

**ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013
RELATING TO**

\$453,775,000

**PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
SENIOR SEWER REVENUE BONDS, SERIES 2009A**

\$634,940,000

**PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
SENIOR SEWER REVENUE REFUNDING BONDS, SERIES 2009B**

\$161,930,000

**PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
SENIOR SEWER REVENUE REFUNDING BONDS, SERIES 2010A**

(CUSIP Number 79730A)

Introduction

The Public Facilities Financing Authority of the City of San Diego Senior Sewer Revenue Bonds, Series 2009A (“2009A Bonds”), Senior Sewer Revenue Refunding Bonds, Series 2009B (“2009B Bonds”) and Senior Sewer Revenue Refunding Bonds, Series 2010A (“2010A Bonds”) are collectively referred to as the “Outstanding Sewer Bonds”.

This Annual Report for the Fiscal Year ended June 30, 2013 is provided by the City of San Diego (the “City”), on behalf of itself and the Public Facilities Financing Authority of the City of San Diego (the “Authority”), pursuant to the Continuing Disclosure Certificates (the “Certificates”) between the City and The Bank of New York Mellon Trust Company, as Trustee (the “Trustee”), relating to the Outstanding Sewer Bonds, entered into to allow the respective underwriters to comply with Securities and Exchange Commission Rule 15c2-12.

This Annual Report is being transmitted electronically by the City to the Electronic Municipal Market Access (“EMMA”) System of the Municipal Securities Rulemaking Board (“MSRB”). This Annual Report is provided in accordance with the terms of the Continuing Disclosure Certificates and does not purport to provide full and complete information on the terms of the above stated issuances. The filing of this Annual Report does not constitute or imply any representation that no changes, circumstances or events have occurred since the end of the Fiscal Year to which this Annual Report relates (other than as contained in this Annual Report), or that no other information exists, which may have a bearing on the security for the above stated issuances or an investor’s decision to buy, sell or hold the above-stated issuances. Certain information and data provided herein was obtained from sources other than the City (“Outside Information”), as indicated by the source citations. Although the information contained in this Annual Report has been obtained from sources that are believed to be reliable, the City has not independently verified such Outside Information, and the City cannot guarantee its completion or accuracy. No statement in this Annual Report should be construed as a prediction or representation about future financial performance of the City, the Authority, the Wastewater System or the Outstanding Sewer Bonds.

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

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

DATED: 3/21, 2014

CITY OF SAN DIEGO

By: Mary Lewis
Mary Lewis
Chief Financial Officer

Distribution: The Bank of New York Mellon Trust Company (Trustee)

FINANCIAL AND OPERATING DATA

As required by the Continuing Disclosure Certificates of the Outstanding Sewer Bonds, below are updates for the Tables titled “Metropolitan Sub-System City and Participating Agencies Flow and Capacity Rights,” “Wastewater System Total Annual Flow,” “Wastewater System Historical Sources of Sewer Service Charge Revenues,” “Municipal Sub-System Ten Largest Customers,” “Approved Rate Increases for Single Family Residential, Multifamily and Commercial and Industrial Customers,” “Sewer Customer Accounts Receivable and Shut-Offs,” “Municipal Sub-System Sewer Revenue Fund Historical Capacity Charge Revenues,” “Rate History for Sewer Capacity Charges,” “Statements of Revenues, Expenses and Changes in Fund net Assets,” “Sewer Revenue Fund Reserves,” “Calculation of Historic Parity Debt Service Coverage,” “Liability Claims Budgeted and Expenditures,” “City of San Diego Pooled Investment Fund” and “City of San Diego Schedule of Funding Progress”.

Updates of information under the heading “WASTEWATER SYSTEM FINANCIAL OPERATIONS” under the captions “Labor Relations,” “Insurance and Liability Claims,” “Investment of Funds,” “Wastewater System Share of Contribution to Pension System,” and “Postemployment Healthcare Benefits” for the Outstanding Sewer Bonds are also contained in this Annual Report.

The City of San Diego’s Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2013 (“CAFR”), which includes the City’s Fiscal Year 2013 audited financial statements, was electronically transmitted to the Electronic Municipal Market Access (“EMMA”) System of the Municipal Securities Rulemaking Board (“MSRB”) on February 11, 2014.

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**METROPOLITAN SUB-SYSTEM
CITY AND PARTICIPATING AGENCIES FLOW AND CAPACITY RIGHTS
Fiscal Year ended June 30, 2013
(Unaudited)**

Participating Agencies	Estimated Population ⁽¹⁾	Capacity Rights (in mgd)	% of Total Capacity	Average Flow (mgd)	% of Total Average Flow
City of Chula Vista	255,407	20.865	8.182%	16.006	9.975%
City of Coronado	25,500	3.250	1.275%	1.639	1.021%
City of Del Mar	4,241	0.876	0.344%	0.561	0.350%
City of El Cajon	100,000	10.915	4.280%	7.238	4.511%
City of Imperial Beach	29,500	3.755	1.473%	2.199	1.370%
City of La Mesa	58,925	6.993	2.742%	4.603	2.869%
City of National City	58,967	7.488	2.937%	3.985	2.484%
City of Poway	43,664	5.894	2.311%	2.910	1.814%
County/Spring Valley Sanitation Districts ⁽²⁾	147,188	17.503	6.864%	11.107	6.922%
Lemon Grove Sanitation District	25,460	3.027	1.187%	2.084	1.299%
Otay Water District	5,250	1.287	0.505%	0.161	0.100%
Padre Dam Municipal Water District	52,100	6.225	2.441%	2.157	1.344%
SUBTOTAL	806,202	88.078	34.540%	54.650	34.058%
City of San Diego	1,354,349	166.922	65.460%	105.822	65.942%
TOTAL	2,160,551	255.000	100.000%	160.472 ⁽³⁾	100.000%

(1) Participating Agencies provided population figures for their respective agencies. Population served by the Metropolitan System is from the latest SANDAG information.

(2) This agency uses the San Diego County Facility Plan for their population figures, and reflects the combined East Otay, Lakeside-Alpine, Wintergardens, and Spring Valley Sanitation Districts.

(3) Excludes flow through plants that are not part of the Metropolitan Sub-System - Escondido Plant and Solana Beach (serviced by the San Elijo Plant), and flow of reclaimed water through the North City Plant.

Source: Participating Agencies and Public Utilities Department, City of San Diego.

**WASTEWATER SYSTEM
TOTAL ANNUAL FLOW ⁽¹⁾**

(In Million Gallons)

**Fiscal Year ended June 30, 2004 through Fiscal Year ended June 30, 2013
(Unaudited)**

Fiscal Year Ended June 30	City Flow Through Point Loma Plant	Participating Agency Flow Through Point Loma Plant	City Flow Through Escondido Plant ⁽²⁾	City Flow Through San Elijo Plant ⁽²⁾	Reclaimed Water Through North City Plant	City Flow Through South Bay Plant	Total System Flow	Average MGD For The Year
2004	40,665	21,688	1,342	32	1,182	1,702	66,611	182
2005	43,817	23,124	1,439	32	522	1,726	70,660	194
2006	42,240	22,270	1,279	32	1,259	1,632	68,712	188
2007	38,295	21,886	1,106	32	1,544	2,949	65,812	180
2008	37,207	21,849	1,096	32	1,749	3,210	65,143	178
2009	36,752	21,174	1,065	32	2,402	3,106	64,531	177
2010	36,995	20,488	1,022	32	1,931	2,986	63,454	174
2011	37,607	21,259	1,058	32	1,872	3,026	64,855	178
2012	36,484	20,721	1,000	32	1,925	2,957	63,120	172
2013	35,686	19,948	968	32	2,181	2,938	61,753	169

(1) Wastewater System consists of the Metropolitan Sub-System (collects and treats the wastewater generated by the City and 12 other agencies) and the Municipal Sub-System (all elements required for the collection and conveyance of the wastewater generated by the City).

(2) The City does not treat flows through the Escondido Plant or the San Elijo Plant.

Source: Public Utilities Department, City of San Diego.

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WASTEWATER SYSTEM
HISTORICAL SOURCES OF SEWER SERVICE CHARGE REVENUES ⁽¹⁾
Fiscal Years Ending June 30, 2009 through June 30, 2013
(\$ In Thousands)
(Unaudited)

<u>Sources</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Single Family Domestic	\$112,564	\$125,924 ⁽⁴⁾	\$119,482	\$112,996	\$114,356
Other Domestic	88,426	94,101	90,221	90,069	80,527
Commercial	68,640	70,908	68,198	89,677 ⁽⁵⁾	92,523
Industrial	6,866	8,172	7,050	0 ⁽⁵⁾	0
Treatment Plant Service for Others ⁽²⁾	<u>41,978</u> ⁽³⁾	<u>77,298</u>	<u>66,943</u>	<u>71,366</u>	<u>67,940</u>
TOTAL	<u>\$318,474</u>	<u>\$376,403</u>	<u>\$351,894</u>	<u>\$364,108</u>	<u>\$355,346</u>

- (1) Constitutes a component of System Revenues; does not include capacity charges or other operating revenues which are included in calculating Net System Revenues.
- (2) Includes sewer service charge revenues from Participating Agencies, the United States Navy and other agencies.
- (3) Reflects cumulative credits from prior years due to Participating Agencies.
- (4) Last year of a multi-year rate increase (see "Wastewater System Approved Rate Increases for Single Family Residential, Multifamily and Commercial and Industrial Customers" table).
- (5) Fiscal Year 2012 "Commercial" and "Industrial" have been combined into one customer type. In addition to this consolidation, the significant increase in revenue between Fiscal Year 2011 and Fiscal Year 2012 can be attributed to the implementation of a new customer billing system in July 2011 due to which approximately \$5 million earned in Fiscal Year 2011 was recognized in Fiscal Year 2012, resulting in a one-time variance of approximately \$10 million.

Source: Comptroller's Office, City of San Diego.

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**MUNICIPAL SUB-SYSTEM
TEN LARGEST CUSTOMERS ⁽¹⁾
Fiscal Year Ended June 30, 2013
(Unaudited)**

	<u>Sewer Billings</u>	<u>Percent of Total Operating Revenues ⁽²⁾</u>
U.S. Navy	\$13,273,279	3.67%
C.P. Kelco	3,875,662	1.07%
University of California, San Diego	3,515,495	0.97%
Federal Government ⁽³⁾	1,586,976	0.44%
R.J. Donovan Correctional Facility	1,530,458	0.42%
City of San Diego	1,409,778	0.39%
San Diego Unified School District	1,031,816	0.29%
County of San Diego	1,011,931	0.28%
East Mesa Detention Facility	897,983	0.25%
San Diego State University	858,714	0.24%
TOTAL ⁽⁴⁾	<u><u>\$28,992,092</u></u>	<u><u>8.02%</u></u>

(1) Does not include Participating Agencies or customers served by Participating Agencies.

(2) Reflects percentage of total operating revenues of the Municipal Sub-System; includes revenues from Participating Agencies. See the line item entitled "Total Operating Revenues" in "Statement of Revenues, Expenses and Changes in Fund Net Assets" herein.

(3) Excludes the United States Navy.

(4) Amounts may not total due to rounding.

Source: Public Utilities Department (billings) and Comptroller's Office (revenues), City of San Diego.

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WASTEWATER SYSTEM
APPROVED RATE INCREASES FOR SINGLE FAMILY RESIDENTIAL,
MULTIFAMILY AND COMMERCIAL AND INDUSTRIAL CUSTOMERS
Through Fiscal Year Ending June 30, 2013
(Unaudited)

<u>Effective Date</u>	<u>Single Family Domestic</u> ⁽¹⁾	<u>All Classes % Rate Increase</u>	<u>Uniform Base Fee</u>	<u>Single Family Residential \$/HCF water</u>	<u>Multifamily (Other Domestic) Usage Fee \$/HCF water</u>	<u>Commercial & Industrial Customers</u>		
						<u>\$/HCF Monthly Wastewater Flow</u>	<u>\$/LB Total Suspended Solids</u>	<u>\$/LB Chemical Oxygen Demand</u>
May 1, 2007	\$38.32	8.75%	\$12.31	\$2.890	\$4.038	\$3.0257	\$0.4431	\$0.1801
November 1, 2007 ⁽²⁾	\$39.49	3.05%	\$12.69	\$2.978	\$4.161	\$3.1180	\$0.4566	\$0.1856
May 1, 2008	\$42.94	8.75%	\$13.80	\$3.239	\$4.525	\$3.3908	\$0.4966	\$0.2018
May 1, 2008 ⁽²⁾	\$44.25	3.05%	\$14.22	\$3.338	\$4.663	\$3.4942	\$0.5117	\$0.2080
May 1, 2009	\$47.35	7.00%	\$15.21	\$3.571	\$4.990	\$3.7388	\$0.5475	\$0.2225
May 1, 2010	\$50.67	7.00%	\$16.28	\$3.821	\$5.339	\$4.0005	\$0.5859	\$0.2381
March 1, 2012 ⁽²⁾	\$47.71	-5.83%	\$15.33	\$3.598	\$5.028	\$3.7672	\$0.5517	\$0.2242

(1) Represents the average monthly amount and new customer amount.

(2) Shames Settlement Agreement started November 2007 and ended in March 2012.

Source: Public Utilities Department, City of San Diego.

WASTEWATER CUSTOMER ACCOUNTS RECEIVABLE AND SHUT-OFFS
For Fiscal Years Ending June 30, 2009 to 2013
(\$ In Thousands)
(Unaudited)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Sewer Service Charge Revenue	\$318,474	\$376,403	\$351,894	\$364,108	\$355,346
Accounts Receivable ⁽¹⁾	\$20,112	\$23,024	\$15,547	\$20,042	\$20,784
Accounts Receivable Over 120 Days ⁽¹⁾⁽²⁾	\$2,567	\$2,985	\$3,115	\$4,607	\$3,654
Number of Shut-Offs ⁽³⁾	23,650	26,875	23,271	22,203	19,363

(1) Excludes amounts payable by Participating Agencies.

(2) Estimated.

(3) Information provided by the Customer Care Solutions system does not differentiate between water and sewer shut-offs.

Source: Comptroller's Office and Public Utilities Department, City of San Diego.

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**MUNICIPAL SUB-SYSTEM
SEWER UTILITY FUND
HISTORICAL CAPACITY CHARGE REVENUES
Fiscal Years Ending June 30, 2009 through June 30, 2013
(\$ In Thousands)
(Unaudited)**

Fiscal Year	Equivalent Dwelling Units	Capacity Charge Revenues
2009 ⁽¹⁾	2,651	\$10,361
2010	1,230	\$5,068
2011	2,245 ⁽²⁾	\$9,256
2012	2,228	\$9,290
2013	3,801	\$14,041

(1) Amount for Fiscal Year 2009 includes a one-time payment for 1,432 EDUs resulting in Capacity Charge revenues of \$5.9 million from the City's General Fund in connection with the City's Convention Center dewatering project.

(2) Revised from 2,474 subsequent to the issue of the FY2011 Annual Report.

Source: Public Utilities Department and the Comptroller's Office, City of San Diego.

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RATE HISTORY FOR SEWER CAPACITY CHARGES

<u>Effective Date</u>	<u>(Per Unit)</u>	<u>% Change</u>
July 1, 1991	\$4,484	16%
July 1, 1992	\$5,201	16%
July 1, 1993	\$6,033	16%
July 1, 1994	\$6,998	16%
April 22, 1996 ⁽¹⁾	\$2,500	(64%)
July 1, 2004 ⁽²⁾	\$3,710	48%
May 1, 2007 ⁽³⁾	\$4,124	11%

-
- (1) Capacity charge decreased to \$2,500 pursuant to City Council Resolution No. R-287543 to encourage building activity.
(2) Capacity charge increased to \$3,710 pursuant to City Council Resolution No. R-299321 based on results of the October 2003 Cost of Service Study.
(3) The last Capacity charge increased to \$4,124 pursuant to City Council Resolution No. R-302378 dated February 26, 2007 based on results of the December 2006 Cost of Service Study.

Source: Public Utilities Department, City of San Diego.

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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS ⁽¹⁾
(\$ In Thousands)

Fiscal Years Ending June 30, 2009 through June 30, 2013
(Audited, except as otherwise noted)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
OPERATING REVENUES					
Sewer Service Charges:					
Inside City:					
Domestic ⁽²⁾	\$ 200,990	\$ 220,025	\$ 209,703	\$ 203,065	\$ 194,883
Commercial and Industrial ⁽²⁾	75,506	79,080	75,248	89,677	92,523
Outside City:					
Treatment Plant Service for Others ⁽²⁾	41,978 ⁽³⁾	77,298	66,943	71,366	67,940
Subtotal: Sewer Service Charges ⁽⁴⁾	\$ 318,474	\$ 376,403	\$ 351,894	\$ 364,108	\$ 355,346
Services provided to City departments ^{(2) (5)}	-	2,237	2,189	1,779	1,870
Total Charges for Services ⁽⁵⁾	\$ 318,474	\$ 378,640	\$ 354,083	\$ 365,887	\$ 357,216
Other Operating Revenues ⁽⁵⁾	4,097	3,485	3,648	4,412	4,421
TOTAL OPERATING REVENUES	\$ 322,571	\$ 382,125	\$ 357,731	\$ 370,299	\$ 361,637
OPERATING EXPENSES					
Maintenance and Operations	\$ 119,470	\$ 136,820	\$ 134,696	\$ 129,343	\$ 121,990
Administration	71,300	80,879	63,875	65,191	73,648
Depreciation	76,554	66,523	63,488	65,186	68,452
TOTAL OPERATING EXPENSES	\$ 267,324	\$ 284,222	\$ 262,059	\$ 259,720	\$ 264,090
OPERATING INCOME (LOSS)	\$ 55,247	\$ 97,903	\$ 95,672	\$ 110,579	\$ 97,547
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments	\$13,454	\$10,612	\$7,454	\$6,266	\$647
Federal Grant Assistance	-	175	380	336	9
Other Agency Grant Assistance	167	165	-	-	-
Gain (Loss) on Sale / Retirement of Capital Assets	(3,525)	(558)	(1,961)	(1,387)	(1,647)
Debt Service Interest Expense	(46,151)	(53,348)	(51,112)	(49,586)	(53,580)
Other	5,244	7,750	6,404	5,116	8,260
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ (30,811)	\$ (35,204)	\$ (38,835)	\$ (39,255)	\$ (46,311)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS					
	\$ 24,436	\$ 62,699	\$ 56,837	\$ 71,324	\$ 51,236
Capital Contributions	28,780	21,346	12,345 ⁽⁶⁾	17,883	23,228
Transfers In	616	316	147	130	92
Transfers from Governmental Funds	1,238	-	-	-	275
Transfers Out	(59)	(119)	(10)	(1,103)	(1,346)
Transfers to Governmental Funds	(3,550)	(883)	(192)	(6,495)	(8,232)
Extraordinary Gains				1,180 ⁽⁷⁾	(1,180) ⁽⁸⁾
CHANGE IN NET ASSETS	\$ 51,461	\$ 83,359	\$ 69,127	\$ 82,919	\$ 64,073
Net Assets at Beginning of Year	\$1,939,979	\$1,991,440	\$2,074,799	\$2,143,926	\$2,226,845
NET ASSETS AT END OF YEAR	\$1,991,440	\$2,074,799	\$2,143,926	\$2,226,845	\$2,290,918

Source: Comprehensive Annual Financial Reports for Fiscal Years 2009 through 2013

(1) Terms used in this table are derived from the City's CAFR for the indicated year. Certain terms included in this table do not have the meanings ascribed to them in the Installment Purchase Agreement. Also, amounts included in this table reflect the application of generally accepted accounting principles ("GAAP") and, as such, do not match tables in the Official Statement that were not prepared in accordance with GAAP.

(2) Unaudited.

(3) Reflects cumulative credits from prior years due to Participating Agencies.

(4) Fiscal Years 2009 Audited; Fiscal Years 2010 - 2013 Unaudited.

(5) Commencing Fiscal Year 2010, charges for services provided to City departments are included in the "Charges for Services" line item; in prior years, such charges were included under "Other Operating Revenues" line item.

(6) Reflects fewer developer contributed infrastructure asset installations and related capacity fee receipts.

(7) Extraordinary Gain resulting from the dissolution of the Redevelopment Agency.

(8) Extraordinary Loss resulting from prior year unpaid loan receivable from Redevelopment Agency that will not be repaid.

Source of Footnotes: Public Utilities Department, Unaudited.

SEWER UTILITY FUND RESERVES ⁽¹⁾
Fiscal Year Ended June 30, 2013
(\$ In Thousands)
(Unaudited)

<u>Fund</u>	<u>Reserve Amount</u>
Rate Stabilization Fund	\$21,300
Operating Reserve	43,724
Capital Reserve	5,000
Appropriated Reserve	3,500
Dedicated Reserve for Efficiencies and Savings	<u>27,044</u>
Total	<u>\$100,568</u>

(1) Does not include SRF loan reserve funds and Bond Debt Service Reserve Funds.

Source: Public Utilities Department, City of San Diego.

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CALCULATION OF HISTORIC SENIOR AND AGGREGATE DEBT SERVICE COVERAGE

**Fiscal Years 2009 through 2013
(\$ In Thousands)
(Unaudited)**

Fiscal Year Ended June 30	Total System Revenues⁽²⁾	Total Maintenance and Operations Costs (Excludes Depreciation)⁽³⁾	Net System Revenues	<u>Senior Debt Service</u>			<u>All Obligations⁽¹⁾</u>		
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Senior Debt Service Coverage</u>	<u>Total Debt Service</u>	<u>Aggregate Debt Service Coverage</u>
2009	\$353,447	\$197,380	\$156,067	\$31,700	\$45,356	\$77,056	2.03	\$94,305	1.65
2010	\$406,076	\$220,701	\$185,375	\$43,320	\$59,909	\$103,229	1.80	\$109,288	1.70
2011	\$380,575	\$198,773	\$181,802	\$42,620	\$59,868	\$102,488	1.77	\$108,547	1.67
2012	\$391,587	\$202,132	\$189,455	\$44,230	\$58,253	\$102,483	1.85	\$108,542	1.75
2013	\$385,211	\$205,215	\$179,996	\$46,120	\$56,368	\$102,488	1.76	\$108,547	1.66

Source: Statistical Section (Unaudited) of Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2013.

- (1) All Obligations include Senior Obligations, Subordinated Obligations and the Existing State Revolving Fund Loans.
- (2) System Revenues as defined in the legal documents for the Outstanding Sewer Bonds include Operating and Non-Operating receipts (i.e. interest earnings, capacity charges, and other income) as well as Transfers and the cash-based components of Capital Contributions.
- (3) Total Maintenance and Operations Costs as defined in the legal documents for the Outstanding Sewer Bonds include expenses related to maintenance and operations, administration, and transfers to other funds (including Governmental Funds, Rate Stabilization Fund, and other Funds).

Source of Footnotes: Public Utilities Department, Unaudited.

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Investment of Funds (As of June 30, 2013)

Refer to Note 3, "Cash and Investments," to the Fiscal Year 2013 CAFR for information regarding Investment of Funds as of June 30, 2013.

Investment of Funds (As of December 31, 2013)

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, 2013, approximately 10% of the pool investments mature within 62 days, 13% within 92 days, 27% within 184 days, 44% within 1 year, 75% within 2 years, 97% within 3 years, and 100% within 5 years (on a cumulative basis). As of December 31, 2013, the City Treasurer's Pooled Investment Fund had a weighted average maturity of 1.31 years (478 days) and its weighted average yield was 0.41%. 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 1.70 years as of December 31, 2013. 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 1.70% 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.

CITY OF SAN DIEGO POOLED INVESTMENT FUND

At December 31, 2013
(in thousands)
(unaudited)

<i>Investment Instrument</i>	<i>Book Value</i>	<i>Fair Value</i>	<i>Percent of Total⁽¹⁾</i>
U.S. Treasury Notes	\$ 949,237	\$ 949,863	48.71%
Agency Discount Notes	59,948	59,965	3.08
Agency Notes & Bonds	493,466	493,042	25.32
Commercial Paper	149,778	149,823	7.69
Corporate Notes & Bonds	107,880	107,432	5.54
Local Agency Investment Fund	49,701	49,701	2.55
Repurchase Agreement	22,500	22,500	1.14
Negotiable Certificates of Deposit	50,000	50,006	2.57
Municipal Securities	10,148	10,148	0.52
Asset Backed Securities	56,029	56,050	2.88
TOTAL INVESTMENTS	\$ 1,948,685	\$ 1,948,529	100.00%

⁽¹⁾ Based on book value.

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

Labor Relations

General

The City has five labor organizations which represent classified employees. They are the Municipal Employees Association (MEA), the American Federation of State, County, and Municipal Employees Local 127 (Local 127), the Police Officers Association (POA), the International Association of Firefighters Local 145 (Local 145), and the California Teamsters Local 911 (Local 911) who represent lifeguards. A sixth labor organization, the Deputy City Attorneys Association (DCAA) represents unclassified deputy city attorneys. Certain City employees are unrepresented.

As of July 1, 2013, there were 866.1 regular full time employees of the Public Utilities Department (Wastewater Branch), of which 501.9 were represented by the MEA, and 318.6 were represented by AFSCME Local 127. The remaining 45.6 employees were unrepresented. The two bargaining units represent approximately 95% of the Public Utilities Department's employees (Wastewater Branch).

Labor Contracts

Beginning in Fiscal Year 2010, the City negotiated or imposed a general salary freeze and 6 percent reduction in overall compensation for all employee organizations and for unrepresented employees, which continued through Fiscal Year 2013. Effective on July 1, 2013, the City entered into New Labor Agreements with each of its employee organizations pursuant to the terms of Proposition B, which was approved by voters on June 5, 2012. For a period of up to five years, there will be no cost-of-living or general pensionable pay increases for the represented employees covered by the New Labor Agreements. However, individual employees may still receive merit increases or promotions within the parameters of the Fiscal Year 2011 salary schedules.

The New Labor Agreements maintain the salary schedules and tables from the Fiscal Year 2011 Salary Ordinance for a five-year period, which is consistent with San Diego Charter Section 70.2. 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 through reductions or eliminations of mandatory furlough hours and increases to the annual flexible benefit allotments paid by the City to employees. Each of the New Labor Agreements includes a partial restoration of the 6 percent compensation reduction in the first three fiscal years, Fiscal Years 2014 through 2016, with reopeners in Fiscal Years 2017 and 2018 to meet and confer solely regarding increases to non-pensionable compensation. Each employee organization receives the partial restoration of the 6 percent compensation reduction through different non-pensionable pay components, as discussed below.

MEA: Most MEA-represented employees have had their mandatory furlough hours reduced from 52 to 26 hours in Fiscal Year 2014 and these hours will be eliminated in Fiscal Year 2015. 52 hours of mandatory furlough is eliminated entirely in Fiscal Year 2014 for employees in specified public safety support-related classifications. The annual flexible benefit allotment was increased in Fiscal Year 2014 for MEA-represented employees. The remaining retirement offset contribution of 0.4 percent for MEA-represented employees was eliminated in Fiscal Year 2014. The pay reduction for hourly MEA-represented employees was reduced from 3 percent to 1.25 percent in Fiscal Year 2014 and, in Fiscal Year 2015, the remaining reduction of 1.25 percent will be eliminated. In Fiscal Years 2015 and 2016, the annual flexible benefit allotments will also be increased. 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: In Fiscal Years 2014 through 2016, employees represented by AFSCME Local 127 will receive non-pensionable increases to their annual flexible benefit allotments, totaling a 5.25 percent increase in overall compensation. 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 Fiscal Years 2014 through 2016, employees represented by POA will have 5 percent of their 6 percent reduction in compensation from Fiscal Year 2010 restored through non-pensionable increases to their annual flexible benefit allotments. POA 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 with a minimum of 1 percent for each Fiscal Year upon the POA's exercise of the reopener.

IAFF Local 145: In Fiscal Years 2014 through 2016, employees represented by IAFF Local 145 will have 5.25 percent of their 6 percent reduction in compensation from Fiscal Year 2010 restored through non-pensionable increases to their annual flexible benefit allotments. 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: 52 hours of mandatory furlough for employees represented by Teamsters Local 911 was entirely eliminated in Fiscal Year 2014. The remaining retirement offset contribution of 2.3 percent for Teamster Local 911 represented employees was eliminated in Fiscal Year 2014. Teamsters Local 911-represented employees will receive increases to their annual flexible benefit allotments in Fiscal Years 2014 through 2016. The pay reduction for hourly represented employees will be reduced from 3 percent to 0.75 percent. The 6 percent reduction in compensation the employees represented by Teamsters Local 911 took in Fiscal Year 2010 is being restored by 5.25 percent, with 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: 32 hours of mandatory furlough for employees represented by the DCAA was eliminated in Fiscal Year 2014. In Fiscal Years 2014 through 2016, DCAA-represented employees will receive an increase in their annual flexible benefit allotments. From Fiscal Years 2014 through 2016, DCAA-represented employees will have 5.25 percent of their compensation restored, from the 6 percent reduction taken in Fiscal Year 2010. 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.

Unrepresented: Unrepresented employees had their 6.4 percent reduction in compensation, which was taken through elimination of retirement offset contributions and a salary reduction, modified in Fiscal Year 2014. The salary reduction of 3 percent was lowered to 1.25 percent for unrepresented, non-safety and lifeguard employees in Fiscal Year 2014. The salary reduction of 1.9 percent was lowered to 0.15 percent for unrepresented, police safety employees and the salary reduction of 1.7 percent was eliminated for unrepresented, fire safety employees in Fiscal Year 2014. The unrepresented employees are not parties to the New Labor Agreements and compensation for unrepresented employees can change year to year.

Insurance and Liability Claims

The City does not maintain casualty insurance on the pipelines of the Wastewater System because such insurance is not commercially available.

The table below sets forth the budget and expenditures for liability claims of the Wastewater System for Fiscal Years 2009 through 2013.

LIABILITY CLAIMS BUDGET AND EXPENDITURES
Fiscal Years Ending June 30, 2009 through June 30, 2013
(Unaudited)

<u>Fiscal Year</u>	<u>Budget</u>	<u>Expenditures</u> ⁽¹⁾
2009	\$1,283,412	\$884,769
2010	\$900,202	\$1,339,687
2011	\$1,001,422	\$2,016,934
2012	\$851,702	\$2,562,934
2013	\$851,702	\$2,209,086

(1) Over-budget expenditures are paid from Sewer Revenue Fund balance available for appropriation.

Source: Public Utilities Department and Risk Management Department, City of San Diego.

In addition, see Note 15 “Risk Management” in the City’s Fiscal Year 2013 CAFR.

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Pension Plan

The Table below sets forth the City's portion of SDCERS historical funding progress for Fiscal Years 2004 through 2013. In addition, refer to Note 12, "Pension Plans," in the Fiscal Year 2013 CAFR.

**CITY OF SAN DIEGO
SCHEDULE OF FUNDING PROGRESS
Fiscal Years 2004 through 2013
(\$ In Thousands)
(Unaudited)**

<u>Valuation Date (June 30)</u>	<u>Actuarial Value of Assets</u>	<u>Market Value of Assets</u>	<u>AAL</u>	<u>Funded Ratio (Actuarial)</u>	<u>Funded Ratio (Market)</u>	<u>UAAL (Actuarial)</u>	<u>AAL less Market Value of Assets</u>	<u>Covered Payroll⁽⁵⁾</u>	<u>UAAL to Covered Payroll</u>
2004 ⁽¹⁾	\$2,628,680	\$2,847,479	\$3,997,328	65.8%	71.2%	\$1,368,648	\$1,149,849	\$540,181	253.4%
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 ⁽²⁾	3,981,932	3,981,932	4,982,699	79.9	79.9	1,000,767	1,000,767	534,103	187.4
2007 ⁽³⁾	4,413,411	4,641,341	5,597,653	78.8	82.9	1,184,242	956,312	512,440	231.1
2008 ⁽¹⁾	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	2,106,408	2,802,279	536,591	392.6
2010	4,382,047	3,900,537	6,527,224	67.1	59.8	2,145,177	2,626,687	530,238	404.6
2011 ⁽⁴⁾	4,739,399	4,848,054	6,917,175	68.5	70.1	2,177,776	2,069,116	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 ⁽⁶⁾	5,317,778	5,395,158	7,555,527	70.4	71.4	2,237,749	2,160,369	499,463	448.0

⁽¹⁾ Reflects revised actuarial assumptions.

⁽²⁾ Reflects revised actuarial methodologies.

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

⁽⁴⁾ Reflects revised actuarial methodologies and assumptions.

⁽⁵⁾ Covered payroll includes all elements of compensation paid to active City employees on which contributions to the pension plan are based.

⁽⁶⁾ Reflects revised actuarial methodologies and assumptions. The discount rate was lowered from 7.5% to 7.25% and the wage inflation rate was reduced from 3.75% to 3.3%.

Source: SDCERS Comprehensive Annual Financial Reports for 2004 through 2012; Cheiron Actuarial Valuations; Comptroller's Office, City of San Diego.

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Wastewater System Share of Contribution to Pension System

The Table below sets forth the City’s ARC and pension payments for Fiscal Years 2010 through 2014, as well as the amounts related specifically to the Wastewater System. In addition, refer to Note 12, “Pension Plans,” to the Fiscal Year 2013 CAFR.

WASTEWATER SYSTEM PENSION CONTRIBUTION Fiscal Years 2010 through 2014⁽¹⁾ (\$ In Thousands)

Fiscal Year Ended June 30	Pension Plan ARC	Preservation of Benefits Plan ARC	Total Plan ARC ⁽²⁾	Pension Plan Contribution	POB Plan Contribution	Total Pension Contribution ⁽³⁾	Sewer System Contribution	Sewer System Contribution (% of O&M)
2010	\$154,200	\$1,000	\$155,200	\$161,700	\$1,370	\$193,880	\$11,655 ⁽⁴⁾	4.1%
2011	229,100	1,817	230,917	229,100	1,323	230,423	15,455 ⁽⁴⁾	5.9
2012	231,200	1,269	232,469	231,200	1,687	232,828	14,198	5.5
2013	231,100	1,314	232,414	231,100	1,572	232,672	13,636	5.2
2014	275,400	708	276,108	275,401	1,700	277,101	18,361	5.4

(1) Fiscal Years 2010 – 2013: Actuals; Fiscal Year 2014: Budget.

(2) Includes core pension ARC and Preservation of Benefits (POB) Plan ARC. See Note 12 in City’s Fiscal Year 2013 CAFR for more information on Pension Plan ARC and POB Plan ARC. Per IRS guidelines, the City may not pre-fund the POB Plan. Therefore, plan contributions may differ from the Total ARC in any given year.

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

(4) Revised as of December 2012.

Source: City of San Diego Comprehensive Annual Financial Reports; Cheiron Actuarial Valuations; Department of Financial Management; Office of the City Comptroller and Public Utilities Department.

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Other Postemployment Healthcare Benefits

The Table below sets forth the City's OPEB ARC and City's contributions for Fiscal Years 2010 through 2014, as well as the amounts related specifically to the Wastewater System. In addition, refer to Note 13, "Other Postemployment Benefits," in the Fiscal Year 2013 CAFR.

**WASTEWATER SYSTEM
RETIREE HEALTH CONTRIBUTION
Fiscal Years 2010 through 2014⁽¹⁾
(\$ In Thousands)**

Fiscal Year	OPEB ARC (Defined Benefit Plan)	Total City Retiree Health Contribution ⁽²⁾	Sewer Fund Retiree Health Contribution	Sewer Fund Contribution % of O&M
2010	\$113,426	\$56,689	\$4,532 ⁽³⁾	1.6%
2011	120,324	58,868	5,285 ⁽³⁾	2.0
2012 ⁽³⁾	49,061	58,333	7,057	2.7
2013	35,348	57,832	4,362	1.7
2014 ⁽⁴⁾	38,096	57,883	5,073	1.5

(1) Data for Fiscal Year 2014 is budgeted. All other data is actual.

(2) Includes contributions to the Defined Benefit Plan and the Defined Contribution Plans.

(3) Revised as of December 2012, subsequent to the annual report filing for Fiscal Year ended June 30, 2011.

(4) Effective April 2012, OPEB benefits were modified and a significant group of participants opted out of the defined benefit plan and into a defined contribution plan. The City's Defined Benefit OPEB plan was closed to employees hired on or after July 1, 2005.

Source: City of San Diego Comprehensive Annual Financial Reports; Department of Financial Management; Office of the City Comptroller and Public Utilities Department.