."

Further, California Health and Safety Code Section 34178(a) provides that the City and Successor Agency are authorized to "enter or reenter into agreements" subject to approval of the Oversight Board. The JPA Agreement was approved by the Oversight Board to the Successor Agency pursuant to Oversight Board Resolution Number OB-2012-3 , adopted December 11, 2012 ("Oversight Board Resolution"), as required by California Health and Safety Code Sections 34178(a) and 34180(h). The Oversight Board Resolution was submitted to the California Department of Finance on December 11, 2012, in electronic form in the manner directed by the Department, as required by California Health and Safety Code Sections 34179(h) and 34180(j). Because the California Department of Finance did not request review of the Oversight Board Resolution within five business days of this submittal, the Oversight Board Resolution became effective on December 19, 2012. (Cal. Health & Saf. Code Section 34179(h).)

While California Health and Safety Code Section 34178(b) limits the Successor Agency's rights, duties and performance obligations under the PA Agreement, such constraints do not limit the Authority's ability to issue the Series 201 B Bonds. The Authority's activities are governed by the PA Act (Cal. Govt. Code Section 00, *seq.*), and the JPA Agreement.

The Complaint also alleges that the Housing Authority did not have the legal authority to enter into the JPA Agreement. Pursuant to California Government Code Section 02 ("Section 02"), two or more public agencies by agreement may jointly exercise any power common to the contracting parties. As the Housing Authority constitutes a "public agency" for purposes of Section 02, and the City, the Successor Agency and the Housing Authority possess one or more of the necessary common powers, the Housing Authority possessed the power to enter into the JPA Agreement.

Section 6502 defines "public agency" to include, among other entities, "any state department or agency, or public corporation." Housing authorities formed and functioning pursuant to the Housing Authorities Law, (Cal. Health & Saf. Code Section 34200, *et seq.*), are public bodies, corporate and politic (Cal. Health & Saf. Code Section 34240) and, as they are created pursuant to State law to fulfill State purposes, are agencies of the State of California (Housing Authority of Los Angeles v. Los Angeles (1952) 38 Cal.2d 853). Thus, the Housing Authority was authorized to enter into the JPA Agreement.

The City, Housing Authority and Successor Agency are each authorized to issue bonds, acquire and dispose of property, construct public improvements and other

developments, and otherwise expend bond proceeds for their public purposes. Thus, the City, Housing Authority and Successor Agency have common powers within the meaning of the JPA Act. See, e.g. Zach v. Marin Emergency Radio Authority, 118 Cal.App.4th 617 (2004) (various public agencies have the implied authority to construct and operate emergency communications system).

The Complaint further alleges that the Authority lacks the legal authority to issue the Series 2015B Bonds because Section 4 of the JPA Agreement provides that the manner in which the Authority shall exercise its powers and perform its duties " shall be subject to the restrictions upon the manner of exercising such power as are imposed upon the [Former] Agency in the exercise of similar powers, as provided in Section 0 of the PA Act." Specifically, the Complaint alleges that since the Former RDA has been dissolved and its powers have been withdrawn by the Legislature, this reference to the Former RDA in Section 4 of the JPA Agreement renders the Authority powerless to act.

First, this allegation is contrary to the express purpose of California Health and Safety Code Section 34178(b)(3) discussed above which intends for joint exercise of powers agreements to remain valid following assignment to a successor agency. Second, Section 0 is not applicable to the Authority's actions taken with respect to the Series 2015B Bonds. Section 6509 provides that the power of the Authority "shall be subject to the restrictions upon the manner of e ercising the power of one of the contracting parties, which party shall be designated by the agreement." However, Section 6509 and the related language in the JPA Agreement only apply in instances where the Authority is exercising common powers of the members. In issuing the Series 2015B Bonds the Authority is not exercising a common power of its members but an independent power granted by the Marks-Roos Act.

In City of San Diego v. Rider (18 Cal. 4th 103 (1 8) ("Rider"), the California Supreme Court held that Section 0 "does not apply when a joint powers agency e ercises a power it holds independently of the contracting parties." Id. at 10 2 The Authority is exercising its powers to issue the Series 2015B Bonds under the provisions of Article 4 of the JPA Act. Article 4 of the JPA Act confers independent power on the Authority to issue bonds and is not the exercise of a common power. Cal. Govt. Code Section 6588; Id. at 1053. Thus, even if the reference in Section 4 of the JPA Agreement is deemed to have eliminated the power of the Authority to exercise common powers of its members, it did not eliminate the power to exercise the independent power to issue bonds under the Marks-Roos Act.

(b) The Complaint alleges the Series 2015B Bonds violate the provisions of Section 8 of the JPA Agreement, which prohibits any bonded indebtedness that relies in whole or in part on any pledge of the City's "faith and credit." These allegations are contrary to the express language in Section 8 of the JPA Agreement and the Series 2015B Bonds.

Government Code Section 6508.1 provides that if a joint exercise of powers agreement creates a separate agency " the debts, liabilities, and obligations of the agency shall be debts, liabilities and obligations of the parties to the agreement, unless the agreement specifies otherwise." Emphasis added. Section 8 of the PA

Agreement provides in relevant part that bonds issued by the Authority "shall not be deemed to constitute a debt of the City or pledge of the faith and credit of the City nor shall the City be obligated to make any appropriation for such payment."

The Series 2015B Bonds specifically provide that the Series 2015B Bonds are not obligations of the City. The form of the Series 2015B Bonds appended to the Third Supplemental Indenture provides in relevant part:

> "The Series 201 B Bonds are special, limited obligations of the Authority and do not constitute a debt, liability or obligation of the City or of the State of California (the "State") or any political subdivision thereof and neither the faith and credit of the City nor the State are pledged to the payment of the principal of or interest on the Series 2015B Bonds. The Authority has no taxing power."

In Rider, the Supreme Court held that a lease revenue bond of a joint powers agency is not a debt or obligation of a member of the agency even if such bonds are payable primarily from lease payments to be made under a lease between the agency and such member. The Supreme Court recognized that in a lease revenue bond transaction the obligations of the lessee (in this case the City) are restricted to its obligations under the lease. 18 Cal. 4th at 1044.

(c) The Complaint alleges that the Bond Approvals and the issuance of the Series 2015B Bonds are invalid because they fail to comply with various provisions of Article 2 of the JPA Act. However, the Series 2015B Bonds are being issued pursuant to the Marks-Roos Act which constitutes Article 4 of the JPA Act ((Cal. Govt. Code Section 6584, *et seq*.) Government Code Section 6587, a part of Article 4, provides that:

> This article shall be deemed to provide a complete and supplemental method for exercising the powers authorized by this article, and shall be deemed as being supplemental to the powers conferred by other applicable laws. The issuance of bonds, financing or refinancing under this article need not comply with the requirements of any other state laws applicable to the issuance of bonds, including, but not limited to, other articles of this chapter." Emphasis added .

Government Code Section 6588 expressly provides that the powers granted joint powers agencies such as the Authority under Article 4 are in addition to the other powers specified in the joint powers agreement and Article 2 of the JPA Act. Section 6588(c) authorizes the Authority to issue bonds to pay the cost of any public capital improvement.

(d) The Complaint alleges that even if the JPA Agreement is valid, the Authority lacks the power to issue the Series 2015B Bonds, because following the dissolution of the Former RDA, the Former RDA, the Successor Agency and the City lack a common power. As discussed above, the Authority possesses independent powers under Article 4 of the JPA Act such that the absence of a common power among its

members would not preclude the issuance of the Series 2015B Bonds. Government Code Section 6588, which is a part of the Marks-Roos Act pursuant to which the Series 2015B Bonds are being issued, provides that the powers granted pursuant to that section are in addition to the common powers specified in a joint powers agreement. The Supreme Court in the Rider case rejected the position that a joint powers agency's authority to issue bonds had to be a common power of the parties to the joint powers agreement. 18 Cal. 4th at 1053. The Supreme Court held in relevant part:

> The power to issue bonds under articles 2 and 4 of the Act is a power a joint powers agency holds independently. For example article 2 states that the power to issue bonds "is additional to the powers common to the parties to the joint powers agreement. (Gov. Code 4 .)" Similarly, article 4 provides that the power to issue bonds is " i n addition to other powers specified in the agreement. (Gov. Code 88, subd. (c))." Moreover, even if we were to adopt plaintiff's argument that section 0 is, by its own terms, somehow applicable to the issuance of bonds under articles 2 and 4, then the express exemption in article 4 would come into play. Id. at 1503-1054

(ii) The Complaint alleges that the City's use of the Authority to issue bonds, instead of issuing bonds in its own name, is an artifice and subterfuge designed to circumvent the voter-assent requirements of the Debt Limits and the Revenue Bond Law of 1941.

The Constitutional Debt Limit provides that a city may not incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue received for such year. Charter Section 90 provides that the City may contract bonded indebtedness the purposes set forth therein, pledging the credit of the City or the property or revenue of any public utility owned by the City and that a vote of two-thirds of the electors voting at an election is required for the issuance of such bonds. Charter Section 99 provides in relevant part that the City shall not incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for such year unless approved by a majority of the voters.

With respect to the allegations in the Complaint relating to the Debt Limits, in Rider, the Supreme Court rejected substantially identical allegations in the context of a lease-back transaction involving a lease of facilities by the City and the issuance of lease revenue bonds by a joint powers agency of which the City was a member. In Rider, the Supreme Court reaffirmed the well-established principle that leases, commonly referred to as Offner-Dean or abatement leases, in which a city's obligations to pay rent are conditioned upon the leased premises being available to the city, do not violate the Constitutional Debt Limit or analogous debt limit provisions, such as Charter Sections 90 and 93. 18 Cal. 4th at 1050. The Lease contains abatement provisions substantially the same as the abatement provisions in

the lease before the Supreme Court in the Rider case. In summarizing its ruling, the Court stated:

> In this case, we consider the validity of a financing plan under which a joint powers agency will issue bonds, use the bond proceeds to construct a capital improvement, and lease that improvement to a city. We conclude that the voter approval requirements that would apply if the city issued the bonds do not, by their terms, apply to the debts of a joint powers agency, and the city's obligation to make rent payments to the joint powers agency does not itself constitute a debt requiring voter approval. We also conclude that the law governing joint powers agencies gives these agencies independent authority to issue bonds without complying with restrictions, such as voter approval requirements, that apply to local governments. Finally, we conclude that state law does not in this regard violate the "home rule" provision of the California Constitution. Accordingly, we affirm the judgment of the Court of Appeal. Id. at 1039.

Plaintiff attempts to distinguish Rider because the proceeds of the Series 2015B Bonds will be spent on improvements other than those comprising the leased property. Plaintiff asserts that in Rider, the property leased was the property where the proceeds were to be e pended to e pand the City's convention center. In fact, the property leased in Rider consisted of the existing convention center and the site of the planned expansion. 18 Cal. 4th at 1040. Moreover, the use of the proceeds of the financings is not relevant for purposes of determining compliance with the Debt Limits. In City of San Diego et al. v. Richard Rider, (47 Cal. App. 4th 1473 (1996)), a decision affirming a lower court decision upholding the validity of a lease-back financing by the City for a football stadium, the Court of Appeal stated:

> Rider asserts it is improper under Starr v. City and County of San Francisco, supra, 72 Cal.App.3d 164, 140 Cal.Rptr. 73, to spend part of the bond proceeds on off-site improvements to build a training facility and offices for the San Diego Chargers. Rider attempts to take Starr too far.
>
> In Starr, the court determined a municipal lease-back arrangement was valid because each rental payment would be supported by consideration furnished that year, i.e., occupancy and use of the project. (Starr v. City and County of San Francisco, supra, 72 Cal.App.3d at p. 172, 140 Cal.Rptr. 73.) A separate HUD repayment contract, however, was held not to satisfy the Offner–Dean rule because it created a "future charge against general funds," which was not supported by consideration in the year the obligation was incurred and which could not be included in the yearly budget. (Id. at p. 176, 140 Cal.Rptr. 3.) Contrary to Rider's contention, nothing in the opinion suggests a restriction on how or for what purpose a public entity may use bond proceeds obtained in the financing arrangement. Id. at 1492.

As to the financing structure approved by the Bond Approvals being an artifice or subterfuge to avoid the Debt Limits, the Supreme Court in the *Rider* case made the following statement:

> We are not naive about the character of this transaction. If the City had issued bonds to pay for the Convention Center expansion, the two-thirds vote requirement would have applied. Here, the City and the Port District have created a financing mechanism that matches as closely as possible (in practical effect, if not in form) a City-financed project, but avoids the two-thirds vote requirement. Nevertheless, the law permits what the City and the Port District have done. Plaintiffs are correct that this conclusion allows local governments to burden taxpayers with potentially high costs that voters have not approved, but local governments impose similar burdens on taxpayers every time they enter into long-term leases involving property of substantial value. We have long held that the two-thirds vote requirement does not apply to these leases so long as the obligation to pay rent is contingent on continued use of the leased property.

18 Cal. 4th at 1055 (quoting Dean v. Kuchel, 35 Cal. 2d 444, 447-448 (1950); Los Angeles v. Offner, 19 Cal. 2d, 483, 487 (1942); Doland v. Clark, 143 Cal. 176, 181 (1904)).

The Complaint alleges that the Authority is merely a component unit and subordinate agency of the City as evidenced by the overlap in governing board members and officers of the San Diego Entities, and is therefore subject to the voter approval requirements applicable to the City under the Debt Limits. The Supreme Court rejected a similar argument in the Rider case, stating:

> The short answer to plaintiff's argument is that the Constitution and the City's charter permit the City to avoid the two-thirds vote requirement by creating a joint powers agency to finance public works projects. Therefore, however we might characterize the financing plan at issue here, we cannot characterize it as unlawful.

18 Cal. 4th at 1042.

By its terms, the Constitutional Debt Limit applies to counties, cities, towns, townships, boards of education, and school districts and is not applicable to entities such as the Authority which are not specified in the section. 18 Cal. 4th at 1043. As the Series 2015B Bonds are being issued by the Authority not the City, Charter Sections 90 and 99 are not applicable. The Complaint takes the position the Series 2015B Bonds should be treated as debt of the City asserting that the Series 2015B Bonds are bonds of the City in substance if not in form. The Supreme Court disagreed with a virtually identical claim concerning the City Charter in the Rider case, where the Supreme Court stated:

> The City's charter regulates the manner in which the City may incur certain indebtedness. In this case, the City is incurring no

> indebtedness; rather, the Financing Authority is incurring indebtedness. As we already have noted, the Financing Authority is a separate legal entity from the City (Gov. Code, § 6503.5), and the Financing Authority's debts are not the City's debts (Gov. Code, § 6508.1, 6551). On the other hand, articles 2 and 4 of the Act authorize joint powers agencies, including the Financing Authority, to issue bonds. Articles 2 and 4 do not authorize cities to issue bonds. Therefore, the two-thirds vote requirement in the City's charter does not conflict with articles 2 and 4 of the [Joint Exercise of Powers] Act because the former applies to the City, while the latter applies to the Financing Authority.

18 Cal. 4th at 1055.

The Complaint alleges that because the voters of the City have not assented to the issuance of the Series 2015B Bonds as required by Government Code Section 54380 contained in the Revenue Bond Law of 1941, the issuance cannot satisfy the requirements of the Revenue Bond Law of 1941. In Government Code Section 4301.1, the Revenue Bond Law of 1 41 provides an "alternate method of financing" and Government Code Section 54302 provides that the powers conferred under the Revenue Bond Law of 1 41 "are in addition to, and the limitations imposed by this chapter do not affect, the powers conferred by any other law." Thus, by its terms, the Revenue Bond Law of 1941 has no effect on the powers conferred upon the Authority by the Marks-Roos Act. Likewise, Government Code Section 6587 provides that bonds issued under the Marks-Roos Act, such as the Series 201 B Bonds, "need not comply with the requirements of any other state laws applicable to the issuance of bonds "

(iii) The Complaint alleges that the leasing of City property to the Authority for a nominal sum pursuant to the Site Lease constitutes an unconstitutional gift of public funds and that the City is giving or loaning its credit to the Authority in violation of Section 93 of the City Charter. Article XVI Section 6 of the California Constitution prohibits California public agencies from making of any gift of any public money or thing of value to any individual, municipal or other corporation. Section 3 of the City's Charter provides that " t he credit of the City shall not be given or loaned to or in aid of any individual, association or corporation; except that suitable provision may be made for the aid and support of the poor." The City's lease to the Authority does not violate either of these principles.

Acknowledging that gifts of public money violate the California Constitution, the California Court of Appeal, Fourth District, Division One, has stated, in White v. California, 88 Cal.App.4th 2 8, 311 (2001) ("White"), that "'money spent for public purposes is not a gift .'" (quoting County of Alameda v. Carleson, 5 Cal. 3d 730, 4 (1 1)). "The determination of what constitutes a public purpose is primarily a matter for legislative discretion [citations] which is not disturbed by the courts so long as it has a reasonable basis [citations ." (Santa Barbara County Water Agency v. All Persons & Parties, 47 Cal.2d 699, 707- 08 (1) ("SBCWA"), reversed on other grounds by Ivanhoe v. McCracken, 357 U.S. 275 (1958); see also White, 88 Cal.App.4th at 311.) A contribution from one public agency to another must serve

the public purpose of the donor agency (as opposed to the donee agency), but is legal if it does so, even if the contribution also serves the purposes of the donee agency. (SBCWA, 47 Cal.2d at 707; see also Oakland v. Garrison, 194 Cal. 298 (1924).) Further, pursuant to White, 88 Cal.App.4th at 312-313, " a showing of specific public benefit to the transferor agency is only necessary where there is not a substantial identity between the taxpayers who paid the taxes and those who will benefit."

The City's lease to the Authority of its facilities pursuant to the Site Lease for a nominal rental does not constitute a gift of public funds. The transaction must be viewed as a whole to determine whether an impermissible gift of public funds will occur. The lease to the Authority is made in consideration of a lease-back to the City and the ultimate issuance of debt to support public purposes of the City. Further, the taxpayers served by the City and the Authority are the same. Thus, the Site Lease does not constitute an impermissible gift of public funds.

The public purposes of the City are promoted by the proposed transaction. See, e.g., Housing Authority of County of Los Angeles v. Dockweiler, 14 Cal. 2d 437, 457 (1939) (appropriation of money by a city or county for the purpose of eliminating slums does not constitute a gift or loan of credit within the meaning of former Cal. Const. Art. IV, § 31). The City is not, through this financing transaction, giving or loaning its credit to the Authority.

(iv) The Complaint alleges that the Bond Approvals violated San Diego Municipal Code Section 22.0901 because they do not contain a resolution of the City stating the market value of the real estate as appraised by an independent fee appraiser or City staff. The lease of property authorized by the Bond Approvals does not violate Section 22.0901 for two reasons. First, Section 22.0901 is not applicable where a lease of property is provided for by ordinance as is the case here with the Bond Approvals. Section 22.0 01 begins as follows "E cept as otherwise provided in the Charter, or by ordinance, the Council shall have the power to lease the real property of the City as follows " Here, since the lease of the City property to the Authority was approved by Ordinance No. O-20350, the requirement in Section 22.0901 does not apply. Notwithstanding this fact, on March 24, 2015 the City adopted Resolution No. _____ which contains a statement of the market value of the real property leased by the City pursuant to the Site Lease as appraised by an independent appraiser. Even if Section 22.0901 is read as requiring the adoption of a resolution as a condition to the execution of the Third Amendment to Site Lease authorized by the Bond Approvals, that resolution was adopted prior to the execution of the amendment and the issuance of the Series 2015B Bonds.

D. We are of the opinion that the plaintiff's allegations in the Complaint are without merit in that we believe under the law as in effect on the date hereof, the California Supreme Court, acting reasonably and properly briefed on the issues, would not conclude that the Bond Approvals are invalid based on such allegations.

In connection with the Series 2015B Bonds Litigation we note that a court's decisions regarding the matters raised in the Series 201 B Bonds Litigation would be based on the court's own analysis and interpretation of the factual evidence before the court and of the applicable legal

principles. The opinion expressed herein with respect to the plaintiff's claims in the Series 201 B Bonds Litigation is not intended to be a guaranty as to what the Supreme Court will actually hold if it considers the matter, but an opinion as to the conclusion the Supreme Court would reach if the facts were determined to be as recited in the administrative record for the Series 2015B Bonds presented to the Superior Court, the issues as to the plaintiff's claims in the Series 201 B Bonds Litigation were properly raised, briefed and presented to the Supreme Court and the Supreme Court followed what we believe to be the applicable legal principles in effect on the date hereof.

III.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

(1) The Series 2015B Bonds have been duly and validly authorized by the Authority and are legal, valid and binding limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture.

(2) The Third Supplemental Indenture has been duly executed and delivered by the Authority. The Indenture creates a valid pledge of the Revenues and the amounts on deposit in certain funds and accounts established under the Indenture to secure the Series 2015B Bonds, as and to the extent provided in the Indenture. The Indenture constitutes the valid and binding agreement of the Authority and is enforceable in accordance with its terms.

(3) The Third Amendment to Facilities Lease has been duly authorized and executed by the City and the Authority and the Lease constitutes the valid and binding agreement of the City and the Authority and is enforceable in accordance with its terms.

(4) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Series 2015B Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest (and original issue discount) may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

(5) Interest (and original issue discount) on the Series 2015B Bonds is exempt from State of California personal income tax.

(6) The difference between the issue price of a Series 2015B Bond (the first price at which a substantial amount of the Series 2015B Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Series 2015B Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Series 2015B Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Series 2015B Bond owner will increase the Series 201 B Bond owner's basis in theapplicable Series 2015B Bond. Original issue discount that accrues to the Series 2015B Bond owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations (as described in paragraph 3 above), and is exempt from State of California personal income tax.

(7) The amount by which a Series 201 B Bond owner's original basis for determining loss on sale or exchange in the applicable Series 2015B Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the Series 201 B Bond owner's basis in the applicable Series 2015B Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Series 2015B Bond premium may result in a Series 2015B Bond owner realizing a taxable gain when a Series 2015B Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2015B Bond to the owner.

The opinions expressed in paragraphs (4) and (6) above as to the exclusion from gross income for federal income tax purposes of interest and original issue discount on the Series 2015B Bonds is subject to the condition that the Authority and the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2015B Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Series 2015B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2015B Bonds. The Authority and the City each has covenanted to comply with all such requirements. Except as set forth in paragraphs (4) through (7) above, we express no opinion as to any tax consequences related to the Series 2015B Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate and the Lease may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series 2015B Bonds of any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Respectfully submitted,

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

None of the City, the Authority, the Trustee or the Underwriters can or do give any assurances that DTC, the Participants or others will distribute payments of principal of or interest on the 2015 Bonds paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the City, the Authority, the Trustee or the Underwriters are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the 2015 Bonds or an error or delay relating thereto.

The following information concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from sources that the City, the Authority and the Underwriters believe to be reliable, but none of the City, the Authority or the Underwriters takes responsibility for the accuracy thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in this Official Statement and in APPENDIX C "SUMMARY OF LEGAL DOCUMENTS."

DTC will act as securities depository for the 2015 Bonds. The 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2015 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fi ed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA . The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners.

Beneficial Owners will not receive certificates representing their ownership interests in 2015 Bonds, except in the event that use of the book-entry system for the 2015 Bonds is discontinued.

To facilitate subsequent transfers, all 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of 2015 Bonds may wish to ascertain that the nominee holding the 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2015 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City, as the issuer of the 2015 Bonds, as soon as possible after the record date. The Omnibus Pro y assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2015 Bonds at any time by giving reasonable notice to the City, the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates for the 2015 Bonds are required to be printed and delivered in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the 2015 Bonds will be printed and delivered in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Authority believe to be reliable, but neither the City nor the Authority take any responsibility for the accuracy thereof.

Risks Regarding the Book-Entry Only System

AS LONG AS CEDE & CO. OR ITS SUCCESSOR IS THE REGISTERED HOLDER OF THE 2015 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED HOLDERS OF THE 2015 BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2015 BONDS. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTEXT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2015 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE. Each person for whom a Participant acquires an interest in the 2015 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such person, forwarded in writing by such Participant and to receive notification of all interest payments.

NONE OF THE CITY, THE AUTHORITY, THE TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION WITH RESPECT TO THE PAYMENTS TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS, THE SELECTION OF THE BENEFICIAL INTERESTS IN THE 2015 BONDS TO BE REDEEMED IN THE EVENT OF REDEMPTION OF LESS THAN ALL 2015 BONDS OF A PARTICULAR MATURITY OR THE PROVISION OF NOTICE TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE 2015 BONDS. NO ASSURANCE CAN BE GIVEN BY THE CITY, THE AUTHORITY THE TRUSTEE OR THE UNDERWRITERS THAT DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR OTHER NOMINEES OF THE BENEFICIAL OWNERS WILL MAKE PROMPT TRANSFER OF PAYMENTS TO THE BENEFICIAL OWNERS, THAT THEY WILL DISTRIBUTE NOTICES, INCLUDING REDEMPTION NOTICES (REFERRED TO ABOVE), RECEIVED AS THE REGISTERED OWNER OF THE 2015 BONDS TO THE BENEFICIAL OWNERS, THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

In the event the Authority determines not to continue the book-entry system or DTC determines to discontinue its services with respect to the 2015 Bonds, and the Authority does not select another qualified securities depository, the Authority shall deliver one or more 2015 Bonds in such principal amount or amounts, in authorized denominations, and registered in whatever name or names, as DTC shall designate. In such event, transfer and exchanges of 2015 Bonds will be governed by the provisions of the Indenture.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is e ecuted and delivered by the City of San Diego (the "City") as of April 1, 2015 in connection with $_____ aggregate principal amount of Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2015A (Capital Improvement Projects) (the "Series 2015A Bonds") and $_____ aggregate principal amount of Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2015B (Capital Improvement Projects) (together with the Series 2015A Bonds, the "201 Bonds"). The 2015 Bonds are being issued pursuant to the terms of the Indenture (as defined herein). The City hereby covenants and agrees as follows:

1. Purpose of Certificate. This Certificate is being executed and delivered by the City on behalf of the Authority for the benefit of the Bondowners and Beneficial Owners of the 2015 Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined below). The City is the only Obligated Person (as defined in the Rule) for the 2015 Bonds.

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 have the following meanings:

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Certificate.

"*Authority*" means the Public Facilities Financing Authority of the City of San Diego.

"*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 2015 Bonds (including persons holding 2015 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2015 Bonds for federal income tax purposes.

"*Commission*" means the Securities and E change Commission.

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

"*Indenture*" means the Indenture, dated as of uly 1, 2012, by and between the Authority and the Trustee, as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions thereof, including as amended and supplemented by the First Supplemental Indenture, dated of July 1, 2013, the Second Supplemental Indenture, dated as of April 1, 2015 and the Third Supplemental Indenture, dated as of April 1, 2015.

"*MSRB*" means the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system.

"*Notice Event*" means any of the events listed in Sections 5(a), (b) and (c) of this Certificate.

"*Participating Underwriters*" means any of the original purchasers of the 2015 Bonds required to comply with the Rule in connection with the offering of the 2015 Bonds.

"*Official Statement*" means the Official Statement dated , 2014, prepared and distributed in connection with the initial sale of the 2015 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)( ) of Rule 1 c12 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 interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

"*Trustee*" means Wells Fargo Bank, National Association, or any successor trust under the Indenture.

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 une 30th), commencing with the report for the fiscal year ending June 30, 2014 (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 of this Certificate. 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 of this Certificate; 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).

(b) Not later than 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 to this Certificate, 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.

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

(a) The audited financial statements of the City for the fiscal year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." 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) of this Certificate, 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) To the extent not included in the financial statements, the following types of information will be provided in one or more reports in a format similar to that in the Official Statement:

(i) An update to the information generally in the form presented in Table A-3 (titled "City of San Diego General Fund Operating Budget Summary") of Appendi A to the Official Statement for the most recently completed Fiscal Year.

(ii) An update to the information generally in the form presented in Table A-4 (titled "Assessed aluation") of Appendi A to the Official Statement for the most recently completed Fiscal Year.

(iii) An update to the information generally in the form presented in Table A-5 (titled "Secured Ta Levies and Collections") of Appendi A to the Official Statement for the most recently completed Fiscal Year.

(iv) A brief description of the San Diego City Employees' Retirement System, including but not limited to: (i) an update of the information generally in the form presented in Table A-8 (titled "City of San Diego Schedule of Funding Progress") of Appendi A to the Official Statement; and (ii) an update for the information generally in the form presented in Table A-9 (titled "City of San Diego Pension Contribution" of Appendi A to the Official Statement, for the most recently completed Fiscal Year.

(v) An update to the information generally in the form presented in Table A-11 (titled "Schedule of Funding Progress (DB OPEB Plan)") of Appendi A to the Official Statement for the most recently completed Fiscal Year.

(vi) An update to the information generally in the form presented in Table A-15 (titled "City of San Diego General Fund Lease Obligations and General Fund Obligations") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(vii) An update to the information generally in the form presented in Table A-16 (titled "City of San Diego General Fund Supported Obligations") of Appendi A to the Official Statement for the most recently completed Fiscal Year.

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.

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 2015 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 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 2015 Bonds, if material, 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) non-payment related defaults;

(ii) Unless described in Section 5(a)(v), other notices or determinations with respect to the tax status of the 2015 Bonds, or other events affecting the tax status of the 2015 Bonds;

(iii) modifications to rights of the holders of the 2015 Bonds;

(iv) bond calls***;

(v) release, substitution or sale of property securing repayment of the 2015 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

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* The City will not establish or maintain a reserve fund for the 2015 Bonds.

** The City has not obtained or provided, and does not expect to obtain or provide, any credit enhancements or credit or liquidity providers for the 2015 Bonds.

*** Any scheduled redemption of Series 2015A Bonds pursuant to mandatory sinking fund redemption requirements does not constitute a Notice Event within the meaning of the Rule.

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) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any entry of final judgment in either the Series 2015A Bonds Litigation or the Series 2015B Bonds Litigation (each as defined in the Official Statement) or upon resolution of any appeal of the Series 2015A Bonds Litigation and the Series 2015B Bonds Litigation, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Notice Event to the MSRB through EMMA.

(d) 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 Bonds pursuant to the Indenture.

6. Termination of Reporting Obligation. The City's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2015 Bonds. If such termination occurs prior to the final maturity of the 2015 Bonds, the City shall give notice of such termination in the name manner as for a Notice Event under subsection 5(c).

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.

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, 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 2015 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 2015 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 (1) is approved by the Owners majority of outstanding principal amount of the 2015 Bonds, in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners or Beneficial Owners of the 2015 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), 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.

9. Additional Information. Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, including the information then contained in Appendi A to the City's official statements relating to debt issuances, 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.

10. Default. In the event of a failure of the City to comply with any provision of this Certificate, any Bondowner or Beneficial Owner of the 2015 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 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 30 days to comply. A default under this Certificate shall not be deemed an Event of Default under the Indenture with respect to the 2015 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.

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

12. Beneficiaries. This Certificate shall inure solely to the benefit of the City, the Dissemination Agent the Bondowners and Beneficial Owners from time to time of the 2015 Bonds, and shall create no rights in any other person or entity.

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

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

CITY OF SAN DIEGO

By:_____
Authorized Signatory

[Signature page of Continuing Disclosure Certificate]

EXHIBIT A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party:	City of San Diego
Name of Bond Issue:	Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2015A (Capital Improvement Projects) and Series 2015B (Capital Improvement Projects) (together, the "2015 Bonds")
Date of Issuance:	_____, 2015

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of April 1, 2015 with respect to the 2015 Bonds. The City anticipates that the Annual Report will be filed by _____.

Dated:_____

_____
On behalf of the City

APPENDIX G

ELECTRONICALLY FILED
Superior Court of California,
County of San Diego
04/01/2014 at 10:46:45 AM
Clerk of the Superior Court
By Alicia Fletes, Deputy Clerk

NOTICE! YOU HAVE BEEN SUED. THE COURT MAY DECIDE AGAINST YOU WITHOUT YOUR BEING HEARD UNLESS YOU RESPOND NO LATER THAN MAY 25, 2014. READ INFORMATION BELOW.

¡AVISO! LO HAN DEMANDADO. SI NO RESPONDE A MÁS TARDAR EL 25 DE MAYO, 2014, LA CORTE PUEDE DECIDIR EN SU CONTRA SIN ESCUCHAR SU VERSIÓN. LEA LA INFORMACIÓN A CONTINUACIÓN.

SUPERIOR COURT OF THE STATE OF CALIFORNIA

SAN DIEGO COUNTY--HALL OF JUSTICE

SAN DIEGANS FOR OPEN GOVERNMENT, Plaintiff, vs. CITY OF SAN DIEGO; CITY OF SAN DIEGO, AS SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO; HOUSING AUTHORITY OF THE CITY OF SAN DIEGO; PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO; and ALL PERSONS INTERESTED IN THE MATTER OF (*i*) THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO'S APPROVAL OF ISSUANCE OF THE AUTHORITY'S LEASE REVENUE BONDS, SERIES 2014A AND APPROVING CERTAIN DOCUMENTS AND ACTIONS IN CONNECTION THEREWITH, (*ii*) THE CITY OF SAN DIEGO'S 2014 CAPITAL IMPROVEMENT PROGRAM LEASE REVENUE BONDS, AND (*iii*) THE CITY OF SAN DIEGO'S 2014 CAPITAL IMPROVEMENT PROGRAM LEASE REVENUE BONDS PRELIMINARY OFFICIAL STATEMENT AUTHORIZATION, Defendants.	CASE NO. 37-2014-00009217-CU-MC-CTL **SUMMONS (CITATION JUDICIAL)**

COPY TO: CITY ATTORNEY ✓
RISK MANAGEMENT
DATE 4/2/14
DCC NAME

RECEIVED
CITY CLERK'S OFFICE
14 APR -2 PM 12:19
SAN DIEGO, CALIF.

04/01/2014
TO DEFENDANTS: CITY OF SAN DIEGO; CITY OF SAN DIEGO, AS SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO; HOUSING AUTHORITY OF THE CITY OF SAN DIEGO; PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO; and ALL PERSONS INTERESTED IN THE

MATTER OF (*i*) THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO'S APPROVAL OF ISSUANCE OF THE AUTHORITY'S LEASE REVENUE BONDS, SERIES 2014A AND APPROVING CERTAIN DOCUMENTS AND ACTIONS IN CONNECTION THEREWITH, (*ii*) THE CITY OF SAN DIEGO'S 2014 CAPITAL IMPROVEMENT PROGRAM LEASE REVENUE BONDS, AND (*iii*) THE CITY OF SAN DIEGO'S 2014 CAPITAL IMPROVEMENT PROGRAM LEASE REVENUE BONDS PRELIMINARY OFFICIAL STATEMENT AUTHORIZATION--

AVISO A LOS ACUSADOS: LA CIUDAD DE SAN DIEGO [*i.e.*, CITY OF SAN DIEGO]; CIUDAD DE SAN DIEGO, COMO AGENCIA DE SUCESOR A LA AGENCIA DE REURBANIZACIÓN DE LA CIUDAD DE SAN DIEGO [*i.e.*, CITY OF SAN DIEGO, AS SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO]; AUTORIDAD DE VIVIENDA DE LA CIUDAD DE SAN DIEGO [*i.e.*, HOUSING AUTHORITY OF THE CITY OF SAN DIEGO]; LA AUTORIDAD PARA EL FINANCIAMENTO SERVICIOS PÚBLICOS DE LA CIUDAD DE SAN DIEGO [*i.e.*, PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO]; y TODAS LAS PERSONAS INTERESADAS EN EL ASUNTO DE (*i*) LA APROBACIÓN DE LA AUTORIDAD DE FINANCIAMIENTO SERVICIOS PÚBLICOS DE LA CIUDAD DE SAN DIEGO DE LA EMISIÓN DE BONOS DE LA AUTORIDAD DE ARRENDAMIENTO DE INGRESOS, 2014A SERIE Y APROBACIÓN DE CIERTOS DOCUMENTOS Y ACTUACIONES EN RELACIÓN CON LA MISMA, (*ii*) BONOS DE INGRESOS DE ARRENDAMIENTO DEL PROGRAMA 2014 DE MEJORAMIENTO CAPITAL DE LA CIUDAD DE SAN DIEGO, Y (*iii*) PRELIMINAR AUTORIZACIÓN DECLARACIÓN OFICIAL PARA BONOS DE INGRESOS DE ARRENDAMIENTO DEL PROGRAMA 2014 DE MEJORAMIENTO CAPITAL DE LA CIUDAD DE SAN DIEGO--

1. Plaintiff San Diegans for Open Government has filed a Complaint for Declaratory and Injunctive Relief under Code of Civil Procedure Sections 860 *et seq.* and 1060 *et seq.* ("Complaint") in the San Diego County Superior Court--Hall of Justice.

2. The Complaint concerns the Public Facilities Financing Authority of the City of San Diego's approval of issuance of its Lease Revenue Bonds, Series 2014A, and approving certain

documents and actions in connection therewith (including but not limited to San Diego City Clerk Document nos. 00-20350-1, 00-20350-2, 00-20350-3, 00-20350-4, 00-20350-5, and 00-20350-6); the City of San Diego's 2014 Capital Improvement Program Lease Revenue Bonds; and the City of San Diego's authorization of a preliminary official statement for the 2014 Capital Improvement Program Lease Revenue Bonds. All persons interested in this matter may contest the legality or validity of the matter by appearing and filing a written answer to the Complaint no later than May 25, 2014.

3. You must file with the court a written pleading in response to the Complaint no later than May 25, 2014. If you do not file a response by May 25, 2014, your default will be entered upon application by Plaintiff. Plaintiff may apply to the court for the relief demanded in the Complaint, which could result in garnishment of wages, taking of money or property, or other relief. However, persons who contest the legality or validity of this matter will not be subject to punitive action, such as wage garnishment or seizure of their real or personal property.

4. **YOU MAY SEEK THE ADVICE OF AN ATTORNEY IN ANY MATTER CONNECTED WITH THE COMPLAINT OR THIS SUMMONS. SUCH ATTORNEY SHOULD BE CONSULTED PROMPTLY SO THAT YOUR PLEADING MAY BE FILED OR ENTERED WITHIN THE TIME REQUIRED BY THIS SUMMONS.**

SI USTED DESEA SOLICITAR EL CONSEJO DE UN ABOGADO EN ESTE ASUNTO, DEBERÍA HACERLO INMEDIATAMENTE PARA QUE SO REPUESTA ESCRITA, SI HAY ALGUNA, PUEDA SER REGISTRADA A TIEMPO.

5. Plaintiff is challenging the legality and validity of the approvals described in Paragraph 2 (above). Plaintiff believes that the approvals violated, among other laws, the Joint Exercise of Powers Act, the San Diego City Charter, the California Constitution, and the San Diego Municipal Code.

6. The name and address of the court are San Diego County Superior Court--Hall of Justice, 330 West Broadway, San Diego, CA 92101.

El nombre y dirección de la corte son San Diego County Superior Court--Hall of Justice, 330 West Broadway, San Diego, CA 92101.

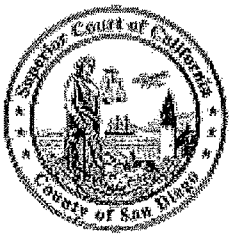
7. The name, address, and telephone number of Plaintiff's attorneys are Cory J. Briggs and Mekaela M. Gladden, Briggs Law Corporation, 99 East "C" Street, Suite 111, Upland, CA 91786, 909-949-7115.

El nombre, dirección, y número de teléfono de los abogados del demandante son Cory J. Briggs and Mekaela M. Gladden, Briggs Law Corporation, 99 East "C" Street, Suite 111, Upland, CA 91786, 909-949-7115.

Date: 04/01/2014

A. Fletes
A. Fletes, Clerk

San Diego County Superior Court



ELECTRONICALLY FILED
Superior Court of California,
County of San Diego
04/01/2014 at 10:46:45 AM
Clerk of the Superior Court
By Alicia Fletes, Deputy Clerk

BRIGGS LAW CORPORATION [FILE: 1593.30]
Cory J. Briggs (State Bar no. 176284)
Mekaela M. Gladden (State Bar no. 253673)
99 East "C" Street, Suite 111
Upland, CA 91786
Telephone: 909-949-7115

Attorneys for Plaintiff and Petitioner San Diegans for Open Government

SUPERIOR COURT OF THE STATE OF CALIFORNIA

SAN DIEGO COUNTY--HALL OF JUSTICE

SAN DIEGANS FOR OPEN GOVERNMENT, Plaintiff, vs. CITY OF SAN DIEGO; CITY OF SAN DIEGO, AS SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO; HOUSING AUTHORITY OF THE CITY OF SAN DIEGO; PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO; and ALL PERSONS INTERESTED IN THE MATTER OF (*i*) THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO'S APPROVAL OF ISSUANCE OF THE AUTHORITY'S LEASE REVENUE BONDS, SERIES 2014A AND APPROVING CERTAIN DOCUMENTS AND ACTIONS IN CONNECTION THEREWITH, (*ii*) THE CITY OF SAN DIEGO'S 2014 CAPITAL IMPROVEMENT PROGRAM LEASE REVENUE BONDS, AND (*iii*) THE CITY OF SAN DIEGO'S 2014 CAPITAL IMPROVEMENT PROGRAM LEASE REVENUE BONDS PRELIMINARY OFFICIAL STATEMENT AUTHORIZATION, Defendants.	CASE NO. 37-2014-00009217-CU-MC-CTL ** E-FILE ** **COMPLAINT FOR DECLARATORY AND INJUNCTIVE RELIEF UNDER CODE OF CIVIL PROCEDURE SECTIONS 860 *ET SEQ.* AND 1060 *ET SEQ.***

Plaintiff SAN DIEGANS FOR OPEN GOVERNMENT alleges as follows in this Reverse-Validation Complaint for Declaratory and Injunctive Relief:

Parties

1. Plaintiff is a non-profit taxpayer and voter organization formed and operating under the laws of the State of California. At least one of Plaintiff's members resides in and is registered to vote in the City of San Diego, California, and Plaintiff has an interest in ensuring open, accountable, responsive government, and the protection of its members' rights as taxpayers and voters.

2. Defendant CITY OF SAN DIEGO ("CITY") is a charter city under the laws of the State of California, is the successor agency to the Redevelopment Agency of the City of San Diego ("RASD"), and is being sued in its capacity as a charter city and in its capacity as the successor agency. Defendant HOUSING AUTHORITY OF THE CITY OF SAN DIEGO ("SDHA") is a public agency governed by the mayor and/or city council of CITY.

3. Defendant PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO ("PFFA") is a joint powers authority formed and operating under the Joint Exercise of Powers Act ("JEPA"), Government Code Section 6500 *et seq.*, and in accordance with that certain Third Amended and Restated Jointed Exercise of Powers Agreement dated January 1, 2013 ("JPA Agreement"). Since the JPA Agreement took effect, PFFA's members have consisted of RASD, SDHA, and CITY (or a sub-set thereof); and PFFA was administered by a commission consisting of the members of CITY's city council. Furthermore:

A. As of the date on which this lawsuit was commenced, CITY's website stated as follows (at *http://www.sandiego.gov/city-clerk/officialdocs/legisdocs/cccmeetings.shtml*): "The Public Facilities Financing Authority is the primary financing authority of the City. The Authority meets as needed to authorize the issuance of bonds on behalf of the City."

B. As of the date on which this lawsuit was commenced, CITY's website stated as follows (at *http://www.sandiego.gov/city-clerk/officialdocs/legisdocs/pffa.shtml*): "The Public Facilities Financing Authority (PFFA) is a joint powers authority originally established in 1991 by the City of San Diego and the Redevelopment Agency of the City of San Diego (RDA) to assist the City and the RDA in financing public capital improvements."

C. The JPA Agreement was approved by SDHA on or about November 27, 2012.

D. The individuals who cast votes approving the JPA Agreement through passage and adoption of SDHA Resolution no. HA-1575 were also members of CITY's city council on the date the votes were cast.

E. Attorney Leslie FitzGerald, who signed SDHA Resolution no. HA-1575 as "Chief Deputy General Counsel," was an employee of CITY on the date that she signed the Resolution.

F. Attorney Leslie FitzGerald was not an employee of SDHA on the date she signed SDHA Resolution no. HA-1575.

G. At no time since June 21, 1994, have the members of the governing body of the San Diego Unified Port District simultaneously been members of CITY's city council.

H. The geographic jurisdiction of the San Diego Unified Port District is not identical to the geographic jurisdiction of CITY.

I. As of January 1, 2012, no member of PFFA's governing body was representing the City of National City, the City of Coronado, the City of Chula Vista, or the City of Imperial Beach on PFFA's governing body.

J. At no time since June 21, 1994, has CITY owned any of the land on which the San Diego Convention Center is located.

K. Since June 24, 1994, at least some portion of the land on which the San Diego Convention Center is located has not been owned by CITY.

L. At all times since June 21, 1994, CITY has had a leasehold (or sub-leasehold) interest in the land on which the San Diego Convention Center is located.

M. At no time since June 21, 1994, has CITY had an ownership interest in all of the land on which the San Diego Convention Center is located.

N. At no time since June 21, 1994, has CITY had an ownership interest in any portion of the land on which the San Diego Convention Center is located.

O. As of June 2013, the Standard & Poors crediting rating for PFFA's lease-revenue bonds was based in part on the rating agency's "view of the city's general credit characteristics and its covenant to budget and appropriate annual lease payments for various properties' use."

P. As of March 2014, the credit rating given to PFFA by Fitch Ratings was based in part on CITY's "lease revenue bonds [being] secured by the city's lease rental payments, which the city covenants to budget and appropriate annually."

Q. More than 90 percent of PFFA's annual revenues since PFFA was created have been received from CITY.

R. During the last 10 years, PFFA has had no employees.

S. During the last 10 years, PFFA has not had any utility account (*e.g.*, telephone, electricity, natural gas) in its name.

Background Information

4. On or around February 12, 2014, CITY approved Ordinance no. O-20350, "AN ORDINANCE OF THE COUNCIL OF THE CITY OF SAN DIEGO APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF ONE OR MORE AMENDMENTS TO SITE LEASE, AMENDMENTS TO FACILITIES LEASE AND OFFICIAL NOTICE INVITING BIDS; AUTHORIZING THE EXECUTION, DELIVERY AND PERFORMANCE OF ONE OR MORE SUPPLEMENTAL INDENTURES BY THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO; AUTHORIZING THE CITY ATTORNEY TO APPOINT BOND COUNSEL AND DISCLOSURE COUNSEL; APPROVING AND AUTHORIZING THE ISSUANCE AND SALE IN ONE OR MORE SERIES OF THE AUTHORITY'S LEASE REVENUE BONDS; AND APPROVING OTHER DOCUMENTS AND ACTIONS IN CONNECTION THEREWITH."

5. On or around March, 11, 2014, CITY approved Resolution no. R-308808, "A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO APPROVING THE FORM AND AUTHORIZING THE DISTRIBUTION OF THE PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING THE EXECUTION, DELIVERY AND DISTRIBUTION OF THE OFFICIAL STATEMENT IN CONNECTION WITH THE ISSUANCE AND SALE BY THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO OF ITS LEASE REVENUE BONDS SERIES 2014A; AND APPROVING OTHER DOCUMENTS AND ACTIONS IN CONNECTION THEREWITH"; and PFFA took action that mirrored, complemented, or was

otherwise similar to CITY's action under Resolution no. R-308808 and/or Ordinance no. O-20350 (collectively, "Bond Approvals").

6. The purpose of the Bond Approvals identified in the preceding paragraph is to raise approximately $130 million to pay for certain activities contemplated by CITY's Capital Improvement Program ("CIP Projects"). The CIP Projects do not include "housing projects" within the meaning of the Housing Authorities Law ("HAL"), Health and Safety Code Section 34200 *et seq.*

7. The Bond Approvals contemplate a lease of CITY property to PFFA and a lease-back of the same CITY property from PFFA. Furthermore:

A. Either CITY is the owner, or CITY and San Diego Metropolitan Transit System are the owners, of the property to be leased to PFFA as part of the Bond Approvals.

B. Prior to the Bond Approvals, PFFA had no ownership interest in any of the property to be leased to it by CITY as part of the Bond Approvals. Additionally and/or alternatively, prior to the Bond Approvals PFFA did not have an ownership interest in all of the property to be leased to it by CITY as part of the Bond Approvals.

Jurisdiction, Venue, and Exhaustion of Administrative Remedies

8. Plaintiff is bringing this action and seeks review by and relief from this Court under Code of Civil Procedure Sections 860 *et seq.* and 1060 *et seq.*[1]

9. Venue in this Court is proper because the obligations, liabilities, and violations of law alleged in this pleading occurred in the City of San Diego.

10. No public hearing was held on the Bond Approvals. Nonetheless, Plaintiff submitted written opposition to the Bond Approvals to CITY prior to their approval.

11. Plaintiff has no plain, speedy, adequate remedy in the ordinary course of law, since its members and other members of the public will suffer irreparable harm as a result of Defendants' violations of the law, as alleged in this pleading. The Bond Approvals also rest on Defendants' failure to satisfy a clear, present, ministerial duty to act in accordance with those laws. Even when Defendants are permitted or required by law to exercise their discretion in approving projects under those laws, they

---

[1] Petitioner does not believe that this proceeding is required to be prosecuted as a reverse-validation proceeding under Code of Civil Procedure Section 860 *et seq.* and is doing so only in an abundance of caution.

remain under a clear, present, ministerial duty to exercise their discretion within the limits of and in a manner consistent with those laws. Defendants have had and continue to have the capacity and ability to approve the Bond Approvals within the limits of and in a manner consistent with those laws, but Defendants have failed and refuse to do so and have exercised their discretion beyond the limits of and in a manner that is not consistent with those laws.

12. Plaintiff and its members also have a beneficial right and interest in Defendants' fulfillment of all their legal and public duties, as alleged in this pleading.

FIRST CAUSE OF ACTION:
Bond Approvals' Non-Compliance with All Applicable Laws
(Against All Defendants)

13. The preceding paragraphs are incorporated into this paragraph by reference.

14. The Bond Approvals do not comply with all applicable laws. By way of example and not limitation:

A. The Bond Approvals are invalid because they contemplate a transactional structure that is contrary to what the JPA Agreement authorizes:

i. Section 8 of the JPA Agreement prohibits any bonded indebtedness that relies in whole or in part on any pledge of CITY's "faith and credit," and it prohibits the pledge of CITY's "faith and credit" to the payment of any principal, premium, or interest on such indebtedness.

ii. The Bond Approvals require CITY to pledge its faith and credit, including but not limited to public property, to the payment of the principal, premium, and/or interest that will be due on the indebtedness authorized by the Bond Approvals.

iii. In the absence of CITY's pledge of its faith and credit, the transaction contemplated by the Bond Approvals could not be accomplished.

iv. If there were a default under the indenture contemplated by the Bond Approvals, CITY's credit could be adversely affected.

B. The Bond Approvals are invalid because PFFA has not been properly constituted, the JPA Agreement is legally defective, and/or PFFA is acting in excess of its lawful powers:

i. Under the HAL, housing authorities may not jointly exercise any power except with another housing authority. Even then, the housing authorities' joint powers are limited by

Health and Safety Code Section 34324 to a housing project or projects or other dwelling accommodations located within the area of operation of any one or more of such authorities. The only statutory authority in the HAL for SDHA to enter into a joint powers agreement with a non-housing authority is codified in Health and Safety Code Section 6531, but the scope of that statutory authority is limited to the construction of a model school project located in the City Heights project area.

ii. Neither CITY nor RASD is a housing authority under the HAL.

iii. All legal right and power of RASD to participate in its own name in PFFA had been withdrawn by the Legislature prior to January 1, 2013. Alternatively, if all legal right and power of RASD to participate in its own name had not been withdrawn by the Legislature, the legal right and power of RASD necessary for the Bond Approvals had been withdrawn by the Legislature.

iv. Government Code Section 6505.1 requires the parties to JPA Agreement to fix the amount of the official bond for the public officer or officers who have charge of, handle, or have access to any of the property of PFFA. Under the JPA Agreement, SDHA's treasurer is designated to be such officer. However, Section 3-C of the JPA Agreement unlawfully delegates the responsibility for fixing the amount of such bond to SDHA's treasurer.

v. In addition to and/or as an alternative to the allegations in the preceding paragraph, CITY, RASD, and SDHA have at all times intended that PFFA would never possess any property.

vi. PFFA has never incurred any indebtedness except as part of a lease-revenue bond transaction with CITY as a party to one or more of the leases contemplated by the transaction.

vii. According to Report to City Council no. 14-01, the assets of CITY pledged as security for the indebtedness contemplated by the Bond Approvals are essential to CITY's core operations.

viii. The Bond Approvals must comply with Government Code Section 6547.5. However, compliance with Section 6547.5 requires CITY to contract to expend money beyond the fiscal year in which it receives the bond proceeds contemplated by the Bond Approvals.

ix. The CIP Projects to be funded pursuant to the Bond Approvals are limited to the maintenance of existing public facilities that CITY has heretofore deferred. However, Government Code Section 6546 limits the use of revenue bonds to the purpose of "acquiring or constructing a project," while Section 6548 limits use of the proceeds to "the acquisition, construction and financing of said project." Section 6574 imposes on PFFA the obligation to operate, maintain, and preserve projects financed by bonds it issues in an efficient and economical manner, which obligation is to be performed separately from the acquisition, construction, and financing made possible by the issuance of the bonds.

x. Contrary to Government Code Section 6552, the bonds contemplated by the Bond Approvals do not contain a recital on their face that neither the payment of any portion of the principal nor the interest thereon constitutes a debt, liability, or obligation of RASD or SDHA. Neither RASD nor SDHA is a political subdivision of the State of California.

xi. Contrary to Government Code Section 6572, the security for payment of the bonds contemplated by the Bond Approvals is not limited to revenues of a "project" within the meaning of Section 6545. In the event of CITY's default, the trustee identified in the indenture may terminate the lease from CITY to PFFA and re-lease the property to a third party. The trustee's right to re-lease the property is also security for payment of the bonds.

xii. The voters of the City of San Diego have not assented to any aspect of the Bond Approvals. Indeed, there has not even been a vote. As such, the bonds contemplated by the Bond Approvals could not satisfy the requirements of te Revenue Bond Law of 1941, Government Code Section 54300 *et seq.*, because Section 54380 thereof requires bonds authorized under such law to be submitted to the voters. Thus, PFFA could not have issued and did not issue the bonds contemplated by the Bond Approvals pursuant to Section 6579.

C. The Bond Approvals violated Section 90(a) of the San Diego City Charter. In particular:

i. Section 90(a) provides as follows: "Whenever the Council shall determine that the public interest or necessity demands the acquisition, construction or completion of any municipal improvement authorized to be acquired, constructed, completed or maintained by The City

of San Diego, the cost of which will be too great to be paid out of the ordinary annual income and revenue of said City, the Council may contract bonded indebtedness for said purposes or any of them, pledging the credit of the City or the property or revenue of any public utility owned by the City and the proceedings taken for incurring such indebtedness shall be in accordance with the mode and manner prescribed by the provisions of the general laws of the State of California relative to incurring bonded indebtedness by municipalities in force at the time such proceedings are taken. Every ordinance or resolution determining that the public interest or necessity demands such improvement shall be adopted only by a vote of five members of the Council and it shall require a vote of two-thirds of the electors voting on each proposition at a regular or special election for the issuance of such bonds before said indebtedness or liability for said improvements may be incurred, except ordinances authorizing such bond issues as are specified in Section 92 of this Article. No bonds, except such bonds as have been heretofore or maybe hereafter issued for the purpose of acquiring, constructing or completing improvements for the development, conservation and furnishing of water as hereinafter provided, shall be issued on the credit of the City which will increase the bonded indebtedness of said City beyond ten per cent of the assessed valuation of all real and personal property of said City subject to direct taxation as shown by the last preceding valuation for City taxes."

ii. CITY's use of PFFA to issue bonds under the Bond Approvals, instead of CITY issuing the bonds in its own name, is an artifice and subterfuge designed to circumvent the voter-assent requirement of Section 90(a) because the transactions contemplated by the Bond Approvals are described as creating no more obligation on CITY's part, over and above making lease payments in one fiscal year as consideration for the right to use and possess the leased property during the same period. However, the documents memorializing the contemplated transactions oblige CITY to do more in future fiscal years than simply making such lease payments in exchange for the use and possession of the leased property enjoyed during that year. Such obligations include but are not limited to requiring each member of CITY's city council to commit as part of the Bond Approvals to vote and take all other necessary and/or appropriate actions in future fiscal years to allocate, appropriate, and budget enough money to make the lease payments required in those years; creating obligations on the part of CITY to lease its property to PFFA beyond the current fiscal year; and, under Section 3.01 of the master lease

recorded as document no. 2012-0382823 in the San Diego County Recorder's Office, requiring CITY to use the sub-leased property so as to permit PFFA to carry out its agreements and covenants contained in the master lease and in the indenture contemplated by the Bond Approvals. These obligations are not contingent. Given the structure of the transaction contemplated by the Bond Approvals, PFFA could not generate the funds necessary to cover CITY's portion of the costs for the CIP Projects without CITY's consent to participate in the transactions in the manner required by the Bond Approvals--even if there were no voter-assent requirement under Section 90(a). Furthermore, CITY's general fund and/or property may be obligated to repay the bonds either indirectly (as rent payments to PFFA, which are in turn used to pay the bonds) or directly (if PFFA defaults on the bonds); in this regard, CITY property has been used as collateral to secure repayment of the bonds, the absence of which would have precluded CITY and PFFA from finding willing purchasers of the bonds; thus, CITY is liable under the Bond Approvals for more than making rent payments to PFFA.

iii. According to Report to City Council no. 14-01, the assets of CITY pledged as security for the indebtedness contemplated by the Bond Approvals are essential to CITY's core operations.

iv. The Bond Approvals must comply with Government Code Section 6547.5. However, compliance with Section 6547.5 requires CITY to contract to expend money beyond the fiscal year in which it receives the bond proceeds contemplated by the Bond Approvals.

v. The CIP Projects to be funded pursuant to the Bond Approvals are limited to the maintenance of existing public facilities that CITY has heretofore deferred. However, Government Code Section 6546 limits the use of revenue bonds to the purpose of "acquiring or constructing a project," while Section 6548 limits use of the proceeds to "the acquisition, construction and financing of said project." Section 6574 imposes on PFFA the obligation to operate, maintain, and preserve projects financed by bonds it issues in an efficient and economical manner, which obligation is to be performed separately from the acquisition, construction, and financing made possible by the issuance of the bonds.

vi. Contrary to Government Code Section 6552, the bonds contemplated by the Bond Approvals do not contain a recital on their face that neither the payment of any portion of the

principal nor the interest thereon constitutes a debt, liability, or obligation of RASD or SDHA. Neither RASD nor SDHA is a political subdivision of the State of California.

vii. Contrary to Government Code Section 6572, the security for payment of the bonds contemplated by the Bond Approvals is not limited to revenues of a "project" within the meaning of Section 6545. In the event of CITY's default, the trustee identified in the indenture may terminate the lease from CITY to PFFA and re-lease the property to a third party. The trustee's right to re-lease the property is also security for payment of the bonds.

viii. The voters of the City of San Diego have not assented to any aspect of the Bond Approvals. Indeed, there has not even been a vote. As such, the bonds contemplated by the Bond Approvals could not satisfy the requirements of te Revenue Bond Law of 1941, Government Code Section 54300 *et seq.*, because Section 54380 thereof requires bonds authorized under such law to be submitted to the voters. Thus, PFFA could not have issued and did not issue the bonds contemplated by the Bond Approvals pursuant to Section 6579.

D. The Bond Approvals violated Section 93 of the San Diego City Charter. In particular:

i. Section 93 provides as follows: "The City Council may from time to time authorize the advance of moneys in the treasury as a temporary loan to any tax-supported fund, which loan shall be repaid from the first property taxes received thereafter; provided, however, that such temporary loans shall not exceed the current property taxes receivable. It shall be lawful from time to time to advance money in the General Fund to any bond fund or to use any money in the General Fund for any purpose for which a loan shall have been authorized and bonds actually voted but not yet issued and sold, and the City officials need not sell said bonds until it is necessary to repay the General Fund advances or to replenish such loan fund or funds. The credit of the City shall not be given or loaned to or in aid of any individual, association or corporation; except that suitable provision may be made for the aid and support of the poor."

ii. The Bond Approvals contemplate that CITY shall give or loan its credit to PFFA, RASD, and/or SDHA, which is done under the artifice and subterfuge of leases between CITY and PFFA.

E. The Bond Approvals violated Section 99 of the San Diego City Charter. In particular:

i. Section 99 provides as follows: "The City shall not incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for such year unless the qualified electors of the City, voting at an election to be held for that purpose, have indicated their assent as then required by the Constitution of the State of California, nor unless before or at the time of incurring such indebtedness provision shall be made for the collection of an annual tax sufficient to pay the interest on such indebtedness as it falls due, and also provision to constitute a sinking fund for the payment of the principal thereof, on or before maturity, which shall not exceed forty years from the time of contracting the same."

ii. CITY's use of PFFA to issue bonds under the Bond Approvals, instead of CITY issuing the bonds in its own name, is an artifice and subterfuge designed to circumvent the voter-assent requirement of Section 99 because the transactions contemplated by the Bond Approvals are described as creating no more obligation on CITY's part, over and above making lease payments in one fiscal year as consideration for the right to use and possess the leased property during the same period. However, the documents memorializing the contemplated transactions oblige CITY to do more in future fiscal years than simply making such lease payments in exchange for the use and possession of the leased property enjoyed during that year. Such obligations include but are not limited to requiring each member of CITY's city council to commit as part of the Bond Approvals to vote and take all other necessary and/or appropriate actions in future fiscal years to allocate, appropriate, and budget enough money to make the lease payments required in those years; creating obligations on the part of CITY to lease its property to PFFA beyond the current fiscal year; and, under Section 3.01 of the master lease recorded as document no. 2012-0382823 in the San Diego County Recorder's Office, requiring CITY to use the sub-leased property so as to permit PFFA to carry out its agreements and covenants contained in the master lease and in the indenture contemplated by the Bond Approvals. These obligations are not contingent. Given the structure of the transaction contemplated by the Bond Approvals, PFFA could not generate the funds necessary to cover CITY's portion of the costs for the CIP Projects without CITY's consent to participate in the transactions in the manner required by the Bond Approvals--even

if there were no voter-assent requirement under Section 99. Furthermore, CITY's general fund and/or property may be obligated to repay the bonds either indirectly (as rent payments to PFFA, which are in turn used to pay the bonds) or directly (if PFFA defaults on the bonds); in this regard, CITY property has been used as collateral to secure repayment of the bonds, the absence of which would have precluded CITY and PFFA from finding willing purchasers of the bonds; thus, CITY is liable under the Bond Approvals for more than making rent payments to PFFA.

iii. According to Report to City Council no. 14-01, the assets of CITY pledged as security for the indebtedness contemplated by the Bond Approvals are essential to CITY's core operations.

iv. The Bond Approvals must comply with Government Code Section 6547.5. However, compliance with Section 6547.5 requires CITY to contract to expend money beyond the fiscal year in which it receives the bond proceeds contemplated by the Bond Approvals.

v. The CIP Projects to be funded pursuant to the Bond Approvals are limited to the maintenance of existing public facilities that CITY has heretofore deferred. However, Government Code Section 6546 limits the use of revenue bonds to the purpose of "acquiring or constructing a project," while Section 6548 limits use of the proceeds to "the acquisition, construction and financing of said project." Section 6574 imposes on PFFA the obligation to operate, maintain, and preserve projects financed by bonds it issues in an efficient and economical manner, which obligation is to be performed separately from the acquisition, construction, and financing made possible by the issuance of the bonds.

vi. Contrary to Government Code Section 6552, the bonds contemplated by the Bond Approvals do not contain a recital on their face that neither the payment of any portion of the principal nor the interest thereon constitutes a debt, liability, or obligation of RASD or SDHA. Neither RASD nor SDHA is a political subdivision of the State of California.

vii. Contrary to Government Code Section 6572, the security for payment of the bonds contemplated by the Bond Approvals is not limited to revenues of a "project" within the meaning of Section 6545. In the event of CITY's default, the trustee identified in the indenture may

terminate the lease from CITY to PFFA and re-lease the property to a third party. The trustee's right to re-lease the property is also security for payment of the bonds.

viii. The voters of the City of San Diego have not assented to any aspect of the Bond Approvals. Indeed, there has not even been a vote. As such, the bonds contemplated by the Bond Approvals could not satisfy the requirements of te Revenue Bond Law of 1941, Government Code Section 54300 *et seq.*, because Section 54380 thereof requires bonds authorized under such law to be submitted to the voters. Thus, PFFA could not have issued and did not issue the bonds contemplated by the Bond Approvals pursuant to Section 6579.

ix. The voters of the City of San Diego have not assented to any aspect of the Bond Approvals. Indeed, there has not even been a vote.

F. The Bond Approvals violated Section 18(a) of Article XVI of the California Constitution. In particular:

i. Section 18(a) provides as follows: "No county, city, town, township, board of education, or school district, shall incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for such year, without the assent of two-thirds of the voters of the public entity voting at an election to be held for that purpose, except that with respect to any such public entity which is authorized to incur indebtedness for public school purposes, any proposition for the incurrence of indebtedness in the form of general obligation bonds for the purpose of repairing, reconstructing or replacing public school buildings determined, in the manner prescribed by law, to be structurally unsafe for school use, shall be adopted upon the approval of a majority of the voters of the public entity voting on the proposition at such election; nor unless before or at the time of incurring such indebtedness provision shall be made for the collection of an annual tax sufficient to pay the interest on such indebtedness as it falls due, and to provide for a sinking fund for the payment of the principal thereof, on or before maturity, which shall not exceed forty years from the time of contracting the indebtedness."

ii. CITY's use of PFFA to issue bonds under the Bond Approvals, instead of CITY issuing the bonds in its own name, is an artifice designed to circumvent the voter-assent requirement of Section 18(a). Given the structure of the transaction contemplated by the Bond

Approvals, PFFA could not generate the funds necessary to cover CITY's portion of the costs for the PDP Project without CITY's consent to participate in the transaction in the manner required by the Bond Approvals--even if there were no voter-assent requirement under Section 18(a). (The allegations of violations of the San Diego City Charter are incorporated by reference to support the violations of the California Constitution.)

iii. The voters of the City of San Diego have not assented to any aspect of the Bond Approvals. Indeed, there has not even been a vote.

G. The Bond Approvals violated San Diego Municipal Code Section 22.0901. In particular:

i. The transactions contemplated by the Bond Approvals involve a lease of CITY property to PFFA and a lease-back of CITY property from PFFA.

ii. Leases of CITY property may not be approved without, among other things, a resolution or ordinance satisfying the requirements of Section 22.0901(a).

iii. The lease of CITY property to PFFA was not accompanied by a resolution or ordinance satisfying the requirements of Section 22.0901(a). By way of example and not limitation, Ordinance O-20350 does not contain a statement of the market value of the real property of CITY that is the subject of the lease.

15. Owing to the Bond Approvals' non-compliance with all applicable laws, the Bond Approvals are invalid and have no legal effect.

Prayer

FOR ALL THESE REASONS, Plaintiff respectfully prays for the following relief against Defendants (and any and all other parties who may oppose Plaintiff in this proceeding):

A. A judgment determining or declaring that the Bond Approvals do not comply with all applicable laws in at least some respect, rendering the Bond Approvals null and void, invalid, or otherwise without legal effect;

B. Injunctive relief prohibiting Defendants from taking any of the action contemplated by the Bond Approvals unless and until Defendants comply with all applicable legal requirements, as determined by the Court;

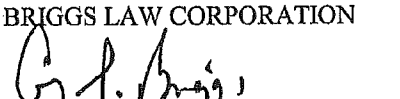
C. All legal fees and other expenses incurred in connection with this proceeding, including but not limited to reasonable attorney fees as authorized by the Code of Civil Procedure; and

D. Any and all further relief that this Court may deem appropriate.

Date: March 31, 2014.

Respectfully submitted,

BRIGGS LAW CORPORATION

By: 

Cory J. Briggs

Attorneys for Plaintiff San Diegans for Open Government

VERIFICATION

STATE OF CALIFORNIA, COUNTY OF San Bernardino

I have read the foregoing Complaint for Declaratory and Injunctive Relief etc. and know its contents.

☒ **CHECK APPLICABLE PARAGRAPH**

☐ I am a party to this action. The matters stated in the foregoing document are true of my own knowledge except as to those matters which are stated on information and belief, and as to those matters I believe them to be true.

☐ I am ☐ an Officer ☐ a partner _____ ☐ a _____ of _____, a party to this action, and am authorized to make this verification for and on its behalf, and I make this verification for that reason. ☐ I am informed and believe and on that ground allege that the matters stated in the foregoing document are true. ☐ The matters stated in the foregoing document are true of my own knowledge except as to those matters which are stated on information and belief, and as to those matters I believe them to be true.

☒ I am one of the attorneys for San Diegans for Open Government a party to this action. Such party is absent from the county of aforesaid where such attorneys have their offices, and I make this verification for and on behalf of that party for that reason. I am informed and believe and on that ground allege that the matters stated in the foregoing document are true.

Executed on March 31, 20 14, at Upland, California.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Cory J. Briggs
Type or Print Name

Signature

PROOF OF SERVICE

STATE OF CALIFORNIA, COUNTY OF

I am employed in the county of _____, State of California.

I am over the age of 18 and not a party to the within action; my business address is, _____

On _____, 20 ____, I served the foregoing document described as _____ on _____ in this action

☐ by placing the true copies thereof enclosed in sealed envelopes addressed as stated on the attached mailing list:

☐ by placing ☐ the original ☐ a true copy thereof enclosed in sealed envelopes addressed as follows:

☐ BY MAIL

☐ * I deposited such envelope in the mail at _____, California. The envelope was mailed with postage thereon fully prepaid.

☐ As follows I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with U.S. postal service on that same day with postage thereon fully prepaid at _____ California in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

Executed on _____, 20 ___, at _____, California.

☐ **(BY PERSONAL SERVICE) I delivered such envelope by hand to the offices of the addressee.

Executed on _____, 20 ___, at _____, California.

☐ (State) ☐ (Federal) I declare under penalty of perjury under the laws of the State of California that the above is true and correct. I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

_____
Type or Print Name

_____
Signature

* (By MAIL SIGNATURE MUST BE OF PERSON DEPOSITING ENVELOPE IN MAIL SLOT, BOX, OR BAG)

**(FOR PERSONAL SERVICE SIGNATURE MUST BE THAT OF MESSENGER)

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CM-010

ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, State Bar number, and address):
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ATTORNEY FOR (Name): Plaintiff San Diegans for Open Government

FOR COURT USE ONLY

ELECTRONICALLY FILED
Superior Court of California,
County of San Diego
04/01/2014 at 10:46:45 AM
Clerk of the Superior Court
By Alicia Fletes, Deputy Clerk

SUPERIOR COURT OF CALIFORNIA, COUNTY OF San Diego
STREET ADDRESS: 330 West Broadway
MAILING ADDRESS: 330 West Broadway
CITY AND ZIP CODE: San Diego, CA 92101
BRANCH NAME: Central Division

CASE NAME:
San Diegans for Open Government v. City of San Diego et al.

CIVIL CASE COVER SHEET
[✓] Unlimited (Amount demanded exceeds $25,000)
[ ] Limited (Amount demanded is $25,000 or less)

Complex Case Designation
[ ] Counter [ ] Joinder
Filed with first appearance by defendant (Cal. Rules of Court, rule 3.402)

CASE NUMBER: 37-2014-00009217-CU-MC-CTL
JUDGE: Judge Judith F. Hayes
DEPT:

Items 1–6 below must be completed (see instructions on page 2).

1. Check **one** box below for the case type that best describes this case:

Auto Tort
- [ ] Auto (22)
- [ ] Uninsured motorist (46)

Other PI/PD/WD (Personal Injury/Property Damage/Wrongful Death) Tort
- [ ] Asbestos (04)
- [ ] Product liability (24)
- [ ] Medical malpractice (45)
- [ ] Other PI/PD/WD (23)

Non-PI/PD/WD (Other) Tort
- [ ] Business tort/unfair business practice (07)
- [ ] Civil rights (08)
- [ ] Defamation (13)
- [ ] Fraud (16)
- [ ] Intellectual property (19)
- [ ] Professional negligence (25)
- [ ] Other non-PI/PD/WD tort (35)

Employment
- [ ] Wrongful termination (36)
- [ ] Other employment (15)

Contract
- [ ] Breach of contract/warranty (06)
- [ ] Rule 3.740 collections (09)
- [ ] Other collections (09)
- [ ] Insurance coverage (18)
- [ ] Other contract (37)

Real Property
- [ ] Eminent domain/inverse condemnation (14)
- [ ] Wrongful eviction (33)
- [ ] Other real property (26)

Unlawful Detainer
- [ ] Commercial (31)
- [ ] Residential (32)
- [ ] Drugs (38)

Judicial Review
- [ ] Asset forfeiture (05)
- [ ] Petition re: arbitration award (11)
- [ ] Writ of mandate (02)
- [ ] Other judicial review (39)

Provisionally Complex Civil Litigation (Cal. Rules of Court, rules 3.400–3.403)
- [ ] Antitrust/Trade regulation (03)
- [ ] Construction defect (10)
- [ ] Mass tort (40)
- [ ] Securities litigation (28)
- [ ] Environmental/Toxic tort (30)
- [ ] Insurance coverage claims arising from the above listed provisionally complex case types (41)

Enforcement of Judgment
- [ ] Enforcement of judgment (20)

Miscellaneous Civil Complaint
- [ ] RICO (27)
- [✓] Other complaint *(not specified above)* (42)

Miscellaneous Civil Petition
- [ ] Partnership and corporate governance (21)
- [ ] Other petition *(not specified above)* (43)

2. This case [ ] is [✓] is not complex under rule 3.400 of the California Rules of Court. If the case is complex, mark the factors requiring exceptional judicial management:
   a. [ ] Large number of separately represented parties
   b. [ ] Extensive motion practice raising difficult or novel issues that will be time-consuming to resolve
   c. [ ] Substantial amount of documentary evidence
   d. [ ] Large number of witnesses
   e. [ ] Coordination with related actions pending in one or more courts in other counties, states, or countries, or in a federal court
   f. [ ] Substantial postjudgment judicial supervision
3. Remedies sought *(check all that apply)*: a. [ ] monetary b. [✓] nonmonetary; declaratory or injunctive relief c. [ ] punitive
4. Number of causes of action *(specify)*: One
5. This case [ ] is [✓] is not a class action suit.
6. If there are any known related cases, file and serve a notice of related case. *(You may use form CM-015.)*

Date: March 31, 2014
Cory J. Briggs
(TYPE OR PRINT NAME)

(SIGNATURE OF PARTY OR ATTORNEY FOR PARTY)

NOTICE
- Plaintiff must file this cover sheet with the first paper filed in the action or proceeding (except small claims cases or cases filed under the Probate Code, Family Code, or Welfare and Institutions Code). (Cal. Rules of Court, rule 3.220.) Failure to file may result in sanctions.
- File this cover sheet in addition to any cover sheet required by local court rule.
- If this case is complex under rule 3.400 et seq. of the California Rules of Court, you must serve a copy of this cover sheet on all other parties to the action or proceeding.
- Unless this is a collections case under rule 3.740 or a complex case, this cover sheet will be used for statistical purposes only.

American LegalNet, Inc.
www.FormsWorkflow.com

SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN DIEGO	
STREET ADDRESS: 330 W Broadway MAILING ADDRESS: 330 W Broadway CITY AND ZIP CODE: San Diego, CA 92101-3827 BRANCH NAME: Central TELEPHONE NUMBER: (619) 450-7068	
PLAINTIFF(S) / PETITIONER(S): San Diegans For Open Government	
DEFENDANT(S) / RESPONDENT(S): City of San Diego et.al.	
SAN DIEGANS FOR OPEN GOVERNMENT VS. CITY OF SAN DIEGO [IMAGED]	
NOTICE OF CASE ASSIGNMENT and CASE MANAGEMENT CONFERENCE	CASE NUMBER: 37-2014-00009217-CU-MC-CTL

CASE ASSIGNMENT

Judge: Judith F. Hayes Department: C-68

COMPLAINT/PETITION FILED: 04/01/2014

TYPE OF HEARING SCHEDULED	DATE	TIME	DEPT	JUDGE
Civil Case Management Conference	12/12/2014	10:00 am	C-68	Judith F. Hayes

A case management statement must be completed by counsel for all parties or self-represented litigants and timely filed with the court at least 15 days prior to the initial case management conference. (San Diego Local Rules, Division II, CRC Rule 3.725).

All counsel of record or parties in pro per shall appear at the Case Management Conference, be familiar with the case, and be fully prepared to participate effectively in the hearing, including discussions of ADR* options.

IT IS THE DUTY OF EACH PLAINTIFF (AND CROSS-COMPLAINANT) TO SERVE A COPY OF THIS NOTICE WITH THE COMPLAINT (AND CROSS-COMPLAINT), THE ALTERNATIVE DISPUTE RESOLUTION (ADR) INFORMATION FORM (SDSC FORM #CIV-730), A STIPULATION TO USE ALTERNATIVE DISPUTE RESOLUTION (ADR) (SDSC FORM #CIV-359), AND OTHER DOCUMENTS AS SET OUT IN SDSC LOCAL RULE 2.1.5.

ALL COUNSEL WILL BE EXPECTED TO BE FAMILIAR WITH SUPERIOR COURT RULES WHICH HAVE BEEN PUBLISHED AS DIVISION II, AND WILL BE STRICTLY ENFORCED.

TIME STANDARDS: The following timeframes apply to general civil cases and must be adhered to unless you have requested and been granted an extension of time. General civil cases consist of all civil cases except: small claims proceedings, civil petitions, unlawful detainer proceedings, probate, guardianship, conservatorship, juvenile, parking citation appeals, and family law proceedings.

COMPLAINTS: Complaints and all other documents listed in SDSC Local Rule 2.1.5 must be served on all named defendants, and a Certificate of Service (SDSC form #CIV-345) filed within 60 days of filing.

DEFENDANT'S APPEARANCE: Defendant must generally appear within 30 days of service of the complaint. (Plaintiff may stipulate to no more than 15 day extension which must be in writing and filed with the Court.) (SDSC Local Rule 2.1.6)

JURY FEES: In order to preserve the right to a jury trial, each party demanding a jury trial shall pay an advance jury fee in the amount of one hundred fifty dollars ($150) for each party on or before the date scheduled for the initial case management conference in the action.

*ALTERNATIVE DISPUTE RESOLUTION (ADR): THE COURT ENCOURAGES YOU TO CONSIDER UTILIZING VARIOUS ALTERNATIVES TO TRIAL, INCLUDING MEDIATION AND ARBITRATION, PRIOR TO THE CASE MANAGEMENT CONFERENCE. PARTIES MAY FILE THE ATTACHED STIPULATION TO USE ALTERNATIVE DISPUTE RESOLUTION (SDSC FORM #CIV-359).

Superior Court of California
County of San Diego

NOTICE OF ELIGIBILITY TO eFILE AND ASSIGNMENT TO IMAGING DEPARTMENT

This case is eligible for eFiling. Should you prefer to electronically file documents, refer to General Order 010313 at www.sdcourt.ca.gov for rules and procedures or contact the Court's eFiling vendor at www.onelegal.com for information.

This case has been assigned to an Imaging Department and original documents attached to pleadings filed with the court will be imaged and destroyed. Original documents should not be filed with pleadings. If necessary, they should be lodged with the court under California Rules of Court, rule 3.1302(b).

On August 1, 2011 the San Diego Superior Court began the Electronic Filing and Imaging Pilot Program ("Program"). As of August 1, 2011 in all new cases assigned to an Imaging Department all filings will be imaged electronically and the electronic version of the document will be the official court file. The official court file will be electronic and accessible at one of the kiosks located in the Civil Business Office and on the Internet through the court's website.

You should be aware that the electronic copy of the filed document(s) will be the official court record pursuant to Government Code section 68150. The paper filing will be imaged and held for 30 days. After that time it will be destroyed and recycled. **Thus, you should not attach any original documents to pleadings filed with the San Diego Superior Court. Original documents filed with the court will be imaged and destroyed except those documents specified in California Rules of Court, rule 3.1806.** Any original documents necessary for a motion hearing or trial shall be lodged in advance of the hearing pursuant to California Rules of Court, rule 3.1302(b).

It is the duty of each plaintiff, cross-complainant or petitioner to serve a copy of this notice with the complaint, cross-complaint or petition on all parties in the action.

On all pleadings filed after the initial case originating filing, all parties must, to the extent it is feasible to do so, place the words **"IMAGED FILE"** in all caps immediately under the title of the pleading on all subsequent pleadings filed in the action.

Please refer to the General Order - Imaging located on the San Diego Superior Court website at:

http://www.sdcourt.ca.gov/CivilImagingGeneralOrder

SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN DIEGO

ALTERNATIVE DISPUTE RESOLUTION (ADR) INFORMATION

CASE NUMBER: 37-2014-00009217-CU-MC-CTL CASE TITLE: San Diegans For Open Government vs. City of San Diego [IMAGED]

NOTICE: All plaintiffs/cross-complainants in a general civil case are required to serve a copy of the following three forms on each defendant/cross-defendant, together with the complaint/cross-complaint:

(1) this Alternative Dispute Resolution (ADR) Information form (SDSC form #CIV-730),
(2) the Stipulation to Use Alternative Dispute Resolution (ADR) form (SDSC form #CIV-359), *and*
(3) the Notice of Case Assignment form (SDSC form #CIV-721).

Most civil disputes are resolved without filing a lawsuit, and most civil lawsuits are resolved without a trial. The courts, community organizations, and private providers offer a variety of Alternative Dispute Resolution (ADR) processes to help people resolve disputes without a trial. The San Diego Superior Court expects that litigants will utilize some form of ADR as a mechanism for case settlement before trial, and it may be beneficial to do this early in the case.

Below is some information about the potential advantages and disadvantages of ADR, the most common types of ADR, and how to find a local ADR program or neutral. A form for agreeing to use ADR is attached (SDSC form #CIV-359).

Potential Advantages and Disadvantages of ADR

ADR may have a variety of advantages or disadvantages over a trial, depending on the type of ADR process used and the particular case:

Potential Advantages
- Saves time
- Saves money
- Gives parties more control over the dispute resolution process and outcome
- Preserves or improves relationships

Potential Disadvantages
- May take more time and money if ADR does not resolve the dispute
- Procedures to learn about the other side's case (discovery), jury trial, appeal, and other court protections may be limited or unavailable

Most Common Types of ADR

You can read more information about these ADR processes and watch videos that demonstrate them on the court's ADR webpage at http://www.sdcourt.ca.gov/adr.

Mediation: A neutral person called a "mediator" helps the parties communicate in an effective and constructive manner so they can try to settle their dispute. The mediator does not decide the outcome, but helps the parties to do so. Mediation is usually confidential, and may be particularly useful when parties want or need to have an ongoing relationship, such as in disputes between family members, neighbors, co-workers, or business partners, or when parties want to discuss non-legal concerns or creative resolutions that could not be ordered at a trial.

Settlement Conference: A judge or another neutral person called a "settlement officer" helps the parties to understand the strengths and weaknesses of their case and to discuss settlement. The judge or settlement officer does not make a decision in the case but helps the parties to negotiate a settlement. Settlement conferences may be particularly helpful when the parties have very different ideas about the likely outcome of a trial and would like an experienced neutral to help guide them toward a resolution.

Arbitration: A neutral person called an "arbitrator" considers arguments and evidence presented by each side and then decides the outcome of the dispute. Arbitration is less formal than a trial, and the rules of evidence are usually relaxed. If the parties agree to binding arbitration, they waive their right to a trial and agree to accept the arbitrator's decision as final. With nonbinding arbitration, any party may reject the arbitrator's decision and request a trial. Arbitration may be appropriate when the parties want another person to decide the outcome of their dispute but would like to avoid the formality, time, and expense of a trial.

Other ADR Processes: There are several other types of ADR which are not offered through the court but which may be obtained privately, including neutral evaluation, conciliation, fact finding, mini-trials, and summary jury trials. Sometimes parties will try a combination of ADR processes. The important thing is to try to find the type or types of ADR that are most likely to resolve your dispute. Be sure to learn about the rules of any ADR program and the qualifications of any neutral you are considering, and about their fees.

Local ADR Programs for Civil Cases

Mediation: The San Diego Superior Court maintains a Civil Mediation Panel of approved mediators who have met certain minimum qualifications and have agreed to charge $150 per hour for each of the first two (2) hours of mediation and their regular hourly rate thereafter in court-referred mediations.

On-line mediator search and selection: Go to the court's ADR webpage at www.sdcourt.ca.gov/adr and click on the "Mediator Search" to review individual mediator profiles containing detailed information about each mediator including their dispute resolution training, relevant experience, ADR specialty, education and employment history, mediation style, and fees and to submit an on-line Mediator Selection Form (SDSC form #CIV-005). The Civil Mediation Panel List, the Available Mediator List, individual Mediator Profiles, and Mediator Selection Form (CIV-005) can also be printed from the court's ADR webpage and are available at the Mediation Program Office or Civil Business Office at each court location.

Settlement Conference: The judge may order your case to a mandatory settlement conference, or voluntary settlement conferences may be requested from the court if the parties certify that: (1) settlement negotiations between the parties have been pursued, demands and offers have been tendered in good faith, and resolution has failed; (2) a judicially supervised settlement conference presents a substantial opportunity for settlement; and (3) the case has developed to a point where all parties are legally and factually prepared to present the issues for settlement consideration and further discovery for settlement purposes is not required. Refer to SDSC Local Rule 2.2.1 for more information. To schedule a settlement conference, contact the department to which your case is assigned.

Arbitration: The San Diego Superior Court maintains a panel of approved judicial arbitrators who have practiced law for a minimum of five years and who have a certain amount of trial and/or arbitration experience. Refer to SDSC Local Rules Division II, Chapter III and Code Civ. Proc. § 1141.10 et seq or contact the Arbitration Program Office at (619) 450-7300 for more information.

More information about court-connected ADR: Visit the court's ADR webpage at www.sdcourt.ca.gov/adr or contact the court's Mediation/Arbitration Office at (619) 450-7300.

Dispute Resolution Programs Act (DRPA) funded ADR Programs: The following community dispute resolution programs are funded under DRPA (Bus. and Prof. Code §§ 465 et seq.):

- In Central, East, and South San Diego County, contact the National Conflict Resolution Center (NCRC) at www.ncrconline.com or (619) 238-2400.
- In North San Diego County, contact North County Lifeline, Inc. at www.nclifeline.org or (760) 726-4900.

Private ADR: To find a private ADR program or neutral, search the Internet, your local telephone or business directory, or legal newspaper for dispute resolution, mediation, settlement, or arbitration services.

Legal Representation and Advice

To participate effectively in ADR, it is generally important to understand your legal rights and responsibilities and the likely outcomes if you went to trial. ADR neutrals are not allowed to represent or to give legal advice to the participants in the ADR process. If you do not already have an attorney, the California State Bar or your local County Bar Association can assist you in finding an attorney. Information about obtaining free and low cost legal assistance is also available on the California courts website at *www.courtinfo.ca.gov/selfhelp/lowcost*.

SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN DIEGO	FOR COURT USE ONLY
STREET ADDRESS: 330 West Broadway MAILING ADDRESS: 330 West Broadway CITY, STATE, & ZIP CODE: San Diego, CA 92101-3827 BRANCH NAME: Central	
PLAINTIFF(S): San Diegans For Open Government	
DEFENDANT(S): City of San Diego et.al.	
SHORT TITLE: SAN DIEGANS FOR OPEN GOVERNMENT VS. CITY OF SAN DIEGO [IMAGED]	
STIPULATION TO USE ALTERNATIVE DISPUTE RESOLUTION (ADR)	CASE NUMBER: 37-2014-00009217-CU-MC-CTL

Judge: Judith F. Hayes Department: C-68

The parties and their attorneys stipulate that the matter is at issue and the claims in this action shall be submitted to the following alternative dispute resolution (ADR) process. Selection of any of these options will not delay any case management timelines.

- ☐ Mediation (court-connected)
- ☐ Mediation (private)
- ☐ Voluntary settlement conference (private)
- ☐ Neutral evaluation (private)
- ☐ Non-binding private arbitration
- ☐ Binding private arbitration
- ☐ Non-binding judicial arbitration (discovery until 15 days before trial)
- ☐ Non-binding judicial arbitration (discovery until 30 days before trial)
- ☐ Other (*specify e.g., private mini-trial, private judge, etc.*): _____

It is also stipulated that the following shall serve as arbitrator, mediator or other neutral: *(Name)* _____

Alternate neutral (for court Civil Mediation Program and arbitration only): _____

Date: _____	Date: _____
Name of Plaintiff	Name of Defendant
Signature	Signature
Name of Plaintiff's Attorney	Name of Defendant's Attorney
Signature	Signature

If there are more parties and/or attorneys, please attach additional completed and fully executed sheets.

It is the duty of the parties to notify the court of any settlement pursuant to Cal. Rules of Court, rule 3.1385. Upon notification of the settlement, the court will place this matter on a 45-day dismissal calendar.

No new parties may be added without leave of court.

IT IS SO ORDERED.

Dated: 04/01/2014

JUDGE OF THE SUPERIOR COURT

ELECTRONIC FILING REQUIREMENTS OF THE

SAN DIEGO SUPERIOR COURT

These requirements are issued pursuant to California Rules of Court ("CRC"), rules 2.250 et seq., Code of Civil Procedure Section 1010.6, and San Diego Superior Court General Order: In re Procedures Regarding Electronically Imaged Court Records, Electronic Filing, and Access to Electronic Court Records.

Effective November 1, 2013, documents that are determined to be unacceptable for eFiling by the Court due to eFiling system restrictions or for failure to comply with these requirements will be rejected subject to being allowed to be filed nunc pro tunc to the original submittal date upon ex-parte application to the court and upon good cause shown.

It is the duty of the plaintiff (and cross-complainant) to serve a copy of the General Order of the Presiding Department, Order No. 010313, and Electronic Filing Requirements of the San Diego Superior Court with the complaint (and cross-complaint).

PERMISSIVE eFILING

Effective January 7, 2013, the court allowed subsequent documents to be filed electronically in predetermined non-mandated civil cases in the Central Division by the Soft Launch Authorized Project Participants.

Effective March 4, 2013, documents **may be filed electronically** in non-mandated civil cases in the Central Civil Division where either: (1) the case is first initiated on or after March 4, 2013; or (2) the case is already pending as of March 4, 2013 and has been imaged by the court.

MANDATORY eFILING

The case types that shall be subject to mandatory eFiling are: civil class actions; consolidated and coordinated actions where all cases involved are imaged cases; and actions that are provisionally complex under CRC 3.400 – 3.403 (as set forth in the Civil Case Cover Sheet, Judicial Council form CM-010 – but not including Construction Defect actions). "Complex cases" included in mandatory eFiling include Antitrust/Trade Regulation, Mass Tort, Environmental/Toxic Tort, and Securities Litigation cases, as well as insurance coverage claims arising from these case types. Construction Defect cases, currently being electronically filed through File&Serve Xpress (fka Lexis Nexis File&Serve) website, will continue to be electronically filed through that system until further notice.

For cases of the type subject to mandatory eFiling that are initiated on or after March 4, 2013, all documents **must be filed electronically**, subject to the exceptions set forth below.

For cases of the type subject to mandatory eFiling that are already pending as of March 3, 2013, and provided that the case has been

imaged by the court, all documents filed on or after March 4, 2013 **must be filed electronically**, subject to the exceptions set forth below.

A party may request to be excused from mandatory electronic filing requirements. This request must be in writing and may be made by ex parte application to the judge or department to whom the case is assigned. The clerk will not accept or file any documents in paper form that are required to be filed electronically, absent a court order allowing the filing.

Self-represented litigants are not required to eFile in a mandatory eFile case; however, they may eFile if they choose to do so and/or are otherwise ordered to eFile by the court.

REQUIREMENTS FOR ALL eFILERS

eFile documents can only be filed through the court's Electronic Filing and Service Provider (the "Provider"). See www.onelegal.com.

eFilers must comply with CRC 2.250 – 2.261. Also, all documents electronically filed must be in a pdf format using Adobe Acrobat version 7 or higher that is also a text searchable format, i.e. OCR. The court is unable to accept documents that do not comply with these requirements, or documents that include but are not limited to: digitized signatures, fillable forms, or a negative image.

Documents that contain exhibits must be bookmarked, as set forth on the Provider's site. Documents no so bookmarked are subject to rejection. Moving papers with exhibits that are not bookmarked will be rejected. (See CRC 3.1110(f) with bookmarking being the substitute for plastic tabs in electronically filed documents.)

Exhibits to be considered via a Notice of Lodgment shall not be attached to the electronically filed Notice of Lodgment; instead, the submitting party must provide the assigned department with hard copies of the exhibits with a copy of the Notice of Lodgment that include the eFiling Transaction ID# noted in the upper right hand corner.

Unless otherwise required by law, per CRC 1.20 (b) only the last four digits of a social security or financial account number may be reflected in court case filings. Exclusion or redaction is the responsibility of the filer, not the clerk, CRC 1.20(b)(3). Failure to comply with this requirement may result in monetary sanctions, CRC 2.30(b).

Proposed filings, such as proposed court orders and amended complaints, should be submitted as an exhibit and then re-submitted as a separate and new eFiling transaction once the Court has ruled on the matter to which the proposed document applies. See also CRC 3.1312.

Any document filed electronically shall be considered as filed with the Clerk of the Superior Court when it is first transmitted to the vendor and the

transmission is completed, except that any document filed on a day that the court is not open for business, or after 5:00 p.m. (Pacific Standard Time) on a day the court is open for business, **shall be deemed to have been filed on the next court day**.

Please be advised that you must schedule a motion hearing date directly with the Independent Calendar Department. A motion filed without an appointment, even when a conformed copy of the filing is provided by the court, is not scheduled and the hearing will not occur.

If a hearing is set within 2 court days of the time documents are electronically filed, litigant(s) must provide hard copies of the documents to the court. Transaction ID numbers must be noted on the documents to the extent it is feasible to do so. Hard copies for Ex Parte hearings must be delivered directly to the department on or before 12 Noon the court day immediately preceding the hearing date.

An original of all documents filed electronically, including original signatures, shall be maintained by the party filing the document, pursuant to CRC 2.257.

DOCUMENTS INELIGIBLE FOR ELECTRONIC FILING

The following documents are **not eligible for eFiling** in cases subject to either mandatory or permissive filing, and shall be filed in paper form:

- Safe at Home Name Change Petitions
- Civil Harassment TRO / RO
- Workplace Violence TRO / RO
- Elder Abuse TRO / RO
- Transitional Housing Program Misconduct TRO / RO
- School Violence Prevention TRO / RO
- Out-of-State Commission Subpoena
- Undertaking / Surety Bonds
- Request for Payment of Trust Funds
- Writs
- Notice of Appeal of Labor Commissioner
- Abstracts
- Warrants
- Settlement Conference Briefs (to be lodged)
- Confidential document lodged conditionally under seal
- Interpleader actions pursuant to CC2924j

The following documents **may be filed in paper form**, unless the court expressly directs otherwise:

- Documents filed under seal or provisionally under seal pursuant to CRC 2.551 (although the motion to file under seal itself must be electronically filed)

- Exhibits to declarations that are real objects, i.e. construction materials, core samples, etc. or other documents, i.e. plans, manuals, etc., which otherwise may not be comprehensibly viewed in an electronic format may be filed in paper form

DOCUMENTS DISPLAYED ON THE PUBLIC-FACING REGISTER OF ACTIONS

Any documents submitted for eFiling (and accepted) will be filed and displayed on the San Diego Superior Court's public-facing Register of Actions with the exception of the following documents:

- CASp Inspection Report
- Confidential Cover Sheet – False Claims Action
- Confidential Statement of Debtor's Social Security Number
- Financial Statement
- Request for Accommodations by Persons with Disabilities and Court's Response
- Defendant / Respondent Information for Order Appointing Attorney Under Service Members Civil Relief Act
- Request to Waive Court Fees
- Request to Waive Additional Court Fees

Documents not included in the list above, that are intended to be kept confidential, should NOT be eFiled with the court.

FILED
Clerk of the Superior Court

JAN 02 2014

By: ELAINE SABLAN, Deputy

THE SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF SAN DIEGO

IN RE PROCEDURES REGARDING ELECTRONIC FILING	**GENERAL ORDER OF THE PRESIDING DEPARTMENT** **ORDER NO. 010214-24**

THIS COURT FINDS AND ORDERS AS FOLLOWS:

On August 1, 2011, the San Diego Superior Court ("court") began an Electronic Filing and Imaging Pilot Program ("Program") designed to reduce paper filings and storage, facilitate electronic access to civil court files and, in Phase Two, allow remote electronic filing ("E-File" or "E-Filing") of papers in civil cases. The ultimate goal of the Program is to create a paperless or electronic file in all civil cases, as well as in other case categories.

Phase One of the Program, described in General Order: *In re Procedures Regarding Electronically Imaged Court Records, Electronic Filing, and Access to Electronic Court Records*, involved the court's scanning of papers in newly filed cases in designated divisions and departments (the "Imaging Project"). Phase Two of the Program involved the implementation of electronic filing by counsel and parties through the court's E-File Service Provider, One Legal. Electronic filing under Phase Two of the

Program was limited to the Central Civil Division only and it excluded Probate and Construction Defect Cases. Electronic filing under Phase Three of the Program expanded electronic filing to include permissive electronic filing in Probate cases. North County Civil Divisions of the Superior Court and Construction Defect cases, in the Central Division, were excluded from Phase Three of the Program.

GENERAL E-FILING REQUIREMENTS

Documents can only be electronically filed through the court's electronic service provider (the "Provider"). E-file Provider information is available on the court's website.

Any document filed electronically shall be considered as filed with the Clerk of the Superior Court when it is first transmitted to the Provider and the transmission is completed, except that any document filed on a day that the court is not open for business, or after 5:00 p.m. (Pacific Time) on a day the court is open for business, shall be deemed to have been filed on the next court day.

Additional and more specific information on electronic filing can be found on the court's website.

This Order shall expire on December 31, 2014, unless otherwise ordered by this court.

IT IS SO ORDERED.

Dated: January 2, 2014

DAVID J. DANIELSEN
PRESIDING JUDGE

APPENDIX H

JAN I. GOLDSMITH, City Attorney
DANIEL F. BAMBERG, Assistant City Attorney
MEGHAN ASHLEY WHARTON, Deputy City Attorney
California State Bar No. 250498
Office of the City Attorney
1200 Third Avenue, Suite 1100
San Diego, California 92101-4100
Telephone: (619) 533-5800
Facsimile: (619) 533-5856

Attorneys for Defendants City of San Diego, City of San Diego Successor Agency, Housing Authority of the City of San Diego and Public Facilities Financing Authority of the City of San Diego

FILED
Clerk of the Superior Court
NOV 20 2014
By: H. CHAVARIN, Deputy

Exempt from fees per Gov't Code § 6103
To the benefit of the City of San Diego

SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN DIEGO

SAN DIEGANS FOR OPEN GOVERNMENT, Plaintiff, v. CITY OF SAN DIEGO; *et al.* Defendants, COALITION OF ANAHEIM TAXPAYERS FOR ECONOMIC RESPONSIBILITY, Interested Party.	Case No. 37-2014-00009217-CU-MC-CTL **~~[PROPOSED]~~ STATEMENT OF DECISION AND JUDGMENT** **IMAGED FILE** Judge: Hon. John S. Meyer Dept.: 61 Action Date: April 1, 2014

FACTS

In January and March 2014, the City and the Financing Authority took actions to authorize the issuance of lease revenue bonds by the Financing Authority (the "2014A Bonds", "2014A Bond Approvals" and the "2014A Bond Issuance"). The City intends to use the proceeds from the 2014A Bond Issuance to fund 22 different infrastructure projects throughout the City. As part of the 2014A Bond Issuance, the City and the Financing Authority will execute the Second Amendment to Site Lease under which the City will lease certain city-owned properties

("2014A Leased Properties") to the Financing Authority for a nominal rent amount. The City and the Financing Authority will then execute the Second Amendment to Facilities Lease under which the Financing Authority will lease the 2014A Leased Properties back to the City for annual rent payments in an amount roughly sufficient to pay the debt service on the 2014A Bonds.

STATEMENT OF DECISION ON ALL LEGAL ISSUES IN DISPUTE

1. The 2014A Bond Approvals do not violate sections 90(a) and 99 of the Charter of the City of San Diego, California ("Charter Debt Limitations") or section 18 of article XVI of the California Constitution ("Constitutional Debt Limitation") for the following reasons:

a. The Charter Debt Limitations and the Constitutional Debt Limitation do not prohibit the 2014A Bond Issuance by the Financing Authority. The Charter Debt Limitations and the Constitutional Debt Limitation do not apply to the Financing Authority. *Rider v. City of San Diego,* 18 Cal.4th 1035, 1043 (1998).

b. The Financing Authority has a genuine separate existence from the City pursuant to Government Code sections 6503.5 and 6507. The Court will not disregard the separate legal existence of the Financing Authority and deem the Financing Authority's repayment obligation for the 2014A Bonds to be a debt of the City subject to the Charter Debt Limitations and the Constitutional Debt Limitation. The City's treatment of the debt of the Financing Authority in its financial statements does not convert the Financing Authority's debt into debt of the City or otherwise make the debt subject to the Charter Debt Limitations and the Constitutional Debt Limitation. The fact that two or more of the Defendants are governed by the members of the San Diego City Council does not allow the Court to disregard the law establishing the separate existence of each Defendant.

c. The City's obligation to pay rent under the terms of the Second Amendment to Facilities Lease does not constitute a debt that is subject to the two-thirds voter assent requirement of the Charter Debt Limitations and the Constitutional Debt Limitation. The City's obligation to pay rent under the terms of the Second Amendment to Facilities Lease is a contingent obligation that does not require voter approval for the following reasons: (a) each of

the City's rent payments will be made to the Financing Authority in consideration of the right to occupy and use the 2014A Leased Properties; (b) the City's obligation to pay rent abates if the Financing Authority fails to tender to the City the right to occupy and use the 2014A Leased Properties in any year; and (c) the Financing Authority has no right to accelerated payment of rents if the City breaches the terms of the Second Amendment to Facilities Lease. *See Rider v. City of San Diego*, 18 Cal.4th 1035, 1047-1051 (1998), *City of Los Angeles v. Offner*, 19 Cal.2d 483, 484-487 (1942), *Dean v. Kuchel*, 35 Cal.2d 444, 446-48 (1950).

d. The Court finds that the Supreme Court's decision in *Rider* governs this issue. The Court further determines that the factual differences between the circumstances of the 2014A Bonds transaction and the bond transaction challenged in *Rider* are not relevant in any material way.

e. The limitation set forth in the second sentence of Charter section 90(a) is not relevant to the issues now before the Court because it only applies when the City acts to contract indebtedness.

2. The Court finds that the 2014A Bond Issuance will not violate Charter section 93 because City does not pledge the faith and credit of the City to repayment of the 2014A Bonds. The City's agreement to pay annual rent under the terms of the Second Amendment to Facilities Lease does not constitute a pledge of the faith and credit of the City. Further, the City's agreement to the terms of the Second Amendment to Site Lease as part of the 2014A Bond Issuance does not constitute an illegal gift of public funds in violation of Charter section 93.

3. The 2014A Bond Approvals do not violate the San Diego Municipal Code Section 22.0901(a)

4. The Financing Authority is lawfully constituted under the Third JPA. The Financing Authority is a lawful joint powers authority authorized to issue the 2014A Bonds pursuant to the Marks-Roos Local Bond Pooling Act of 1985.

5. California law does not restrict the authority of the Housing Authority to participate in the Financing Authority.

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6. California law does not restrict the authority of the Successor Agency to participate in the Financing Authority.

7. As constituted under the Third JPA, the Financing Authority is authorized and empowered to conduct the 2014A Bond Issuance.

8. As to any claims, causes of action or requests for relief set forth in the Complaint and not argued by Plaintiff either orally or in its trial brief, the Court deems those claims, causes of action or requests for relief resolved in favor of Defendants.

9. As to any affirmative defense not argued by Defendants, the Court considers those defenses abandoned.

DISPOSITION

Consistent with the above statement of decision, this Court enters judgment in favor of Defendants on all claims, causes of action and requests for relief set forth in the Complaint.

Dated: NOV 20 2014

JOHN S. MEYER

Honorable John S. Meyer
Judge of the Superior Court

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF SAN DIEGO

DEPARTMENT C61 BEFORE HON. JOHN S. MEYER, JUDGE

SAN DIEGANS FOR OPEN GOVERNMENT, PLAINTIFF,	NO. 37-2014-00009217-CU-MC-CTL
VS.	
CITY OF SAN DIEGO, ET AL., DEFENDANTS.	TRIAL

REPORTER'S TRANSCRIPT

NOVEMBER 3, 2014

APPEARANCES:

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REPORTED BY: DANA SARUK, CSR NO. 10653
OFFICIAL REPORTER PRO TEMPORE
SAN DIEGO, CALIFORNIA

1 San Diego, California; Monday, November 3, 2014
2
3 THE COURT: All right. Back on the record.
4 MR. BRIGGS: Good afternoon.
5 THE COURT: Good afternoon. I am not sure what
6 you wanted to do at this point but let me just say that
7 I have read some things, I have gone over some things, I
8 have written down some things, and I think I am prepared
9 to issue a statement of intended decision, but I wanted
10 to have just something and a couple questions briefly.
11 Any problem with that?
12 MR. BRIGGS: Not from plaintiff.
13 THE COURT: I know this was set for a two-day
14 bench trial and we have tomorrow morning, but I am not
15 sure I want to drag it out.
16 MS. WHARTON: That's good for the defendant.
17 THE COURT: This is not as complicated as
18 originally -- as I had originally thought, and it's been
19 well presented and there is no issues of fact.
20 One question that I had that I raised before, I
21 think the big ticket issue is the rent and the lease
22 obligations and, as *Rider* indicates, dealing with what
23 we have got at issue is stated in a sentence I'm just
24 going read from *Rider* dealing with the contingent
25 liability. "The classic example of this type of
26 contract is a lease agreement and in such cases we have
27 reason that a debt for the aggregate of all rent
28 payments does not arise at the time the parties execute

1 the lease so long as liability for each individual rent
2 payment is contingent on continued use of the lease
3 property during the period corresponding to that rent
4 payment."
5 And it's been proposed, and I think there has
6 been evidence that the lease in *Rider* is the same as the
7 lease in this case. And if it's not exactly the same,
8 it's pretty similar. In other words, there is no
9 acceleration clause. If the City defaults on a lease
10 payment, then what's due is the right to continued
11 possession on an annual basis, and that means that the
12 City would be obligated for each year they fail to pay.
13 So I suppose there is a question, and I think
14 it's been answered, if the City decides they're not
15 going to pay, they still have a lease for 30 years, but
16 there is no acceleration clause. So, theoretically,
17 they could be made to pay for each year for 30 years,
18 theoretically, couldn't they or not?
19 MS. WHARTON: Yes. Upon receiving
20 consideration, yes.
21 THE COURT: They have the consideration.
22 MS. WHARTON: Your Honor, consideration has to
23 be tendered each year. And I think --
24 THE COURT: I understand that.
25 MS. WHARTON: Okay.
26 THE COURT: But they have an obligation for 30
27 years. It's a 30-year lease.
28 MS. WHARTON: Yes.

1 THE COURT: There is no acceleration clause.
2 MS. WHARTON: And it's contingent every year on
3 the authority tendering custody -- I mean use and
4 occupancy of the building. If the authority can't
5 tender that because the building burns down, then there
6 is no obligation.
7 THE COURT: I understand that. But it's just
8 the City says we're out of money, we can't pay, we can't
9 pay the rent anymore, and they still would owe for each
10 year. It would still be a liability.
11 MS. WHARTON: If possession is tendered every
12 year, yes, they would owe for each year.
13 THE COURT: You agree with that?
14 MR. BRIGGS: Yes.
15 THE COURT: I mean, it's not like they're out
16 of -- in other words, if they decide they don't want to
17 continue leasing, they're not out of the lease.
18 MS. WHARTON: Absolutely not.
19 THE COURT: No. There is just no acceleration
20 clause, so it's not like a debt for issuing the bonds
21 which is, what, 130 million dollars?
22 MS. WHARTON: Yes, your Honor.
23 THE COURT: They might be on the hook for that
24 amount of money, but it wouldn't be immediate, it would
25 be over 30 years.
26 MS. WHARTON: That's correct, sir.
27 THE COURT: That's unlikely, but theoretically
28 that's what could happen. But there are other

1 considerations, too, because the trustee then would have
2 the right to relet the premises and that would mitigate
3 damages. And I think the trustee would have the right
4 to recover ground rent, which wouldn't be part of the
5 initial lease. So the lease payments would be paid,
6 it's just that they wouldn't be paid on an aggregate
7 basis or with an acceleration clause.
8 MS. WHARTON: The lease payments can never be
9 accelerated.
10 THE COURT: Right. That's for sure.
11 What -- the lease in *Rider*, is that in evidence
12 or not? I know you offered it; I think there was an
13 objection to it.
14 MR. BRIGGS: It's not in evidence.
15 MS. WHARTON: It's not in evidence, your
16 Honor.
17 THE COURT: But you are representing that it's
18 the same?
19 MS. WHARTON: Yes, your Honor.
20 THE COURT: I don't know if it's going to be an
21 issue on appeal or not. What's your position about
22 that?
23 MR. BRIGGS: The third section in the lease
24 agreement that's part of the transaction we're suing
25 over today is not included in the *Rider* lease and that
26 has to do with ground rents. There was no ground rents.
27 THE COURT: Okay.
28 MS. WHARTON: But that's not an obligation.

1 THE COURT: I understand.
2 MS. WHARTON: That's something that's separate
3 and apart.
4 THE COURT: It's basically the same. There is
5 no acceleration clause and it's not an aggregate
6 liability, right?
7 MR. BRIGGS: That provision doesn't change the
8 no acceleration component of this transaction.
9 THE COURT: Okay. Anything else?
10 MR. BRIGGS: The only thing I was going to add,
11 your Honor, is that in the earlier *Rider* case, the *City*
12 *of San Diego vs. Rider* that stopped at the Court of
13 Appeal, 47 Cal.App4th 1473, and the pin cite is 1492,
14 one of the issues that was raised over the Petco Park
15 lease -- and this did deal with the San Diego Public
16 Financing Authority, the same JPA issued here -- the
17 appellate court dismissed of a failure of consideration
18 argument.
19 Very quickly, in just two sentences, and I will
20 read them to do you. "*Rider* complains that the facility
21 lease is not supported by consideration because it
22 obligates the City to pay rent for use of a stadium it
23 already owns. To the contrary, the City is paying rent
24 for use of an improved stadium, not for use of the one
25 it presently owns." I point that out to you to show
26 that even the Court of Appeal recognizes the distinction
27 when we're talking about leases that are to generate
28 money, to improve what is the security for the lease,

1 and leases that are to generate money to improve things
2 other than the collateral on the lease. I just mention
3 that because I brought that up last week and the Court
4 of Appeal seems to recognize that there is some
5 difference there. I just wanted to point that out.
6 Otherwise, the last thing I will point out is,
7 you know, we gave you -- they're in evidence -- the 1997
8 CAFR for the City versus the 2001 CAFR for the City.
9 The 1997 CAFR does not show the Convention Center
10 Financing Authority as a blended component unit. The
11 City argued last week that it wouldn't have been because
12 it didn't have any debt.
13 The amount of debt is not the issue.
14 Obviously, the Convention Center Financing Authority
15 existed in 1997 because it was the subject of the *Rider*
16 decision that began in 1996. The question is whether it
17 was a blended component unit whose liabilities would
18 have been treated as the City's, and those two CAFRs
19 show you that it wasn't until after 1997 when the
20 convention center became a blended component unit of the
21 City.
22 So the fact that liabilities of the Convention
23 Center Financing Authority were not the City's, from the
24 evidence you have before you, they didn't become the
25 City's until 2001. So that issue could not have been
26 taken up and required. I just wanted to point that out.
27 For the record, Evidence Code Section 412,
28 essentially, if there is better evidence to prove a

1 point and the party doesn't put it forward, you can
2 construe the evidence against them. So I want to state
3 that for the record.
4 THE COURT: Okay. Anything else?
5 MS. WHARTON: I just have a couple of responses
6 to that. On the Petco Park issue, what he identified,
7 the language from the Court of Appeals, the only point
8 that I want to make on that is that no matter what fact
9 that is, it has no bearing on the contingent nature of
10 the liability. And that is what the court in *Rider* is
11 looking at, that's what *Offner* was looking at, and
12 that's what *Dean* was looking at.
13 Is it contingent? Yes, it's acceptable. There
14 is nothing else. And so everything that you need to
15 make that determination, your Honor, is in the four
16 corners of the lease.
17 THE COURT: Okay.
18 MS. WHARTON: The second point I want to make
19 is on the CAFR. The CAFR is to report assets and
20 liabilities of the City. If the City had a component
21 unit that didn't have liabilities, there would be no
22 reason to put it in the CAFR. It's not in the CAFR as a
23 component unit. It's a blended component unit or a
24 discreetly presented component unit. It's because it
25 didn't have any debt, it hadn't issued any debt yet, and
26 so there was no reason to include it in the financial
27 reporting for the City. No information was withheld.
28 As soon as it issued the bond, it was included as a

1 blended component unit. Those were the two points I
2 wanted to make, your Honor.
3 THE COURT: Let me indicate a statement of
4 intended decision which will be then put in a statement
5 of decision. As I indicated earlier, there are no
6 contested issues of fact in this case. Everything was
7 presented by way of stipulation, so there is no factual
8 issues for the Court to determine. This is a legal
9 question, and the question is addressed in the *Rider*
10 case, and that has been the subject of considerable
11 discussion.
12 Really, we have got *Rider* and *Offner* and *Dean*
13 are really the only three decisions. *Offner* and *Dean*
14 are extensively quoted in *Rider*. And as I indicated
15 earlier and I'll indicate again, *Rider* is a
16 well-written, straightforward case that begins with a
17 sentence, quote, "Because of the widespread use of
18 similar financing plans throughout the state and because
19 any doubt about the validity of these financing plans
20 could impact the cost of capital for the improvement of
21 public resources, we granted review." I think that's
22 very telling.
23 *Rider* discusses the two-thirds vote question
24 and says in a very -- the following. They discuss an
25 exception to the two-thirds requirement and they
26 indicate that "where the liability is contingent, there
27 is no two-thirds vote requirement." And that's really
28 all the decision says. It doesn't say because of the

1 unique facts in this case. It doesn't say because the
2 work of improvement is done on the property leased. It
3 doesn't say because we have got two separate
4 governmental entities forming the financing district,
5 this is okay. It is broad. It is decided with the
6 premise that it's going to be used by every governmental
7 entity in the state that would otherwise incur a bond
8 debt. It is really a pretty simple way of eliminating
9 voter approval by just doing what was done in *Rider*. So
10 it doesn't provide any limitations. It doesn't provide
11 any formulas. It doesn't provide any sort of a road
12 map.
13 And in addition to the statement at the
14 beginning of the case, I'm just going read the last
15 paragraph again, which I think is also telling. "We are
16 not naive about the character of this transaction. If
17 the City had issued bonds to pay for the convention
18 center expansion, the two-thirds vote requirement would
19 have applied. Here, the City and the Port District have
20 created a financing mechanism that matches as closely as
21 possible (parenthetically and practical the fact that
22 it's not informed) a city-financed project but avoids
23 the two-thirds vote requirement. Nevertheless, the law
24 permits what the City and the Port District have done.
25 Plaintiffs are correct that this conclusion allows local
26 government to burden taxpayers with potentially high
27 costs that the voters have not approved, but local
28 governments impose similar burdens on taxpayers every

1 time they enter into long-term leases involving property
2 of substantial value. We have long held that the
3 two-thirds vote requirement does not apply to these
4 leases so long as the obligation to pay rent is
5 contingent on the continued use of the leased property."
6 Citing *Dean* and *Offner*, among others. So that is the
7 basis for the legal framework in this case.
8 Now, there have been differences raised between
9 this case and *Rider*. Let me just indicate before that,
10 in a very general way, what we're talking about. This
11 is, again, pretty general. It would be the general
12 facts regarding this transaction. And I think this
13 begins -- it begins earlier, but for our purposes it
14 will begin in 2013.
15 There was an approval of phase 3 capital
16 improvement bonds in an amount not to exceed 130 million
17 dollars over a 30-year term to be issued by the Public
18 Facilities Financing Authority in the City of San Diego.
19 This authority is composed of the City, the successor
20 agency to the Redevelopment Agency, and the third
21 component is the Housing Authority, and all this was
22 authorized by the third joint powers agreement dated
23 January 1st, 2013.
24 The bonds that are going to be issued by the
25 Public Facilities Financing Authority will capitalize I
26 think it's about 22 different infrastructure projects
27 throughout the city. And payment will be in accordance
28 with the following process: The City will lease certain

1 city-owned general fund properties -- and I don't know,
2 I think there were seven, but I think there were only
3 going to be three involved in this case. The central
4 police vehicle maintenance facility, Fire Station 16,
5 the City operation's building and arcade, Carmel Valley
6 park and recreation center, Fire Station 24, the Scripps
7 Ranch Library and North University community Library and
8 recreation center.
9 Those properties will be leased to the Finance
10 Authority for a nominal rent. The authority will then
11 sublease those same properties owned by the City to the
12 City for rents that will essentially finance the
13 issuance of the bonds. The rent will be established by
14 an independent appraisal to determine market value.
15 The ground leases are not pledged, but in the
16 event of default can be attached. In the event of
17 default, the trustee of the bondholders can maintain an
18 action and recover rent.
19 The terms of the lease are substantially
20 similar to those that passed muster in *Rider*. The
21 recovery is limited to the right to possession on an
22 annual basis. There is no acceleration clause.
23 So there have been arguments dealing with the
24 differences between *Rider* and the situation here. The
25 Court is making a determination that while there are in
26 fact differences, those differences are not relevant in
27 any material way. I suppose if the Court is wrong and
28 one or more of those issues causes this to not be

1 blessed, as the convention center lease was blessed by
2 the Supreme Court, then I am sure the Court of Appeal
3 can create an exception to *Rider*. But at this point, I
4 don't think that any of the differences establish an
5 exception, as I have indicated.
6 *Rider* gives absolutely no guidance, so unless
7 there is something really materially different that
8 could logically make a difference, so long as the
9 liability for the bonds is contingent and is in the form
10 of rent without an acceleration clause, then pursuant to
11 what is set in *Rider*, it will be approved.
12 I perhaps have some concern about disregarding
13 a requirement in the Constitution that when a long-term
14 debt is incurred by the City, it requires a two-thirds
15 vote of the citizens. This is clearly an end run, but
16 *Rider* very clearly establishes the structure of lease
17 financing as appropriate, so that is pretty much taken
18 out of the hands of a trial judge.
19 There have been four or five attacks on the
20 structure in this case as being distinguishable from
21 *Rider*, causing this not to be approved, and I don't find
22 any of them to be of such a nature.
23 The first one is the second sentence of Charter
24 Section 90(a), and I don't think that it is relevant.
25 90 talks about bonded indebtedness, contracting bonded
26 indebtedness. The first sentence deals with bonded
27 indebtedness. And I suppose you could read the second
28 sentence as being independent of that, but I don't think

1 that's an appropriate reading.
2 The Court in *Rider* said the first sentence of
3 section 90(a) didn't apply, and I don't think the second
4 sentence applies, and I don't think it matters. I don't
5 think section 90(a) applies at all.
6 The accounting rules don't change this. I
7 think the argument kind of was that the City calls it a
8 debt of the City, therefore the City should be estopped
9 from establishing otherwise, but I don't think there is
10 basis for estoppel. There is no detrimental reliance.
11 I think the City can call it the City's debt, and I
12 suppose it is the City's debt in an accounting sense and
13 according to generally accepted accounting practices. I
14 don't think it really changes whether or not this lease
15 arrangement is valid or not. I don't think it really
16 matters.
17 With regard to the financing authority makeup
18 and the JPA, there is nothing in the Health and Safety
19 Code that says that the successor agency can't do what
20 it is doing. There is nothing that says that it can't
21 join with another agency to form a JPA -- to form a
22 financing authority, and I think that was done -- the
23 Redevelopment Agency -- that was done in 2012, wasn't it
24 or 2011? When was first JPA established?
25 MS. WHARTON: The first JPA was established in
26 1991 between the Redevelopment Agency and the City. The
27 second JPA, I don't know the exact date, I believe it
28 was 2002, was also between the Redevelopment Agency and

1 the City. And then the third JPA became effective
2 January 1st, 2013, with the successor agency and the
3 City and --
4 THE COURT: So this is not the successor agency
5 starting brand new, this is the successor agency taking
6 over from the Redevelopment Agency which has been a
7 member for many years. The housing authority has been a
8 member since the beginning, right?
9 MS. WHARTON: No, your Honor.
10 THE COURT: When -- oh, no. The housing --
11 yeah, the housing authority was substituted in when it
12 looked like the Redevelopment Agency was going to be
13 dissolved.
14 MS. WHARTON: It was substituted in because we
15 are aware that the successor agency will eventually
16 dissolve.
17 THE COURT: Right. During the life of the
18 bonds.
19 MS. WHARTON: It's possible it will be during
20 the life of the bonds.
21 THE COURT: 30 years. And, again, there is
22 nothing to say that in the future the improvements won't
23 be related, directly related to housing, and there is
24 nothing in the law that prohibits the Housing Authority
25 from joining a JPA and forming a finance authority. And
26 the law is that these three entities are considered in
27 the eyes of the law separate governmental entities, each
28 independent governmental entities, even though arguably

1 the same governance is in place in all three.
2 The final challenge was regarding the need to
3 approve the lease and have an independent appraisal, but
4 the lease hasn't been -- the bonds haven't been issued
5 yet, and the leases will be -- they have been approved
6 by ordinance, and there will be an independent appraisal
7 regarding market value. So that is I think a
8 determination of the issues.
9 MS. WHARTON: Can I correct one factual point?
10 There already has been an appraisal of market value. It
11 just wasn't the outcome that -- the outcome of that
12 appraisal was not specifically set forth in the
13 ordinance.
14 THE COURT: But it will be.
15 MS. WHARTON: It will be.
16 THE COURT: Would the City prepare a statement
17 of decision in accordance with the statement of intended
18 decision?
19 MS. WHARTON: Yes, I will, your Honor.
20 THE COURT: Mr. Briggs' approval as to form and
21 content. Anything further?
22 MR. BRIGGS: No, your Honor.
23 MS. WHARTON: No, your Honor.
24 THE COURT: Okay.
25 MR. BRIGGS: Do we want to do a stipulation for
26 return of the exhibits to my office?
27 THE COURT: I don't care. I would think that
28 would probably make sense.

1 MS. WHARTON: I agree that makes the most
2 sense.
3 THE COURT: The ones that were in the binder?
4 MR. BRIGGS: Everything admitted into evidence
5 you are just going to return to us and we will hold onto
6 it.
7 THE COURT: I appreciate it. Even though it
8 was a little bit problematic in the beginning, I
9 appreciated how this has been presented. It's an
10 interesting case and unfortunately somebody has got to
11 avail, but maybe on appeal you will carry the day. I
12 will be interested to see. I will be interested to see
13 what happens.
14 MR. BRIGGS: Fair enough. Okay.
15 THE COURT: Any other challenges in the state
16 that you are aware of that are similar to this?
17 MR. BRIGGS: Our Anaheim challenge.
18 THE COURT: Other than that?
19 MS. WHARTON: There is a subsequent
20 challenge --
21 THE COURT: I haven't considered that. I know
22 that there has been some discussion about that, but that
23 just -- that's just another superior court.
24 MR. BRIGGS: You are asking out of curiosity?
25 THE COURT: Yeah, right. It's an interesting
26 area.
27 MR. BRIGGS: We have two challenges in Anaheim.
28 Not this client, but my office.

1 MS. WHARTON: There is a second challenge also
2 to the B series of these same bonds.
3 MR. BRIGGS: Oh, yeah.
4 MS. WHARTON: It's kind of -- we didn't
5 consolidate it because the A series is so important, but
6 that's also out there.
7 THE COURT: Okay. All right. You will prepare
8 the judgment and the statement of decision, and then
9 send it to Mr. Briggs for his approval. And there are
10 no other issues, are there?
11 MR. BRIGGS: No.
12 THE COURT: Okay.
13 MR. BRIGGS: Your Honor, Ms. Gladden has just
14 reminded me one of the issues that we raised, and I
15 think I can anticipate how it's covered, but you didn't
16 mention it explicitly, on the gift of pubic funds issue
17 that we raised, I assume that's -- that's obviously
18 being decided against us.
19 THE COURT: That would be a gift of public
20 funds. I can see where you might --
21 MR. BRIGGS: Because under the City's charter,
22 giving collateral to the Financing Authority for a
23 nominal amount of money is not permitted under the
24 charter, even when it's to another public agency.
25 That's how San Diego construes its own charter.
26 THE COURT: Wouldn't that have been raised in
27 *Rider*? That was -- they're not really giving it.
28 MR. BRIGGS: But *Rider* didn't have any

1 collateral from the City. There was no collateral
2 except the improvements being financed.
3 THE COURT: What's the gift of public funds?
4 MR. BRIGGS: The collateral from the City to
5 the Financing Authority under a lease for a nominal
6 amount.
7 MS. WHARTON: At the end of the lease, the fee
8 title to the property vests with the City.
9 MR. BRIGGS: But it's the use of it during that
10 period of time. If the City were --
11 THE COURT: But the City had a leasehold
12 interest in the convention center that they gave to the
13 Financing Agency for a nominal sum.
14 MR. BRIGGS: Yes, that -- no. The port.
15 MS. WHARTON: That is correct, your Honor.
16 THE COURT: Well, no.
17 MR. BRIGGS: The port leased it --
18 THE COURT: The City acquiesced?
19 MS. WHARTON: At the time that the port gave
20 the lease to the City, the City had a leasehold interest
21 in the convention center and particularly the existing
22 convention center.
23 THE COURT: I understand that.
24 MS. WHARTON: That would be the same type of
25 gift. A gift is a gift.
26 THE COURT: Right. No, I mean, it's -- I don't
27 see that there is any difference. Giving property for a
28 nominal value under other circumstances would arguably

1 be a gift of public funds.
2 MR. BRIGGS: I just want to make sure we have
3 that included in the ruling.
4 THE COURT: Sure.
5 MR. BRIGGS: Since it's an issue that we
6 raised. I didn't mean to argue the point now.
7 THE COURT: Sure. That's why you can go all
8 the way back to the beginning, and if the -- I mean,
9 *Rider* could have said this is a subterfuge. The City is
10 essentially taking on a long-term debt. And who are you
11 kidding? They say that. They say this is paying for
12 bonds, and the constitution says two-thirds of the
13 voters have to approve it. That's what they're doing.
14 Everybody knows it. It's obvious.
15 MR. BRIGGS: But the giving of property that's
16 not the subject of an improvement is not an issue in the
17 case.
18 THE COURT: No.
19 MS. WHARTON: That's no different than *Offner*
20 and *Dean*.
21 THE COURT: Once the Supreme Court says what it
22 says --
23 MR. BRIGGS: I understand your ruling. I am
24 not arguing your ruling. I simply want, procedurally
25 want to make sure that the issue is covered in what
26 Ms. Wharton prepares so we're not --
27 THE COURT: You can give a very persuasive
28 argument, this is subterfuge, this is a blatant

1 violation of what the constitution says. And you know,
2 a reasonable person could say that. And that's what
3 Justice Chin says. But what he says is like it or not,
4 it's legal, it's a contingent liability, and it is.
5 MR. BRIGGS: I understand the case.
6 THE COURT: You can say when the City -- if the
7 City defaults, it's still going to come out of the same
8 public money; it's still going to -- the City is going
9 to lose revenue, the City is going to lose ground lease
10 money, the City is going to lose tenants. The City is
11 going to lose the right to rent its property that are
12 owned by the people, and the people have a right to vote
13 on it. It's maybe not going to be any cheaper in the
14 long, long run, but it is a contingent liability.
15 That's not part of the statement of intended decision.
16 MS. WHARTON: Just for the record, I would like
17 to make the point that the illegal gift of public funds
18 is not an issue that's raised in the complaint. It's an
19 issue that was just barely raised in passing in the
20 plaintiff's trial brief.
21 THE COURT: It might have been raised in
22 passing, but it was raised.
23 MS. WHARTON: Yes, your Honor.
24 THE COURT: So it should be raised. It should
25 be part of the statement of decision.
26 MR. BRIGGS: That's all I wanted to do.
27 THE COURT: Just make sure, and I think you
28 know what I'm talking about, that we don't have the

1 statement of decision going into such detail that
2 essentially answers interrogatories. And I don't want
3 citations other than maybe *Dean*, *Offner*, and *Rider*. I
4 don't want argument. It's just going to be the basis
5 for the Court's ruling for purposes of appeal. And,
6 really, it could be -- it could be one page.
7 MR. BRIGGS: I understand.
8 THE COURT: Okay. And there are no issues of
9 fact, so -- okay. Thank you.
10 MR. BRIGGS: Thank you, your Honor.
11 MS. WHARTON: Thank you, your Honor.
12 THE COURT: The only thing that I have done is
13 I have taken one exhibit and I've kind of marked it up.
14 I think that was 37, wasn't it?
15 MR. BRIGGS: Yes. That's the main exhibit.
16 THE COURT: I will stick it back in.
17 MS. WHARTON: Is it the charter, your Honor?
18 THE COURT: It's cut up and marked up.
19 MS. WHARTON: That's right. I apologize.
20 MR. BRIGGS: And I'm going to take those
21 binders now, yes?
22 THE COURT: Yes.
23 MR. BRIGGS: Just checking. Thank you.
24 THE COURT: I don't think the clerk wants them
25 anymore.
26 (Whereupon, the hearing was concluded.)
27 * * * * *
28

STATE OF CALIFORNIA)
: SS.
COUNTY OF SAN DIEGO)

I, Dana Saruk, CSR NO. 10653, hereby certify that I reported in shorthand the above proceedings on Monday, November 3, 2014, and I do further certify that the above and foregoing pages numbered 1 to 22, inclusive, contain a true and correct transcript of said proceedings.

I further certify that I am a disinterested person and am in no way interested in the outcome of said proceeding.

Dated: November 5, 2014.

Dana Saruk
CSR No. 10653

APPENDIX I

BRIGGS LAW CORPORATION [FILE: 1593.33]
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Attorneys for Plaintiff and Petitioner San Diegans for Open Government

ELECTRONICALLY FILED
Superior Court of California,
County of San Diego
06/06/2014 at 03:29:31 PM
Clerk of the Superior Court
By Lee McAlister, Deputy Clerk

SUPERIOR COURT OF THE STATE OF CALIFORNIA

SAN DIEGO COUNTY--HALL OF JUSTICE

SAN DIEGANS FOR OPEN GOVERNMENT, Plaintiff, vs. PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO; CITY OF SAN DIEGO; CITY OF SAN DIEGO, AS SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO; HOUSING AUTHORITY OF THE CITY OF SAN DIEGO; and ALL PERSONS INTERESTED IN THE MATTER OF THE BOARD OF COMMISSIONERS OF THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO'S (*i*) AUTHORIZATION OF THE EXECUTION AND DELIVERY OF A THIRD AMENDMENT TO SITE LEASE, A THIRD AMENDMENT TO FACILITIES LEASE, A THIRD SUPPLEMENTAL INDENTURE AND OFFICIAL NOTICE INVITING BIDS; (*ii*) APPROVAL OF THE ISSUANCE AND SALE OF THE AUTHORITY'S LEASE REVENUE BONDS BY COMPETITIVE OR NEGOTIATED SALE; AND (*iii*) APPROVAL OF OTHER DOCUMENTS AND ACTIONS IN CONNECTION THEREWITH, Defendants.	CASE NO. 37-2014-00018335-CU-MC-CTL ** E-FILE ** **COMPLAINT FOR DECLARATORY AND INJUNCTIVE RELIEF UNDER CODE OF CIVIL PROCEDURE SECTIONS 860 *ET SEQ.* AND 1060 *ET SEQ.***

Plaintiff SAN DIEGANS FOR OPEN GOVERNMENT alleges as follows in this Reverse-Validation Complaint for Declaratory and Injunctive Relief:

Parties

1. Plaintiff is a non-profit taxpayer and voter organization formed and operating under the laws of the State of California. At least one of Plaintiff's members resides in and is registered to vote in the City of San Diego, California, and Plaintiff has an interest in ensuring open, accountable, responsive government, and the protection of its members' rights as taxpayers and voters.

2. Defendant CITY OF SAN DIEGO ("CITY") is a charter city under the laws of the State of California, is the successor agency to the Redevelopment Agency of the City of San Diego ("RASD"), and is being sued in its capacity as a charter city and in its capacity as the successor agency. Defendant HOUSING AUTHORITY OF THE CITY OF SAN DIEGO ("SDHA") is a public agency governed by the mayor and/or city council of CITY.

3. Defendant PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO ("PFFA") is a joint powers authority formed and operating under the Joint Exercise of Powers Act ("JEPA"), Government Code Section 6500 *et seq.*, and in accordance with that certain Third Amended and Restated Jointed Exercise of Powers Agreement dated January 1, 2013 ("JPA Agreement"). Since the JPA Agreement took effect, PFFA's members have consisted of RASD, SDHA, and CITY (or a sub-set thereof); and PFFA was administered by a commission consisting of the members of CITY's city council. Furthermore:

A. As of the date on which this lawsuit was commenced, CITY's website stated as follows (at *http://www.sandiego.gov/city-clerk/officialdocs/legisdocs/cccmeetings.shtml*): "The Public Facilities Financing Authority is the primary financing authority of the City. The Authority meets as needed to authorize the issuance of bonds on behalf of the City."

B. As of the date on which this lawsuit was commenced, CITY's website stated as follows (at *http://www.sandiego.gov/city-clerk/officialdocs/legisdocs/pffa.shtml*): "The Public Facilities Financing Authority (PFFA) is a joint powers authority originally established in 1991 by the City of San Diego and the Redevelopment Agency of the City of San Diego (RDA) to assist the City and the RDA in financing public capital improvements. As of January 1, 2013, the members of the PFFA are the City, the Successor Agency to the RDA and the Housing Authority of the City of San Diego."

C. The JPA Agreement was approved by SDHA on or about November 27, 2012.

D. The individuals who cast votes approving the JPA Agreement through passage and adoption of SDHA Resolution no. HA-1575 were also members of CITY's city council on the date the votes were cast.

E. Attorney Leslie FitzGerald, who signed SDHA Resolution no. HA-1575 as "Chief Deputy General Counsel," was an employee of CITY on the date that she signed the Resolution.

F. Attorney Leslie FitzGerald was not an employee of SDHA on the date she signed SDHA Resolution no. HA-1575.

G. At no time since June 21, 1994, have the members of the governing body of the San Diego Unified Port District simultaneously been members of CITY's city council.

H. The geographic jurisdiction of the San Diego Unified Port District is not identical to the geographic jurisdiction of CITY.

I. As of January 1, 2012, no member of PFFA's governing body was representing the City of National City, the City of Coronado, the City of Chula Vista, or the City of Imperial Beach on PFFA's governing body.

J. At no time since June 21, 1994, has CITY owned any of the land on which the San Diego Convention Center is located.

K. Since June 24, 1994, at least some portion of the land on which the San Diego Convention Center is located has not been owned by CITY.

L. At all times since June 21, 1994, CITY has had a leasehold (or sub-leasehold) interest in the land on which the San Diego Convention Center is located.

M. At no time since June 21, 1994, has CITY had an ownership interest in all of the land on which the San Diego Convention Center is located.

N. At no time since June 21, 1994, has CITY had an ownership interest in any portion of the land on which the San Diego Convention Center is located.

O. As of June 2013, the Standard & Poors crediting rating for PFFA's lease-revenue bonds was based in part on the rating agency's "view of the city's general credit characteristics and its covenant to budget and appropriate annual lease payments for various properties' use."

P. As of March 2014, the credit rating given to PFFA by Fitch Ratings was based in part on CITY's "lease revenue bonds [being] secured by the city's lease rental payments, which the city covenants to budget and appropriate annually."

Q. More than 99 percent of PFFA's annual revenues since PFFA was created have been received from CITY.

R. During the last 10 years, PFFA has had no employees.

S. During the last 10 years, PFFA has not had any utility account (*e.g.*, telephone, electricity, natural gas) in its name.

Background Information

4. On or around February 12, 2014, CITY approved Ordinance no. O-20350, "AN ORDINANCE OF THE COUNCIL OF THE CITY OF SAN DIEGO APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF ONE OR MORE AMENDMENTS TO SITE LEASE, AMENDMENTS TO FACILITIES LEASE AND OFFICIAL NOTICE INVITING BIDS; AUTHORIZING THE EXECUTION, DELIVERY AND PERFORMANCE OF ONE OR MORE SUPPLEMENTAL INDENTURES BY THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO; AUTHORIZING THE CITY ATTORNEY TO APPOINT BOND COUNSEL AND DISCLOSURE COUNSEL; APPROVING AND AUTHORIZING THE ISSUANCE AND SALE IN ONE OR MORE SERIES OF THE AUTHORITY'S LEASE REVENUE BONDS; AND APPROVING OTHER DOCUMENTS AND ACTIONS IN CONNECTION THEREWITH."

5. On or around March, 11, 2014, CITY approved Resolution no. R-308808, "A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO APPROVING THE FORM AND AUTHORIZING THE DISTRIBUTION OF THE PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING THE EXECUTION, DELIVERY AND DISTRIBUTION OF THE OFFICIAL STATEMENT IN CONNECTION WITH THE ISSUANCE AND SALE BY THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO OF ITS LEASE REVENUE BONDS SERIES 2014A; AND APPROVING OTHER DOCUMENTS AND ACTIONS IN CONNECTION THEREWITH"; and PFFA took action that mirrored, complemented, or was

otherwise similar to CITY's action under Resolution no. R-308808 and/or Ordinance no. O-20350 (collectively, "Original Bond Approvals").

6. On April 8, 2014, PFFA approved Resolution no. FA-2014-4, a RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO AUTHORIZING THE EXECUTION AND DELIVERY OF A THIRD AMENDMENT TO SITE LEASE, A THIRD AMENDMENT TO FACILITIES LEASE, A THIRD SUPPLEMENTAL INDENTURE AND OFFICIAL NOTICE INVITING BIDS; APPROVING THE ISSUANCE AND SALE OF THE AUTHORITY'S LEASE REVENUE BONDS BY COMPETITIVE OR NEGOTIATED SALE; AND APPROVING OTHER DOCUMENTS AND ACTIONS IN CONNECTION THEREWITH ("Subsequent Bond Approvals"). The bonds contemplated by the Subsequent Bond Approvals may also be known as "2015 Bonds."

6. The purpose of the Subsequent Bond Approvals is to raise approximately $59 million to pay for certain activities contemplated by CITY's Capital Improvement Program ("CIP Projects"). The CIP Projects do not include "housing projects" within the meaning of the Housing Authorities Law ("HAL"), Health and Safety Code Section 34200 *et seq.*

7. The Subsequent Bond Approvals contemplate a lease of CITY property to PFFA and a lease-back of the same CITY property from PFFA. Furthermore:

A. Either CITY is the owner, or CITY and San Diego Metropolitan Transit System are the owners, of the property to be leased to PFFA as part of the Subsequent Bond Approvals.

B. Prior to the Subsequent Bond Approvals, PFFA had no ownership interest in any of the property to be leased to it by CITY as part of the Subsequent Bond Approvals. Additionally and/or alternatively, prior to the Subsequent Bond Approvals PFFA did not have an ownership interest in all of the property to be leased to it by CITY as part of the Subsequent Bond Approvals.

Jurisdiction, Venue, and Exhaustion of Administrative Remedies

8. Plaintiff is bringing this action and seeks review by and relief from this Court under Code of Civil Procedure Sections 860 *et seq.* and 1060 *et seq.*[1]

---

[1] Petitioner does not believe that this proceeding is required to be prosecuted as a reverse-validation proceeding under Code of Civil Procedure Section 860 *et seq.* and is doing so only in an abundance of caution.

9. Venue in this Court is proper because the obligations, liabilities, and violations of law alleged in this pleading occurred in the City of San Diego.

10. No public hearing was held on the Subsequent Bond Approvals. Nonetheless, Plaintiff submitted written opposition to the Subsequent Bond Approvals to CITY prior to their approval.

11. Plaintiff has no plain, speedy, adequate remedy in the ordinary course of law, since its members and other members of the public will suffer irreparable harm as a result of Defendants' violations of the law, as alleged in this pleading. The Subsequent Bond Approvals also rest on Defendants' failure to satisfy a clear, present, ministerial duty to act in accordance with those laws. Even when Defendants are permitted or required by law to exercise their discretion in approving projects under those laws, they remain under a clear, present, ministerial duty to exercise their discretion within the limits of and in a manner consistent with those laws. Defendants have had and continue to have the capacity and ability to approve the Subsequent Bond Approvals within the limits of and in a manner consistent with those laws, but Defendants have failed and refuse to do so and have exercised their discretion beyond the limits of and in a manner that is not consistent with those laws.

12. Plaintiff and its members also have a beneficial right and interest in Defendants' fulfillment of all their legal and public duties, as alleged in this pleading.

FIRST CAUSE OF ACTION:
Subsequent Bond Approvals' Non-Compliance with All Applicable Laws
(Against All Defendants)

13. The preceding paragraphs are incorporated into this paragraph by reference.

14. The Subsequent Bond Approvals do not comply with all applicable laws. By way of example and not limitation:

A. The Subsequent Bond Approvals are invalid because they contemplate a transactional structure that is contrary to what the JPA Agreement authorizes:

i. Section 8 of the JPA Agreement prohibits any bonded indebtedness that relies in whole or in part on any pledge of CITY's "faith and credit," and it prohibits the pledge of CITY's "faith and credit" to the payment of any principal, premium, or interest on such indebtedness.

ii. The Subsequent Bond Approvals require CITY to pledge its faith and credit, including but not limited to public property, to the payment of the principal, premium, and/or interest that will be due on the indebtedness authorized by the Subsequent Bond Approvals.

iii. In the absence of CITY's pledge of its faith and credit, the transaction contemplated by the Subsequent Bond Approvals could not be accomplished.

iv. If there were a default under the indenture contemplated by the Subsequent Bond Approvals, CITY's credit could be adversely affected.

B. The Subsequent Bond Approvals are invalid because PFFA has not been properly constituted, the JPA Agreement is legally defective, and/or PFFA is acting in excess of its lawful powers:

i. Under the HAL, housing authorities may not jointly exercise any power except with another housing authority. Even then, the housing authorities' joint powers are limited by Health and Safety Code Section 34324 to a housing project or projects or other dwelling accommodations located within the area of operation of any one or more of such authorities. The only statutory authority in the HAL for SDHA to enter into a joint powers agreement with a non-housing authority is codified in Health and Safety Code Section 6531, but the scope of that statutory authority is limited to the construction of a model school project located in the City Heights project area.

ii. Neither CITY nor RASD is a housing authority under the HAL.

iii. All legal right and power of RASD to participate in its own name in PFFA had been withdrawn by the Legislature prior to January 1, 2013. Alternatively, if all legal right and power of RASD to participate in its own name had not been withdrawn by the Legislature, the legal right and power of RASD necessary for the Subsequent Bond Approvals had been withdrawn by the Legislature.

iv. Government Code Section 6505.1 requires the parties to JPA Agreement to fix the amount of the official bond for the public officer or officers who have charge of, handle, or have access to any of the property of PFFA. Under the JPA Agreement, SDHA's treasurer is designated to be such officer. However, Section 3-C of the JPA Agreement unlawfully delegates the responsibility for fixing the amount of such bond to SDHA's treasurer.

v. In addition to and/or as an alternative to the allegations in the preceding paragraph, CITY, RASD, and SDHA have at all times intended that PFFA would never possess any property.

vi. PFFA has never incurred any indebtedness except as part of a lease-revenue bond transaction with CITY as a party to one or more of the leases contemplated by the transaction.

vii. According to Report to City Council no. 14-01, the assets of CITY pledged as security for the indebtedness contemplated by the Subsequent Bond Approvals are essential to CITY's core operations.

viii. The Subsequent Bond Approvals must comply with Government Code Section 6547.5. However, compliance with Section 6547.5 requires CITY to contract to expend money beyond the fiscal year in which it receives the bond proceeds contemplated by the Subsequent Bond Approvals.

ix. The CIP Projects to be funded pursuant to the Subsequent Bond Approvals are limited to the maintenance of existing public facilities that CITY has heretofore deferred. However, Government Code Section 6546 limits the use of revenue bonds to the purpose of "acquiring or constructing a project," while Section 6548 limits use of the proceeds to "the acquisition, construction and financing of said project." Section 6574 imposes on PFFA the obligation to operate, maintain, and preserve projects financed by bonds it issues in an efficient and economical manner, which obligation is to be performed separately from the acquisition, construction, and financing made possible by the issuance of the bonds.

x. Contrary to Government Code Section 6552, the bonds contemplated by the Subsequent Bond Approvals do not contain a recital on their face that neither the payment of any portion of the principal nor the interest thereon constitutes a debt, liability, or obligation of RASD or SDHA. Neither RASD nor SDHA is a political subdivision of the State of California.

xi. Contrary to Government Code Section 6572, the security for payment of the bonds contemplated by the Subsequent Bond Approvals is not limited to revenues of a "project" within the meaning of Section 6545. In the event of CITY's default, the trustee identified in the

indenture may terminate the lease from CITY to PFFA and re-lease the property to a third party. The trustee's right to re-lease the property is also security for payment of the bonds.

xii. The voters of the City of San Diego have not assented to any aspect of the Subsequent Bond Approvals. Indeed, there has not even been a vote. As such, the bonds contemplated by the Subsequent Bond Approvals could not satisfy the requirements of te Revenue Bond Law of 1941, Government Code Section 54300 *et seq.*, because Section 54380 thereof requires bonds authorized under such law to be submitted to the voters. Thus, PFFA could not have issued and did not issue the bonds contemplated by the Subsequent Bond Approvals pursuant to Section 6579.

C. The Subsequent Bond Approvals violated Section 90(a) of the San Diego City Charter. In particular:

i. Section 90(a) provides as follows: "Whenever the Council shall determine that the public interest or necessity demands the acquisition, construction or completion of any municipal improvement authorized to be acquired, constructed, completed or maintained by The City of San Diego, the cost of which will be too great to be paid out of the ordinary annual income and revenue of said City, the Council may contract bonded indebtedness for said purposes or any of them, pledging the credit of the City or the property or revenue of any public utility owned by the City and the proceedings taken for incurring such indebtedness shall be in accordance with the mode and manner prescribed by the provisions of the general laws of the State of California relative to incurring bonded indebtedness by municipalities in force at the time such proceedings are taken. Every ordinance or resolution determining that the public interest or necessity demands such improvement shall be adopted only by a vote of five members of the Council and it shall require a vote of two-thirds of the electors voting on each proposition at a regular or special election for the issuance of such bonds before said indebtedness or liability for said improvements may be incurred, except ordinances authorizing such bond issues as are specified in Section 92 of this Article. No bonds, except such bonds as have been heretofore or maybe hereafter issued for the purpose of acquiring, constructing or completing improvements for the development, conservation and furnishing of water as hereinafter provided, shall be issued on the credit of the City which will increase the bonded indebtedness of said City beyond ten

per cent of the assessed valuation of all real and personal property of said City subject to direct taxation as shown by the last preceding valuation for City taxes."

ii. CITY's use of PFFA to issue bonds under the Subsequent Bond Approvals, instead of CITY issuing the bonds in its own name, is an artifice and subterfuge designed to circumvent the voter-assent requirement of Section 90(a) because the transactions contemplated by the Subsequent Bond Approvals are described as creating no more obligation on CITY's part, over and above making lease payments in one fiscal year as consideration for the right to use and possess the leased property during the same period. However, the documents memorializing the contemplated transactions oblige CITY to do more in future fiscal years than simply making such lease payments in exchange for the use and possession of the leased property enjoyed during that year. Such obligations include but are not limited to requiring each member of CITY's city council to commit as part of the Subsequent Bond Approvals to vote and take all other necessary and/or appropriate actions in future fiscal years to allocate, appropriate, and budget enough money to make the lease payments required in those years; creating obligations on the part of CITY to lease its property to PFFA beyond the current fiscal year; and, under Section 3.01 of the master lease recorded as document no. 2012-0382823 in the San Diego County Recorder's Office, requiring CITY to use the sub-leased property so as to permit PFFA to carry out its agreements and covenants contained in the master lease and in the indenture contemplated by the Subsequent Bond Approvals. These obligations are not contingent. Given the structure of the transaction contemplated by the Subsequent Bond Approvals, PFFA could not generate the funds necessary to cover CITY's portion of the costs for the CIP Projects without CITY's consent to participate in the transactions in the manner required by the Subsequent Bond Approvals--even if there were no voter-assent requirement under Section 90(a). Furthermore, CITY's general fund and/or property may be obligated to repay the bonds either indirectly (as rent payments to PFFA, which are in turn used to pay the bonds) or directly (if PFFA defaults on the bonds); in this regard, CITY property has been used as collateral to secure repayment of the bonds, the absence of which would have precluded CITY and PFFA from finding willing purchasers of the bonds; thus, CITY is liable under the Subsequent Bond Approvals for more than making rent payments to PFFA.

iii. According to Report to City Council no. 14-01, the assets of CITY pledged as security for the indebtedness contemplated by the Subsequent Bond Approvals are essential to CITY's core operations.

iv. The Subsequent Bond Approvals must comply with Government Code Section 6547.5. However, compliance with Section 6547.5 requires CITY to contract to expend money beyond the fiscal year in which it receives the bond proceeds contemplated by the Subsequent Bond Approvals.

v. The CIP Projects to be funded pursuant to the Subsequent Bond Approvals are limited to the maintenance of existing public facilities that CITY has heretofore deferred. However, Government Code Section 6546 limits the use of revenue bonds to the purpose of "acquiring or constructing a project," while Section 6548 limits use of the proceeds to "the acquisition, construction and financing of said project." Section 6574 imposes on PFFA the obligation to operate, maintain, and preserve projects financed by bonds it issues in an efficient and economical manner, which obligation is to be performed separately from the acquisition, construction, and financing made possible by the issuance of the bonds.

vi. Contrary to Government Code Section 6552, the bonds contemplated by the Subsequent Bond Approvals do not contain a recital on their face that neither the payment of any portion of the principal nor the interest thereon constitutes a debt, liability, or obligation of RASD or SDHA. Neither RASD nor SDHA is a political subdivision of the State of California.

vii. Contrary to Government Code Section 6572, the security for payment of the bonds contemplated by the Subsequent Bond Approvals is not limited to revenues of a "project" within the meaning of Section 6545. In the event of CITY's default, the trustee identified in the indenture may terminate the lease from CITY to PFFA and re-lease the property to a third party. The trustee's right to re-lease the property is also security for payment of the bonds.

viii. The voters of the City of San Diego have not assented to any aspect of the Subsequent Bond Approvals. Indeed, there has not even been a vote. As such, the bonds contemplated by the Subsequent Bond Approvals could not satisfy the requirements of te Revenue Bond Law of 1941, Government Code Section 54300 *et seq.*, because Section 54380 thereof requires bonds

authorized under such law to be submitted to the voters. Thus, PFFA could not have issued and did not issue the bonds contemplated by the Subsequent Bond Approvals pursuant to Section 6579.

D. The Subsequent Bond Approvals violated Section 93 of the San Diego City Charter. In particular:

i. Section 93 provides as follows: "The City Council may from time to time authorize the advance of moneys in the treasury as a temporary loan to any tax-supported fund, which loan shall be repaid from the first property taxes received thereafter; provided, however, that such temporary loans shall not exceed the current property taxes receivable. It shall be lawful from time to time to advance money in the General Fund to any bond fund or to use any money in the General Fund for any purpose for which a loan shall have been authorized and bonds actually voted but not yet issued and sold, and the City officials need not sell said bonds until it is necessary to repay the General Fund advances or to replenish such loan fund or funds. The credit of the City shall not be given or loaned to or in aid of any individual, association or corporation; except that suitable provision may be made for the aid and support of the poor."

ii. The Subsequent Bond Approvals contemplate that CITY shall give or loan its credit to PFFA, RASD, and/or SDHA, which is done under the artifice and subterfuge of leases between CITY and PFFA.

E. The Subsequent Bond Approvals violated Section 99 of the San Diego City Charter. In particular:

i. Section 99 provides as follows: "The City shall not incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for such year unless the qualified electors of the City, voting at an election to be held for that purpose, have indicated their assent as then required by the Constitution of the State of California, nor unless before or at the time of incurring such indebtedness provision shall be made for the collection of an annual tax sufficient to pay the interest on such indebtedness as it falls due, and also provision to constitute a sinking fund for the payment of the principal thereof, on or before maturity, which shall not exceed forty years from the time of contracting the same."

ii. CITY's use of PFFA to issue bonds under the Subsequent Bond Approvals, instead of CITY issuing the bonds in its own name, is an artifice and subterfuge designed to circumvent the voter-assent requirement of Section 99 because the transactions contemplated by the Subsequent Bond Approvals are described as creating no more obligation on CITY's part, over and above making lease payments in one fiscal year as consideration for the right to use and possess the leased property during the same period. However, the documents memorializing the contemplated transactions oblige CITY to do more in future fiscal years than simply making such lease payments in exchange for the use and possession of the leased property enjoyed during that year. Such obligations include but are not limited to requiring each member of CITY's city council to commit as part of the Subsequent Bond Approvals to vote and take all other necessary and/or appropriate actions in future fiscal years to allocate, appropriate, and budget enough money to make the lease payments required in those years; creating obligations on the part of CITY to lease its property to PFFA beyond the current fiscal year; and, under Section 3.01 of the master lease recorded as document no. 2012-0382823 in the San Diego County Recorder's Office, requiring CITY to use the sub-leased property so as to permit PFFA to carry out its agreements and covenants contained in the master lease and in the indenture contemplated by the Subsequent Bond Approvals. These obligations are not contingent. Given the structure of the transaction contemplated by the Subsequent Bond Approvals, PFFA could not generate the funds necessary to cover CITY's portion of the costs for the CIP Projects without CITY's consent to participate in the transactions in the manner required by the Subsequent Bond Approvals--even if there were no voter-assent requirement under Section 99. Furthermore, CITY's general fund and/or property may be obligated to repay the bonds either indirectly (as rent payments to PFFA, which are in turn used to pay the bonds) or directly (if PFFA defaults on the bonds); in this regard, CITY property has been used as collateral to secure repayment of the bonds, the absence of which would have precluded CITY and PFFA from finding willing purchasers of the bonds; thus, CITY is liable under the Subsequent Bond Approvals for more than making rent payments to PFFA.

iii. According to Report to City Council no. 14-01, the assets of CITY pledged as security for the indebtedness contemplated by the Subsequent Bond Approvals are essential to CITY's core operations.

iv. The Subsequent Bond Approvals must comply with Government Code Section 6547.5. However, compliance with Section 6547.5 requires CITY to contract to expend money beyond the fiscal year in which it receives the bond proceeds contemplated by the Subsequent Bond Approvals.

v. The CIP Projects to be funded pursuant to the Subsequent Bond Approvals are limited to the maintenance of existing public facilities that CITY has heretofore deferred. However, Government Code Section 6546 limits the use of revenue bonds to the purpose of "acquiring or constructing a project," while Section 6548 limits use of the proceeds to "the acquisition, construction and financing of said project." Section 6574 imposes on PFFA the obligation to operate, maintain, and preserve projects financed by bonds it issues in an efficient and economical manner, which obligation is to be performed separately from the acquisition, construction, and financing made possible by the issuance of the bonds.

vi. Contrary to Government Code Section 6552, the bonds contemplated by the Subsequent Bond Approvals do not contain a recital on their face that neither the payment of any portion of the principal nor the interest thereon constitutes a debt, liability, or obligation of RASD or SDHA. Neither RASD nor SDHA is a political subdivision of the State of California.

vii. Contrary to Government Code Section 6572, the security for payment of the bonds contemplated by the Subsequent Bond Approvals is not limited to revenues of a "project" within the meaning of Section 6545. In the event of CITY's default, the trustee identified in the indenture may terminate the lease from CITY to PFFA and re-lease the property to a third party. The trustee's right to re-lease the property is also security for payment of the bonds.

viii. The voters of the City of San Diego have not assented to any aspect of the Subsequent Bond Approvals. Indeed, there has not even been a vote. As such, the bonds contemplated by the Subsequent Bond Approvals could not satisfy the requirements of te Revenue Bond Law of 1941, Government Code Section 54300 *et seq.*, because Section 54380 thereof requires bonds authorized under such law to be submitted to the voters. Thus, PFFA could not have issued and did not issue the bonds contemplated by the Subsequent Bond Approvals pursuant to Section 6579.

ix. The voters of the City of San Diego have not assented to any aspect of the Subsequent Bond Approvals. Indeed, there has not even been a vote.

F. The Subsequent Bond Approvals violated Section 18(a) of Article XVI of the California Constitution. In particular:

i. Section 18(a) provides as follows: "No county, city, town, township, board of education, or school district, shall incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for such year, without the assent of two-thirds of the voters of the public entity voting at an election to be held for that purpose, except that with respect to any such public entity which is authorized to incur indebtedness for public school purposes, any proposition for the incurrence of indebtedness in the form of general obligation bonds for the purpose of repairing, reconstructing or replacing public school buildings determined, in the manner prescribed by law, to be structurally unsafe for school use, shall be adopted upon the approval of a majority of the voters of the public entity voting on the proposition at such election; nor unless before or at the time of incurring such indebtedness provision shall be made for the collection of an annual tax sufficient to pay the interest on such indebtedness as it falls due, and to provide for a sinking fund for the payment of the principal thereof, on or before maturity, which shall not exceed forty years from the time of contracting the indebtedness."

ii. CITY's use of PFFA to issue bonds under the Subsequent Bond Approvals, instead of CITY issuing the bonds in its own name, is an artifice designed to circumvent the voter-assent requirement of Section 18(a). Given the structure of the transaction contemplated by the Subsequent Bond Approvals, PFFA could not generate the funds necessary to cover CITY's portion of the costs for the CIP Projects without CITY's consent to participate in the transaction in the manner required by the Subsequent Bond Approvals--even if there were no voter-assent requirement under Section 18(a). (The allegations of violations of the San Diego City Charter are incorporated by reference to support the violations of the California Constitution.)

iii. The voters of the City of San Diego have not assented to any aspect of the Subsequent Bond Approvals. Indeed, there has not even been a vote.

G. The Subsequent Bond Approvals violated San Diego Municipal Code Section 22.0901. In particular:

i. The transactions contemplated by the Subsequent Bond Approvals involve a lease of CITY property to PFFA and a lease-back of CITY property from PFFA.

ii. Leases of CITY property may not be approved without, among other things, a resolution or ordinance satisfying the requirements of Section 22.0901(a).

iii. The lease of CITY property to PFFA was not accompanied by a resolution or ordinance satisfying the requirements of Section 22.0901(a). By way of example and not limitation, Ordinance O-20350 does not contain a statement of the market value of the real property of CITY that is the subject of the lease.

15. Owing to the Subsequent Bond Approvals' non-compliance with all applicable laws, the Subsequent Bond Approvals are invalid and have no legal effect.

Prayer

FOR ALL THESE REASONS, Plaintiff respectfully prays for the following relief against Defendants (and any and all other parties who may oppose Plaintiff in this proceeding):

A. A judgment determining or declaring that the Subsequent Bond Approvals do not comply with all applicable laws in at least some respect, rendering the Subsequent Bond Approvals null and void, invalid, or otherwise without legal effect;

B. Injunctive relief prohibiting Defendants from taking any of the action contemplated by the Subsequent Bond Approvals unless and until Defendants comply with all applicable legal requirements, as determined by the Court;

C. All legal fees and other expenses incurred in connection with this proceeding, including but not limited to reasonable attorney fees as authorized by the Code of Civil Procedure; and

D. Any and all further relief that this Court may deem appropriate.

Date: June 8, 2014.

Respectfully submitted,

BRIGGS LAW CORPORATION

By: Cory J. Briggs

Cory J. Briggs

Attorneys for Plaintiff San Diegans for Open Government

APPENDIX J

Exempt from fees per Gov't Code § 6103
To the benefit of the City of San Diego

SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN DIEGO

SAN DIEGANS FOR OPEN GOVERNMENT, Plaintiff, v. PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO, *et al.* Defendants.	Case No. 37-2014-00018335-CU-MC-CTL **ORDER OF DISMISSAL WITH PREJUDICE** **IMAGED FILE** Date: January 9, 2015 Time: 2:00 p.m. Judge: Hon. Ronald L. Styn Dept.: 62 Action Date: June 6, 2014

On January 9, 2015, at 2:00 p.m., in Department 62 of the above-captioned Court, located at 330 West Broadway, San Diego, CA 92101, before the Honorable Ronald L. Styn, the Court will hear the Motion for Summary Judgment of Defendants (a) Public Facilities Financing Authority; (b) City of San Diego; (c) City of San Diego, solely in its capacity as the designated successor agency to the Redevelopment Agency of the City of San Diego, a former public body, corporate and politic; and (d) Housing Authority of the City of San Diego (collectively "Defendants") moved for summary judgment on the Reverse Validation Complaint for Declaratory and Injunctive Relief filed by Plaintiff San Diegans for Open Government

("SDOG") on June 6, 2014 (the "Action") and each and every claim, cause of action and request for relief set forth therein. The Court issued a tentative ruling prior to the hearing which is attached hereto as Exhibit A.

IT IS HEREBY ORDERED that the tentative ruling attached hereto as Exhibit A is AFFIRMED and constitutes the ruling of the Court as to the issues before the Court at the January 9, 2015 hearing.

IT IS FURTHER ORDERED that the Action is hereby DISMISSED WITH PREJUDICE.

Dated: _____

_____
Honorable Ronald L. Styn
Judge of the Superior Court

EXHIBIT A

SUPERIOR COURT OF CALIFORNIA,

COUNTY OF SAN DIEGO

HALL OF JUSTICE

TENTATIVE RULINGS - January 09, 2015

EVENT DATE: 01/09/2015 EVENT TIME: 02:00:00 PM DEPT.: C-62

JUDICIAL OFFICER: Ronald L. Styn

CASE NO.: 37-2014-00018335-CU-MC-CTL

CASE TITLE: SAN DIEGANS FOR OPEN GOVERNMENT VS PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO [IMAGED]

CASE CATEGORY: Civil - Unlimited CASE TYPE: Misc Complaints - Other

EVENT TYPE: Summary Judgment / Summary Adjudication (Civil)

CAUSAL DOCUMENT/DATE FILED: Motion for Summary Judgment and/or Adjudication, 10/24/2014

The court rules as follows on Defendants City of San Diego, San Diego Successor Agency, Housing Authority of the City of San Diego and Public Facilities Financing Authority of the City of San Diego's motion for summary judgment.

Pursuant to Government Code § 6599,

(a) In an action filed pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure to determine the validity of any matter of an authority governed by this article, the authority ***and any interested person*** shall serve the Attorney General and the Treasurer with a copy of the complaint filed by the respective party by the first day of the publication of summons as required by Section 861 of the Code of Civil Procedure. A court may render no judgment in the matter or grant other permanent relief to any party except on proof of service of the Attorney General and the Treasurer as required by this section.

It is undisputed that Plaintiff filed its complaint on June 6, 2014, seeking declaratory and injunctive relief pursuant to CCP §§ 860, et seq. and 1060, et seq. [SSUMF 34]; the first day of the publication of summons was June 17, 2014 (with subsequent publications on June 24, 2014 and July 1, 2014) [SSUMF 35]; Plaintiff did not serve a copy of the complaint on the Treasurer or Attorney General on or before June 17, 2014 [SSUMF 36, 37] and Plaintiff served the Treasurer and Attorney General on July 7, 2014 [SSUMF 38, 39].

The court is not persuaded by Plaintiff's argument that Government Code § 6599 applies only to actions initiated by public agencies. The language of § 6599 specifically states that "any interested person shall serve the Attorney General and the Treasurer." Both the Legislative History and the case Plaintiff relies on, *Planning and Conservation League v. Department of Water Resources* (2000) 83 Cal.App.4th 892, as modified on denial of reh'g (Oct. 16, 2000), reference that § 6599 applies to validation proceedings initiated by a public agency. However, neither discusses nor precludes the applicability of § 6599 to actions initiated by interested persons, such as Plaintiff in this case. Nor is the court persuaded by Plaintiff's argument that § 6599 does not provide for a consequence for failure to serve the Attorney General and Treasurer within the proscribed period of time. § 6599 specifically provides: "A court may render no judgment in the matter or grant other permanent relief to any party except on proof of service of the Attorney General and the Treasurer as required by this section." The court finds this provision analogous to one of the statutes at issue in *Royalty Carpet Mills, Inc. v. City of Irvine* (2005) 125 Cal.App.4th 1110, the case Plaintiff relies on. *Royalty Carpet Mills* describes the "consequence"

provision of Government Code § 65009 as follows.
Government Code section 65009 is an excellent example of how the Legislature shows its intention that failure to comply with a short service period shall result in an automatic dismissal of the action. The statute accomplishes this result by providing: "Upon the expiration of the time limits provided for in this section, all persons are barred from any further action or proceeding." (Gov.Code, § 65009, subd. (e).)

Royalty Carpet, 125 Cal.App.4th at 1122. Similarly, pursuant § 6599, absent service of the Attorney General and Treasurer within the proscribed period of time, this court may not render judgment or grant other permanent relief to any party.

FILED
Clerk of the Superior Court
FEB 10 2015
By: K. Mulligan, Deputy
15 FEB 3 PM 2:31

JAN I. GOLDSMITH, City Attorney
DANIEL F. BAMBERG, Assistant City Attorney
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Attorneys for Defendants City of San Diego, City of San Diego Successor Agency, Housing Authority of the City of San Diego and Public Facilities Financing Authority of the City of San Diego

Exempt from fees per Gov't Code § 6103
To the benefit of the City of San Diego

SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN DIEGO

SAN DIEGANS FOR OPEN GOVERNMENT, Plaintiff, v. PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO, *et al.* Defendants.	Case No. 37-2014-00018335-CU-MC-CTL (KM) **~~[PROPOSED]~~ ORDER DENYING PLAINTIFF'S MOTION FOR RELIEF FROM ORDER DISMISSING ACTION WITH PREJUDICE UNDER CODE OF CIVIL PROCEDURE SECTION 473** **IMAGED FILE** Date: January 27, 2015 Time: 8:30 am Judge: Hon. Ronald L. Styn Dept.: 62 Action Date: June 6, 2014

TO ALL PARTIES AND COUNSEL OF RECORD:

PLEASE TAKE NOTICE that on January 27, 2015, at 8:30 a.m., in Department 62 of the above-captioned Court, located at 330 West Broadway, San Diego, CA 92101, before the Honorable Ronald L. Styn, Plaintiff's Motion for Relief Under Code of Civil Procedure Section 473 ("Motion") came on for hearing. Defendants (a) Public Facilities Financing Authority; (b) City of San Diego; (c) City of San Diego, solely in its capacity as the designated successor agency to the Redevelopment Agency of the City of San Diego, a former public body, corporate

and politic; and (d) Housing Authority of the City of San Diego (collectively "Defendants") appeared and opposed the Motion.

After full consideration of the arguments and evidence submitted by the parties, as well as counsels' oral argument, the Court rules as follows:

IT IS HEREBY ORDERED that Plaintiff's Motion for Relief Under Code of Civil Procedure Section 473 is DENIED. The Court is not authorized to grant relief under Code of Civil Procedure Section 473 to excuse SDOG's failure to comply with Government Code Section 6599.

Dated: FEB 1 0 2015

RONALD L. STYN

Honorable Ronald L. Styn
Judge of the Superior Court

APPROVED AS TO FORM:

Dated: JAN. 30, 2015

BRIGGS LAW CORPORATION

By: _____
Cory J. Briggs
Attorneys for Plaintiff San Diegans for Open Government

Dated: 2-2, 2015

JAN I. GOLDSMITH, City Attorney

By: _____
Meghan Ashley Wharton
Deputy City Attorney
Attorneys for Defendants Public Facilities Financing Authority of the City of San Diego, City of San Diego, City of San Diego Successor Agency and Housing Authority of the City of San Diego