

**ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
RELATING TO**

**\$56,020,000  
COMMUNITY FACILITIES DISTRICT NO. 2  
(SANTALUZ)  
IMPROVEMENT AREA NO. 1  
SPECIAL TAX BONDS SERIES A OF 2000**

**\$5,000,000  
COMMUNITY FACILITIES DISTRICT NO. 2  
(SANTALUZ)  
IMPROVEMENT AREA NO. 1  
SPECIAL TAX BONDS SERIES A OF 2004**

**(CUSIP Number 802808)**

The following Annual Report is being provided by the City of San Diego (the "City") for the above stated issuances (the "Bonds"), pursuant to the Continuing Disclosure Agreement and Continuing Disclosure Certificate requirements and in compliance with Securities and Exchange Commission Rule 15c2-12 for the fiscal year ending June 30, 2009 (the "Annual Report").

The Annual Report, including any amendment or supplement hereto, will be electronically transmitted by the Dissemination Agent to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB").

The Annual Report is provided in accordance with the terms of the Continuing Disclosure Agreement and Continuing Disclosure Certificate, and does not purport to provide full and complete information on the terms of the Bonds. The filing of the 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 the Annual Report relates (other than as contained in the Annual Report), or that no other information exists which may have a bearing on the security for the Bonds, or an investor's decision to buy, sell or hold the Bonds. Certain information and data provided herein was obtained from sources other than the City (the "Outside Information"), as indicated by the source citations. Although the information contained in the Annual Report has been obtained from sources which are believed to be reliable, the City has not independently verified such Outside Information, and the City cannot guarantee its completeness or accuracy. No statements in this Annual Report should be construed as a prediction or representation about future financial performance of the City or Community Facilities District No. 2 (Santaluz).

The Community Facilities District and Assessment District Funds are considered part of the City's reporting entity and can be found in the supplementary information section, under the headings Nonmajor Governmental Funds - Debt Service (Other Special Assessments), and Nonmajor Governmental Funds - Capital Projects (Special Assessment/Special Tax Bonds), of the City of San Diego's Comprehensive Annual Financial Report.

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

Any statements regarding the above stated issuance, other than a statement made by the City in an official release or subsequent notice or annual report, published in a financial newspaper of general circulation and/or filed with the MSRB's EMMA system are not authorized by the City. The City shall not be responsible for the accuracy, completeness or fairness of any such unauthorized statement.

DATED: March 20, 2010

CITY OF SAN DIEGO

By:

  
\_\_\_\_\_  
Mary Lewis  
Chief Financial Officer

**\$56,020,000**  
**COMMUNITY FACILITIES DISTRICT NO. 2**  
**(SANTALUZ)**  
**IMPROVEMENT AREA NO. 1**  
**SPECIAL TAX BONDS SERIES A OF 2000**

**Annual Report Under the Continuing Disclosure Agreement**

**\$5,000,000**  
**COMMUNITY FACILITIES DISTRICT NO. 2**  
**(SANTALUZ)**  
**IMPROVEMENT AREA NO. 1**  
**SPECIAL TAX BONDS SERIES A OF 2004**

**Annual Report Under the Continuing Disclosure Certificate**

**Fiscal Year Ending June 30, 2009**

This Annual Report includes information required by the Continuing Disclosure Agreement and Certificate for Community Facilities District No. 2 (Santaluz) Improvement Area No. 1 Special Tax Bonds, Series A of 2000 and Series A of 2004:

**1. Annual Report For Community Facilities District No. 2 (Santaluz):**

**(a) Financial Statements.**

The City of San Diego's Comprehensive Annual Financial Report for the Fiscal Year ending June 30, 2009 is attached.

Source: City of San Diego, Office of the City Comptroller

**(b) Financial and Operating Data:**

**(i) Principal amount of Bonds outstanding as of September 2, 2009:**

| <u>Series A of 2000</u> | <u>Series A of 2004</u> |
|-------------------------|-------------------------|
| \$50,885,000            | \$4,365,000             |

Source: City of San Diego, Debt Management

**(ii) Fund balances for each fund under the Bond Indenture as of September 2, 2009, are as follows:**

|                                 | <u>Series A of 2000</u> | <u>Series A of 2004</u> |
|---------------------------------|-------------------------|-------------------------|
| Special Tax Fund                | \$110,138               | \$0                     |
| Interest Account                | \$1                     | \$0                     |
| Capitalized Interest Subaccount | \$0                     | \$0                     |
| Principal Account               | \$422                   | \$299,038               |
| Redemption Account              | \$3,606                 | \$0                     |
| Backup Special Tax Account      | \$0                     | \$0                     |

|                                   | <u>Series A of 2000</u> | <u>Series A of 2004</u> |
|-----------------------------------|-------------------------|-------------------------|
| Reserve Account <sup>(a)(b)</sup> | \$4,767,797             | \$350,390               |
| Administrative Expense Account    | \$62,860                | \$0                     |
| Rebate Fund:                      |                         |                         |
| Rebate Account                    | \$0                     | \$0                     |
| Alternative Penalty Account       | \$0                     | \$0                     |
| Acquisition & Construction Fund:  |                         |                         |
| Costs of Issuance Account         | \$0                     | \$0                     |
| Project Account                   | \$0                     | \$0                     |
| Surplus Fund                      | \$0                     | \$0                     |
| Escrow Fund:                      |                         |                         |
| Escrow Principal Account          | \$0                     | \$0                     |
| Escrow Interest Account           | \$0                     | \$0                     |

Source: City of San Diego, Debt Management; Union Bank of California Trustee Statements

(iii) A list of the public improvements in Table 1 in the Official Statement which have been acquired by the City (“paid for by the Issuer [District]”, with respect to the Series 2004 A Bonds Continuing Disclosure Certificate) with proceeds of the Bonds is attached as Exhibit 1.

(iv) Any changes to the Rate and Method of Apportionment of the Special Taxes approved or submitted to the qualified electors for approval prior to the filing of the Annual Report and a summary of the facts related to the collection of any Backup Special Tax and a description of any parcels for which the Special Taxes have been prepaid, including the amount prepaid, since the date of the last Annual Report:

- No changes to the Rate and Method of Apportionment of Special Taxes have been approved or submitted to the qualified electors for approval subsequent to the filing of the previous Annual Report and prior to the filing of this Annual Report.

- No Backup Special Taxes have been levied.

- The following Special Tax lien has been prepaid and permanently satisfied, in accordance with the Rate and Method of Apportionment of Special Taxes:

January 18, 2010 – Assessor’s Parcel Number 269-211-33-00, in the amount of \$ 84,818.49.

Source: City of San Diego, Debt Management

(v) A table setting forth the estimated assessed value-to-lien ratios for Developed Property as a group and for each owner of Undeveloped Property based upon the most recent Special Tax levy preceding the date

<sup>(a)</sup> Combined Reserve Requirement Series A of 2000 and Series A of 2004 (Parity Bonds): \$4,826,240.

<sup>(b)</sup> Combined Reserve Account balance Series A of 2000 and Series A of 2004 (Parity Bonds): \$5,118,187.

of the Annual Report, the most recent assessed values of the property and the principal amount of the Bonds and any other land secured debt allocable to parcels within the District is attached as Exhibit 2.

- (vi) A table including a list of all taxpayers within the District which own property in the District upon which 5% or more of the total Special Taxes for the current fiscal year have been levied, and a statement as to whether any of such taxpayers is delinquent in the payment of Special Taxes.

As of September 2, 2009, there were no taxpayers within the District owning property upon which 5% or more of the total Special Taxes for the 2009-2010 fiscal year have been levied.

Source: City of San Diego, Debt Management; David Taussig & Associates

- (vii) Any event known to the Issuer [District] which reduces the number of residential units permitted to be constructed within the District or which results in a moratorium on future building within the District:

None

Source: City of San Diego, Debt Management; City Planning and Community Investment Department; Development Services Department

- (viii) A table setting forth for the five most recent fiscal years in which Special Taxes were levied, the amount of Special Taxes levied in each fiscal year and the percentage delinquent as of June 30 of such fiscal year and as of the date of the Annual Report, and a description of the status of any foreclosure actions being pursued by the Issuer [District] with respect to delinquent Special Taxes is attached as Exhibit 3.

- (ix) The date of issuance and the principal amount of any Parity Bonds and a copy of any appraisal delivered in connection with such issuance:

As referenced in previous Annual Reports, on February 25, 2004, the District issued \$5,000,000 of Improvement Area No. 1 Series A of 2004 Parity Bonds. In conjunction with this issuance, the Appraiser delivered a self-contained appraisal to the District. This appraisal, with the exception of certain of the appendices deemed not to be material to the offering, was reproduced in the Official Statement for the issuance of the parity bonds. That Official Statement was filed in conjunction with the initial Annual Report for the \$5,000,000 Community Facilities District No. 2 (Santaluz) Improvement Area No. 1 Special Tax Bonds Series A of 2004, dated March 30, 2004.

Source: City of San Diego, Debt Management

- (x) The date of release and amount released from the Escrow Fund and a copy of any appraisal delivered in connection with such release:

As referenced in the Annual Report for Fiscal Year 2002, the Escrow Fund balance of \$28,295,266 was released on April 11, 2002. A copy of the appraisal delivered in connection with such release was included with the above referenced Annual Report.

Source: City of San Diego, Debt Management

- (xi) In the Annual Report due on April 1, 2001, a copy of the Original Report and any Updated Report submitted under Section D.1 and Section D.2, respectively, of the Rate and Method of Apportionment of Special Taxes for the District and in each Annual Report thereafter, a copy of any additional Updated Reports not included in a previous Annual Report.

Pursuant to the above referenced provisions of the Rate and Method of Apportionment of Special Taxes, Updated Reports from the Developer are no longer required to be filed. All previously filed Updated Reports have been included in previous Annual Reports.

Source: City of San Diego, Debt Management

- (xii) Any information not already included under (i) through (xi) above that the Issuer [District] is required to file in its annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended.

The applicable California Debt and Investment Advisory Commission (“CDIAC”) Yearly Fiscal Status Reports for Fiscal Year 2008-2009 were filed with CDIAC on October 29, 2009 and are attached as follows:

| <b><u>Issue:</u></b> | <b><u>Exhibit</u></b> |
|----------------------|-----------------------|
| Series A of 2000     | 4a                    |
| Series A of 2004     | 4b                    |

Source: City of San Diego, Debt Management

**EXHIBIT 1**

**\$56,020,000**  
**COMMUNITY FACILITIES DISTRICT NO. 2**  
**(SANTALUZ)**  
**IMPROVEMENT AREA NO. 1**  
**SPECIAL TAX BONDS SERIES A OF 2000**

**\$5,000,000**  
**COMMUNITY FACILITIES DISTRICT NO. 2**  
**(SANTALUZ)**  
**IMPROVEMENT AREA NO. 1**  
**SPECIAL TAX BONDS SERIES A OF 2004**

**FACILITIES ACQUIRED BY THE CITY OF SAN DIEGO**  
**(AND PAID FOR BY THE ISSUER [DISTRICT]) WITH PROCEEDS OF THE BONDS: \***

Carmel Valley Road from Via Abertura to Black Mountain Road and Black Mountain Road from Carmel Valley Road southerly to existing Black Mountain Road <sup>(1)</sup>

Carmel Valley Road Segments 1, 2 and 3 from North SR56 to Via Abertura

Camino Ruiz South <sup>(1)</sup>

Camino Ruiz from CR South Northerly to San Dieguito and Extension of Stn. 213 <sup>(1)</sup>

San Dieguito Road from Camino Ruiz to existing San Dieguito Road <sup>(1)</sup>

Median and Parkway Landscaping of Carmel Valley Road from Via Abertura to Black Mountain Road and Black Mountain Road from Carmel Valley Road southerly to existing Black Mountain Road.

Sewer Trunk Line from Existing Carmel Valley Sewer Trunk Line to Fairbanks Highlands Intercept

Trunk Sewer from Pump Station No. 3 Intercept to Pump Station No. 2 Intercept

Trunk Sewer from Pump Station No. 2 Intercept to northerly end of Project

Pump Station No. 3 and Force Main to Trunk Sewer

Pump Station No. 2 and Force Main to Trunk Sewer

36" Water Line from Reservoir to Black Mountain Road, including construction of initial Carmel Valley Road Segment BB improvements (land bridge, grading and encasement of existing water facilities)

25 Million Gallon Reservoir

South Fire Station and Equipment (Portion)

Offsite Traffic Signals and Intersection Improvements

Regional Park Land Acquisition and Grading (Fair Share)

Preliminary Design Costs for Public Improvements

Landscaping of San Dieguito Road

Landscaping of Camino Ruiz

Community Park Improvements

Neighborhood Park Improvements

<sup>(1)</sup> Roadway projects include street improvements, water and sewer improvements as indicated, utilities (joint trench, electric, gas, cable TV, telephone) included within the roadway right-of-way or within a designated easement, if eligible for funding by the District.

\* Facilities acquired and paid for with proceeds of Improvement Area No. 1 Special Tax Bonds Series A of 2000 and Series A of 2004 in conjunction with Improvement Area No. 3 Special Tax Bonds Series B of 2000.

**EXHIBIT 2**  
**CITY OF SAN DIEGO COMMUNITY FACILITIES DISTRICT NO. 2**  
**IMPROVEMENT AREA NO. 1**  
**CONTINUING DISCLOSURE STATEMENT**  
**ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS**

| Property Owner [1]                    | FY 2009-2010<br>Special Tax | Percentage of<br>FY 2009-2010<br>Special Tax | CFD No. 2<br>IA No. 1 Bonds<br>Outstanding [2] | Poway Unified<br>School District<br>CFD No. 4 Bonds<br>Outstanding [2] | Metropolitan<br>Water District<br>G.O. Bonds<br>Outstanding [2] | City of<br>San Diego<br>Public Safety<br>Bonds<br>Outstanding [2] | Palomar<br>Pomerado<br>Health<br>2005A Bonds<br>Outstanding [2] | Palomar<br>Community<br>College District<br>2006A Bonds<br>Outstanding [2] | Total<br>Direct and<br>Overlapping<br>Debt | Net Assessed<br>Value [3] | Estimated Net<br>Assessed Value-<br>to-Lien Ratios [4] |
|---------------------------------------|-----------------------------|--|--|--|---|---|---|--|--|---------------------------|--|
| <b>Developed Property [5]</b>         | \$5,126,092                 | 100.00%                                      | \$55,250,000                                   | \$11,804,184   | \$141,538   | \$30,577  | \$1,775,675   | \$2,076,834  | \$71,078,809                               | \$1,210,021,213           | 17.02  |
| <b>Undeveloped Property [6]</b>       |                             |  |  |  |   |   |   |  |  |                           |  |
| Saint Demiana Coptic Orthodox Church  | \$0                         | 0.00%  | \$0  | \$0  | \$237   | \$51  | \$0   | \$3,473  | \$3,761                                    | \$2,023,347               | 538.05   |
| Santaluz LLC                          | \$0                         | 0.00%  | \$0  | \$0  | \$80  | \$17  | \$0   | \$1,175  | \$1,272                                    | \$684,448                 | 538.04   |
| Santaluz MCC Inc.                     | \$0                         | 0.00%  | \$0  | \$0  | \$292   | \$63  | \$0   | \$4,291  | \$4,646                                    | \$2,500,000               | 538.04   |
| Other Undeveloped Property Owners [7] | \$0                         | 0.00%  | \$0  | \$0  | \$583   | \$126   | \$5,957   | \$8,560  | \$15,227                                   | \$4,987,250               | 327.54   |
| Subtotal                              | \$0                         | 0.00%  | \$0  | \$0  | \$1,193   | \$258   | \$5,957   | \$17,498   | \$24,906                                   | \$10,195,045              | 409.35   |
| <b>TOTAL</b>                          | <b>\$5,126,092</b>          | <b>100.00%</b>                               | <b>\$55,250,000</b>                            | <b>\$11,804,184</b>  | <b>\$142,731</b>  | <b>\$30,835</b>   | <b>\$1,781,632</b>  | <b>\$2,094,332</b>   | <b>\$71,103,715</b>                        | <b>\$1,220,216,258</b>    | <b>17.16</b>   |

Source: David Taussig & Associates, Inc.; Metropolitan Water District; Dolinka Group; County of San Diego; Palomar Pomerado Health District

[1] Reflects ownership as of January 1, 2009 provided by the San Diego County Assessor.

[2] As of September 2, 2009. Allocated based on fiscal year 2009-2010 levy.

[3] Fiscal Year 2009-2010 net assessed values provided by the San Diego County Assessor, as of January 1, 2009.

[4] Represents Net Assessed Values column divided by the Total Direct and Overlapping Debt Column.

[5] Includes property for which a building permit was issued as of March 1, 2009, or in the case of custom lot property, close of escrow by March 1, 2009.

[6] Includes property for which a building permit was not issued as of March 1, 2009.

[7] Includes property that will be classified as Custom Lot Property in the future.



### Exhibit 3

#### Community Facilities District No. 2 (Santaluz) Improvement Area No. 1 Five Year Delinquency History

| Fiscal Year             | Parcels Levied | Total Levied | Fiscal Year-End Delinquencies <sup>(1)</sup> |                    | Amount Remaining Delinquent As of 1/08/2010 | Percent Remaining Delinquent As of 1/08/2010 |
|-------------------------|----------------|--------------|--|--------------------|---|--|
|                         |                |              | Amount Delinquent                            | Percent Delinquent |   |  |
| 2008-09                 | 1,010          | \$ 4,942,398 | \$ 335,284                                   | 6.78%              | \$ 196,382                                  | 3.97%  |
| 2007-08                 | 1,010          | \$ 4,582,649 | \$ 238,177                                   | 5.20%              | \$ 41,790                                   | 0.91%  |
| 2006-07                 | 1,004          | \$ 4,752,388 | \$ 169,403                                   | 3.56%              | \$ 2,628                                    | 0.06%  |
| 2005-06                 | 953            | \$ 5,330,313 | \$ 192,278                                   | 3.61%              | \$ -  | 0.00%  |
| 2004-05                 | 982            | \$ 4,562,820 | \$ 163,034                                   | 3.57%              | \$ 465                                      | 0.01%  |
| Total Amount Delinquent |                |              |  |                    | \$ 241,265                                  |  |

The District has covenanted that it will commence judicial foreclosure proceedings against parcels with delinquent special taxes in excess of \$10,000 by the October 1 following the close of each fiscal year in which such special taxes were due. As of January 8, 2010, nine delinquent parcels met the foreclosure threshold: two parcels upon which the City Council authorized the filing of foreclosure lawsuits on October 27, 2009 and seven parcels that have been referred to the City's outside foreclosure counsel.

<sup>(1)</sup>The data is as of August 8, 2005 for Fiscal Year 2004-05; August 28, 2006 for Fiscal Year 2005-06; August 8, 2007 for Fiscal Year 2006-07; August 27, 2008 for Fiscal Year 2007-08; and August 18, 2009 for Fiscal Year 2008-09.

Source: City of San Diego, Debt Management based on San Diego County Delinquency Reports ST280190 abd ST28009002.

**STATE OF CALIFORNIA  
MELLO-ROOS COMMUNITY FACILITIES DISTRICT (CFD)  
YEARLY FISCAL STATUS REPORT**

California Debt and Investment Advisory Commission  
915 Capitol Mall, Room 400, Sacramento, CA 95814  
P.O. Box 942809, Sacramento, CA 94209-0001  
(916) 653-3269 FAX (916) 654-7440  
cdiac\_issuance@treasurer.ca.gov

|                         |
|-------------------------|
| Fiscal Year <u>2009</u> |
|-------------------------|

**I. GENERAL INFORMATION**

A. Issuer Community Facilities District No. 2  
 B. Community Facilities District Number/Name CFD No. 2 (Santaluz) Improvement Area No. 1  
 C. Name/Title/Series of Bond Issue Special Tax Bonds, Series A of 2000<sup>1</sup>  
 D. Indicate Credit Rating Ratings Agency: Rating \_\_\_\_\_ Not Rated X  
 E. Date of Bond Issue October 18, 2000  
 F. Original Principal Amount of Bonds \$ 56,020,000  
 G. Reserve Fund Minimum Balance Required \$ 4,481,184

**II. FUND BALANCE FISCAL STATUS**

Balances Reported as of: June 30, 2009 (Year)  
 A. Principal Amount of Bonds Outstanding \$ 52,000,000  
 B. Bond Reserve Fund \$ 4,626,315  
 C. Capitalized Interest Fund \$ -0-  
 D. Construction Fund(s) \$ 2,408,687

**III. ASSESSED VALUE OF ALL PARCELS IN CFD SUBJECT TO SPECIAL TAX**

A. Assessed Value Reported as of: July 1, 2009 (Date) (Check one)  
 From Equalized Tax Roll  
 From Appraisal of Property  
*(Use only in first year or before annual tax roll billing commences)*  
 B. Total Assessed Value of All Parcels \$ 1,220,216,258 (Net Assessed Value)

**IV. TAX COLLECTION INFORMATION**

A. Total Amount of Special Taxes Due \$ 4,942,398  
 \* B. Total Amount of Unpaid Special Taxes \$ 405,918  
 C. The Special Taxes are Paid Under the County's Teeter Plan. Yes:  No:

**V. DELINQUENT REPORTING INFORMATION**

Delinquent Parcel Information Reported as of Equalized Tax Roll of: June 30, 2009 (Date)  
 \* A. Total Number of Delinquent Parcels: 80  
 \* B. Total Amount of Special Taxes Due on Delinquent Parcels: \$ 500,632

**VI. FORECLOSURE INFORMATION FOR FISCAL YEAR**

*(Aggregate totals, if foreclosure commenced on same date)*

\* **PER SAN DIEGO COUNTY DELINQUENCY REPORT NUMBERS: ST280190 and ST28-0090-02, DATED JUNE 30, 2009**

| Date Foreclosure Commenced  | Total Number of Foreclosure Parcels | Total Amount of Tax Due on Foreclosure Parcels |
|---|-------------------------------------|--|
| Foreclosure lawsuit authorized by City Council in October 2008 – 1 parcel   | 4                                   | \$ 63,711                                      |
| Foreclosure lawsuits authorized by City Council in October 2009 – 3 parcels |                                     |  |

**STATE OF CALIFORNIA**

<sup>1</sup> CFD No. 2 (Santaluz), IA No. 1 Special Tax Bonds, Series A of 2004 Parity Bonds in the amount of \$5,000,000 were issued in February 2004.  
 CDIAC (10/4/07)



**STATE OF CALIFORNIA  
MELLO-ROOS COMMUNITY FACILITIES DISTRICT (CFD)  
YEARLY FISCAL STATUS REPORT**

California Debt and Investment Advisory Commission  
915 Capitol Mall, Room 400, Sacramento, CA 95814  
P.O. Box 942809, Sacramento, CA 94209-0001  
(916) 653-3269 FAX (916) 654-7440  
cdiac\_issuance@treasurer.ca.gov

|                         |
|-------------------------|
| Fiscal Year <u>2009</u> |
|-------------------------|

**I. GENERAL INFORMATION**

A. Issuer Community Facilities District No. 2  
 B. Community Facilities District Number/Name CFD No. 2 (Santaluz) Improvement Area No. 1  
 C. Name/Title/Series of Bond Issue Special Tax Bonds, Series A of 2004 (Parity Bonds)  
 D. Indicate Credit Rating Ratings Agency: Rating \_\_\_\_\_ Not Rated X  
 E. Date of Bond Issue February 11, 2004  
 F. Original Principal Amount of Bonds \$ 5,000,000  
 G. Reserve Fund Minimum Balance Required \$ 351,663

**II. FUND BALANCE FISCAL STATUS**

Balances Reported as of: June 30, 2009 (Year)  
 A. Principal Amount of Bonds Outstanding \$ 4,500,000  
 B. Bond Reserve Fund \$ 349,841<sup>(1)</sup>  
 C. Capitalized Interest Fund \$ -0-  
 D. Construction Fund(s) \$ 299,012

<sup>(1)</sup> Represents balance in the 2004 Subaccount of the Reserve Account of the CFD 2 IA 1 Special Tax Fund; remainder of reserve requirement is in the Reserve Account of the CFD 2 IA 1 Special Tax Fund

**III. ASSESSED VALUE OF ALL PARCELS IN CFD SUBJECT TO SPECIAL TAX**

A. Assessed Value Reported as of: July 1, 2009 (Date) (Check one)  
 From Equalized Tax Roll  
 From Appraisal of Property  
*(Use only in first year or before annual tax roll billing commences)*  
 B. Total Assessed Value of All Parcels \$ 1,220,216,258 (Net Assessed Value)

**IV. TAX COLLECTION INFORMATION**

A. Total Amount of Special Taxes Due \$ 4,942,398.  
 \* B. Total Amount of Unpaid Special Taxes \$ 405,918.  
 C. The Special Taxes are Paid Under the County's Teeter Plan. Yes:  No:

**V. DELINQUENT REPORTING INFORMATION**

Delinquent Parcel Information Reported as of Equalized Tax Roll of: June 30, 2009 (Date)  
 \* A. Total Number of Delinquent Parcels: 80  
 \* B. Total Amount of Special Taxes Due on Delinquent Parcels: \$ 500,632

**VI. FORECLOSURE INFORMATION FOR FISCAL YEAR**

*(Aggregate totals, if foreclosure commenced on same date)*

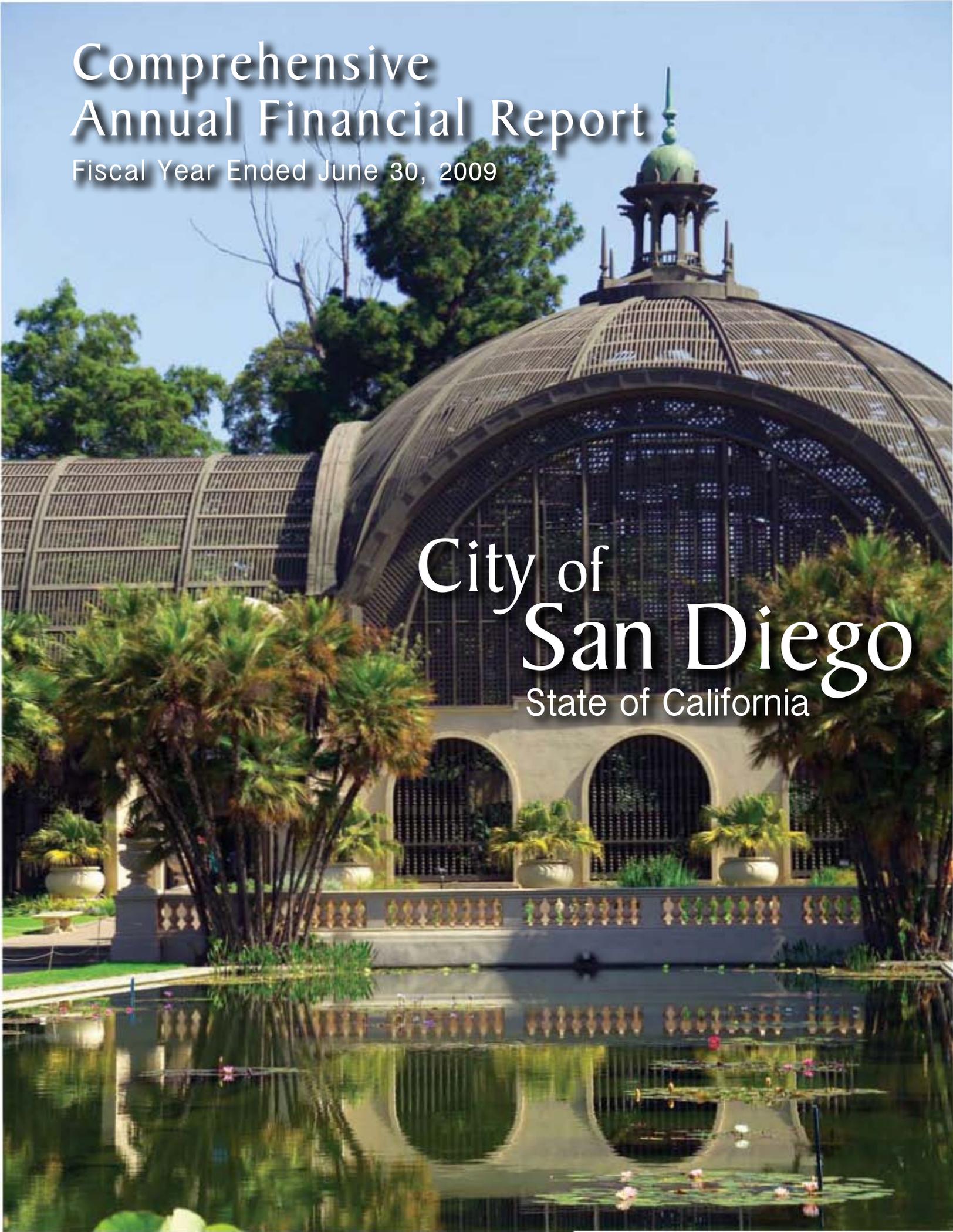
\* **PER SAN DIEGO COUNTY DELINQUENCY REPORT NUMBERS: ST280190 and ST28-0090-02, DATED JUNE 30, 2009**

| Date Foreclosure Commenced               | Total Number of Foreclosure Parcels | Total Amount of Tax Due on Foreclosure Parcels |
|--|-------------------------------------|--|
| Foreclosure lawsuit authorized by _____  | <u>4</u>                            | <u>\$ 63,711</u>                               |
| City Council in October 2008 – 1 parcel  | _____                               | _____  |
| Foreclosure lawsuits authorized by _____ | _____                               | _____  |
| City Council in October 2009 – 3 parcels | _____                               | _____  |



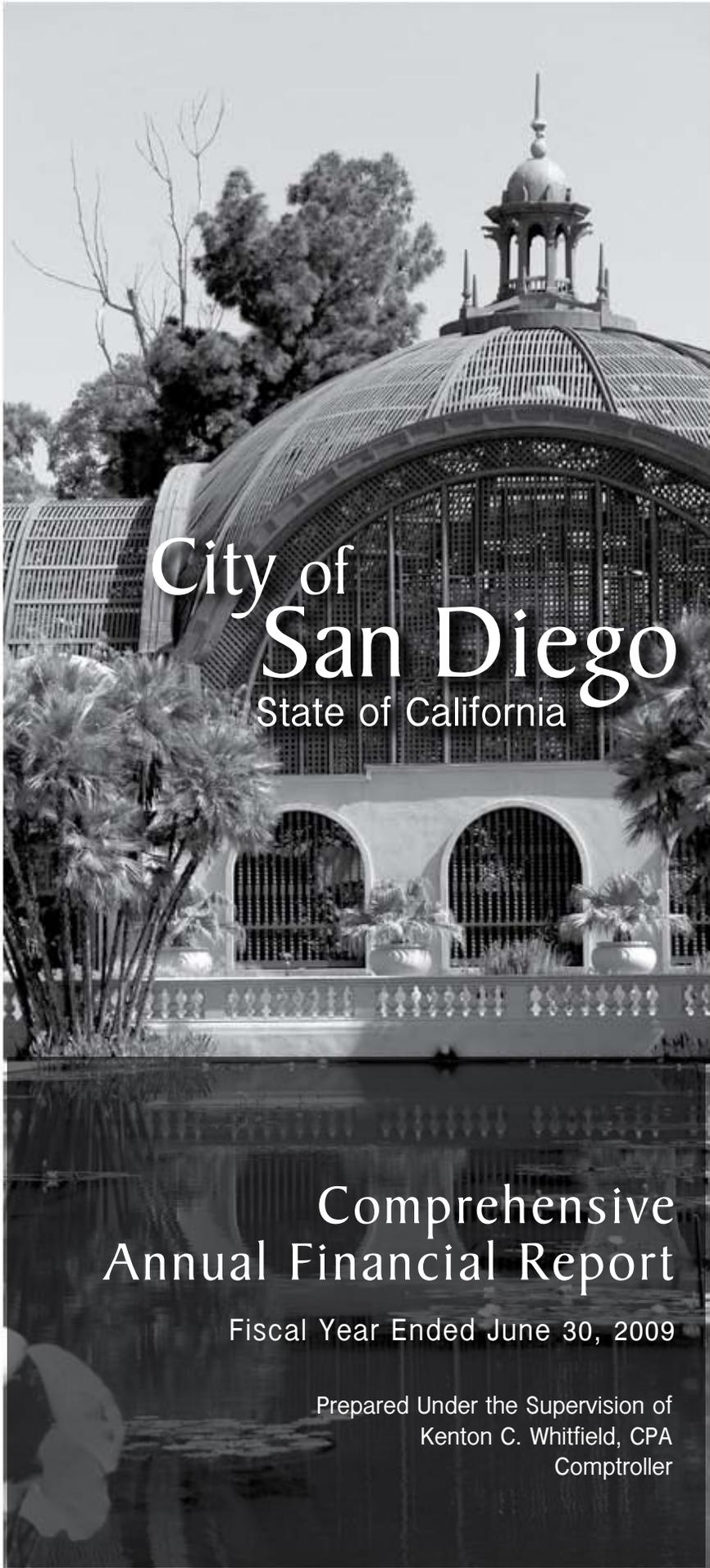
# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2009



City of  
San Diego  
State of California





City of  
**San Diego**  
State of California

Comprehensive  
Annual Financial Report

Fiscal Year Ended June 30, 2009

Prepared Under the Supervision of  
Kenton C. Whitfield, CPA  
Comptroller



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For The Fiscal Year Ended June 30, 2009

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### **Forward-Looking Statements**

The Comprehensive Annual Financial Report of the City for the fiscal year ended June 30, 2009 (CAFR), including the Letter of Transmittal and the section regarding Management's Discussion and Analysis, contains forward-looking statements regarding the City's business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in the CAFR. Additionally, statements concerning future matters such as City budgets and the financial outlook for future years, the level of City services, California state matters that may impact the City, revenue and expense levels and other statements regarding matters that are not historical are also forward-looking statements.

Although forward-looking statements in the CAFR reflect the City's good faith judgment, such statements can only be based on facts and factors currently known by the City. Consequently, forward-looking statements are inherently subject to risks and uncertainties. The actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of the CAFR. The City undertakes no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of the CAFR. Readers are urged to carefully review and consider the various disclosures made in the CAFR which attempt to advise interested parties of factors that may affect the business, financial condition, results of operations and prospects of the City.

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## INTRODUCTORY SECTION





## THE CITY OF SAN DIEGO

**December 21, 2009**

### **Citizens and Interested Parties,**

The San Diego economy has been severely impacted by the ongoing recession and recent economic data is mixed regarding the timing of any potential recovery. Federal stimulus funds contributed to positive GDP growth nationally in the third quarter of calendar year 2009 and local leading economic indicators have increased in each of the past six months showing some economic stabilization. However, State and local unemployment rates are at twenty-five year highs and property foreclosures continue to adversely affect home values. Lower consumer spending has significantly reduced economic activity in the City, resulting in decreased government revenues. Continued revenue reductions will affect the ability of the City to provide services to its citizens.

The City's fiscal challenges have been exacerbated by the State's ongoing budget crisis. The State legislature suspended the requirements of Proposition 1A (2004) in an effort to balance the State's FY 2010 budget. Proposition 1A is intended to prevent local revenues from being taken by the State; however, Proposition 1A can be suspended with the declaration of a fiscal emergency by the Governor and a vote of two-thirds of the Legislature. In fiscal year 2010, the State will borrow 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 will recover this property tax revenue during fiscal year 2010 through a securitization program established by the California Statewide Communities Development Authority. The State also passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to pay a total of \$2.05 billion of their property tax revenues to the State over the next two years. The impact to the City's Redevelopment Agency (RDA) will be approximately \$56 million in fiscal year 2010 and \$11 million in fiscal year 2011. The State continues to struggle to balance its budget resulting in ongoing uncertainty with respect to the City's expected revenues.

### **Economic Development Activities**

The City addressed the economic downturn in fiscal year 2009 by increasing community investment, promoting business growth and retention, and by competing successfully for federal stimulus funds. The City division of Economic Growth Services (EGS) worked to create and retain jobs and taxable investment in the City of San Diego. EGS consists of two focused work units: the Business Expansion, Attraction, and Retention Team and the Government Incentives Team. These two teams work directly with businesses, business organizations, and City departments to create a business-friendly environment that promotes a stable economy. Economic growth, energy independence, revenue enhancement, and community revitalization are accomplished by attracting new companies, retaining and/or expanding existing companies, making San Diego competitive in emerging markets, and revitalizing older business communities.



Due to the economic downturn, Economic Growth Services has placed a strong emphasis on its business retention mission. In fiscal year 2009 EGS developed and executed successful business retention efforts for Sony Electronics, Cricket Corporation, Circle Foods, Lockheed Martin, Eli Lilly, and CamelBak. These efforts resulted in the creation or retention of approximately 2,900 San Diego based jobs. In the current fiscal year, EGS worked with Alliant Techsystems, Inc to retain or create 200 San Diego based jobs. The capital investments made by the companies EGS assisted in fiscal year 2009 and fiscal year 2010 represent a cumulative investment of more than \$368 million of construction and renovation activity for our local economy.

The "Certificate of Deposit Account Registry Service" (CDARS) is a deposit-placement service designed to allow FDIC-insured depository institutions to accept deposits of more than \$100,000 (currently \$250,000) and obtain full coverage for the depositor by spreading the funds among as many separate FDIC insured institutions as necessary so that no institution holds more than \$250,000 (principal plus interest) for each depositor. To support local reinvestment, the City increased its CDARS investment from \$5 million to \$15 million in fiscal year 2009. The City plans to increase the allowable investment in the CDARS program to approximately \$40 million in fiscal year 2010. The authorized CDARS investment program allows the City to invest millions of dollars into fully insured FDIC non-negotiable certificates of deposit. The initial deposit is split among small community banks throughout the country so that any single Certificate of Deposit at a financial institution does not exceed the \$250,000 FDIC insurance limit. The banks participating in the CDARS network send an equal amount of funds back to local San Diego banks to ensure that they retain funds equal to the City's initial deposit for reinvestment in the local community. The City's investment in the CDARS program assures that the full amount deposited at local banks stays in San Diego for reinvestment in the community.

According to the stimulus tracking website Recovery.org, California received more American Recovery and Reinvestment Act (ARRA) dollars than any other state and the San Diego region received the second largest total of stimulus dollars of any region in California (trailing Los Angeles). As of November 19, 2009, the San Diego region received 201 projects totaling over \$2.1 billion. The City of San Diego can expect to see at least \$340 million in stimulus funding. Of this amount, approximately \$290 million is for Federal projects and will not come directly through the City; the remaining \$50 million is expected to come to the City over the next six months. Projects including the modernization of Otay Mesa's Port of Entry and the San Ysidro border expansion project will alleviate congestion and improve the productivity and efficiency of US/Mexico border relations. This money will come either directly to the City in the form of block grants and competitive awards (\$49 million) or to our partner agencies in which the City participates, such as the San Diego Association of Governments and the San Diego Workforce Partnership (\$126 million), or to federal agencies pursuing major construction projects within the City of San Diego (\$164 million not including military projects). These ARRA funds will be used on transportation, housing, public safety and energy projects that will not only create jobs but will provide long term benefits for the City and the region.

## **Fiscal Challenges**

---

The City of San Diego has faced significant financial challenges over the last several years and has made a determined effort to improve its overall financial condition and the quality of its financial statements, internal controls, and disclosure controls and procedures. A few of the City's achievements include (1) the release of audited financial statements for fiscal years 2003-2008 in a two year period; (2) the implementation of an annual five-year

financial outlook as a prudent planning tool; (3) the strengthening of the City's General Fund reserves; (4) fully funding the Annual Required Contribution (ARC) to the City's pension system since fiscal year 2006; (5) new pension plans for police and for non-public safety employees hired on or after July 1, 2009; (6) participation in a California Public Employees' Retirement System (CALPERs) trust for pre-funding of post-employment healthcare benefits for retired City employees; (7) rating upgrades from the national rating agencies, including, in the case of one agency, the reinstatement of the City's credit rating; and (8) re-entering the public bond market in 2009 and issuing \$1.6 billion in debt (new money and refunding) after a five year absence.

The City issued the Fiscal Year 2010 First Quarter Budget Monitoring Report on November 17, 2009, which presented a review of actual expenditures and receipts through September 2009 and projects annual expenditures and revenues for the General Fund through year end. Based on this analysis, the City expects a shortfall of approximately \$7.5 million in fiscal year 2010, primarily as a result of declining sales tax and Transient Occupancy Tax (TOT) revenues. The decline in major revenues is partially offset by conservative spending and a hiring freeze that has been in effect since August 2009.

The Five Year Financial Outlook (Outlook) issued on October 1, 2009, identified a projected deficit for fiscal year 2011 of \$179 million. The sensitivity analysis in the Outlook estimates a deficit range of \$168 to \$200 million, primarily resulting from the possible fluctuation of three major revenues: property tax; sales tax; and TOT. On November 24, the Mayor presented a proposed 18 month budget for the remainder of fiscal year 2010 and fiscal year 2011 to remediate the projected fiscal year 2011 deficit of \$179 million. On December 14, 2009 the City Council adopted the fiscal year 2010 budget revisions and the fiscal year 2011 proposed budget. The fiscal year 2011 budget framework approved by the City Council includes a combination of transfers, new revenue, and annual expenditure reductions that will impact services to City residents. Further action, including labor negotiations and additional City Council approval, will be necessary to implement all recommended adjustments. If the budget is implemented on January 1, 2010 as recommended, savings of approximately \$24 million in fiscal year 2010 will be set aside to assist in balancing the fiscal year 2011 budget.

The City publicly issued a \$125 million Tax and Revenue Anticipation Notes (TRAN) on July 1, 2009 and does not currently foresee the need to issue additional notes to meet any General Fund liquidity needs for the remainder of fiscal year 2010. The City treasury holds approximately \$2 billion that is invested primarily in US Treasuries and agencies, and consistent with the City's investment policy, has sufficient liquidity to meet all currently foreseeable cash demands. The General Fund reserves are approximately \$79 million as of the issuance of this report, which includes \$55 million set aside in an Emergency Reserve Fund that can be accessed by a two-thirds vote of City Council.

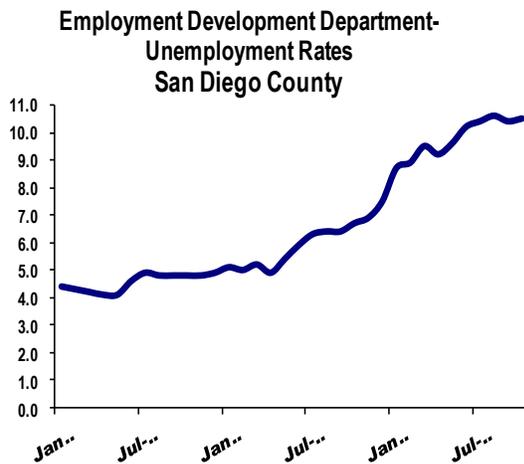
Readers of these financial statements should pay particular attention to Notes 12, 13, 18, and 22, concerning Pension Plans, Other Post Employment Benefits, Contingencies, and Subsequent Events, respectively. The notes, along with the other financial and operational data included in the City's CAFR, must be read in their entirety to obtain a complete understanding of the City's financial position as of June 30, 2009.

### **Our Underlying Fundamentals**

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The City has a diversified economy, with the principal employers being government, high-tech industries, particularly biotech and telecommunications, and the tourism industry. The City's economic base is also anchored by higher education and major scientific research

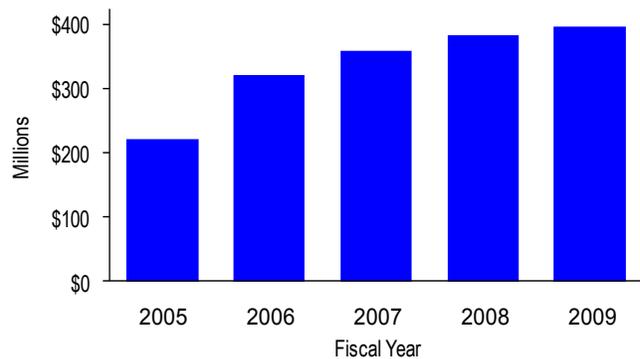
institutions, including the University of California, San Diego, San Diego State University, Scripps Research Institute, the Salk Institute for Biological Studies, and the San Diego Supercomputer Center.



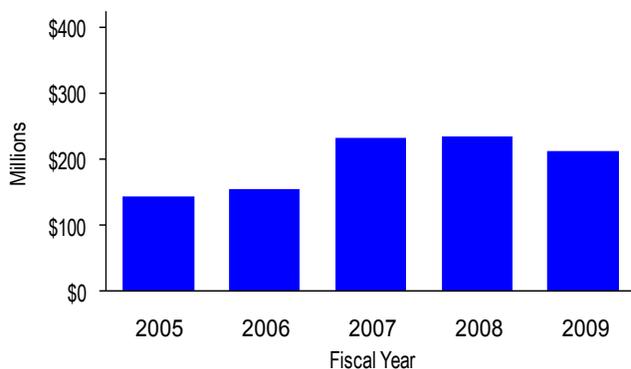
Like all regions around the country, San Diego County's economy has been impacted by the economic recession. In the past three years unemployment has more than doubled, rising from an average in 2006 of 4.0% to 10.5% as of October 2009. The recession has slowed both residential and commercial development within our region. This combined with a contraction in business payrolls and reduced travel spending has driven the unemployment rate to historic levels.

The City's property tax revenue has grown over the last five years, although at a decreasing rate. In fiscal year 2009 General Fund property tax revenues were \$398.7 million compared to \$384.3 million in fiscal year 2008, representing a 3.8% growth. However, due to the continued decline in home prices, the budgeted fiscal year 2010 property tax revenue in the General Fund was projected to decline 4.0% over fiscal year 2009 actuals. Subsequently, based on updated information from the County, the City revised its estimate for property tax revenue for fiscal year 2010 showing a smaller decrease of 1.5% over the fiscal year 2009 actual property tax revenue.

**City of San Diego  
General Fund - Property Tax Revenue**



**City of San Diego  
General Fund - Sales Tax Revenue**

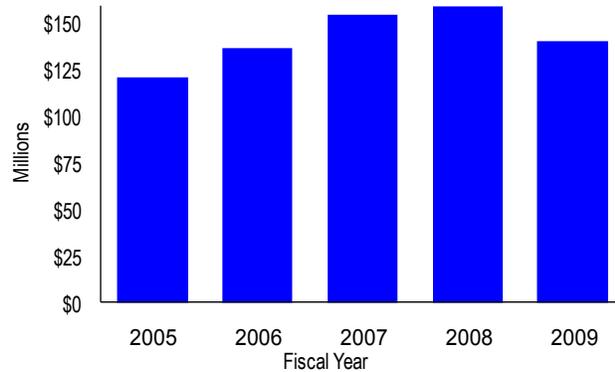


The impact of lower business and consumer spending has had a significant effect on sales tax revenues. In fiscal year 2009, actual General Fund sales tax revenues (including safety sales tax) were \$212.9 million, a 9.6% decline from 2008 sales tax revenues of \$235.6 million. For fiscal year 2010, the City budgeted a decline of 1.3% in sales tax revenues. However, the first quarter actual sales tax receipts were significantly below the budgeted amount. The City's adjusted projection for fiscal year 2010 is now \$191.2 million, or 10.2% lower than actual

revenue received for fiscal year 2009.

San Diego remains a top tourist destination due to the region's natural attractions; however, the tourism industry has not escaped the impact of the deteriorating economy. The City's Transient Occupancy Tax (TOT) rate is currently 10.5% and is allocated according to the Municipal Code. As such, the General Fund receives 52% of these revenues to be used for general governmental purposes, and the TOT fund receives the remaining 48% for the purpose of promoting the City as a tourism destination. The General Fund portion of TOT represents approximately 7% of the revenue from the fiscal year 2010 General Fund Adopted Budget. In fiscal year 2009, San Diego experienced an 11.7% decrease in TOT revenue from fiscal year 2008. For fiscal year 2010, the City budgeted an increase of 2.9% in TOT tax over 2009 actuals. Based on receipts from the first three months of fiscal year 2010, the City adjusted its estimate for TOT tax receipts to \$127.6 million which reflects a 9.3% decline from fiscal year 2009 actuals.

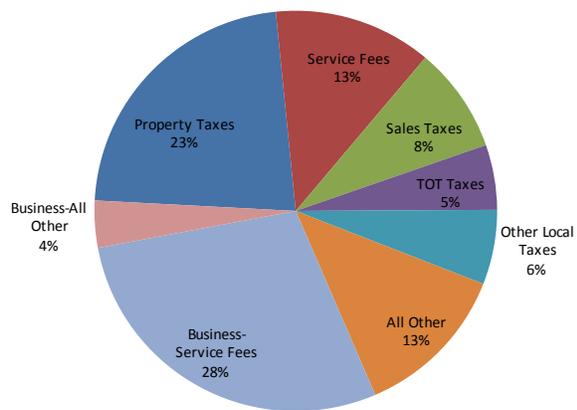
**City of San Diego  
Total Transient Occupancy Tax Revenue**



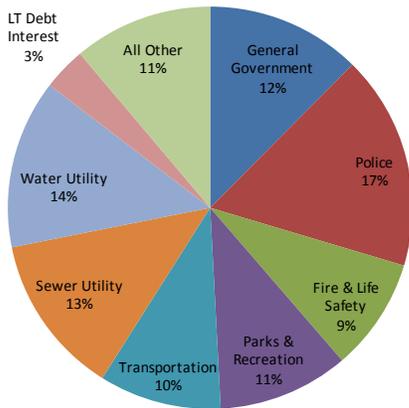
**Financial Health**

The City's total government-wide revenues, which are generated through a combination of governmental and business-type activities, have remained approximately the same over the prior three years, improving by 1%. While property tax revenues and business-type charges for services revenue for water and wastewater services have grown during this period, sales tax and TOT have declined. For fiscal year 2010, property tax revenue is projected to decline by 1.5%. Other major revenue sources are also trending flat to declining as well. Total government-wide revenues for fiscal year 2009 were \$2.7 billion; governmental activities were \$1.8 billion and business-type activities were \$.9 billion, and are illustrated in the chart to the right.

**Total Government-Wide Revenues**



**Total Government-Wide Expenses**



Over the last three years, the City’s total government-wide expenses have increased approximately 4%. These expenses supported all public services and the significant fiscal obligations of the City, including funding of the City’s pension system, post-employment healthcare benefits, and capital improvements. Total expenses for fiscal year 2009 were \$2.5 billion. Governmental activities were \$1.7 billion, of which 38% was spent on public safety for police, fire, and life safety services. Business-type activities were \$.8 billion, of which 85% of these expenses were for water and wastewater expenses.

The City’s unfunded pension liability remains a significant obligation of the City. The City has aggressively confronted this deficit, fully funding the City’s Annual Required Contribution (ARC) beginning in fiscal year 2006, and has made significant additional payments in excess of the ARC into the pension fund in certain years. The San Diego City Employees’ Retirement System (SDCERS) is the administrator of the City’s employee pension funds. On an annual basis, the pension fund portfolio and future pension obligations are evaluated by an independent actuary to determine the full pension liability. The June 30, 2008 valuation calculated the unfunded pension liability to be approximately \$1.303 billion. The June 30, 2009 actuarial report is not complete as of the issuance of this report.

| <b>Pension Funding Progress (Thousands)</b> |                                  |              |                     |
|---|----------------------------------|--------------|---------------------|
| <b>Actuarial Valuation Date</b>             | <b>Actuarial Value of Assets</b> | <b>UAAL</b>  | <b>Funded Ratio</b> |
| 6/30/2005                                   | \$ 2,983,080                     | \$ 1,452,937 | 67.3%               |
| 6/30/2006                                   | 3,981,932                        | 1,000,768    | 79.9%               |
| 6/30/2007                                   | 4,413,411                        | 1,184,242    | 78.8%               |
| 6/30/2008                                   | 4,660,346                        | 1,303,204    | 78.2%               |

In fiscal year 2009, the global financial markets experienced significant declines. The effects of the market declines have been wide ranging and impact even the most diversified investment portfolios. The SDCERS investment portfolio is no exception. SDCERS employs a long-term investment strategy. The City’s ARC is determined using an asset smoothing methodology which dampens the volatility of the market value of assets which occurs from fluctuations in market conditions. The ARC payment for fiscal year 2011 has not been determined by the SDCERS actuary as of the issuance of this report; however, it has been estimated by the SDCERS actuary, presented to the Board on July 17, 2009 and September 18, 2009, to be approximately \$224 million. This is an increase of \$70 million, or 45%, over the ARC payment of \$154 million the City is obligated to fund in fiscal year 2010. Any significant increase in the fiscal year 2011 ARC payment will require the City to reduce operating expenses which will affect services and programs.

In fiscal year 2008, Governmental Accounting Standards Board Statement 45 (“GASB 45”) went into effect requiring all municipal

| <b>Retiree Healthcare Liabilities (Thousands)</b> |                                  |              |                     |
|---|----------------------------------|--------------|---------------------|
| <b>Actuarial Valuation Date</b>                   | <b>Actuarial Value of Assets</b> | <b>UAAL</b>  | <b>Funded Ratio</b> |
| 6/30/2008   | \$ 29,637                        | \$ 1,206,070 | 2.4%                |
| 6/30/2009   | 41,497                           | 1,317,880    | 3.1%                |

governments to report on Other Post Employment Benefits (retiree healthcare costs) in a manner similar to reporting on pension benefits. The City's actuarial valuation for retiree healthcare costs estimated an unfunded actuarial accrued liability (UAAL) of \$1.318 billion as of June 30, 2009. The City is participating in a trust administered by CalPERS to fund this long-term liability and, to date, has contributed \$54 million to the CalPERS trust. The fair value of these assets as of June 30, 2009 was \$41.5 million. The City is not currently fully funding the ARC for retiree healthcare, which is \$120.3 million for fiscal year 2011. The amount budgeted for fiscal year 2010 is \$57.1 million, of which \$32.1 million will fund the pay-go portion and \$25 million is expected to be transferred to the CalPERS trust by fiscal year end.

### **Governmental Funds (Tax Supported Operations)**

---

The City's General Fund finished fiscal year 2009 with unrestricted cash and investments of approximately \$87 million. As a fiscal precaution against natural disasters or unforeseen events, the City maintains an emergency reserve fund that can only be accessed for qualifying emergencies as declared by the Mayor and/or City Council and approved by at least a 2/3 vote of the City Council. The General Fund Reserve Policy set a funding goal of 7.0% of General Fund revenue by the end of fiscal year 2009. The General Fund reserve was actually 7.7% of General Fund revenue at June 30, 2009, resulting in a total reserve balance of \$78.3 million. This balance is reported within the General Fund Balance Sheet as Undesignated Fund Balance. The reserves are currently cash funded within the City Treasury's pooled cash portfolio. The goal is to establish General Fund reserves at 8% of revenues by fiscal year 2012.

The Fiscal year 2010 Budget adopted in June 2009 reflected a reduction of expense growth by reducing program expenditures and imposing an across the board 6% reduction in compensation for all City employees. The City also was successful in redesigning the pension benefit package for most employees hired after July 1, 2009. Due to a projected decline in the City's major revenues, management addressed the City's projected budgetary imbalance by proposing, and City Council then adopting, a Fiscal year 2010 Budget that reduced spending on current services while also attempting to mitigate service level reductions. Council adopted a Fiscal year 2010 Budget in June 2009 that balanced estimated revenues to expenditures.

During fiscal year 2009, total long-term liabilities of the City's governmental activities increased by \$198 million. This was primarily the result of the capital improvement 2009A lease revenue bond issue for \$103 million for various capital improvement projects and an increase to the Net Other-Postemployment Benefits Obligation of \$45 million. Overall, our annual interest costs for governmental activities were approximately \$84 million in fiscal year 2009, which represents approximately 5% of our total governmental activities expenses.

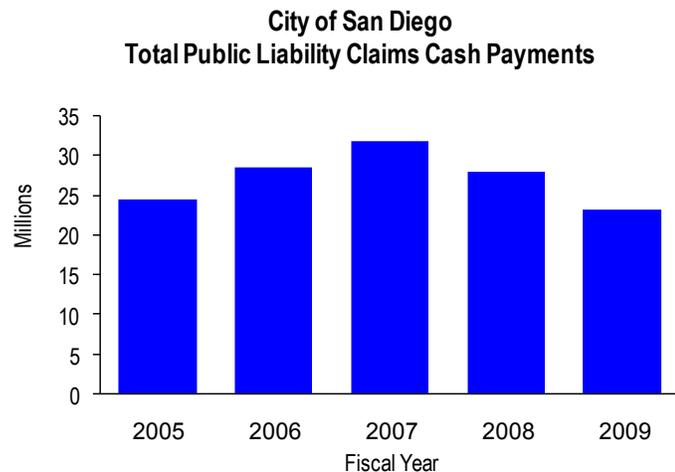
The City's capital assets are essential to providing services to its residents and maintaining the quality of its environment. During fiscal year 2009, total capital assets for governmental activities increased by \$120 million. This was funded by a combination of developer contributions, grant monies, and city-funded capital improvement programs.

The City's capital improvement backlog is estimated to be approximately \$800 to \$900 million according to the most recent Five Year Financial Outlook. This amount is the most recent estimate and includes the cost of needed repairs to City facilities, streets and storm drains but does not include alleys, sidewalks or soft costs. The City is in the process of

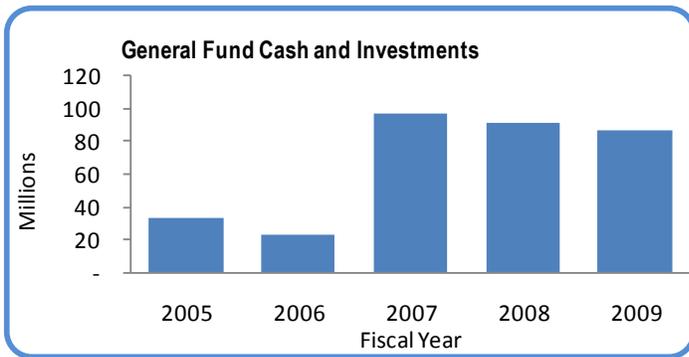
assessing and updating its cost estimate for its capital improvement backlog. These costs have been deferred because the City has not had the necessary funding resources. As mentioned above, the City issued \$103 million in bonds to fund deferred projects during fiscal year 2009. The bond proceeds will be used to fund deferred capital improvement projects within the City.

The City's Public Liability Fund, which accounts for governmental fund-related claims, has a deficit of approximately \$49 million as of June 30, 2009. This deficit includes an accrued liability for actuarially calculated claims costs, incurred but not reported claims, and allocated and unallocated losses of approximately \$59 million, offset with the cash reserves collected in the fund. This fund has seen significantly higher claims since fiscal year 2005, largely as a result of the legal claims and investigations stemming from the pension fund

underpayment and related financial disclosure issues; however, most of these unusual costs were paid through fiscal year 2007 and fiscal year 2008. The Workers' Compensation Fund, which accounts for both governmental and business-type claims, has a deficit of \$114 million as of June 30, 2009. This deficit includes an accrued liability for actuarially calculated liabilities for open and unreported claims, as well as a provision for the allocated loss adjustment expense totaling approximately \$148 million, offset with the cash reserves collected in the fund. The total liability for workers compensation has declined since fiscal year 2007 due to a downward trend in the number of claims and the effect of State legislation regarding workers compensation reform enacted in 2004. Per the City Reserve Policy, the City has budgeted funds annually to establish cash reserves to reach the goal of 50% of the estimated outstanding liabilities in each fund. While the City is committed to funding reserves in the Worker's Compensation and Public Liability funds, and has included funding for these reserves in the fiscal year 2010 budget, the goal of funding 50% of outstanding liabilities in both funds by 2014 is being reassessed given the economic downturn and continued decline in General Fund revenues.

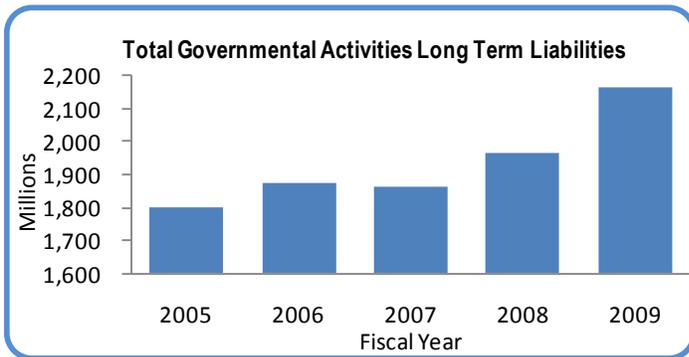


### Governmental Activities Key Indicators



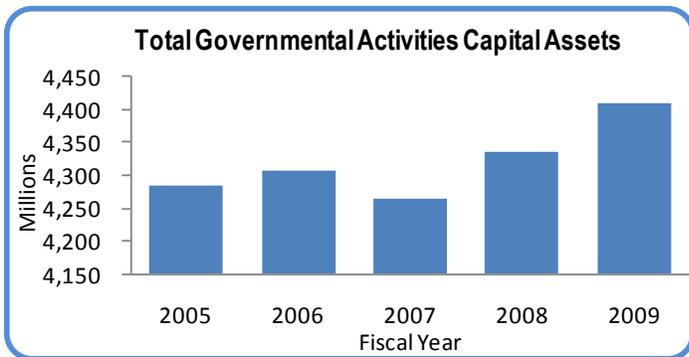
#### General Fund Cash

Continued expenditure savings due to vacancies and management imposed reductions in discretionary spending have helped the City to maintain a relatively stable cash position.



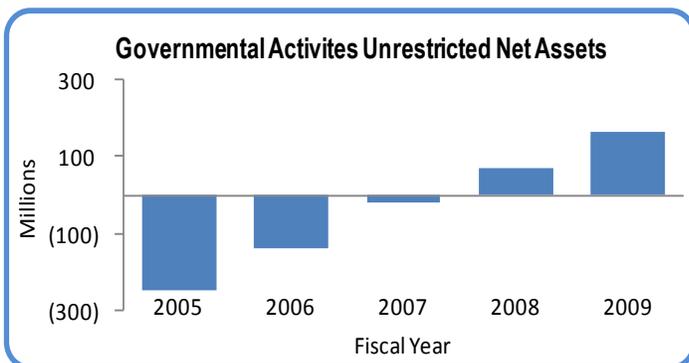
#### Total Long Term Liabilities

The City issued \$103 million in Lease Revenue Bonds to finance various public improvements during FY 2009. The City's obligation related to Other Post-employment Benefits also increased \$45 million in FY 2009, together creating an increase in total long term liabilities of approximately 10.1%.



#### Capital Assets

Capital Assets increased by approximately \$120 million during FY 2009. This included capital expenditures related to the City's new ERP system, seismic retrofitting of the City's bridge infrastructure, and infrastructure and improvements to repair street damage resulting from the Mt. Soledad landslide.



#### Unrestricted Net Assets

Unrestricted Net Assets increased approximately \$92 million in FY 2009. This was primarily the result of Redevelopment Agency revenues exceeding expenses to fund multi-year capital improvements.



## Business-Type Activities

---

The majority of the City's business-type activities are related to utilities that provide water and wastewater services. The Water and Metropolitan Wastewater Departments have been consolidated into a single Public Utilities Department and continue to serve several regional agencies outside of the City's boundaries. The utilities operations are mainly supported by fees charged to customers. The Independent Rate Oversight Committee (an independent committee of stakeholders) monitors utility rates and expenditures on behalf of the ratepayers.

The City's Water Utility Fund issued \$485 million of Water Revenue and Revenue Refunding Bonds, Series 2009A and 2009B during fiscal year 2009 to prepay outstanding principal of \$207 million of Subordinated Water Revenue Notes, Series 2007A and 2008B; refund \$94 million of Certificates of Undivided Interest, Series 1998 monies; and to finance capital improvements on the water system. The publicly offered Water 2009A and 2009B Revenue Refunding Bonds are secured by and payable solely from net system revenues of the Water Utility Fund. The City's Wastewater Utility Fund issued \$1.089 billion of Senior Sewer Revenue Bonds to finance capital improvements to the wastewater system; fully refund \$224 million in wastewater revenue notes; and to refund approximately \$683 million in wastewater revenue bonds. The net change in these notes and bonds payable during fiscal year 2009 is the primary reason the business-type long term liabilities increased \$344 million over fiscal year 2008.

For the year ended June 30, 2009, the City's business-type activities closed with restricted and unrestricted cash and investment balances totaling \$1.2 billion, an increase over fiscal year 2008 of approximately \$319 million as a result of the debt issues discussed above.

While the City's capital assets for business-type activities have continued to increase in value, deferred maintenance remains an ongoing challenge. The City maintains a network of over 3,000 miles of water pipes and over 3,000 miles of sewer and waste water lines.

Compliance with environmental regulations generally requires infrastructure construction, including the replacement of water distribution systems, treatment plant upgrades, the replacement of wastewater collection systems, and improving sewage treatment capacity. The City has agreed with various state and federal regulators to build significant infrastructure upgrades. In June 2009, the City received tentative approval of a third five-year waiver permit from the Environmental Protection Agency (EPA) and the state Regional Water Quality Control Board to continue operating the Point Loma Wastewater Treatment Plant at advanced primary treatment level. The City is still working with the California Coastal Commission to receive final wording on a consistency determination in support of this EPA decision. The resolution is anticipated in early 2010.

The City is also facing challenges to the future of its water supplies. A persistent regional drought and judicial decisions regarding management of the State Water Project has put significant pressure on San Diego's regional water supplies. The City of San Diego imports as much as 90% of its water supply. The reliability of that supply has been reduced because of court decisions, weather conditions, the diminishing availability of stored water, and dwindling supplies of new water. The City continues to work with its water wholesalers (the San Diego County Water Authority and the Metropolitan Water District of Southern California) to address these supply issues but currently operates under a mandatory water conservation target to achieve an 8% reduction in overall use. The City's performance from June through September has averaged a monthly reduction of over 12%. The availability of

water has legal implications and could potentially affect City Council findings regarding state mandated water supply assessments for future development. These assessments must demonstrate the long-term availability of water for large projects before those projects can be approved by local jurisdictions. At this time, it is unclear what effect limitations to water supplies would have on the City's economy and its revenues as the most recent project assessments have all been able to find potable water offsets through the increased use of reclaimed water. The Mayor also proposed and the City Council approved in October 2009 a revised Landscape Ordinance in advance of the state's requirement to do so by January 2010. The City is also moving forward with the California Department of Public Health to undertake a demonstration project intended to verify that highly treated municipal wastewater can be placed in a drinking water reservoir.

### **Best Practice Operating Improvements**

The City took a major leap forward on July 1, 2009 when it went live with its new SAP Enterprise Resource Planning (ERP) financial system. After two years of planning, the City successfully began the transition to an integrated financial system which allowed us to eliminate over a dozen legacy software applications. Throughout fiscal year 2010, core functionality modules will be implemented, eliminating even more costly legacy software applications and hardware. The addition of the ERP system and a well trained workforce are expected to significantly improve the City's financial operations and reporting capabilities.

Internal controls over financial operations and reporting continue to be a focus issue for the City. As part of the ERP system, the City has invested in an integrated internal controls module called Governance, Risk and Compliance (GRC). GRC, coupled with new process and procedure documents, are expected to improve our internal control environment. In addition, the City has established a comprehensive plan and has the proper staffing in place to complete the remediation of weaknesses in internal controls over financial reporting within 14 months.

### **The Five Year Financial Outlook**

In October 2009, the City released an updated Five-Year Financial Outlook (the Outlook) for fiscal years 2011 through 2015. This document is an examination of the City's long range fiscal condition and financial challenges. The City updates the Outlook periodically to account for changed circumstances.

The City's General Fund was the primary focus of the 2011-2015 Outlook. Approximately 68% of the City's major revenues consist of four revenue sources: property tax, sales tax, TOT, and franchise fees. Nearly 70% of the City's General Fund expenditures are personnel expenses. Negative economic factors have resulted in a downward revision to revenue projections for the fiscal year 2010 annual budget, which served as a base for the Outlook. The Outlook discussed risks and opportunities that affect fiscal decisions and the City's ability to accomplish its strategic financial goals over the next five-year period. These goals include:

- Meet contractual obligations and fund mandated programs
- Contribute the full payment of the Annual Required Contribution (ARC) for the City's pension system
- Maintain or enhance General Fund and other reserves according to the City's Reserve Policy
- Preserve City services to the fullest extent possible

| <b>Five Year Outlook for Fiscal Years 2011 - 2015</b> |                             |                             |                             |                             |                             |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>GENERAL FUND</b>                                   | <b>Forecast<br/>FY 2011</b> | <b>Forecast<br/>FY 2012</b> | <b>Forecast<br/>FY 2013</b> | <b>Forecast<br/>FY 2014</b> | <b>Forecast<br/>FY 2015</b> |
| <b><i>Projected Revenues</i></b>                      |                             |                             |                             |                             |                             |
| Property Tax  | \$ 396.4                    | \$ 404.5                    | \$ 416.7                    | \$ 433.4                    | \$ 450.7                    |
| Sales Tax   | 182.7                       | 192.7                       | 200.2                       | 208.1                       | 218.8                       |
| Transit Occupancy Tax                                 | 71.9                        | 74.1                        | 76.7                        | 79.7                        | 82.9                        |
| Franchise Fees  | 75.0                        | 76.7                        | 78.5                        | 80.3                        | 82.2                        |
| Other Revenues  | 335.6                       | 346.1                       | 353.3                       | 355.3                       | 362.0                       |
|   | <b>1,061.6</b>              | <b>1,094.1</b>              | <b>1,125.4</b>              | <b>1,156.8</b>              | <b>1,196.6</b>              |
| <b><i>Projected Expenses</i></b>                      |                             |                             |                             |                             |                             |
| Salary, Wages & Benefits                              | 611.8                       | 620.9                       | 627.2                       | 636.2                       | 622.7                       |
| Operating Expenses                                    | 351.5                       | 363.1                       | 366.0                       | 382.5                       | 390.6                       |
| Pension Expense                                       | 217.8                       | 206.5                       | 225.2                       | 242.5                       | 258.7                       |
| Retiree Healthcare Expense                            | 43.2                        | 46.8                        | 50.4                        | 54.2                        | 57.8                        |
| General Fund Reserves                                 | 4.2                         | 7.9                         | 2.5                         | 2.5                         | 3.2                         |
| Liability Funding                                     | 12.2                        | 7.8                         | 10.1                        | 4.8                         | -                           |
|   | <b>1,240.7</b>              | <b>1,253.0</b>              | <b>1,281.4</b>              | <b>1,322.7</b>              | <b>1,333.0</b>              |
| <b>General Fund Projected Shortfall</b>               | <b>\$ (179.1)</b>           | <b>\$ (158.9)</b>           | <b>\$ (156.0)</b>           | <b>\$ (165.9)</b>           | <b>\$ (136.4)</b>           |

The impact of continued declines in major revenue sources and increased costs for pension funding are the leading factors in the fiscal year 2011 forecasted budget deficit of \$179 million.

Because of the severity of the budget shortfall, the Mayor has indicated that cuts to services and programs will be inevitable in order for the City to maintain a balanced budget. Within the City, this will mean a workforce reduction combined with expenditure savings from reduced or eliminated programs and services. The Mayor's budget plan for fiscal year 2011 does not include contributions to fund reserves; however, the plan proposes that reserves will not be spent and will be maintained at current levels.

### Looking Forward

These are difficult economic times, and the City has set challenging goals for its future. The City believes these goals are achievable with continued fiscal discipline and greater government efficiency. In some revenue categories, San Diego has relatively low taxes and fees compared to most other large municipalities in the United States. San Diego enjoys an ideal location with agreeable weather year round. The diversity of industry, education and tourism well positions the City for an early economic rebound when the economy begins its eventual recovery.

Out of these challenging times, San Diego is restructuring its operations, services and programs so that the City will emerge with a sound, fundamentally sustainable municipal business model. We have addressed the issues that have created prior difficulties for this City, and we are structuring ourselves for long-term solvency and flexibility. We will continue to live within our means and balance our annual budgets.

## Purpose, Background, and Scope of this Report

San Diego City Charter § 111 requires the City to submit an annual report, including a Statement of Net Assets, and requires that all accounts of the City be audited by an independent auditor. Pursuant to this requirement, the Comprehensive Annual Financial Report ("CAFR") of the City of San Diego ("City") for the fiscal year ended June 30, 2009, is hereby submitted. The audit firm of Macias Gini & O'Connell LLP has issued an unqualified opinion on the City of San Diego's financial statements. The independent auditor's report is located at the front of the financial section of this report.

The CAFR has been prepared in conformance with the principles and standards for reporting as set forth by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City and its related agencies. The City's objective is to provide you with reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Additionally, the City continues to construct and improve a comprehensive internal control framework in order to ensure acceptable management of taxpayer funds.

To the best of our knowledge and belief, the data as presented, is accurate in all material respects; it is presented in a manner designed to present fairly the financial position and results of operations of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining funds of the City and its related agencies; and all disclosures necessary to enable the reader to gain an understanding of the City's, as well as its related agencies', financial activities have been included.

A narrative introduction, overview, and analysis of the financial statements can be found in Management's Discussion and Analysis (MD&A), which immediately follows the independent auditor's report. The MD&A complements this letter of transmittal and should be read in conjunction with it. The CAFR is organized into three sections:

- The introductory section includes information about the organizational structure of the City, the City's economy, and selected other financial information.
- The financial section is prepared in accordance with governmental accounting standards. It includes the MD&A (unaudited), the independent auditor's report, the audited basic financial statements, notes to the basic financial statements, required supplementary information (unaudited), and supplementary information (unaudited).
- The statistical section contains historical statistical data on the City's financial data and debt statistics, as well as miscellaneous physical, demographic, economic, and social data of the City. This section of the CAFR is unaudited.

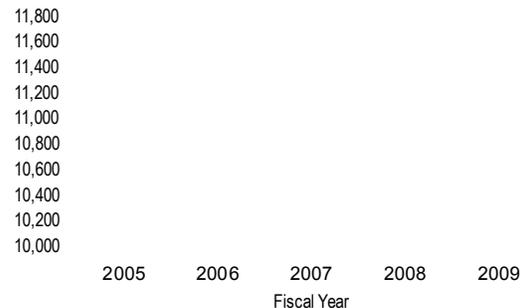
## Profile of the City of San Diego

The City of San Diego was incorporated in 1850. The City comprises 342 square miles and, as of January 1, 2009, the California Department of Finance estimates the population to be 1,353,993. The City, with approximately 10,800 employees, provides a full range of governmental services including police and fire protection, sanitation and health services, the construction and maintenance of streets and infrastructure, recreational activities and cultural events, and the maintenance and operation of the water and sewer utilities.

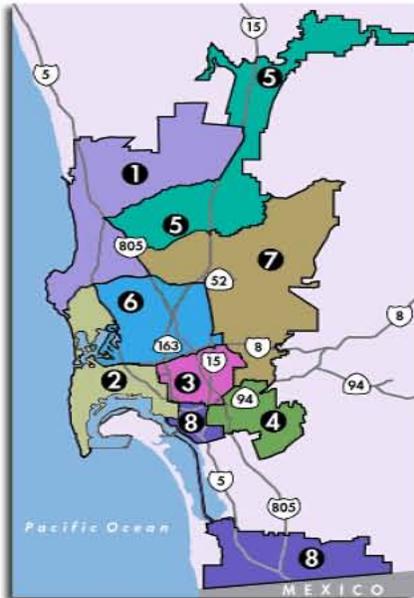
### Governing Structure

The City operates under and is governed by the laws of the State of California and its own Charter, as periodically amended since its adoption by the electorate in 1931. The City is currently operating under a Strong-Mayor form of government. The departure, on an interim trial basis, from the City's previous Council-Manager form of government was approved by a vote of the public and became effective January 1, 2006. The Mayor is elected at large to serve a four-year term.

City of San Diego  
Full Time and Part Time Employees



City of San Diego Council  
District Map



Under the Strong-Mayor form of government, the Mayor 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 (IBA), City Attorney, and City Auditor departments. Under this form of government, the City Council is composed of eight members and is presided over by the 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 Council. The 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 Appropriations Ordinances. The City Council may override a Mayoral veto with five 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.

During the County's primary election held on June 3, 2008, voters approved Proposition B which requires City Council to place a measure on the June 2010 ballot to allow voters to decide whether the Strong-Mayor form of government should become permanent effective January 1, 2011. Additionally, Proposition B provides for the public to decide whether the number of City Council districts should increase from eight to nine, and therefore, a corresponding increase of City Council votes required to override the Mayor's veto from five to six. Additionally, voters approved Proposition C, which separated the City Auditor's Office from the Comptroller's Office and made the Office of the IBA permanent. Under this amendment, the City Auditor serves a ten-year term and

is supervised by an Audit Committee consisting of two Councilmembers and three members of the public with auditing expertise, who are appointed by the City Council. This amendment also provides that the Mayor will appoint, with City Council confirmation, the Chief Financial Officer. In addition, the Mayor's appointment of the City Treasurer no longer requires City Council confirmation.

Current Elected Officials  
(As of the issuance of this report)



Mayor Jerry Sanders

|  |  |  |   |
|--|--|--|---|
| District 1<br>Councilmember Sherri Lightner                |   |   | District 5<br>Councilmember Carl DeMaio   |
| District 2<br>Council President Pro Tem<br>Kevin Faulconer |   |   | District 6<br>Councilmember Donna Frye    |
| District 3<br>Councilmember Todd Gloria                    |   |   | District 7<br>Councilmember Marti Emerald |
| District 4<br>Councilmember Tony Young                     |  |  | District 8<br>Council President Ben Hueso |

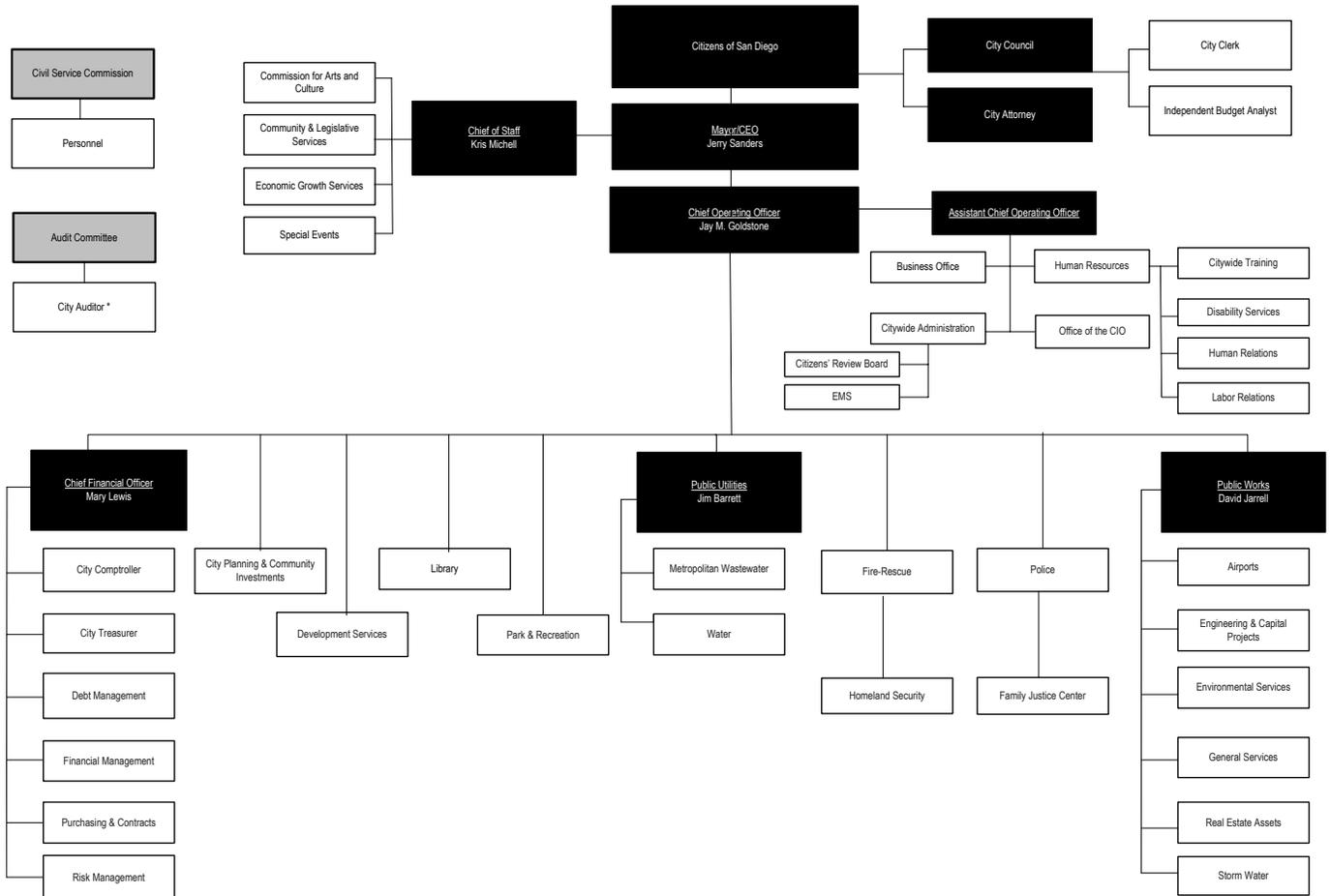


City Attorney  
Jan Goldsmith

Other City Officials

- Jay M. Goldstone, Chief Operating Officer
- Mary Lewis, Chief Financial Officer
- Kenton C. Whitfield, City Comptroller
- Gail R. Granewich, City Treasurer
- Elizabeth Maland, City Clerk
- Andrea Tevlin, Independent Budget Analyst
- Eduardo Luna, City Auditor

### City of San Diego Organization Chart (As of the issuance of this Report)



\* Proposition C, passed in June 2008, provides that the City Auditor shall report to and be accountable to the Audit Committee. To complete the enacting measure for Proposition C, the City Auditor must be appointed by the City Manager (Mayor), in consultation with the Audit Committee, and confirmed by the City Council. This organization chart reflects the reporting structure called for in Proposition C, which will be in effect following that Council action.



## Financial Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement 14, the following component units are incorporated into the accompanying financial statements:

- Centre City Development Corporation (CCDC)
- City of San Diego Metropolitan Transit Development Board Authority (MTDB)
- Redevelopment Agency of the City of San Diego (RDA)
- San Diego Data Processing Corporation (SDDPC)
- San Diego Housing Commission (SDHC)
- San Diego Open Space Park Facilities District #1
- Community Facilities and Other Special Assessment Districts
- Tourism Marketing District
- Convention Center Expansion Financing Authority (CCEFA)
- San Diego City Employees' Retirement System (SDCERS)
- Public Facilities Financing Authority (PFFA)
- San Diego Convention Center Corporation (SDCCC)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Industrial Development Authority (SDIDA)
- Southeastern Economic Development Corporation (SEDC)
- Tobacco Settlement Revenue Funding Corporation (TSRFC)

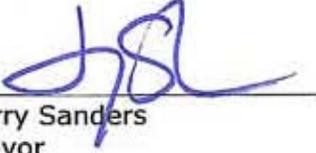
Additionally, the City participates in a joint venture operation with a private company to provide for emergency medical and medical transportation services. This joint venture is a limited liability company named San Diego Medical Services Enterprise, LLC. The financial impact of the joint venture is displayed in the General Fund within the governmental funds statement of revenues, expenditures and changes in fund balance and in the government-wide statement of activities.

## Budgetary Process

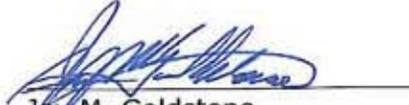
Pursuant to the City Charter, an annual budget is presented by the Mayor to the City Council for consideration. Set forth in this budget are the anticipated revenues and expenditures of the General Fund, certain special revenue funds, enterprise funds, and certain debt service funds for the ensuing fiscal year. Additionally, project-length financial plans are presented to and adopted by the City Council for the capital projects funds. The legal level of budgetary control for the City's general fund is exercised at the salaries and wages and non-personnel expenditures level. Budgetary control for the other budgeted funds, including those of certain component units, is maintained at the total fund appropriation level. Copies of the City's budgets are available at the Financial Management Office located at 202 C Street, MS8A, San Diego, CA 92101.

The City continues to look for ways to improve the effectiveness and efficiency of its operations. The focus now is on crafting policy that will ensure a continued commitment to strong financial stewardship.

Sincerely,



Jerry Sanders  
Mayor

  
Jay M. Goldstone  
Chief Operating Officer  
Mary Lewis  
Chief Financial Officer  
Kenton C. Whitfield  
City Comptroller

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## FINANCIAL SECTION





**MACIAS GINI & O'CONNELL LLP**  
Certified Public Accountants & Management Consultants

SAN DIEGO  
402 W. Broadway, Suite 400  
San Diego, CA 92101  
619.573.1112

SACRAMENTO

OAKLAND

WALNUT CREEK

LOS ANGELES

NEWPORT BEACH

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council  
of the City of San Diego, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Diego, California (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Diego Housing Commission, a discretely presented component unit, which statements reflect 90%, 95% and 85% of the total assets, total net assets and total revenues, respectively, of the aggregate discretely presented component unit totals. Also, we did not audit the Southeastern Economic Development Corporation, a blended component unit, which statements reflect less than 1% in each of the total assets, total net assets and total revenues categories, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the San Diego Housing Commission and the Southeastern Economic Development Corporation is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

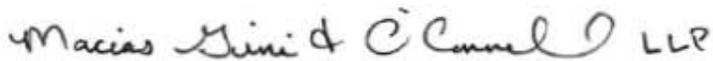
In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective July 1, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, schedules of funding progress and schedule of contributions from employer and other contributing entities, and general fund budgetary information on pages 35 through 48, 168, and 172 through 174, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Certified Public Accountants

San Diego, California  
December 21, 2009

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**  
**(In Thousands)**  
**June 30, 2009**

As management of the City of San Diego (City), we offer readers of the City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The focus of the government-wide financial statements is on reporting on the operating results and financial position of the government as an economic entity. These statements are intended to report the entity's operational accountability to its readers, giving information about the probable medium and long-term effects of past decisions on the government's financial position.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing changes in the City's net assets during the fiscal year 2009. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The focus is on both gross and net costs of City functions, which are supported by general revenues. This Statement also distinguishes functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include: General Government and Support; Public Safety - Police; Public Safety - Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; and Neighborhood Services. The business-type activities of the City include: Airports; City Store; Development Services; Environmental Services; Golf Course; Recycling; Sewer Utility; and Water Utility.

The government-wide financial statements include the City (known as the primary government) and the following legally separate, discretely presented component units: San Diego Convention Center Corporation (SDCCC); and San Diego Housing Commission (SDHC). Financial information for these component units is reported separately from the financial information presented for the primary government. Blended component units, also legally separate entities, are a part of the government's operations and are combined with the primary government.

Included within the primary government as blended component units:

- Centre City Development Corporation (CCDC)
- City of San Diego Metropolitan Transit Development Board Authority (MTDB Authority)
- City of San Diego Tobacco Settlement Revenue Funding Corporation (TSRFC)
- Community Facilities and Other Special Assessment Districts
- Convention Center Expansion Financing Authority (CCEFA)
- Public Facilities Financing Authority (PFFA)
- Redevelopment Agency of the City of San Diego (RDA)
- San Diego City Employees' Retirement System (SDCERS)
- San Diego Data Processing Corporation (SDDPC)



- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Industrial Development Authority (SDIDA)
- San Diego Open Space Park Facilities District #1
- Southeastern Economic Development Corporation (SEDC)
- Tourism Marketing District (TMD)

The government-wide financial statements can be found beginning on page 52 of this report.

## **FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### **GOVERNMENTAL FUNDS**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both of the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the Supplementary Information section of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget and is presented as required supplementary information.

The basic governmental funds financial statements can be found beginning on page 56 of this report.

### **PROPRIETARY FUNDS**

The City maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for its various business-type activities, such as Sewer and Water Utilities. Internal Service funds, such as Fleet Services, Central Stores, Publishing Services, and Self Insurance, are used to report activities that provide centralized supplies and/or services to the City. All internal service funds, except for the Special Engineering Fund, have been included within governmental activities in the government-wide financial statements since they predominantly benefit governmental functions. The Special Engineering Fund, which services exclusively Sewer and Water activities, has been included within business-type activities in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Sewer and Water funds, which are considered to be major funds of the City. Data for the nonmajor proprietary funds are combined into a single, aggregated presentation, and the internal service funds are combined into a single, aggregated presentation as well. Included in the Supplementary Information section of this report are individual fund data for the nonmajor proprietary funds and the internal service funds. The basic proprietary funds financial statements can be found beginning on page 60 of this report.

**FIDUCIARY FUNDS**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found beginning on page 63 of this report.

**NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 65 of this report.

**OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and postemployment healthcare benefits to its employees, and the General Fund's budgetary comparison schedule. Required supplementary information can be found beginning on page 170 of this report.

The individual fund data referred to earlier in connection with nonmajor governmental funds, nonmajor proprietary funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions and the General Fund budgetary comparison schedule, beginning on page 199 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

CITY OF SAN DIEGO'S SUMMARY OF NET ASSETS  
(In Thousands)

|                             | Governmental Activities |              | Business-Type Activities |              | Total Primary Government |              |
|-----------------------------|-------------------------|--------------|--------------------------|--------------|--------------------------|--------------|
|                             | 2009                    | 2008         | 2009                     | 2008         | 2009                     | 2008         |
| Capital Assets              | \$ 4,455,525            | \$ 4,335,317 | \$ 4,766,721             | \$ 4,634,918 | \$ 9,222,246             | \$ 8,970,235 |
| Other Assets                | 2,110,185               | 2,096,751    | 1,357,070                | 1,031,815    | 3,467,255                | 3,128,566    |
| Total Assets                | 6,565,710               | 6,432,068    | 6,123,791                | 5,666,733    | 12,689,501               | 12,098,801   |
| Net Long-Term Liabilities   | 2,164,276               | 1,965,991    | 2,413,033                | 2,068,569    | 4,577,309                | 4,034,560    |
| Other Liabilities           | 143,231                 | 312,696      | 110,479                  | 108,455      | 253,710                  | 421,151      |
| Total Liabilities           | 2,307,507               | 2,278,687    | 2,523,512                | 2,177,024    | 4,831,019                | 4,455,711    |
| Net Assets:                 |                         |              |                          |              |                          |              |
| Invested in Capital Assets, |                         |              |                          |              |                          |              |
| Net of Related Debt         | 3,530,937               | 3,518,704    | 2,970,351                | 2,933,012    | 6,501,288                | 6,451,716    |
| Restricted                  | 564,605                 | 564,042      | 42,485                   | 39,436       | 607,090                  | 603,478      |
| Unrestricted                | 162,661                 | 70,635       | 587,443                  | 517,261      | 750,104                  | 587,896      |
| Total Net Assets            | \$ 4,258,203            | \$ 4,153,381 | \$ 3,600,279             | \$ 3,489,709 | \$ 7,858,482             | \$ 7,643,090 |

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$7,858,482 at June 30, 2009, an increase of \$215,392 over fiscal year 2008.

\$6,501,288, or approximately 82%, of total Net Assets represent the City's investment in capital assets (e.g., land, structures and improvements, equipment, distribution and collections systems, infrastructure, and construction-in-progress), less any outstanding debt used to acquire these assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally are not used to liquidate these liabilities.

\$607,090, or approximately 8%, of total Net Assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$750,104, or approximately 10%, is available to finance ongoing services and obligations to the City's citizens and creditors.

Unrestricted Net Assets increased by \$162,208, or approximately 28%. Approximately \$70,000 of this increase was in the Business-Type activities, primarily attributed to Council approved rate increases. Governmental activities increased by approximately \$92,000. This was primarily the result of revenues exceeding expenses for RDA by approximately \$70,000. RDA projects are multi-year in nature, and therefore, revenues collected on an annual basis are often budgeted for future larger construction phases of the projects. In addition, RDA experienced increased property tax revenues from fiscal year 2008 to 2009. Another material increase was a \$20,000 increase to debt service reserves not legally restricted but internally set aside.

**CITY OF SAN DIEGO'S SUMMARY OF CHANGES IN NET ASSETS**  
(In Thousands)

|  | Governmental Activities |                     | Business-Type Activities |                     | Total Primary Government |                     |
|--|-------------------------|---------------------|--------------------------|---------------------|--------------------------|---------------------|
|  | 2009                    | 2008                | 2009                     | 2008                | 2009                     | 2008                |
| Revenues:  |                         |                     |                          |                     |                          |                     |
| Program Revenues                                   |                         |                     |                          |                     |                          |                     |
| Charges for Current Services                       | \$ 345,532              | \$ 289,985          | \$ 771,725               | \$ 772,602          | \$ 1,117,257             | \$ 1,062,587        |
| Operating Grants and Contributions                 | 93,244                  | 75,126              | 1,739                    | 2,312               | 94,983                   | 77,438              |
| Capital Grants and Contributions                   | 110,802                 | 78,347              | 60,863                   | 58,400              | 171,665                  | 136,747             |
| General Revenues                                   |                         |                     |                          |                     |                          |                     |
| Property Taxes                                     | 607,857                 | 576,605             | -                        | -                   | 607,857                  | 576,605             |
| Transient Occupancy Taxes                          | 140,657                 | 159,348             | -                        | -                   | 140,657                  | 159,348             |
| Other Local Taxes                                  | 161,485                 | 151,267             | -                        | -                   | 161,485                  | 151,267             |
| Grants and Contributions not Restricted to         |                         |                     |                          |                     |                          |                     |
| Specific Programs                                  | 8,488                   | 6,251               | -                        | -                   | 8,488                    | 6,251               |
| Sales Taxes  | 229,651                 | 269,757             | -                        | -                   | 229,651                  | 269,757             |
| Investment Income                                  | 75,245                  | 96,725              | 31,004                   | 41,224              | 106,249                  | 137,949             |
| Other  | 51,598                  | 85,785              | 8,257                    | 7,850               | 59,855                   | 93,635              |
| <b>Total Revenues</b>                              | <b>1,824,559</b>        | <b>1,789,196</b>    | <b>873,588</b>           | <b>882,388</b>      | <b>2,698,147</b>         | <b>2,671,584</b>    |
| Expenses:  |                         |                     |                          |                     |                          |                     |
| General Government and Support                     | 303,581                 | 322,157             | -                        | -                   | 303,581                  | 322,157             |
| Public Safety-Police                               | 418,549                 | 382,907             | -                        | -                   | 418,549                  | 382,907             |
| Public Safety-Fire, Life Safety, Homeland Security | 220,787                 | 204,822             | -                        | -                   | 220,787                  | 204,822             |
| Parks, Recreation, Culture and Leisure             | 258,038                 | 231,955             | -                        | -                   | 258,038                  | 231,955             |
| Transportation                                     | 239,305                 | 212,255             | -                        | -                   | 239,305                  | 212,255             |
| Sanitation and Health                              | 77,447                  | 51,772              | -                        | -                   | 77,447                   | 51,772              |
| Neighborhood Services                              | 116,735                 | 91,110              | -                        | -                   | 116,735                  | 91,110              |
| Debt Service:                                      |                         |                     |                          |                     |                          |                     |
| Interest on Long-Term Debt                         | 84,070                  | 82,211              | -                        | -                   | 84,070                   | 82,211              |
| Airports   | -                       | -                   | 5,140                    | 4,109               | 5,140                    | 4,109               |
| City Store   | -                       | -                   | 321                      | 788                 | 321                      | 788                 |
| Development Services                               | -                       | -                   | 47,260                   | 51,461              | 47,260                   | 51,461              |
| Environmental Services                             | -                       | -                   | 35,718                   | 37,279              | 35,718                   | 37,279              |
| Golf Course  | -                       | -                   | 11,864                   | 11,142              | 11,864                   | 11,142              |
| Recycling  | -                       | -                   | 20,067                   | 20,511              | 20,067                   | 20,511              |
| Sewer Utility                                      | -                       | -                   | 314,125                  | 322,552             | 314,125                  | 322,552             |
| Water Utility                                      | -                       | -                   | 329,748                  | 321,123             | 329,748                  | 321,123             |
| <b>Total Expenses</b>                              | <b>1,718,512</b>        | <b>1,579,189</b>    | <b>764,243</b>           | <b>768,965</b>      | <b>2,482,755</b>         | <b>2,348,154</b>    |
| Change in Net Assets Before Transfers:             | 106,047                 | 210,007             | 109,345                  | 113,423             | 215,392                  | 323,430             |
| Transfers  | (1,225)                 | 3,551               | 1,225                    | (3,551)             | -                        | -                   |
| <b>Net Change in Net Assets</b>                    | <b>104,822</b>          | <b>213,558</b>      | <b>110,570</b>           | <b>109,872</b>      | <b>215,392</b>           | <b>323,430</b>      |
| Net Assets - July 1                                | 4,153,381               | 3,939,823           | 3,489,709                | 3,379,837           | 7,643,090                | 7,319,660           |
| <b>Net Assets - June 30</b>                        | <b>\$ 4,258,203</b>     | <b>\$ 4,153,381</b> | <b>\$ 3,600,279</b>      | <b>\$ 3,489,709</b> | <b>\$ 7,858,482</b>      | <b>\$ 7,643,090</b> |

**GOVERNMENTAL ACTIVITIES**

Governmental activities increased the City's net assets by \$104,822 during fiscal year 2009. Variances from fiscal year 2008 of more than 10% are discussed below.

- Charges for Services increased by \$55,547, or approximately 19%. The Special Engineering Fund was closed out during fiscal year 2009, and all Water and Sewer engineering positions were transferred to the General Fund. Charges for Services revenue increased as a result of those engineers billing Water and Sewer capital improvement projects.
- Operating Grants and Contributions increased by \$18,118, or approximately 24%, mainly due to an increase in Community Development Block Grant (CDBG) revenues. This was primarily the result of CDBG funded projects for non-City owned assets for various public improvements.
- Capital Grants and Contributions increased by \$32,455, or approximately 41%, which was caused by several factors. The City was awarded two new grants related to a 2007 landslide in the La Jolla area. The first was a Homeland Security grant for the Desert View Drive Area of La Jolla (\$6,800), and the second was a federal grant for the Mount Soledad Road area (\$11,900). In addition, there were increased revenues recognized for several other Capital Outlay grants including a Seismic Retrofit federal grant (\$5,500), a Prop1B State Grant (\$4,500), and a La Jolla/Pacific Beach/Ocean Beach/Mission Bay Water grant (\$1,200). Donated capital assets increased by \$8,900, which included park land turned over to the City (\$3,200) and land exchanged with the County for open space (\$2,600). These increases were offset by a decrease of approximately \$9,400 in CDBG related capital projects for city-owned public improvements.
- Transient Occupancy Taxes decreased by \$18,691, or approximately 12%, primarily due to the economic downturn in San Diego's tourism industry.
- Grants and Contributions not Restricted to Specific Programs increased by \$2,237, or approximately 36%, primarily due to one-time revenue received by RDA for the sale of downtown condominium units, pursuant to a participation agreement with a developer.
- Sales Taxes decreased by \$40,106, or approximately 15%. The General Fund's sales tax revenue decreased by approximately \$22,700, primarily due to declining retail sales as part of the overall downturn in the economy. TransNet's sales tax revenue decreased by approximately \$15,000. In fiscal year 2008 the City was awarded \$4,900 for the Bike Lanes and Major Corridor Programs, and in fiscal year 2009 the City was not awarded any new funds for these programs. In addition, SANDAG deferred approximately \$5,500 in sales tax disbursements to the City because the City was in violation of a SANDAG Board ruling which states that the City cannot maintain a balance in excess of 30% of the yearly apportionment. SANDAG deferred disbursement until the balance in the fund is reduced to meet the 30% rule.
- Investment Income decreased by \$21,480, or approximately 22%, primarily due to declining interest rates during 2008 and a decrease in interest income from the reinvestment of the investment pool's assets at these record low interest rates.
- Other Revenue decreased by \$34,187, or approximately 40% primarily due to a \$20,200 decrease in Proceeds from Land Sales. Due to the real estate market decline, the City has not sold the remaining parcels that were designated for disposition as part of the portfolio management plan for the City. There were also decreases in developer contributions in the Impact Fees Fund of \$9,300 and the Facilities Benefit Assessment Fund of \$2,400. These decreases were attributed to several communities, mainly Centre City (\$7,000), but also including smaller decreases in Uptown Urban Communities, Pacific Highlands Ranch, and Scripps Miramar Ranch.
- Parks, Recreation, Culture and Leisure expense increased by \$26,083, or approximately 11%, primarily due to the creation of the new Tourism Marketing District (TMD). Fiscal Year 2009 was the first full year for the TMD, causing an increase in expenditures of approximately \$9,500. There were also increases in depreciation of governmental capital assets in the amount of \$6,700 and Net Pension Obligation expense of \$6,900.

- Transportation expense increased by \$27,050, or approximately 13%, primarily due to the Underground Surcharge expenses. Since the underground program is funded by SDG&E franchise revenues, which came in lower than anticipated during fiscal year 2008, expenditures for the undergrounding of utility lines increased by approximately \$17,000 during fiscal year 2009 when revenues came in higher. Expenses related to the addition of the new Right of Way Design Program also increased by approximately \$6,400.
- Sanitation and Health expense increased by \$25,675, or approximately 50%, primarily due to an increase in the General Fund's Storm Water department expenditures. The City's Storm Drain and Street Sweeping programs were transferred to the Storm Water department from the Streets and Public Safety-Police departments, which accounted for an increase of approximately \$20,200. In addition, the Convention Center Fund paid \$5,900 for a one-time capacity fee adjustment for the annual cost of effluent dewatering.
- Neighborhood Services expense increased by \$25,625, or approximately 28%. This increase was primarily the result of a settlement agreement with the County of San Diego regarding the Grantville Redevelopment Project area for \$39,200. This was partially offset by a decrease of approximately \$9,300 which was attributed to a prior year loss on the disposition of an RDA parcel of land in the Centre City Project area, related to the Renaissance Hotel project. The loss was mostly due to timing differences in revenue and expense recognition because advances from the developer were recognized in prior years as the funds were used to acquire the property.

#### **BUSINESS-TYPE ACTIVITIES**

Business-type activities increased the City's net assets by \$110,570 during fiscal year 2009. Variances from fiscal year 2008 of more than 10% are discussed below.

- Investment Income decreased by \$10,220, or approximately 25%, primarily due to a bottoming out of declining interest rates around December 2008 and a decrease in interest income from the reinvestment of the Investment Pool's assets at these record low interest rates.
- Airports expense increased by \$1,031, or approximately 25%, primarily due to higher personnel costs. This was the result of filling supervisory positions, as well as emergency repairs and maintenance performed on buildings and runways.
- City Store expense decreased by \$467, or approximately 59%, primarily due to the City Store operations being shut down during fiscal year 2009.

#### **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### **GOVERNMENTAL FUNDS**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2009, the City's governmental funds reported combined ending fund balances of \$1,740,792, an increase of \$149,488 from fiscal year 2008. Approximately \$999,926 constitutes unreserved fund balance, which is available for spending at the government's direction. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the period, (2) to pay debt service, (3) to generate income to pay for the perpetual funding of various programs, or (4) for a variety of other purposes.

The General Fund is the principal operating fund of the City. At the end of fiscal year 2009, undesignated fund balance of the General Fund was \$78,347, while total fund balance was \$114,392. This represents a \$10,389 decrease from the fiscal year 2008 total fund balance.

### PROPRIETARY FUNDS

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

As of the end of fiscal year 2009, Unrestricted Net Assets of the Sewer Utility Fund are \$292,441. Unrestricted Net Assets increased approximately \$48,724, or approximately 20%, mainly due to increased charges for services as a result of Council approved rate increases.

As of the end of fiscal year 2009, Unrestricted Net Assets of the Water Utility Fund are \$232,899. Unrestricted Net Assets increased by \$21,054, or approximately 10%, mainly due to increased sales of water as a result of Council approved rate increases.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget for expenditures and transfers out was \$24,744 higher than the final budget due to increases (decreases) in appropriations primarily attributed to the following:

- (\$10,548) for General Governmental and Support. This variance was mostly attributed to the departments below:
  - (\$11,016) for Citywide Programs. The majority of the budget adjustment (\$7,614) is due to employee leveraged pick up savings being reimbursed to employees out of the UAAL fund instead of the General Fund. City Elections budget decreased by (\$1,975) due to fewer propositions on the November ballot and no run-off elections. The remaining (\$1,427) is made up of a decrease in the amount of Mission Bay revenue transferred to the Park Improvement Fund and other miscellaneous adjustments.
  - \$ 8,377 due to an increase in the General Fund Appropriated Reserve.
  - (\$1,200) for City Treasurer. This decrease was due to the first quarter budget adjustments approved by City Council, which reduced funding for supplies and services, as well as personnel costs.
  - (\$3,853) for City Comptroller, Facilities Maintenance, Field Engineering, and Project Implementation and Technical Services. This decrease was mainly due to the first quarter budget adjustments approved by City Council, which reduced funding for supplies and services, as well as personnel costs.
  - (\$ 2,837) for City Planning and Development, Community Services, Customer Services, Office of Ethics and Integrity, and Public Safety. This decrease was due to the first quarter budget adjustments approved by City Council, which eliminated these four departments.
- (\$7,902) for Public Safety-Police. The majority of the budget reduction was in personnel, which was attributed to vacant positions, the decrease in recruits from the Police Academy, and overtime savings.
- \$10,414 for Public Safety-Fire and Life Services and Homeland Security. The increase in budget was primarily due to over budget expenditures related to overtime Strike Team activities for wildfires and other Federal Emergency Management Agency requirements, unanticipated retirements, and an increase in reimbursable Emergency Medical Services.
- (\$1,560) for Parks, Recreation, Culture and Leisure. This decrease was mainly due to the first quarter budget adjustments approved by City Council.
- (\$4,561) for Transportation. This decrease was due to vacant reimbursable positions in the Streets Department and a budget reduction in supplies and services approved by City Council in December.
- (\$10,273) for Sanitation and Health. The decrease was primarily due to the first quarter budget adjustments approved by City Council, which reduced funding for Storm Drain Repairs, Contracts, Pollution Prevention, and personnel costs.

- \$818 for Principal Retirement. This increase was due to capital lease payments for Police and Parking Enforcement vehicles, as well as equipment, vehicles and helicopters for the Public Safety-Fire and Life Safety and Homeland Security department.
- \$194 for Interest Expense. This increase was due to capital lease payments for Police and Parking Enforcement vehicles, as well as equipment, vehicles and helicopters for the Public Safety-Fire and Life Safety and Homeland Security.

Actual revenues received for the General Fund were \$64,787 less than budgeted. Sales Tax and Transient Occupancy Tax were under budget by \$10,700 and \$8,424, respectively, due to the downturn in the economy. Other Local Taxes were under budget by \$4,545 mainly due to Property Transfer Tax which came in lower than anticipated. This was the result of reduced home sales and shortfalls in SDG&E and Refuse Collection Franchise Fees. Revenue from Use of Money and Property came in \$10,099 under budget, due to declining market values for the City's investment pool. Revenue from Federal Agencies came in \$11,433 under budget. \$2,347 was budgeted to come in during fiscal year 2009 but was actually accrued as fiscal year 2008 revenue. Charges for Current Services came in \$2,101 over budget due to the Engineering Department's work on Water and Sewer capital improvement projects. Other revenue was \$21,562 less than budgeted, which was due to Engineering's charges to Water and Sewer capital projects being received in the Charges for Services category, rather than in Other Revenue, where it was originally budgeted.

Actual expenditures for the General Fund were \$45,464 less than budgeted. \$20,136 was attributed primarily to an increase in the budget of the General Fund Appropriated Reserve without corresponding expenditures, and lower than anticipated allocations from the General Fund Fringe Benefits Reserve. The Fringe Benefits Reserve is used to compensate departments for fringe expenditures in excess of the Revised Budget. In addition, several categories had appropriation savings: Public Safety-Police had personnel and supplies and services savings of \$6,827; Sanitation and Health had savings of \$9,168 mainly due to vacant positions and delays in contractual expenditures for the Storm Water department; Parks, Recreation, Culture, and Leisure had savings of \$3,331 largely due to conservative spending in non-personnel costs. The remaining \$6,002 was primarily due to personnel savings in Neighborhood Services and non-personnel savings in Transportation.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### CITY OF SAN DIEGO'S CAPITAL ASSETS (Net of Accumulated Depreciation) (In Thousands)

|                                     | Governmental Activities |              | Business-Type Activities |              | Total<br>Primary Government |              |
|-------------------------------------|-------------------------|--------------|--------------------------|--------------|-----------------------------|--------------|
|                                     | 2009                    | 2008         | 2009                     | 2008         | 2009                        | 2008         |
| Land, Easements, Rights of Way      | \$ 1,768,968            | \$ 1,755,956 | \$ 93,240                | \$ 89,988    | \$ 1,862,208                | \$ 1,845,944 |
| Construction-in-Progress            | 192,741                 | 165,880      | 291,283                  | 174,065      | 484,024                     | 339,945      |
| Structures and Improvements         | 826,488                 | 827,912      | 1,253,903                | 1,422,839    | 2,080,391                   | 2,250,751    |
| Equipment                           | 169,387                 | 133,317      | 156,891                  | 102,069      | 326,278                     | 235,386      |
| Distribution and Collection Systems | -                       | -            | 2,971,404                | 2,845,957    | 2,971,404                   | 2,845,957    |
| Infrastructure                      | 1,497,941               | 1,452,252    | -                        | -            | 1,497,941                   | 1,452,252    |
| Totals                              | \$ 4,455,525            | \$ 4,335,317 | \$ 4,766,721             | \$ 4,634,918 | \$ 9,222,246                | \$ 8,970,235 |



## CAPITAL ASSETS

In accordance with GASB Statement No. 34, all major infrastructure assets (such as streets, signals, bridges, and drains) are capitalized by the City in the government-wide statements. While capital assets of both governmental and proprietary funds are capitalized at the government-wide level, only proprietary assets are reported at the fund level. Governmental funds are reported on a modified accrual basis at the fund level. Differences between reporting at the fund level and government-wide level for these governmental assets will be explained in both the reconciliation and the accompanying notes to the financial statements.

The City's investment in capital assets (including infrastructure) for governmental and business-type activities as of June 30, 2009 was \$9,222,246 (net of accumulated depreciation). There was an overall increase in the City's investment in capital assets over fiscal year 2008 of approximately \$252,011. Readers interested in more detailed information on capital asset activity should refer to Note 4 Capital Assets.

## HIGHLIGHTS OF FISCAL YEAR 2009 CAPITAL IMPROVEMENT ACTIVITIES

### Governmental Activities

- Phase 1 of the Enterprise Resource Planning (ERP) System Core Project to provide a replacement of the legacy software currently used by the Offices of the Chief Financial Officer (CFO) and Business and Support Services was completed and implemented city-wide on July 1, 2009. As identified in the Kroll report, the legacy system was no longer meeting the City's requirement for responsible financial management, efficient human resources management, or IT operational efficiency. The project is being funded primarily through a lease purchase agreement with IBM Credit LLC and cash from SDDPC. The City's fiscal year 2009 capital expenditures for this project were \$19,501.
- Construction continued on the reconstruction of Soledad Mountain Road following the October 2007 landslide that destroyed a large section of the 5700 block of Soledad Mountain Road and Desert View Drive Alley. The project is funded by TransNet, as well as state and federal grants. The City's fiscal year 2009 capital expenditures for this project were \$12,594.
- Construction continues on the North Harbor Drive Bridge over the Navy Estuary. This project will provide for the seismic retrofitting of the bridge as well as stabilization of the existing piers, and joining the paired piers together at the waterline to increase support during seismic events. The City's fiscal year 2009 capital expenditures for this project were \$9,953.
- Construction was completed on the Bird Rock Coastal Traffic Flow Improvements. This project provides traffic calming measures to reduce speed and improve safety and walkability on La Jolla Boulevard. The project provides three modern roundabouts on La Jolla Boulevard, as well as three mini roundabouts on connecting residential streets. La Jolla Boulevard will also be reduced from four to two lanes. The project was funded by SANDAG, TransNet, Developer Impact Fees, and federal and state grants. The City added \$6,207 in capital infrastructure assets related to this project in fiscal year 2009.
- Construction was completed on the widening of Genesee Avenue from Interstate 5 to Campus Point Drive. This project provided for the widening of 2,500 feet of Genesee Avenue to a modified six-lane primary arterial including Class II bicycle lanes. The project was funded by Facility Benefit Assessments. The City added \$6,500 in capital infrastructure assets related to this project in fiscal year 2009.
- Construction continued on Phase II of the Logan Heights Branch Library. This project provides for a new 25,000 square foot library at 28<sup>th</sup> Street and Ocean Boulevard to serve the Logan Heights Community. The project is funded by various grants and the Library System Improvement Fund. The City's fiscal year 2009 capital expenditures for this project were \$5,540.
- Construction was completed on the Carmel Valley Community Park South. This project provided for the development of a 15 useable acre community park in the Torrey Hills and Carmel Valley Neighborhoods south of State Route 56, located in Carmel Valley Neighborhood 8A. The City added \$8,816 in capital infrastructure assets related to this project in fiscal year 2009.
- Construction began on the First Avenue Bridge Rehabilitation and Retrofit project. This project will provide for seismic retrofits to the abutments, expansion joints and bracing of the First Ave Bridge; as well as extensive hardware restoration

and replacement. The project is part of the Uptown Community Plan. The City's fiscal year 2009 capital expenditures for this project were \$3,714.

- Construction continued on the Bayshore Bikeway. The project provides for construction of a Class I bikeway from the northern end of 13<sup>th</sup> Street to Main Street at the I-5 interchange at the Southeast corner of San Diego Bay and will complete the missing segment of the planned bike path around San Diego Bay from Point Loma to Coronado. The project is funded by TransNet Major Corridor funds. The City's fiscal year 2009 capital expenditures for this project were \$3,217.

#### Business-Type Activities

During fiscal year 2009, the Water Utility Fund added approximately \$147,500 in capital improvement projects (CIP). Upgrades and expansion of the Miramar Water Treatment Plant, Otay Water Treatment Plant and the Alvarado Water Treatment Plant continued, along with water main replacements. Capital asset write-offs for fiscal year 2008 were approximately \$8,100, and were primarily related to losses on abandoned projects and retirements of developer contributed assets.

During fiscal year 2009, the Sewer Utility Fund added approximately \$49,500 in CIP, of which the Metropolitan system CIP increased approximately \$4,900. Municipal system CIP increased approximately \$44,600 and included the following major projects: Caltrans/SR-905 Otay Mesa Trunk Sewer, Pipeline Rehabilitation Phase C-1, and the continued replacement of sewer mains and upgrades to the sewer infrastructure. Capital asset write-offs for fiscal year 2008 were approximately \$3,500, and were primarily related to losses on abandoned projects and retirements of developer contributed assets.

#### HIGHLIGHTS OF APPROVED FISCAL YEAR 2010 CAPITAL IMPROVEMENT PROJECTS (CIP) BUDGET

The Annual Approved Capital Improvements Budget for Fiscal Year 2010 is \$478,400 which is a decrease of \$108,600, or approximately 18.5% from the fiscal year 2009 budget of \$587,000. The decrease in the Fiscal Year 2010 budget is primarily due to one-time financing and Proposition 1B funds which were included in the Fiscal Year 2009 Annual Capital Improvement budget for deferred maintenance needs. Water and Sewer projects comprise over 59.3% of the total CIP budget. Engineering & Capital Projects and General Services projects comprise 25.4%, and 2.5% of the total CIP budget, respectively. Funding for governmental projects include: TransNet funds; Facilities Benefit Assessments; Developer Impact Fees; developer contributions; federal, state, local, and private contributions; land sale proceeds; and deferred maintenance bonds. Highlights of the key budgets by department are as follows:

#### Governmental Activities

- Engineering and Capital Projects: \$121,500 (25.4% of total CIP budget). Key projects include the undergrounding of City utilities to augment the California Public Utilities Commission (CPUC) Rule 20A funds, and conversion of City-owned street lighting and resurfacing of roadways associated with the undergrounding of utilities. The \$48,900 annual allocation for these projects is entirely funded by the Underground Surcharge Fund. Other significant projects include: \$11,100 for ADA improvements, \$10,200 for Carroll Canyon Road, \$3,500 for North Torrey Pines Road, and \$3,000 for 43<sup>rd</sup> Street and Logan/National Ave Intersection.
- General Services: \$12,200 (2.5% of total CIP budget). Key budgets include: \$11,800 for deferred maintenance projects.
- Parks and Recreation: \$29,400 (6.1% of total CIP budget). Planned project types for fiscal year 2010 include play area upgrades, joint use fields, accessibility improvements, comfort stations, picnic shelters, sports field and security lighting, new park development, and golf course improvements and upgrades.
- OneSD Support: \$9,900 (2.1% of total CIP budget). This budget is for completion of the Enterprise Resource Planning (ERP) System.
- City Planning and Community Investments: \$5,500 (1.1% of total CIP budget). This budget is for downtown parking improvement projects.

### Business-Type Activities

The fiscal year 2010 Water Utility CIP budget is \$149,800. There are no phase funded projects budgeted for fiscal year 2010. Significant projects include: \$43,000 for water main replacements; \$37,900 for the Alvarado Water Treatment Plant–Upgrade and Expansion; \$15,700 for the Miramar Water Treatment Plant–Upgrade and Expansion; \$9,400 for the North City Reclamation System.

The fiscal year 2010 Sewer Utility CIP budget is \$134,100. There are no phase funded projects budgeted for fiscal year 2010. Significant projects include: \$74,300 for pipeline repair, replacement, and rehabilitation; \$39,200 for replacement of trunk sewers; \$8,900 for repair and upgrade of pump stations; and \$7,600 for the repair and upgrade of treatment plants.

### CITY OF SAN DIEGO'S OUTSTANDING DEBT (In Thousands)

|   | Governmental Activities |              | Business-Type Activities |              | Total<br>Primary Government |              |
|---|-------------------------|--------------|--------------------------|--------------|-----------------------------|--------------|
|   | 2009                    | 2008         | 2009                     | 2008         | 2009                        | 2008         |
| Capital Lease Obligations                   | \$ 89,519               | \$ 61,262    | \$ -                     | \$ 166       | \$ 89,519                   | \$ 61,428    |
| Contracts Payable                           | 4,715                   | 2,615        | -                        | -            | 4,715                       | 2,615        |
| Notes Payable                               | 4,786                   | 5,662        | -                        | 430,830      | 4,786                       | 436,492      |
| Loans Payable                               | 44,815                  | 34,777       | 90,326                   | 95,875       | 135,141                     | 130,652      |
| Section 108 Loans                           | 33,532                  | 35,896       | -                        | -            | 33,532                      | 35,896       |
| General Obligation Bonds                    | 6,315                   | 8,580        | -                        | -            | 6,315                       | 8,580        |
| Revenue Bonds/COP's/<br>Lease Revenue Bonds | 579,500                 | 498,950      | 2,166,906                | 1,425,445    | 2,746,406                   | 1,924,395    |
| Special Assessment/<br>Special Tax Bonds    | 152,270                 | 144,805      | -                        | -            | 152,270                     | 144,805      |
| Tax Allocation Bonds                        | 534,547                 | 548,643      | -                        | -            | 534,547                     | 548,643      |
| Tobacco Settlement<br>Asset-Backed Bonds    | 95,380                  | 99,370       | -                        | -            | 95,380                      | 99,370       |
| Pooled Financing Bonds                      | 33,460                  | 34,115       | -                        | -            | 33,460                      | 34,115       |
| Totals                                      | \$ 1,578,839            | \$ 1,474,675 | \$ 2,257,232             | \$ 1,952,316 | \$ 3,836,071                | \$ 3,426,991 |

### LONG-TERM DEBT

At the end of fiscal year 2009, the City, including blended component units, had total debt outstanding of approximately \$3,836,071. Of this amount, \$6,315 is comprised of debt backed by the full faith and credit of the City. The remainder of the City's debt represents revenue bonds, lease revenue bonds, certificates of participation (COPs), special assessment bonds, tax allocation bonds, tobacco settlement asset-backed bonds, pooled financing bonds, contracts payable, notes payable, loans payable, Section 108 loans, SRF loans, and capital lease obligations.

### Governmental Activities

- The City issued \$12,365 of Community Facilities District No. 4 (Black Mountain Ranch Villages) Special Tax Bonds, Series 2008 A, to finance public improvements required in connection with the district, to fund the Reserve Fund, and to pay costs of issuance related to the 2008A Bonds. The 2008A bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are limited obligations of the district.

- The City (PFFA) sold \$103,000 of Lease Revenue Bonds, Series 2009A, on a private placement basis, for the purpose of financing various capital improvement projects. The 2009A bonds are secured from base rental payments and bear interest at a rate of 3.89% through June 1, 2010. Thereafter the rate will be fixed to equal the purchaser's internal cost of funds rate plus a fixed spread of 3.00%, but not to exceed 12% until the final maturity date of December 1, 2018.
- Total principal payments for long-term debt were \$64,542. \$48,356 of this amount was for outstanding bonds, \$2,809 was for loans payable, \$876 was for notes payable, and \$12,501 was for capital leases. Readers interested in more detailed information regarding Governmental Activities Long Term Liabilities should refer to Note 5.

#### Business-Type Activities

- The City (PFFA) issued \$157,190 of Water Revenue Bonds, Refunding Series 2009A for the following purposes: to prepay \$57,000 of outstanding principal on the Subordinated Water Revenue Notes, Series 2007A; to partially refund \$94,165 of Certificates of Undivided Interest, Series 1998; to fund the reserve; and to pay costs of issuance related to the Series 2009A Bonds. The publicly offered Water 2009A Revenue Refunding Bonds are secured by and payable solely from net system revenues of the Water Utility Fund.
- The City (PFFA) issued \$453,775 of Senior Sewer Revenue Bonds, Series 2009A for the following purposes: to finance capital improvements to the Wastewater System; to pay in full \$223,830 of Subordinate Sewer Revenue Notes, Series 2007; to partially refund \$36,635 of Sewer Revenue Bonds, Series 1997A and \$13,410 of Sewer Revenue Bonds, Series 1997B; to fund the reserve; and to pay costs of issuance related to the Series 2009A Bonds. The publicly offered Sewer 2009A Revenue Bonds are secured by and payable solely from wastewater system net revenues.
- The City (PFFA) issued \$634,940 of Senior Sewer Revenue Refunding Bonds, Series 2009B for the following purposes: to fully refund \$160,220 of outstanding Sewer Revenue Bonds, Series 1993; to partially refund \$211,455 of Sewer Revenue Bonds, Series 1995; to partially refund \$80,255 of Sewer Revenue Bonds, Series 1997A and \$29,385 of Sewer Revenue Bonds, Series 1997B; to partially refund \$97,845 of Sewer Revenue Bonds, Series 1999A and \$54,015 of Sewer Revenue Bonds, Series 1999B; to fund the reserve; and to pay costs of issuance related to the Series 2009A Bonds. The publicly offered Sewer 2009B Revenue Refunding Bonds are secured by and payable solely from wastewater system net revenues.
- The City (PFFA) issued \$328,060 of Water Revenue Bonds, Series 2009B for the following purposes: to finance capital improvements to the Water System; to prepay \$150,000 of outstanding principal on the Subordinated Water Revenue Notes, Series 2008A; to fund the reserve; and to pay costs of issuance related to the series 2009B Bonds. The publicly offered Water 2009B Revenue Bonds are secured by and payable solely from net system revenues of the Water Utility Fund.
- Total principal payments for long-term debt were \$1,269,049, of which \$832,504 was for outstanding bonds, including \$786,910 of bonds refunded or redeemed in advance of scheduled maturity date, and \$45,594 of scheduled bond principal payments. \$430,830 was for outstanding notes prepaid, \$5,549 was for loans payable, and \$166 was for capital leases. Readers interested in more detailed information regarding Business-Type Activities Long Term Liabilities should refer to Note 6.

As of the issuance of this report, the credit ratings on the City of San Diego's outstanding General Obligation Bonds, Revenue Bonds, Lease Revenue Bonds, and COPs are as follows:

|  | <b>Moody's Investors<br/>Service</b> | <b>Fitch<br/>Ratings</b> | <b>Standard &amp; Poor's</b> |
|--|--------------------------------------|--------------------------|------------------------------|
| General Obligation Bonds                   | A2                                   | A+                       | A                            |
| General Fund Backed Lease<br>Revenue Bonds | Baa1/Baa2                            | A                        | A-                           |
| Outlook                                    | Stable                               | Stable                   | Positive                     |
| Wastewater System Bonds                    | A2                                   | AA-                      | A+                           |
| Outlook                                    | Stable                               | Stable                   | Stable                       |
| Water System Bonds                         | A1/A2                                | AA-/A+                   | AA-/A+                       |
| Outlook                                    | Stable                               | Stable                   | Stable                       |

Section 90 of the City Charter provides that the general obligation bonded indebtedness for the development, conservation and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation. The City's current outstanding general obligation balances as of June 30, 2009 are significantly less than the current debt limitations for water and other purposes, which are \$5,962,975 and \$3,975,316, respectively (see Statistical Section, Table 12).

It has been the City's practice, as provided for in Section 90.1 of the City Charter, to issue revenue bonds for the purpose of constructing water facilities. Per Section 90.1, revenue bonds do not constitute an indebtedness of the City, but an obligation payable from the revenues received by the utility. Section 90.2 authorizes the issuance of Revenue Bonds for the purpose of constructing improvements to the City's sewer system.

Additional information on the City's long-term debt can be found in the accompanying notes to the financial statements.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Comptroller, 202 C Street, San Diego, California 92101, or e-mailed to [comptroller@sandiego.gov](mailto:comptroller@sandiego.gov). This financial report is also available on the City's website at [www.sandiego.gov](http://www.sandiego.gov), under the Office of the City Comptroller. Additional information intended for the investor community is available on the Investor Information web page also located on the City's website listed above.

## BASIC FINANCIAL STATEMENTS



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**STATEMENT OF NET ASSETS**  
**June 30, 2009**  
(In Thousands)

|   | Primary Government         |                             |                   | Component Units                                  |                                    |
|---|----------------------------|-----------------------------|-------------------|--|------------------------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total             | San Diego<br>Convention<br>Center<br>Corporation | San Diego<br>Housing<br>Commission |
| <b>ASSETS</b>                                     |                            |                             |                   |  |                                    |
| Cash and Investments .....                        | \$ 1,320,591               | \$ 675,673                  | \$ 1,996,264      | \$ 21,756  | \$ 94,458                          |
| Receivables:                                      |                            |                             |                   |  |                                    |
| Taxes - Net .....                                 | 86,059                     | -                           | 86,059            | -  | -                                  |
| Accounts - Net of Allowance for Uncollectibles    |                            |                             |                   |  |                                    |
| (Governmental \$34,534, Business-Type \$3,019) .. | 39,226                     | 79,546                      | 118,772           | 2,537  | 6,991                              |
| Claims - Net .....                                | 155                        | 2                           | 157               | -  | -                                  |
| Contributions .....                               | 360                        | -                           | 360               | -  | -                                  |
| Special Assessments - Net .....                   | 2,993                      | -                           | 2,993             | -  | -                                  |
| Notes .....                                       | 122,948                    | -                           | 122,948           | -  | 169,532                            |
| Accrued Interest .....                            | 4,421                      | 2,535                       | 6,956             | -  | 18,288                             |
| Grants .....                                      | 35,702                     | 3,606                       | 39,308            | -  | -                                  |
| Investment in Joint Venture .....                 | 1,824                      | -                           | 1,824             | -  | -                                  |
| Advances to Other Agencies .....                  | 5,777                      | -                           | 5,777             | -  | -                                  |
| Internal Balances .....                           | (7,929)                    | 7,929                       | -                 | -  | -                                  |
| Inventories of Water in Storage .....             | -                          | 36,947                      | 36,947            | -  | -                                  |
| Inventories .....                                 | 2,033                      | 622                         | 2,655             | 15   | 54                                 |
| Land Held for Resale .....                        | 39,413                     | -                           | 39,413            | -  | -                                  |
| Prepaid Expenses .....                            | 5,313                      | 461                         | 5,774             | 1,057  | 1,623                              |
| Restricted Cash and Investments .....             | 431,547                    | 535,647                     | 967,194           | -  | 699                                |
| Deferred Charges .....                            | 19,752                     | 14,102                      | 33,854            | -  | -                                  |
| Capital Assets - Non-Depreciable .....            | 1,961,709                  | 384,523                     | 2,346,232         | -  | 36,545                             |
| Capital Assets - Depreciable .....                | 2,493,816                  | 4,382,198                   | 6,876,014         | 16,404   | 60,683                             |
| <b>TOTAL ASSETS</b> .....                         | <b>6,565,710</b>           | <b>6,123,791</b>            | <b>12,689,501</b> | <b>41,769</b>                                    | <b>388,873</b>                     |

**STATEMENT OF NET ASSETS**  
**June 30, 2009**  
(In Thousands)

|   | Primary Government         |                             |                     | Component Units                                  |                                    |
|---|----------------------------|-----------------------------|---------------------|--|------------------------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total               | San Diego<br>Convention<br>Center<br>Corporation | San Diego<br>Housing<br>Commission |
| <b>LIABILITIES</b>                                    |                            |                             |                     |  |                                    |
| Accounts Payable .....                                | \$ 46,526                  | \$ 45,932                   | \$ 92,458           | \$ 5,679   | \$ 2,905                           |
| Accrued Wages and Benefits .....                      | 31,314                     | 12,003                      | 43,317              | -  | 415                                |
| Other Accrued Liabilities .....                       | 210                        | -                           | 210                 | 1,796  | 2,638                              |
| Interest Accrued on Long-Term Debt .....              | 24,488                     | 17,761                      | 42,249              | -  | 124                                |
| Long-Term Liabilities Due Within One Year .....       | 158,140                    | 76,352                      | 234,492             | 3,077  | 1,753                              |
| Due to Other Agencies .....                           | 188                        | 11,308                      | 11,496              | -  | -                                  |
| Unearned Revenue .....                                | 34,794                     | 7,494                       | 42,288              | 9,986  | 2,342                              |
| Contract Deposits .....                               | -                          | 8,596                       | 8,596               | -  | -                                  |
| Sundry Trust Liabilities .....                        | 5,711                      | -                           | 5,711               | -  | -                                  |
| Customer Deposits Payable .....                       | -                          | 4,566                       | 4,566               | -  | -                                  |
| Deposits/Advances from Others .....                   | -                          | 2,819                       | 2,819               | -  | 965                                |
| Long-Term Liabilities Due After One Year:             |                            |                             |                     |  |                                    |
| Arbitrage Liability .....                             | 533                        | -                           | 533                 | -  | -                                  |
| Compensated Absences .....                            | 39,534                     | 6,356                       | 45,890              | -  | -                                  |
| Liability Claims .....                                | 230,316                    | 29,352                      | 259,668             | -  | -                                  |
| Capital Lease Obligations .....                       | 73,556                     | -                           | 73,556              | 531  | -                                  |
| Contracts Payable .....                               | 4,715                      | -                           | 4,715               | -  | -                                  |
| Notes Payable .....                                   | 4,786                      | -                           | 4,786               | 500  | 26,671                             |
| Loans Payable .....                                   | 36,107                     | 84,673                      | 120,780             | -  | -                                  |
| Section 108 Loans Payable .....                       | 31,075                     | -                           | 31,075              | -  | -                                  |
| Net Bonds Payable .....                               | 1,364,345                  | 2,147,103                   | 3,511,448           | -  | -                                  |
| Estimated Landfill Closure and Postclosure Care ..... | -                          | 19,336                      | 19,336              | -  | -                                  |
| Pollution Remediation Obligation .....                | -                          | 620                         | 620                 | -  | -                                  |
| Net Other Post Employment Benefit Obligation .....    | 73,504                     | 19,767                      | 93,271              | -  | -                                  |
| Net Pension Obligation .....                          | 147,665                    | 29,474                      | 177,139             | -  | -                                  |
| <b>TOTAL LIABILITIES</b> .....                        | <u>2,307,507</u>           | <u>2,523,512</u>            | <u>4,831,019</u>    | <u>21,569</u>                                    | <u>37,813</u>                      |
| <b>NET ASSETS</b>                                     |                            |                             |                     |  |                                    |
| Invested in Capital Assets, Net of Related Debt ..... | 3,530,937                  | 2,970,351                   | 6,501,288           | 13,510   | 69,458                             |
| Restricted for:                                       |                            |                             |                     |  |                                    |
| Capital Projects .....                                | 293,284                    | -                           | 293,284             | -  | -                                  |
| Debt Service .....                                    | -                          | 4,372                       | 4,372               | -  | -                                  |
| Low-Moderate Income Housing .....                     | 135,581                    | -                           | 135,581             | -  | -                                  |
| Nonexpendable Permanent Endowments .....              | 13,280                     | -                           | 13,280              | -  | -                                  |
| Other .....   | 122,460                    | 38,113                      | 160,573             | 1,452  | 128,863                            |
| Unrestricted .....                                    | <u>162,661</u>             | <u>587,443</u>              | <u>750,104</u>      | <u>5,238</u>                                     | <u>152,739</u>                     |
| <b>TOTAL NET ASSETS</b> .....                         | <u>\$ 4,258,203</u>        | <u>\$ 3,600,279</u>         | <u>\$ 7,858,482</u> | <u>\$ 20,200</u>                                 | <u>\$ 351,060</u>                  |

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2009**  
(In Thousands)

| <u>Functions/Programs</u>  | <u>Program Revenues</u> |                             |   |   |
|--|-------------------------|-----------------------------|---|---|
|  | <u>Expenses</u>         | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| <b>Primary Government:</b>   |                         |                             |   |   |
| <b>Governmental Activities:</b>                                    |                         |                             |   |   |
| General Government and Support .....                               | \$ 303,581              | \$ 152,630                  | \$ 13,449                                 | \$ 323                                  |
| Public Safety - Police .....                                       | 418,549                 | 42,178                      | 14,054                                    | -                                       |
| Public Safety - Fire and Life Safety and Homeland Security ...     | 220,787                 | 20,449                      | 16,144                                    | 1                                       |
| Parks, Recreation, Culture and Leisure .....                       | 258,038                 | 80,795                      | 2,282                                     | 19,376                                  |
| Transportation .....   | 239,305                 | 18,360                      | 10,572                                    | 77,277                                  |
| Sanitation and Health .....  | 77,447                  | 9,306                       | 2,097                                     | -                                       |
| Neighborhood Services .....  | 116,735                 | 21,814                      | 34,646                                    | 13,825                                  |
| Debt Service:  |                         |                             |   |   |
| Interest .....   | 84,070                  | -                           | -   | -                                       |
| <b>TOTAL GOVERNMENTAL ACTIVITIES .....</b>                         | <b>1,718,512</b>        | <b>345,532</b>              | <b>93,244</b>                             | <b>110,802</b>                          |
| <b>Business-Type Activities:</b>                                   |                         |                             |   |   |
| Airports .....   | 5,140                   | 4,929                       | -   | 1,806                                   |
| City Store .....   | 321                     | 242                         | -   | -                                       |
| Development Services .....   | 47,260                  | 37,310                      | -   | -                                       |
| Environmental Services .....                                       | 35,718                  | 31,726                      | 83  | -                                       |
| Golf Course .....  | 11,864                  | 16,201                      | -   | -                                       |
| Recycling .....  | 20,067                  | 16,027                      | 227                                       | -                                       |
| Sewer Utility .....  | 314,125                 | 322,571                     | 167                                       | 28,780                                  |
| Water Utility .....  | 329,748                 | 342,719                     | 1,262                                     | 30,277                                  |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES .....</b>                        | <b>764,243</b>          | <b>771,725</b>              | <b>1,739</b>                              | <b>60,863</b>                           |
| <b>TOTAL PRIMARY GOVERNMENT .....</b>                              | <b>\$ 2,482,755</b>     | <b>\$ 1,117,257</b>         | <b>\$ 94,983</b>                          | <b>\$ 171,665</b>                       |
| <b>Component Units:</b>  |                         |                             |   |   |
| San Diego Convention Center Corporation .....                      | \$ 38,365               | \$ 30,774                   | \$ 4,129                                  | \$ 143                                  |
| San Diego Housing Commission .....                                 | 179,548                 | 26,095                      | 169,456                                   | -                                       |
| <b>TOTAL COMPONENT UNITS .....</b>                                 | <b>\$ 217,913</b>       | <b>\$ 56,869</b>            | <b>\$ 173,585</b>                         | <b>\$ 143</b>                           |
| <b>General Revenues:</b>   |                         |                             |   |   |
| Property Taxes .....   |                         |                             |   |   |
| Transient Occupancy Taxes .....                                    |                         |                             |   |   |
| Other Local Taxes .....  |                         |                             |   |   |
| Developer Contributions and Fees .....                             |                         |                             |   |   |
| Grants and Contributions not Restricted to Specific Programs ..... |                         |                             |   |   |
| Sales Taxes .....  |                         |                             |   |   |
| Investment Income .....  |                         |                             |   |   |
| Gain on Sale of Capital Assets .....                               |                         |                             |   |   |
| Miscellaneous .....  |                         |                             |   |   |
| Transfers .....  |                         |                             |   |   |
| <b>TOTAL GENERAL REVENUES AND TRANSFERS .....</b>                  |                         |                             |   |   |
| <b>CHANGE IN NET ASSETS .....</b>                                  |                         |                             |   |   |
| Net Assets at Beginning of Year .....                              |                         |                             |   |   |
| <b>NET ASSETS AT END OF YEAR .....</b>                             |                         |                             |   |   |

| <b>Net Revenue/(Expense) and Changes in Net Assets</b> |                                     |                     |  |   |
|--|-------------------------------------|---------------------|--|---|
| <b>Primary Government</b>                              |                                     |                     | <b>Component Units</b>                                     |   |
| <b>Governmental<br/>Activities</b>                     | <b>Business-Type<br/>Activities</b> | <b>Total</b>        | <b>San Diego<br/>Convention<br/>Center<br/>Corporation</b> | <b>San Diego<br/>Housing<br/>Commission</b> |
| \$ (137,179)   | \$ -                                | \$ (137,179)        | \$ -   | \$ -  |
| (362,317)  | -                                   | (362,317)           | -  | -   |
| (184,194)  | -                                   | (184,194)           | -  | -   |
| (155,585)  | -                                   | (155,585)           | -  | -   |
| (133,096)  | -                                   | (133,096)           | -  | -   |
| (66,043)   | -                                   | (66,043)            | -  | -   |
| (46,450)   | -                                   | (46,450)            | -  | -   |
| (84,070)   | -                                   | (84,070)            | -  | -   |
| (1,168,934)  | -                                   | (1,168,934)         | -  | -   |
| -  | 1,595                               | 1,595               | -  | -   |
| -  | (79)                                | (79)                | -  | -   |
| -  | (9,950)                             | (9,950)             | -  | -   |
| -  | (3,909)                             | (3,909)             | -  | -   |
| -  | 4,337                               | 4,337               | -  | -   |
| -  | (3,813)                             | (3,813)             | -  | -   |
| -  | 37,393                              | 37,393              | -  | -   |
| -  | 44,510                              | 44,510              | -  | -   |
| -  | 70,084                              | 70,084              | -  | -   |
| (1,168,934)  | 70,084                              | (1,098,850)         | -  | -   |
| -  | -                                   | -                   | (3,319)  | -   |
| -  | -                                   | -                   | -  | 16,003                                      |
| -  | -                                   | -                   | (3,319)  | 16,003                                      |
| 607,857  | -                                   | 607,857             | -  | -   |
| 140,657  | -                                   | 140,657             | -  | -   |
| 161,485  | -                                   | 161,485             | -  | -   |
| 16,148   | -                                   | 16,148              | -  | -   |
| 8,488  | -                                   | 8,488               | -  | -   |
| 229,651  | -                                   | 229,651             | -  | -   |
| 75,245   | 31,004                              | 106,249             | 289  | 5,543                                       |
| 1,922  | -                                   | 1,922               | -  | -   |
| 33,528   | 8,257                               | 41,785              | 579  | -   |
| (1,225)  | 1,225                               | -                   | -  | -   |
| 1,273,756  | 40,486                              | 1,314,242           | 868  | 5,543                                       |
| 104,822  | 110,570                             | 215,392             | (2,451)  | 21,546                                      |
| 4,153,381  | 3,489,709                           | 7,643,090           | 22,651   | 329,514                                     |
| <u>\$ 4,258,203</u>                                    | <u>\$ 3,600,279</u>                 | <u>\$ 7,858,482</u> | <u>\$ 20,200</u>   | <u>\$ 351,060</u>                           |

The accompanying notes are an integral part of the financial statements.

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2009  
(In Thousands)**

|  | <u>General Fund</u> | <u>Other Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|-------------------------------------|---|
| <b>ASSETS</b>  |                     |                                     |   |
| Cash and Investments .....   | \$ 86,667           | \$ 1,085,808                        | \$ 1,172,475                            |
| Receivables:   |                     |                                     |   |
| Taxes - Net .....  | 69,438              | 16,621                              | 86,059                                  |
| Accounts - Net of Allowance for Uncollectibles (General Fund \$7,032, Other Governmental \$26,606) ..... | 13,891              | 24,159                              | 38,050                                  |
| Claims - Net .....   | 130                 | 16                                  | 146                                     |
| Special Assessments .....  | -                   | 2,993                               | 2,993                                   |
| Notes .....  | -                   | 122,948                             | 122,948                                 |
| Accrued Interest .....   | 906                 | 3,497                               | 4,403                                   |
| Grants .....   | -                   | 35,702                              | 35,702                                  |
| From Other Funds .....   | 1,500               | 26                                  | 1,526                                   |
| Interfund Loan Receivable .....  | -                   | 33,460                              | 33,460                                  |
| Advances to Other Funds .....  | -                   | 7,959                               | 7,959                                   |
| Advances to Other Agencies .....   | -                   | 5,777                               | 5,777                                   |
| Land Held for Resale .....   | -                   | 39,413                              | 39,413                                  |
| Prepaid Items .....  | 886                 | 1,351                               | 2,237                                   |
| Investment in Joint Venture .....  | 1,824               | -                                   | 1,824                                   |
| Restricted Cash and Investments .....  | -                   | 431,547                             | 431,547                                 |
| <b>TOTAL ASSETS</b> .....  | <u>\$ 175,242</u>   | <u>\$ 1,811,277</u>                 | <u>\$ 1,986,519</u>                     |
| <b>LIABILITIES</b>   |                     |                                     |   |
| Accounts Payable .....   | \$ 3,789            | \$ 34,295                           | \$ 38,084                               |
| Accrued Wages and Benefits .....   | 27,642              | 736                                 | 28,378                                  |
| Other Accrued Liabilities .....  | -                   | 210                                 | 210                                     |
| Due to Other Funds .....   | 2,095               | 5,993                               | 8,088                                   |
| Due to Other Agencies .....  | -                   | 188                                 | 188                                     |
| Unearned Revenue .....   | 663                 | 34,054                              | 34,717                                  |
| Deferred Revenue .....   | 26,661              | 58,784                              | 85,445                                  |
| Sundry Trust Liabilities .....   | -                   | 5,711                               | 5,711                                   |
| Advances from Other Funds .....  | -                   | 7,959                               | 7,959                                   |
| Interfund Loan Payable .....   | -                   | 36,947                              | 36,947                                  |
| <b>TOTAL LIABILITIES</b> .....   | <u>60,850</u>       | <u>184,877</u>                      | <u>245,727</u>                          |

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2009  
(In Thousands)**

|   | General Fund      | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|--------------------------|--------------------------|
| <b>FUND EQUITY:</b>                                   |                   |                          |                          |
| Fund Balances:  |                   |                          |                          |
| Reserved for Land Held for Resale .....               | -                 | 39,413                   | 39,413                   |
| Reserved for Notes Receivable .....                   | -                 | 118,907                  | 118,907                  |
| Reserved for Encumbrances .....                       | 32,071            | 250,665                  | 282,736                  |
| Reserved for Advances .....                           | -                 | 13,736                   | 13,736                   |
| Reserved for Low and Moderate Income Housing .....    | -                 | 95,668                   | 95,668                   |
| Reserved for Permanent Endowments .....               | -                 | 13,280                   | 13,280                   |
| Reserved for Debt Service .....                       | -                 | 175,302                  | 175,302                  |
| Reserved for Minority Interest in Joint Venture ..... | 1,824             | -                        | 1,824                    |
| Unreserved, Reported in General Fund:                 |                   |                          |                          |
| Designated for Unrealized Gains .....                 | 1,943             | -                        | 1,943                    |
| Designated for Subsequent Years' Expenditures .....   | 207               | -                        | 207                      |
| Undesignated .....                                    | 78,347            | -                        | 78,347                   |
| Unreserved, Reported in:                              |                   |                          |                          |
| Special Revenue Funds .....                           | -                 | 221,089                  | 221,089                  |
| Debt Service Funds .....                              | -                 | 265,236                  | 265,236                  |
| Capital Projects Funds .....                          | -                 | 430,479                  | 430,479                  |
| Permanent Funds .....                                 | -                 | 2,625                    | 2,625                    |
| <b>TOTAL FUND EQUITY .....</b>                        | <b>114,392</b>    | <b>1,626,400</b>         | <b>1,740,792</b>         |
| <b>TOTAL LIABILITIES AND FUND EQUITY .....</b>        | <b>\$ 175,242</b> | <b>\$ 1,811,277</b>      |                          |

Amounts reported for governmental activities in the Statement of Net Assets are different because:

|  |              |
|--|--------------|
| Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.  | 4,329,571    |
| Other assets and liabilities used in governmental activities are not financial resources, and therefore, are either deferred or not reported in the funds.   | 105,197      |
| Internal Service funds are used by management to charge the costs of activities such as Fleet Services, Print Shop, Self Insurance, and Central Stores to individual funds. The assets and liabilities of certain Internal Service Funds are included in governmental activities in the Statement of Net Assets. | 6,826        |
| Certain liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.   | (1,924,183)  |
| Net Assets of governmental activities  | \$ 4,258,203 |

The accompanying notes are an integral part of the financial statements.

**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2009**  
(In Thousands)

|  | General Fund      | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>  |                   |                                |                                |
| Property Taxes .....   | \$ 398,743        | \$ 204,831                     | \$ 603,574                     |
| Special Assessments .....  | -                 | 63,500                         | 63,500                         |
| Sales Taxes .....  | 212,918           | 20,222                         | 233,140                        |
| Transient Occupancy Taxes .....                                    | 73,765            | 66,892                         | 140,657                        |
| Other Local Taxes .....  | 72,432            | 98,760                         | 171,192                        |
| Licenses and Permits .....   | 31,249            | 8,100                          | 39,349                         |
| Fines, Forfeitures and Penalties .....                             | 32,467            | 1,939                          | 34,406                         |
| Revenue from Use of Money and Property .....                       | 41,461            | 66,323                         | 107,784                        |
| Revenue from Federal Agencies .....                                | 4,268             | 66,118                         | 70,386                         |
| Revenue from Other Agencies .....                                  | 8,915             | 43,541                         | 52,456                         |
| Revenue from Private Sources .....                                 | -                 | 21,593                         | 21,593                         |
| Charges for Current Services .....                                 | 133,117           | 70,315                         | 203,432                        |
| Other Revenue .....  | 5,296             | 20,415                         | 25,711                         |
| <b>TOTAL REVENUES .....</b>  | <b>1,014,631</b>  | <b>752,549</b>                 | <b>1,767,180</b>               |
| <b>EXPENDITURES</b>  |                   |                                |                                |
| Current:   |                   |                                |                                |
| General Government and Support .....                               | 243,057           | 101,873                        | 344,930                        |
| Public Safety - Police .....                                       | 389,390           | 17,267                         | 406,657                        |
| Public Safety - Fire and Life Safety and Homeland Security .....   | 195,596           | 30,100                         | 225,696                        |
| Parks, Recreation, Culture and Leisure .....                       | 116,391           | 95,368                         | 211,759                        |
| Transportation .....   | 72,635            | 90,334                         | 162,969                        |
| Sanitation and Health .....  | 67,867            | 10,393                         | 78,260                         |
| Neighborhood Services .....  | 17,255            | 56,530                         | 73,785                         |
| Capital Projects .....   | -                 | 138,634                        | 138,634                        |
| Debt Service:  |                   |                                |                                |
| Principal Retirement .....   | 818               | 56,391                         | 57,209                         |
| Interest .....   | 3,106             | 75,553                         | 78,659                         |
| Cost of Issuance .....   | -                 | 1,001                          | 1,001                          |
| <b>TOTAL EXPENDITURES .....</b>                                    | <b>1,106,115</b>  | <b>673,444</b>                 | <b>1,779,559</b>               |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES .....</b> | <b>(91,484)</b>   | <b>79,105</b>                  | <b>(12,379)</b>                |
| <b>OTHER FINANCING SOURCES (USES)</b>                              |                   |                                |                                |
| Transfers from Proprietary Funds .....                             | 6,267             | 1,979                          | 8,246                          |
| Transfers from Other Funds .....                                   | 105,059           | 216,685                        | 321,744                        |
| Transfers to Proprietary Funds .....                               | (4,043)           | (2,547)                        | (6,590)                        |
| Transfers to Other Funds .....                                     | (26,031)          | (295,713)                      | (321,744)                      |
| Net Loss from Joint Venture .....                                  | (157)             | -                              | (157)                          |
| Proceeds from the Sale of Capital Assets .....                     | -                 | 2,157                          | 2,157                          |
| Capital Leases .....   | -                 | 30,392                         | 30,392                         |
| Contracts Issued .....   | -                 | 2,100                          | 2,100                          |
| Loans Issued .....   | -                 | 10,483                         | 10,483                         |
| Special Tax Bonds Issued .....                                     | -                 | 12,365                         | 12,365                         |
| Revenue Bonds Issued .....   | -                 | 103,000                        | 103,000                        |
| Discount on Bonds Issued .....                                     | -                 | (129)                          | (129)                          |
| <b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>                  | <b>81,095</b>     | <b>80,772</b>                  | <b>161,867</b>                 |
| <b>NET CHANGE IN FUND BALANCES .....</b>                           | <b>(10,389)</b>   | <b>159,877</b>                 | <b>149,488</b>                 |
| Fund Balances at Beginning of Year .....                           | 124,781           | 1,466,523                      | 1,591,304                      |
| <b>FUND BALANCES AT END OF YEAR .....</b>                          | <b>\$ 114,392</b> | <b>\$ 1,626,400</b>            | <b>\$ 1,740,792</b>            |

The accompanying notes are an integral part of the financial statements.

**City of San Diego**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year Ended June 30, 2009**  
**(In Thousands)**

|  |                   |
|--|-------------------|
| Net change in fund balances - total governmental funds (page 58)   | \$ 149,488        |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.  | 121,730           |
| The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to decrease net assets.   | (17,686)          |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.   | 10,410            |
| The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items. | (100,854)         |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension obligation), and therefore are not accrued as expenses in governmental funds.   | (92,248)          |
| Internal Service funds are used by management to charge the costs of activities such as Fleet Services, Publishing Services, Central Stores, Self Insurance, and others to individual funds. The net revenue of certain internal service activities is reported with governmental activities.  | <u>33,982</u>     |
| Change in net assets of governmental activities (page 55)  | <u>\$ 104,822</u> |

The accompanying notes are an integral part of the financial statements.



**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2009  
( In Thousands )**

|  | <u>Business-Type Activities - Enterprise Funds</u> |                          |                                       |                  |                                   |
|--|--|--------------------------|---------------------------------------|------------------|-----------------------------------|
|  | <u>Sewer<br/>Utility</u>                           | <u>Water<br/>Utility</u> | <u>Other<br/>Enterprise<br/>Funds</u> | <u>Total</u>     | <u>Internal Service<br/>Funds</u> |
| <b>ASSETS</b>  |  |                          |                                       |                  |                                   |
| Current Assets:  |  |                          |                                       |                  |                                   |
| Cash and Investments .....   | \$ 345,933   | \$ 225,556               | \$ 104,184                            | \$ 675,673       | \$ 148,116                        |
| Receivables:   |  |                          |                                       |                  |                                   |
| Accounts - Net of Allowance for Uncollectibles (Sewer \$930, Water \$1,749,<br>Other Enterprise \$340, Internal Service \$896) ..... | 35,172   | 43,573                   | 801                                   | 79,546           | 1,176                             |
| Claims - Net .....   | -  | -                        | 2                                     | 2                | 9                                 |
| Contributions .....  | -  | -                        | -                                     | -                | 360                               |
| Accrued Interest .....   | 1,420  | 604                      | 511                                   | 2,535            | 18                                |
| Grants .....   | -  | 1,822                    | 1,784                                 | 3,606            | -                                 |
| From Other Funds .....   | -  | -                        | 3,609                                 | 3,609            | 5,980                             |
| Inventories of Water in Storage .....  | -  | 36,947                   | -                                     | 36,947           | -                                 |
| Inventories .....  | -  | 620                      | 2                                     | 622              | 2,033                             |
| Prepaid Expenses .....   | 3  | 456                      | 2                                     | 461              | 3,076                             |
| <b>Total Current Assets</b> .....  | <b>382,528</b>                                     | <b>309,578</b>           | <b>110,895</b>                        | <b>803,001</b>   | <b>160,768</b>                    |
| Non-Current Assets:  |  |                          |                                       |                  |                                   |
| Restricted Cash and Investments .....  | 231,212  | 263,883                  | 40,552                                | 535,647          | -                                 |
| Deferred Charges .....   | 7,114  | 6,988                    | -                                     | 14,102           | -                                 |
| Interfund Loan Receivable .....  | 3,487  | -                        | -                                     | 3,487            | -                                 |
| Capital Assets - Non-Depreciable .....   | 118,881  | 240,760                  | 24,882                                | 384,523          | 1,984                             |
| Capital Assets - Depreciable .....   | 2,710,102  | 1,611,573                | 60,523                                | 4,382,198        | 123,970                           |
| <b>Total Non-Current Assets</b> .....  | <b>3,070,796</b>                                   | <b>2,123,204</b>         | <b>125,957</b>                        | <b>5,319,957</b> | <b>125,954</b>                    |
| <b>TOTAL ASSETS</b> .....  | <b>3,453,324</b>                                   | <b>2,432,782</b>         | <b>236,852</b>                        | <b>6,122,958</b> | <b>286,722</b>                    |
| <b>LIABILITIES</b>   |  |                          |                                       |                  |                                   |
| Current Liabilities:   |  |                          |                                       |                  |                                   |
| Accounts Payable .....   | 11,995   | 32,367                   | 1,570                                 | 45,932           | 8,442                             |
| Accrued Wages and Benefits .....   | 7,682  | 2,145                    | 2,176                                 | 12,003           | 2,936                             |
| Interest Accrued on Long-Term Debt .....   | 6,162  | 11,598                   | 1                                     | 17,761           | 269                               |
| Long-Term Debt Due Within One Year .....   | 54,663   | 19,705                   | 1,984                                 | 76,352           | 55,267                            |
| Due to Other Funds .....   | 510  | 558                      | 147                                   | 1,215            | 1,812                             |
| Due to Other Agencies .....  | 10,262   | 1,046                    | -                                     | 11,308           | -                                 |
| Unearned Revenue .....   | -  | 817                      | 6,677                                 | 7,494            | 77                                |
| Contract Deposits .....  | 3,503  | 4,756                    | 337                                   | 8,596            | -                                 |
| Current Liabilities Payable from Restricted Assets:  |  |                          |                                       |                  |                                   |
| Customer Deposits Payable .....  | -  | 4,566                    | -                                     | 4,566            | -                                 |
| <b>Total Current Liabilities</b> .....   | <b>94,777</b>                                      | <b>77,558</b>            | <b>12,892</b>                         | <b>185,227</b>   | <b>68,803</b>                     |
| Non-Current Liabilities:   |  |                          |                                       |                  |                                   |
| Deposits/Advances from Others .....  | 250  | -                        | 2,569                                 | 2,819            | -                                 |
| Compensated Absences .....   | 2,323  | 2,036                    | 1,997                                 | 6,356            | 3,795                             |
| Liability Claims .....   | 27,776   | 1,576                    | -                                     | 29,352           | 178,126                           |
| Capital Lease Obligations .....  | -  | -                        | -                                     | -                | 21,221                            |
| Loans Payable .....  | 67,100   | 17,573                   | -                                     | 84,673           | -                                 |
| Net Revenue Bonds Payable .....  | 1,251,957  | 895,146                  | -                                     | 2,147,103        | -                                 |
| Estimated Landfill Closure and Postclosure Care .....  | -  | -                        | 19,336                                | 19,336           | -                                 |
| Pollution Remediation Obligation .....   | -  | 620                      | -                                     | 620              | -                                 |
| Net Other Post Employment Benefit Obligation .....   | 6,916  | 6,578                    | 6,273                                 | 19,767           | 2,978                             |
| Net Pension Obligation .....   | 10,785   | 8,477                    | 10,212                                | 29,474           | 2,925                             |
| <b>Total Non-Current Liabilities</b> .....   | <b>1,367,107</b>                                   | <b>932,006</b>           | <b>40,387</b>                         | <b>2,339,500</b> | <b>209,045</b>                    |
| <b>TOTAL LIABILITIES</b> .....   | <b>1,461,884</b>                                   | <b>1,009,564</b>         | <b>53,279</b>                         | <b>2,524,727</b> | <b>277,848</b>                    |
| <b>NET ASSETS</b>  |  |                          |                                       |                  |                                   |
| Invested in Capital Assets, Net of Related Debt .....  | 1,698,249  | 1,186,697                | 85,405                                | 2,970,351        | 97,195                            |
| Restricted for Debt Service .....  | 750  | 3,622                    | -                                     | 4,372            | -                                 |
| Restricted for Closure/Postclosure Maintenance .....   | -  | -                        | 38,113                                | 38,113           | -                                 |
| Unrestricted .....   | 292,441  | 232,899                  | 60,055                                | 585,395          | (88,321)                          |
| <b>TOTAL NET ASSETS</b> .....  | <b>\$ 1,991,440</b>                                | <b>\$ 1,423,218</b>      | <b>\$ 183,573</b>                     | <b>3,598,231</b> | <b>\$ 8,874</b>                   |

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds..... 2,048

Net assets of Business-Type activities \$ 3,600,279

The accompanying notes are an integral part of the financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**YEAR ENDED JUNE 30, 2009**  
(In Thousands)

|  | Business-Type Activities - Enterprise Funds |                     |                        |                   | Internal Service Funds |
|--|---|---------------------|------------------------|-------------------|------------------------|
|  | Sewer Utility                               | Water Utility       | Other Enterprise Funds | Total             |                        |
| <b>OPERATING REVENUES</b>  |   |                     |                        |                   |                        |
| Sales of Water .....   | \$ -  | \$ 324,772          | \$ -                   | \$ 324,772        | \$ -                   |
| Charges for Services .....   | 318,474                                     | -                   | 58,789                 | 377,263           | 160,937                |
| Revenue from Use of Property .....   | -   | 5,418               | -                      | 5,418             | -                      |
| Usage Fees .....   | -   | 1,272               | 45,672                 | 46,944            | 81,001                 |
| Other .....  | 4,097                                       | 11,257              | 1,974                  | 17,328            | 883                    |
| <b>TOTAL OPERATING REVENUES</b> .....  | <u>322,571</u>                              | <u>342,719</u>      | <u>106,435</u>         | <u>771,725</u>    | <u>242,821</u>         |
| <b>OPERATING EXPENSES</b>  |   |                     |                        |                   |                        |
| Benefit and Claim Payments .....   | -   | -                   | -                      | -                 | 58,416                 |
| Maintenance and Operations .....   | 119,470                                     | 95,979              | 81,621                 | 297,070           | 46,347                 |
| Cost of Materials Issued .....   | -   | -                   | -                      | -                 | 29,149                 |
| Cost of Purchased Water Used .....   | -   | 133,499             | -                      | 133,499           | -                      |
| Taxes .....  | -   | 162                 | -                      | 162               | -                      |
| Administration .....   | 71,300                                      | 33,258              | 34,138                 | 138,696           | 55,715                 |
| Depreciation .....   | 76,554                                      | 39,627              | 5,797                  | 121,978           | 26,513                 |
| <b>TOTAL OPERATING EXPENSES</b> .....  | <u>267,324</u>                              | <u>302,525</u>      | <u>121,556</u>         | <u>691,405</u>    | <u>216,140</u>         |
| <b>OPERATING INCOME (LOSS)</b> .....   | <u>55,247</u>                               | <u>40,194</u>       | <u>(15,121)</u>        | <u>80,320</u>     | <u>26,681</u>          |
| <b>NONOPERATING REVENUES (EXPENSES)</b>  |   |                     |                        |                   |                        |
| Earnings on Investments .....  | 13,454                                      | 12,478              | 5,075                  | 31,007            | 5,182                  |
| Federal Grant Assistance .....   | -   | 192                 | 27                     | 219               | -                      |
| Other Agency Grant Assistance .....  | 167   | 1,070               | 283                    | 1,520             | 123                    |
| Loss on Sale/Retirement of Capital Assets .....  | (3,525)                                     | (2,436)             | (814)                  | (6,775)           | (236)                  |
| Debt Service Interest Expense .....  | (46,151)                                    | (28,081)            | (3)                    | (74,235)          | (971)                  |
| Other .....  | 5,244                                       | 751                 | 2,262                  | 8,257             | 10,461                 |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b> .....  | <u>(30,811)</u>                             | <u>(16,026)</u>     | <u>6,830</u>           | <u>(40,007)</u>   | <u>14,559</u>          |
| <b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b> .....   | 24,436                                      | 24,168              | (8,291)                | 40,313            | 41,240                 |
| Capital Contributions .....  | 28,780                                      | 30,277              | 1,806                  | 60,863            | 198                    |
| Transfers from Other Funds .....   | 616   | 439                 | 276                    | 1,331             | 163                    |
| Transfers from Governmental Funds .....  | 1,238                                       | 3,443               | 2,617                  | 7,298             | 5,723                  |
| Transfers to Other Funds .....   | (59)  | (99)                | (63)                   | (221)             | (1,273)                |
| Transfers to Governmental Funds .....  | (3,550)                                     | (530)               | (2,464)                | (6,544)           | (4,539)                |
| <b>CHANGE IN NET ASSETS</b> .....  | 51,461                                      | 57,698              | (6,119)                | 103,040           | 41,512                 |
| Net Assets at Beginning of Year .....  | 1,939,979                                   | 1,365,520           | 189,692                |                   | (32,638)               |
| <b>NET ASSETS AT END OF YEAR</b> .....   | <u>\$ 1,991,440</u>                         | <u>\$ 1,423,218</u> | <u>\$ 183,573</u>      |                   | <u>\$ 8,874</u>        |
| Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds. |   |                     |                        | 7,530             |                        |
| Change in net assets of Business-Type activities   |   |                     |                        | <u>\$ 110,570</u> |                        |

The accompanying notes are an integral part of the financial statements.

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2009  
( In Thousands )**

|   | Business-Type Activities - Enterprise Funds |                   |                        |                   |                        |
|---|---|-------------------|------------------------|-------------------|------------------------|
|   | Sewer Utility                               | Water Utility     | Other Enterprise Funds | Total             | Internal Service Funds |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |                   |                        |                   |                        |
| Receipts from Customers and Users .....   | \$ 327,771                                  | \$ 277,717        | \$ 90,607              | \$ 696,095        | \$ 3,182               |
| Receipts from Interfund Services Provided .....   | 2,688                                       | 65,945            | 18,305                 | 86,938            | 250,022                |
| Payments to Suppliers .....   | (120,624)                                   | (262,356)         | (41,838)               | (424,818)         | (104,650)              |
| Payments to Employees .....   | (41,702)                                    | (567)             | (61,907)               | (104,176)         | (90,710)               |
| Payments for Interfund Services Used .....  | (34,733)                                    | (13,779)          | (7,609)                | (56,121)          | (2,739)                |
| <b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>   | <b>133,400</b>                              | <b>66,960</b>     | <b>(2,442)</b>         | <b>197,918</b>    | <b>55,105</b>          |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |   |                   |                        |                   |                        |
| Transfers from Other Funds .....  | 616   | 406               | 276                    | 1,298             | 162                    |
| Transfers from Governmental Funds .....   | 1,238                                       | 186               | 2,617                  | 4,041             | 2,550                  |
| Transfers to Other Funds .....  | (26)  | (99)              | (62)                   | (187)             | (1,273)                |
| Transfers to Governmental Funds .....   | (998)                                       | (477)             | (2,464)                | (3,939)           | (4,307)                |
| Operating Grants Received.....  | 167   | 1,012             | 238                    | 1,417             | 123                    |
| Proceeds from Advances and Deposits .....   | -   | 235               | 2,569                  | 2,804             | -                      |
| Payments for Advances and Deposits .....  | -   | -                 | (25)                   | (25)              | -                      |
| <b>NET CASH PROVIDED (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>                                 | <b>997</b>                                  | <b>1,263</b>      | <b>3,149</b>           | <b>5,409</b>      | <b>(2,745)</b>         |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |   |                   |                        |                   |                        |
| Proceeds from Contracts, Notes and Loans .....  | -   | -                 | -                      | -                 | 10,362                 |
| Proceeds from Revenue Bonds .....   | 217,469                                     | 179,729           | -                      | 397,198           | -                      |
| Proceeds from Capital Contributions .....   | 10,361                                      | 7,631             | 973                    | 18,965            | -                      |
| Acquisition of Capital Assets .....   | (55,809)                                    | (150,587)         | (6,580)                | (212,976)         | (49,169)               |
| Proceeds from the Sale of Capital Assets .....  | -   | 5,707             | -                      | 5,707             | 3,358                  |
| Principal Payments on Capital Leases .....  | -   | -                 | (166)                  | (166)             | (7,055)                |
| Principal Payments on Contracts, Notes and Loans .....  | (4,654)                                     | (895)             | -                      | (5,549)           | -                      |
| Principal Payments on Revenue Bonds.....  | (31,700)                                    | (13,894)          | -                      | (45,594)          | -                      |
| Interest Paid on Long-Term Debt.....  | (44,670)                                    | (29,625)          | (11)                   | (74,306)          | (1,046)                |
| <b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>                     | <b>90,997</b>                               | <b>(1,934)</b>    | <b>(5,784)</b>         | <b>83,279</b>     | <b>(43,550)</b>        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |   |                   |                        |                   |                        |
| Sales of Investments .....  | 988,652                                     | 1,671,625         | -                      | 2,660,277         | -                      |
| Purchases of Investments .....  | (1,173,015)                                 | (1,759,692)       | -                      | (2,932,707)       | -                      |
| Interest Received on Investments .....  | 13,671                                      | 13,914            | 5,632                  | 33,217            | 5,202                  |
| <b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES .....</b>   | <b>(170,692)</b>                            | <b>(74,153)</b>   | <b>5,632</b>           | <b>(239,213)</b>  | <b>5,202</b>           |
| Net Increase (Decrease) in Cash and Cash Equivalents .....  | 54,702                                      | (7,864)           | 555                    | 47,393            | 14,012                 |
| Cash and Cash Equivalents at Beginning of Year .....  | 291,240                                     | 241,215           | 144,181                | 676,636           | 134,104                |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>   | <b>\$ 345,942</b>                           | <b>\$ 233,351</b> | <b>\$ 144,736</b>      | <b>\$ 724,029</b> | <b>\$ 148,116</b>      |
| <b>Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Assets:</b>         |   |                   |                        |                   |                        |
| Cash and Investments .....  | \$ 345,933                                  | \$ 225,556        | \$ 104,184             | \$ 675,673        | \$ 148,116             |
| Restricted Cash & Investments .....   | 231,212                                     | 263,883           | 40,552                 | 535,647           | -                      |
| Less Investments not meeting the definition of cash equivalents .....                                     | (231,203)                                   | (256,088)         | -                      | (487,291)         | -                      |
| Total Cash and Cash Equivalents at End of Year .....  | \$ 345,942                                  | \$ 233,351        | \$ 144,736             | \$ 724,029        | \$ 148,116             |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b> |   |                   |                        |                   |                        |
| Operating Income (Loss) .....   | \$ 55,247                                   | \$ 40,194         | \$ (15,121)            | \$ 80,320         | \$ 26,681              |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities: |   |                   |                        |                   |                        |
| Depreciation .....  | 76,554                                      | 39,627            | 5,797                  | 121,978           | 26,513                 |
| (Increase) Decrease in Assets:  |   |                   |                        |                   |                        |
| Accounts Receivable - Net .....   | 2,455                                       | 281               | 63                     | 2,799             | (955)                  |
| Claims Receivable - Net .....   | -   | -                 | (2)                    | (2)               | 2                      |
| Contributions Receivable .....  | -   | -                 | -                      | -                 | 39                     |
| Due from Other Funds .....  | -   | -                 | 464                    | 464               | -                      |
| Inventories .....   | -   | (511)             | 76                     | (435)             | 72                     |
| Prepaid Expenses .....  | 5   | (10)              | 10                     | 5                 | (710)                  |
| Increase (Decrease) in Liabilities:   |   |                   |                        |                   |                        |
| Accounts Payable .....  | (3,287)                                     | (9,719)           | 8                      | (12,998)          | (8,252)                |
| Accrued Wages and Benefits .....  | (2,052)                                     | 328               | 193                    | (1,531)           | (296)                  |
| Due to Other Funds .....  | (696)                                       | (684)             | (134)                  | (1,514)           | (131)                  |
| Due to Other Agencies .....   | 7,365                                       | (1,525)           | -                      | 5,840             | -                      |
| Unearned Revenue .....  | -   | (326)             | (372)                  | (698)             | (49)                   |
| Contract Deposits .....   | 189   | 237               | 62                     | 488               | -                      |
| Arbitrage Liability .....   | (157)                                       | (429)             | -                      | (586)             | -                      |
| Compensated Absences .....  | (197)                                       | 18                | (505)                  | (684)             | (362)                  |
| Liability Claims .....  | (11,374)                                    | (6,012)           | -                      | (17,386)          | 2,331                  |
| Estimated Landfill Closure and Postclosure Care.....  | -   | -                 | 907                    | 907               | -                      |
| Pollution Remediation Obligation.....   | -   | 620               | -                      | 620               | -                      |
| Net OPEB Obligation .....   | 3,878                                       | 3,919             | 3,652                  | 11,449            | 1,237                  |
| Net Pension Obligation .....  | 226   | 201               | 198                    | 625               | (2,401)                |
| Other Nonoperating Revenue .....  | 5,244                                       | 751               | 2,262                  | 8,257             | 11,386                 |
| Total Adjustments .....   | 76,153                                      | 26,766            | 12,679                 | 117,598           | 28,424                 |
| <b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>   | <b>\$ 133,400</b>                           | <b>\$ 66,960</b>  | <b>\$ (2,442)</b>      | <b>\$ 197,918</b> | <b>\$ 55,105</b>       |
| <b>Noncash Investing, Capital, and Financing Activities:</b>  |   |                   |                        |                   |                        |
| Capital Leases .....  | \$ -  | \$ -              | \$ -                   | \$ -              | \$ 10,366              |
| Developer Contributed Assets .....  | 18,419                                      | 22,646            | -                      | 41,065            | 198                    |
| Increase (Decrease) in Capital Assets related Accounts Payable .....                                      | 7,632                                       | 4,530             | (382)                  | 11,780            | (6,246)                |
| Noncash Retirement of Capital Assets .....  | (3,525)                                     | (8,142)           | (814)                  | (12,481)          | (318)                  |
| Contributions of Capital Assets from Governmental Activities .....  | -   | -                 | 3,257                  | 3,257             | 3,174                  |
| Proceeds of Refunding Bonds Issued.....   | 907,050                                     | 301,165           | -                      | 1,208,215         | -                      |
| Repayment of Refunding Bonds to Escrow.....   | (907,050)                                   | (301,165)         | -                      | (1,208,215)       | -                      |
| Interest Fund Credits for Debt Service Payments.....  | (13,281)                                    | (5,186)           | -                      | (18,467)          | -                      |

The accompanying notes are an integral part of the financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2009**  
**(In Thousands)**

|   | Pension &<br>Employee<br>Savings Trust | Investment<br>Trust | Agency           |
|---|--|---------------------|------------------|
| <b>ASSETS</b>   |  |                     |                  |
| Cash or Equity in Pooled Cash and Investments .....         | \$ 4,616                               | \$ 4,637            | \$ 29,253        |
| Cash with Custodian/Fiscal Agent .....                      | 371,762                                | -                   | -                |
| Investments at Fair Value:                                  |  |                     |                  |
| Short Term Investments .....                                | 33,311                                 | -                   | -                |
| Domestic Fixed Income Securities (Bonds) .....              | 861,555                                | -                   | -                |
| International Fixed Income Securities (Bonds) .....         | 143,677                                | -                   | -                |
| Domestic Equity Securities (Stocks) .....                   | 1,444,848                              | -                   | -                |
| International Equity Securities (Stocks) .....              | 614,246                                | -                   | -                |
| Real Estate Equity and Real Estate Securities .....         | 350,498                                | -                   | -                |
| Defined Contribution Investments .....                      | 673,922                                | -                   | -                |
| Receivables:  |  |                     |                  |
| Accounts - Net .....  | -                                      | -                   | 120              |
| Contributions .....   | 16,957                                 | -                   | -                |
| Accrued Interest .....                                      | 13,135                                 | 38                  | 15               |
| Loans .....   | 32,559                                 | -                   | -                |
| Securities Sold .....                                       | 81,077                                 | -                   | -                |
| Prepaid Expenses .....                                      | 73                                     | -                   | -                |
| Securities Lending Collateral .....                         | 395,085                                | -                   | -                |
| Restricted Cash and Investments .....                       | -                                      | -                   | 10,205           |
| Capital Assets - Depreciable .....                          | 1,275                                  | -                   | -                |
| <b>TOTAL ASSETS</b> .....                                   | <b>5,038,596</b>                       | <b>4,675</b>        | <b>\$ 39,593</b> |
| <b>LIABILITIES</b>  |  |                     |                  |
| Accounts Payable .....                                      | 6,113                                  | -                   | \$ -             |
| Accrued Wages and Benefits .....                            | 783                                    | -                   | -                |
| Deposits/Advances from Others .....                         | 7,200                                  | -                   | 10,977           |
| Sundry Trust Liabilities .....                              | -                                      | -                   | 28,616           |
| DROP Liability .....  | 360,758                                | -                   | -                |
| Net Other Post Employment Benefit Obligation .....          | 607                                    | -                   | -                |
| Net Pension Obligation .....                                | 628                                    | -                   | -                |
| Securities Lending Obligations .....                        | 395,085                                | -                   | -                |
| Securities Purchased .....                                  | 203,700                                | -                   | -                |
| <b>TOTAL LIABILITIES</b> .....                              | <b>974,874</b>                         | <b>-</b>            | <b>\$ 39,593</b> |
| <b>NET ASSETS</b>   |  |                     |                  |
| Held in Trust for Pension Benefits and Other Purposes ..... | <b>\$ 4,063,722</b>                    | <b>\$ 4,675</b>     |                  |

The accompanying notes are an integral part of the financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
Year Ended June 30, 2009  
(In Thousands)

|   | Pension &<br>Employee<br>Savings Trust | Investment<br>Trust | Total               |
|---|--|---------------------|---------------------|
| <b>ADDITIONS</b>                              |  |                     |                     |
| Employer Contributions .....                  | \$ 248,677                             | \$ -                | \$ 248,677          |
| Employee Contributions .....                  | 95,345                                 | -                   | 95,345              |
| Retiree Contributions .....                   | 7,483                                  | -                   | 7,483               |
| Contributions to Pooled Investments .....     | -                                      | 4,574               | 4,574               |
| Earnings on Investments:                      |  |                     |                     |
| Investment Income (Loss) .....                | (1,012,535)                            | 159                 | (1,012,376)         |
| Investment Expense .....                      | (19,661)                               | -                   | (19,661)            |
| Net Investment Income (Loss) .....            | (1,032,196)                            | 159                 | (1,032,037)         |
| Securities Lending Income:                    |  |                     |                     |
| Gross Earnings .....                          | 11,607                                 | -                   | 11,607              |
| Borrower Rebates .....                        | (4,944)                                | -                   | (4,944)             |
| Administrative Expenses (Lending Agent) ..... | (1,754)                                | -                   | (1,754)             |
| Net Securities Lending Income .....           | 4,909                                  | -                   | 4,909               |
| Other Income:                                 |  |                     |                     |
| Litigation Proceeds .....                     | 325                                    | -                   | 325                 |
| <b>TOTAL OPERATING ADDITIONS .....</b>        | <b>(675,457)</b>                       | <b>4,733</b>        | <b>(670,724)</b>    |
| <b>DEDUCTIONS</b>                             |  |                     |                     |
| DROP Interest Expense .....                   | 27,098                                 | -                   | 27,098              |
| Benefit and Claim Payments .....              | 373,495                                | -                   | 373,495             |
| Distributions from Pooled Investments .....   | -                                      | 4,484               | 4,484               |
| Administration .....                          | 15,057                                 | -                   | 15,057              |
| <b>TOTAL OPERATING DEDUCTIONS .....</b>       | <b>415,650</b>                         | <b>4,484</b>        | <b>420,134</b>      |
| <b>CHANGE IN NET ASSETS .....</b>             | <b>(1,091,107)</b>                     | <b>249</b>          | <b>(1,090,858)</b>  |
| Net Assets at Beginning of Year .....         | 5,154,829                              | 4,426               | 5,159,255           |
| <b>NET ASSETS AT END OF YEAR .....</b>        | <b>\$ 4,063,722</b>                    | <b>\$ 4,675</b>     | <b>\$ 4,068,397</b> |

The accompanying notes are an integral part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (In Thousands)**

The City of San Diego (the "City") adopted its current charter on April 7, 1931 and operates as a municipality in accordance with State laws. Since adoption, the City Charter has been amended several times. The most recent amendments were added with voter approval of Propositions C and D in the November 4, 2008 election. Proposition C amended the City Charter to designate the use of lease revenues from Mission Bay Park, exceeding certain thresholds, 75% for capital improvements in Mission Bay Park and 25% for capital improvements in other coastal and regional parks. Proposition D amended the Municipal Code section 56.54 to make consumption of alcoholic beverages unlawful at all City parks.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The following is a summary of the City's significant accounting policies:

a. Financial Reporting Entity

As required by GAAP, these financial statements present the primary government and its component units, entities for which the primary government is considered to be financially accountable.

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and as a result, data from these units are combined with data of the primary government (references within this document to "the City" are referring to the primary government). Component units should be included in the reporting entity financial statements using the blending method if either of the following criteria is met:

- i. The component unit's governing body is substantively the same as the governing body of the primary government (the City).
- ii. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it.

Included within the reporting entity as blended component units are the following:

- Centre City Development Corporation
- City of San Diego/Metropolitan Transit Development Board Authority
- Community Facilities and Other Special Assessment Districts
- Convention Center Expansion Financing Authority
- Public Facilities Financing Authority
- Redevelopment Agency of the City of San Diego
- San Diego Data Processing Corporation
- San Diego Facilities and Equipment Leasing Corporation
- San Diego Industrial Development Authority
- San Diego Open Space Park Facilities District #1
- Southeastern Economic Development Corporation
- San Diego City Employees' Retirement System
- Tobacco Settlement Revenue Funding Corporation
- Tourism Marketing District

A brief description of each blended component unit follows:

- Centre City Development Corporation, Inc. (CCDC) is a not-for-profit public benefit corporation established in 1975 to administer certain redevelopment projects in downtown San Diego and to provide redevelopment advisory services to the Redevelopment Agency of the City of San Diego. The City Council elects the Board of Directors. CCDC's budget and governing board are approved by the Redevelopment Agency of the City of San Diego and services are provided exclusively to the primary government. CCDC is reported as a governmental fund. Financial statements can be requested from Centre City Development Corporation, 401 B Street- Fourth Floor, San Diego, California 92101.
- The City of San Diego/Metropolitan Transit Development Board Authority (MTDB Authority) is a financing authority which was established in 1988 to acquire and construct mass transit guide ways, public transit systems, and related transportation facilities primarily benefiting the residents of the City of San Diego. The Mayor appoints, with Council confirmation, two public members and the MTS Board appoints one MTS boardmember to the governing board of the MTDB Authority. The MTDB Authority primarily provides services to the primary government. The MTDB Authority is reported as a governmental fund. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.
- The City maintains various Community Facilities, Maintenance Assessment, and Business Improvement Districts to pay for the construction, maintenance and improvement of community facilities and infrastructure. The governing body of Special Assessment Districts and Community Facilities Districts (special districts) is the City Council. Among its duties, it approves the budgets of special districts, parcel fees, special assessments, and special taxes. The special districts are reported in governmental fund types.
- The Convention Center Expansion Financing Authority (CCEFA) was established in 1996 to acquire and construct the expansion of the existing convention center. During the period reported, the CCEFA was governed by a board consisting of the Mayor [the City Manager] the Director of the Port of San Diego, and a member of the Board of Commissioners for the Port of San Diego. Under the strong mayor form of government, the City Manager position does not exist and therefore is currently vacant. The CCEFA provides services which primarily benefit the primary government. CCEFA is reported as a governmental fund. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.
- The Public Facilities Financing Authority (PFFA) was established in 1991 by the City and the Redevelopment Agency to acquire and construct public capital improvements. PFFA is governed by a board of commissioners composed of the City Treasurer, the assistant executive director of the Redevelopment Agency and three members of the public appointed by the Mayor and confirmed by the Council. PFFA provides services exclusively to the primary government. Financing for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.
- The Redevelopment Agency of the City of San Diego (RDA) was established in 1958 in order to provide a method for revitalizing deteriorating and blighted areas of the City and began functioning in 1969 under the authority granted by the community redevelopment law. The City Council is the governing board sitting as the Board of Directors of the RDA, and the RDA is reported as a governmental fund. Complete stand-alone financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.
- San Diego Data Processing Corporation (SDDPC) was formed in 1979 as a not-for-profit public benefit corporation for the purpose of providing data processing services. SDDPC's budget and governing board are approved by the City Council. SDDPC provides services almost exclusively to the primary government. SDDPC is reported as an Internal Service Fund. Financial statements can be requested from San Diego Data Processing Corporation, 5975 Santa Fe Street, San Diego, California 92109.

- The San Diego Facilities and Equipment Leasing Corporation (SDFELC) is a not-for-profit public benefit corporation established in 1987 for the purpose of acquiring and leasing to the City real and personal property to be used in the municipal operations of the City. The SDFELC is governed by a three member board consisting of the City Attorney, the Chief Financial Officer and the Mayor (as City Manager) and services are provided exclusively to the primary government. Financing for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.
- The San Diego Industrial Development Authority (SDIDA) was established in 1983 by the City for the purpose of providing an alternate method of financing to participating parties for economic development purposes. The City Council is the governing board. SDIDA is reported as a governmental fund. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.
- The San Diego Open Space Park Facilities District #1 (SDOSPF) was established in 1978 by the City for the purpose of acquiring open space properties to implement the Open Space Element of the City's General Plan. The boundaries are contiguous with those of the City. The City Council is the governing board. SDOSPF is reported as a governmental fund. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.
- Southeastern Economic Development Corporation (SEDC) is a not-for-profit public benefit corporation organized in 1980 by the City to administer certain redevelopment projects in southeast San Diego and to perform economic development services in its area of influence. SEDC's budget and governing board are approved by the Redevelopment Agency and services are provided exclusively to the primary government. SEDC is reported as a governmental fund. Financial statements can be requested from the Southeastern Economic Development Corporation, 995 Gateway Center Way, Suite 300, San Diego, California 92102.
- San Diego City Employees' Retirement System (SDCERS) was established in 1927 by the City and administers retirement, post employment healthcare, disability, and death benefits. Currently, SDCERS also administers the Port of San Diego and the San Diego County Regional Airport Authority defined benefit plans.

SDCERS is a legally separate, blended component unit of the City of San Diego. It is managed by a Board of Administration, the majority of which is appointed by the City of San Diego, and a Pension Administrator who does not report to, or work under the direction of the elected officials or appointed managers of the City of San Diego. SDCERS provides services almost exclusively to the primary government. Additionally, during the period reported, SDCERS utilized legal counsel independent of the City of San Diego. As such, the City does not maintain direct operational oversight of SDCERS or its financial reports.

SDCERS is reported as a pension and employee savings trust fund. Complete stand-alone financial statements can be requested from the San Diego City Employees' Retirement System, 401 West A Street, Suite 400, San Diego, California 92101.

- The Tobacco Settlement Revenue Funding Corporation (TSRFC) is a not-for-profit public benefit corporation established in 2006 for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. TSRFC is governed by the Board of Directors which consists of the Chief Operating Officer, the Chief Financial Officer, and one independent director. The independent director shall be appointed by the Mayor or the remaining directors. TSRFC is reported as a governmental fund. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California, 92101.



- The Tourism Marketing District (TMD) is an assessment district created, in fiscal year 2008, by the City on behalf of larger hotel and motel operators within the City. The TMD provides for tourism development, including coordinated joint marketing and promotion of San Diego, in order to maintain and expand the tourism industry. The TMD procedural ordinance establishes a method by which benefited businesses may be assessed for the cost of activities associated with tourism development within their respective area. The governing body of the TMD is the City Council. Among its duties, TMD will initiate proceedings to establish a district upon submission of a written petition, signed by the business owners in the proposed district who will pay more than 50 percent of the assessments proposed to be levied, and will approve the district management plan which includes an annual budget, frequency for levying assessments, and number of years assessments will be levied. The TMD is reported as a governmental fund.

Discretely presented component units, which are also legally separate entities, have financial data reported in a separate column from the financial data of the primary government to demonstrate they are financially and legally separate from the primary government.

There are two entities which are discretely presented component units:

- San Diego Convention Center Corporation (SDCCC)  
SDCCC is a not-for-profit public benefit corporation originally organized to market operate and maintain the San Diego Convention Center. San Diego Theaters Inc. is a non-profit subsidiary of SDCCC created in 2003 to operate the San Diego Civic Theater and the restored Balboa Theater. The City is the sole member of SDCCC and acts through the San Diego City Council in accordance with the City Charter and the City's Municipal Code. The City appoints seven voting members out of the nine-member Board of Directors of SDCCC. The City is liable for any operating deficits and would be secondarily liable for any debt issuances of SDCCC. SDCCC is discretely presented because it provides services directly to the citizens. Complete stand-alone financial statements can be requested from San Diego Convention Center Corporation, 111 West Harbor Drive, San Diego, California 92101.
- San Diego Housing Commission (SDHC)  
SDHC is a government agency which was formed by the City under Ordinance No. 2515 on December 5, 1978 in accordance with the Housing Authority Law of the State of California. SDHC primarily serves low-income families by providing rental assistance payments, rental housing, loans and grants to individuals and not-for-profit organizations and other services. Members of the Board of Commissioners are appointed by the Mayor and confirmed by the City Council. SDHC is discretely presented because it provides services directly to the citizens. Complete stand-alone financial statements can be requested from San Diego Housing Commission, 1122 Broadway, Suite 300, San Diego, California 92101.

Each blended and discretely presented component unit has a June 30 fiscal year-end.

#### b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported discretely from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable as to a specific function or segment. Direct expenses reported include administrative and overhead charges. Program revenues include (1) charges to customers or

applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues and contributions.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, the latter of which are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

**Government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The business-type activities and proprietary funds financial statements apply all effective pronouncements of the Governmental Accounting Standards Board ("GASB"). In addition, these statements apply all Accounting Principles Board Opinions ("APBO") and Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989, except those that conflict with GASB pronouncements. The City has elected not to apply all FASB Statements and Interpretations issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

All internal service funds, except for the Special Engineering Fund, have been included within governmental activities in the government-wide financial statements since they predominantly benefit governmental functions. The Special Engineering Fund, which services exclusively water and sewer activities, has been included within business-type activities in the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. General revenues include all taxes and investment income.

**Governmental funds financial statements** are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Revenues which are considered susceptible to accrual include: real and personal property taxes; other local taxes; franchise fees; fines, forfeitures and penalties; motor vehicle license fees; rents and concessions; interest; and state and federal grants and subventions, provided they are received within 60 days from the end of the fiscal year.

Licenses and permits, including parking citations and miscellaneous revenues are recorded as revenues when received in cash because they generally are not measurable until actually received.

Expenditures are recognized when the related fund liability is incurred except for (1) principal and interest of general long-term debt which are recognized when due; and (2) employee annual leave and claims and judgments from litigation which are recorded in the period due and payable since such amounts will not currently be liquidated with expendable available financial resources.

The governmental funds financial statements do not present long-term debt, but the related debt is shown in the reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets. Bond premiums, discounts and issuance costs are recognized during the current period.

Permanent Funds, also referred to as Endowment Funds, are governmental funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs. The City has received endowments for the following programs: Mt. Hope Cemetery; Carmel Valley Sewer Maintenance; North Park Branch Library; Jacaranda Tree planting and maintenance in City rights-of-way; Rancho Bernardo Branch Library; La Jolla/Riford Branch Library; Los Penasquitos Canyon Preserve; Montezuma Road Median Maintenance; Southcrest Oak Estates II landscape maintenance; Sycamore Estates property maintenance; and, the Fortuna Mountain Conservation Bank management within Mission Trails Regional Park. The amount of investment earnings available for expenditure is reported as Undesignated Fund Balance in the fund level financial statements. The endowment principal is reported as Restricted for Nonexpendable Permanent Endowments in the Statement of Net Assets. The State law governing the spending of endowment funds investment earnings is California Probate Code Section 18504.

**Proprietary funds** distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Fiduciary funds** are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units, and include pension and employee savings trust, investment trust, and agency funds. Pension and Employee Savings Trust Funds are reported using the same measurement focus and basis of accounting as Proprietary Funds. Agency funds are reported using the accrual basis of accounting.

The following is the City's major governmental fund:

General Fund - The General Fund is the principal operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The following are the City's major Enterprise Funds:

Sewer Utility Fund - The sewer utility fund is used to account for the operation, maintenance and development of the City's sewer system. The City's sewer utility fund includes activities related to the performance of services for Participating Agencies.

Water Utility Fund - The water utility fund is used to account for operating and maintenance costs, replacements, betterments, expansion of facilities, and payments necessary in obtaining water from the Colorado River and the State Water Project.

The following are the City's other fund types:

Internal Service Funds - These funds account for vehicle and transportation, printing, engineering, data processing, and storeroom services provided to City departments on a cost-reimbursement basis. Internal service funds also account for self-insurance activities, including workers' compensation and long-term disability programs, which derive revenues from rates charged to benefiting departments. This fund type also accounts for the public liability reserve, which was established for the purpose of paying liability claims.

Pension and Employee Savings Trust Funds - These funds account for the San Diego City Employees' Retirement System, the Supplemental Pension Savings Plan (SPSP), and the 401(k) Plan.

Investment Trust Fund - This fund was established to account for equity that legally separate entities have in the City Treasurer's investment pool. The Automated Regional Justice Information System (ARJIS), the San Diego Graphic Information Source (SanGIS), and the Abandoned Vehicle Abatement (AVA) are all legally separate entities which have cash invested in the City Treasurer's investment pool.

Agency Funds - These funds account for assets held by the City as an agent for individuals, private organizations, and other governments, including federal and state income taxes withheld from employees, parking citation revenues on behalf of other agencies, and certain employee benefit plans.

d. Property Taxes

The County of San Diego (the "County") assesses, bills, and collects property taxes on behalf of numerous special districts and incorporated cities, including the City of San Diego. The City's collections of the current year's taxes are received through periodic apportionments from the County.

The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Since the passage of California's Proposition 13, beginning with fiscal year ended 1979, general property taxes are based either on a flat 1% rate applied to the 1975-76 full value of the property or on 1% of the sales price of any property sold or of the cost of any new construction after the 1975-76 valuation. Taxable values of properties (exclusive of increases related to sales and new construction) can increase by a maximum of 2% per year. The Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13).

At the government-wide level, property tax revenue is recognized in the fiscal year for which the taxes have been levied. Property taxes received after the fiscal year in which they were levied are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are recorded as deferred revenue in the governmental funds. The City provides an allowance for uncollected property taxes of approximately 5% of the outstanding current balance which is analyzed each year against most recent data from the County.

Property owners can appeal the assessment value of their property to the County Assessment Appeals Board. If successful, the County Assessor may reduce the taxable value of a property and/or provide a refund to affected property owners. Reductions of taxable property value within the City of San Diego will have a negative impact on future tax collections until assessed valuations increase.

e. Cash and Investments

The City's cash and cash equivalents for Statement of Cash Flows purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held by the City Treasurer in a cash management investment pool and reported at fair value. Cash equivalents reported in the Statement of Cash Flows for the Water and Sewer Utilities do not include restricted investments represented as Restricted Cash and Investments with a maturity date greater than ninety days.

The City's cash resources are combined to form a cash and investment pool managed by the City Treasurer (the pool). The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it a 2a7-like pool. The investment activities of the Treasurer in managing the pool are governed by California Government Code § 53601 and the City's Investment Policy, which is reviewed by the Investment Advisory Committee and approved annually by the City Council. Interest earned on pooled investments is allocated to participating funds and entities based upon their average daily cash balance during the allocation month. Fair value adjustments to the pool are recorded annually; however, the City Treasury reports on market values monthly. The value of the shares in the pool approximates the fair value of the pool.

The pool participates in the California State Treasurer's Local Agency Investment Fund (LAIF). Investments in LAIF are governed by State statutes and overseen by a five member Local Investment Advisory Board. The fair value of the City's position in LAIF may be greater or less than the value of the shares. Investments in LAIF are valued in these financial statements using a fair value factor provided by LAIF applied to the value of the City's shares in the investment pool.

It has been the City's policy to allow the General Fund to receive interest earned by certain governmental funds, internal service funds and agency funds, unless otherwise expressly stated in the resolutions creating individual funds. During the fiscal year ended June 30, 2009, approximately \$8,887 interest was assigned from various funds to the General Fund. These transactions caused an increase to the "transfers from other funds" amount for the General Fund and caused a like increase to the "transfer to other funds" amount for the fund disbursing the interest. In the case of negative interest, these transactions caused an increase to the "transfers from other funds" amount for the fund transferring the negative interest and caused a like increase to the "transfer to other funds" amount for the General Fund.

Certain governmental funds maintain investments outside of the City's investment pool. These funds are supervised and controlled by a five member Funds Commission which is appointed by the Mayor and confirmed by the City Council. The Funds Commission engages money managers to direct the investments of these funds. Additionally, the City and its component units maintain individual accounts pursuant to bond issuances and major construction contracts which may or may not be related to debt issuances. The investment of these funds is governed by the policies set forth in individual indenture and trustee agreements. Certain component units of the City also participate in LAIF separately from the City Treasurer's investment pool.

All City investments are reported at fair value in accordance with the GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Note 3 of the notes to the financial statements contain additional information on permissible investments per the City investment policy and other policies applicable to the cash and investments reported herein.

The discharge of fiduciary duties by SDCERS' Board is governed by Section 144 of the City Charter and Article XVI, Section 17 of the California State Constitution. Investment decisions are made on a risk versus return basis in a total portfolio context. SDCERS' Board has the authority to delegate investment management duties to outside advisors, to seek the advice of outside investment counsel, and to provide oversight and monitoring of the investment managers it hires. Furthermore, under the California State Constitution and other relevant authorities, SDCERS' Board may, at its discretion, and when prudent in the informed opinion of the Board, invest funds in any form or type of investment, financial instrument, or financial transaction, unless otherwise limited by the San Diego City Council. SDCERS' agents, in

SDCERS' name, manage all investments.

SDCERS' investments are reported at fair value in the accompanying Statement of Fiduciary Net Assets. SDCERS' custodian, State Street Bank & Trust Company, provides the market values of exchange traded assets. In the case of debt securities acquired through private placements, SDCERS' contract investment advisors compute fair value based on market yields and average maturity dates of comparable quoted securities. Short-term investments are reported at cost or amortized cost, which approximates fair value. Real estate equity investment fair values are based on either annual valuation estimates provided by SDCERS' contract real estate advisors or by independent certified appraisers. Fair value of investments in commingled funds of publicly traded securities are based on the funds' underlying asset values determined from published market prices and quotations from major investment firms.

f. Inventories

Inventories reported in the government-wide financial statements and the proprietary funds financial statements, which consist of water in storage and supplies, are valued at the lower of cost or market. Such inventories are expensed when consumed using primarily the first-in, first-out (FIFO) and weighted-average methods, respectively. Inventory supplies of governmental funds are recorded as expenditures when purchased.

g. Land Held for Resale

Land Held for Resale, purchased by RDA, is reported in the government-wide and fund financial statements at the lower of cost or net realizable value.

h. Deferred Charges

In the government-wide and proprietary funds financial statements, Deferred Charges represent the unamortized portion of bond issuance costs. These costs will be amortized over the life of the related bonds using a method which approximates the effective interest method.

i. Capital Assets

Non-Depreciable Capital Assets, which include land and construction-in-progress, are reported in the applicable governmental or business-type activities column in the government-wide financial statements, as well as in the Proprietary Funds financial statements.

Depreciable Capital Assets, which include structures and improvements, equipment, distribution and collection systems, and infrastructure, are reported net of accumulated depreciation in the applicable governmental or business-type activities column in the government-wide financial statements, as well as in the proprietary funds financial statements. To meet the criteria for capitalization, an asset must have a useful life in excess of one year and in the case of equipment outlay, must equal or exceed a capitalization threshold of five thousand dollars. All other capital assets such as land, structures, infrastructure, and distribution and collection systems are capitalized regardless of cost. Subsequent improvements are capitalized to the extent that they extend the initial estimated useful life of the capitalized asset, or improve the efficiency or capacity of that asset. Costs for routine maintenance are expensed as incurred. Interest expense incurred during the construction phase of business-type capital assets are reflected in the capitalized value of the asset constructed. During fiscal year 2009, \$18,041 of interest expense incurred was capitalized, which is calculated net of related interest revenue of \$1,835.

Capital assets, when purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair value on the date of donation. Depreciation of capital assets is computed using the straight-line method over the estimated useful life of the asset as follows:

| <u>Assets</u>                          | <u>Years</u> |
|--|--------------|
| Structures and Improvements            |              |
| Buildings                              | 40 - 50      |
| Building Improvements                  | 15 - 40      |
| Equipment                              |              |
| Automobiles and Light Trucks           | 5 - 10       |
| Construction and Maintenance Vehicles  | 5 - 20       |
| General Machinery and Office Equipment | 3 - 30       |
| Distribution and Collection Systems    |              |
| Sewer Pipes and Water Mains            | 15 - 150     |
| Reservoirs                             | 100 - 150    |
| Infrastructure                         |              |
| Pavement and Traffic Signals           | 12 - 50      |
| Bridges                                | 75           |
| Hardscape                              | 20 - 50      |
| Flood Control Assets                   | 40 - 75      |

j. Unearned/Deferred Revenue

In the government-wide and all fund level financial statements, unearned revenue represents amounts received which have not been earned. The government-wide financial statements include revenues earned from developer credits, which are not reported in governmental funds because they are non-monetary transactions. In the governmental funds financial statements, deferred revenue represents revenues which have been earned but have not met the recognition criteria based on the modified accrual basis of accounting.

k. Interfund Transactions

The City has the following types of interfund transactions:

**Loans** – amounts provided with a requirement for repayment. Interfund loans are normally reported as interfund receivables (i.e. Due from Other Funds) in lender funds and interfund payables (i.e. Due to Other Funds) in borrower funds. The non-current portions of long-term interfund loans receivable are reported as advances. There is one interfund loan between the Facilities Benefit Assessments (FBA) Fund and the Sewer Utility Fund, for developer fees owed for the Carmel Valley Trunk sewer project, which is reported as an Interfund Loan Receivable/Payable at the fund level and included with Internal Balances on the government-wide Statement of Net Assets.

**Services provided and used** – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

**Reimbursements** – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursement is reported as expenditures or expenses in the reimbursing fund and a reduction of expenditures or expenses in the paying fund.

**Transfers** – flows of assets (such as cash or goods) without equivalent flows of assets in return, and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.

l. Long-Term Liabilities

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statements of net assets. Capital appreciation bond accretion, bond premiums and discounts, and bond refunding gains and losses are amortized over the life of the bonds using a method which approximates the effective yield method. Net bonds payable reflects amortized bond accretion and unamortized bond discounts, premiums and refunding gains and losses.

m. Sundry Trust Liabilities

Under approval of certain agreements, developers submit to RDA an initial deposit to ensure the developer proceeds diligently and in good faith to negotiate and perform all of the obligations under the agreement. These deposits can normally be used for administrative costs of RDA. In the government-wide financial statements and in the fund financial statements, the unspent portion of these deposits, called Sundry Trust Liabilities, are reported as liabilities of RDA.

n. Compensated Absences

The City provides combined annual leave to cover both vacation and sick leave. It is the City's policy to permit employees to accumulate between 8.75 weeks and 17.5 weeks of earned but unused annual leave, depending on hire date. Accumulation of these earnings will be paid to employees upon separation from service.

The liability for compensated absences reported in the government-wide, proprietary, and fiduciary fund financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g. Social Security and Medicare Tax). A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

o. Claims and Judgments

The costs of claims and judgments are accrued when incurred and measurable in the government-wide financial statements and both proprietary and fiduciary funds financial statements. In governmental funds, the costs of claims and judgments are recorded as expenditures when payments are due and payable.

p. Non-Monetary Transactions

The City, as part of approving new development in the community planning process, requires that certain public facilities be constructed per the provisions of community financing plans. Historically, the City has agreed to pay a pro rata share of these assets. In lieu of providing direct funding for these assets, the City often provides developers with credits (also referred to as FBA credits) for future permit fees. These credits are earned by the developer upon successful completion of construction phases and when City engineers have accepted the work. The credits are recognized as permit revenue



upon issuance and a corresponding capital asset is recorded in the government-wide financial statements.

q. Net Assets

In the government-wide and proprietary funds financial statements, net assets are categorized as follows:

- Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition of these assets.
- Restricted Net Assets consist of assets with restrictions imposed on them by external creditors, grantors, contributors, laws and regulations of other governments, or law through constitutional provisions or enabling legislation. It is the City's policy to first apply restricted resources when an expense is incurred for purposes which both restricted and unrestricted net assets are available. As of June 30, 2009, the amount of restricted net assets due to enabling legislation was approximately \$147,994.
- Unrestricted Net Assets consist of net assets that do not meet the definition of Invested in Capital Assets, Net of Related Debt or Restricted Net Assets.

r. Fund Balance

In the fund financial statements, portions of fund equity of governmental funds have been reserved for specific purposes. Reservations are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated, or (2) identify the portion of the fund balance that is not appropriable for future expenditures.

Designated fund balance indicates that portion of fund equity for which the City has made tentative plans. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods.

s. Reserves

City Charter Section 91 titled "General Reserve Fund" was approved by the voters on November 6, 1962. This section requires the City Council to create and maintain a General Reserve Fund for the purpose of keeping the payment of running expenses of the City on a cash basis. Section 91 requires the reserve be maintained in an amount sufficient to meet all legal demands against the City Treasury for the first four months or other necessary period of each fiscal year prior to the collection of taxes. This fund may be expended only in the event of a public emergency by the affirmative vote of two-thirds of the City Council. The argument for this charter section given by the Citizens Charter Review Committee, commissioned in 1962, was to "strengthen the financial position of the City through the more efficient utilization of tax monies by reducing the amount of taxes collected and lying idle during a great part of the year, and through focusing responsibility for fiscal policies on the elected City Council."

On February 28, 1984, the City Attorney's Office issued Opinion No. 84-3 which addresses issues in regards to the City's compliance with the funding requirements of Charter Section 91. Such opinion stated, "To the extent that the legislative body approves the issuance of short term notes, commonly referred to as Tax or Revenue Anticipation Notes, pursuant to Section 92 titled "Borrowing Money on Short Term Notes"; or authorizes temporary loans to any tax-supported fund from any other funds in the treasury pursuant to Section 93 titled "Loans and Advances", the General Reserve Fund required under section 91 can be reduced." Therefore, the funding requirements of Charter Section 91 have been satisfied through a combination of the General Fund reserve of \$78,347 reported within the General Fund column of the Governmental Funds Balance Sheet in Undesignated Fund Balance, and the provisions set forth in Charter Sections 92 and 93 for the fiscal year ended June 30, 2009.

In September 2007, the City Attorney's Office issued a new opinion that supersedes, in part, the opinion issued on February 28, 1984. The revised opinion states that the Charter Section 91 General Reserve must be a separate, legal

fund. This fund, separate from the General Fund, must be funded if not at a “four month operating expenditure” level then at a level of such “other necessary funding.” The City Attorney’s Opinion referenced the guidance of the Government Finance Officer’s Association, which recommends a level between 5% and 15% of operating expenditures as the benchmark for interpreting the required funding level that meets the intent of the City’s voters. Per the City Attorney’s opinion, the City created a separate General Reserve in fiscal year 2008, and the General Fund reserve monies were transferred to that separate reserve and reported therein in all future financial statements. The City Council also approved the Mayor’s “City Reserve Policy” with Ordinance 19679 on November 13, 2007. This is a formal fiscal reserve policy that establishes a General Fund Reserve that will be set at a minimum of 8% of annual General Fund Revenues. The policy provides that the City shall reach this level of funding no later than fiscal year 2012. The General Fund Reserve is reported within the General Fund Undesignated Fund Balance as stated above.

The City also has an internal reserve policy in relation to certain governmental long term liabilities which are repaid with Transient Occupancy Tax revenues. When the liabilities are incurred by the City, the City creates policy reserves equal to one half of the annually required lease payments in the form of a rate stabilization reserve for each liability. The purpose of the internal reserve is to make the lease payments when they are due; even if there are unanticipated fluctuations in the Transient Occupancy Tax receipts that could potentially impact the timely payment of lease payments for such liabilities. The City maintains cash funded debt service reserve funds or surety guarantees with trustees in accordance with the bond indentures that exist for these liabilities.

As of June 30, 2009, the following is a schedule of all such internal stabilization reserves (in whole dollars) by fund:

| <u>Internal Stabilization Reserve</u> | <u>CAFR Section</u> | <u>CAFR Column</u>      | <u>Amount</u>        |
|---------------------------------------|---------------------|-------------------------|----------------------|
| Convention Center Expansion           | Special Revenue     | Transient Occupancy Tax | \$ 6,850,531         |
| Petco Park (PFFA-Ballpark)            | Special Revenue     | Transient Occupancy Tax | 5,657,279            |
| Balboa Park (SDFELC)                  | Special Revenue     | Transient Occupancy Tax | 3,286,878            |
| Trolley (MTDB)                        | Special Revenue     | Public Transportation   | 2,043,591            |
|                                       |                     |                         | <u>\$ 17,838,279</u> |

These reserve funds were closed and the balances transferred to the General Fund in the FY2010 operating budget.

t. Participating Agencies Revenue Recognition

The Regional Wastewater Disposal Agreement between the City of San Diego (City) and the Participating Agencies (PA) in the Metropolitan Sewerage System allow for quarterly invoicing of local area member municipalities and utility districts to collect and process sewage waste using the City’s facilities. The invoicing is based on an estimated allocation of costs associated with each PA and may not represent that agency’s proportionate allocation of actual maintenance and operating costs of the sewerage system, resulting in an overstatement or understatement of revenue reported in the Sewer Utility Statement of Revenues, Expenses, and Changes in Fund Net Assets.

During fiscal year 2009 the City invoiced approximately \$43,484, net of \$13,966 in credits (expenses) and reimbursements (revenues) as a result of the audits of fiscal year 2006 and 2007 activity. In addition, the City has also recognized and accrued approximately \$4,514 in estimated credits applicable to fiscal year 2008, which has been recorded as a liability on the Sewer Utility Statement of Net Assets. In prior years, credits of \$2,543 and \$8,078 were recorded in the Sewer Utility fund financial statements for fiscal years 2005 and 2004, respectively.

u. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosure of contingent assets and liabilities, and the related amounts of revenues and expenses. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

v. New Governmental Accounting Standards Implemented During Fiscal Year Ended June 30, 2009

The requirements for the following accounting standards are effective for the purpose of implementation, for the City, for fiscal year ended June 30, 2009.

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and clean ups. The Statement generally requires the government to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. This would only be required if any one of five obligating events has occurred. If deemed appropriate, the liability will be accrued in the government-wide and proprietary fund financial statements and all required disclosures can be found in Note 18 Contingencies.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which requires endowments to report their land and other real estate investments at fair value. Governments are also required to report changes in fair value as investment income. As of June 30, 2009 the City does not have land or other real estate assets invested in any of the Endowment Funds, which are reported in the Permanent Fund financial statements.

In March 2009, GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the sources of accounting principles and the framework for selecting the principles used in the preparation of the financial statements. The GAAP hierarchy was previously included in the auditing standards of the American Institute of Certified Public Accountants (AICPA). This Statement improves financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source.

In March 2009, GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards*. The objective of this Statement is to incorporate in the GASB authoritative literature certain accounting and financial reporting guidance presented in the AICPA Statements on Auditing Standards. The three issues addressed are related party transactions, going concern consideration, and subsequent events. This Statement does not establish new accounting standards but rather incorporates existing guidance into the GASB standards.

## 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (In Thousands)

Certain adjustments are necessary to reconcile governmental funds to governmental activities (which includes all internal service funds except the Special Engineering Fund). The reconciliation of these adjustments is as follows:

- a. Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Assets:

The Governmental Funds Balance Sheet includes a reconciliation between "Total Fund Balances-Governmental Funds" and "Total Net Assets-Governmental Activities" as reported in the Government-wide Statement of Net Assets. One element of the reconciliation states, "Other assets and liabilities used in governmental activities are not financial resources (uses), and therefore, are either deferred or not reported in the funds." The details of this \$105,197 difference are as follows:

|   |                   |
|---|-------------------|
| Deferred Charges, net, July 1, 2008   | \$ 19,875         |
| Issuance Costs  | 1,001             |
| Amortization Expense  | <u>(1,124)</u>    |
| Deferred Charges, net, June 30, 2009  | <u>19,752</u>     |
| Deferred Revenue:   |                   |
| Taxes Receivable  | 24,783            |
| Notes Receivable  | 4,041             |
| Motor Vehicle License Receivable  | 1,032             |
| Special Assessments Receivable  | 2,077             |
| Grants and Other Receivables  | <u>53,512</u>     |
| Deferred Revenue, net, June 30, 2009  | <u>85,445</u>     |
| Net Adjustment to increase "Total Fund Balances-Governmental Funds" to arrive at "Total Net Assets-Governmental Activities" | <u>\$ 105,197</u> |

Another element of the reconciliation states, "Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this (\$1,924,183) difference are as follows:

|   |                       |
|---|-----------------------|
| Interest Accrued on Long-Term Debt  | \$ (24,219)           |
| Arbitrage Liability   | (533)                 |
| Compensated Absences  | (66,585)              |
| Liability Claims  | (52,190)              |
| Capital Leases Payable  | (60,760)              |
| Contracts Payable   | (4,715)               |
| Notes Payable   | (4,786)               |
| Loans Payable   | (44,815)              |
| Section 108 Loans Payable   | (33,532)              |
| Net Bonds Payable   | (1,402,100)           |
| Accretion of Interest on Capital Appreciation Bonds   | (14,682)              |
| Net Pension Obligation  | (144,740)             |
| Net OPEB Obligation   | <u>(70,526)</u>       |
| Net adjustment to decrease "Total Fund Balances-Governmental Funds" to arrive at "Total Net Assets-Governmental Activities" | <u>\$ (1,924,183)</u> |

Another element of the reconciliation states, "Internal Service Funds are used by management to charge the costs of activities such as Fleet Services, Publishing Services, Self Insurance, and Central Stores to individual funds. The assets and liabilities of certain Internal Service Funds are included in the governmental activities in the Statement of Net Assets. The details of this \$6,826 difference are as follows:

|   |                 |
|---|-----------------|
| Assets:   |                 |
| Capital Assets - Non Depreciable  | \$ 1,984        |
| Capital Assets - Depreciable  | 123,970         |
| Internal Balances   | (2,048)         |
| Other Assets  | 160,768         |
| Liabilities:  |                 |
| Compensated Absences  | (7,861)         |
| Liability Claims  | (221,789)       |
| Capital Lease Obligations   | (28,759)        |
| Net Other Post Employment Benefits Obligation   | (2,978)         |
| Net Pension Obligation  | (2,925)         |
| Other Liabilities   | <u>(13,536)</u> |
| Net adjustment to increase "Total Fund Balances-Governmental Funds" to arrive at "Total Net Assets-Governmental Activities" | <u>\$ 6,826</u> |

- b. Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities:

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between "Net Change in Fund Balances-Total Governmental Funds" and "Changes in Net Assets of Governmental Activities" as reported in the Government-wide Statement of Activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$121,730 difference are as follows:

|  |                   |
|--|-------------------|
| Capital Projects   | \$ 138,634        |
| Other Capital Activities   | 108,076           |
| Depreciation Expense   | <u>(124,980)</u>  |
| Net Adjustment to increase "Net Changes in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities" | <u>\$ 121,730</u> |

Another element of the reconciliation states "The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to decrease net assets." The details of this (\$17,686) are as follows:

|   |                    |
|---|--------------------|
| In the Statement of Activities, only the net gain on the sale of land is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the net book value of the capital assets sold/retired. | \$ (6,587)         |
| Transfers of capital assets to Business-Type activities decrease net assets in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.   | (3,594)            |
| The Statement of Activities reports losses arising from the retirement of existing depreciable capital assets. Conversely, governmental funds do not report any gain or loss on retirements of capital assets.  | <u>(7,505)</u>     |
| Net adjustment to decrease "Net Change in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"   | <u>\$ (17,686)</u> |

Another element of the reconciliation states, "Internal Service Funds are used by management to charge the costs of activities such as Fleet Services, Publishing Services, Central Stores, Self Insurance, and others to individual funds." The net expense of certain Internal Service activities is reported with governmental activities. The details of this \$33,982 are as follows:

|  |                  |
|--|------------------|
| Allocated Operating Profit   | \$ 18,508        |
| Nonoperating Revenues (Expenses):  |                  |
| Loss on Sale/Retirement of Capital Assets  | (235)            |
| Other Nonoperating Revenues  | 14,798           |
| Transfers  | 713              |
| Capital Contributions  | <u>198</u>       |
| Net adjustment to increase "Net Changes in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities" | <u>\$ 33,982</u> |

Another element of the reconciliation states "The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this (\$100,854) difference are as follows:

|  |                     |
|--|---------------------|
| Debt Issued or Incurred:   |                     |
| Capital Leases   | \$ (30,392)         |
| Contracts Payable  | (2,100)             |
| Loans Payable  | (10,483)            |
| Special Assessment/Special Tax Bonds   | (12,365)            |
| Revenue Bonds  | (103,000)           |
| Principal Repayments:  |                     |
| Capital Leases   | 5,445               |
| Contracts/Notes Payable  | 876                 |
| Loans Payable  | 168                 |
| Section 108 Loans  | 2,364               |
| G.O. Bonds   | 2,265               |
| Revenue Bonds  | 22,450              |
| Special Assessment Bonds/Special Tax Bonds   | 4,900               |
| Tax Allocation Bonds   | 14,096              |
| Tobacco Settlement Asset-Backed Bonds  | 3,990               |
| Pooled Financing Bonds   | 655                 |
| Loans Payable Modification (See Note 5)  | <u>277</u>          |
| Net adjustment to decrease "Net Changes in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities" | <u>\$ (100,854)</u> |

Another element of the reconciliation states that "Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension obligation) and therefore are not accrued as expenses in governmental funds." The details of this (\$92,248) difference are as follows:

|  |                    |
|--|--------------------|
| Compensated Absences   | \$ 16              |
| Liability Claims   | (39,200)           |
| Net Pension Obligation/Net OPEB Obligation   | (48,630)           |
| Accrued Interest   | (2,438)            |
| Current Year Premiums/Discounts and Interest Accretion   |                    |
| Less Amortization of Bond Premiums   | (1,873)            |
| Issuance Costs Less Current Year Amortization  | <u>(123)</u>       |
| Net adjustment to decrease "Net Changes in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities" | <u>\$ (92,248)</u> |

### 3. CASH AND INVESTMENTS (In Thousands)

The following is a summary of the carrying amount of cash and investments:

|  | Governmental<br>Activities | Business-Type<br>Activities | Fiduciary Statement<br>of Net Assets<br>other than SDCERS | Subtotal            | SDCERS<br>Fiduciary Statement<br>of Net Assets | Grand<br>Total      |
|--|----------------------------|-----------------------------|---|---------------------|--|---------------------|
| Cash and Cash or Equity in             |                            |                             |   |                     |  |                     |
| Pooled Cash and Investments            | \$ 1,383,731               | \$ 723,517                  | \$ 45,512   | \$ 2,152,760        | \$ 3,199                                       | \$ 2,155,959        |
| Cash and Investments with Fiscal Agent | 156,258                    | 175,593                     | 26  | 331,877             | 371,736  | 703,613             |
| Investments at Fair Value              | 212,149                    | 312,210                     | 673,922   | 1,198,281           | 3,448,135                                      | 4,646,416           |
| Securities Lending Collateral          | -                          | -                           | -   | -                   | 395,085  | 395,085             |
| TOTAL                                  | <u>\$ 1,752,138</u>        | <u>\$ 1,211,320</u>         | <u>\$ 719,460</u>   | <u>\$ 3,682,918</u> | <u>\$ 4,218,155</u>                            | <u>\$ 7,901,073</u> |

#### a. Cash and Cash or Equity in Pooled Cash and Investments

Cash and Cash or Equity in Pooled Cash and Investments represents petty cash, cash at the bank in demand deposit and/or savings accounts, and cash in escrow for contract retention payables. Furthermore, it represents equity in pooled cash and investments, which is discussed in further detail below.

As provided for by California Government Code, the cash balances of substantially all funds and certain outside entities are pooled and invested by the City Treasurer for the purpose of increasing interest earnings through investment activities. The respective funds' shares of the total pooled cash and investments are included in the table above, under the caption Cash and Cash or Equity in Pooled Cash and Investments.

The following represents a summary of the items included in the Cash and Cash or Equity in Pooled Cash and Investments line item:

|  |                     |
|--|---------------------|
| Cash on Hand - Petty Cash                                    | \$ 206              |
| Deposits - Held in Escrow Accounts                           | 10,205              |
| Deposits - Cash and Cash Equivalents (Not Pooled)            | 2,146               |
| Deposits - Cash and Cash Equivalents (Pooled)                | 1,024               |
| Deposits - Certificates of Deposit (CDARS)                   | 15,000              |
| Pooled Investments in the City Treasury                      | <u>2,127,378</u>    |
| Total Cash and Cash or Equity in Pooled Cash and Investments | <u>\$ 2,155,959</u> |



A summary of the investments held by the City Treasurer's investment pool as of June 30, 2009 is presented in the table below:

| Investment                          | Fair Value          | Book Value          | Interest Rate |       | Maturity Range       |
|-------------------------------------|---------------------|---------------------|---------------|-------|----------------------|
|                                     |                     |                     | %             | Range |                      |
| U.S. Treasury Bills                 | \$ 190,408          | \$ 188,884          | 0.29-2.10%    | *     | 7/2/2009-11/27/2009  |
| U.S. Treasury Notes & Bonds         | 966,025             | 961,686             | 0.88-4.88%    |       | 11/15/2009-5/15/2012 |
| U.S. Agency Discount Notes          | 114,889             | 113,578             | 0.34-2.55%    | *     | 8/14/2009-3/30/2010  |
| U.S. Agency Notes & Bonds           | 533,169             | 529,225             | 0.50-4.63%    |       | 9/28/2009-6/20/2012  |
| Commercial Paper                    | 119,949             | 119,800             | 0.12-0.75%    | *     | 7/1/2009-10/16/2009  |
| Corporate Notes & Bonds             | 151,832             | 151,520             | 1.25-6.88%    |       | 8/10/2009-6/22/2012  |
| Local Agency Investment Fund (LAIF) | 39,718              | 39,667              | 1.91%         | **    | 2/21/2010            |
| Repurchase Agreement                | 11,388              | 11,388              | 0.07%         |       | 7/1/2009             |
| Certificates of Deposit (CDARS)     | 15,000              | 15,000              | 2.20-2.21%    |       | 4/29/2010-5/6/2010   |
|                                     | <u>\$ 2,142,378</u> | <u>\$ 2,130,748</u> |               |       |                      |

\* Discount Rates

\*\* LAIF - Fair Value is adjusted to account for LAIF factor. Maturity range is based on weighted average maturity of 2.35 days.

The following represents a condensed statement of net assets and changes in net assets for the City Treasurer's cash and investment pool as of June 30, 2009:

#### Statement of Net Assets

|   |                     |
|---|---------------------|
| Deposit - Cash and Cash Equivalents (Pooled)                  | \$ 1,024            |
| Deposits - Certificates of Deposit (CDARS)                    | 15,000              |
| Investments of Pool Participants                              | 2,127,378           |
| Accrued Interest Receivable of Internal Pool Participants     | 7,227               |
| Accrued Interest Receivable of External Pool Participants     | 38                  |
| Total Cash, Investments, and Interest Receivable              | <u>\$ 2,150,667</u> |
| Equity of Internal Pool Participants                          | \$ 2,145,992        |
| Equity of External Pool Participants (SanGIS, ARJIS & AVA) ** | 4,675               |
| Total Equity  | <u>\$ 2,150,667</u> |

\*\*Voluntary Participation

#### Statement of Changes in Net Assets

|  |                     |
|--|---------------------|
| Net Assets Held for Pool Participants at July 1, 2008        | \$ 2,063,901        |
| Net Change in Investments by Pool Participants               | 86,766              |
| Total Net Assets Held for Pool Participants at June 30, 2009 | <u>\$ 2,150,667</u> |

#### b. Cash and Investments with Fiscal Agents

Cash and Investments with Fiscal Agents represents cash and investments held by fiscal agents resulting from bond issuances. More specifically, these funds represent reserves held by fiscal agents or trustees as legally required by bond issuances and liquid investments held by fiscal agents or trustees which are used to pay debt service. Under the Fiduciary Statement of Net Assets, Cash and Investments with Fiscal Agent represents the City's balance for the Preservation of Benefit Plan (POB Plan). The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under Internal Revenue Code (IRC) section 415(m) and is discussed in further detail in Note 12.

The San Diego City Employees' Retirement System (SDCERS) portion of Cash and Investments with Fiscal Agents represents funds held as cash collateral from market neutral portfolios (domestic fixed income investment

strategy). Furthermore, it represents transaction settlements, held in each investment manager's portfolio, which are invested overnight by SDCERS' custodial bank.

c. Investments at Fair Value

Investments at Fair Value represents investments of the City's Supplemental Pension Savings Plan, 401(k) Plan, San Diego City Employees' Retirement System (SDCERS), investments managed by the City Treasurer (which are not part of the pool), investments reported by San Diego Data Processing Corporation (SDDPC), and investments managed by the Funds Commission (e.g. Cemetery Perpetuity, Effie Sergeant, Gladys Edna Peters, Los Penasquitos Canyon, and the Edwin A. Benjamin Library funds).

d. Investment Policy

In accordance with City Charter Section 45 and under authority annually approved by the City Council, the City Treasurer is responsible for the safekeeping and investment of the unexpended cash in the City Treasury according to the City Treasurer's Investment Policy (Policy). This Policy applies to all of the investment activities of the City except for the pension trust funds, the proceeds of certain debt issues, which are managed and invested at the direction of the City Treasurer in accordance with the applicable indenture or by Trustees appointed under indenture agreements or by fiscal agents, and the assets of trust funds, which are placed in the custody of the Funds Commission by Council ordinance.

City staff reviews the Policy annually and may make revisions based upon changes to the California Government Code and the investment environment. These suggested revisions are presented to the Investment Advisory Committee (IAC) for review and comment. The IAC consists of two City representatives and three outside financial professionals with market and portfolio expertise not working for the City of San Diego. The City Council reviews the Policy and considers approval on an annual basis.

The IAC evaluates the horizon returns, risk parameters, security selection, and market assumptions the City's investment staff is using when explaining the City's investment returns. The IAC also meets semi-annually to review the previous two quarters' investment returns and make recommendations to the City Treasurer on proposals presented to the IAC by the Treasurer's staff.

The Policy is governed by the California Government Code (CGC), Sections 53600 et seq. The following table presents the authorized investments, requirements, and restrictions per the CGC and the Policy:

| Investment Type                                       | Maximum Maturity (1) |             | Maximum % of Portfolio |             | Maximum % with One Issuer |             | Minimum Rating |             |
|---|----------------------|-------------|------------------------|-------------|---------------------------|-------------|----------------|-------------|
|   | CGC                  | City Policy | CGC                    | City Policy | CGC                       | City Policy | CGC            | City Policy |
| U.S. Treasury Obligations (bills, bonds, or notes)    | 5 years              | 5 years     | None                   | None        | None                      | None        | None           | None        |
| U.S. Agencies   | 5 years              | 5 years     | None                   | (2)         | None                      | (2)         | None           | None        |
| Bankers' Acceptances (6)                              | 180 days             | 180 days    | 40%                    | 40%         | 30%                       | 10%         | None           | (3)         |
| Commercial Paper (6)                                  | 270 days             | 270 days    | 25%                    | 25%         | 10%                       | 10%         | P1             | P1          |
| Negotiable Certificates (6)                           | 5 years              | 5 years     | 30%                    | 30%         | None                      | 10%         | None           | (3)         |
| Repurchase Agreements                                 | 1 year               | 1 year      | None                   | None        | None                      | None        | None           | None        |
| Reverse Repurchase Agreements (4)                     | 92 days              | 92 days     | 20%                    | 20%         | None                      | None        | None           | None        |
| Local Agency Investment Fund                          | N/A                  | N/A         | None                   | None        | None                      | None        | None           | None        |
| Non-Negotiable Time Deposits (6)                      | 5 years              | 5 years     | None                   | 25%         | None                      | 10%         | None           | (3)         |
| Medium Term Notes/Bonds (6)                           | 5 years              | 5 years     | 30%                    | 30%         | None                      | 10%         | A              | A           |
| Municipal Securities of California Local Agencies (6) | 5 years              | 5 years     | None                   | 20%         | None                      | 10%         | None           | A           |
| Mutual Funds  | N/A                  | N/A         | 20%                    | 5%          | 10%                       | None        | AAA            | AAA         |
| Notes, Bonds, or Other Obligations                    | 5 years              | 5 years     | None                   | None        | None                      | None        | None           | AA          |
| Mortgage Pass-Through Securities                      | 5 years              | 5 years     | 20%                    | 20%         | None                      | None        | AA             | AAA         |
| Financial Futures (5)                                 | N/A                  | None        | None                   | None        | None                      | None        | None           | None        |

Footnotes:

- (1) In the absence of a specified maximum, the maximum is 5 years.
- (2) No more than one-third of the cost value of the total portfolio at time of purchase can be invested in the unsecured debt of any one agency.
- (3) Credit and maturity criteria must be in accordance per Section X of the City's Investment Policy.
- (4) Maximum % of portfolio for Reverse Repurchase Agreements is 20% of base value.
- (5) Financial futures transactions would be purchased only to hedge against changes in market conditions for the reinvestment of bond proceeds.
- (6) Investment types with a 10% maximum with one issuer are further restricted per the City's Investment Policy: 5% per issuer and an additional 5% with authorization by City Treasurer.

According to the Policy, the City may enter into repurchase and reverse repurchase agreements only with primary dealers of the Federal Reserve Bank of New York with which the City has entered into a master repurchase agreement.

Additionally, the Policy authorizes investment in other specific types of securities. The City may invest in floating rate notes with coupon resets based upon a single fixed income index (which would be representative of an eligible investment), provided that security is not leveraged. Structured notes issued by U.S. government agencies that contain imbedded calls or options are authorized as long as those securities are not inverse floaters, range notes, or interest only strips derived from a pool of mortgages. A maximum of 8% of the "cost value" of the pooled portfolio may be invested in structured notes.

In fiscal year 2009, the City invested \$15 million as part of the Certificate of Deposit Account Registry Service (CDARS). The CDARS investment was deposited with two institutions, \$5 million with Neighborhood National Bank and \$10 million with First Business Bank. Under the City Treasurer's Investment Policy, this type of investment is subject to a 1% limit of total portfolio value for the City's pooled investments. The CDARS investment program is permissible per California Government Code (CGC) Section 53601.8 and is subject to a 30% limit of total portfolio value.

Ineligible investments prohibited from use in the portfolio include, but are not limited to, common stocks and long-term corporate notes/bonds. A copy of the City Treasurer's Investment Policy can be requested from the City Treasurer, 1200 3rd Avenue, Suite 100, San Diego, CA 92101.

#### *Other Investment Policies*

The City currently has a Funds Commission whose role is to supervise and control all trust, perpetuity, and investment funds of the City and such pension funds as shall be placed in its custody. The statutory authority for the Funds Commission is created in City Charter Article V, Section 41(a). While the duties described in the creation document form broad authority for the Funds Commission, in practice, the Funds Commission only oversees investments related to a small number of permanent endowments. The allowable investments for these funds are different than those as prescribed in the City Treasurer's Investment Policy. Each permanent endowment fund has its own separate investment policy. Copies of the individual investment policies can be requested from the City Treasurer, 1200 3rd Avenue, Suite 100, San Diego, CA 92101.

The City and its component units have funds invested in accordance with various bond indenture and trustee agreements. The investment of these bond issuances is in accordance with the Permitted Investments section and applicable account restrictions outlined in the Indenture of each bond issuance. The Permitted Investments section in each Indenture will vary based upon the maturity, cash flow demands, and reserve requirements associated with each issuance. In general, the Permitted Investments section of each Indenture will closely resemble the City Treasurer's Investment Policy, but may include certain investment options not authorized by applicable law for the City Treasurer's Investment Policy (CGC §53601). Copies of the individual bond indentures can be requested from the City Treasurer's Investment Division, 1200 3rd Avenue, Suite 1624, San Diego, CA 92101.

### **City of San Diego – Disclosures for Specific Risks**

#### **e. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Market or interest-rate risk for the City's pooled investments is intended to be mitigated by establishing two portfolios, a liquidity portfolio and a core portfolio. Target durations are based upon the expected short and long-term cash needs of the City. The liquidity portfolio is structured with an adequate mix of highly liquid securities and maturities to meet major cash outflow requirements for at least six months (per CGC Section 53646). The liquidity portfolio uses the Merrill Lynch 3-6 month Treasury Index as a benchmark with a duration of plus or minus 40% of the duration of that benchmark.

The core portfolio uses the Merrill Lynch 1-3 year Treasury Index as a benchmark with a duration of plus or minus 20% of the duration of that benchmark. It consists of high quality liquid securities with a maximum maturity of 5 years and is structured to meet the longer-term cash needs of the City. Information about the sensitivity of the fair value of the City's investments to market interest rate fluctuations is presented in the table below.

As of June 30, 2009, the City's investments (in thousands) by maturity are as follows:

|   | Years               |                     |                   |                  | Fair Value<br>(In Thousands) |
|---|---------------------|---------------------|-------------------|------------------|------------------------------|
|   | Under 1             | 1-3                 | 3-5               | Over 5           |                              |
| <u>Pooled Investments with City Treasurer:</u>  |                     |                     |                   |                  |                              |
| U.S. Treasury Bills   | \$ 190,408          | \$ -                | \$ -              | \$ -             | \$ 190,408                   |
| U.S. Treasury Notes   | 163,352             | 802,673             | -                 | -                | 966,025                      |
| U.S. Agencies - Federal Farm Credit Bank  | 45,014              | 30,631              | -                 | -                | 75,645                       |
| U.S. Agencies - Federal Home Loan Bank  | 170,603             | 111,858             | -                 | -                | 282,461                      |
| U.S. Agencies - Federal Home Loan Mortgage Corporation  | 59,997              | 65,361              | -                 | -                | 125,358                      |
| U.S. Agencies - Federal National Mortgage Association   | 40,000              | 124,594             | -                 | -                | 164,594                      |
| Commercial Paper  | 119,949             | -                   | -                 | -                | 119,949                      |
| Corporate Notes   | 12,073              | 139,759             | -                 | -                | 151,832                      |
| Non-Negotiable Certificate of Deposit (CDARS deposit)   | 15,000              | -                   | -                 | -                | 15,000                       |
| Repurchase Agreement  | 11,388              | -                   | -                 | -                | 11,388                       |
| State Local Agency Investment Fund  | 39,718              | -                   | -                 | -                | 39,718                       |
|   | <u>867,502</u>      | <u>1,274,876</u>    | <u>-</u>          | <u>-</u>         | <u>2,142,378</u>             |
| <u>Non-Pooled Investments with City Treasurer:</u>  |                     |                     |                   |                  |                              |
| U.S. Treasury Bills   | 118,574             | -                   | -                 | -                | 118,574                      |
| U.S. Treasury Notes   | 11,059              | 2,756               | -                 | -                | 13,815                       |
| U.S. Agencies - Federal Farm Credit Bank  | -                   | 11,186              | -                 | -                | 11,186                       |
| U.S. Agencies - Federal Home Loan Bank  | 15,031              | -                   | -                 | -                | 15,031                       |
| U.S. Agencies - Federal Home Loan Mortgage Corporation  | 37,221              | -                   | -                 | -                | 37,221                       |
| U.S. Agencies - Federal National Mortgage Association   | 18,200              | 10,253              | -                 | -                | 28,453                       |
| Commercial Paper  | 165,146             | -                   | -                 | -                | 165,146                      |
| Repurchase Agreements   | 122,812             | -                   | -                 | -                | 122,812                      |
|   | <u>488,043</u>      | <u>24,195</u>       | <u>-</u>          | <u>-</u>         | <u>512,238</u>               |
| <u>Investments with Fiscal Agents, Funds Commission,<br/>and Blended Component Units:</u>                           |                     |                     |                   |                  |                              |
| U.S. Treasury Bills   | 23,595              | -                   | -                 | -                | 23,595                       |
| U.S. Treasury Bonds and Notes   | 8,894               | 38,440              | -                 | 425              | 47,759                       |
| U.S. Agencies - Federal Home Loan Bank  | 94,146              | -                   | -                 | -                | 94,146                       |
| U.S. Agencies - Federal Home Loan Mortgage Corporation  | 45,773              | -                   | -                 | -                | 45,773                       |
| U.S. Agencies - Federal National Mortgage Association   | 23,077              | -                   | -                 | -                | 23,077                       |
| Commercial Paper  | 6,054               | -                   | -                 | -                | 6,054                        |
| Common Stock  | 2,429               | -                   | -                 | -                | 2,429                        |
| Corporate Bonds and Notes   | 124                 | 1,001               | 538               | 3,192            | 4,855                        |
| Guaranteed Investment Contracts   | -                   | -                   | -                 | 13,716           | 13,716                       |
| Money Market Mutual Funds   | 78,977              | -                   | -                 | -                | 78,977                       |
| Mortgage Backed Securities - Commercial   | -                   | -                   | -                 | 89               | 89                           |
| Mortgage Backed Securities - Government   | -                   | -                   | -                 | 31               | 31                           |
| Mutual Funds - Equity   | 279,612             | -                   | -                 | -                | 279,612                      |
| Mutual Funds - Fixed Income   | -                   | -                   | 396,244           | 1,537            | 397,781                      |
| Cash (with Fiscal Agents)   | 26                  | -                   | -                 | -                | 26                           |
|   | <u>562,707</u>      | <u>39,441</u>       | <u>396,782</u>    | <u>18,990</u>    | <u>1,017,920</u>             |
| Total Investments   | <u>\$ 1,918,252</u> | <u>\$ 1,338,512</u> | <u>\$ 396,782</u> | <u>\$ 18,990</u> | 3,672,536                    |
| Total Deposits  |                     |                     |                   |                  | 13,375                       |
| Total Cash on Hand  |                     |                     |                   |                  | 206                          |
| Total Investments, Deposits, and Cash on Hand (Includes SDCERS Pooled Cash and Investments with the City - \$3,199) |                     |                     |                   |                  | <u>\$ 3,686,117</u>          |

f. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2009, the City's investments and corresponding credit ratings are as follows:

| <u>Pooled Investments with City Treasurer:</u>                      | <u>Moody's</u> | <u>S&amp;P</u> | <u>Fair Value</u> | <u>Percentage</u> |
|---|----------------|----------------|-------------------|-------------------|
| U.S. Treasury Bills   | Exempt         | Exempt         | \$ 190,408        | 8.89%             |
| U.S. Treasury Notes   | Exempt         | Exempt         | 966,025           | 45.10%            |
| U.S. Agencies - Federal Farm Credit Bank                            | Aaa            | N/A            | 75,645            | 3.53%             |
| U.S. Agencies - Federal Home Loan Bank <sup>1</sup>                 | Aaa            | N/A            | 262,517           | 12.25%            |
| U.S. Agencies - Federal Home Loan Bank <sup>1</sup>                 | P-1            | N/A            | 19,944            | 0.93%             |
| U.S. Agencies - Federal Home Loan Mortgage Corporation <sup>1</sup> | Aaa            | N/A            | 70,413            | 3.29%             |
| U.S. Agencies - Federal Home Loan Mortgage Corporation <sup>1</sup> | P-1            | N/A            | 54,945            | 2.56%             |
| U.S. Agencies - Federal National Mortgage Association <sup>1</sup>  | Aaa            | N/A            | 124,594           | 5.82%             |
| U.S. Agencies - Federal National Mortgage Association <sup>1</sup>  | P-1            | N/A            | 40,000            | 1.87%             |
| Commercial Paper  | P-1            | N/A            | 119,949           | 5.60%             |
| Corporate Notes   | Aaa            | N/A            | 123,055           | 5.74%             |
| Corporate Notes   | Aa1            | N/A            | 5,157             | 0.24%             |
| Corporate Notes   | Aa2            | N/A            | 12,073            | 0.56%             |
| Corporate Notes   | A1             | N/A            | 10,544            | 0.49%             |
| Corporate Notes   | A2             | N/A            | 1,003             | 0.05%             |
| Non-Negotiable Certificates of Deposit (CDARS deposit)              | Not Rated      | Not Rated      | 15,000            | 0.70%             |
| Repurchase Agreements   | Not Rated      | Not Rated      | 11,388            | 0.53%             |
| State Local Agency Investment Fund                                  | Not Rated      | Not Rated      | 39,718            | 1.85%             |
| Subtotal - Pooled Investments                                       |                |                | <u>2,142,378</u>  | <u>100.00%</u>    |
| <u>Non-Pooled Investments with City Treasurer:</u>                  |                |                |                   |                   |
| U.S. Treasury Bills   | Exempt         | Exempt         | 118,574           | 23.15%            |
| U.S. Treasury Notes   | Exempt         | Exempt         | 13,815            | 2.70%             |
| U.S. Agencies - Federal Farm Credit Bank                            | Aaa            | N/A            | 11,186            | 2.18%             |
| U.S. Agencies - Federal Home Loan Bank                              | P-1            | N/A            | 15,031            | 2.93%             |
| U.S. Agencies - Federal Home Loan Mortgage Corporation <sup>1</sup> | Aaa            | N/A            | 12,938            | 2.53%             |
| U.S. Agencies - Federal Home Loan Mortgage Corporation <sup>1</sup> | P-1            | N/A            | 24,283            | 4.75%             |
| U.S. Agencies - Federal National Mortgage Association <sup>1</sup>  | Aaa            | N/A            | 10,253            | 1.99%             |
| U.S. Agencies - Federal National Mortgage Association <sup>1</sup>  | P-1            | N/A            | 18,200            | 3.55%             |
| Commercial Paper  | P-1            | N/A            | 165,146           | 32.24%            |
| Repurchase Agreements   | Not Rated      | Not Rated      | 122,812           | 23.98%            |
| Subtotal - Non-Pooled Investments                                   |                |                | <u>512,238</u>    | <u>100.00%</u>    |

"Exempt" - Per GASB 40, U.S. Treasury Obligations do not require disclosure of credit quality.

"N/A" - S&P rating not applicable, Moody's rating provided.

<sup>1</sup> More than 5% of total investments are with U.S. Agencies whose debt is not backed by full faith and credit of the U.S. Government.

(continued on next page)

| <u>Investments with Fiscal Agents, Funds Commission,<br/>and Blended Component Units:</u> | <u>Moody's</u> | <u>S&amp;P</u> | <u>Fair Value</u>   | <u>Percentage</u> |
|---|----------------|----------------|---------------------|-------------------|
| U.S. Treasury Bills   | Exempt         | Exempt         | \$ 23,595           | 2.32%             |
| U.S. Treasury Bonds and Notes   | Exempt         | Exempt         | 47,759              | 4.69%             |
| U.S. Agencies - Federal Home Loan Bank <sup>1</sup>                                       | Aaa            | N/A            | 42,977              | 4.22%             |
| U.S. Agencies - Federal Home Loan Bank <sup>1</sup>                                       | P-1            | N/A            | 51,169              | 5.03%             |
| U.S. Agencies - Federal Home Loan Mortgage Corporation                                    | P-1            | N/A            | 45,773              | 4.50%             |
| U.S. Agencies - Federal National Mortgage Association                                     | Aaa            | N/A            | 83                  | 0.01%             |
| U.S. Agencies - Federal National Mortgage Association                                     | P-1            | N/A            | 22,994              | 2.26%             |
| Commercial Paper  | P-1            | N/A            | 6,054               | 0.59%             |
| Common Stock  | Not Rated      | Not Rated      | 2,429               | 0.24%             |
| Corporate Bonds and Notes   | Aa2            | N/A            | 483                 | 0.05%             |
| Corporate Bonds and Notes   | Aa3            | N/A            | 169                 | 0.02%             |
| Corporate Bonds and Notes   | A1             | N/A            | 954                 | 0.09%             |
| Corporate Bonds and Notes   | A2             | N/A            | 2,617               | 0.26%             |
| Corporate Bonds and Notes   | A3             | N/A            | 301                 | 0.03%             |
| Corporate Bonds and Notes   | Baa1           | N/A            | 229                 | 0.02%             |
| Corporate Bonds and Notes   | Baa2           | N/A            | 102                 | 0.01%             |
| Guaranteed Investment Contracts   | Not Rated      | Not Rated      | 13,716              | 1.35%             |
| Money Market Mutual Funds   | Aaa            | N/A            | 78,977              | 7.76%             |
| Mortgage Backed Securities - Commercial   | Aaa            | N/A            | 89                  | 0.01%             |
| Mortgage Backed Securities - Government   | Not Rated      | Not Rated      | 31                  | 0.01%             |
| Mutual Funds - Equity   | Not Rated      | Not Rated      | 279,612             | 27.47%            |
| Mutual Funds - Fixed Income   | Not Rated      | Not Rated      | 397,781             | 39.05%            |
| Cash (with Fiscal Agents)   | Not Rated      | Not Rated      | 26                  | 0.01%             |
| Subtotal - Other Investments  |                |                | <u>1,017,920</u>    | <u>100.00%</u>    |
| Total Investments   |                |                | 3,672,536           |                   |
| Total Deposits  |                |                | 13,375              |                   |
| Total Cash on Hand  |                |                | 206                 |                   |
| Total Investments, Deposits, and Cash on Hand*  |                |                | <u>\$ 3,686,117</u> |                   |

\*(includes SDCERS Pooled Cash and Investments with the City - \$3,199)

"Exempt" - Per GASB 40, US Treasury Obligations do not require disclosure of credit quality.

"N/A" - S&P rating not applicable, Moody's rating provided.

<sup>1</sup> More than 5% of total investments are with U.S. Agencies whose debt is not backed by full faith and credit of the U.S. Government.

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. As of June 30, 2009, the City exceeded the 5% limit of total investments for issuers of various U.S. Agencies. Investments exceeding the 5% limit are referenced in the credit ratings table above. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are exempt.

g. Custodial Credit Risk*Deposits*

At June 30, 2009, the carrying amount of the City's cash deposits was approximately \$18,170, and the bank balance was approximately \$35,849, the difference of which is substantially due to outstanding checks. For the balance of cash deposits in financial institutions, approximately \$16,008 was covered by federal depository insurance and approximately \$19,841 was uninsured. Pursuant to the California Government Code, California banks and savings and loan associations are required to secure the City's deposits not covered by federal depository insurance by pledging government securities as collateral. As such, \$18,793 of the City's deposits are pledged at 110% and held by a bank acting as the City's agent, in the City's name. The City is exposed to custodial credit risk for the remaining \$1,048, which is uninsured and uncollateralized. The amount subject to custodial credit risk includes approximately \$1,048 in deposits relating to San Diego Data Processing Corporation.

The City also has deposits held in escrow accounts with a carrying amount and bank balance of approximately \$10,205. For the balance of deposits in escrow accounts, approximately \$1,851 was covered by federal depository insurance. The remaining balance of \$8,354 was uninsured. Pursuant to the California Government Code, California banks and savings and loans associations are required to secure the City's deposits in excess of insurance by pledging government securities as collateral. As such, \$8,354 of the City's deposits in escrow accounts are collateralized and pledged at 110%.

*Investments*

The City's investments at June 30, 2009 are categorized as described below:

- Category 1: Insured or registered, with securities held by the City or its agent in the City's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.
- Non-Categorized: Includes investments made directly with another party, real estate, direct investments in mortgages and other loans, open-end mutual funds, pools managed by other governments, annuity contracts, and guaranteed investment contracts.

At June 30, 2009, the City had investments exposed to custodial credit risk. Investments within the Cemetery Perpetuity Fund's portfolio were held by Northern Trust Bank, and were not in the City's name. The following summarizes the investment types and amounts that are exposed to custodial credit risk and are classified as Category 3:

| <u>Investment Type</u>                  | <u>Fair Value</u> |
|---|-------------------|
| U.S. Treasury Bonds and Notes           | \$ 494            |
| U.S. Agencies                           | 83                |
| Corporate Bonds and Notes               | 4,855             |
| Mortgage Backed Securities - Commercial | 89                |
| Mortgage Backed Securities - Government | 31                |
| Common Stock                            | 2,429             |
| Total                                   | <u>\$ 7,981</u>   |

h. Restricted Cash and Investments

Cash and investments at June 30, 2009 that are restricted by legal or contractual requirements are comprised of the following:

|  |                   |
|--|-------------------|
| <u>Nonmajor Governmental Funds</u>   |                   |
| Reserved for Debt Service  | \$ 415,680        |
| Permanent Endowments   | 15,867            |
| Total Nonmajor Governmental Funds  | <u>431,547</u>    |
| <u>Nonmajor Enterprise Funds</u>   |                   |
| Environmental Services Fund -Funds set aside for landfill site closure and maintenance costs | 37,983            |
| Recycling Enterprise Fund - Customer deposits  | 2,569             |
| Total Nonmajor Enterprise Funds  | <u>40,552</u>     |
| <u>Water Utility Enterprise Fund</u>   |                   |
| Customer deposits  | 7,317             |
| Interest and redemption funds  | 256,566           |
| Total Water Utility Enterprise Fund  | <u>263,883</u>    |
| <u>Sewer Utility Enterprise Fund</u>   |                   |
| Interest and redemption funds  | 231,212           |
| <u>Miscellaneous Agency Funds</u>  |                   |
| Retention held in escrow   | 10,205            |
| Total Restricted Cash and Investments  | <u>\$ 977,399</u> |

Summary of Total Cash and Investments  
(In Thousands)

|   |                     |
|---|---------------------|
| Total Unrestricted Cash and Investments | \$ 6,923,674        |
| Total Restricted Cash and Investments   | 977,399             |
| Total Cash and Investments              | <u>\$ 7,901,073</u> |
|   |                     |
| Total Governmental Activities           | \$ 1,752,138        |
| Total Business-Type Activities          | 1,211,320           |
| Total Fiduciary Activities              | 4,937,615           |
| Total Cash and Investments              | <u>\$ 7,901,073</u> |



**San Diego City Employees' Retirement System (SDCERS) – Disclosures for Policy and Specific Risks**

## Summary of Cash and Investments – San Diego City Employees' Retirement System

|  |                            |
|--|----------------------------|
| Cash or Equity in Pooled Cash and Investments with the City of San Diego   | \$ 3,199                   |
| Cash and Cash Equivalents on Deposit with Custodial Bank and Fiscal Agents | 371,736                    |
| Investments at Fair Value:   |                            |
| Short-Term Investments   | 33,311                     |
| Domestic Fixed Income Securities   | 861,555                    |
| International Fixed Income Securities                                      | 143,677                    |
| Domestic Equity Securities   | 1,444,848                  |
| International Equity Securities  | 614,246                    |
| Directly Owned Real Estate Assets and Real Estate Equity Securities        | 350,498                    |
| Securities Lending Collateral  | <u>395,085</u>             |
| Total Cash and Investments for SDCERS                                      | <u><u>\$ 4,218,155</u></u> |

Narratives and tables presented in the following sections (i. through r.) are taken directly from the comprehensive annual financial report of the San Diego City Employees' Retirement System, as of June 30, 2009, issued December 8, 2009.

i. Investment Policy

Investments for the pension trust fund are authorized to be made by the Board of Administration of the SDCERS (Board) in accordance with Section 144 of the City Charter and the California State Constitution Article XVI, Section 17. The Board is authorized to invest in any securities that are allowed by general law for savings banks. The Board may also invest in additional investments as approved by resolution of the San Diego City Council. These investments include, but are not limited to, bonds, notes and other obligations, real estate investments, common stock, preferred stock, and pooled vehicles. Additionally, investment policies permit SDCERS' Board to invest in financial futures contracts provided the contracts do not leverage SDCERS' Trust Fund portfolio. Financial futures contracts are recorded at fair value each day and must be settled at expiration date. Changes in the fair value of the contracts will result in the recognition of a gain or loss under GASB Statement No. 25.

Investment earnings from the pension trust fund are accounted for in accordance with GASB Statement No. 25. Net investment income includes the net appreciation/depreciation in the fair value of investments, interest income, dividend income, and other income not included in the change in the fair value of investments, less total investment expenses (including investment management/custodial fees and all other significant investment-related costs). SDCERS had realized losses that totaled \$314,900 for the year ended June 30, 2009. Pursuant to the San Diego Municipal Code, realized gains and losses determine whether contingent benefits will be paid each fiscal year.

SDCERS' investment portfolio includes fixed income strategies to diversify the investment portfolio. The percentage allocated to these strategies is based on efficient model portfolios developed from an annual asset allocation study. The returns of fixed income strategies are in general more consistent than equity returns. SDCERS' target asset allocation policy is reviewed annually to reflect changes in capital market assumptions. As of June 30, 2009, SDCERS' target allocation to fixed income strategies was 29%. The fixed income allocation is externally managed and is comprised as follows: 22% to core-plus domestic fixed income (benchmarked to the Barclays Capital Aggregate Bond Index), 4% to non-U.S. fixed income (benchmarked to the Citigroup Non-U.S. Government Bond Index), and 3% to convertible bond securities (benchmarked to the Merrill Lynch Convertible Index, All Qualities).

SDCERS also has a 5% target allocation to an unsecuritized market neutral strategy which is benchmarked to the Merrill Lynch 1-5 year Government/Corporate Index. The market neutral and convertible bond strategies are

intended to minimize interest rate risk, and duration is not relevant in structuring these portfolios. Convertible securities diversify SDCERS' fixed income portfolio and are expected to provide a higher rate of return than traditional fixed income strategies due to their conversion feature. SDCERS' market neutral strategy was added to SDCERS' fixed income strategy in 1998. This strategy uses equity securities held long and sold short with the cash proceeds of the short sales held in a cash account invested in U.S. Government Federal Funds. Both market neutral strategies have a low correlation to fixed income assets and provide additional diversification to the portfolio's fixed income allocation.

A copy of the SDCERS investment policy and additional details on the results of the system's investment activities are available at 401 West A Street, Suite 400, San Diego, CA 92101.

j. Interest Rate Risk

SDCERS does not have a general investment policy that addresses interest rate risk. Each investment manager's specific investment guidelines places limits on each portfolio to manage interest rate risk. SDCERS uses duration to measure how changes in interest rates will affect the value of its fixed income portfolios. Convertible bonds are typically not subject to interest rate risk as convertible bonds are usually positively correlated to interest rate movements compared to other fixed income securities.

The following table displays the durations for SDCERS' domestic and international fixed income strategies based on portfolio holdings as of June 30, 2009.

**Fixed Income Portfolios (Domestic and International)  
Portfolio Duration Analysis as of June 30, 2009**

| Type of Security                           | Effective<br>Duration<br>(in years) | Fair Value <sup>1</sup><br>(in thousands) |
|--|-------------------------------------|---|
| <u>Collateralized Mortgage Obligations</u> |                                     |   |
| Collateralized Mortgage Obligations        | 7.65                                | \$ 104,265                                |
| <u>Corporates</u>                          |                                     |   |
| Corporate Bonds                            | 4.07                                | 267,080                                   |
| <u>Government &amp; Agency Obligations</u> |                                     |   |
| FHLMC                                      | 3.52                                | 61,308                                    |
| FNMA                                       | 2.80                                | 282,624                                   |
| GNMA I                                     | 5.07                                | 15,006                                    |
| GNMA II                                    | 1.29                                | 954                                       |
| Treasury Strips                            | 18.90                               | 1,762                                     |
| Government Issues                          | 5.64                                | 118,705                                   |
| Municipals                                 | 11.71                               | 5,545                                     |
| <u>Asset-Backed Securities</u>             |                                     |   |
| Other Asset-Backed Securities              | 1.13                                | 44,281                                    |
| Total                                      |                                     | \$ 901,530                                |

<sup>1</sup> Fair Value does not include convertible bonds, short-term investments, and derivative securities of \$137,013. These securities do not exhibit interest rate risk and duration cannot be calculated.

Source: SDCERS' CAFR as of June 30, 2009

k. Investments Highly Sensitive to Interest Rate Changes

Certain terms in fixed income securities may increase the sensitivity of their fair values to changes in interest rates. The Portfolio Duration Analysis table on the previous page discloses the degree to which SDCERS' investments are sensitive to interest rate changes due to the remaining term of maturity. The total value of securities, as of June 30, 2009, that are highly sensitive to interest rate changes due to factors other than term to maturity are presented in the table below.

|                             | Fair Value<br>(in thousands) | Percent of<br>Fixed Income<br>Portfolio |
|-----------------------------|------------------------------|---|
| Adjustable Rate Notes       | \$ 11,133                    | 1.1%                                    |
| Asset Backed Securities     | 27,238                       | 2.6%                                    |
| Floating Rate Notes         | 66,237                       | 6.4%                                    |
| Interest Only Strips        | 1,713                        | 0.2%                                    |
| Inverse Floating Rate Notes | 2,970                        | 0.3%                                    |
| Range Notes                 | 2,626                        | 0.3%                                    |

Source: SDCERS' CAFR as of June 30, 2009

Although SDCERS does not have an investment policy that pertains directly to investments that are highly sensitive to interest changes, this risk is mitigated by diversification of issuer, credit quality, maturity, and security selection.

l. Credit Risk

SDCERS employs two core-plus bond managers that invest in a wide variety of fixed income and derivative securities. One of SDCERS' domestic core-plus fixed income managers has tactical discretion to invest in non-U.S. fixed income securities while the other domestic core-plus fixed income manager is limited to U.S. fixed income investments only. The permitted securities and derivatives for the two domestic core-plus fixed income managers include U.S. Government and Agency obligations, collateralized mortgage obligations, U.S. corporate securities, and asset backed securities. Investment guidelines include minimum average portfolio quality of A rating (market value rated); and minimum credit quality at time of purchase of 80% Baa/BBB and 20% B for a domestic core-plus fixed manager; and Ba/BB for core-plus fixed income manager with tactical discretion to invest in non-U.S. fixed income strategies.

The permitted securities for SDCERS' domestic convertible bond portfolio include convertible bonds, convertible preferred stocks, common stocks, and straight debt and synthetic convertibles. SDCERS' domestic convertible bond portfolio will generally maintain an average rating of at least BB+.

The permitted securities for SDCERS' international fixed income portfolio include international corporate securities, sovereign debt instruments, and international asset backed securities. SDCERS' international fixed income portfolio has the following credit and market risk parameters: minimum average portfolio quality of A rating (market value weighted); and a minimum credit quality at time of purchase of BBB- or equivalent rating by at least one of the major rating agencies.

The table on the following page identifies the credit quality for SDCERS' fixed income strategies based on portfolio holdings as of June 30, 2009.

**Credit Quality of SDCERS'**  
**Fixed Income Strategies (Domestic and International)**  
**As of June 30, 2009**

| S&P<br>Quality<br>Rating | Total<br>Fair Value<br>(in thousands) | Collateralized<br>Mortgage<br>Obligations | Corporates <sup>1</sup> | Government<br>& Agency<br>Obligations <sup>2</sup> | Asset-Backed<br>Securities | Short-Term/<br>Other |
|--------------------------|---------------------------------------|---|-------------------------|--|----------------------------|----------------------|
| U.S. Treasury            | \$ 22,140                             | \$ -                                      | \$ -                    | \$ 22,140  | \$ -                       | \$ -                 |
| AAA                      | 567,928                               | 83,537                                    | 29,611                  | 432,671  | 22,109                     | -                    |
| AA+                      | 25,931                                | -   | 10,046                  | 10,926   | 4,959                      | -                    |
| AA                       | 28,308                                | -   | 19,450                  | 8,121  | 737                        | -                    |
| AA-                      | 15,950                                | -   | 15,950                  | -  | -                          | -                    |
| A+                       | 41,504                                | -   | 26,692                  | 2,212  | -                          | 12,600               |
| A                        | 58,648                                | 313                                       | 57,678                  | 657  | -                          | -                    |
| A-                       | 21,786                                | -   | 21,786                  | -  | -                          | -                    |
| BBB+                     | 14,733                                | -   | 13,581                  | 253  | 899                        | -                    |
| BBB                      | 10,125                                | -   | 4,958                   | 1,384  | 3,783                      | -                    |
| BBB-                     | 16,460                                | 73  | 11,896                  | 492  | 3,999                      | -                    |
| BB+                      | 1,484                                 | 528                                       | 956                     | -  | -                          | -                    |
| BB                       | 5,529                                 | 1,485                                     | 4,044                   | -  | -                          | -                    |
| BB-                      | 5,152                                 | 1,864                                     | 2,143                   | 197  | 948                        | -                    |
| B+                       | 2,066                                 | -   | 2,066                   | -  | -                          | -                    |
| B                        | 4,247                                 | -   | 2,923                   | -  | 1,324                      | -                    |
| CCC+                     | 1,849                                 | -   | 1,849                   | -  | -                          | -                    |
| CCC                      | 2,496                                 | 1,541                                     | 955                     | -  | -                          | -                    |
| CC                       | 6,239                                 | -   | 6,239                   | -  | -                          | -                    |
| NR                       | 185,968                               | 14,924                                    | 138,737                 | 6,851  | 5,523                      | 19,933               |
| Totals                   | <u>\$ 1,038,543</u>                   | <u>\$ 104,265</u>                         | <u>\$ 371,560</u>       | <u>\$ 485,904</u>                                  | <u>\$ 44,281</u>           | <u>\$ 32,533</u>     |

<sup>1</sup> Corporates include convertible bonds from SDCERS' convertible bond manager.

<sup>2</sup> Includes municipal holdings as well.

Source: SDCERS' CAFR as of June 30, 2009

m. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. As of June 30, 2009, SDCERS had no single issuer that exceeded 5% of total investments, excluding investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments. With respect to the concentration of credit risk by issue, SDCERS' Investment Policy states that not more than 10% of the fixed income portfolio shall be invested in the debt security of any one issue at the time of initial commitment, except for U.S. Government and Agency obligations. While SDCERS does not have a general investment policy on the concentration of credit risk by issuer, each manager's specific investment guidelines place limitations on the maximum holdings in any one issuer.

n. Custodial Credit Risk

Custodial credit risk is the risk that if a financial institution or counterparty fails, SDCERS would not be able to recover the value of its deposits, investments, or securities. SDCERS' exposure to custodial credit risk is further discussed in the following paragraphs.

*Deposits*

SDCERS' is exposed to custodial credit risk for uncollateralized cash/deposits that are not covered by federal depository insurance. At June 30, 2009, the amount of cash/deposits on deposit with SDCERS' custodial bank totaled \$184,200.

*Investments*

As of June 30, 2009, 100% of SDCERS' investments were held in SDCERS' name. SDCERS is not exposed to custodial credit risk related to these investments.

*Securities Lending Collateral*

SDCERS is exposed to custodial credit risk for the securities lending collateral such that certain collateral is received in the form of letters of credit, tri-party collateral or securities collateral. The fair value of securities on loan collateralized by these non-cash vehicles totaled \$35,000 as of June 30, 2009 and are at risk as the collateral for these loaned securities is not held in SDCERS' name and cannot be sold without a borrower default. The cash collateral held by SDCERS' custodian in conjunction with the securities lending program, which totaled \$395,085 as of June 30, 2009, is also at risk as it is invested in a pooled vehicle managed by the custodian. The investment characteristics of the collateral pool are disclosed in the Securities Lending Collateral section.

o. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The following table represents SDCERS' securities (in thousands) held in a foreign currency as of June 30, 2009.

**Foreign Currency Risk <sup>1</sup>**  
**As of June 30, 2009**  
**(All values are in U.S. Dollars)**

| <u>Local Currency Name</u> | <u>Cash</u>     | <u>Equity</u>     | <u>Fixed income</u> | <u>Total</u>      |
|----------------------------|-----------------|-------------------|---------------------|-------------------|
| Australian Dollar          | \$ 689          | \$ 17,271         | \$ 11,717           | \$ 29,677         |
| Brazilian Real             | -               | 6,700             | -                   | 6,700             |
| Canadian Dollar            | 97              | 11,312            | 2,570               | 13,979            |
| Swiss Franc                | 4               | 34,855            | -                   | 34,859            |
| Danish Krone               | 4               | 4,707             | 14,785              | 19,496            |
| Euro Currency              | 989             | 162,934           | 69,880              | 233,803           |
| Pound Sterling             | 356             | 116,202           | 3,647               | 120,205           |
| Hong Kong Dollar           | 212             | 48,001            | -                   | 48,213            |
| Indonesian Rupiah          | -               | 1,153             | -                   | 1,153             |
| Japanese Yen               | 1,588           | 124,209           | 39,826              | 165,623           |
| South Korean Won           | 1               | 729               | -                   | 730               |
| Norwegian Krone            | 128             | 121               | -                   | 249               |
| New Zealand Dollar         | -               | 605               | -                   | 605               |
| Philippine Peso            | -               | 140               | -                   | 140               |
| Swedish Krona              | 103             | 7,357             | 4,437               | 11,897            |
| Singapore Dollar           | 5               | 6,953             | -                   | 6,958             |
| Taiwan Dollar              | 37              | 3,360             | -                   | 3,397             |
| South African Rand         | -               | 2,093             | -                   | 2,093             |
| <b>Totals</b>              | <b>\$ 4,213</b> | <b>\$ 548,702</b> | <b>\$ 146,862</b>   | <b>\$ 699,777</b> |

<sup>1</sup> The foreign exchange exposure in SDCERS' international equity small cap value portfolio (an institutional mutual fund investment) is not included in this disclosure.

Source: SDCERS' CAFR as of June 30, 2009

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is not held by SDCERS as an investment. Foreign currency is held temporarily in foreign accounts until it is able to be repatriated or expended to settle trades. A significant component of the diversification benefit of non-domestic investments comes from foreign currency exposure. As such, SDCERS does not have a policy to hedge against fluctuations in foreign exchange rates. SDCERS' investment managers may hedge currencies at their discretion pursuant to specific guidelines included in their investment management agreements.

p. Derivative Instruments

SDCERS' investment managers, as permitted by specific investment guidelines, may enter into transactions involving derivative financial instruments, consistent with the objectives established by the Board's Investment Policy Statement. These instruments include futures, options and swaps. By Board policy these investment vehicles may not be used to leverage SDCERS' portfolio. These instruments are used primarily to enhance a portfolio's performance and to reduce its risk or volatility. The notional or contractual amount (in thousands) of

futures contracts as of June 30, 2009 was \$350,600. The fair value (in thousands) of options and swaps included in the short-term investments line on the SDCERS Statement of Plan Net Assets was \$7,900 as of June 30, 2009.

Futures contracts are contracts in which the buyer agrees to purchase and the seller agrees to make delivery on a specific financial instrument on a predetermined date and price. Gains and losses on futures contracts are settled daily based on a notional principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that counterparty will not pay and generally requires margin payments to minimize such risk.

Option contracts provide the option purchaser with the right, but not the obligation, to buy or sell the underlying security at a set price during a period or at a specified date. The option writer is obligated to buy or sell the underlying security if the option purchaser chooses to exercise the option. SDCERS uses exchange-traded and over-the-counter options. Options are sold and proceeds are received to enhance fixed income portfolio performance. Option contracts sold were predominantly on money market and short-term instruments of less than one-year to maturity. In call option contracts, if interest rates remained steady or declined during the option contract periods, the contracts would expire unexercised. By contrast, in put option contracts, if interest rates rose sufficiently to result in the purchase of the securities on or before the end of the option periods, this would occur at prices attractive to the portfolio manager.

Swap agreements are used to modify investment returns or interest rates on investments. Swap transactions involve the exchange of investment returns or interest rate payments without the exchange of the underlying principal amounts. These swaps could expose investors entering into these types of arrangements to credit risk in the event of non-performance by counterparties.

In January 2009, SDCERS implemented a cash overlay program with the objective of keeping the portfolio performing more closely to its target asset allocations. SDCERS does not have an allocation to cash, but the portfolio will have cash balances held at the investment manager level to settle trades. The overlay program utilizes futures contracts as an inexpensive, highly liquid method of maintaining the portfolio's exposures to the target allocation.

q. Real Estate

SDCERS' target allocation to real estate is 11%. SDCERS' Board established the following portfolio composition target: a minimum of 30% in stable core real estate and a maximum of 70% to enhanced, high return and opportunistic real estate opportunities. No more than 40% of SDCERS' real estate portfolio is allocated to non-U.S. real estate investment opportunities pursuant to a policy adopted by the Board in FY 2007. As of June 30, 2009, unfunded capital commitments totaled \$111,300 and real estate investments totaled \$350,498.

r. Securities Lending Collateral

SDCERS has entered into an agreement with its custodial bank, State Street, to lend domestic and international equity and fixed income securities to broker-dealers and banks in exchange for pledged collateral that will be returned for the same securities plus a fee in the future. All securities loans can be terminated on demand by either the lender or the borrower.

State Street manages the securities lending program and receives cash and/or securities as collateral. Borrowers are required to deliver collateral equal to 102% of the market value of domestic securities on loan and 105% of the market value of international securities on loan. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default.

SDCERS had no credit risk exposure to borrowers because the amounts provided to State Street on behalf of SDCERS, in the form of collateral plus accrued interest, exceeded the amounts broker-dealers and banks owed to the State Street on behalf of SDCERS for securities borrowed. State Street has indemnified SDCERS by agreeing to purchase replacement securities or return cash collateral in the event a borrower fails to return or pay distributions on a loaned security. SDCERS incurred no losses during the fiscal year resulting from a default of

the borrowers or State Street. Non-cash collateral (securities and letters of credit) cannot be pledged or sold without a borrower default and are therefore not reported as an asset of SDCERS for financial reporting purposes.

Despite lending securities on a fully collateralized basis, SDCERS may encounter various risks related to securities lending agreements. These risks include operational risk, borrower or counterparty default risk, and collateral reinvestment risk. During the fiscal year, the two collateral pools that SDCERS was invested in and managed by State Street were impacted by market events and the credit crunch. Market values of securities held in collateral pools declined as liquidity evaporated. However, SDCERS' investments in the collateral pools did not realize any losses. State Street is required to maintain its securities lending program in compliance with applicable laws of the United States and all countries in which lending activities take place, and all rules, regulations, and exemptions from time to time promulgated and issued under the authority of those laws.

The SDCERS securities lending transactions, collateralized by cash as of June 30, 2009 had a fair value of \$382,500 and a collateral value of \$395,085, which were reported in the assets and liabilities in the accompanying Statements of Plan Net Assets for the Group Trust in accordance with GASB Statement No. 28. As of June 30, 2009, the securities lending transactions collateralized by securities, irrevocable letters of credit, or tri-party collateral had a fair value of \$35,000 and a collateral value of \$36,800, which were not reported in the assets or liabilities in the accompanying Statements of Plan Net Assets for the Group Trust per GASB Statement No. 28. The total collateral pledged to SDCERS at fiscal year end for its securities lending activities was \$395,085.

The cash collateral received on lent securities was invested by State Street, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. Because the securities loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. As of June 30, 2009, the investment pool had an average duration of 42.64 days and an average weighted maturity of 317.62 days for U.S. Dollar (USD) denominated collateral. Beginning in fiscal year 2007, the securities lending program was expanded to allow the acceptance of Euro (EUR) denominated collateral. As of June 30, 2008, the Euro collateral pool had an average duration of 35 days and an average weighted maturity of 508 days.

As of June 30, 2009, SDCERS has lent \$417,500 in securities and received collateral of \$36,759 and \$395,085 in securities and cash, respectively from borrowers. SDCERS' securities lending transactions as of June 30, 2009, are summarized in the following table.

**Securities Lending as of June 30, 2009**

| <b>Security Type</b>                              | <b>Fair Value of<br/>Loaned<br/>Securities</b> | <b>Cash Collateral</b> | <b>Fair Value of<br/>Securities<br/>Collateral</b> |
|---|--|------------------------|--|
| <b>Securities Loaned for Cash Collateral</b>      |  |                        |  |
| US Corporate Bond and Equity (USD)                | \$ 255,040                                     | \$ 263,150             | \$ -   |
| US Government Agencies (USD)                      | 39,839   | 40,672                 | -  |
| Non-US Fixed Income (EUR)                         | 38,307   | 38,924                 | -  |
| Non-US Fixed Income (USD)                         | 2,754  | 2,765                  | -  |
| Non-US Equity (USD)                               | 46,550   | 49,574                 | -  |
| <b>Securities Loaned with Non-Cash Collateral</b> |  |                        |  |
| US Government Agencies (USD)                      | 11,422   | -                      | 11,795   |
| US Corporate Bond and Equity (USD)                | 124  | -                      | 3,011  |
| Non-US Equity (EUR)                               | -  | -                      | 1  |
| Non-US Equity (USD)                               | 23,464   | -                      | 21,952   |
| <b>Total</b>                                      | <b>\$ 417,500</b>                              | <b>\$ 395,085</b>      | <b>\$ 36,759</b>                                   |

Source: SDCERS' as of June 30, 2009



### Discretely Presented Component Units – Disclosures for Policy and Specific Risks

Narratives and tables presented in the following sections (s. through t.) are taken directly from the comprehensive annual financial reports of the San Diego Convention Center Corporation and the San Diego Housing Commission, as of June 30, 2009, respectively.

s. San Diego Convention Center Corporation

Cash deposits and investments for SDCCC were categorized as follows at June 30, 2009:

|                               |                  |
|-------------------------------|------------------|
| Cash on hand                  | \$ 59            |
| Deposits                      | 1,449            |
| Certificates of deposit       | 1,452            |
| Money market account deposits | 1,010            |
| Money market mutual funds     | <u>17,786</u>    |
| Total cash and investments    | <u>\$ 21,756</u> |

*Deposits (In Thousands)*

On June 30, 2009, the carrying amount of the San Diego Convention Center Corporation's (SDCCC) cash on hand, deposits, certificates of deposit, and money market account deposits was \$3,970 and the bank balance was \$4,029. Of the bank balance, \$2,317 was covered by federal depository insurance. The remaining uninsured balance of \$1,712 was collateralized with the collateral held by an affiliate of the counterparty's financial institution. Neither the money market account deposits nor the certificates of deposit are rated by credit rating agencies. The \$1,452 invested in certificates of deposit bear interest rates from 1.3% to 1.6%, and have maturities of less than one year. SDCCC does not have a formal deposit and investment policy that addresses custodial credit risk.

*Investments (In Thousands)*

At June 30, 2009, SDCCC had a total investment balance of \$17,786. The total investment balance includes \$17,786 in money market mutual funds. Of the amount invested in money market funds and accounts, \$13,634 was covered by the U.S. Treasury Department's temporary Money Market Fund Guarantee Program. The money market mutual funds are not rated by credit rating agencies. SDCCC does not have a formal deposit and investment policy that addresses credit quality risk and places no limit on the amount that may be invested in any one account or fund. Of the total investments not covered by the Guarantee Program or Federal depository insurance, 16.5% were invested in a Dreyfus money market mutual fund. There were no other investment amounts in any single account or fund that exceeded 5% of total uninsured investments.

t. San Diego Housing Commission

Cash, cash equivalents, and investments at June 30, 2009 consisted of the following:

|                                      |                         |
|--------------------------------------|-------------------------|
| Deposits                             | \$ 4,261                |
| Petty cash                           | 12                      |
| Certificates of deposit              | 2,259                   |
| Agency Bonds                         | 49,494                  |
| Corporate Bonds                      | 7,103                   |
| Investment - Other                   | 1                       |
| Local agency investment fund         | <u>31,328</u>           |
| Total cash and investments           | 94,458                  |
| Restricted cash and cash equivalents | <u>699</u>              |
| Total                                | <u><u>\$ 95,157</u></u> |

*Deposits (In Thousands)*

The carrying amount of the San Diego Housing Commission's (SDHC) deposits and petty cash was \$4,273 and the bank balance was \$4,737 at June 30, 2009. The bank balances were fully insured and/or collateralized with securities held by the pledging financial institutions in SDHC's name. The California Government Code requires California banks and savings and loan associations to secure SDHC's deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in SDHC's name.

At June 30, 2009, SDHC had a carrying amount and bank balance of \$2,259 in non-negotiable certificates of deposit. The certificates of deposit were either covered by FDIC insurance or 100% collateralized with securities held by pledging financial institutions.

*Investments (In Thousands)*

As of June 30, 2009, SDHC's investments included corporate bonds, agency bonds, and California Local Agency Investment Fund (LAIF). SDHC had \$7,103 in corporate bonds, which represent an investment in FDIC-guaranteed floating rate corporate debt securities (floaters) explicitly backed by the U.S. government. Unlike fixed rate instruments, the coupon rate on these floating-rate securities resets every 3 months based on the 90 day London Inter-Bank Offer Rate (LIBOR) index plus a margin or basis points. All of SDHC's corporate bonds were rated AAA by Standard & Poor's as of June 30, 2009.

Agency bonds represent the SDHC's investment in Government-Sponsored Enterprises (GSE) Senior Debt bonds and Mortgage-backed Security (MBS) bonds traded on an active secondary market. As of June 30, 2009, SDHC had \$49,494 invested in these AAA rated securities, with a weighted average maturity of 791 days.

SDHC participates in the Local Agency Investment Fund (LAIF). As of June 30, 2009, SDHC had \$31,328 invested with LAIF. The investment in LAIF represents SDHC's equity in the pooled investments of that fund. The average maturity of LAIF investments was 235 days as of June 30, 2009. LAIF had 14.71% of the pool investment funds in structured notes and asset-backed securities.

*Policy*

In accordance with state statutes and HUD regulations, SDHC has authorized the CFO or their designee to invest in obligations of the U.S. Treasury, U.S. Government agencies or other investments as outlined in the

Commission Investment Policy. An Investment Committee, consisting of two Commission Board members, monitors the management of funds and compliance with the Commission Investment Policy. There are many factors that can affect the value of investments. Some factors, such as credit risk, custodial risk, concentration of credit risk, and interest rate risk, may affect both equity and fixed income securities. It is the investment policy of SDHC to invest substantially all of its funds in fixed income securities which limits SDHC's exposure to most types of risk.

#### *Interest Rate Risk*

In accordance with its investment policy, SDHC manages its interest rate risk by limiting the weighted average maturity of its investment portfolio. This is accomplished by matching portfolio maturities to projected liabilities and by continuously investing a portion of the portfolio in readily available funds to ensure that appropriate liquidity is maintained in order to meet ongoing operations.

#### *Credit Risk*

SDHC will minimize credit risk by limiting investments to those listed in the investment policy. In addition, SDHC will pre-qualify the financial institutions, broker/dealers, intermediaries, and advisors with which SDHC will do business in accordance with the investment policy. SDHC will diversify the portion of the investment portfolio not invested in U.S. Treasury Bills, Notes, Bonds, and Collateralized Certificates of Deposit to minimize potential losses from any one type of security or issuer.

#### *Concentration of Credit Risk*

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers. Investments issued or guaranteed by the U.S. government and investments in external investment pools such as LAIF are not considered subject to concentration of credit risk. SDHC may choose to maintain 100% of its investment portfolio in U.S. Treasury Bills, Notes, Bonds, and Collateralized Certificates of Deposit.

#### *Custodial Credit Risk*

At June 30, 2009, SDHC did not have any investments exposed to custodial risk. Bonds are purchased through a Merrill Lynch account in SDHC's name. All securities are held in safekeeping by Merrill Lynch and are covered by Securities Investor Protection Corporation (SIPC) and a separate Lloyd's of London policy for a combined aggregate limit of \$600 million.

**4. CAPITAL ASSETS (In Thousands)**

Capital asset activity for the year ended June 30, 2009 was as follows:

|  | Primary Government |            |                        |           | Ending Balance |
|--|--------------------|------------|------------------------|-----------|----------------|
|  | Beginning Balance  | Increases  | Decreases/ Adjustments | Transfers |                |
| <b>GOVERNMENTAL ACTIVITIES:</b>                            |                    |            |                        |           |                |
| Non-Depreciable Capital Assets:                            |                    |            |                        |           |                |
| Land, Easements, Rights of Way                             | \$ 1,755,956       | \$ 20,081  | \$ (6,587)             | \$ (482)  | \$ 1,768,968   |
| Construction in Progress                                   | 165,880            | 125,367    | (4,149)                | (94,357)  | 192,741        |
| Total Non-Depreciable Capital Assets                       | 1,921,836          | 145,448    | (10,736)               | (94,839)  | 1,961,709      |
| Depreciable Capital Assets:                                |                    |            |                        |           |                |
| Structures and Improvements                                | 1,143,383          | 13,231     | (1,426)                | 14,600    | 1,169,788      |
| Equipment  | 367,004            | 65,087     | (64,151)               | 2,513     | 370,453        |
| Infrastructure   | 3,007,785          | 56,086     | (3,066)                | 79,746    | 3,140,551      |
| Total Depreciable Capital Assets                           | 4,518,172          | 134,404    | (68,643)               | 96,859    | 4,680,792      |
| Less Accumulated Depreciation For:                         |                    |            |                        |           |                |
| Structures and Improvements                                | (315,471)          | (29,158)   | 1,426                  | (97)      | (343,300)      |
| Equipment  | (233,687)          | (34,940)   | 69,863                 | (2,302)   | (201,066)      |
| Infrastructure   | (1,555,533)        | (87,395)   | 383                    | (65)      | (1,642,610)    |
| Total Accumulated Depreciation                             | (2,104,691)        | (151,493)  | 71,672                 | (2,464)   | (2,186,976)    |
| Total Depreciable Capital Assets - Net of Depreciation     | 2,413,481          | (17,089)   | 3,029                  | 94,395    | 2,493,816      |
| Governmental Activities Capital Assets, Net                | \$ 4,335,317       | \$ 128,359 | \$ (7,707)             | \$ (444)  | \$ 4,455,525   |
| <b>BUSINESS-TYPE ACTIVITIES:</b>                           |                    |            |                        |           |                |
| Non-Depreciable Capital Assets:                            |                    |            |                        |           |                |
| Land, Easements, Rights of Way                             | \$ 89,988          | \$ -       | \$ (5)                 | \$ 3,257  | \$ 93,240      |
| Construction in Progress                                   | 174,065            | 202,630    | (4,772)                | (80,640)  | 291,283        |
| Total Non-Depreciable Capital Assets                       | 264,053            | 202,630    | (4,777)                | (77,383)  | 384,523        |
| Depreciable Capital Assets:                                |                    |            |                        |           |                |
| Structures and Improvements                                | 1,785,713          | 5,144      | (199,367)              | 18,871    | 1,610,361      |
| Equipment  | 342,574            | 3,100      | 56,206                 | 2,111     | 403,991        |
| Distribution & Collection Systems and Other Infrastructure | 3,481,401          | 54,946     | 119,275                | 54,381    | 3,710,003      |
| Total Depreciable Capital Assets                           | 5,609,688          | 63,190     | (23,886)               | 75,363    | 5,724,355      |
| Less Accumulated Depreciation For:                         |                    |            |                        |           |                |
| Structures and Improvements                                | (362,874)          | (36,641)   | 42,954                 | 103       | (356,458)      |
| Equipment  | (240,505)          | (22,918)   | 14,027                 | 2,296     | (247,100)      |
| Distribution & Collection Systems and Other Infrastructure | (635,444)          | (62,419)   | (40,801)               | 65        | (738,599)      |
| Total Accumulated Depreciation                             | (1,238,823)        | (121,978)  | 16,180                 | 2,464     | (1,342,157)    |
| Total Depreciable Capital Assets - Net of Depreciation     | 4,370,865          | (58,788)   | (7,706)                | 77,827    | 4,382,198      |
| Business-Type Activities Capital Assets, Net               | \$ 4,634,918       | \$ 143,842 | \$ (12,483)            | \$ 444    | \$ 4,766,721   |

Governmental Activities capital assets net of accumulated depreciation at June 30, 2009 are comprised of the following:

|  |                     |
|--|---------------------|
| General Capital Assets, Net                | \$ 4,329,571        |
| Internal Service Funds Capital Assets, Net | 125,954             |
| Total                                      | <u>\$ 4,455,525</u> |

Business-Type Activities capital assets net of accumulated depreciation at June 30, 2009 are comprised of the following:

|                                      |                     |
|--------------------------------------|---------------------|
| Enterprise Funds Capital Assets, Net | <u>\$ 4,766,721</u> |
|--------------------------------------|---------------------|

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

|  |                   |
|--|-------------------|
| General Government and Support         | \$ 5,914          |
| Public Safety - Police                 | 4,904             |
| Public Safety - Fire and Life Safety   | 2,892             |
| Parks, Recreation, Culture and Leisure | 35,067            |
| Transportation                         | 73,761            |
| Sanitation and Health                  | 290               |
| Neighborhood Services                  | <u>2,152</u>      |
| Subtotal                               | 124,980           |
| Internal Service                       | <u>26,513</u>     |
| Total Depreciation Expense             | <u>\$ 151,493</u> |

**Business-Type Activities:**

|                            |                   |
|----------------------------|-------------------|
| Airports                   | \$ 520            |
| City Store                 | 1                 |
| Development Services       | 267               |
| Environmental Services     | 3,140             |
| Golf Course                | 817               |
| Recycling                  | 1,052             |
| Sewer Utility              | 76,554            |
| Water Utility              | <u>39,627</u>     |
| Total Depreciation Expense | <u>\$ 121,978</u> |

**Discretely Presented Component Units**

Capital asset activities for the City's Discretely Presented Component Units for the year ended June 30, 2009 are as follows:

|                                    | <b>Discretely Presented Component Unit -<br/>San Diego Convention Center Corp.</b> |                  |                                   |                           |
|------------------------------------|--|------------------|-----------------------------------|---------------------------|
|                                    | <u>Beginning<br/>Balance</u>   | <u>Increases</u> | <u>Decreases/<br/>Adjustments</u> | <u>Ending<br/>Balance</u> |
| Depreciable Capital Assets:        |  |                  |                                   |                           |
| Structures and Improvements        | \$ 25,329  | \$ 1,097         | \$ (160)                          | \$ 26,266                 |
| Equipment                          | 9,317  | 627              | (214)                             | 9,730                     |
| Total Depreciable Capital Assets   | <u>34,646</u>  | <u>1,724</u>     | <u>(374)</u>                      | <u>35,996</u>             |
| Less Accumulated Depreciation For: |  |                  |                                   |                           |
| Structures and Improvements        | (10,626)   | (1,691)          | 96                                | (12,221)                  |
| Equipment                          | (6,843)  | (735)            | 207                               | (7,371)                   |
| Total Accumulated Depreciation     | <u>(17,469)</u>  | <u>(2,426)</u>   | <u>303</u>                        | <u>(19,592)</u>           |
| Capital Assets, Net                | <u>\$ 17,177</u>   | <u>\$ (702)</u>  | <u>\$ (71)</u>                    | <u>\$ 16,404</u>          |

|  | <b>Discretely Presented Component Unit -<br/>San Diego Housing Commission</b> |                   |                                   |                           |
|--|---|-------------------|-----------------------------------|---------------------------|
|  | <u>Beginning<br/>Balance</u>  | <u>Increases</u>  | <u>Decreases/<br/>Adjustments</u> | <u>Ending<br/>Balance</u> |
| Non-Depreciable Capital Assets:                        |   |                   |                                   |                           |
| Land, Easements, Rights of Way                         | \$ 29,544   | \$ -              | \$ -                              | \$ 29,544                 |
| Construction in Progress                               | 11,720  | -                 | (4,719)                           | 7,001                     |
| Total Non-Depreciable Capital Assets                   | <u>41,264</u>   | <u>-</u>          | <u>(4,719)</u>                    | <u>36,545</u>             |
| Depreciable Capital Assets:                            |   |                   |                                   |                           |
| Structures and Improvements                            | 64,273  | -                 | 4,499                             | 68,772                    |
| Equipment  | 2,463   | 162               | 220                               | 2,845                     |
| Total Depreciable Capital Assets                       | <u>66,736</u>   | <u>162</u>        | <u>4,719</u>                      | <u>71,617</u>             |
| Less Accumulated Depreciation For:                     |   |                   |                                   |                           |
| Structures and Improvements                            | (7,628)   | (1,942)           | -                                 | (9,570)                   |
| Equipment  | (939)   | (425)             | -                                 | (1,364)                   |
| Total Accumulated Depreciation                         | <u>(8,567)</u>  | <u>(2,367)</u>    | <u>-</u>                          | <u>(10,934)</u>           |
| Total Depreciable Capital Assets - Net of Depreciation | <u>58,169</u>   | <u>(2,205)</u>    | <u>4,719</u>                      | <u>60,683</u>             |
| Capital Assets, Net                                    | <u>\$ 99,433</u>  | <u>\$ (2,205)</u> | <u>\$ -</u>                       | <u>\$ 97,228</u>          |

## 5. GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES (IN THOUSANDS)

### a. Long-Term Liabilities

Governmental long-term liabilities as of June 30, 2009 are comprised of the following:

| Type of Obligation  | Interest Rates | Fiscal Year Maturity Date | Original Amount | Balance Outstanding June 30, 2009 |
|---|----------------|---------------------------|-----------------|-----------------------------------|
| <b>Arbitrage Liability</b>  |                |                           |                 | \$ 533                            |
| <b>Compensated Absences</b>   |                |                           |                 | 74,446                            |
| <b>Liability Claims</b>   |                |                           |                 | 273,979                           |
| <b>Capital Lease Obligations</b>  |                |                           |                 | 89,519                            |
| <b><u>Contracts Payable:</u></b>  |                |                           |                 |                                   |
| Contract Payable to SDSU Foundation, dated December 1991  | variable*      | ---                       | \$ 1,598        | 1,598                             |
| Amendment to Contract Payable to SDSU Foundation, dated January 1995                            | variable*      | ---                       | 117             | 117                               |
| Contract Payable to Western Pacific Housing, Inc., dated April 2004                             | 5.0%           | ---                       | 3,000           | <u>3,000</u>                      |
| <b>Total Contracts Payable</b>  |                |                           |                 | <u>4,715</u>                      |
| <b><u>Notes Payable:</u></b>  |                |                           |                 |                                   |
| Note Payable to Price Charities, dated April 2001   | 5.0            | 2032                      | 5,115           | 2,506                             |
| Note Payable to Price Charities, dated May 2005   | 8.0            | 2025                      | 2,100           | 2,100                             |
| Amendment to Note Payable to Price Charities, dated February 2006                               | 8.0            | 2025                      | 180             | <u>180</u>                        |
| <b>Total Notes Payable</b>  |                |                           |                 | <u>4,786</u>                      |
| <b><u>Loans Payable:</u></b>  |                |                           |                 |                                   |
| International Gateway Associates, LLC, dated October 2001                                       | 10.0           | 2032                      | 1,876           | 1,788                             |
| PCCP/SB Las America, LLC, dated August 2005   | 10.0           | 2036                      | 1,247           | 1,222                             |
| Centerpoint, LLC, dated April 2006  | 5.5            | 2021                      | 5,246           | 4,969                             |
| Bank of America, N.A. Line of Credit, dated October 2006  | variable*      | 2009                      | 8,530           | 8,530                             |
| California Housing Finance Agency dated October, 2006   | 3.0            | 2017                      | 1,250           | 1,250                             |
| California Energy Resources Conservation and Development Commission, dated January 2007         | 4.5            | 2021                      | 302             | 302                               |
| California Energy Resources Conservation and Development Commission, dated March 2007           | 3.95           | 2019                      | 2,154           | 1,760                             |
| San Diego National Bank, Line of Credit, dated July 2007 City Heights Housing Area              | 4.05           | 2011                      | 1,298           | 1,298                             |
| San Diego National Bank, Line of Credit, dated July 2007 City Heights Non-Housing Area          | 6.42           | 2011                      | 2,011           | 2,011                             |
| San Diego National Bank, Line of Credit, dated July 2007 Naval Training Center Housing Area     | 2.58           | 2011                      | 2,635           | 2,635                             |
| San Diego National Bank, Line of Credit, dated July 2007 Naval Training Center Non-Housing Area | 1.0 - 5.49     | 2011                      | 6,804           | 11,100                            |
| San Diego National Bank, Line of Credit, dated July 2007 North Bay Housing Area                 | 4.05           | 2011                      | 2,255           | 2,255                             |
| San Diego National Bank, Line of Credit, dated July 2007 North Park Non-Housing Area            | 1.42 - 4.05    | 2011                      | 3,695           | <u>5,695</u>                      |
| <b>Total Loans Payable</b>  |                |                           |                 | <u>44,815</u>                     |
| <b>Section 108 Loans Payable</b>  |                |                           |                 | <u>33,532</u>                     |

| <u>Type of Obligation</u>   | <u>Interest Rates</u> | <u>Fiscal Year Maturity Date</u> | <u>Original Amount</u> | <u>Balance Outstanding June 30, 2009</u> |
|---|-----------------------|----------------------------------|------------------------|--|
| <b>General Obligation Bonds:</b>  |                       |                                  |                        |  |
| Public Safety Communications Project, Series 1991   | 5.0 - 8.0**           | 2012                             | \$ 25,500              | \$ 6,315                                 |
| <b>Total General Obligation Bonds</b>   |                       |                                  |                        | <u>6,315</u>                             |
| <b>Revenue Bonds / Lease Revenue Bonds / COPs:</b>  |                       |                                  |                        |  |
| MTDB Authority Lease Revenue Refunding Bonds, Series 1994   | 4.25 - 5.625**        | 2010                             | 66,570                 | 2,770                                    |
| Public Facilities Financing Authority Stadium Lease Revenue Bonds, Series 1996 A                        | 6.2 - 7.45**          | 2027                             | 68,425                 | 56,275                                   |
| San Diego Facilities and Equipment Leasing Corp. Certificates of Participation, Series 1996 A           | 4.0 - 5.6**           | 2011                             | 33,430                 | 6,685                                    |
| San Diego Facilities and Equipment Leasing Corp. Certificates of Participation Refunding, Series 1996 B | 4.0 - 6.0**           | 2022                             | 11,720                 | 8,050                                    |
| Convention Center Expansion Financing Authority Lease Revenue Bonds, Series 1998 A                      | 3.8 - 5.25**          | 2028                             | 205,000                | 168,065                                  |
| Centre City Parking Revenue Bonds, Series 1999 A  | 4.5 - 6.49**          | 2026                             | 12,105                 | 9,860                                    |
| Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 A      | 2.75 - 4.75**         | 2018                             | 30,515                 | 11,850                                   |
| Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 B      | 3.5 - 5.10**          | 2018                             | 7,630                  | 2,930                                    |
| Public Facilities Financing Authority Fire and Life Safety Lease Revenue Bonds, Series 2002 B           | 3.55 - 7.0**          | 2032                             | 25,070                 | 22,280                                   |
| Centre City Parking Revenue Bonds, Series 2003 B  | 3.0 - 5.30**          | 2027                             | 20,515                 | 17,570                                   |
| MTDB Authority Lease Revenue Refunding Bonds, Series 2003   | 2.0 - 4.375**         | 2023                             | 15,255                 | 12,120                                   |
| San Diego Facilities Equipment Leasing Corp. Certificates of Participation Refunding, Series 2003       | 1.0 - 4.0**           | 2024                             | 17,425                 | 8,655                                    |
| Public Facilities Financing Authority Ballpark Lease Revenue Refunding Bonds, Series 2007 A             | 5.0 - 5.25**          | 2032                             | 156,560                | 149,390                                  |
| Public Facilities Financing Authority Lease Revenue Bonds, Series 2009 A                                | variable*             | 2019                             | 103,000                | 103,000                                  |
| <b>Total Revenue Bonds / Lease Revenue Bonds / COPs</b>   |                       |                                  |                        | <u>579,500</u>                           |
| <b>Special Assessment / Special Tax Bonds:</b>  |                       |                                  |                        |  |
| Otay Mesa Industrial Park Limited Obligation Improvement Bonds, Issued May 1992                         | 5.5 - 7.95**          | 2013                             | 2,235                  | 250                                      |
| Miramar Ranch North Special Tax Refunding Bonds, Series 1998  | 3.75 - 5.375**        | 2021                             | 59,465                 | 39,650                                   |
| Santaluz Special Tax Bonds, Improvement Area No.1, Series 2000 A  | 4.75 - 6.375**        | 2031                             | 56,020                 | 52,000                                   |
| Santaluz Special Tax Bonds, Improvement Area No.3, Series 2000 B  | 4.5 - 6.2**           | 2031                             | 4,350                  | 4,020                                    |
| City of San Diego Reassessment District No. 2003-1 Limited Obligation Refunding Bonds                   | 4.25 - 5.8**          | 2018                             | 8,850                  | 6,210                                    |
| Piper Ranch Limited Obligation Improvement Bonds, Issued January 2004                                   | 2.5 - 6.2**           | 2034                             | 5,430                  | 4,310                                    |
| Santaluz Special Tax Bonds, Improvement Area No.1, Series 2004 A  | 1.7 - 5.5**           | 2031                             | 5,000                  | 4,500                                    |
| Santaluz Special Tax Bonds, Improvement Area No.4, Series 2004 A  | 1.65 - 5.5**          | 2034                             | 9,965                  | 9,450                                    |
| Liberty Station Special Tax Bonds, Series 2006 A  | 5.0 - 5.75**          | 2037                             | 16,000                 | 15,630                                   |
| Liberty Station Special Tax Bonds, Series 2008 A  | 3.74 - 6.3**          | 2037                             | 3,950                  | 3,885                                    |
| Black Mountain Ranch Villages Special Tax Bonds Series 2008 A   | 3.125-6.0**           | 2038                             | 12,365                 | 12,365                                   |
| <b>Total Special Assessment / Special Tax Bonds</b>   |                       |                                  |                        | <u>152,270</u>                           |

(continued on next page)



| <u>Type of Obligation</u>  | <u>Interest Rates</u> | <u>Fiscal Year Maturity Date</u> | <u>Original Amount</u> | <u>Balance Outstanding June 30, 2009</u> |
|--|-----------------------|----------------------------------|------------------------|--|
| <b>Tax Allocation Bonds:</b>   |                       |                                  |                        |  |
| Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995      | 7.8 - 9.75**          | 2014                             | \$ 1,400               | \$ 580                                   |
| Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A             | 4.4 - 6.0**           | 2020                             | 1,200                  | 750                                      |
| Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A | 3.8 - 6.0**           | 2016                             | 12,970                 | 6,355                                    |
| Centre City Redevelopment Tax Allocation Bonds, Series 1999 A                    | 3.0 - 5.125**         | 2019                             | 25,680                 | 25,200                                   |
| Centre City Redevelopment Tax Allocation Bonds, Series 1999 B                    | 6.25**                | 2014                             | 11,360                 | 11,360                                   |
| Centre City Redevelopment Tax Allocation Bonds, Series 1999 C                    | 3.1 - 4.75**          | 2025                             | 13,610                 | 11,705                                   |
| City Heights Redevelopment Tax Allocation Bonds, Series 1999 A                   | 4.5 - 5.8**           | 2029                             | 5,690                  | 5,060                                    |
| City Heights Redevelopment Tax Allocation Bonds, Series 1999 B                   | 5.75 - 6.4***         | 2029                             | 10,141                 | 8,982                                    |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A            | 4.0 - 5.6**           | 2025                             | 6,100                  | 4,810                                    |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B            | 3.95 - 5.35**         | 2025                             | 21,390                 | 18,190                                   |
| Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000             | 4.25 - 5.8**          | 2022                             | 15,025                 | 13,110                                   |
| North Bay Redevelopment Project Tax Allocation Bonds, Series 2000                | 4.25 - 5.875**        | 2031                             | 13,000                 | 11,200                                   |
| North Park Redevelopment Project Tax Allocation Bonds, Series 2000               | 4.1 - 5.9**           | 2031                             | 7,000                  | 6,035                                    |
| Centre City Redevelopment Tax Allocation Bonds, Series 2001 A                    | 4.93 - 5.55****       | 2027                             | 58,425                 | 55,795                                   |
| Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A             | 5.0**                 | 2027                             | 3,055                  | 3,055                                    |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A            | 2.5 - 5.0**           | 2029                             | 31,000                 | 11,980                                   |
| City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A           | 5.875 - 6.5**         | 2034                             | 4,955                  | 4,955                                    |
| City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 B           | 2.5 - 4.25**          | 2014                             | 865                    | 410                                      |
| North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A             | 1.5 - 6.125**         | 2028                             | 7,145                  | 6,045                                    |
| North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B             | 4.75 - 5.0**          | 2034                             | 5,360                  | 5,360                                    |
| Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A           | 4.65 - 5.1**          | 2022                             | 6,325                  | 6,325                                    |
| Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B           | 3.25 - 5.45**         | 2022                             | 4,530                  | 4,300                                    |
| Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C           | 3.49 - 7.74**         | 2022                             | 8,000                  | 6,565                                    |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A            | 3.5 - 5.25**          | 2030                             | 101,180                | 93,410                                   |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 B            | 2.26 - 4.58**         | 2011                             | 9,855                  | 3,035                                    |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C            | 2.26 - 6.18**         | 2030                             | 27,785                 | 25,035                                   |

| <u>Type of Obligation</u>  | <u>Interest Rates</u> | <u>Fiscal Year Maturity Date</u> | <u>Original Amount</u> | <u>Balance Outstanding June 30, 2009</u> |
|--|-----------------------|----------------------------------|------------------------|--|
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D          | 2.26 - 6.28**         | 2030                             | \$ 8,905               | \$ 8,035                                 |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A          | 4.25 - 5.25**         | 2033                             | 76,225                 | 75,025                                   |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 B          | 5.66 - 6.2**          | 2032                             | 33,760                 | 32,880                                   |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2008 A          | 3.74 - 6.3**          | 2021                             | 69,000                 | 69,000                                   |
| <b>Total Tax Allocation Bonds</b>  |                       |                                  |                        | <u>534,547</u>                           |
| <b><u>Tobacco Settlement Asset-Backed Bonds:</u></b>                           |                       |                                  |                        |  |
| Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006 | 7.125**               | 2023                             | 105,400                | <u>95,380</u>                            |
| <b><u>Pooled Financing Bonds:</u></b>  |                       |                                  |                        |  |
| Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 A    | 5.95 - 6.65**         | 2038                             | 17,230                 | 16,340                                   |
| Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 B    | 4.0 - 5.25**          | 2038                             | 17,755                 | <u>17,120</u>                            |
| <b>Total Pooled Financing Bonds</b>  |                       |                                  |                        | <u>33,460</u>                            |
| <b>Total Bonds Payable</b>   |                       |                                  |                        | <u>1,401,472</u>                         |
| <b>Net Other Postemployment Benefits Obligation</b>                            |                       |                                  |                        | 73,504                                   |
| <b>Net Pension Obligation</b>  |                       |                                  |                        | <u>147,665</u>                           |
| <b>Total Governmental Activities Long-Term Liabilities</b>                     |                       |                                  |                        | <u>\$ 2,148,966</u>                      |

\* Additional information on the variable rate contracts payable with the SDSU Foundation, the loan payable line of credit from Bank of America, and the PFFA Lease Revenue Bonds, Series 2009 A are discussed further on the following page.

\*\* Interest rates are fixed, and reflect the range of rates for various maturities from the date of issuance to maturity.

\*\*\* The City Heights Redevelopment Tax Allocation Bonds, Series 1999 B, are capital appreciation bonds, which mature from fiscal year 2011 through 2029. The balance outstanding at June 30, 2009 does not include accreted interest of \$7,695.

\*\*\*\* The Centre City Redevelopment Tax Allocation Bonds, Series 2001 A, partially include capital appreciation bonds, which mature from fiscal year 2015 through 2027. The balance outstanding at June 30, 2009 does not include accreted interest of \$6,987.

Arbitrage Rebate Liability is calculated via third party providers in accordance with the provisions of the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations effective as of July 1, 1993, as amended.

Liability claims are primarily liquidated by the Self Insurance (Internal Service) Fund and Enterprise Funds. Compensated absences are generally liquidated by the general fund and certain internal service funds. Pension liabilities are paid out of the operating funds based on a percentage of payroll.

Public safety general obligation bonds are secured by a pledge of the full faith and credit of the City or by a pledge of the City to levy ad valorem property taxes without limitation. Open space general obligation bonds are backed by Environmental Growth Fund 2/3 franchise fees.

Revenue bonds are secured by a pledge of specific revenue generally derived from fees or service charges related to the operation of the project being financed. Certificates of Participation (COPs) and lease revenue bonds provide long-term financing through a lease agreement, installment sales agreement, or loan agreement that does not constitute indebtedness under the state constitutional debt limitation and is not subject to other statutory requirements applicable to bonds.

Special assessment/special tax bonds are issued by the City to provide funds for public improvements in/and or serving special assessment and Mello-Roos districts created by the City. The bonds are secured by assessments and special taxes levied on the properties located within the assessment districts and the community facilities districts, and are payable solely from the assessments and special taxes collected. The assessments and the special taxes, and any bonds payable from them, are secured by a lien on the properties upon which the assessments and the special taxes are levied. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds.

Section 108 loans are the loan guarantee provisions of the Community Development Block Grant (CDBG) program. Section 108 loans provide the community with a source of financing for economic development, housing rehabilitation, public facilities, and capital improvement and infrastructure projects.

San Diego State University Foundation executed an Agreement for Processing a Redevelopment Plan and Land Use Entitlements with RDA which allows for reimbursement of expenses incurred by the Foundation, in assisting in the preparation and processing of the Redevelopment Plan and Land Use Entitlements in the College Area. The agreement is a variable rate obligation of RDA. The unpaid principal bears interest at the prime rate and is fixed on a quarterly basis, using the prime rate established on the first banking day of each calendar quarter. Interest calculations are made on the quarterly weighted average of the principal balance and are made at the end of the quarter based upon the rate fixed for that quarter. The effective interest rate as of June 30, 2009 is 3.25 percent.

Loans Payable includes a loan agreement with Centerpoint, LLC that was for the purpose of constructing affordable housing and retail space pursuant to the terms of a Disposition and Development Agreement and the first and second implementation agreements. On December 29, 2008 a third implementation agreement was executed that converted the project from the sale of residential dwelling units to rental residential dwelling units. Due to the modification of the size of the dwelling units to be developed and the corresponding reduction in the development costs, the amount of the loan was reduced from \$5,245 to \$4,969. The corresponding liability has been reduced in the Statement of Net Assets.

Loans Payable includes a line of credit executed by RDA with Bank of America, N.A. on October 31, 2006. The line of credit is to be used to refinance the North Park Theatre, to pay sums of settlement of eminent domain actions relating to the North Park Redevelopment Area and for other redevelopment activities in the North Park Redevelopment Area. The tax-exempt portion of the line of credit has an effective interest rate of 3.23 percent, the taxable portion has an effective interest rate of 4.75 percent as of June 30, 2009, and the effective interest rate will reset on October 31, annually.

Loans Payable also includes six separate non-revolving secured three-year term lines of credit executed by RDA with San Diego National Bank dated July 26, 2007. Four lines of credit are for affordable housing in North Park, City Heights, North Bay and Naval Training Center (NTC) Redevelopment Project Areas. Two lines of credit are for non-housing or general purposes for City Heights and NTC Redevelopment Project Areas. Each advance taken from the lines of credit has a fixed rate that is set on the day of the advance to be equal to either the United States Three-Year Treasury Constant Maturities Index plus one and nine-tenths percentage point or the One-Month LIBOR Rate plus one and one-tenth percentage point and that rate remains constant during the entire period such advance is outstanding.

PFFA Lease Revenue Bonds, Series 2009A were issued for the purpose of financing various capital improvement projects. The Series 2009A bonds are secured from base rental payments and bear interest at a rate of 3.89 percent through June 1, 2010. Thereafter the interest rate will be fixed to equal the purchaser's internal cost of funds rate plus a fixed spread of 3.0 percent, provided that in no event will the interest rate exceed 12 percent, and the new rate will remain constant until the final maturity date of December 1, 2018.

Tobacco Settlement Asset-Backed Bonds are limited obligations of the Tobacco Settlement Revenue Funding Corporation, which is a separate legal California nonprofit public benefit corporation established by the City of San Diego. The Corporation purchased from the City the rights to receive future tobacco settlement revenues due to the City. The Tobacco Settlement Asset-Backed Bonds are payable from and secured solely by pledged tobacco settlement revenues.

b. Amortization Requirements

The annual requirements to amortize such long-term debt outstanding as of June 30, 2009, including interest payments to maturity, are as follows:

| Year Ended<br>June 30, | Capital Lease Obligations |                  | Contracts Payable |                 | Notes Payable   |                 | Loans Payable    |                 |
|------------------------|---------------------------|------------------|-------------------|-----------------|-----------------|-----------------|------------------|-----------------|
|                        | Principal                 | Interest         | Principal         | Interest        | Principal       | Interest        | Principal        | Interest        |
| 2010                   | \$ 15,963                 | \$ 3,551         | \$ -              | \$ -            | \$ -            | \$ -            | \$ 8,708         | \$ 1,616        |
| 2011                   | 15,475                    | 2,661            | -                 | -               | -               | -               | 25,180           | 650             |
| 2012                   | 15,915                    | 2,056            | -                 | -               | -               | -               | 195              | 351             |
| 2013                   | 14,294                    | 1,438            | -                 | -               | -               | -               | 205              | 341             |
| 2014                   | 10,152                    | 933              | -                 | -               | -               | -               | 216              | 330             |
| 2015-2019              | 13,413                    | 1,827            | -                 | -               | -               | -               | 1,264            | 1,467           |
| 2020-2024              | 4,307                     | 531              | -                 | -               | -               | -               | 480              | 1,177           |
| 2025-2029              | -                         | -                | -                 | -               | -               | -               | 772              | 884             |
| 2030-2034              | -                         | -                | -                 | -               | -               | -               | 1,045            | 412             |
| 2035-2039              | -                         | -                | -                 | -               | -               | -               | 229              | 35              |
| Unscheduled*           | -                         | -                | 4,715             | 1,868           | 4,786           | 1,767           | 6,521            | -               |
| Total                  | <u>\$ 89,519</u>          | <u>\$ 12,997</u> | <u>\$ 4,715</u>   | <u>\$ 1,868</u> | <u>\$ 4,786</u> | <u>\$ 1,767</u> | <u>\$ 44,815</u> | <u>\$ 7,263</u> |

\* The contracts payable to SDSU Foundation in the amount of \$1,715, the contract payable to Western Pacific Housing, Inc. in the amount of \$3,000, the notes payable to Price Charities of \$4,786, the loan payable to Centerpoint, LLC in the amount of \$4,969, the loan payable to California Housing Finance Agency in the amount of \$1,250, and the loan payable to the California Energy Resources Conservation and Development Commission in the amount of \$302 do not have repayment schedules. Annual payments on the San Diego State University debt is based on the availability of tax increment, net of the low-moderate and taxing agency set-asides, as well as project area administration costs. Annual payments on the Western Pacific Housing, Inc., and Price Charities debt are based on available tax increment. Annual payments on the Centerpoint, LLC debt are based upon future receipts of unallocated tax increment or other available sources. Annual payments on the California Housing Agency are deferred for the term of the loan. Annual payments on the California Energy and Resources Conservation and Development Commission will not begin until project completion.

| Year<br>Ended<br>June 30, | Section 108 Loans |           | General<br>Obligation Bonds |          | Revenue<br>Bonds / COPs |            | Special Assessment /<br>Special Tax Bonds |            |
|---------------------------|-------------------|-----------|-----------------------------|----------|-------------------------|------------|---|------------|
|                           | Principal         | Interest  | Principal                   | Interest | Principal               | Interest   | Principal                                 | Interest   |
|                           | 2010              | \$ 2,457  | \$ 1,685                    | \$ 1,975 | \$ 353                  | \$ 21,955  | \$ 29,735                                 | \$ 5,130   |
| 2011                      | 2,595             | 1,579     | 2,100                       | 219      | 29,776                  | 27,720     | 5,490                                     | 8,152      |
| 2012                      | 2,724             | 1,460     | 2,240                       | 74       | 27,567                  | 26,402     | 5,860                                     | 7,870      |
| 2013                      | 2,863             | 1,329     | -                           | -        | 28,870                  | 25,094     | 6,155                                     | 7,561      |
| 2014                      | 3,016             | 1,186     | -                           | -        | 30,227                  | 23,719     | 6,430                                     | 7,224      |
| 2015-2019                 | 13,023            | 3,659     | -                           | -        | 163,510                 | 96,248     | 36,755                                    | 30,530     |
| 2020-2024                 | 6,158             | 1,036     | -                           | -        | 124,740                 | 60,620     | 29,515                                    | 20,969     |
| 2025-2029                 | 696               | 21        | -                           | -        | 117,650                 | 25,611     | 28,415                                    | 13,088     |
| 2030-2034                 | -                 | -         | -                           | -        | 35,205                  | 3,736      | 21,765                                    | 4,470      |
| 2035-2039                 | -                 | -         | -                           | -        | -                       | -          | 6,755                                     | 707        |
| Total                     | \$ 33,532         | \$ 11,955 | \$ 6,315                    | \$ 646   | \$ 579,500              | \$ 318,885 | \$ 152,270                                | \$ 108,979 |

| Year<br>Ended<br>June 30,                     | Tax Allocation<br>Bonds |              |            | Tobacco<br>Asset-Backed Bonds |           | Pooled Financing Bonds |           |
|---|-------------------------|--------------|------------|-------------------------------|-----------|------------------------|-----------|
|   | Principal               | Unaccrued    |            | Principal                     | Interest  | Principal              | Interest  |
|   |                         | Appreciation | Interest   |                               |           |                        |           |
| 2010  | \$ 19,054               | \$ 2,163     | \$ 26,620  | \$ 3,800                      | \$ 6,796  | \$ 680                 | \$ 1,883  |
| 2011  | 19,948                  | 2,243        | 25,727     | 4,000                         | 6,525     | 770                    | 1,846     |
| 2012  | 20,884                  | 2,317        | 24,749     | 4,400                         | 6,240     | 825                    | 1,805     |
| 2013  | 24,143                  | 2,388        | 23,612     | 4,600                         | 5,927     | 860                    | 1,762     |
| 2014  | 25,704                  | 2,455        | 22,327     | 5,000                         | 5,599     | 900                    | 1,718     |
| 2015-2019                                     | 144,897                 | 12,014       | 90,577     | 30,900                        | 22,101    | 5,280                  | 7,821     |
| 2020-2024                                     | 134,019                 | 8,824        | 52,561     | 42,680                        | 8,765     | 5,725                  | 6,247     |
| 2025-2029                                     | 102,468                 | 2,181        | 22,801     | -                             | -         | 6,880                  | 4,470     |
| 2030-2034                                     | 43,430                  | -            | 4,500      | -                             | -         | 7,895                  | 2,155     |
| 2035-2039                                     | -                       | -            | -          | -                             | -         | 3,645                  | 445       |
| Subtotal                                      | 534,547                 | 34,585       | 293,474    | 95,380                        | 61,953    | 33,460                 | 30,152    |
| Add:  |                         |              |            |                               |           |                        |           |
| Accrued Appreciation<br>through June 30, 2009 | 14,682                  | -            | -          | -                             | -         | -                      | -         |
| Total   | \$ 549,229              | \$ 34,585    | \$ 293,474 | \$ 95,380                     | \$ 61,953 | \$ 33,460              | \$ 30,152 |

\* The Tobacco Asset-Backed Bond Principal Debt Service requirements are based upon expected Turbo Principal payments.

## c. Change in Long-Term Liabilities

Additions to governmental activities long-term debt for contracts, notes and loans payable may differ from proceeds reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, due to funding received in prior fiscal years being converted from short-term to long-term debt as a result of developers extending the terms of the obligation.

The following is a summary of changes in governmental activities long-term liabilities for the year ended June 30, 2009. The effect of bond accretion, bond premiums, discounts, and deferred amounts on bond refunds are amortized as adjustments to long-term liabilities.

|   | Governmental Activities |            |              |                   |                        |
|---|-------------------------|------------|--------------|-------------------|------------------------|
|   | Beginning<br>Balance    | Additions  | Reductions   | Ending<br>Balance | Due Within<br>One Year |
| Arbitrage Liability   | \$ -                    | \$ 533     | \$ -         | \$ 533            | \$ -                   |
| Compensated Absences  | 74,825                  | 62,642     | (63,021)     | 74,446            | 34,912                 |
| Liability Claims  | 232,448                 | 84,863     | (43,332)     | 273,979           | 43,663                 |
| Capital Lease Obligations   | 61,262                  | 40,758     | (12,501)     | 89,519            | 15,963                 |
| Contracts Payable   | 2,615                   | 2,100      | -            | 4,715             | -                      |
| Notes Payable   | 5,662                   | -          | (876)        | 4,786             | -                      |
| Loans Payable   | 34,777                  | 10,483     | (445)        | 44,815            | 8,708                  |
| Section 108 Loans Payable   | 35,896                  | -          | (2,364)      | 33,532            | 2,457                  |
| General Obligation Bonds  | 8,580                   | -          | (2,265)      | 6,315             | 1,975                  |
| Revenue Bonds / COPs  | 498,950                 | 103,000    | (22,450)     | 579,500           | 21,955                 |
| Unamortized Bond Premiums, Discounts<br>and Deferred Amounts on Refunding | (4,235)                 | -          | 203          | (4,032)           | (203)                  |
| Net Revenue Bonds/COP's   | 494,715                 | 103,000    | (22,247)     | 575,468           | 21,752                 |
| Special Assessment / Special  |                         |            |              |                   |                        |
| Tax Bonds   | 144,805                 | 12,365     | (4,900)      | 152,270           | 5,130                  |
| Unamortized Bond Premiums, Discounts<br>and Deferred Amounts on Refunding | (534)                   | (129)      | 53           | (610)             | (53)                   |
| Net Special Assessment Bonds  | 144,271                 | 12,236     | (4,847)      | 151,660           | 5,077                  |
| Tax Allocation Bonds  | 548,643                 | -          | (14,096)     | 534,547           | 19,054                 |
| Interest Accretion  | 12,837                  | 2,080      | (235)        | 14,682            | -                      |
| Balance with Accretion  | 561,480                 | 2,080      | (14,331)     | 549,229           | 19,054                 |
| Unamortized Bond Premiums, Discounts<br>and Deferred Amounts on Refunding | 5,494                   | -          | (116)        | 5,378             | 116                    |
| Net Tax Allocation Bonds  | 566,974                 | 2,080      | (14,447)     | 554,607           | 19,170                 |
| Tobacco Settlement Asset-Backed Bonds                                     | 99,370                  | -          | (3,990)      | 95,380            | 3,800                  |
| Pooled Financing Bonds  | 34,115                  | -          | (655)        | 33,460            | 680                    |
| Unamortized Bond Premiums, Discounts<br>and Deferred Amounts on Refunding | (125)                   | -          | 17           | (108)             | (17)                   |
| Net Pooled Financing Bonds  | 33,990                  | -          | (638)        | 33,352            | 663                    |
| Net Other Postemployment Benefits Obligation                              | 28,872                  | 44,632     | -            | 73,504            | -                      |
| Net Pension Obligation  | 141,734                 | 5,931      | -            | 147,665           | -                      |
| Total   | \$ 1,965,991            | \$ 369,258 | \$ (170,973) | \$ 2,164,276      | \$ 158,140             |

d. Defeasance and Redemption of Debt

As of June 30, 2009, principal amounts payable from escrow funds established for defeased bonds are as follows:

| <u>Defeased Bonds</u>   | <u>Amount</u>   |
|---|-----------------|
| Central Imperial Redevelopment Project Tax Allocation Bonds,<br>Series 2000 | \$ 2,975        |
| Southcrest Redevelopment Project Tax Allocation Bonds,<br>Series 2000       | <u>1,520</u>    |
| Total Defeased Bonds Outstanding  | <u>\$ 4,495</u> |

e. Long-Term Pledged Liabilities

Governmental long-term pledged liabilities as of June 30, 2009 are comprised of the following:

| <u>Type of Pledged Revenue</u>   | <u>Fiscal Year Maturity Date</u> | <u>Pledged Revenue to Maturity</u> | <u>Debt Principal &amp; Interest Paid</u> | <u>Pledged Revenue Recognized</u> |
|--|----------------------------------|------------------------------------|---|-----------------------------------|
| <b><u>Pledged CDBG Revenue:</u></b>  |                                  |                                    |   |                                   |
| Section 108 Loans Payable  |                                  | \$ 34,763                          | \$ 3,534                                  | \$ 3,534                          |
| <b>Total Pledged CDBG Revenue</b>  |                                  | <u>34,763</u>                      | <u>3,534</u>                              | <u>3,534</u>                      |
| <b><u>Pledged Developer Revenue:</u></b>   |                                  |                                    |   |                                   |
| Regional Transportation Center Redevelopment Project (Section 108)                                 | 2021                             | <u>2,663</u>                       | <u>285</u>                                | <u>285</u>                        |
| <b>Total Pledged Developer Revenue</b>   |                                  | <u>2,663</u>                       | <u>285</u>                                | <u>285</u>                        |
| <b><u>Pledged Net Operating Revenue (Parking):</u></b>   |                                  |                                    |   |                                   |
| Centre City Parking Revenue Bonds, Series 1999 A   | 2026                             | <u>16,065</u>                      | <u>957</u>                                | <u>953</u>                        |
| Centre City Parking Revenue Bonds, Series 2003 B   | 2027                             | <u>26,879</u>                      | <u>1,508</u>                              | <u>1,390</u>                      |
| <b>Total Pledged Net Operating Revenue (Parking)</b>   |                                  | <u>42,944</u>                      | <u>2,465</u>                              | <u>2,343</u>                      |
| <b><u>Pledged Special Assessment / Special Tax Revenue:</u></b>                                    |                                  |                                    |   |                                   |
| Otay Mesa Industrial Park Limited Obligation Improvement Bonds, Issued May 1992                    | 2013                             | <u>292</u>                         | <u>72</u>                                 | <u>71</u>                         |
| Miramar Ranch North Special Tax Refunding Bonds, Series 1998                                       | 2021                             | <u>52,117</u>                      | <u>4,371</u>                              | <u>4,147</u>                      |
| Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 A | 2018                             | <u>13,651</u>                      | <u>2,330</u>                              | <u>1,882</u>                      |
| Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 B | 2018                             | <u>3,424</u>                       | <u>599</u>                                | <u>470</u>                        |
| Santaluz Special Tax Bonds, Improvement Area No.1, Series 2000 A                                   | 2031                             | <u>96,349</u>                      | <u>4,368</u>                              | <u>4,287</u>                      |
| Santaluz Special Tax Bonds, Improvement Area No.3, Series 2000 B                                   | 2031                             | <u>7,325</u>                       | <u>316</u>                                | <u>337</u>                        |
| City of San Diego Reassessment District No. 2003-1 Limited Obligation Refunding Bonds              | 2018                             | <u>7,899</u>                       | <u>966</u>                                | <u>732</u>                        |
| Piper Ranch Limited Obligation Improvement Bonds, Issued January 2004                              | 2034                             | <u>8,311</u>                       | <u>345</u>                                | <u>317</u>                        |
| Santaluz Special Tax Bonds, Improvement Area No.1, Series 2004 A                                   | 2031                             | <u>7,615</u>                       | <u>377</u>                                | <u>370</u>                        |
| Santaluz Special Tax Bonds, Improvement Area No.4, Series 2004 A                                   | 2034                             | <u>17,221</u>                      | <u>625</u>                                | <u>692</u>                        |
| Liberty Station Special Tax Bonds, Series 2006 A   | 2037                             | <u>31,193</u>                      | <u>1,149</u>                              | <u>1,554</u>                      |
| Liberty Station Special Tax Bonds, Series 2008 A   | 2037                             | <u>7,760</u>                       | <u>256</u>                                | <u>347</u>                        |
| Black Mountain Ranch Villages Special Tax Bonds Series 2008 A                                      | 2038                             | <u>25,169</u>                      | <u>358</u>                                | <u>986</u>                        |
| <b>Total Pledged Special Assessment / Special Tax Revenue</b>                                      |                                  | <u>278,326</u>                     | <u>16,132</u>                             | <u>16,192</u>                     |

(continued on next page)



| <u>Type of Pledged Revenue</u>   | <u>Fiscal Year Maturity Date</u> | <u>Pledged Revenue to Maturity</u> | <u>Debt Principal &amp; Interest Paid</u> | <u>Pledged Revenue Recognized</u> |
|--|----------------------------------|------------------------------------|---|-----------------------------------|
| <b><u>Pledged Tax Increment Revenue:</u></b>   |                                  |                                    |   |                                   |
| <b><u>Contracts</u></b>  |                                  |                                    |   |                                   |
| Contract Payable to SDSU Foundation, dated December 1991   | ---                              | \$ 3,095                           | -   | \$ -                              |
| Amendment to Contract Payable to SDSU Foundation, dated January 1995                               | ---                              | 233                                | -   | -                                 |
| Contract Payable to Western Pacific Housing, Inc., dated April 2004                                | ---                              | 3,476                              | -   | -                                 |
| <b><u>Notes</u></b>  |                                  |                                    |   |                                   |
| Note Payable to Price Charities, dated April 2001  | 2032                             | 4,274                              | 1,045                                     | 1,045                             |
| Note Payable to Price Charities, dated May 2005  | 2025                             | 2,100                              | -   | -                                 |
| Amendment to Note Payable to Price Charities, dated February 2006                                  | 2025                             | 180                                | -   | -                                 |
| <b><u>Loans</u></b>  |                                  |                                    |   |                                   |
| International Gateway Associates, LLC, dated October 2001  | 2032                             | 4,776                              | 199                                       | 199                               |
| PCCP/SB Las America, LLC, dated August 2005  | 2036                             | 3,571                              | 132                                       | 132                               |
| Centerpoint, LLC, dated April 2006   | 2021                             | 4,969                              | -   | -                                 |
| Bank of America, N.A. Line of Credit, dated October 2006   | 2009                             | 8,626                              | 330                                       | 330                               |
| San Diego National Bank, Line of Credit, dated July 2007<br>City Heights Housing Area              | 2011                             | 1,419                              | 74  | 74                                |
| San Diego National Bank, Line of Credit, dated July 2007<br>City Heights Non-Housing Area          | 2011                             | 2,255                              | 163                                       | 163                               |
| San Diego National Bank, Line of Credit, dated July 2007<br>Naval Training Center Housing Area     | 2011                             | 2,748                              | 55  | 55                                |
| San Diego National Bank, Line of Credit, dated July 2007<br>Naval Training Center Non-Housing Area | 2011                             | 11,651                             | 317                                       | 317                               |
| San Diego National Bank, Line of Credit, dated July 2007<br>North Bay Housing Area                 | 2011                             | 2,407                              | 93  | 93                                |
| San Diego National Bank, Line of Credit, dated July 2007<br>North Park Non-Housing Area            | 2011                             | 5,952                              | 140                                       | 140                               |
| Naval Training Center Civic, Arts, and Cultural Center (Section 108)                               | 2025                             | 8,062                              | 509                                       | 509                               |

| <u>Type of Pledged Revenue</u>   | <u>Fiscal Year Maturity Date</u> | <u>Pledged Revenue to Maturity</u> | <u>Debt Principal &amp; Interest Paid</u> | <u>Pledged Revenue Recognized</u> |
|--|----------------------------------|------------------------------------|---|-----------------------------------|
| <b>Bonds</b>   |                                  |                                    |   |                                   |
| Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995      | 2014                             | \$ 732                             | \$ 145                                    | \$ 145                            |
| Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A             | 2020                             | 1,018                              | 91  | 91                                |
| Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A | 2016                             | 7,778                              | 1,116                                     | 1,110                             |
| Centre City Redevelopment Tax Allocation Bonds, Series 1999 A                    | 2019                             | 32,987                             | 1,276                                     | 1,209                             |
| Centre City Redevelopment Tax Allocation Bonds, Series 1999 B                    | 2014                             | 13,154                             | 710                                       | 3,083                             |
| Centre City Redevelopment Tax Allocation Bonds, Series 1999 C                    | 2025                             | 17,179                             | 794                                       | 780                               |
| City Heights Redevelopment Tax Allocation Bonds, Series 1999 A                   | 2029                             | 8,497                              | 430                                       | 418                               |
| City Heights Redevelopment Tax Allocation Bonds, Series 1999 B                   | 2029                             | 31,130                             | 571                                       | 543                               |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A            | 2025                             | 7,215                              | 445                                       | 441                               |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B            | 2025                             | 27,376                             | 1,458                                     | 1,406                             |
| Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000             | 2022                             | 18,806                             | 1,353                                     | 1,340                             |
| North Bay Redevelopment Project Tax Allocation Bonds, Series 2000                | 2031                             | 19,804                             | 893                                       | 834                               |
| North Park Redevelopment Project Tax Allocation Bonds, Series 2000               | 2031                             | 10,676                             | 479                                       | 448                               |
| Centre City Redevelopment Tax Allocation Bonds, Series 2001 A                    | 2027                             | 109,162                            | 2,567                                     | 2,473                             |
| Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A             | 2027                             | 5,355                              | 153                                       | 153                               |
| Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A            | 2029                             | 21,107                             | 3,971                                     | 3,886                             |
| City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A           | 2034                             | 10,371                             | 316                                       | 316                               |
| City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 B           | 2014                             | 452                                | 92  | 92                                |
| North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A             | 2028                             | 9,975                              | 546                                       | 546                               |
| North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B             | 2034                             | 11,189                             | 259                                       | 259                               |

(continued on next page)

| <u>Type of Pledged Revenue</u>  | <u>Fiscal<br/>Year<br/>Maturity<br/>Date</u> | <u>Pledged<br/>Revenue to<br/>Maturity</u> | <u>Debt<br/>Principal<br/>&amp; Interest Paid</u> | <u>Pledged<br/>Revenue<br/>Recognized</u> |
|---|--|--|---|---|
| Horton Plaza Redevelopment Project Tax<br>Allocation Bonds, Series 2003 A         | 2022   | \$ 9,487                                   | \$ 310  | \$ 306                                    |
| Horton Plaza Redevelopment Project Tax<br>Allocation Bonds, Series 2003 B         | 2022   | 6,135                                      | 327   | 309                                       |
| Horton Plaza Redevelopment Project Tax<br>Allocation Bonds, Series 2003 C         | 2022   | 10,252                                     | 798   | 770                                       |
| Centre City Redevelopment Project Tax<br>Allocation Bonds, Series 2004 A          | 2030   | 146,086                                    | 6,855   | 6,855                                     |
| Centre City Redevelopment Project Tax<br>Allocation Bonds, Series 2004 B          | 2011   | 3,155                                      | 1,965   | 1,965                                     |
| Centre City Redevelopment Project Tax<br>Allocation Bonds, Series 2004 C          | 2030   | 41,891                                     | 2,230   | 2,152                                     |
| Centre City Redevelopment Project Tax<br>Allocation Bonds, Series 2004 D          | 2030   | 13,570                                     | 723   | 698                                       |
| Centre City Redevelopment Project Tax<br>Allocation Bonds, Series 2006 A          | 2033   | 125,477                                    | 4,356   | 4,268                                     |
| Centre City Redevelopment Project Tax<br>Allocation Bonds, Series 2006 B          | 2032   | 61,393                                     | 2,642   | 2,617                                     |
| Public Facilities Financing Authority<br>Pooled Financing Bonds, Series 2007 A    | 2038   | 32,499                                     | 1,409   | 1,409                                     |
| Public Facilities Financing Authority<br>Pooled Financing Bonds, Series 2007 B    | 2038   | 31,113                                     | 1,164   | 1,164                                     |
| Centre City Redevelopment Project Tax<br>Allocation Bonds, Series 2008 A          | 2021   | 95,878                                     | 2,800   | 9,927                                     |
| <b>Total Pledged Tax Increment Revenue</b>  |  | <u>1,010,693</u>                           | <u>46,301</u>                                     | <u>55,070</u>                             |
| <b><u>Pledged Tobacco Settlement Revenue:</u></b>                                 |  |  |   |   |
| Tobacco Settlement Revenue Funding Corporation<br>Asset-Backed Bonds, Series 2006 | 2023   | \$ 157,333                                 | \$ 11,056   | \$ 10,100                                 |
| <b>Total Pledged Tobacco Settlement Revenue</b>                                   |  | <u>157,333</u>                             | <u>11,056</u>                                     | <u>10,100</u>                             |
| <b>Total Pledged Revenue</b>  |  | <u>\$ 1,526,722</u>                        | <u>\$ 79,773</u>                                  | <u>\$ 87,524</u>                          |

**6. BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES (In Thousands)**

a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2009 are comprised of the following:

| <u>Type of Obligation</u>   | <u>Interest Rates</u> | <u>Fiscal<br/>Year<br/>Maturity<br/>Date</u> | <u>Original<br/>Amount</u> | <u>Balance<br/>Outstanding<br/>June 30, 2009</u> |
|---|-----------------------|--|----------------------------|--|
| <b>Compensated Absences</b>   |                       |  |                            | \$ 12,671  |
| <b>Liability Claims</b>   |                       |  |                            | 32,853   |
| <b><u>Loans Payable:</u></b>  |                       |  |                            |  |
| Loans Payable to San Diego County<br>Water Authority                              | -                     | -  | \$ 100                     | 100  |
| Loans Payable to State Water Resources<br>Control Board, issued February 9, 2000  | 1.80%**               | 2020   | 10,606                     | 6,301  |
| Loans Payable to State Water Resources<br>Control Board, issued February 9, 2000  | 1.80**                | 2022   | 6,684                      | 4,613  |
| Loans Payable to State Water Resources<br>Control Board, issued March 30, 2001    | 1.80**                | 2022   | 33,720                     | 23,262   |
| Loans Payable to State Water Resources<br>Control Board, issued May 17, 2001      | 1.80**                | 2022   | 7,742                      | 5,340  |
| Loans Payable to State Water Resources<br>Control Board, issued May 17, 2001      | 1.80**                | 2021   | 860                        | 553  |
| Loans Payable to State Water Resources<br>Control Board, issued June 11, 2001     | 1.80**                | 2021   | 2,525                      | 1,623  |
| Loans Payable to State Water Resources<br>Control Board, issued October 3, 2002   | 1.99**                | 2020   | 3,767                      | 2,459  |
| Loans Payable to State Water Resources<br>Control Board, issued October 3, 2002   | 1.80**                | 2023   | 8,068                      | 5,942  |
| Loans Payable to State Water Resources<br>Control Board, issued December 14, 2005 | 1.89**                | 2024   | 10,093                     | 8,257  |
| Loans Payable to Department of Health<br>Services, issued July 6, 2005            | 2.51**                | 2026   | 21,525                     | 18,491   |
| Loans Payable to State Water Resources<br>Control Board, issued October 15, 2006  | 1.99**                | 2024   | 3,858                      | 3,306  |
| Loans Payable to State Water Resources<br>Control Board, issued February 28, 2007 | 1.89**                | 2026   | 11,068                     | 10,079   |
| <b>Total Loans Payable</b>  |                       |  |                            | <u>90,326</u>                                    |

(continued on next page)

| <u>Type of Obligation</u>                                   | <u>Interest Rates</u> | <u>Fiscal<br/>Year<br/>Maturity<br/>Date</u> | <u>Original<br/>Amount</u> | <u>Balance<br/>Outstanding<br/>June 30, 2009</u> |
|---|-----------------------|--|----------------------------|--|
| <b>Bonds Payable:</b>                                       |                       |  |                            |  |
| Sewer Revenue Bonds, Series 1995                            | 3.9 - 6.0*            | 2025   | \$ 350,000                 | \$ 43,850  |
| Sewer Revenue Bonds, Series 1997 A                          | 3.7 - 5.375*          | 2027   | 183,000                    | 22,565   |
| Sewer Revenue Bonds, Series 1997 B                          | 3.7 - 5.375*          | 2027   | 67,000                     | 8,260  |
| Water Certificate of Undivided Interest,<br>Series 1998     | 4.0 - 5.375*          | 2029   | 385,000                    | 141,320  |
| Sewer Revenue Bonds, Series 1999 A                          | 3.5 - 5.125*          | 2029   | 203,350                    | 67,020   |
| Sewer Revenue Bonds, Series 1999 B                          | 3.5 - 5.125*          | 2029   | 112,060                    | 37,080   |
| Subordinated Water Revenue Bonds,<br>Series 2002            | 2.0 - 5.0*            | 2033   | 286,945                    | 272,846  |
| Senior Sewer Revenue Bonds, Series 2009 A                   | 2.0-5.375*            | 2039   | 453,775                    | 453,775  |
| Senior Sewer Revenue Refunding Bonds<br>Series 2009 B       | 3.0-5.5*              | 2025   | 634,940                    | 634,940  |
| Water Revenue Refunding Bonds, Series 2009 A                | 2.5-5.25*             | 2039   | 157,190                    | 157,190  |
| Water Revenue Bonds, Series 2009 B                          | 2.5-5.75*             | 2040   | 328,060                    | 328,060  |
| <b>Total Bonds Payable</b>                                  |                       |  |                            | <u>2,166,906</u>                                 |
| <b>Estimated Landfill Closure and Postclosure Care</b>      |                       |  |                            | 19,336   |
| <b>Net Other Postemployment Benefits Obligation</b>         |                       |  |                            | 19,767   |
| <b>Net Pension Obligation</b>                               |                       |  |                            | 29,474   |
| <b>Pollution Remediation Obligation</b>                     |                       |  |                            | <u>620</u>                                       |
| <b>Total Business-Type Activities Long-Term Liabilities</b> |                       |  |                            | <u>\$ 2,371,953</u>                              |

\* Interest rates are fixed, and reflect the range of rates for various maturities from the date of issuance to maturity.

\*\* Effective rate

b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2009, including interest payments to maturity, are as follows:

| Year Ended<br>June 30 | Loans Payable    |                  | Revenue Bonds Payable |                     |
|-----------------------|------------------|------------------|-----------------------|---------------------|
|                       | Principal        | Interest         | Principal             | Interest            |
| 2010                  | \$ 5,653         | \$ 1,780         | \$ 58,741             | \$ 97,033           |
| 2011                  | 5,765            | 1,670            | 63,915                | 103,683             |
| 2012                  | 5,878            | 1,557            | 66,420                | 101,173             |
| 2013                  | 5,992            | 1,443            | 69,275                | 98,325              |
| 2014                  | 6,109            | 1,326            | 72,485                | 95,112              |
| 2015-2019             | 32,384           | 4,792            | 417,635               | 420,395             |
| 2020-2024             | 25,072           | 1,677            | 485,090               | 307,757             |
| 2025-2029             | 3,373            | 89               | 470,265               | 183,672             |
| 2030-2034             | -                | -                | 220,205               | 96,243              |
| 2035-2039             | -                | -                | 221,720               | 39,781              |
| 2040-2044             | -                | -                | 21,155                | 582                 |
| Unscheduled*          | 100              | -                | -                     | -                   |
| Total                 | <u>\$ 90,326</u> | <u>\$ 14,334</u> | <u>\$ 2,166,906</u>   | <u>\$ 1,543,756</u> |

\* The loan payable to the San Diego County Water Authority in the amount of \$100 does not have an annual repayment schedule. The payment is due if funding for the projects for which the loan was received becomes available from other sources.

c. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2009. The effect of bond premiums, discounts and deferred amounts on refunding are reflected as adjustments to long-term liabilities.

|   | Business-Type Activities |              |                |                   |                        |
|---|--------------------------|--------------|----------------|-------------------|------------------------|
|   | Beginning<br>Balance     | Additions    | Reductions     | Ending<br>Balance | Due Within<br>One Year |
| Arbitrage Liability   | \$ 586                   | \$ -         | \$ (586)       | \$ -              | \$ -                   |
| Compensated Absences  | 13,355                   | 11,949       | (12,633)       | 12,671            | 6,315                  |
| Liability Claims  | 50,239                   | (13,794)     | (3,592)        | 32,853            | 3,501                  |
| Capital Lease Obligations   | 166                      | -            | (166)          | -                 | -                      |
| Revenue Notes Payable   | 430,830                  | -            | (430,830)      | -                 | -                      |
| Loans Payable   | 95,875                   | -            | (5,549)        | 90,326            | 5,653                  |
| Revenue Bonds Payable   | 1,425,445                | 1,573,965    | (832,504)      | 2,166,906         | 58,741                 |
| Unamortized Bond Premiums, Discounts<br>and Deferred Amounts on Refunding | (6,619)                  | 39,748       | 7,951          | 41,080            | 2,142                  |
| Net Revenue Bonds Payable   | 1,418,826                | 1,613,713    | (824,553)      | 2,207,986         | 60,883                 |
| Estimated Landfill Closure/Postclosure Care                               | 18,429                   | 907          | -              | 19,336            | -                      |
| Net Other Postemployment Benefits Obligation                              | 8,921                    | 10,846       | -              | 19,767            | -                      |
| Net Pension Obligation  | 31,342                   | -            | (1,868)        | 29,474            | -                      |
| Pollution Remediation Obligation  | -                        | 620          | -              | 620               | -                      |
| Totals  | \$ 2,068,569             | \$ 1,624,241 | \$ (1,279,777) | \$ 2,413,033      | \$ 76,352              |

d. Defeasance and Redemption of Debt

PFFA issued Water Revenue Bonds, Series 2009A in the amount of \$157,190 and Series 2009B in the amount of \$328,060. The bond proceeds were used to fully redeem outstanding Subordinated Water Notes, Series 2007A and Subordinated Water Notes, Series 2008A and for partial redemption of the Water Certificates of Undivided Interest, Series 1998. The Water 2007A and 2008A Notes have been redeemed and the corresponding liabilities have been removed from the Statement of Net Assets. The redemption transaction for the Water 2007A Notes resulted in a total economic loss of approximately \$11,161 and a cash flow cost of approximately \$21,558. The redemption transaction for the Water 2008A Notes resulted in a total economic loss of approximately \$40,412 and a cash flow cost of approximately \$92,955. The partial refunding of \$94,165 from the remaining outstanding Water Certificates of Undivided Interest, Series 1998 resulted in a total economic gain of approximately \$5,580 and a cash flow savings of approximately \$8,741. All of the Notes and Certificates that were redeemed or refunded from the Water Revenue Bonds, Series 2009A and 2009B were called or redeemed at a date prior to the end of the fiscal year, and accordingly, there is no defeased debt balance outstanding as of June 30, 2009.

PFFA issued Senior Sewer Revenue Bonds, Series 2009A in the amount of \$453,775 and Series 2009B in the amount of \$634,940. The bond proceeds were used to fully redeem and refund outstanding Subordinated Sewer Revenue Notes, Series 2007 and Sewer Revenue Bonds, Series 1993. The bond proceeds were also used for a partial redemption of the Sewer Revenue Bonds, Series 1995, Series 1997A, Series 1997B, Series 1999A and Series 1999B. The Subordinated Sewer Notes, Series 2007 were fully redeemed while the Sewer Revenue Bonds, Series 1993, carry a defeased balance in an escrow fund, listed below. Both liabilities have been removed

from the Statement of Net Assets. The redemption transaction for the Sewer 2007 Notes resulted in a total economic loss of approximately \$23,013 and a cash flow cost of approximately \$44,084. The redemption transaction for the Sewer Revenue Bonds, Series 1993 resulted in a total economic gain of approximately \$8,457 and a cash flow savings of approximately \$13,951. The partial redemption of the Sewer Revenue Bonds, Series 1995 resulted in a total economic gain of approximately \$11,086 and a cash flow savings of approximately \$18,287. The partial redemption of the Sewer Revenue Bonds, Series 1997A and Series 1997B resulted in a total economic gain of approximately \$10,954 and a cash flow savings of approximately \$18,190. The partial redemption of the Sewer Revenue Bonds, Series 1999A and Series 1999B resulted in a total economic gain of approximately \$7,933 and a cash flow savings of approximately \$13,085. The 2007 Notes were fully redeemed and the partial refunding of the Series 1995, 1997 and 1999 bonds, from the Sewer Revenue Bonds, Series 2009A and Series 2009B, were all called or redeemed at a date prior to the end of the fiscal year, and accordingly, there is no defeased debt balance outstanding as of June 30, 2009.

As of June 30, 2009, principal amount payable from the escrow fund established for the defeased bond is as follows:

| <u>Defeased Bonds</u>            | <u>Balance</u>    |
|----------------------------------|-------------------|
| Sewer Revenue Bonds, Series 1993 | <u>\$ 160,220</u> |



e. Long-Term Pledged Liabilities

Business-type activities long-term pledged liabilities as of June 30, 2009 are comprised of the following:

| Type of Pledged Revenue   | Fiscal<br>Year<br>Maturity<br>Date | Pledged<br>Revenue to<br>Maturity | Debt Principal<br>& Interest Paid | Pledged Revenue<br>Recognized |
|---|------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|
| <b><u>Pledged Net Sewer Systems Revenue:</u></b>                                  |                                    |                                   |                                   |                               |
| <b><u>Loans</u></b>   |                                    |                                   |                                   |                               |
| Loans Payable to State Water Resources<br>Control Board, issued February 9, 2000  | 2020                               | \$ 7,004                          | \$ 637                            | \$ 637                        |
| Loans Payable to State Water Resources<br>Control Board, issued February 9, 2000  | 2022                               | 5,216                             | 401                               | 401                           |
| Loans Payable to State Water Resources<br>Control Board, issued March 30, 2001    | 2022                               | 26,320                            | 2,025                             | 2,025                         |
| Loans Payable to State Water Resources<br>Control Board, issued May 17, 2001      | 2022                               | 6,038                             | 465                               | 465                           |
| Loans Payable to State Water Resources<br>Control Board, issued May 17, 2001      | 2021                               | 619                               | 52                                | 52                            |
| Loans Payable to State Water Resources<br>Control Board, issued June 11, 2001     | 2021                               | 1,819                             | 151                               | 151                           |
| Loans Payable to State Water Resources<br>Control Board, issued October 3, 2002   | 2020                               | 2,763                             | 251                               | 251                           |
| Loans Payable to State Water Resources<br>Control Board, issued October 3, 2002   | 2023                               | 6,777                             | 484                               | 484                           |
| Loans Payable to State Water Resources<br>Control Board, issued December 14, 2005 | 2024                               | 9,561                             | 637                               | 637                           |
| Loans Payable to State Water Resources<br>Control Board, issued October 15, 2006  | 2024                               | 3,858                             | 258                               | 258                           |
| Loans Payable to State Water Resources<br>Control Board, issued February 28, 2007 | 2026                               | 11,883                            | 699                               | 699                           |

| <u>Type of Pledged Revenue</u>                                      | <u>Fiscal Year Maturity Date</u> | <u>Pledged Revenue to Maturity</u> | <u>Debt Principal &amp; Interest Paid</u> | <u>Pledged Revenue Recognized</u> |
|---|----------------------------------|------------------------------------|---|-----------------------------------|
| <b><u>Bonds and Notes</u></b>                                       |                                  |                                    |   |                                   |
| Sewer Revenue Bonds, Series 1993                                    | 2023                             | \$ -                               | \$ 16,319                                 | \$ 16,316                         |
| Sewer Revenue Bonds, Series 1995                                    | 2025                             | 78,930                             | 23,585                                    | 23,581                            |
| Sewer Revenue Bonds, Series 1997 A                                  | 2027                             | 43,889                             | 12,179                                    | 12,177                            |
| Sewer Revenue Bonds, Series 1997 B                                  | 2027                             | 16,066                             | 4,458                                     | 4,457                             |
| Sewer Revenue Bonds, Series 1999 A                                  | 2029                             | 126,138                            | 13,207                                    | 12,352                            |
| Sewer Revenue Bonds, Series 1999 B                                  | 2029                             | 69,789                             | 7,308                                     | 7,118                             |
| Subordinated Sewer Revenue Notes, Series 2007                       | 2009                             | -                                  | 11,192                                    | 11,190                            |
| Senior Sewer Revenue Bonds, Series 2009 A                           | 2039                             | 858,509                            | -   | -                                 |
| Senior Sewer Revenue Refunding Bonds Series 2009 B                  | 2025                             | 911,622                            | -   | -                                 |
| <b>Total Pledged Net Sewer Systems Revenue</b>                      |                                  | <u>2,186,801</u>                   | <u>94,308</u>                             | <u>93,251</u>                     |
| <b><u>Pledged Net Water Systems Revenue:</u></b>                    |                                  |                                    |   |                                   |
| <b><u>Loans</u></b>   |                                  |                                    |   |                                   |
| Loans Payable to Department of Health Services, issued July 6, 2005 | 2026                             | 22,703                             | 1,376                                     | 1,376                             |
| <b><u>Bonds and Notes</u></b>                                       |                                  |                                    |   |                                   |
| Water Certificate of Undivided Interest, Series 1998                | 2029                             | 256,934                            | 21,354                                    | 20,002                            |
| Subordinated Water Revenue Bonds, Series 2002                       | 2033                             | 424,199                            | 18,037                                    | 17,200                            |
| Subordinated Water Revenue Notes, Series 2007 A                     | 2009                             | -                                  | 2,301                                     | 2,301                             |
| Subordinated Water Revenue Notes, Series 2008 A                     | 2010                             | -                                  | 4,551                                     | 6,532                             |
| Water Revenue Refunding Bonds, Series 2009 A                        | 2039                             | 262,608                            | -   | -                                 |
| Water Revenue Bonds, Series 2009 B                                  | 2040                             | 661,977                            | -   | -                                 |
| <b>Total Pledged Net Water Systems Revenue</b>                      |                                  | <u>1,628,421</u>                   | <u>47,619</u>                             | <u>47,411</u>                     |
| <b>Total Pledged Revenues</b>                                       |                                  | <u>\$ 3,815,222</u>                | <u>\$ 141,927</u>                         | <u>\$ 140,662</u>                 |

## 7. DISCRETELY PRESENTED COMPONENT UNITS LONG-TERM DEBT (In Thousands)

Discretely presented component units long-term debt as of June 30, 2009 is comprised as follows:

### San Diego Convention Center Corporation

| Type of Obligation                | Interest Rate | Fiscal Year<br>Maturity Date | Original Amount | Balance<br>Outstanding<br>June 30, 2009 | Due Within<br>One Year |
|-----------------------------------|---------------|------------------------------|-----------------|---|------------------------|
| Compensated Absences              |               |                              |                 | \$ 1,214                                | \$ 1,214               |
| Capital Leases                    |               |                              | \$ 3,942        | 1,394                                   | 863                    |
| Note Payable to San Diego         |               |                              |                 |   |                        |
| Unified Port District, dated 1999 | 0.00%         | 2011                         | 10,000          | 1,500                                   | 1,000                  |
| Total Long-Term Liabilities       |               |                              |                 | <u>\$ 4,108</u>                         | <u>\$ 3,077</u>        |

Annual requirements to amortize long-term debt as of June 30, 2009, are as follows:

| Capital Lease                           |                 | Note Payable |                 |
|---|-----------------|--------------|-----------------|
| Fiscal Year                             | Amount          | Fiscal Year  | Amount          |
| 2010                                    | \$ 931          | 2010         | \$ 1,000        |
| 2011                                    | 543             | 2011         | 500             |
| Total minimum lease payments            | 1,474           | Total        | <u>\$ 1,500</u> |
| Less: amount representing interest      | (80)            |              |                 |
| Present value of minimum lease payments | <u>\$ 1,394</u> |              |                 |

### San Diego Housing Commission

| Type of Obligation                              | Interest<br>Rate | Fiscal Year<br>Maturity Date | Original<br>Amount | Balance Outstanding<br>June 30, 2009 | Due Within<br>One Year |
|---|------------------|------------------------------|--------------------|--------------------------------------|------------------------|
| Compensated Absences                            |                  |                              |                    | \$ 1,351                             | \$ 1,351               |
| Note Payable to Chase,<br>dated June 1995       | Variable         | 2012                         | \$ 4,725           | 3,274                                | 161                    |
| Note Payable to State of California<br>(RHCP)   | 0.0              | 2014                         | 1,405              | 1,405                                | -                      |
| Note Payable to State of California<br>(RHCP)   | 0.0              | 2015                         | 3,149              | 3,149                                | -                      |
| Note Payable to US Bank, dated<br>November 2006 | Variable         | 2012                         | 20,550             | 19,245                               | 241                    |
| Total Notes Payable                             |                  |                              |                    | <u>27,073</u>                        | <u>402</u>             |
| Total Long-Term Liabilities                     |                  |                              |                    | <u>\$ 28,424</u>                     | <u>\$ 1,753</u>        |

The interest rate for the Chase obligation as of June 30, 2009 was 3.01%. The variable rate in accordance with the loan agreement is equal to .65 times the sum of the Variable Index Rate plus 3%. The Variable Index Rate is defined as the most recently available monthly weighted average cost of funds for 11<sup>th</sup> District Savings Institutions published by the Federal Home Loan Bank of San Francisco.

The interest rate for the US Bank obligation as of June 30, 2009 was 7.54%. The variable interest rate in accordance with the loan agreement is 2.25% plus LIBOR.

The Commission entered into an Interest Rate Swap Agreement with US Bank (the Swap Provider) to reduce the impact of changes in interest rate. Under the terms of the Swap Agreement, the Commission has agreed to pay interest to the Swap Provider at a fixed rate of 5.29% plus 2.25% exclusive of any fees, add-ons or other trustee or bank charges, while the Swap Provider has agreed to make the Commission's required monthly mortgage payment. The notional amount of the Swap Agreement is \$20,006. The Swap Agreement expires at maturity of the mortgage in 2011.

Pursuant to SFAS No. 133, derivative instruments not meeting the criteria for hedge accounting are recorded at fair value on the statement of net assets with any change in fair value reflected in the statement of activities in the period of change. The Commission recorded a liability for the fair value of the interest rate swap as of June 30, 2009 in the amount of \$1,736. During the year ended June 30, 2009, a loss in fair value of \$831 has been realized and is included in the statement of activities.

Annual requirements to amortize such long-term debt as of June 30, 2009 to maturity are as follows:

| Year Ending<br>June 30 | Principal        | Interest        |
|------------------------|------------------|-----------------|
| 2010                   | \$ 402           | \$ 1,563        |
| 2011                   | 416              | 1,540           |
| 2012                   | 21,701           | 488             |
| 2013                   | -                | -               |
| 2014                   | 1,405            | -               |
| 2015-2019              | 3,149            | -               |
| Total                  | <u>\$ 27,073</u> | <u>\$ 3,591</u> |

**8. SHORT-TERM NOTES PAYABLE (In Thousands)**

The City issues Tax and Revenue Anticipation Notes (TRANs) in advance of property tax collections, depositing the proceeds into the General Fund. These notes are necessary to meet the cash requirements of the City prior to the receipt of property taxes.

Short-term debt activity for the year ended June 30, 2009, was as follows:

|                                    | <u>Beginning Balance</u> | <u>Additions</u>  | <u>Reductions</u>   | <u>Ending Balance</u> |
|------------------------------------|--------------------------|-------------------|---------------------|-----------------------|
| Tax and Revenue Anticipation Notes | <u>\$ 116,000</u>        | <u>\$ 135,000</u> | <u>\$ (251,000)</u> | <u>\$ -</u>           |

The \$116,000 (FY08) TRANs issue, which was a 13 month note obligation, had an interest rate of 3.90% and was repaid on August 1, 2008.

The \$135,000 (FY09) TRANs issue had an average effective interest rate of 2.68% and was repaid on April 30, 2009.

**9. JOINT VENTURE and JOINTLY GOVERNED ORGANIZATIONS (In Thousands)**San Diego Medical Services Enterprise, LLC

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. San Diego Medical Services Enterprise, LLC (SDMSE) is a joint venture that is reported within the General Fund, in accordance with GASB 14.

SDMSE was organized on May 2, 1997 to provide emergency medical services and medical transportation services to the citizens of San Diego. Operations began July 1, 1997 under an initial 5 year agreement that was extended on July 1, 2002 and again on July 1, 2005 for an additional three year period. On July 1, 2008 operations were extended until December 31, 2009 under a separate extension agreement and may be extended an additional six months if necessary. In addition, the City Council has authorized the Mayor to re-negotiate and execute a new five year agreement with SDMSE for ambulance services. The San Diego City Attorney is currently reviewing the proposed extension agreement and related SDMSE agreements to determine whether any changes to these agreements may be appropriate.

The SDMSE partners are the City of San Diego and Rural Metro of San Diego, Inc., a wholly owned subsidiary of Rural Metro Corporation (a publicly traded corporation). The SDMSE governing board of managers is comprised of five members, three of whom are appointed by the City; currently one of the City appointments is vacant.

The maximum funds which the City is required to contribute to the costs of SDMSE operations are limited to an aggregate of \$8,450 during the term of the third amended agreement. This aggregate includes a \$650 annual subsidy and any other amounts to be paid to the City since 1997 under the original contract, and any losses the City is required to cover under the extended contract, excluding any amount the City contributes for Medicare fee reimbursements. Cumulatively, the City has paid annual subsidies totaling \$5,700 as of June 30, 2009. Effective in fiscal year 2006, the City was no longer required to pay the \$650 annual subsidy and the Medicare fee reimbursements shall not exceed \$250 per fiscal year. Net assets of SDMSE are pro-rated to each partner based on a 50/50 split. In accordance with the operating agreement, profit and loss for each fiscal year is allocated equally to the members, subject to an aggregate limitation on loss to the City of \$8,450 (equal to the amount of subsidies discussed above). For the fiscal year ended June 30, 2009, SDMSE reported a net income of \$3,185, a member distribution of \$3,500, and ending net assets of \$3,647.

Under the terms of an operating agreement between Rural/Metro of San Diego, Inc. and SDMSE, Rural/Metro of San Diego, Inc. has made available a line-of-credit in the initial amount of \$3,500 bearing an interest rate of 9.5%. SDMSE did not have an outstanding balance, nor did it borrow on the line-of-credit at June 30, 2009.

Complete financial statements can be requested from San Diego Medical Services Enterprise, LLC, 8401 East Indian School Road, Scottsdale, Arizona 85251.

San Diego Workforce Partnership

The City of San Diego and the County of San Diego jointly govern the San Diego Workforce Partnership (Consortium). The Consortium's Board of Directors consists of two members of the City Council, two members from the County Board of Supervisors, and one member of a charitable organization. The purpose of the Consortium is to provide regional employment and training services in order to develop and create job opportunities throughout San Diego County. The Consortium is empowered to make applications for and receive grants from governmental or private

sources. The City does not appoint a majority of the Board, is not able to impose its will on the Consortium, and the Consortium is not fiscally dependent on the City. Therefore, it is the City's conclusion that the Consortium is a Governmental Organization with a jointly appointed board and not a component unit of the City. However, in the event the Consortium incurs a liability it cannot financially handle, the City and the County have agreed to share in the payment of those obligations.

Complete financial statements can be requested from San Diego Workforce Partnership, Inc. 3910 University Avenue, Suite 400, San Diego, CA 92105.

San Diego Geographic Information Source (SanGIS)

SanGIS was created in July 1997 as a joint powers agreement between the City of San Diego and the County of San Diego. SanGIS objectives are: to create and maintain a geographic information system; to market and license digital geographic data and software; to provide technical services; and to publish geographical and land-related information.

Complete financial statements can be requested from SanGIS, 5469 Kearny Villa Road, Suite 102, San Diego, CA 92123.

**10. LEASE COMMITMENTS (In Thousands)**

The City leases various properties and equipment. Leased property having elements of ownership are recorded as capital leases and reported as capital assets in the government-wide financial statements, along with a corresponding capital lease obligation. Leased property that does not have elements of ownership is reported as an operating lease and is expensed when paid.

Operating Leases

The City's operating leases consist primarily of rental property occupied by City departments. The following is a schedule of future minimum rental payments required under operating leases entered into by the City for property that has initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2009:

| Year Ended<br>June 30 | Amount           |
|-----------------------|------------------|
| 2010                  | \$ 12,642        |
| 2011                  | 12,122           |
| 2012                  | 12,332           |
| 2013                  | 12,189           |
| 2014                  | 7,617            |
| 2015-2019             | 4,818            |
| 2020-2024             | 245              |
| Total                 | <u>\$ 61,965</u> |

Rent expense as related to operating leases was \$12,719 for the year ended June 30, 2009.

Capital Leases

The City has entered into various capital leases for equipment and structures. These capital leases have maturity dates ranging from August 1, 2008 through October 1, 2023, and interest rates ranging from 2.63% to 7.94%. A schedule of future minimum lease payments under capital leases as of June 30, 2009 is provided in Notes 5 and 6. The value of all capital leased assets as of June 30, 2009 for governmental assets is \$109,792 net of accumulated depreciation of \$58,551, and business-type assets of \$1,357, net of accumulated depreciation of \$9,684. These amounts are categorized by major asset class in the table below.

|                          | Gross<br>Value    | Depreciation       | Net Book<br>Value |
|--------------------------|-------------------|--------------------|-------------------|
| <u>Governmental</u>      |                   |                    |                   |
| Equipment                | \$ 134,184        | \$ (56,708)        | \$ 77,476         |
| Structures & Improvement | 4,889             | (1,843)            | 3,046             |
| Construction in Progress | 29,270            | -                  | 29,270            |
| Total Governmental       | <u>\$ 168,343</u> | <u>\$ (58,551)</u> | <u>\$ 109,792</u> |
| <u>Business-Type</u>     |                   |                    |                   |
| Equipment                | \$ 11,041         | \$ (9,684)         | \$ 1,357          |
| Total Business-Type      | <u>\$ 11,041</u>  | <u>\$ (9,684)</u>  | <u>\$ 1,357</u>   |



Lease Revenues

The City has operating leases for certain land, buildings, and facilities with tenants and concessionaires. Leased capital asset carrying values of approximately \$76,591, as well as depreciation, are reported in Note 4 and are consolidated with non-leased assets. Minimum annual lease revenues are reported in the following schedule:

| Year Ended<br>June 30 | Amount            |
|-----------------------|-------------------|
| 2010                  | \$ 33,813         |
| 2011                  | 33,027            |
| 2012                  | 32,128            |
| 2013                  | 30,975            |
| 2014                  | 30,062            |
| 2015-2019             | 138,749           |
| 2020-2024             | 124,203           |
| 2025-2029             | 118,584           |
| 2030-2034             | 110,230           |
| 2035-2039             | 100,732           |
| 2040-2044             | 93,506            |
| 2045-2049             | 66,178            |
| 2050-2054             | 12,334            |
| 2055-2059             | 4,840             |
| 2060-2064             | 1,100             |
| Total                 | <u>\$ 930,461</u> |

This amount does not include contingent rentals, which may be received under certain leases of property on the basis of percentage returns. Rental income as related to operating leases was \$81,301 for the year ended June 30, 2009, which includes contingent rentals of \$46,748.

**11. DEFERRED COMPENSATION PLAN (In Thousands)**

The City, San Diego Convention Center Corporation (SDCCC), San Diego Data Processing Corporation (SDDPC), and San Diego Housing Commission (SDHC) each offer their employees a deferred compensation plan, created in accordance with Internal Revenue Service Code Section 457, State and Local Government Deferred Compensation Plans. These plans, available to eligible employees, permit them to defer, pre-tax, a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, disability, or an unforeseeable emergency. All assets and income of the deferred compensation plan are held in trust for the exclusive benefit of plan participants and their beneficiaries. The deferred compensation plans are not considered part of the City of San Diego's financial reporting entity.

**12. PENSION PLANS (In Thousands)**

The City has a defined benefit pension plan and various defined contribution pension plans covering substantially all of its employees.

**DEFINED BENEFIT PLAN****a. Plan Description**

San Diego City Employees' Retirement System ("SDCERS"), as authorized by Article IX of the City Charter, 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 Port of San Diego (the "Port"), and the San Diego County Regional Airport Authority (the "Airport"). As of July 1, 2007, the assets of the three separate plans and trusts are pooled in the SDCERS Group Trust. These plans are administered by the SDCERS Board (the "Board") to provide retirement, disability, death and survivor benefits for its members. Amendments to the City's benefit provisions require City Council approval as well as a majority vote by members. As of January 1, 2007, 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 working half-time or greater and full-time employees of the Port and the Airport are eligible for membership and are required to join SDCERS. The Port and Airport are not component units of the City CAFR per GASB 14; however, the financial statements of SDCERS Pension trust do include the Port and Airport activity and are reported in the trust and agency section of the CAFR. The information disclosed in this note however, relates solely to the City's participation in SDCERS. City employment classes participating in the Plan are elected officers, general and safety (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.

City of San Diego Plan Membership as of June 30, 2009 (actual member count)

|   | General | Safety | Total by<br>Classification |
|---|---------|--------|----------------------------|
| Active Members                          | 5,825   | 2,449  | 8,274                      |
| Terminated Members                      | 2,298   | 528    | 2,826                      |
| Retirees, Disabled<br>and Beneficiaries | 4,428   | 2,943  | 7,371                      |
| Total Members, as of<br>June 30, 2009   | 12,551  | 5,920  | 18,471                     |

Source: SDCERS' CAFR as of June 30, 2009

As a defined benefit Plan, retirement benefits are determined primarily by a member's class, age at retirement, number of years of creditable service, and the member's final compensation based on the highest salary earned over a consecutive one-year period. The Plan provides cost of living adjustments of 2% to retirees, which is factored into the actuarial assumptions. Increases in retirement benefits due to cost of living adjustments do not require voter approval. The Plan requires ten years of service at age 62, or 20 years of service at age 55 for general members (50 for safety members), which could include certain service purchased or service earned at a reciprocating government entity, to vest for a benefit. Typically, retirement benefits are awarded at a rate of 2.5%

of the employee's one-year high annual salary per year of service at age 55 for general members, and 3% for Safety members starting at the age of 50. The actual percentage of final average salary per year served component of the calculation rises as the employee's retirement age increases and depends on the retirement option selected by the employee. General Plan percentage of final average salary per year served is a maximum of 2.8% for general members and 3% for safety members.

On July 28, 2008, the City Council approved R-303977 which presents modified defined contribution and defined benefit Plans for all non-safety City employees hired on or after July 1, 2009 (these changes were subsequently codified into the Municipal Code on June 25, 2009 with Council's approval of O-19874). The new defined benefit Plan includes modified percentages used to determine annual retirement allowance (depending on employees' age at retirement), a pensionable salary calculation used to determine retirement allowances based on a 3-year average, and a maximum annual retiree benefit of 80% of employees' pensionable salary. Additionally, the new defined contribution Plan includes mandatory employee contributions to SPSP (as well as City match) of 1% and the introduction of mandatory employee contribution to a retiree medical trust Plan (as well as City match) of 0.25%. See SDMC Section 24.04 for additional information.

#### Deferred Retirement Option Program (DROP)

The City also has a Deferred Retirement Option Program (DROP) where participants continue to work for the City and receive a regular paycheck. SDCERS' members electing to participate in DROP must agree to participate in the program for a specific period, up to a maximum of five years. A DROP participant must agree to end employment with the City on or before the end of the selected DROP participation period. A SDCERS member's decision to enter DROP is irrevocable.

Upon entering the program, the DROP participant stops making contributions to SDCERS and stops earning creditable service. Instead, amounts equivalent to the participant's retirement benefit plus earnings and additional contributions are credited to an interest bearing individual account held in the participant's name. On November 21, 2008, the SDCERS Board changed the DROP interest credit rate to 7.75% from 8% to mirror the newly adopted investment return assumption adopted by the Board on September 19, 2008. On February 20, 2009 the Board changed the DROP interest rate again. Effective July 1, 2009, DROP participation interest will be 3.54% and DROP annuity interest will be 5.0%. The DROP benefit is the value of a DROP participant's account at the end of the DROP participation period. Participants select the form of the distribution of the DROP account when they leave employment and begin retirement. The distribution is made as a single lump sum or in 240 equal monthly payments, or as otherwise allowed by applicable provisions of the Internal Revenue Code. Outstanding liabilities for DROP are shown on the Statement of Fiduciary Net Assets in the basic financial statements. During the period of participation, the participant continues to receive most of the employer offered benefits available to regular employees with exception to earning creditable service, as previously discussed.

SDCERS' members who were hired on or after July 1, 2005 are ineligible to participate in the DROP program due to the benefit changes negotiated with the July 1, 2005 Memoranda of Understanding (MOU). However, SDCERS has asserted that due to delays in codification of benefit changes into the Municipal Code, the effective cut off date would instead be February 16, 2007, which is when the Ordinance O-19567 was officially codified in the Municipal Code. As of the issuance of this report, there has been no change in the status of this case [refer to Note 18 for additional information]. Notwithstanding amendments to the municipal code, SDCERS' members who were hired prior to July 1, 2005 are eligible to participate in DROP when they are eligible for a service retirement.

### Purchase of Service Credits

Article 4 Division 13 of the City's Municipal Code allows Plan members to purchase years of Creditable Service for use in determining retirement allowances. To purchase Creditable Service, a Member must elect to pay and thereafter pay, in accordance with such election before retirement, into the Retirement Fund an amount, including interest, determined by the Board. No Member will receive Creditable Service under this Division for any service for which payment has not been completed pursuant to this Division before the effective date of the Member's retirement. After review of the purchase of service program, SDCERS' actuary concluded that the service credit pricing structure that was in place prior to November 2003 did not reflect the full cost in the price then charged to SDCERS members. The pricing shortfall of approximately \$146,000, which is included in the Unfunded Actuarial Accrued Liability (UAAL), is reported in this note as of the most recent valuation date and in the RSI of these financial statements for the two years prior to the most recent valuation date. On November 13, 2008, a court ruling stated that the Board's decision to amortize the underpaid purchase of service credits, for certain employees who had yet to retire as of November 20, 2007, through the City's existing unfunded actuarial liability is unlawful and contrary to the Municipal Code and City Charter. Judgment was entered in favor of the City on December 12, 2008 which finalized the November 13, 2008 ruling. However, SDCERS submitted an appeal to this ruling which is currently pending. The amount of the potential benefit to the City is not known as of the issuance of this report. Additionally, the service credit pricing structure used after November 2003 does cover the full projected cost to the System when members purchased the service credits.

SDCERS' members who were hired on or after July 1, 2005 are ineligible to participate in the Purchase of Service Credit program due to the benefit changes negotiated with the July 1, 2005 MOU. However, SDCERS has asserted that due to delays in codification of benefit changes into the municipal code, the effective cut off date would instead be February 16, 2007, which is when the Ordinance O-19567 was officially codified in the Municipal Code. As of the issuance of this report, there has been no change in the status of this case [refer to Note 18 for additional information]. Notwithstanding amendments to the municipal code, SDCERS' members who were hired prior to July 1, 2005 are eligible to participate the Purchase of Service Credit Program at the full cost to the participant.

### Corbett Settlement Benefits and Retirement Factors

In 1998, a lawsuit was filed by retired employees who alleged that the City's definition of compensation subject to the computation of retirement benefits improperly excluded the value of certain earnings. The City and SDCERS settled in May of 2000, which is known as the Corbett Settlement. This settlement provided for a flat increase of 7% in benefits payable to eligible members who retired prior to July 1, 2000, payable annually. The settlement also provided a 10% benefit increase and allows for two options in calculating the service retirement allowance for employees active at the time of the settlement and who joined the Retirement System before July 1, 2000 and who retired after July 1, 2000.

The options for calculating the service retirement allowance are outlined in the San Diego Municipal Code sections 24.0402 and 24.0403 which can be obtained at City of San Diego City Clerks Office 202 C Street, San Diego, CA 92101 or online at [www.sandiego.gov](http://www.sandiego.gov).

On July 1, 2002, the City Council increased the retirement factors used for calculating retirement allowances; this action was related to MP-2 (as discussed later in this note). As a result of the Corbett Settlement and other benefit actions taken by the City Council, the service retirement factors for general members (non-safety and non-legislative) range from 2.0% at age 55 to 2.8% at age 65. The service retirement factors for Safety Members (Fire, Police and Lifeguard) range from 2.2% at age 50 to 3.0% at age 50 depending on the Corbett Settlement

option selected. Finally, the City also maintains an Elected Officer's Retirement Plan where members are eligible to receive 3.5% of their final average salary per year of creditable service. Depending on the number of years of service, participants of the Elected Officer's Retirement Plan can retire earlier than the age of 55; however, their retirement allowance is reduced by 2.0% for each year under the age of 55.

#### Preservation of Benefit Arrangement

On March 19, 2001, the City Council adopted Ordinance O-18930, adding SDMC sections 24.1601 through 24.1608, establishing the Preservation of Benefit (POB) arrangement. The POB arrangement is a qualified governmental excess benefit arrangement (QEBA) under Internal Revenue Code (IRC) section 415(m), which was created by Congress to allow the payment of promised pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). On October 28, 2008, the IRS issued a private letter ruling to SDCERS approving the qualified status of the QEBA. No additional payments or repayments are required as a result of the Compliance Statement. As provided in SDMC section 24.1606 and required by federal tax law, the POB arrangement is unfunded within the meaning of the federal tax laws. The City may not pre-fund the POB arrangement to cover future liabilities beyond the current year as it can with an IRC section 401(a) pension plan. SDCERS has established procedures to pay for these benefits on a pay-as-you-go basis. As of issuance of this report, actuarial liabilities related to retired member benefits that exceeded §415 limits are included in the RSI for the City's core pension Plan for valuation years up to and including fiscal year 2005. In the fiscal year 2006 actuarial valuation, the estimated actuarial accrued liability related to excess benefits for eligible active members of the system, amounting to approximately \$22,800, was removed from the Plan's Actuarial Liabilities (this liability is estimated to be approximately \$30,400 in the fiscal year 2007 actuarial valuation). Additionally, the liability for retired members of the POB arrangement, amounting to approximately \$6,400, has been excluded from the fiscal year 2007 actuarial valuation. Estimates related to the actuarial liability for benefits that exceed IRS §415 limits were calculated using actuarial assumptions consistent with those used to perform actuarial valuations for the City's core pension Plan and also pursuant to the Compliance Statement, dated December 20, 2007, and Tax Determination Letter provided by the IRS during Voluntary Correction Program discussions.

In Fiscal Year 2009, approximately \$1,300 in benefits were paid by the City for the POB arrangement. The number of participants in any given year for the POB arrangement is determined by the number of Plan participants who exceed the current year's IRS §415(b) limitations as calculated by SDCERS' actuary. The maximum annual payment for the calendar year 2009 was \$195 and is adjusted downward depending on the age of the participant when benefits began. In fiscal year 2009, the City's ARC was approximately \$4,004; however, the City contributed approximately \$1,210 to the POB arrangement, and therefore, the remaining \$2,794, which represents future liabilities, is included in the City's Net Pension Obligation (NPO). According to the valuation for the fiscal year ended June 30, 2009, the AAL related to the POB arrangement is approximately \$7,400, all of which is unfunded. Additionally, financial statements for the Preservation of Benefits arrangement are included in the Trust & Agency section of this report.

#### b. Summary of Significant Accounting Policies – Pension

*Basis of Accounting* - The pension trust fund uses the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized as additions in the period in which the contributions are due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the Plan.

*Method Used to Value Investments* - SDCERS investments are stated at fair value. The SDCERS custodial agent

provides market values of invested assets with the exception of the fair value of directly owned real estate assets which are provided by the responsible investment manager and independent third party appraisal firms. Investment income is recognized in accordance with GASB 25 and is stated net of investment management fees and related expenses.

c. **Contributions and Reserves - Disclosure Related to Long - Term Contracts and Other Agreements**

**Funding Contracts: Union Agreements**

The City has historically picked up a portion of the employee's retirement contributions. The fiscal year 2006 MOUs and the changes to current and future employee benefits therein were introduced to the City Council in June 2005, and the changes in benefit eligibility were approved by Council Resolution 300600.

The agreement in the MOUs (agreements with the police union were not reached) was to reduce the amount of individual employees' pension contributions which are paid for by the City, effective fiscal year 2006. The agreements with labor unions resulted in the reduction of City offset of the employee pension contribution by 3% for the Municipal Employees' Association (MEA), the International Association of Fire Fighters Local 145, and the Deputy City Attorney Association (DCAA) and a unilaterally imposed reduction of 3.2% for the San Diego Police Officers Association (POA). In addition, the American Federation of State and County Municipal Employees (AFSCME) Local 127 negotiated a 1.9% salary reduction in lieu of a City "pick up" contribution reduction and a benefit freeze.

The agreements with the bargaining units explicitly indicate that savings to the City must be used to help address its UAAL within the timeframe of the respective contracts. The labor contract with Local 127 states that "By June 30, 2008, if the City has not dedicated a total of \$600,000,000 or more to the UAAL reduction, including the amount received by leveraging employee salary reduction and pension contribution monies, the AFSCME salary reduction monies with interest will revert to SDCERS Employee Contribution Rate Reserve for benefit of Local 127 unit members to defray employee pension contributions."

Upon the conclusion of the fiscal year ended June 30, 2008, the City had contributed approximately \$143,300 through contributions in excess of the ARC for fiscal years 2006 through 2008, and therefore, was not able to meet the outstanding commitment in its entirety. As such, the City reached agreements with both MEA and Local 127. The MEA settlement required the City to return prior year savings to MEA members of approximately \$6,078 and eliminated 2% of the employee pick-up. The Local 127 settlement required the City to return prior year savings to Local 127 members of approximately \$4,786 as well as eliminate the 1.9% salary reduction.

**Funding Commitments Related to Legal Settlements**

The City employer contributions for fiscal years 1996 – 2003 were not based on the full actuarial rates. Instead, employer contributions were less than the full actuarial rates in accordance with agreements between the City and SDCERS, commonly referred to as Manager's Proposal 1 (MP-1) and Manager's Proposal 2 (MP-2). In September 2006, the City entered into a settlement of McGuigan v. City of San Diego (the "McGuigan Settlement") related to the underfunding by the City of the pension system. Under the McGuigan Settlement, the City is obligated to pay into SDCERS \$173,000 no later than June 8, 2011. An additional requirement of the McGuigan Settlement is that the City provides SDCERS real property collateral totaling \$100,000 (Non-Depreciable Capital Assets – Land). These amounts are to be returned upon the full payment of the settlement. The City provided the real property collateral at the time of the settlement; subsequently, the City provided a

cumulative amount of approximately \$144,000<sup>1</sup> of additional payments to SDCERS in an attempt to meet the terms of the McGuigan Settlement. This leaves an outstanding obligation resulting from the McGuigan Settlement of approximately \$35,722, including interest as of June 30, 2009. The McGuigan Settlement was partially funded through the securitization of future tobacco revenue, transfers of actual tobacco revenue receipts, additional employee "pick up" savings, and City contributions made in addition to the ARC.

d. **Funding Policy and Contribution Rates**

City Charter Article IX Section 143 requires employees and employers to contribute to the retirement Plan. The Charter section, which was amended in fiscal year 2005, stipulates that funding obligations of the City shall be determined by the Board of SDCERS and are not subject to modification by the City. The section also stipulates that under no circumstances may the City and Board enter into any multi-year funding agreements that delay full funding of the retirement Plan. The Charter requires that employer contributions be substantially equal to employee contributions (SDCERS' legal counsel has opined that this requirement applies to the normal cost contribution only). Pursuant to the Charter, City employer contribution rates, adjusted for payment at the beginning of the year, are actuarially determined rates and are expressed as a fixed annual required contribution as well as percentages of annual covered payroll. The entire expense of SDCERS' administration is charged against the earnings and Plan assets of SDCERS.

The following table shows the City's contribution rates (weighted average of each employee group) for fiscal year 2009, based on the valuation ended June 30, 2007, expressed as percentages of active payroll:

|   | Employer Contribution Rates |                |
|---|-----------------------------|----------------|
|   | General Members             | Safety Members |
| Normal Cost*  | 9.89%                       | 18.41%         |
| Amortization Payment*   | 13.86%                      | 24.23%         |
| Normal Cost Adjusted for Amortization Payment*                            | 23.75%                      | 42.64%         |
| City Contribution Rates Adjusted for Payment at the Beginning of the Year | 22.85%                      | 41.03%         |

\* Rates assume that contributions are made uniformly during the Plan year.

Normal Cost = The actuarial present value of pension plan benefits allocated to the current year by the actuarial cost method.

Amortization Payment = The portion of the pension plan contribution which is designed to pay interest on and to amortize the unfunded actuarial accrued liability.

Members are required to contribute a percentage of their annual salary to the Plan on a biweekly basis. Rates vary according to entry age. For fiscal year 2009, the City employee contribution rates as a percentage of annual covered payroll averaged 10.06% for general members and 12.69% for safety members. A portion of the employee's share, depending on the employee's member class, is paid by the City (commonly referred to as the Employee Offset). In fiscal year 2009, the amount paid by the City ranges from 1.4% to 5.89% of covered payroll for general members and the rate for safety Plan members ranges from 2.4% to 4.3%. Employee contributions paid by the City, amounting to approximately \$20,317 in fiscal year 2009, are made from the City's operating budget. The amount paid on behalf of the employees has been renegotiated through the meet and confer process which ultimately reduced the amount of the employee contribution paid by the City.

<sup>1</sup> This amount includes a contribution in addition to the ARC of approximately \$700 in fiscal year 2009.



On September 2, 2008, Council approved O-19781 which amended Chapter 2, Article 4, Division 15 of the San Diego Municipal Code. The intent of the amendment was to eliminate the concept of "Surplus Earnings" (earnings in excess of those earned using the assumed actuarial rate of return) which was the historical term for the funds used to pay for supplemental and contingent benefits. In accordance with these revised SDMC sections, annual distributions of these benefits are paid from Plan assets and take place in priority order. The Plan assets are distributed to various SDCERS system reserves, SDCERS budget, and contingent benefits. The order of distribution and a more detailed discussion of each distribution follows: First, Plan assets are used to credit interest, at a rate determined by the SDCERS Board, which is currently 7.75%, to the Employer and Employee Contribution Reserves and 3.54% to DROP member accounts. Second, Plan assets are used to fund the SDCERS Annual Budget. Third, Plan assets are distributed for supplemental or contingent payments or transfers to reserves. These items include in a priority order: 1) Annual Supplement Benefit Payment ("13th Check") paid to retirees generally equal to approximately \$30 (whole dollars) times the number of years of employment. 2) Corbett Settlement Payment paid to retirees who terminated employment prior to July 1, 2000 (Corbett Settlement payments not paid in any one year accrue to the next year and remain an obligation of SDCERS until paid). 3) Crediting interest to the Reserve for Supplemental Cost of Living Adjustment ("COLA").

e. **Funded Status and Funding Progress**

The following table summarizes the Plan's funding status as of the most recent valuation date:

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(b) | UAAL<br>(b - a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b - a)/c) |
|--------------------------------|--|--|-----------------|--------------------------|---------------------------|---|
| 6/30/2008                      | \$ 4,660,346                           | \$ 5,963,550                             | \$ 1,303,204    | 78.15%                   | \$ 535,774                | 243.24%   |

The actuarial assumptions used for the fiscal year 2008 valuation include an Entry Age Normal actuarial funding method, an Expected Value of Assets smoothing method, a UAAL that is amortized over several different periods, a 7.75% earnings assumption, a 4.0% projected salary increase rate with an additional merit component based on member class and years of service, a 2% annual cost-of-living adjustment and a 4% inflation rate. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

f. **Annual Pension Cost and Net Pension Obligation**

**Annual Pension Costs**

Beginning with the valuation dated June 30, 2007, the normal cost (i.e. the actuarial present value of pension Plan benefits allocated to the current year) and the UAAL amortization cost (i.e. the portion of the pension Plan payment designed to amortize the UAAL) were determined using the Entry Age Normal (EAN) actuarial cost method (as opposed to the previously used Projected Unit Credit method), the result of which caused the UAAL used in the determination of the fiscal year 2009 ARC to increase by approximately \$252,200. The following are the principal actuarial assumptions used for the fiscal year 2007 valuation (additional assumptions were used regarding a variety of other factors):

- a) An 8.0% investment rate of return, net of administrative expenses.\*\*

- b) Projected salary increases of at least 4.25% per year.\*\*
- c) An assumed annual cost-of-living adjustment that is generally 2% per annum and compounded. In addition, there is a closed group of special safety officers whose annual adjustment is equal to inflation (4.25% per year).

\*\*Both (a) and (b) included an inflation rate of 4.25%.

The actuarial value of assets was determined using a methodology that smoothes the effects of short-term volatility in the market value of investments over a five-year period. In fiscal year 2007, the SDCERS Board approved a different asset smoothing method by marking the actuarial value of assets to market value in the fiscal year 2006 actuarial valuation, the result of which caused the UAAL to decrease by approximately \$183,800. The method used by the actuary in fiscal year 2005 was not a commonly used method. The expected actuarial value asset smoothing method commenced with the fiscal year 2007 valuation. Additionally, pursuant to the Gleason Settlement, the UAAL was being amortized over a fixed 30-year closed period for the fiscal years 2006, 2007, and 2008. However, for valuations effective June 30 2007, SDCERS' Board of Administration decided to use a 20-year closed amortization schedule with no negative amortization.

The following table shows the City's annual pension cost ("APC") and the percentage of APC contributed for the fiscal year ended June 30, 2009 and two preceding years (in thousands):

| Fiscal Year Ended<br>June 30 | APC        | Percentage<br>Contributed | Net Pension<br>Obligation |
|------------------------------|------------|---------------------------|---------------------------|
| 2007                         | \$ 169,762 | 99.63%                    | \$ 195,356                |
| 2008                         | 145,077    | 114.82%                   | 173,852                   |
| 2009                         | 167,529    | 97.66%                    | 177,767                   |

### Net Pension Obligation

Net Pension Obligation (NPO) is the cumulative difference, since the effective date of GASB 27 (fiscal year 1998, with a 10-year look back), between the annual pension cost and the employer's contributions to the Plan. This includes the pension liability at transition (beginning pension liability) and excludes short term differences and unpaid contributions that have been converted to pension-related debt. As of June 30, 2009, the City's NPO is approximately \$177,767 and is reported in accordance with GASB 27. See table above.

The change to NPO is derived by first calculating the City's Annual Required Contribution ("ARC"). The ARC is calculated by actuarially determining the cost of pension benefits accrued during the year (normal cost) as well as the annual amount needed to amortize the UAAL (amortization cost) as reported by the actuary, in accordance with the amortization period and method selected. The ARC is then increased by interest accruing on any outstanding NPO (NPO Interest) and then reduced by the amortization of the UAAL that is related to the NPO (ARC Adjustment).

The following shows the calculation for NPO based on the actuarial information provided to the City (in thousands):

|                                      |                          |
|--------------------------------------|--------------------------|
| ARC [Fiscal Year 2009]               | \$ 165,704               |
| Interest on NPO                      | 13,895                   |
| ARC Adjustment                       | <u>(12,070)</u>          |
| Annual Pension Cost                  | 167,529                  |
| Contributions [Fiscal Year 2009]     | <u>(163,614)</u>         |
| Change in NPO                        | 3,915                    |
| NPO Beginning of Year [July 1, 2008] | 173,852                  |
| NPO End of Year [June 30, 2009]      | <u><u>\$ 177,767</u></u> |

### Components of the NPO and actions taken to address the Pension Liability

Multiple components have contributed to the City's NPO dating back to fiscal year 1988, including the use of pension assets to pay for costs related to retiree healthcare and employee contribution offset liabilities. Additionally, benefit increases resulting from the Corbett Settlement, which were initially considered contingent, were excluded from the actuarially determined ARC and the City's contributions for the fiscal years 1996-2003 were less than the ARC as a result of MP-1 and MP-2.

As part of the agreements with the labor unions, several benefits were altered or eliminated for all employees hired on or after July 1, 2005, including the Deferred Retirement Option Plan (DROP), the 13<sup>th</sup> Check, the option to purchase years of service credits ("air-time"), and retiree healthcare benefits; however, the retirement formula generally remains 2.5% at 55 for general members and 3.0% at 50 for safety members.

### DEFINED CONTRIBUTION PLANS

#### a. Supplemental Pension Savings Plan - City

Pursuant to the City's withdrawal from the Federal Social Security System effective January 8, 1982, the City established the Supplemental Pension Savings Plan ("SPSP"). Pursuant to the Federal Government's mandate of a Social Security Medicare tax for all employees not covered by Social Security hired on or after April 1, 1986, the City established the Supplemental Pension Savings Plan-Medicare ("SPSP-M"). The SPSP and SPSP-M Plans were merged into a single plan ("SPSP") on November 12, 2004 for administrative simplification, without a change in benefits. Pursuant to the requirements of the Omnibus Budget Reconciliation Act of 1990 ("OBRA-90") requiring employee coverage under a retirement system in lieu of coverage under the Federal Insurance Contributions Act ("FICA") effective July 1, 1991, the City established the Supplemental Pension Savings Plan-Hourly ("SPSP-H"). These supplemental plans are defined contribution plans administered by Wachovia Corporation to provide pension benefits for eligible employees. There are no plan members who belong to an entity other than the City. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings, less investment losses. The City's general retirement members and lifeguard members of the City's safety retirement members participate in the plan. Eligible employees may participate from the date of employment.

The following table details plan participation as of June 30, 2009:

| <u>Plan</u> | <u>Participants</u> |
|-------------|---------------------|
| SPSP        | 8,323               |
| SPSP – H    | 4,355               |

The SPSP Plan requires that both the employee and the City contribute an amount equal to 3% of the employee's total salary each pay period. Participants in the Plan hired before July 1, 1986 may voluntarily contribute up to an additional 4.5% and participants hired on or after July 1, 1986 may voluntarily contribute up to an additional 3.05% of total salary, with the City matching each. Hourly employees contribute 3.75% on a mandatory basis which is also matched by City contributions.

Under the SPSP Plan, the City's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service at a rate of 20% for each year of service. Hourly employees are immediately 100% vested. The unvested portion of City contributions and interest forfeited by employees who leave employment before five years of service are used to reduce the City's cost.

In fiscal year 2009, the City and the covered employees contributed approximately \$23,746 and \$22,643, respectively. As of June 30, 2009, the fair value of plan assets totaled approximately \$489,344. SPSP is considered part of the City of San Diego's financial reporting entity and is reported as a pension and employee savings trust fund.

b. **401(k) Plan - City**

The City established a 401(k) Plan effective July 1, 1985. The 401(k) Plan is a defined contribution plan administered by Wachovia Corporation to provide pension benefits for eligible employees. Employees are eligible to participate from date of employment. Employees make contributions to their 401(k) Plan accounts through payroll deductions, and may also elect to contribute to their 401(k) account through the City's Employees' Flexible Benefits Program.

The employees' 401(k) contributions are based on IRS calendar year limits. Employees contributed approximately \$22,246 during the fiscal year ended June 30, 2009. There is no City contribution towards the 401(k) Plan.

As of June 30, 2009, the fair value of plan assets totaled approximately \$220,022. The 401(k) Plan is considered part of the City's financial reporting entity and is reported as a pension and employee savings trust fund.

c. **Pension Plan - Centre City Development Corporation (CCDC)**

CCDC has a Money Purchase Pension Plan covering all full-time permanent employees (the "CCDC Plan"). The CCDC Plan is a defined contribution plan under which benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During each year, CCDC contributes semi-monthly an amount equal to 8% of the total quarterly compensation for all employees. CCDC's contributions for each employee are fully vested after six years of continuous service. CCDC's total payroll (excluding benefits) in fiscal year 2009 was approximately \$3,964. CCDC contributions were calculated using the base salary amount of approximately \$3,784. CCDC made the required 8% contribution amounting to approximately \$278 (net of forfeitures) for fiscal year 2009.

In addition, CCDC has a Tax Deferred Annuity Plan covering all full-time permanent employees. The CCDC Plan is a defined contribution plan under which benefits depend solely on amounts contributed to the plan by the employer and the employees, plus investment earnings. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During each plan year, CCDC contributes semi-monthly an amount equal to 16% of the total semi-monthly compensation for eligible employees. CCDC's contributions for each employee are fully vested at time of contribution. The Tax Deferred Annuity Plan includes

amounts deposited by employees prior to CCDC becoming a contributor to the CCDC Plan. CCDC made the required 16% contribution amounting to approximately \$610 for fiscal year 2009.

The fiduciary responsibilities of CCDC consist of making contributions and remitting deposits collected. The City does not hold these assets in a trustee or agency capacity for CCDC; therefore, these assets are not reported within the City's basic financial statements.

d. **Pension Plan - San Diego Convention Center Corporation (SDCCC)**

SDCCC's Money Purchase Pension Plan (the "SDCCC Plan") became effective January 1, 1986. The SDCCC Plan is a qualified defined contribution plan and as such, benefits depend on amounts contributed to the SDCCC Plan plus investment earnings less allowable plan expenses. The SDCCC Plan covers employees not otherwise entitled to a retirement/pension plan provided through a collective bargaining unit agreement. Employees are eligible at the earlier of the date on which they complete six months of continuous full-time service, or the twelve-month period beginning on the hire date (or any subsequent Plan year) during which they complete 1,000 hours of service.

A plan year is defined as a calendar year. SDCCC's balance for each eligible employee is vested gradually over five years of continuing service with an eligible employee becoming fully vested after five years. Forfeitures and SDCCC Plan expenses are allocated in accordance with Plan provisions. A trustee bank holds the SDCCC Plan assets. The City does not act in a trustee or agency capacity for the SDCCC plan; therefore, these assets are not reported within the City's basic financial statements.

For the year ended June 30, 2009, pension expenditures for the SDCCC Plan amounted to \$1,378. SDCCC records pension expenditures during the fiscal year based upon estimated covered compensation.

e. **Pension Plan - San Diego Data Processing Corporation (SDDPC)**

SDDPC administers a Money Purchase Pension Plan (the "SDDPC Plan") covering substantially all employees. The SDDPC Plan is a defined contribution plan, wherein benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. During each plan year, SDDPC contributes monthly an amount equal to 20% of the total monthly compensation for all employees. SDDPC contributions for each employee are fully vested after four years of continuing service. The City does not act in a trustee or agency capacity for the SDDPC Plan; therefore, these assets are not reported within the City's basic financial statements. In fiscal year 2009, SDDPC made the required 20% contribution, amounting to approximately \$4,023.

SDDPC also administers a Tax Sheltered Annuity Plan, a voluntary defined contribution plan covering all employees of SDDPC who are eligible for membership as defined by the plan document. There are no employer contributions to this plan.

f. **Pension Plan - San Diego Housing Commission (SDHC)**

SDHC provides pension benefits for all its full-time employees through a defined contribution plan (the "SDHC Plan"). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the first day of their employment. SDHC's contributions for each employee (and interest allocated to the employee's account) are fully vested after four years of continuous service. SDHC's contributions for, and interest forfeited by, employees who leave employment before four years of service are used to reduce the SDHC's current-period contribution requirement. SDHC's covered payroll in

fiscal year 2009 was approximately \$12,166. SDHC made the required 14% contribution, amounting to approximately \$1,703 and plan members contributed \$67 for fiscal year 2009. The City does not act in a trustee or agency capacity for the SDHC Plan; therefore, these assets are not reported within the City's basic financial statements.

g. **Pension Plan - Southeastern Economic Development Corporation (SEDC)**

SEDC has a 403(b) Tax Sheltered Annuity Plan (Defined Contribution Plan) covering all full-time permanent employees (the "SEDC Plan"). The first six months of the current fiscal year, July 1, 2008 to December 31, 2008, the plan was administered by James Kerr & Associates, Inc with Morgan Stanley Dean Witter as the investment advisor. Under this plan, SEDC contributed a monthly amount equal to 12% of the employees' base salary, or 15% of management employees' base salary. This plan terminated on December 31, 2008. All assets of the plan were transferred to a new 403(b) Tax Sheltered Annuity Plan, effective January 1, 2009. This plan is currently administered by VLP Corporate Services, LLP with Merrill Lynch as the investment advisor. Employees are eligible on their date of employment, and SEDC contributes an amount equal to 12% of all employees' salaries. SEDC's total payroll in fiscal year 2009 was approximately \$813 and SEDC made the required 403(b) contribution totaling \$96 for fiscal year 2009. SEDC Plan members contributed an additional \$14.

### 13. OTHER POSTEMPLOYMENT BENEFITS (In Thousands)

#### a. Plan Description

The City provides postemployment healthcare benefits to qualifying general, safety and legislative members, as provided for in San Diego Municipal Code (SDMC) Sections 24.1201 through 24.1204. The Other Postemployment Benefit Plan (the "OPEB Plan") is a single-employer plan, administered by SDCERS, and includes approximately 5,400<sup>1</sup> retirees, 8,900<sup>1</sup> active employees and 600<sup>1</sup> terminated vested members as of June 30, 2009. Postemployment healthcare benefits are primarily for health eligible retirees who were actively employed on or after October 5, 1980 and were otherwise entitled to retirement allowances. Health eligible retirees can obtain health insurance coverage with the plan of their choice, including any City sponsored, union sponsored, or privately secured health plan. In fiscal year 2009, health eligible retirees who were also eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, limited to approximately \$8.4 per year, in addition to reimbursement/payment for Medicare Part B premiums, limited to approximately \$1.2 per year. Health eligible retirees who are not eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, limited to approximately \$8.9 per year. Reimbursements for health eligible retirees are adjusted annually based upon the projected increase for National Health Expenditures by the Centers for Medicare and Medicaid Services. Annual adjustments may not exceed 10% for any plan year. Non-health eligible employees who retired or terminated prior to October 6, 1980 and who are otherwise eligible for retirement allowances are also eligible for reimbursement/payment of healthcare benefits limited to a total of \$1.2 per year. Reimbursements for non-health eligible retirees are not subject to annual adjustments.

As of July 1, 2005, the City's postemployment healthcare benefit plan is closed to new entrants. However, SDCERS has asserted that due to delays in codification of benefit changes into the Municipal Code, the effective cut off date would instead be February 16, 2007, which is when the Ordinance O-19567 was officially codified in the Municipal Code. As of the issuance of this report, there has been no change in the status of this case [refer to Note 18 for additional information].

Effective July 1, 2009, the City has agreed to establish a trust vehicle for a defined contribution plan to fund retiree medical benefits for employees who are excluded from the current plan. This defined contribution plan requires a mandatory employee contribution of 0.25% of gross salary with a corresponding 0.25% match by the City. Legislative and Safety members are ineligible for this plan. Additionally, as part of the agreements with the labor unions, the new definition of "health-eligible retiree" states that employees must have 10 years of service with the City to receive 100% of the retiree health benefit and five years of service to receive 50% of the retiree health benefit.

#### b. Summary of Significant Accounting Policies

*Basis of Accounting* - The postemployment healthcare trust funds use the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized as additions in the period in which the contributions are due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the OPEB Plan.

*Method Used to Value Investments* - CalPERS investments are stated at fair value. Certain construction projects and alternative investments are reported at cost, which approximates market value. Mortgages are valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments, principally rental property subject to long-term net leases, is estimated based on independent appraisals.

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<sup>1</sup> Reported as a whole number.

c. Contributions and Reserves

In accordance with SDMC Section 24.1204, postemployment healthcare benefits are to be paid by the City, directly, from any source available to it other than the Pension Plan. Members of the OPEB Plan do not have contribution requirements related to their own coverage; however, retirees are required to pay for the benefits of their beneficiaries (amounts vary based on coverage elections). In fiscal year 2009, the City contributed \$25,587 to the Post-Employment Healthcare Benefit Plan, which is administered by SDCERS.

In addition to current retirees and beneficiaries, the OPEB Plan includes active and terminated vested members, and therefore, the City also pre-funds future expenses related to postemployment healthcare benefits through an investment trust administered by CalPERS. The CalPERS Employers Retirement Benefits Trust (CERBT) requires the City to pre-fund in an amount not less than \$5 annually. An ARC for the OPEB Plan is calculated by the City's actuary on an annual basis. City management plans to continue funding current year postemployment healthcare benefits from the pay-as-you-go trust established with SDCERS until the City is able to pay the ARC in full. Additionally, City management intends to pre-fund the CERBT with up to \$25,000 on an annual basis, which is also outlined in the City's Five Year Financial Outlook. All contributions to the CERBT become trust assets.

The City contributed approximately \$23,911 to the CERBT in fiscal year 2009. As of June 30, 2009, the balance in the CERBT was approximately \$41,497. This balance is inclusive of all contributions to the plan as well as investment losses and administrative expenses amounting to approximately \$12,499 and \$45, respectively.

d. Funded Status and Funding Progress

The following table summarizes the OPEB Plan's funding status as of the most recent valuation date:

| <b>Schedule of Funded Status</b> |                                  |  |                       |                       |                        |   |
|----------------------------------|----------------------------------|--|-----------------------|-----------------------|------------------------|---|
| Valuation Date                   | Actuarial Value of Assets<br>(a) | Actuarial Accrued Liability (AAL)<br>(b) | Unfunded AAL<br>(b-a) | Funded Ratio<br>(a/b) | Covered Payroll<br>(c) | UAAL as % of Covered Payroll<br>((b-a)/c) |
| 06/30/09                         | \$ 41,497                        | \$ 1,359,377                             | \$ 1,317,880          | 3.05%                 | \$ 549,012             | 240.05%                                   |

The schedules presented as required supplementary information following the notes to the financial statements present information regarding the funding status and employer contributions for the current and preceding fiscal years. The Schedule of Funding Progress is intended to present information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The Schedule of Employer Contributions is intended to present trend information about the amounts contributed to the OPEB Plan by employers in comparison to the ARC determined in accordance with the parameters of GASB 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation. Additionally, actuarial calculations reflect a long-term perspective and include methods and assumptions that are designed to reduce short-term volatility of actuarial accrued liabilities and the actuarial value of assets. The following table summarizes the more significant actuarial methods and assumptions used to calculate the ARC for the fiscal year 2009 (actuarial valuation for the fiscal year ended June 30, 2007) as well as for the most current actuarial valuation (ended June 30, 2009):



| <i>Description</i>               | <i>Method/Assumption</i>              |
|----------------------------------|---------------------------------------|
| Actuarial Cost Method            | Entry Age Normal                      |
| Amortization Method              | Level Dollar                          |
| Remaining Amortization Period    | 30 years, open                        |
| Actuarial Asset Valuation Method | Fair Value                            |
| Discount Rate                    | 6.69%*                                |
| Inflation Rate                   | N/A**                                 |
| Projected Payroll Increases      | N/A**                                 |
| Health Care Cost Trend Rate      | 10% grading down 0.5% each year to 5% |

\* Determined as a blended rate based on the City's partial contributions to the Plan.

\*\* Postemployment healthcare benefits are not based on inflation or payroll, but rather are determined based on the Health Care Cost Trend Rate.

Source: Buck Consultants

e. Other Postemployment Benefit Cost and Net OPEB Obligation (NOPEBO)

The following table presents the annual OPEB cost, the percentage of annual OPEB cost contributed during the fiscal year, and the net OPEB obligation at the end of fiscal year 2009 as well as for the preceding fiscal year:

| Fiscal Year Ended | Annual OPEB Cost | Percentage Contributed | Net OPEB Obligation |
|-------------------|------------------|------------------------|---------------------|
| 06/30/08          | \$ 91,346        | 58.63%                 | \$ 37,793           |
| 06/30/09          | 105,583          | 46.88%                 | 93,878              |

As the administrator of the OPEB Plan, the City implemented GASB Statements 43 and 45 in fiscal year 2008 and elected to report a zero net OPEB obligation at the beginning of the transition year. The following table shows the calculation of the City's net OPEB obligation of the OPEB Plan for the fiscal year ended June 30, 2009 (based on the valuation ended June 30, 2007):

|   |            |
|---|------------|
| ARC [Fiscal Year 2009]                  | \$ 104,475 |
| Interest on NOPEBO                      | 2,548      |
| ARC Adjustment                          | (1,440)    |
| Annual OPEB Cost                        | 105,583    |
| Contributions [Fiscal Year 2009]        | (49,498)   |
| Change in NOPEBO                        | 56,085     |
| NOPEBO Beginning of Year [July 1, 2008] | 37,793     |
| NOPEBO End of Year [June 30, 2009]      | \$ 93,878  |

**14. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (In Thousands)**

Interfund Working Capital Advance (WCA) balances are the result of loans between funds that are expected to be repaid in excess of one year. The majority of the advances, approximately \$7,359, are advances from the Housing and Urban Development (HUD) Section 108 grant funds to RDA. Interfund WCA balances at June 30, 2009 are as follows:

| Contributing Fund<br>(Receivable) | Benefitting Fund (Payable) |       |
|-----------------------------------|----------------------------|-------|
|                                   | NonMajor Governmental      |       |
| NonMajor Governmental             | \$                         | 7,959 |

Interfund receivable and payable balances are the result of loans between funds that are expected to be repaid during the next fiscal year, as well as amounts due for services provided. \$5,980 represents amounts owed to SDDPC for data processing services provided to the City but not paid for until July 2009, and \$3,604 represents a deficit in the Subdivision Fund which is covered by Development Services. Interfund receivable/payable balances at June 30, 2009 are as follows:

| Contributing Fund<br>(Receivable) | Benefitting Fund (Payable) |                        |                  |               |               |                      | Total     |
|-----------------------------------|----------------------------|------------------------|------------------|---------------|---------------|----------------------|-----------|
|                                   | General Fund               | Non Major Governmental | Internal Service | Sewer Utility | Water Utility | Non major Enterprise |           |
| General Fund                      | \$ -                       | \$ -                   | \$ 1,500         | \$ -          | \$ -          | \$ -                 | \$ 1,500  |
| Nonmajor Governmental             | -                          | -                      | 26               | -             | -             | -                    | 26        |
| Nonmajor Enterprise               | -                          | 3,604                  | 5                | -             | -             | -                    | 3,609     |
| Internal Service                  | 2,095                      | 2,389                  | 281              | 510           | 558           | 147                  | 5,980     |
| Total                             | \$ 2,095                   | \$ 5,993               | \$ 1,812         | \$ 510        | \$ 558        | \$ 147               | \$ 11,115 |

The Sewer Utility Fund has an interfund loan receivable of \$3,487, and the Black Mountain Ranch FBA Fund, a capital projects fund, has a corresponding interfund payable of \$3,487 for advanced FBA project funding. The Sewer Fund agreed to finance the Carmel Valley Trunk Sewer project to facilitate earlier construction, of which a portion was deemed the responsibility of the Carmel Valley area developers and is intended to be reimbursed in fiscal year 2010 from FBA Fund assessment revenue.

PFFA issued pooled financing bonds, Series 2007 A and B for the purpose of making loans to RDA to be used for financing and refinancing redevelopment activities in the Southcrest, Central Imperial, and Mount Hope Redevelopment Project Areas. The PFFA debt service fund has an interfund loan receivable of \$33,460 and the Redevelopment Agency Fund has an aggregate interfund loan payable of \$33,460. Since these loans are between governmental funds, the interfund receivable and payable are eliminated through the government-wide conversion.

Interfund transfers result from the transfer of assets without the expectation of repayment. Transfers are most commonly used to (1) move revenues from the fund in which it is legally required to collect them into the fund which is legally required to expend them, including TOT, Storm Drain, and TransNet funds collected in said funds but legally spent within the General Fund, (2) utilize unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, in accordance with budgetary authorizations, and (3) move tax revenues collected in the special revenue funds to capital projects and debt service funds to pay for the capital projects and debt service needs during the fiscal year.

Interfund transfer balances for the year ended June 30, 2009 are as follows:

| Contributing Fund                    | Benefiting Fund   |                       |                 |                 |                     |                  |                                      | Total             |
|--------------------------------------|-------------------|-----------------------|-----------------|-----------------|---------------------|------------------|--------------------------------------|-------------------|
|                                      | General Fund      | Nonmajor Governmental | Sewer Utility   | Water Utility   | Nonmajor Enterprise | Internal Service | Governmental Capital Asset Transfers |                   |
| General Fund                         | \$ -              | \$ 26,031             | \$ -            | \$ -            | \$ 2,196            | \$ 1,847         | \$ -                                 | \$ 30,074         |
| Nonmajor Governmental                | 105,059           | 190,654               | 1,238           | 186             | 421                 | 702              | -                                    | 298,260           |
| Sewer Utility                        | -                 | 998                   | -               | 33              | -                   | 26               | 2,552                                | 3,609             |
| Water Utility                        | -                 | 477                   | -               | -               | -                   | 99               | 53                                   | 629               |
| Nonmajor Enterprise                  | 2,131             | 333                   | -               | -               | 30                  | 33               | -                                    | 2,527             |
| Internal Service                     | 4,136             | 171                   | 616             | 406             | 246                 | 5                | 232                                  | 5,812             |
| Governmental Capital Asset Transfers | -                 | -                     | -               | 3,257           | -                   | 3,174            | -                                    | 6,431             |
| <b>Total</b>                         | <b>\$ 111,326</b> | <b>\$ 218,664</b>     | <b>\$ 1,854</b> | <b>\$ 3,882</b> | <b>\$ 2,893</b>     | <b>\$ 5,886</b>  | <b>\$ 2,837</b>                      | <b>\$ 347,342</b> |

**15. RISK MANAGEMENT (In Thousands)**

The City is exposed to various risks of loss related to torts, including theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has established various self-insurance programs and maintains contracts with various insurance companies to manage excessive risks.

The City maintains an excess liability insurance policy 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. The City's self-insurance retention amount is \$4,000.

The City offers a cafeteria-style flexible benefits plan. For Municipal Employees' Association (MEA) 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 insurance, vision insurance, or catastrophic care insurance. For all other employees, the benefits plan is the same, with the exception that \$50 of City-paid life insurance is automatically provided outside of the flexible benefit credit. Employees can place remaining flexible benefit dollars into IRS qualified dental/medical/vision and childcare reimbursement accounts, into their 401(k), and/or take as cash.

The City is self-insured for workers' compensation and long-term disability (LTD). All operating funds of the City participate in both these programs and make payments to the Self Insurance Fund. Each fund contributes an amount equal to a specified rate multiplied by the gross salaries of the fund. These payments are treated as operating expenditures in the contributing funds and operating revenues in the Self Insurance Fund.

Public liability, workers' compensation, and long-term disability estimated liabilities as of June 30, 2009 are determined based on results of independent actuarial evaluations and include amounts for claims incurred but not reported and adjustment expenses. 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 Self Insurance Fund, Sewer Utility Fund, and Water Utility Fund.

A reconciliation of total liability claims, for all three funds, showing current and prior year activity is presented below:

|                                 | Public Liability  | Workers'<br>Comp & Long-<br>Term Disability | Total             |
|---------------------------------|-------------------|---|-------------------|
| Balance, July 1, 2007           | \$ 104,244        | \$ 175,798                                  | \$ 280,042        |
| Claims and Changes in Estimates | 35,902            | 17,167                                      | 53,069            |
| Claim Payments                  | (28,043)          | (22,381)                                    | (50,424)          |
| Balance, June 30, 2008          | 112,103           | 170,584                                     | 282,687           |
| Claims and Changes in Estimates | 57,357            | 13,711                                      | 71,069            |
| Claim Payments                  | (25,588)          | (21,336)                                    | (46,924)          |
| Balance, June 30, 2009          | <u>\$ 143,873</u> | <u>\$ 162,959</u>                           | <u>\$ 306,832</u> |

The City, in collaboration with CSAC-EIA, maintains an "All Risk" policy which includes flood and earthquake coverage for scheduled locations for amounts up to \$25,000 per occurrence under the primary policy, with a \$25 deductible. Limits include coverage for business interruption losses 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 are mutually subject to the same loss. Limits and coverage may be adjusted periodically in response to the requirements of bond financed projects, acquisitions, and in response to changes in the insurance marketplace.

Earthquake coverage is provided for designated buildings/structures and certain designated City lease-financed locations in the amount of \$60,000, including coverage for business interruption caused by earthquake at certain designated locations. Earthquake coverage is subject to a deductible of 5% of total values per unit per occurrence, subject to a \$100 minimum. 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 individual earthquake occurrence. Depending upon the availability and affordability of such earthquake insurance, the City may elect not to purchase such coverage in the future, or the City may elect to increase the deductible or reduce the coverage from present levels.

The City is a public agency subject to liability for the dishonest 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 \$10,000 per occurrence, subject to a \$25 deductible.

During fiscal year 2009, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, the settlements have not exceeded insurance coverage.

See Contingencies, Note 18, for additional information.

**16. FUND BALANCE / NET ASSETS (DEFICIT) (In Thousands)**

Development Services (Enterprise) has a net deficit of approximately (\$8,785), due to a drop in workload activity caused by the deteriorating economy. The department reduced their work force by 27 full time equivalents (FTE) in the three months prior to the end of fiscal year 2009, but the adjustment did not correct the structural deficit between revenues and expenditures. A user fee increase was approved by the City Council on October 27, 2009 per Resolution R-305326. Based upon the projected workload decline for the current fiscal year, the Development Services Department has reduced an additional 48 FTEs to correct the revenue/expenditure deficit. Further reductions will be made as required to respond to revenue deficits.

The Self Insurance Fund (Internal Service) has a net deficit of approximately (\$164,372), which represents unfunded estimated claims and claim settlements related to Public Liability, Workers' Compensation, and Long-Term Disability. It is anticipated that individual claim settlements will be funded through future user charges, subsequent to the filing of a claim and prior to its settlement. In addition to user charges, in January 2008 the Mayor's office presented a five-year financial outlook to the City Council, including a proposal to fund the Self Insurance Fund. As part of this proposal, during fiscal year 2009, \$10,000 was contributed to the Public Liability Fund and \$5,000 to the Workers' Compensation Fund. On November 13, 2007, the City Council also approved the formal City Reserve Policy. This policy contains a "Risk Management Reserve Policy" for the self insurance funds. Both the Public Liability and Worker's Compensation funds shall maintain dedicated reserves equal to 50% of the outstanding claims. This is to be achieved no later than fiscal year 2014. However, due to the continued decline in the economy, and a reduction in General Fund revenues, the City may reassess this reserve policy during fiscal year 2010. The Long-Term Disability fund reserve was set to be \$12,000 by fiscal year 2012 as recommended in the actuarial valuation report.

Publishing Services (Internal Service) has a net deficit of (\$674), due to a decline in work production and outdated pricing for services which are not fully cost recoverable. Publishing Services has restructured their rates to ensure full cost recovery. In Fiscal Year 2009, after the implementation of the revised rates, the net deficit decreased by \$76.

**17. COMMITMENTS (In Thousands)**

As of June 30, 2009, the City's business-type activities contractual commitments are as follows:

|                               |                   |
|-------------------------------|-------------------|
| Airports                      | \$ 1,849          |
| Environmental Services        | 5,205             |
| Sewer Utility                 | 91,639            |
| Water Utility                 | 92,938            |
| Other                         | <u>2,051</u>      |
| Total Contractual Commitments | <u>\$ 193,682</u> |

These contractual commitments are to be financed with existing reserves and future service charges. The Sewer and Water Utility Funds intend to finance their contractual commitments with financing proceeds secured by system revenues, in addition to existing reserves and future service charges.

Consent Decree

On April 2, 2001, two environmental groups filed suit against the City alleging that the Municipal System's collection system was deficient as a result of sewer spills from December 1996 to the time of the filing. The complaint sought injunctive relief to prevent illegal discharges, a compliance schedule to upgrade the Municipal System's collection system, and civil penalties of \$27.5 per day for each day of violation. The City contested the plaintiffs' claims.

The U.S. Environmental Protection Agency (EPA) and the State also filed suits against the City alleging the same collection system violations, seeking unspecified penalties and injunctive relief for collection system improvements. All three cases were consolidated. On March 16, 2005, the City settled the State lawsuit for \$1,200. Of this total, \$1,000 funded three supplemental environmental projects to benefit the local environment, and \$200 was deposited in the State's Cleanup and Abatement Account.

The EPA, the City, and the environmental groups reached an agreement on additional requirements to reduce sewer spills, which are set forth in a Consent Decree (the "Consent Decree"). The Consent Decree requires increased sewer spill response and tracking, increased root control, replacement or rehabilitation of 250 miles of pipeline, a canyon economic and environmental analysis, pump station and force main upgrades, and entails court supervision of these upgrades at least through June 2013. The estimated average annual cost of this commitment is \$117,000 per year in capital projects and \$48,700 per year in operational maintenance to the sewer system (based on the projected expenditures for wastewater collections for fiscal year 2009); however, the costs for bidding, constructing and completing the required work will fluctuate depending on variables such as changes in the cost of materials and labor. No civil penalty payment was required, though stipulated penalties ranging from \$375 (in whole dollars) to \$20,000 (in whole dollars) per occurrence are included for subsequent violations of the Consent Decree. The Consent Decree was approved by the Court on October 9, 2007, settling all remaining issues in the case.

Four sewer rate increases were approved for fiscal year 2007 through fiscal year 2010 to partially fund the obligations of the Consent Decree. However, additional rate increases will be necessary (likely beginning in year 2011) to completely fund the Consent Decree. The City funds the Capital Projects in the Consent Decree through the issuance of notes and bonds which are repaid with sewer system revenues.

### Agreement Relative to Modified Permit for the Point Loma Wastewater Treatment

In December 2008, the Environmental Protection Agency (EPA) released its tentative decision to approve the City's request to renew a modified permit for the Point Loma Wastewater Treatment Plant. Point Loma initially received a modified permit (also known as a waiver) in 1995, which was renewed in 2002. The City entered into an agreement with the environmental organizations to support the waiver and the City promised to conduct a study to identify opportunities to maximize recycling wastewater for non-potable and potable uses for an amount not to exceed \$2,000,000 (in whole dollars). This request is the City's second renewal. In June 2009, the State of California's Regional Water Quality Control Board concurred with the EPA and concluded the public hearing process by unanimously approving the modified permit. On October 7, 2009 the California Coastal Commission voted 8 to 4 to approve the modified permit with the condition that the City come back in 2 years with the Recycled Water Study. The City is evaluating the specifics of the condition and will return to the California Coastal Commission in February 2010 for further discussion and adoption of findings. During this time, the present modified permit will be administratively continued. Point Loma will continue to operate under the provisions of the modified permit that was adopted in 2002, in full compliance with the Clean Water Act section 301(h), as modified by the Ocean Pollution Reduction Act.

### California Department of Public Health Compliance Order

In 1994, the City of San Diego entered into a compliance agreement with the State of California Department of Public Health (DPH) with the approval of City Council, after the DPH Drinking Water Field Operations Branch conducted a sanitary survey of the City's water system. This agreement required the City to correct operational deficiencies and begin necessary capital improvements. The City was notified in January of 1997 that it was not in compliance with this agreement. At that time, the DPH issued a compliance order. The January 1997 Compliance Order was last amended in May of 2007 (Amendment 11), and included additional items that were not in the original Compliance Order. The DPH Compliance Order will remain in effect until the required projects are completed.

Presently, the Water Department is meeting all of the requirements of the DPH Compliance Order, including the ongoing obligation to provide DPH with quarterly progress reports. On February 26, 2007, the City authorized an increase in water rates and charges to continue funding projects mandated in the DPH Compliance Order as well as other Capital Improvement Program projects. In addition, on October 8, 2007, November 17, 2008, and November 17, 2009, the City authorized "pass-through" rate increases to account for the higher cost of water purchased from the San Diego County Water Authority. The 2007 and 2008 pass-through rate increases took effect on January 1, 2008 and January 1, 2009, respectively. The November 2009 pass-through increase is scheduled to take effect on January 1, 2010. All three pass-through rate increases will help preserve the funds previously committed to DPH Compliance Order projects. In conjunction with the November 17, 2008 approval of the January 1, 2009 pass-through rate increase, the City also approved a rate increase to cover the cost of an indirect potable reuse demonstration project. This increase also took effect January 1, 2009 and is anticipated to sunset on July 1, 2010 at which time sufficient revenue is expected to have been generated to offset the costs of the project.

The DPH has authority to impose civil penalties if the City fails to meet Compliance Order deadlines, although DPH has not imposed such penalties to date. Violation of the DPH Compliance Order may be subject to judicial action, including civil penalties specified in the California Health and Safety Code, Section 116725. Section 116725 penalties for violating a schedule of compliance for a primary drinking water standard can go as high as \$25,000 (in whole dollars) per day for each violation. For violations of other standards, such as turbidity, the penalties can reach \$5,000 (in whole dollars) per day. There are a number of additional enforcement tools prescribed by law, including mandatory water conservation, litigation and service connection moratoriums.



The costs for bidding, constructing and completing the required work will fluctuate depending on variables such as changes in the cost of materials and labor. As of June 2009, the Water Department's DPH Compliance Order project and DPH related project costs approximate:

| <u>Total Projects</u>  | <u>FY09 Actuals</u> | <u>FY10 - FY11</u> | <u>FY12 - FY19</u> | <u>TOTAL</u> |
|------------------------|---------------------|--------------------|--------------------|--------------|
| DPH & EPA Requirements | \$ 126,355          | \$ 131,212         | \$ 216,279         | \$ 473,846   |
| DPH Related Projects   | 19,150              | 98,633             | 296,286            | 414,069      |

These commitments are to be financed with existing net assets, present and future revenues, and financing proceeds secured by system revenues.

#### Convention Center Dewatering

The City is responsible for the disposition and monitoring of the quality of groundwater from the parking structure at the San Diego Convention Center located adjacent to San Diego Bay. The Convention Center includes a subterranean parking garage, which is subject to infiltration of groundwater, much of which originates from the bay. This groundwater must be continually pumped from the parking structure to prevent it from being inundated. Approximately 500,000 gallons of groundwater is pumped daily from the parking structure. Until March 26, 2008, this water was discharged into San Diego Bay. The City held a National Pollutant Discharge Elimination System (NPDES) permit for the discharge, issued by the Regional Water Quality Control Board (RWQCB). Monthly groundwater discharge sample results have not met the standards dictated by the NPDES permit since the end of calendar year 2005. This triggered the implementation of work to cease effluent violations within 27 months (from the end of March 2008), pursuant to an order of the RWQCB.

To achieve compliance with groundwater discharge requirements, the City retained an engineering consultant in fiscal year 2006 to review all previous work and develop the most cost-effective engineering solution to achieve compliance. The consultant's final report was received in August 2007. This report determined that the most cost effective method to comply with the RWQCB Order in the near term was to divert the discharge from the bay to the sewer system.

The City of San Diego established the diversion to the sewer effective March 26, 2008 in compliance with the RWQCB Order. The City requested permission from the EPA to make diversion of the groundwater into the sewer system permanent. The EPA granted the City's request on December 3, 2009. The City is now requesting concurrence from the State Water Resources Control Board ("SWRCB"), which must also approve the permanent diversion as a condition of funding it received from the EPA and passed through to the City.

**18. CONTINGENCIES (In Thousands)****FEDERAL AND STATE GRANTS**

The City recognizes as revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Although the City's Federal grant programs are audited in accordance with the requirements of the Federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget Circular A-133, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Single Audit for fiscal year 2008 was completed by Macias Gini & O'Connell LLP. The Single Audit for fiscal year 2009 is in process.

The Office of the Inspector General (OIG) audited the City's Community Development Block Grant (CDBG) program, specifically CDBG loans to RDA, and on December 30, 2008, OIG issued its audit report to HUD, Office of Community Planning and Development (OPD). In addition to other findings, OIG determined that the City failed to execute loan agreements and repayment schedules for the CDBG loans issued to RDA that include a principal balance of \$63,000 and an accumulated interest of approximately \$76,000 totaling \$139,202 in loans outstanding. The OIG audit report recommended that HUD require the City to execute written interagency agreements and loan agreements with RDA for these outstanding loan amounts. The City is currently in discussions with HUD on the audit findings and any actions HUD may require of the City, including the possible repayment by the City of certain CDBG funds and that HUD could forgive a portion of the accumulated interest so that repayment of the loans would not adversely impact RDA project areas. Depending on the outcome of the City's negotiations with HUD, repayment of the loans by RDA could impact RDA's liquidity. These loans are reported as a component of loans payable and accrued interest payable to the City in the long-term liabilities footnote of the Redevelopment Agency Financial Statements with an "unscheduled" maturity date. These loans do not appear in the City's CAFR as they represent interfund loans between two governmental funds in which repayment is not expected in a reasonable amount of time. Therefore, these loans are reported as interfund transfers in the fund level statements, and then eliminated as interfund activity in the government wide statements per GASB 34.

**CONTINUING DISCLOSURE OBLIGATIONS**

The City, in connection with all bond offerings since the effective date (July 1995) of the continuing disclosure requirements of SEC Rule 15c2-12, has contractually obligated itself to provide annual financial information, including audited financial statements, within certain specified time periods (generally nine months) after the end of each fiscal year. During fiscal year 2009, the City has met its contractual obligations to provide to the national repositories the audited financial statement for the fiscal year ended 2008 and certain annual financial information and operating data for fiscal year ended 2008 on a timely basis. Previously, the City failed to file required annual reports and the audited financial statements by the filing dates for the fiscal years ended 2003 through 2007. Each required annual report and the audited financial statements were subsequently filed. As of fiscal year 2009, there are no annual reports pending to be filed.

**SEC ACTIONS**

In November 2006, the Securities and Exchange Commission (SEC) entered an Order sanctioning the City of San Diego for committing securities fraud by failing to disclose, in 2002 and 2003, material information about its pension and retiree health care obligations in connection with disclosures relating to the sale of its municipal bonds. To settle the action, the City agreed to cease and desist from future securities fraud violations and to retain an independent

consultant for three years to foster compliance with its disclosure obligations under the federal securities laws. The SEC's investigation with respect to the City's misleading disclosures may be ongoing as to individuals and other entities that may have violated the federal securities laws.

The SEC Order sanctioning the City of San Diego for committing securities fraud is available at: [www.sec.gov](http://www.sec.gov)

Changes to the City Charter to enhance the independence of both the City Auditor and the Audit Committee were approved with the passage of Proposition C (Prop C) in the June 3, 2008 election. These amendments included a restructured Audit Committee consisting of two Councilmembers, one being chair, and three public members. The public members must have at least ten years of professional auditing or accounting experience, and are appointed by the City Council.

#### INDEPENDENT CONSULTANT'S REPORTS

The Independent Consultant required by the SEC Order has several specific mandates. Among these are annual reviews, for a three year period, of the City's policies, procedures and internal controls regarding financial disclosures. The Independent Consultant is also required to make recommendations concerning the City's policies, procedures and internal controls and to assess the City's adoption and implementation of these recommendations

On April 24, 2009 the Independent Consultant issued his second annual report to the City of San Diego which was presented to the City Council on July 20, 2009. This report described his review and assessment of the City's policies, procedures and internal controls regarding the City's financial and other disclosures; the hiring of internal personnel and external experts for disclosure functions and; training programs focused on compliance and disclosure obligations. His complete report and recommendations is available at: [www.sandiego.gov](http://www.sandiego.gov) (included with the July 20, 2009 Audit Committee materials.)

On September 30, 2009 the Mayor sent a response to the Independent Consultant's second annual report to the Securities and Exchange Commission. This response is available at: [www.sandiego.gov](http://www.sandiego.gov).

#### STATUS OF INTERNAL CONTROLS OVER FINANCIAL REPORTING

The plan to improve the City's internal controls over financial reporting includes the implementation of an enterprise resource planning (ERP) system during fiscal year 2010 to improve the way the City manages finances and the processes and internal controls involved in the City's accounting and human resources functions. As of June 30, 2009, setup work for the internal controls module called Governance, Risk and Compliance (GRC) has been completed within our ERP system. The GRC system for monitoring and testing access and process controls was activated with the new ERP system on July 1, 2009. The City has an 18 month internal controls plan in place that addresses the remediation of internal control weaknesses over financial reporting through more robust process documentation, further access and process control development within GRC, internal control testing, and employee training.

#### LITIGATION AND REGULATORY ACTIONS

The City is a defendant in lawsuits pertaining to material 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 has received approximately 2,300 notices of claims in fiscal year 2009.

The estimate of the liability for unsettled claims has been reported in the Government-wide Statement of Net Assets and the proprietary funds financial statements. The liability was estimated by categorizing the various claims and supplemented by information provided by the City Attorney with respect to certain large individual claims and proceedings. The recorded liability is the City's best estimate based on available information.

Significant individual lawsuits are described below.

#### SDCERS v. City of San Diego

In 1996 and 2002, SDCERS, the City, and various labor unions entered into agreements wherein the City's contribution to the pension system was less than the actuarially required contribution, while also increasing pension benefits. SDCERS has filed a complaint claiming the benefits are legal and should continue to be paid by the City. The City Attorney filed a cross-complaint alleging the benefits were not legal; however, that case was dismissed in January 2007. SDCERS filed a compulsory cross-complaint against the City, seeking damages in an amount equivalent to what the City should have contributed to the pension system in the absence of the funding relief granted by earlier management agreements MP-1 and MP-2. The City does not currently have an estimate of the range, if any, potential loss in the event of an adverse ruling.

#### City v. SDCERS

On October 15, 2007, the City filed a lawsuit concerning the effective date of certain benefit changes arising from the 2005 MOU entered into between the City and four of its collective bargaining units. The City contends the effective date of the benefit changes is July 1, 2005; however, the defendants contend the effective date is February 16, 2007 when the Municipal Code change was codified by O-19567. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of \$0 - \$5,000.

#### Ernest Abbit, etc. v. City of San Diego

Residents of the De Anza Mobilehome Park filed a lawsuit alleging violations of the California Mobilehome Residency laws for management abuses and individual tort claims. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of \$0 - \$19,000.

#### Joseph Aglio, etc v. City of San Diego

This complaint was filed by the firm Tatro & Zamoyski, representing a separate class of residents of the De Anza Mobilehome Park that were previously excluded from the Ernest Abbit case above due to settlements entered into with the City or because they were evicted. The claims are identical to the Ernest Abbit case. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of \$0 - \$16,000.

#### Colony Hills Homeowners Association, Wayne Akeson, et al. v. City of San Diego

On August 6, 2006, a lawsuit arose following a water main break which caused flooding along a private street in the Colony Hills Homeowners Association in La Jolla. Claimants allege the water main failure caused soil subsidence, hillside failure, road failure and diminished property values of forty homes. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of \$0 - \$45,000.

Janet Wood v. City of San Diego

This case against the City claims that women and unmarried retirees receive less benefits than others. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of \$0 - \$2,000.

Frazier, Patricia, et al v. City of San Diego

This is an action by former City employees who are now defendants to a civil action by the SEC. Plaintiffs seek a declaratory judgment in the form of an order from the courts for the City to defend and indemnify Plaintiffs. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of \$0 - \$3,000.

San Diego Police Tow operators v. City of San Diego

This case was brought by the towing companies under contract with the City, and alleges that the City is charging them "franchise fees" that exceed the amount permitted to be charged under the California Vehicle Code. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of \$0 - \$14,000.

California Restaurant Management System Inc. v. City of San Diego

The California Restaurant Management System filed a class action lawsuit seeking refunds of sewer collection fees paid by "Food Service Establishments" as defined by the City's wastewater department. The Plaintiff alleges that the City failed to properly calculate the proportional impact of Food Service Establishments' use of the sewer system in determining sewer rates from 1994-2004. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of \$0 - \$5,000.

Richard S. Pearson v. Mission and PB Drive, LLP and City of San Diego

Mission and PB Drive, LLP (MPB) is currently building a mixed-use, residential-commercial development on property which shares a common border with Pearson's residential property in Pacific Beach. The City owns a six foot drainage easement along the common border of the Pearson and MPB properties. MPB sued Pearson for trespass and nuisance. Pearson then filed a cross-complaint against MPB for nuisance, trespass and to quiet title to easement/declaratory relief/prescriptive easement. Pearson then amended his cross-complaint to bring the City into the lawsuit claiming nuisance, breach of contract, implied contractual indemnity, invasion of privacy and quiet title to easement/declaratory relief/prescriptive easement. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of \$0 - \$2,500.

Betty Jones v. City of San Diego

This case concerns an allegation of personal injury due to a trip and fall in a City park. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of \$0 - \$2,000.

Grande North at Santa Fe Place Home Owner's Association v. BOSA Development; City of San Diego

This case alleges property damage from hydrogen sulfide gas escaping from sewer lines. The damage includes the venting and plumbing throughout the multiple unit high rise condominium project. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of \$0 - \$10,000.

Significant regulatory actions are described below (Other regulatory actions are described in Note 17 Commitments).

## POLLUTION REMEDIATION OBLIGATIONS

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and clean ups. This Statement is effective for this fiscal year ended June 30, 2009.

Significant Pollution Remediation Events are discussed below:

### California Regional Water Quality Board Administrative Proceeding

This matter involves a tentative cleanup and abatement order by the Regional Water Quality Control Board (RWQCB) which when made effective will require remediation of polluted bay sediments near historic shipyards on San Diego Bay. The City has been named as a "Discharger" in the tentative order along with other entities which include shipyard operators, the local electric utility SDG&E, and the U.S. Navy. The basis for the City being named is pollution flowing from its storm water conveyance system into the bay and Chollas Creek, which empties into the bay at the site. The discharges causing the polluted sediment are alleged to have occurred from 1915 to present. The order was originally issued in 2005 and was stayed by the Board in 2006; the stay was lifted in April 2008 after the RWQCB staff revised and reissued the tentative order. The proceeding was then stayed again in June 2008 while the parties pursued mediation. The Board has extended the mediation stay several times, at this time indefinitely, as the parties continue to actively pursue a settlement in confidential mediation. It is anticipated that a mediated settlement will be presented for public consideration and adoption by the RWQCB in late 2009 or early 2010, and that the RWQCB staff and Dischargers will be in accord with this possible settlement proposal. It is uncertain whether intervening environmental groups will subscribe to a proposed settlement and a contested hearing before the RWQCB and litigation remain possible results. The total cost of the cleanup is estimated to be between \$900 and \$122,000 (industrial shipbuilders urge the low end, environmental groups urge cleanup levels that would cost at the high end) – but those are the far ends of the spectrum and the cost of the actual total cleanup will likely be in the \$40,000 to \$80,000 range, subject to post-remedial monitoring, plus an additional \$6,000 to \$9,000 in site investigation, assessment costs, and RWQCB oversight costs. The order will include post-remedial monitoring requirements which, depending on monitoring results and trends, may lead to further cleanup orders. The parties will address allocation of all of these costs in mediation; however there exist many variables which make accurate estimation of the City's likely share of the total costs impossible at this time. Issues of allocation among the parties will be determined using principles established in the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), as interpreted in existing case law. CERCLA principles will be the basis of discussion in further mediation, and absent a settlement on allocation, those principles will be at issue in litigation. In this case there are a myriad of factual inputs relative to the CERCLA principles of allocation. Disputes over those facts and the weight they should be given, the number of Discharger parties, the confidential nature of the mediation, and the exposure to the possibility of litigation all preclude the City from publishing more a specific projected outcome in this matter at this time.

### California Regional Water Quality Board (Board) Administrative Civil Liability Complaint

This matter involves a sewage spill into Lake Hodges in August 2007. The allegation from the Board is that the City violated the Clean Water Act and its NPDES permit. The penalty approved by the Board's staff, on 11/18/09, is \$620 with an additional amount also due Santa Fe Irrigation for \$60 as a result of the same spill. The \$620 liability has been accrued in the Water Utility fund level financial statements.

County Department of Environmental Health (DEH) Unauthorized Release Cases

The City owns Underground Storage Tank Systems (UST) at various locations, including but not limited to: Airports, Fleet Division, and Fire and Rescue Divisions. The City has been named as a responsible party by the DEH in 23 cases located at 11 UST sites. The nature of the pollution involves soil and groundwater contamination by the UST's. The City has been able to utilize the State's UST Cleanup Fund to obtain reimbursement for a vast majority of the site assessment and mitigation costs. An estimate of the City's Pollution Liability has been calculated using a variety of methods and assumptions including but not limited to: soil borings; monitoring wells; lateral and vertical extent of impacts being defined; treatment; attenuation monitoring; and, soil and vapor sampling. The liability for each site ranges from \$0 to \$1,000, all but two estimates are under \$300. Given that the vast majority of all costs are paid out of the State's UST Cleanup Fund, and the majority of the estimates are of relatively small amounts, the estimates are expensed when incurred throughout the year in the responsible fund and no liability is accrued in the financial statements.

**19. THIRD PARTY DEBT (In Thousands)**

The City has authorized the issuance of certain conduit revenue private activity bonds, in its name, to provide tax exempt status because it believes a substantial public benefit will be achieved through the use of the proceeds. Aside from the fact that these bonds have been issued in the City's name, the City has no legal obligation to make payment on these bonds and has not pledged any City assets as a guarantee to the bondholders. The following describes the outstanding third party debt:

Mortgage and Revenue Bonds

Single family mortgage revenue bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single-family residences. The purpose of this program is to provide low interest rate home mortgage loans to persons of low or moderate income who are unable to qualify for conventional mortgages at market rates. Multi-family housing revenue bonds are issued to provide construction and permanent financing to developers of multi-family residential rental projects located in the City to be partially occupied by persons of low income.

As of June 30, 2009, the status of all third party bonds issued is as follows (in thousands):

|                  | Original Amount  | Balance<br>June 30, 2009 |
|------------------|------------------|--------------------------|
| Mortgage Revenue | <u>\$ 15,700</u> | <u>\$ 7,320</u>          |

These bonds do not constitute an indebtedness of the City. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans, certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures, property liens and other loans. In reliance upon the opinion of bond counsel, City officials have determined that these bonds are not payable from any revenues or assets of the City, and neither the full faith nor credit of the taxing authority of the City, the state, or any political subdivision thereof is obligated to the payment of principal or interest on the bonds. In essence, the City is acting as a conduit for the private property owners/bondholders in collecting and forwarding the funds. Accordingly, no liability has been recorded in the City's government-wide statement of net assets.



**20. CLOSURE AND POST CLOSURE CARE COST (In Thousands)**

State and federal laws and regulations require that the City of San Diego place a final cover on its Miramar Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each financial statement date.

The \$19,336 reported as landfill closure and post closure care liability at June 30, 2009 represents the cumulative amount reported to date based on the use of 76% of the estimated capacity of the landfill. The remaining life of the landfill is approximately eight years, based on the estimated closing date of 2017.

The City will recognize the remaining estimated cost of closure and post closure care of \$6,112 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care at June 30, 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. The City is in compliance with these requirements and at June 30, 2009, cash or equity in pooled cash and investments of \$37,983 was held for this purpose. This is reported as restricted assets on the statement of net assets in the Environmental Services Fund. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be paid by charges to future landfill users or from other sources.

**21. OPERATING AGREEMENTS (In Thousands)**San Diego Data Processing Corporation and Automated Regional Justice Information System

SDDPC has a yearly information technology services contract agreement with a joint powers agency known as the Automated Regional Justice Information System ("ARJIS") whose main purpose is to pursue development of computerized law enforcement systems in the region.

Under the agreement, SDDPC provides information technology services to ARJIS at rates which, on an annual basis, are equivalent to those charged to other governmental agency clients. Included in SDDPC's services revenue is approximately \$3,689 related to ARJIS for the year ended June 30, 2009.

City of San Diego and Padres L.P.

On February 1, 2000, the City entered into a Joint Use and Management Agreement (Agreement) with the San Diego Padres baseball team (Padres) governing the rights and duties of the City and Padres with respect to the use and operation of the new Petco Park Ballpark Facility (Facility). The Facility was completed and operational in April 2004 and the City and Padres jointly own the facility. The Padres have a 30% divided interest based upon the original Facility cost estimate of \$267,500 (or \$80,250), and the City owns 70%, which is capitalized on the City's books. The City and the Padres have agreed upon the schedule of items and components that constitute the Padres' divided ownership, and the value of that divided ownership may vary from (but does not exceed) 30% due to the calculation of cost overruns for the Facility. Following termination of any occupancy agreement for the Facility, the Padres' ownership interest will automatically transfer to the City. Under the terms of the Agreement, the Padres are responsible for Facility operation and management, including maintenance, repairs and security required to preserve its condition. The City is responsible for paying certain expenses associated with the operation and maintenance of the Facility, up to a maximum of \$3,500 per year, subject to certain inflationary adjustments.

For information pertaining to the operating agreement with San Diego Medical Services Enterprises, LLC please refer to Note 9, Joint Ventures and Jointly Governed Organizations.

## 22. SUBSEQUENT EVENTS (In Thousands)

On July 1, 2009, the City issued the fiscal year 2009-2010 Tax and Revenue Anticipation Notes in the amount of \$125,000 to meet the annual general fund cash flow needs of the City. The fiscal year 2008-2009 Tax Revenue Anticipation Note was repaid on April 1, 2009.

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2010 and \$350 million in fiscal year 2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. RDA's share of this revenue shift is approximately \$55,649 in fiscal year 2010 and \$11,457 in fiscal year 2011. Payments are to be made by May 10 of each respective fiscal year. RDA intends to fund these payments with a combination of tax increment to be collected in fiscal year 2010 and 2011 and carryover funds from the current year.

On July 28, 2009 the State passed its 2009-2010 budget. This budget and related legislation contained provisions requiring California cities, counties, and special districts to lend property tax revenues to the State. The State is not required to repay the borrowed amounts until June 30, 2013. For the City, the borrowed amount totals \$35,815. As part of the State budget actions, local agencies were provided the opportunity to receive the monies being borrowed by the State up front through a securitization program offered by the California Statewide Communities Development Authority ("CSCDA"), a joint powers authority. The City elected to participate in the program offered by CSCDA, and on October 19, 2009 the City Council approved Resolution R-305333, authorizing the applicable participation documents. The securitization was executed on November 19, 2009, and payments to the City will be made in two equal installments on January 15, 2010 and May 3, 2010. Under the program, there is no impact to the City's Fiscal Year 2009-2010 budget.

On July 30, 2009, RDA issued \$13,930 of Subordinate Tax Allocation Bonds for the purpose of repaying certain outstanding obligations and to finance redevelopment activities relating to the North Park Redevelopment Project area. The Series 2009A bonds are payable solely from and secured by a pledge of tax revenues and are subordinate to the prior liens of the outstanding North Park Redevelopment Project Tax Allocation Bonds, Series 2000, Series 2003A and Series 2003B. The bond issuance is structured as term bonds and has an interest rate that ranges from 6.0% to 7.0%, with a final maturity date of November 1, 2039.

On September 11, 2009 the City Council approved the "*Improper Influence of Outside Professionals and Obstruction of the City Auditor*" Ordinance #19895. This ordinance makes it unlawful for any elected official, officer or employee of the City, or anyone acting under their direction, to take any action to coerce or fraudulently influence, manipulate or mislead the City Auditor or any member of his or her staff in the conduct of an audit with the specific intent of obstructing such audit or rendering any report materially misleading. Municipal Code Section 22.0711 has been updated with this new ordinance language and can be accessed at [sandiego.gov](http://sandiego.gov).

On September 25, 2009, the Related Companies (Plaintiffs) filed a lawsuit against RDA, the City, and CCDC, contending they breached a negotiating agreement entered into with Plaintiffs. Plaintiffs claim a development agreement acceptable to Plaintiffs wrongfully failed to be executed by RDA, the City, and CCDC under the pretext that CCDC's president had a financial interest in Plaintiffs' sister company while CCDC's president resided in Florida. Plaintiffs claim they lost millions of dollars in pre-development investment expenditures as a result of the breach of the negotiating agreement. No estimate of the amount or range of potential loss may be made at this time.

The California Redevelopment Association (CRA) is the lead petitioner on a lawsuit to invalidate AB 26 4x, similar to last year's successful lawsuit challenging the constitutionality of AB 1389. The CRA filed the lawsuit on October 20, 2009. The lawsuit asserts that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint also asserts impairment of contract and gift of public funds arguments. While the State made adjustments in AB 26 4x to address the constitutional issues raised by the Superior Court over last year's lawsuit challenging AB 1389, the Agency, along with the CRA and other California redevelopment agencies, believe that the SERAF remains unconstitutional.

On November 30, 2009, RDA terminated its Disposition and Development Agreement (DDA) with CentrePoint LLC for the development of a mixed-use development project within the Crossroads Project Area. Pursuant to the DDA, RDA's contribution was in the form of a developer loan of \$5,245 to be repaid from the Crossroads Low and Moderate Income Housing Fund to subsidize 47 affordable units. The loan amount was later reduced to \$4,969 pursuant to the third implementation agreement with CentrePoint LLC. Termination of the agreement will result in recognition of revenue for the loan payable balance of \$4,969 and removal of the long term liability in the government-wide financial statements.

On December 9, 2009, the RDA Board approved the principal terms of a settlement agreement with San Diego State University Foundation (Foundation) on a complaint for specific performance alleging that the RDA breached an agreement requiring them to sell certain property to the plaintiff. The settlement provides that the RDA contractual obligation of \$1,715 and accrued interest of \$1,613 payable to the Foundation will be reduced to the sum of \$750. Additionally, RDA will transfer fee title of the property to the Foundation by Grant Deed.

**Required Supplementary Information (Unaudited)**  
**June 30, 2009**

**PENSION TRUST FUNDS**

**Schedule of Funding Progress**

The following table shows the funding progress of the City's pension trust funds for the last three fiscal years (in thousands):

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | UAAL (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|--------------------------|-------------------------------|---------------------------------|--------------|--------------------|---------------------|---|
| 6/30/2006                | \$ 3,981,932                  | \$ 4,982,700                    | \$ 1,000,768 | 79.92%             | \$ 534,103          | 187.37%   |
| 6/30/2007 *              | 4,413,411                     | 5,597,653                       | 1,184,242    | 78.84%             | 512,440             | 231.10%   |
| 6/30/2008                | 4,660,346                     | 5,963,550                       | 1,303,204    | 78.15%             | 535,774             | 243.24%   |

Source: Cheiron, Inc.

\* The actuarial accrued liability was calculated using the Entry Age Normal (EAN) method beginning in fiscal year 2007. Prior to fiscal year 2007, the Projected Unit Credit (PUC) method was used.

**OPEB TRUST FUND**

**Schedule of Funding Progress**

The following table shows the funding progress of the City's OPEB trust fund for the last two fiscal years (in thousands):

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | UAAL (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|--------------------------|-------------------------------|---------------------------------|--------------|--------------------|---------------------|---|
| 6/30/2008                | \$ 29,637                     | \$ 1,235,707                    | \$ 1,206,070 | 2.40%              | \$ 556,857          | 216.59%   |
| 6/30/2009                | 41,497                        | 1,359,377                       | 1,317,880    | 3.05%              | 549,012             | 240.05%   |

**Schedule of Contributions from Employer and Other Contributing Entities**

The following table shows contributions to the City's OPEB trust fund for the last two fiscal years (in thousands):

| Fiscal Year | Annual Required Contribution | Actual Contribution | Percentage Contributed |
|-------------|------------------------------|---------------------|------------------------|
| 6/30/2008   | \$ 91,645                    | \$ 53,553           | 58.44%                 |
| 6/30/2009   | 104,475                      | 49,498              | 47.38%                 |

Source: Buck Consultants

REQUIRED SUPPLEMENTARY INFORMATION - GENERAL FUND



## GENERAL FUND

The general fund is the chief operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

General fund revenues are derived from such sources as: Taxes; Licenses and Permits; Fines, Forfeitures, and Penalties; Use of Money and Property; Aid from Other Governmental Agencies; Charges for Current Services; and Other Revenue.

Current expenditures and encumbrances are classified by the functions of: General Government and Support; Public Safety–Police; Public Safety–Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; Neighborhood Services; and Debt Service Principal and Interest. Appropriations are made from the fund annually.



**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2009**  
(In Thousands)

|  | Original Budget  | Final Budget     | Actual Amounts   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|------------------|---|
| <b>REVENUES</b>  |                  |                  |                  |   |
| Property Tax .....   | \$ 411,142       | \$ 396,620       | \$ 398,743       | \$ 2,123  |
| Sales Tax .....  | 230,196          | 223,618          | 212,918          | (10,700)  |
| Transient Occupancy Tax .....  | 90,629           | 82,189           | 73,765           | (8,424)   |
| Other Local Taxes .....  | 78,537           | 76,977           | 72,432           | (4,545)   |
| Licenses and Permits .....   | 32,687           | 32,240           | 31,249           | (991)   |
| Fines, Forfeitures and Penalties .....                                 | 34,215           | 34,216           | 32,467           | (1,749)   |
| Revenue from Use of Money and Property .....                           | 54,019           | 52,351           | 42,252           | (10,099)  |
| Revenue from Federal Agencies .....                                    | 15,724           | 15,701           | 4,268            | (11,433)  |
| Revenue from Other Agencies .....                                      | 9,283            | 8,423            | 8,915            | 492   |
| Charges for Current Services .....                                     | 135,582          | 131,016          | 133,117          | 2,101   |
| Other Revenue .....  | 29,334           | 26,858           | 5,296            | (21,562)  |
| <b>TOTAL REVENUES .....</b>  | <b>1,121,348</b> | <b>1,080,209</b> | <b>1,015,422</b> | <b>(64,787)</b>   |
| <b>EXPENDITURES</b>  |                  |                  |                  |   |
| Current:   |                  |                  |                  |   |
| General Government and Support .....                                   | 279,818          | 269,270          | 249,134          | 20,136  |
| Public Safety - Police .....   | 406,503          | 398,601          | 391,774          | 6,827   |
| Public Safety - Fire and Life Safety and Homeland Security .....       | 186,752          | 197,166          | 196,329          | 837   |
| Parks, Recreation, Culture and Leisure .....                           | 125,464          | 123,904          | 120,573          | 3,331   |
| Transportation .....   | 83,016           | 78,455           | 75,562           | 2,893   |
| Sanitation and Health .....  | 100,903          | 90,630           | 81,462           | 9,168   |
| Neighborhood Services .....  | 22,183           | 21,621           | 19,416           | 2,205   |
| Debt Service:  |                  |                  |                  |   |
| Principal Retirement .....   | -                | 818              | 818              | -   |
| Interest .....   | 2,979            | 3,173            | 3,106            | 67  |
| <b>TOTAL EXPENDITURES .....</b>  | <b>1,207,618</b> | <b>1,183,638</b> | <b>1,138,174</b> | <b>45,464</b>   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES .....</b>     | <b>(86,270)</b>  | <b>(103,429)</b> | <b>(122,752)</b> | <b>(19,323)</b>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                                  |                  |                  |                  |   |
| Transfers from Proprietary Funds .....                                 | 2,746            | 2,746            | 6,267            | 3,521   |
| Transfers from Other Funds .....                                       | 69,347           | 71,334           | 105,059          | 33,725  |
| Transfers to Proprietary Funds .....                                   | (6,150)          | (4,043)          | (4,043)          | -   |
| Transfers to Other Funds .....   | (24,688)         | (26,031)         | (26,031)         | -   |
| Net Loss from Joint Venture .....                                      | -                | -                | (157)            | (157)   |
| <b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>                      | <b>41,255</b>    | <b>44,006</b>    | <b>81,095</b>    | <b>37,089</b>   |
| <b>NET CHANGE IN FUND BALANCE .....</b>                                | <b>(45,015)</b>  | <b>(59,423)</b>  | <b>(41,657)</b>  | <b>17,766</b>   |
| Fund Balance Undesignated at July 1, 2008.....                         | 75,339           | 75,339           | 75,339           | -   |
| Reserved for Encumbrances at July 1, 2008.....                         | 43,853           | 43,853           | 43,853           | -   |
| Reserved for Minority Interest in Joint Venture at July 1, 2008 .....  | -                | -                | 1,981            | 1,981   |
| Reserved for Minority Interest in Joint Venture at June 30, 2009 ..... | -                | -                | (1,824)          | (1,824)   |
| Designated for Subsequent Years' Expenditures at July 1, 2008.....     | 862              | 862              | 862              | -   |
| Designated for Subsequent Years' Expenditures at June 30, 2009 .....   | -                | -                | (207)            | (207)   |
| <b>FUND BALANCE UNDESIGNATED AT JUNE 30, 2009.....</b>                 | <b>\$ 75,039</b> | <b>\$ 60,631</b> | <b>\$ 78,347</b> | <b>\$ 17,716</b>  |

The accompanying note is an integral part of the Required Supplementary Information

**Note to Required Supplementary Information  
Year Ended June 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Budgetary Data**

On or before the first meeting in May of each year, the City Manager submits to the City Council a proposed operating and capital improvements budget for the fiscal year commencing July 1. This budget includes annual budgets for the following funds:

- **General Fund**
- **Special Revenue Funds:**
  - City of San Diego:
    - Acquisition, Improvement and Operation
    - Environmental Growth Funds:
      - Two-Thirds Requirement
      - One-Third Requirement
    - Police Decentralization
    - Public Transportation
    - Qualcomm Stadium Operations
    - Special Gas Tax Street Improvement
    - Street Division Operations
    - Transient Occupancy Tax
    - Underground Surcharge
    - Zoological Exhibits
    - Other Special Revenue
  - Centre City Development Corporation
  - Southeastern Economic Development Corporation
- **Debt Service Funds:**
  - City of San Diego:
    - Public Safety Communications Project
  - San Diego Open Space Park Facilities District #1
- **Capital Projects Funds:**
  - City of San Diego:
    - TransNet

Public hearings are then conducted to obtain citizen comments on the proposed budget. During the month of July the budget is legally adopted through passage of an appropriation ordinance by the City Council. Budgets are prepared on the modified accrual basis of accounting except that (1) encumbrances outstanding at year-end are considered expenditures and (2) the increase/decrease in reserve for advances and deposits to other funds and agencies are considered as additions/deductions of expenditures. The City budget is prepared excluding unrealized gains or losses resulting from the change in fair value of investments, proceeds from capital leases, and net income from joint venture.

The legal level of budgetary control for the City's general fund is exercised at the salaries and wages and non-personnel expenditures level. Budgetary control for the other budgeted funds, including those of certain component units, is maintained at the total fund appropriation level. All amendments to the adopted budget require City Council approval except as delegated in the Annual Appropriation Ordinance.

Reported budget figures are as originally adopted or subsequently amended plus prior year continuing appropriations. Such budget amendments during the year, including those related to supplemental appropriations, did not cause these reported budget amounts to be significantly different than the originally adopted budget amounts. Appropriations lapse at year-end to the extent that they have not been expended or encumbered, except for those of a capital nature, which continue to subsequent years.

The following is a reconciliation of the net change in fund balance prepared on a GAAP basis to that prepared on the budgetary basis for the year ended June 30, 2009 (in thousands):

|  | General<br>Fund    |
|--|--------------------|
| Net Change in Fund Balances - GAAP Basis       | \$ (10,389)        |
| Add (Deduct):                                  |                    |
| Encumbrances Outstanding, June 30, 2009        | (32,071)           |
| Reserved for Advances, June 30, 2009           | -                  |
| Designated for Unrealized Gains, June 30, 2009 | (1,943)            |
| Reserved for Advances, June 30, 2008           | 9                  |
| Designated for Unrealized Gains, June 30, 2008 | <u>2,737</u>       |
| Net Change in Fund Balances - Budgetary Basis  | <u>\$ (41,657)</u> |

**b. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the budgeted governmental funds.

Encumbrances outstanding at year-end are reported as reservations of fund balances, since the commitments will be honored through subsequent years' continuing appropriations. Encumbrances do not constitute expenditures or liabilities for GAAP reporting purposes.

## SUPPLEMENTARY INFORMATION - GENERAL FUND



**GENERAL FUND  
SCHEDULE OF REVENUE AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2009  
(In Thousands)**

|   | Actual         | Adjustment<br>to<br>Budgetary<br>Basis | Actual<br>on<br>Budgetary<br>Basis | Final<br>Budget | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|----------------|--|------------------------------------|-----------------|---|
| <b>PROPERTY TAX</b>                                     |                |  |                                    |                 |   |
| One Percent Property Tax Allocation .....               | \$ -           | \$ -                                   | \$ -                               | \$ 396,620      | \$ (396,620)  |
| Current Year - Secured .....                            | 118,156        | -                                      | 118,156                            | -               | 118,156   |
| Current Year Supplemental - Secured .....               | 6,613          | -                                      | 6,613                              | -               | 6,613   |
| Current Year - Unsecured .....                          | 8,952          | -                                      | 8,952                              | -               | 8,952   |
| Current Unsecured Supplemental Roll .....               | 203            | -                                      | 203                                | -               | 203   |
| Homeowners' Exemptions - Secured .....                  | 2,685          | -                                      | 2,685                              | -               | 2,685   |
| Homeowners' Exemptions - Unsecured .....                | 2              | -                                      | 2                                  | -               | 2   |
| Prior Years' - Secured .....                            | 9,114          | -                                      | 9,114                              | -               | 9,114   |
| Prior Years' - Unsecured .....                          | (147)          | -                                      | (147)                              | -               | (147)   |
| In-Lieu Vehicle License Fees .....                      | 175            | -                                      | 175                                | -               | 175   |
| Interest and Penalties on Delinquent Taxes .....        | 2,026          | -                                      | 2,026                              | -               | 2,026   |
| Escapes - Secured .....                                 | 200            | -                                      | 200                                | -               | 200   |
| Escapes - Unsecured .....                               | 141,517        | -                                      | 141,517                            | -               | 141,517   |
| Other Property Taxes .....                              | 106,946        | -                                      | 106,946                            | -               | 106,946   |
| State Secured Unitary .....                             | 2,301          | -                                      | 2,301                              | -               | 2,301   |
| <b>TOTAL PROPERTY TAX .....</b>                         | <b>398,743</b> | <b>-</b>                               | <b>398,743</b>                     | <b>396,620</b>  | <b>2,123</b>  |
| <b>SALES TAX .....</b>                                  | <b>212,918</b> | <b>-</b>                               | <b>212,918</b>                     | <b>223,618</b>  | <b>(10,700)</b>   |
| <b>TRANSIENT OCCUPANCY TAX .....</b>                    | <b>73,765</b>  | <b>-</b>                               | <b>73,765</b>                      | <b>82,189</b>   | <b>(8,424)</b>  |
| <b>OTHER LOCAL TAXES</b>                                |                |  |                                    |                 |   |
| Franchises .....  | 67,840         | -                                      | 67,840                             | 70,525          | (2,685)   |
| Property Transfer Tax .....                             | 4,592          | -                                      | 4,592                              | 6,452           | (1,860)   |
| <b>TOTAL OTHER LOCAL TAXES .....</b>                    | <b>72,432</b>  | <b>-</b>                               | <b>72,432</b>                      | <b>76,977</b>   | <b>(4,545)</b>  |
| <b>LICENSES AND PERMITS</b>                             |                |  |                                    |                 |   |
| General Business Licenses .....                         | 9,243          | -                                      | 9,243                              | 10,589          | (1,346)   |
| Refuse Collection Business Licenses .....               | 868            | -                                      | 868                                | 1,800           | (932)   |
| Other Regulatory Business Licenses .....                | 2,704          | -                                      | 2,704                              | 1,360           | 1,344   |
| Rental Unit Tax .....                                   | 7,001          | -                                      | 7,001                              | 6,775           | 226   |
| Parking Meter Revenue .....                             | 7,440          | -                                      | 7,440                              | 7,614           | (174)   |
| Street and Curb Permits .....                           | 104            | -                                      | 104                                | 96              | 8   |
| Other Licenses and Permits .....                        | 3,889          | -                                      | 3,889                              | 4,006           | (117)   |
| <b>TOTAL LICENSES AND PERMITS .....</b>                 | <b>31,249</b>  | <b>-</b>                               | <b>31,249</b>                      | <b>32,240</b>   | <b>(991)</b>  |
| <b>FINES, FORFEITURES AND PENALTIES</b>                 |                |  |                                    |                 |   |
| California Vehicle Code Violations .....                | 27,615         | -                                      | 27,615                             | 29,906          | (2,291)   |
| Other City Ordinance Code Violations .....              | 4,852          | -                                      | 4,852                              | 4,310           | 542   |
| <b>TOTAL FINES, FORFEITURES AND PENALTIES .....</b>     | <b>32,467</b>  | <b>-</b>                               | <b>32,467</b>                      | <b>34,216</b>   | <b>(1,749)</b>  |
| <b>REVENUE FROM USE OF MONEY AND PROPERTY</b>           |                |  |                                    |                 |   |
| Interest on Investments .....                           | (407)          | 791                                    | 384                                | 8,780           | (8,396)   |
| Balboa Park Rents and Concessions .....                 | 621            | -                                      | 621                                | 612             | 9   |
| Mission Bay Park Rents and Concessions .....            | 28,049         | -                                      | 28,049                             | 29,932          | (1,883)   |
| Other Rents and Concessions .....                       | 13,198         | -                                      | 13,198                             | 13,027          | 171   |
| <b>TOTAL REVENUE FROM USE OF MONEY AND PROPERTY ...</b> | <b>41,461</b>  | <b>791</b>                             | <b>42,252</b>                      | <b>52,351</b>   | <b>(10,099)</b>   |
| <b>REVENUE FROM FEDERAL AGENCIES .....</b>              | <b>4,268</b>   | <b>-</b>                               | <b>4,268</b>                       | <b>15,701</b>   | <b>(11,433)</b>   |

Continued on Next Page

**GENERAL FUND  
SCHEDULE OF REVENUE AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2009  
(In Thousands)**

|   | Actual           | Adjustment<br>to<br>Budgetary<br>Basis | Actual<br>on<br>Budgetary<br>Basis | Final<br>Budget  | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|--|------------------------------------|------------------|---|
| <b>REVENUE FROM OTHER AGENCIES</b>                      |                  |  |                                    |                  |   |
| State Motor Vehicle License Fees .....                  | \$ 4,650         | \$ -                                   | \$ 4,650                           | \$ 6,030         | \$ (1,380)  |
| Local Relief .....                                      | 151              | -                                      | 151                                | 210              | (59)  |
| Tobacco Revenue .....                                   | 14               | -                                      | 14                                 | 452              | (438)   |
| State Grants .....                                      | 4,100            | -                                      | 4,100                              | 1,731            | 2,369   |
| <b>TOTAL REVENUE FROM OTHER AGENCIES .....</b>          | <b>8,915</b>     | <b>-</b>                               | <b>8,915</b>                       | <b>8,423</b>     | <b>492</b>  |
| <b>CHARGES FOR CURRENT SERVICES</b>                     |                  |  |                                    |                  |   |
| Administrative Services to Other Agencies .....         | 329              | -                                      | 329                                | 476              | (147)   |
| Cemetery Revenue .....                                  | 820              | -                                      | 820                                | 811              | 9   |
| Engineering Services .....                              | 455              | -                                      | 455                                | 759              | (304)   |
| Fire Services .....                                     | 17,625           | -                                      | 17,625                             | 12,857           | 4,768   |
| Library Revenue .....                                   | 1,103            | -                                      | 1,103                              | 1,366            | (263)   |
| Miscellaneous Recreation Revenue .....                  | 5,332            | -                                      | 5,332                              | 4,680            | 652   |
| Other Services .....                                    | 358              | -                                      | 358                                | 411              | (53)  |
| Paramedic Services .....                                | 161              | -                                      | 161                                | 162              | (1)   |
| Planning and Miscellaneous Filing Fees .....            | 103              | -                                      | 103                                | 162              | (59)  |
| Police Services .....                                   | 5,295            | -                                      | 5,295                              | 3,448            | 1,847   |
| Swimming Pools Revenue .....                            | 1,036            | -                                      | 1,036                              | 1,198            | (162)   |
| Services Rendered to Other Funds for:                   |                  |  |                                    |                  |   |
| General Government and Financial .....                  | 44,756           | -                                      | 44,756                             | 59,273           | (14,517)  |
| Engineering .....                                       | 45,210           | -                                      | 45,210                             | 34,570           | 10,640  |
| Park Design .....                                       | 1,486            | -                                      | 1,486                              | 1,559            | (73)  |
| Miscellaneous Services .....                            | 9,048            | -                                      | 9,048                              | 9,284            | (236)   |
| <b>TOTAL CHARGES FOR CURRENT SERVICES .....</b>         | <b>133,117</b>   | <b>-</b>                               | <b>133,117</b>                     | <b>131,016</b>   | <b>2,101</b>  |
| <b>OTHER REVENUE</b>                                    |                  |  |                                    |                  |   |
| Other Refunds of Prior Years' Expenditures .....        | 377              | -                                      | 377                                | 336              | 41  |
| Repairs and Damage Recoveries .....                     | 582              | -                                      | 582                                | 250              | 332   |
| Sale of Personal Property .....                         | 167              | -                                      | 167                                | 121              | 46  |
| Miscellaneous Revenue .....                             | 4,170            | -                                      | 4,170                              | 26,151           | (21,981)  |
| <b>TOTAL OTHER REVENUE .....</b>                        | <b>5,296</b>     | <b>-</b>                               | <b>5,296</b>                       | <b>26,858</b>    | <b>(21,562)</b>   |
| <b>TOTAL REVENUES .....</b>                             | <b>1,014,631</b> | <b>791</b>                             | <b>1,015,422</b>                   | <b>1,080,209</b> | <b>(64,787)</b>   |
| <b>TRANSFERS FROM PROPRIETARY FUNDS</b>                 |                  |  |                                    |                  |   |
| Enterprise Funds:                                       |                  |  |                                    |                  |   |
| City of San Diego:                                      |                  |  |                                    |                  |   |
| Golf Course .....                                       | 2,131            | -                                      | 2,131                              | 2,131            | -   |
| Recycling .....   | -                | -                                      | -                                  | 615              | (615)   |
| Internal Service Funds:                                 |                  |  |                                    |                  |   |
| City of San Diego:                                      |                  |  |                                    |                  |   |
| Fleet Services .....                                    | 1,592            | -                                      | 1,592                              | -                | 1,592   |
| Self Insurance .....                                    | 2,207            | -                                      | 2,207                              | -                | 2,207   |
| Miscellaneous Internal Service .....                    | 337              | -                                      | 337                                | -                | 337   |
| <b>TOTAL TRANSFERS FROM<br/>PROPRIETARY FUNDS .....</b> | <b>6,267</b>     | <b>-</b>                               | <b>6,267</b>                       | <b>2,746</b>     | <b>3,521</b>  |

**GENERAL FUND  
SCHEDULE OF REVENUE AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2009  
(In Thousands)**

|   | Actual              | Adjustment<br>to<br>Budgetary<br>Basis | Actual<br>on<br>Budgetary<br>Basis | Final<br>Budget     | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|---------------------|--|------------------------------------|---------------------|---|
| <b>TRANSFERS FROM OTHER FUNDS</b>             |                     |  |                                    |                     |   |
| Special Revenue Funds:                        |                     |  |                                    |                     |   |
| City of San Diego:                            |                     |  |                                    |                     |   |
| Acquisition, Improvement, & Operations .....  | 10                  | -                                      | 10                                 | -                   | \$ 10   |
| Environmental Growth Fund .....               | 9,595               | -                                      | 9,595                              | 11,137              | (1,542)   |
| Police Decentralization .....                 | 111                 | -                                      | 111                                | -                   | 111   |
| Special Gas Tax Street Improvement .....      | 28,393              | -                                      | 28,393                             | 24,452              | 3,941   |
| Street Division Operations .....              | 16                  | -                                      | 16                                 | -                   | 16  |
| Transient Occupancy Tax .....                 | 21,881              | -                                      | 21,881                             | 19,019              | 2,862   |
| Stadium .....                                 | 6                   | -                                      | 6                                  | -                   | 6   |
| Zoological Exhibits .....                     | 125                 | -                                      | 125                                | -                   | 125   |
| Other Special Revenue-Budgeted .....          | 7,753               | -                                      | 7,753                              | 7,149               | 604   |
| Grants .....                                  | 836                 | -                                      | 836                                | -                   | 836   |
| Other Special Revenue-Unbudgeted .....        | 14,304              | -                                      | 14,304                             | -                   | 14,304  |
| Redevelopment Agency .....                    | 2,239               | -                                      | 2,239                              | 870                 | 1,369   |
| Capital Projects Funds:                       |                     |  |                                    |                     |   |
| City of San Diego:                            |                     |  |                                    |                     |   |
| Capital Outlay .....                          | 6,066               | -                                      | 6,066                              | -                   | 6,066   |
| TransNet .....                                | 7,807               | -                                      | 7,807                              | 8,332               | (525)   |
| Other Construction .....                      | 5,545               | -                                      | 5,545                              | -                   | 5,545   |
| Permanent Funds:                              |                     |  |                                    |                     |   |
| Cemetery Perpetuity .....                     | 372                 | -                                      | 372                                | 375                 | (3)   |
| <b>TOTAL TRANSFERS FROM OTHER FUNDS .....</b> | <b>105,059</b>      | <b>-</b>                               | <b>105,059</b>                     | <b>71,334</b>       | <b>33,725</b>   |
| <b>NET LOSS FROM JOINT VENTURE .....</b>      | <b>(157)</b>        | <b>-</b>                               | <b>(157)</b>                       | <b>-</b>            | <b>(157)</b>  |
| <b>TOTAL REVENUE AND TRANSFERS .....</b>      | <b>\$ 1,125,800</b> | <b>\$ 791</b>                          | <b>\$ 1,126,591</b>                | <b>\$ 1,154,289</b> | <b>\$ (27,698)</b>                                      |



**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2009  
(In Thousands)**

|   | Current Year |  |                                    |                 | Variance<br>with Final<br>Budget<br>Positive<br>(Negative) |
|---|--------------|--|------------------------------------|-----------------|--|
|   | Actual       | Adjustment<br>to<br>Budgetary<br>Basis | Actual<br>on<br>Budgetary<br>Basis | Final<br>Budget |  |
| <b>GENERAL GOVERNMENT AND SUPPORT</b>   |              |  |                                    |                 |  |
| Departmental:                           |              |  |                                    |                 |  |
| Mayor                                   |              |  |                                    |                 |  |
| Salaries and Wages .....                | \$ 492       | \$ -                                   | \$ 492                             | \$ 494          | \$ 2   |
| Non-Personnel .....                     | 271          | 5                                      | 276                                | 282             | 6  |
| Total Mayor .....                       | <u>763</u>   | <u>5</u>                               | <u>768</u>                         | <u>776</u>      | <u>8</u>   |
| Office of the Assistant COO             |              |  |                                    |                 |  |
| Salaries and Wages .....                | 63           | -                                      | 63                                 | 115             | 52   |
| Non-Personnel .....                     | 28           | -                                      | 28                                 | 66              | 38   |
| Total Office of the Assistant COO ..... | <u>91</u>    | <u>-</u>                               | <u>91</u>                          | <u>181</u>      | <u>90</u>  |
| City Council District 1                 |              |  |                                    |                 |  |
| Salaries and Wages .....                | 515          | -                                      | 515                                | 515             | -  |
| Non-Personnel .....                     | 390          | -                                      | 390                                | 391             | 1  |
| Total City Council District 1 .....     | <u>905</u>   | <u>-</u>                               | <u>905</u>                         | <u>906</u>      | <u>1</u>   |
| City Council District 2                 |              |  |                                    |                 |  |
| Salaries and Wages .....                | 483          | -                                      | 483                                | 483             | -  |
| Non-Personnel .....                     | 320          | -                                      | 320                                | 320             | -  |
| Total City Council District 2 .....     | <u>803</u>   | <u>-</u>                               | <u>803</u>                         | <u>803</u>      | <u>-</u>   |
| City Council District 3                 |              |  |                                    |                 |  |
| Salaries and Wages .....                | 555          | -                                      | 555                                | 555             | -  |
| Non-Personnel .....                     | 401          | -                                      | 401                                | 401             | -  |
| Total City Council District 3 .....     | <u>956</u>   | <u>-</u>                               | <u>956</u>                         | <u>956</u>      | <u>-</u>   |
| City Council District 4                 |              |  |                                    |                 |  |
| Salaries and Wages .....                | 568          | -                                      | 568                                | 568             | -  |
| Non-Personnel .....                     | 440          | -                                      | 440                                | 440             | -  |
| Total City Council District 4 .....     | <u>1,008</u> | <u>-</u>                               | <u>1,008</u>                       | <u>1,008</u>    | <u>-</u>   |
| City Council District 5                 |              |  |                                    |                 |  |
| Salaries and Wages .....                | 500          | -                                      | 500                                | 500             | -  |
| Non-Personnel .....                     | 354          | -                                      | 354                                | 354             | -  |
| Total City Council District 5 .....     | <u>854</u>   | <u>-</u>                               | <u>854</u>                         | <u>854</u>      | <u>-</u>   |
| City Council District 6                 |              |  |                                    |                 |  |
| Salaries and Wages .....                | 521          | -                                      | 521                                | 521             | -  |
| Non-Personnel .....                     | 375          | -                                      | 375                                | 375             | -  |
| Total City Council District 6 .....     | <u>896</u>   | <u>-</u>                               | <u>896</u>                         | <u>896</u>      | <u>-</u>   |
| City Council District 7                 |              |  |                                    |                 |  |
| Salaries and Wages .....                | 589          | -                                      | 589                                | 589             | -  |
| Non-Personnel .....                     | 401          | -                                      | 401                                | 401             | -  |
| Total City Council District 7 .....     | <u>990</u>   | <u>-</u>                               | <u>990</u>                         | <u>990</u>      | <u>-</u>   |
| City Council District 8                 |              |  |                                    |                 |  |
| Salaries and Wages .....                | 530          | -                                      | 530                                | 530             | -  |
| Non-Personnel .....                     | 423          | -                                      | 423                                | 423             | -  |
| Total City Council District 8 .....     | <u>953</u>   | <u>-</u>                               | <u>953</u>                         | <u>953</u>      | <u>-</u>   |
| Council Administration                  |              |  |                                    |                 |  |
| Salaries and Wages .....                | 952          | -                                      | 952                                | 952             | -  |
| Non-Personnel .....                     | 715          | 44                                     | 759                                | 759             | -  |
| Total Council Administration .....      | <u>1,667</u> | <u>44</u>                              | <u>1,711</u>                       | <u>1,711</u>    | <u>-</u>   |
| Office of the IBA                       |              |  |                                    |                 |  |
| Salaries and Wages .....                | 958          | -                                      | 958                                | 958             | -  |
| Non-Personnel .....                     | 518          | -                                      | 518                                | 518             | -  |
| Total Office of the IBA .....           | <u>1,476</u> | <u>-</u>                               | <u>1,476</u>                       | <u>1,476</u>    | <u>-</u>   |

| Prior Year |                               |                           |              |  | Total  |                               |                           |              |  |
|------------|-------------------------------|---------------------------|--------------|--|--------|-------------------------------|---------------------------|--------------|--|
| Actual     | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) | Actual | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) |
| \$ -       | \$ -                          | \$ -                      | \$ -         | \$ -   | \$ 492 | \$ -                          | \$ 492                    | \$ 494       | \$ 2   |
| -          | -                             | -                         | 1            | 1  | 271    | 5                             | 276                       | 283          | 7  |
| -          | -                             | -                         | 1            | 1  | 763    | 5                             | 768                       | 777          | 9  |
| -          | -                             | -                         | -            | -  | 63     | -                             | 63                        | 115          | 52   |
| -          | -                             | -                         | -            | -  | 28     | -                             | 28                        | 66           | 38   |
| -          | -                             | -                         | -            | -  | 91     | -                             | 91                        | 181          | 90   |
| -          | -                             | -                         | -            | -  | 515    | -                             | 515                       | 515          | -  |
| -          | -                             | -                         | -            | -  | 390    | -                             | 390                       | 391          | 1  |
| -          | -                             | -                         | -            | -  | 905    | -                             | 905                       | 906          | 1  |
| -          | -                             | -                         | -            | -  | 483    | -                             | 483                       | 483          | -  |
| -          | -                             | -                         | -            | -  | 320    | -                             | 320                       | 320          | -  |
| -          | -                             | -                         | -            | -  | 803    | -                             | 803                       | 803          | -  |
| -          | -                             | -                         | -            | -  | 555    | -                             | 555                       | 555          | -  |
| 1          | -                             | 1                         | 1            | -  | 402    | -                             | 402                       | 402          | -  |
| 1          | -                             | 1                         | 1            | -  | 957    | -                             | 957                       | 957          | -  |
| -          | -                             | -                         | -            | -  | 568    | -                             | 568                       | 568          | -  |
| -          | -                             | -                         | -            | -  | 440    | -                             | 440                       | 440          | -  |
| -          | -                             | -                         | -            | -  | 1,008  | -                             | 1,008                     | 1,008        | -  |
| -          | -                             | -                         | -            | -  | 500    | -                             | 500                       | 500          | -  |
| -          | -                             | -                         | -            | -  | 354    | -                             | 354                       | 354          | -  |
| -          | -                             | -                         | -            | -  | 854    | -                             | 854                       | 854          | -  |
| -          | -                             | -                         | -            | -  | 521    | -                             | 521                       | 521          | -  |
| -          | -                             | -                         | -            | -  | 375    | -                             | 375                       | 375          | -  |
| -          | -                             | -                         | -            | -  | 896    | -                             | 896                       | 896          | -  |
| -          | -                             | -                         | -            | -  | 589    | -                             | 589                       | 589          | -  |
| -          | -                             | -                         | -            | -  | 401    | -                             | 401                       | 401          | -  |
| -          | -                             | -                         | -            | -  | 990    | -                             | 990                       | 990          | -  |
| -          | -                             | -                         | -            | -  | 530    | -                             | 530                       | 530          | -  |
| -          | -                             | -                         | -            | -  | 423    | -                             | 423                       | 423          | -  |
| -          | -                             | -                         | -            | -  | 953    | -                             | 953                       | 953          | -  |
| -          | -                             | -                         | -            | -  | 952    | -                             | 952                       | 952          | -  |
| 43         | -                             | 43                        | 78           | 35   | 758    | 44                            | 802                       | 837          | 35   |
| 43         | -                             | 43                        | 78           | 35   | 1,710  | 44                            | 1,754                     | 1,789        | 35   |
| -          | -                             | -                         | -            | -  | 958    | -                             | 958                       | 958          | -  |
| -          | -                             | -                         | -            | -  | 518    | -                             | 518                       | 518          | -  |
| -          | -                             | -                         | -            | -  | 1,476  | -                             | 1,476                     | 1,476        | -  |

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**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2009  
(In Thousands)**

|   | Current Year  |  |                                    |                 |  |
|---|---------------|--|------------------------------------|-----------------|--|
|   | Actual        | Adjustment<br>to<br>Budgetary<br>Basis | Actual<br>on<br>Budgetary<br>Basis | Final<br>Budget | Variance<br>with Final<br>Budget<br>Positive<br>(Negative) |
| General Government and Support Departmental (Continued):    |               |  |                                    |                 |  |
| City Attorney   |               |  |                                    |                 |  |
| Salaries and Wages .....                                    | \$ 23,145     | \$ -                                   | \$ 23,145                          | \$ 23,145       | \$ -   |
| Non-Personnel .....   | 13,443        | 184                                    | 13,627                             | 13,627          | -  |
| Total City Attorney .....                                   | <u>36,588</u> | <u>184</u>                             | <u>36,772</u>                      | <u>36,772</u>   | <u>-</u>   |
| City Comptroller  |               |  |                                    |                 |  |
| Salaries and Wages .....                                    | 6,482         | -                                      | 6,482                              | 6,482           | -  |
| Non-Personnel .....   | 4,725         | 147                                    | 4,872                              | 4,872           | -  |
| Total City Comptroller .....                                | <u>11,207</u> | <u>147</u>                             | <u>11,354</u>                      | <u>11,354</u>   | <u>-</u>   |
| City Auditor  |               |  |                                    |                 |  |
| Salaries and Wages .....                                    | 1,024         | -                                      | 1,024                              | 1,059           | 35   |
| Non-Personnel .....   | 568           | 758                                    | 1,326                              | 1,619           | 293  |
| Total City Auditor .....                                    | <u>1,592</u>  | <u>758</u>                             | <u>2,350</u>                       | <u>2,678</u>    | <u>328</u>   |
| City Clerk  |               |  |                                    |                 |  |
| Salaries and Wages .....                                    | 2,331         | -                                      | 2,331                              | 2,331           | -  |
| Non-Personnel .....   | 1,854         | 22                                     | 1,876                              | 2,026           | 150  |
| Total City Clerk .....                                      | <u>4,185</u>  | <u>22</u>                              | <u>4,207</u>                       | <u>4,357</u>    | <u>150</u>   |
| Office of the CIO   |               |  |                                    |                 |  |
| Salaries and Wages .....                                    | -             | -                                      | -                                  | -               | -  |
| Non-Personnel .....   | 24,291        | 300                                    | 24,591                             | 24,827          | 236  |
| Total Office of the CIO .....                               | <u>24,291</u> | <u>300</u>                             | <u>24,591</u>                      | <u>24,827</u>   | <u>236</u>   |
| Engineering and Capital Projects Administration             |               |  |                                    |                 |  |
| Salaries and Wages .....                                    | 1,706         | -                                      | 1,706                              | 1,990           | 284  |
| Non-Personnel .....   | 1,842         | 3                                      | 1,845                              | 1,999           | 154  |
| Total Engineering and Capital Projects Administration ..... | <u>3,548</u>  | <u>3</u>                               | <u>3,551</u>                       | <u>3,989</u>    | <u>438</u>   |
| Field Engineering   |               |  |                                    |                 |  |
| Salaries and Wages .....                                    | 10,633        | -                                      | 10,633                             | 10,639          | 6  |
| Non-Personnel .....   | 6,726         | 299                                    | 7,025                              | 7,122           | 97   |
| Total Field Engineering .....                               | <u>17,359</u> | <u>299</u>                             | <u>17,658</u>                      | <u>17,761</u>   | <u>103</u>   |
| Public Buildings and Parks                                  |               |  |                                    |                 |  |
| Salaries and Wages .....                                    | 4,220         | -                                      | 4,220                              | 4,222           | 2  |
| Non-Personnel .....   | 2,394         | 312                                    | 2,706                              | 2,706           | -  |
| Total Public Buildings and Parks .....                      | <u>6,614</u>  | <u>312</u>                             | <u>6,926</u>                       | <u>6,928</u>    | <u>2</u>   |
| Project Implementation and Technical Services               |               |  |                                    |                 |  |
| Salaries and Wages .....                                    | 6,410         | -                                      | 6,410                              | 7,370           | 960  |
| Non-Personnel .....   | 4,497         | 73                                     | 4,570                              | 4,825           | 255  |
| Total Project Implementation and Technical Services .....   | <u>10,907</u> | <u>73</u>                              | <u>10,980</u>                      | <u>12,195</u>   | <u>1,215</u>   |
| Budget and Management Services                              |               |  |                                    |                 |  |
| Salaries and Wages .....                                    | 2,133         | -                                      | 2,133                              | 2,145           | 12   |
| Non-Personnel .....   | 1,738         | 2                                      | 1,740                              | 1,741           | 1  |
| Total Budget and Management Services .....                  | <u>3,871</u>  | <u>2</u>                               | <u>3,873</u>                       | <u>3,886</u>    | <u>13</u>  |
| City Treasurer  |               |  |                                    |                 |  |
| Salaries and Wages .....                                    | 6,011         | -                                      | 6,011                              | 6,333           | 322  |
| Non-Personnel .....   | 6,615         | 678                                    | 7,293                              | 7,384           | 91   |
| Total City Treasurer .....                                  | <u>12,626</u> | <u>678</u>                             | <u>13,304</u>                      | <u>13,717</u>   | <u>413</u>   |
| Financing Services  |               |  |                                    |                 |  |
| Salaries and Wages .....                                    | 1,383         | -                                      | 1,383                              | 1,611           | 228  |
| Non-Personnel .....   | 900           | 7                                      | 907                                | 1,135           | 228  |
| Total Financing Services .....                              | <u>2,283</u>  | <u>7</u>                               | <u>2,290</u>                       | <u>2,746</u>    | <u>456</u>   |
| General Services - Administration                           |               |  |                                    |                 |  |
| Salaries and Wages .....                                    | 451           | -                                      | 451                                | 581             | 130  |
| Non-Personnel .....   | 262           | -                                      | 262                                | 328             | 66   |
| Total General Services - Administration .....               | <u>713</u>    | <u>-</u>                               | <u>713</u>                         | <u>909</u>      | <u>196</u>   |

| Prior Year |                               |                           |              |  | Total     |                               |                           |              |  |
|------------|-------------------------------|---------------------------|--------------|--|-----------|-------------------------------|---------------------------|--------------|--|
| Actual     | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) | Actual    | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) |
| \$ -       | \$ -                          | \$ -                      | \$ -         | \$ -   | \$ 23,145 | \$ -                          | \$ 23,145                 | \$ 23,145    | \$ -   |
| 274        | 146                           | 420                       | 460          | 40   | 13,717    | 330                           | 14,047                    | 14,087       | 40   |
| 274        | 146                           | 420                       | 460          | 40   | 36,862    | 330                           | 37,192                    | 37,232       | 40   |
| -          | -                             | -                         | -            | -  | 6,482     | -                             | 6,482                     | 6,482        | -  |
| 75         | -                             | 75                        | 398          | 323  | 4,800     | 147                           | 4,947                     | 5,270        | 323  |
| 75         | -                             | 75                        | 398          | 323  | 11,282    | 147                           | 11,429                    | 11,752       | 323  |
| -          | -                             | -                         | -            | -  | 1,024     | -                             | 1,024                     | 1,059        | 35   |
| -          | -                             | -                         | -            | -  | 568       | 758                           | 1,326                     | 1,619        | 293  |
| -          | -                             | -                         | -            | -  | 1,592     | 758                           | 2,350                     | 2,678        | 328  |
| -          | -                             | -                         | -            | -  | 2,331     | -                             | 2,331                     | 2,331        | -  |
| 30         | 7                             | 37                        | 72           | 35   | 1,884     | 29                            | 1,913                     | 2,098        | 185  |
| 30         | 7                             | 37                        | 72           | 35   | 4,215     | 29                            | 4,244                     | 4,429        | 185  |
| -          | -                             | -                         | -            | -  | -         | -                             | -                         | -            | -  |
| 333        | -                             | 333                       | 336          | 3  | 24,624    | 300                           | 24,924                    | 25,163       | 239  |
| 333        | -                             | 333                       | 336          | 3  | 24,624    | 300                           | 24,924                    | 25,163       | 239  |
| -          | -                             | -                         | -            | -  | 1,706     | -                             | 1,706                     | 1,990        | 284  |
| 4          | -                             | 4                         | 6            | 2  | 1,846     | 3                             | 1,849                     | 2,005        | 156  |
| 4          | -                             | 4                         | 6            | 2  | 3,552     | 3                             | 3,555                     | 3,995        | 440  |
| -          | -                             | -                         | -            | -  | 10,633    | -                             | 10,633                    | 10,639       | 6  |
| 2          | -                             | 2                         | 35           | 33   | 6,728     | 299                           | 7,027                     | 7,157        | 130  |
| 2          | -                             | 2                         | 35           | 33   | 17,361    | 299                           | 17,660                    | 17,796       | 136  |
| -          | -                             | -                         | -            | -  | 4,220     | -                             | 4,220                     | 4,222        | 2  |
| 7          | 70                            | 77                        | 103          | 26   | 2,401     | 382                           | 2,783                     | 2,809        | 26   |
| 7          | 70                            | 77                        | 103          | 26   | 6,621     | 382                           | 7,003                     | 7,031        | 28   |
| -          | -                             | -                         | -            | -  | 6,410     | -                             | 6,410                     | 7,370        | 960  |
| -          | -                             | -                         | -            | -  | 4,497     | 73                            | 4,570                     | 4,825        | 255  |
| -          | -                             | -                         | -            | -  | 10,907    | 73                            | 10,980                    | 12,195       | 1,215  |
| -          | -                             | -                         | -            | -  | 2,133     | -                             | 2,133                     | 2,145        | 12   |
| -          | -                             | -                         | -            | -  | 1,738     | 2                             | 1,740                     | 1,741        | 1  |
| -          | -                             | -                         | -            | -  | 3,871     | 2                             | 3,873                     | 3,886        | 13   |
| -          | -                             | -                         | -            | -  | 6,011     | -                             | 6,011                     | 6,333        | 322  |
| 580        | 929                           | 1,509                     | 1,519        | 10   | 7,195     | 1,607                         | 8,802                     | 8,903        | 101  |
| 580        | 929                           | 1,509                     | 1,519        | 10   | 13,206    | 1,607                         | 14,813                    | 15,236       | 423  |
| -          | -                             | -                         | -            | -  | 1,383     | -                             | 1,383                     | 1,611        | 228  |
| 1          | -                             | 1                         | 18           | 17   | 901       | 7                             | 908                       | 1,153        | 245  |
| 1          | -                             | 1                         | 18           | 17   | 2,284     | 7                             | 2,291                     | 2,764        | 473  |
| -          | -                             | -                         | -            | -  | 451       | -                             | 451                       | 581          | 130  |
| -          | -                             | -                         | -            | -  | 262       | -                             | 262                       | 328          | 66   |
| -          | -                             | -                         | -            | -  | 713       | -                             | 713                       | 909          | 196  |

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**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2009**  
(In Thousands)

|   | Current Year |  |                                    |                 | Variance<br>with Final<br>Budget<br>Positive<br>(Negative) |
|---|--------------|--|------------------------------------|-----------------|--|
|   | Actual       | Adjustment<br>to<br>Budgetary<br>Basis | Actual<br>on<br>Budgetary<br>Basis | Final<br>Budget |  |
| General Government and Support Departmental (Continued):    |              |  |                                    |                 |  |
| Station 38  |              |  |                                    |                 |  |
| Salaries and Wages .....                                    | \$ 507       | \$ -                                   | \$ 507                             | \$ 507          | \$ -   |
| Non-Personnel .....   | 278          | 2                                      | 280                                | 281             | 1  |
| Total Station 38 .....                                      | 785          | 2                                      | 787                                | 788             | 1  |
| Facilities Maintenance                                      |              |  |                                    |                 |  |
| Salaries and Wages .....                                    | 5,546        | -                                      | 5,546                              | 5,546           | -  |
| Non-Personnel .....   | 7,996        | 112                                    | 8,108                              | 8,181           | 73   |
| Total Facilities Maintenance .....                          | 13,542       | 112                                    | 13,654                             | 13,727          | 73   |
| General Services-Contracts Division                         |              |  |                                    |                 |  |
| Salaries and Wages .....                                    | 343          | -                                      | 343                                | 345             | 2  |
| Non-Personnel .....   | 826          | 193                                    | 1,019                              | 1,023           | 4  |
| Total General Services-Contracts Division .....             | 1,169        | 193                                    | 1,362                              | 1,368           | 6  |
| Human Resources   |              |  |                                    |                 |  |
| Salaries and Wages .....                                    | 1,049        | -                                      | 1,049                              | 1,049           | -  |
| Non-Personnel .....   | 747          | 19                                     | 766                                | 766             | -  |
| Total Human Resources .....                                 | 1,796        | 19                                     | 1,815                              | 1,815           | -  |
| Personnel   |              |  |                                    |                 |  |
| Salaries and Wages .....                                    | 3,219        | -                                      | 3,219                              | 3,482           | 263  |
| Non-Personnel .....   | 2,077        | 168                                    | 2,245                              | 2,268           | 23   |
| Total Personnel .....                                       | 5,296        | 168                                    | 5,464                              | 5,750           | 286  |
| Real Estate Assets  |              |  |                                    |                 |  |
| Salaries and Wages .....                                    | 2,344        | -                                      | 2,344                              | 2,344           | -  |
| Non-Personnel .....   | 1,361        | 3                                      | 1,364                              | 1,483           | 119  |
| Total Real Estate Assets .....                              | 3,705        | 3                                      | 3,708                              | 3,827           | 119  |
| Ethics Commission   |              |  |                                    |                 |  |
| Salaries and Wages .....                                    | 608          | -                                      | 608                                | 608             | -  |
| Non-Personnel .....   | 340          | 7                                      | 347                                | 347             | -  |
| Total Ethics Commission .....                               | 948          | 7                                      | 955                                | 955             | -  |
| Business Administration                                     |              |  |                                    |                 |  |
| Salaries and Wages .....                                    | 1,072        | -                                      | 1,072                              | 1,072           | -  |
| Non-Personnel .....   | 808          | 15                                     | 823                                | 824             | 1  |
| Total Business Administration .....                         | 1,880        | 15                                     | 1,895                              | 1,896           | 1  |
| Purchasing and Contracting/Contracts Processing             |              |  |                                    |                 |  |
| Salaries and Wages .....                                    | 2,394        | -                                      | 2,394                              | 2,463           | 69   |
| Non-Personnel .....   | 1,442        | 1                                      | 1,443                              | 1,750           | 307  |
| Total Purchasing and Contracting/Contracts Processing ..... | 3,836        | 1                                      | 3,837                              | 4,213           | 376  |
| Business Office   |              |  |                                    |                 |  |
| Salaries and Wages .....                                    | 630          | -                                      | 630                                | 901             | 271  |
| Non-Personnel .....   | 538          | 2                                      | 540                                | 581             | 41   |
| Total Business Office .....                                 | 1,168        | 2                                      | 1,170                              | 1,482           | 312  |
| Community and Legislative Services                          |              |  |                                    |                 |  |
| Salaries and Wages .....                                    | 2,138        | -                                      | 2,138                              | 2,138           | -  |
| Non-Personnel .....   | 1,834        | 6                                      | 1,840                              | 1,843           | 3  |
| Total Community and Legislative Services .....              | 3,972        | 6                                      | 3,978                              | 3,981           | 3  |
| Economic Growth Services                                    |              |  |                                    |                 |  |
| Salaries and Wages .....                                    | 308          | -                                      | 308                                | 308             | -  |
| Non-Personnel .....   | 312          | -                                      | 312                                | 325             | 13   |
| Total Economic Growth Services .....                        | 620          | -                                      | 620                                | 633             | 13   |
| Office of Ethics and Integrity                              |              |  |                                    |                 |  |
| Salaries and Wages .....                                    | 550          | -                                      | 550                                | 550             | -  |
| Non-Personnel .....   | 360          | -                                      | 360                                | 361             | 1  |
| Total Office of Ethics and Integrity .....                  | 910          | -                                      | 910                                | 911             | 1  |

| Prior Year |                               |                           |              |  | Total  |                               |                           |              |  |
|------------|-------------------------------|---------------------------|--------------|--|--------|-------------------------------|---------------------------|--------------|--|
| Actual     | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) | Actual | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) |
| \$ -       | \$ -                          | \$ -                      | \$ -         | \$ -   | \$ 507 | \$ -                          | \$ 507                    | \$ 507       | \$ -   |
| -          | -                             | -                         | -            | -  | 278    | 2                             | 280                       | 281          | 1  |
| -          | -                             | -                         | -            | -  | 785    | 2                             | 787                       | 788          | 1  |
| -          | -                             | -                         | -            | -  | 5,546  | -                             | 5,546                     | 5,546        | -  |
| 182        | -                             | 182                       | 232          | 50   | 8,178  | 112                           | 8,290                     | 8,413        | 123  |
| 182        | -                             | 182                       | 232          | 50   | 13,724 | 112                           | 13,836                    | 13,959       | 123  |
| -          | -                             | -                         | -            | -  | 343    | -                             | 343                       | 345          | 2  |
| 997        | 486                           | 1,483                     | 1,505        | 22   | 1,823  | 679                           | 2,502                     | 2,528        | 26   |
| 997        | 486                           | 1,483                     | 1,505        | 22   | 2,166  | 679                           | 2,845                     | 2,873        | 28   |
| -          | -                             | -                         | -            | -  | 1,049  | -                             | 1,049                     | 1,049        | -  |
| -          | -                             | -                         | 2            | 2  | 747    | 19                            | 766                       | 768          | 2  |
| -          | -                             | -                         | 2            | 2  | 1,796  | 19                            | 1,815                     | 1,817        | 2  |
| -          | -                             | -                         | -            | -  | 3,219  | -                             | 3,219                     | 3,482        | 263  |
| 65         | -                             | 65                        | 132          | 67   | 2,142  | 168                           | 2,310                     | 2,400        | 90   |
| 65         | -                             | 65                        | 132          | 67   | 5,361  | 168                           | 5,529                     | 5,882        | 353  |
| -          | -                             | -                         | -            | -  | 2,344  | -                             | 2,344                     | 2,344        | -  |
| 184        | 34                            | 218                       | 348          | 130  | 1,545  | 37                            | 1,582                     | 1,831        | 249  |
| 184        | 34                            | 218                       | 348          | 130  | 3,889  | 37                            | 3,926                     | 4,175        | 249  |
| -          | -                             | -                         | -            | -  | 608    | -                             | 608                       | 608          | -  |
| 6          | -                             | 6                         | 8            | 2  | 346    | 7                             | 353                       | 355          | 2  |
| 6          | -                             | 6                         | 8            | 2  | 954    | 7                             | 961                       | 963          | 2  |
| -          | -                             | -                         | -            | -  | 1,072  | -                             | 1,072                     | 1,072        | -  |
| -          | -                             | -                         | -            | -  | 808    | 15                            | 823                       | 824          | 1  |
| -          | -                             | -                         | -            | -  | 1,880  | 15                            | 1,895                     | 1,896        | 1  |
| -          | -                             | -                         | -            | -  | 2,394  | -                             | 2,394                     | 2,463        | 69   |
| 1          | -                             | 1                         | 28           | 27   | 1,443  | 1                             | 1,444                     | 1,778        | 334  |
| 1          | -                             | 1                         | 28           | 27   | 3,837  | 1                             | 3,838                     | 4,241        | 403  |
| -          | -                             | -                         | -            | -  | 630    | -                             | 630                       | 901          | 271  |
| -          | -                             | -                         | -            | -  | 538    | 2                             | 540                       | 581          | 41   |
| -          | -                             | -                         | -            | -  | 1,168  | 2                             | 1,170                     | 1,482        | 312  |
| -          | -                             | -                         | -            | -  | 2,138  | -                             | 2,138                     | 2,138        | -  |
| 1          | -                             | 1                         | 19           | 18   | 1,835  | 6                             | 1,841                     | 1,862        | 21   |
| 1          | -                             | 1                         | 19           | 18   | 3,973  | 6                             | 3,979                     | 4,000        | 21   |
| -          | -                             | -                         | -            | -  | 308    | -                             | 308                       | 308          | -  |
| -          | -                             | -                         | -            | -  | 312    | -                             | 312                       | 325          | 13   |
| -          | -                             | -                         | -            | -  | 620    | -                             | 620                       | 633          | 13   |
| -          | -                             | -                         | -            | -  | 550    | -                             | 550                       | 550          | -  |
| 64         | 194                           | 258                       | 301          | 43   | 424    | 194                           | 618                       | 662          | 44   |
| 64         | 194                           | 258                       | 301          | 43   | 974    | 194                           | 1,168                     | 1,212        | 44   |

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**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2009  
(In Thousands)**

|   | Current Year   |  |                                    |                 |  |
|---|----------------|--|------------------------------------|-----------------|--|
|   | Actual         | Adjustment<br>to<br>Budgetary<br>Basis | Actual<br>on<br>Budgetary<br>Basis | Final<br>Budget | Variance<br>with Final<br>Budget<br>Positive<br>(Negative) |
| General Government and Support Departmental (Continued):                          |                |  |                                    |                 |  |
| Department of Finance   |                |  |                                    |                 |  |
| Salaries and Wages .....  | \$ 380         | \$ -                                   | \$ 380                             | \$ 380          | \$ -   |
| Non-Personnel .....   | 575            | -                                      | 575                                | 575             | -  |
| Total Department of Finance.....  | 955            | -                                      | 955                                | 955             | -  |
| City Planning and Development   |                |  |                                    |                 |  |
| Salaries and Wages .....  | 140            | -                                      | 140                                | 162             | 22   |
| Non-Personnel .....   | 90             | -                                      | 90                                 | 105             | 15   |
| Total City Planning and Development.....  | 230            | -                                      | 230                                | 267             | 37   |
| Public Works  |                |  |                                    |                 |  |
| Salaries and Wages .....  | 168            | -                                      | 168                                | 194             | 26   |
| Non-Personnel .....   | 93             | -                                      | 93                                 | 130             | 37   |
| Total Public Works.....   | 261            | -                                      | 261                                | 324             | 63   |
| Public Safety   |                |  |                                    |                 |  |
| Salaries and Wages .....  | 290            | -                                      | 290                                | 290             | -  |
| Non-Personnel .....   | 307            | -                                      | 307                                | 307             | -  |
| Total Public Safety.....  | 597            | -                                      | 597                                | 597             | -  |
| Community Services  |                |  |                                    |                 |  |
| Salaries and Wages .....  | 165            | -                                      | 165                                | 165             | -  |
| Non-Personnel .....   | 89             | -                                      | 89                                 | 93              | 4  |
| Total Community Services.....   | 254            | -                                      | 254                                | 258             | 4  |
| Customer Service  |                |  |                                    |                 |  |
| Salaries and Wages .....  | 722            | -                                      | 722                                | 722             | -  |
| Non-Personnel .....   | 547            | -                                      | 547                                | 547             | -  |
| Total Customer Service.....   | 1,269          | -                                      | 1,269                              | 1,269           | -  |
| Citywide Program Expenditures   |                |  |                                    |                 |  |
| Non-Personnel .....   | 48,775         | 674                                    | 49,449                             | 52,929          | 3,480  |
| Total Citywide Program Expenditures .....   | 48,775         | 674                                    | 49,449                             | 52,929          | 3,480  |
| General Fund Appropriated Reserve   |                |  |                                    |                 |  |
| Non-Personnel .....   | -              | -                                      | -                                  | 8,377           | 8,377  |
| Total General Fund Appropriated Reserve .....                                     | -              | -                                      | -                                  | 8,377           | 8,377  |
| <b>TOTAL GENERAL GOVERNMENT AND SUPPORT .....</b>                                 | <b>239,114</b> | <b>4,036</b>                           | <b>243,150</b>                     | <b>259,951</b>  | <b>16,801</b>  |
| <b>PUBLIC SAFETY - POLICE</b>   |                |  |                                    |                 |  |
| Departmental:   |                |  |                                    |                 |  |
| Police  |                |  |                                    |                 |  |
| Salaries and Wages .....  | 220,073        | -                                      | 220,073                            | 222,682         | 2,609  |
| Non-Personnel .....   | 168,062        | 2,085                                  | 170,147                            | 172,851         | 2,704  |
| Total Police .....  | 388,135        | 2,085                                  | 390,220                            | 395,533         | 5,313  |
| <b>TOTAL PUBLIC SAFETY - POLICE .....</b>   | <b>388,135</b> | <b>2,085</b>                           | <b>390,220</b>                     | <b>395,533</b>  | <b>5,313</b>   |
| <b>PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY</b>                 |                |  |                                    |                 |  |
| Departmental:   |                |  |                                    |                 |  |
| Fire-Rescue   |                |  |                                    |                 |  |
| Salaries and Wages .....  | 114,708        | -                                      | 114,708                            | 114,708         | -  |
| Non-Personnel .....   | 78,998         | 731                                    | 79,729                             | 79,729          | -  |
| Total Fire-Rescue .....   | 193,706        | 731                                    | 194,437                            | 194,437         | -  |
| Homeland Security   |                |  |                                    |                 |  |
| Salaries and Wages .....  | 702            | -                                      | 702                                | 787             | 85   |
| Non-Personnel .....   | 596            | 2                                      | 598                                | 723             | 125  |
| Total Homeland Security .....   | 1,298          | 2                                      | 1,300                              | 1,510           | 210  |
| <b>TOTAL PUBLIC SAFETY - FIRE AND LIFE SAFETY<br/>AND HOMELAND SECURITY .....</b> | <b>195,004</b> | <b>733</b>                             | <b>195,737</b>                     | <b>195,947</b>  | <b>210</b>   |

| Prior Year |                               |                           |              |  | Total   |                               |                           |              |  |
|------------|-------------------------------|---------------------------|--------------|--|---------|-------------------------------|---------------------------|--------------|--|
| Actual     | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) | Actual  | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) |
| \$ -       | \$ -                          | \$ -                      | \$ 15        | \$ 15  | \$ 380  | \$ -                          | \$ 380                    | \$ 380       | \$ -   |
| -          | -                             | -                         | 15           | 15   | 575     | -                             | 575                       | 590          | 15   |
| -          | -                             | -                         | 15           | 15   | 955     | -                             | 955                       | 970          | 15   |
| -          | -                             | -                         | -            | -  | 140     | -                             | 140                       | 162          | 22   |
| -          | -                             | -                         | -            | -  | 90      | -                             | 90                        | 105          | 15   |
| -          | -                             | -                         | -            | -  | 230     | -                             | 230                       | 267          | 37   |
| -          | -                             | -                         | -            | -  | 168     | -                             | 168                       | 194          | 26   |
| -          | -                             | -                         | -            | -  | 93      | -                             | 93                        | 130          | 37   |
| -          | -                             | -                         | -            | -  | 261     | -                             | 261                       | 324          | 63   |
| -          | -                             | -                         | -            | -  | 290     | -                             | 290                       | 290          | -  |
| 95         | -                             | 95                        | 147          | 52   | 402     | -                             | 402                       | 454          | 52   |
| 95         | -                             | 95                        | 147          | 52   | 692     | -                             | 692                       | 744          | 52   |
| -          | -                             | -                         | -            | -  | 165     | -                             | 165                       | 165          | -  |
| -          | -                             | -                         | -            | -  | 89      | -                             | 89                        | 93           | 4  |
| -          | -                             | -                         | -            | -  | 254     | -                             | 254                       | 258          | 4  |
| -          | -                             | -                         | -            | -  | 722     | -                             | 722                       | 722          | -  |
| 39         | -                             | 39                        | 129          | 90   | 586     | -                             | 586                       | 676          | 90   |
| 39         | -                             | 39                        | 129          | 90   | 1,308   | -                             | 1,308                     | 1,398        | 90   |
| 959        | 175                           | 1,134                     | 2,767        | 1,633  | 49,734  | 849                           | 50,583                    | 55,696       | 5,113  |
| 959        | 175                           | 1,134                     | 2,767        | 1,633  | 49,734  | 849                           | 50,583                    | 55,696       | 5,113  |
| -          | -                             | -                         | 659          | 659  | -       | -                             | -                         | 9,036        | 9,036  |
| -          | -                             | -                         | 659          | 659  | -       | -                             | -                         | 9,036        | 9,036  |
| 3,943      | 2,041                         | 5,984                     | 9,319        | 3,335  | 243,057 | 6,077                         | 249,134                   | 269,270      | 20,136   |
| -          | -                             | -                         | -            | -  | 220,073 | -                             | 220,073                   | 222,682      | 2,609  |
| 1,255      | 299                           | 1,554                     | 3,068        | 1,514  | 169,317 | 2,384                         | 171,701                   | 175,919      | 4,218  |
| 1,255      | 299                           | 1,554                     | 3,068        | 1,514  | 389,390 | 2,384                         | 391,774                   | 398,601      | 6,827  |
| 1,255      | 299                           | 1,554                     | 3,068        | 1,514  | 389,390 | 2,384                         | 391,774                   | 398,601      | 6,827  |
| -          | -                             | -                         | -            | -  | 114,708 | -                             | 114,708                   | 114,708      | -  |
| 566        | -                             | 566                       | 1,007        | 441  | 79,564  | 731                           | 80,295                    | 80,736       | 441  |
| 566        | -                             | 566                       | 1,007        | 441  | 194,272 | 731                           | 195,003                   | 195,444      | 441  |
| -          | -                             | -                         | -            | -  | 702     | -                             | 702                       | 787          | 85   |
| 26         | -                             | 26                        | 212          | 186  | 622     | 2                             | 624                       | 935          | 311  |
| 26         | -                             | 26                        | 212          | 186  | 1,324   | 2                             | 1,326                     | 1,722        | 396  |
| 592        | -                             | 592                       | 1,219        | 627  | 195,596 | 733                           | 196,329                   | 197,166      | 837  |

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**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2009  
(In Thousands)**

|  | Current Year   |  |                                    |                 | Variance<br>with Final<br>Budget<br>Positive<br>(Negative) |
|--|----------------|--|------------------------------------|-----------------|--|
|  | Actual         | Adjustment<br>to<br>Budgetary<br>Basis | Actual<br>on<br>Budgetary<br>Basis | Final<br>Budget |  |
| <b>PARKS, RECREATION, CULTURE AND LEISURE</b>                |                |  |                                    |                 |  |
| Departmental:  |                |  |                                    |                 |  |
| Reservoir Concessions  |                |  |                                    |                 |  |
| Non-Personnel .....  | \$ 2,179       | \$ -                                   | \$ 2,179                           | \$ 2,183        | \$ 4   |
| Parks and Recreation-Administrative Services                 |                |  |                                    |                 |  |
| Salaries and Wages .....                                     | 1,242          | -                                      | 1,242                              | 1,242           | -  |
| Non-Personnel .....  | 726            | -                                      | 726                                | 729             | 3  |
| Total Parks and Recreation - Administration Services .....   | 1,968          | -                                      | 1,968                              | 1,971           | 3  |
| Community Parks I  |                |  |                                    |                 |  |
| Salaries and Wages .....                                     | 5,618          | -                                      | 5,618                              | 5,618           | -  |
| Non-Personnel .....  | 10,370         | 462                                    | 10,832                             | 10,971          | 139  |
| Total Community Parks I .....                                | 15,988         | 462                                    | 16,450                             | 16,589          | 139  |
| Community Parks II   |                |  |                                    |                 |  |
| Salaries and Wages .....                                     | 8,865          | -                                      | 8,865                              | 8,865           | -  |
| Non-Personnel .....  | 10,463         | 427                                    | 10,890                             | 11,196          | 306  |
| Total Community Parks II .....                               | 19,328         | 427                                    | 19,755                             | 20,061          | 306  |
| Developed Regional Parks                                     |                |  |                                    |                 |  |
| Salaries and Wages .....                                     | 12,978         | -                                      | 12,978                             | 13,201          | 223  |
| Non-Personnel .....  | 20,077         | 1,268                                  | 21,345                             | 21,394          | 49   |
| Total Developed Regional Parks .....                         | 33,055         | 1,268                                  | 34,323                             | 34,595          | 272  |
| Open Space Division  |                |  |                                    |                 |  |
| Salaries and Wages .....                                     | 2,551          | -                                      | 2,551                              | 3,159           | 608  |
| Non-Personnel .....  | 4,882          | 988                                    | 5,870                              | 5,947           | 77   |
| Total Open Space Division .....                              | 7,433          | 988                                    | 8,421                              | 9,106           | 685  |
| Library  |                |  |                                    |                 |  |
| Salaries and Wages .....                                     | 17,871         | -                                      | 17,871                             | 18,268          | 397  |
| Non-Personnel .....  | 16,114         | 616                                    | 16,730                             | 16,740          | 10   |
| Total Library .....  | 33,985         | 616                                    | 34,601                             | 35,008          | 407  |
| <b>TOTAL PARKS, RECREATION<br/>CULTURE AND LEISURE .....</b> | <b>113,936</b> | <b>3,761</b>                           | <b>117,697</b>                     | <b>119,513</b>  | <b>1,816</b>   |
| <b>TRANSPORTATION</b>  |                |  |                                    |                 |  |
| Departmental:  |                |  |                                    |                 |  |
| Streets  |                |  |                                    |                 |  |
| Salaries and Wages .....                                     | 11,236         | -                                      | 11,236                             | 11,236          | -  |
| Non-Personnel .....  | 32,957         | 2,530                                  | 35,487                             | 35,487          | -  |
| Total Streets .....  | 44,193         | 2,530                                  | 46,723                             | 46,723          | -  |
| Right-Of Way Design  |                |  |                                    |                 |  |
| Salaries and Wages .....                                     | 8,201          | -                                      | 8,201                              | 8,241           | 40   |
| Non-Personnel .....  | 4,890          | 77                                     | 4,967                              | 5,075           | 108  |
| Total Right-Of-Way Design .....                              | 13,091         | 77                                     | 13,168                             | 13,316          | 148  |
| Transportation Engineering                                   |                |  |                                    |                 |  |
| Salaries and Wages .....                                     | 3,705          | -                                      | 3,705                              | 4,026           | 321  |
| Non-Personnel .....  | 2,684          | 243                                    | 2,927                              | 3,364           | 437  |
| Total Transportation Engineering .....                       | 6,389          | 243                                    | 6,632                              | 7,390           | 758  |
| <b>TOTAL TRANSPORTATION .....</b>                            | <b>63,673</b>  | <b>2,850</b>                           | <b>66,523</b>                      | <b>67,429</b>   | <b>906</b>   |

| Prior Year |                               |                           |              |  | Total    |                               |                           |              |  |
|------------|-------------------------------|---------------------------|--------------|--|----------|-------------------------------|---------------------------|--------------|--|
| Actual     | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) | Actual   | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) |
| \$ -       | \$ -                          | \$ -                      | \$ -         | \$ -   | \$ 2,179 | \$ -                          | \$ 2,179                  | \$ 2,183     | \$ 4   |
| -          | -                             | -                         | -            | -  | 1,242    | -                             | 1,242                     | 1,242        | -  |
| 8          | -                             | 8                         | 8            | -  | 734      | -                             | 734                       | 737          | 3  |
| 8          | -                             | 8                         | 8            | -  | 1,976    | -                             | 1,976                     | 1,979        | 3  |
| -          | -                             | -                         | -            | -  | 5,618    | -                             | 5,618                     | 5,618        | -  |
| 312        | -                             | 312                       | 553          | 241  | 10,682   | 462                           | 11,144                    | 11,524       | 380  |
| 312        | -                             | 312                       | 553          | 241  | 16,300   | 462                           | 16,762                    | 17,142       | 380  |
| -          | -                             | -                         | -            | -  | 8,865    | -                             | 8,865                     | 8,865        | -  |
| 169        | -                             | 169                       | 220          | 51   | 10,632   | 427                           | 11,059                    | 11,416       | 357  |
| 169        | -                             | 169                       | 220          | 51   | 19,497   | 427                           | 19,924                    | 20,281       | 357  |
| -          | -                             | -                         | -            | -  | 12,978   | -                             | 12,978                    | 13,201       | 223  |
| 974        | -                             | 974                       | 1,593        | 619  | 21,051   | 1,268                         | 22,319                    | 22,987       | 668  |
| 974        | -                             | 974                       | 1,593        | 619  | 34,029   | 1,268                         | 35,297                    | 36,188       | 891  |
| -          | -                             | -                         | -            | -  | 2,551    | -                             | 2,551                     | 3,159        | 608  |
| 235        | 421                           | 656                       | 1,127        | 471  | 5,117    | 1,409                         | 6,526                     | 7,074        | 548  |
| 235        | 421                           | 656                       | 1,127        | 471  | 7,668    | 1,409                         | 9,077                     | 10,233       | 1,156  |
| -          | -                             | -                         | -            | -  | 17,871   | -                             | 17,871                    | 18,268       | 397  |
| 757        | -                             | 757                       | 890          | 133  | 16,871   | 616                           | 17,487                    | 17,630       | 143  |
| 757        | -                             | 757                       | 890          | 133  | 34,742   | 616                           | 35,358                    | 35,898       | 540  |
| 2,455      | 421                           | 2,876                     | 4,391        | 1,515  | 116,391  | 4,182                         | 120,573                   | 123,904      | 3,331  |
| -          | -                             | -                         | -            | -  | 11,236   | -                             | 11,236                    | 11,236       | -  |
| 8,836      | 35                            | 8,871                     | 10,412       | 1,541  | 41,793   | 2,565                         | 44,358                    | 45,899       | 1,541  |
| 8,836      | 35                            | 8,871                     | 10,412       | 1,541  | 53,029   | 2,565                         | 55,594                    | 57,135       | 1,541  |
| -          | -                             | -                         | -            | -  | 8,201    | -                             | 8,201                     | 8,241        | 40   |
| 102        | 42                            | 144                       | 184          | 40   | 4,992    | 119                           | 5,111                     | 5,259        | 148  |
| 102        | 42                            | 144                       | 184          | 40   | 13,193   | 119                           | 13,312                    | 13,500       | 188  |
| -          | -                             | -                         | -            | -  | 3,705    | -                             | 3,705                     | 4,026        | 321  |
| 24         | -                             | 24                        | 430          | 406  | 2,708    | 243                           | 2,951                     | 3,794        | 843  |
| 24         | -                             | 24                        | 430          | 406  | 6,413    | 243                           | 6,656                     | 7,820        | 1,164  |
| 8,962      | 77                            | 9,039                     | 11,026       | 1,987  | 72,635   | 2,927                         | 75,562                    | 78,455       | 2,893  |

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**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2009**  
(In Thousands)

|   | Current Year  |  |                                    |                 | Variance<br>with Final<br>Budget<br>Positive<br>(Negative) |
|---|---------------|--|------------------------------------|-----------------|--|
|   | Actual        | Adjustment<br>to<br>Budgetary<br>Basis | Actual<br>on<br>Budgetary<br>Basis | Final<br>Budget |  |
| <b>SANITATION AND HEALTH</b>                    |               |  |                                    |                 |  |
| Departmental:                                   |               |  |                                    |                 |  |
| Collection Services                             |               |  |                                    |                 |  |
| Salaries and Wages .....                        | \$ 6,383      | \$ -                                   | \$ 6,383                           | \$ 7,087        | \$ 704   |
| Non-Personnel .....                             | 27,337        | 358                                    | 27,695                             | 27,843          | 148  |
| Total Collection Services .....                 | 33,720        | 358                                    | 34,078                             | 34,930          | 852  |
| Environmental Protection                        |               |  |                                    |                 |  |
| Salaries and Wages .....                        | 1,032         | -                                      | 1,032                              | 1,053           | 21   |
| Non-Personnel .....                             | 753           | -                                      | 753                                | 753             | -  |
| Total Environmental Protection .....            | 1,785         | -                                      | 1,785                              | 1,806           | 21   |
| Office of the Director                          |               |  |                                    |                 |  |
| Salaries and Wages .....                        | 766           | -                                      | 766                                | 899             | 133  |
| Non-Personnel .....                             | 556           | 63                                     | 619                                | 761             | 142  |
| Total Office of the Director .....              | 1,322         | 63                                     | 1,385                              | 1,660           | 275  |
| Storm Water                                     |               |  |                                    |                 |  |
| Salaries and Wages .....                        | 5,734         | -                                      | 5,734                              | 8,184           | 2,450  |
| Non-Personnel .....                             | 16,373        | 12,624                                 | 28,997                             | 31,315          | 2,318  |
| Total Storm Water .....                         | 22,107        | 12,624                                 | 34,731                             | 39,499          | 4,768  |
| Mt. Hope Cemetery                               |               |  |                                    |                 |  |
| Salaries and Wages .....                        | 469           | -                                      | 469                                | 489             | 20   |
| Non-Personnel .....                             | 954           | 48                                     | 1,002                              | 1,047           | 45   |
| Total Mt. Hope Cemetery .....                   | 1,423         | 48                                     | 1,471                              | 1,536           | 65   |
| <b>TOTAL SANITATION AND HEALTH .....</b>        | <b>60,357</b> | <b>13,093</b>                          | <b>73,450</b>                      | <b>79,431</b>   | <b>5,981</b>   |
| <b>NEIGHBORHOOD SERVICES:</b>                   |               |  |                                    |                 |  |
| Family Justice Center                           |               |  |                                    |                 |  |
| Salaries and Wages .....                        | 85            | -                                      | 85                                 | 269             | 184  |
| Non-Personnel .....                             | 124           | 24                                     | 148                                | 278             | 130  |
| Total Family Justice Center .....               | 209           | 24                                     | 233                                | 547             | 314  |
| Neighborhood Code Compliance                    |               |  |                                    |                 |  |
| Salaries and Wages .....                        | 3,683         | -                                      | 3,683                              | 3,683           | -  |
| Non-Personnel .....                             | 2,768         | 72                                     | 2,840                              | 2,840           | -  |
| Total Neighborhood Code Compliance .....        | 6,451         | 72                                     | 6,523                              | 6,523           | -  |
| Neighborhood Services Departmental (Continued): |               |  |                                    |                 |  |
| Planning  |               |  |                                    |                 |  |
| Salaries and Wages .....                        | 5,679         | -                                      | 5,679                              | 6,913           | 1,234  |
| Non-Personnel .....                             | 4,246         | 1,170                                  | 5,416                              | 5,416           | -  |
| Total Planning .....                            | 9,925         | 1,170                                  | 11,095                             | 12,329          | 1,234  |
| <b>TOTAL NEIGHBORHOOD SERVICES .....</b>        | <b>16,585</b> | <b>1,266</b>                           | <b>17,851</b>                      | <b>19,399</b>   | <b>1,548</b>   |

| Prior Year |                               |                           |              |  | Total    |                               |                           |              |  |
|------------|-------------------------------|---------------------------|--------------|--|----------|-------------------------------|---------------------------|--------------|--|
| Actual     | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) | Actual   | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) |
| \$ -       | \$ -                          | \$ -                      | \$ -         | \$ -   | \$ 6,383 | \$ -                          | \$ 6,383                  | \$ 7,087     | \$ 704   |
| 91         | -                             | 91                        | 328          | 237  | 27,428   | 358                           | 27,786                    | 28,171       | 385  |
| 91         | -                             | 91                        | 328          | 237  | 33,811   | 358                           | 34,169                    | 35,258       | 1,089  |
| -          | -                             | -                         | -            | -  | 1,032    | -                             | 1,032                     | 1,053        | 21   |
| 4          | -                             | 4                         | 9            | 5  | 757      | -                             | 757                       | 762          | 5  |
| 4          | -                             | 4                         | 9            | 5  | 1,789    | -                             | 1,789                     | 1,815        | 26   |
| -          | -                             | -                         | -            | -  | 766      | -                             | 766                       | 899          | 133  |
| 8          | -                             | 8                         | 63           | 55   | 564      | 63                            | 627                       | 824          | 197  |
| 8          | -                             | 8                         | 63           | 55   | 1,330    | 63                            | 1,393                     | 1,723        | 330  |
| -          | -                             | -                         | -            | -  | 5,734    | -                             | 5,734                     | 8,184        | 2,450  |
| 7,400      | 502                           | 7,902                     | 10,760       | 2,858  | 23,773   | 13,126                        | 36,899                    | 42,075       | 5,176  |
| 7,400      | 502                           | 7,902                     | 10,760       | 2,858  | 29,507   | 13,126                        | 42,633                    | 50,259       | 7,626  |
| -          | -                             | -                         | -            | -  | 469      | -                             | 469                       | 489          | 20   |
| 7          | -                             | 7                         | 39           | 32   | 961      | 48                            | 1,009                     | 1,086        | 77   |
| 7          | -                             | 7                         | 39           | 32   | 1,430    | 48                            | 1,478                     | 1,575        | 97   |
| 7,510      | 502                           | 8,012                     | 11,199       | 3,187  | 67,867   | 13,595                        | 81,462                    | 90,630       | 9,168  |
| -          | -                             | -                         | -            | -  | 85       | -                             | 85                        | 269          | 184  |
| 2          | -                             | 2                         | 2            | -  | 126      | 24                            | 150                       | 280          | 130  |
| 2          | -                             | 2                         | 2            | -  | 211      | 24                            | 235                       | 549          | 314  |
| -          | -                             | -                         | -            | -  | 3,683    | -                             | 3,683                     | 3,683        | -  |
| 52         | -                             | 52                        | 62           | 10   | 2,820    | 72                            | 2,892                     | 2,902        | 10   |
| 52         | -                             | 52                        | 62           | 10   | 6,503    | 72                            | 6,575                     | 6,585        | 10   |
| -          | -                             | -                         | -            | -  | 5,679    | -                             | 5,679                     | 6,913        | 1,234  |
| 616        | 895                           | 1,511                     | 2,158        | 647  | 4,862    | 2,065                         | 6,927                     | 7,574        | 647  |
| 616        | 895                           | 1,511                     | 2,158        | 647  | 10,541   | 2,065                         | 12,606                    | 14,487       | 1,881  |
| 670        | 895                           | 1,565                     | 2,222        | 657  | 17,255   | 2,161                         | 19,416                    | 21,621       | 2,205  |

Continued on Next page

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2009**  
(In Thousands)

|   | Current Year        |  |                                    |                     | Variance<br>with Final<br>Budget<br>Positive<br>(Negative) |
|---|---------------------|--|------------------------------------|---------------------|--|
|   | Actual              | Adjustment<br>to<br>Budgetary<br>Basis | Actual<br>on<br>Budgetary<br>Basis | Final<br>Budget     |  |
| <b>DEBT SERVICE</b>                               |                     |  |                                    |                     |  |
| Principal .....                                   | \$ 818              | \$ -                                   | \$ 818                             | \$ 818              | \$ -   |
| Interest .....                                    | 3,106               | -                                      | 3,106                              | 3,173               | 67   |
| <b>TOTAL DEBT SERVICE</b> .....                   | <b>3,924</b>        | <b>-</b>                               | <b>3,924</b>                       | <b>3,991</b>        | <b>67</b>  |
| <b>TOTAL EXPENDITURES</b> .....                   | <b>1,080,728</b>    | <b>27,824</b>                          | <b>1,108,552</b>                   | <b>1,141,194</b>    | <b>32,642</b>  |
| <b>TRANSFERS TO PROPRIETARY FUNDS</b>             |                     |  |                                    |                     |  |
| Enterprise Funds:                                 |                     |  |                                    |                     |  |
| City of San Diego:                                |                     |  |                                    |                     |  |
| Development Services .....                        | 1,712               | -                                      | 1,712                              | 1,712               | -  |
| Recycling .....                                   | 483                 | -                                      | 483                                | 483                 | -  |
| Total Enterprise Funds .....                      | 2,195               | -                                      | 2,195                              | 2,195               | -  |
| Internal Service Funds:                           |                     |  |                                    |                     |  |
| City of San Diego:                                |                     |  |                                    |                     |  |
| Fleet Services .....                              | 1,810               | -                                      | 1,810                              | 1,810               | -  |
| Print Shop .....                                  | 31                  | -                                      | 31                                 | 31                  | -  |
| Central Stores .....                              | 7                   | -                                      | 7                                  | 7                   | -  |
| Total Internal Service Funds .....                | 1,848               | -                                      | 1,848                              | 1,848               | -  |
| <b>TOTAL TRANSFERS TO PROPRIETARY FUNDS</b> ..... | <b>4,043</b>        | <b>-</b>                               | <b>4,043</b>                       | <b>4,043</b>        | <b>-</b>   |
| <b>TRANSFERS TO OTHER FUNDS</b>                   |                     |  |                                    |                     |  |
| Special Revenue Funds:                            |                     |  |                                    |                     |  |
| City of San Diego:                                |                     |  |                                    |                     |  |
| Acquisition, Improvement and Operations .....     | 897                 | -                                      | 897                                | 897                 | -  |
| Police Decentralization .....                     | 6,219               | -                                      | 6,219                              | 6,219               | -  |
| Other Special Revenue - Budgeted .....            | 3,528               | -                                      | 3,528                              | 3,528               | -  |
| Other Special Revenue - Unbudgeted .....          | 11,288              | -                                      | 11,288                             | 11,288              | -  |
| Total Special Revenue Funds .....                 | 21,932              | -                                      | 21,932                             | 21,932              | -  |
| Capital Projects Funds:                           |                     |  |                                    |                     |  |
| City of San Diego:                                |                     |  |                                    |                     |  |
| Other Construction .....                          | 2,845               | -                                      | 2,845                              | 2,845               | -  |
| Total Capital Projects Funds .....                | 2,845               | -                                      | 2,845                              | 2,845               | -  |
| <b>TOTAL TRANSFERS TO OTHER FUNDS</b> .....       | <b>24,777</b>       | <b>-</b>                               | <b>24,777</b>                      | <b>24,777</b>       | <b>-</b>   |
| <b>TOTAL EXPENDITURES AND TRANSFERS</b> .....     | <b>\$ 1,109,548</b> | <b>\$ 27,824</b>                       | <b>\$ 1,137,372</b>                | <b>\$ 1,170,014</b> | <b>\$ 32,642</b>   |

| Prior Year |                               |                           |              |  | Total        |                               |                           |              |  |
|------------|-------------------------------|---------------------------|--------------|--|--------------|-------------------------------|---------------------------|--------------|--|
| Actual     | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) | Actual       | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget | Variance with Final Budget Positive (Negative) |
| \$ -       | \$ -                          | \$ -                      | \$ -         | \$ -   | \$ 818       | \$ -                          | \$ 818                    | \$ 818       | \$ -   |
| -          | -                             | -                         | -            | -  | 3,106        | -                             | 3,106                     | 3,173        | 67   |
| -          | -                             | -                         | -            | -  | 3,924        | -                             | 3,924                     | 3,991        | 67   |
| 25,387     | 4,235                         | 29,622                    | 42,444       | 12,822   | 1,106,115    | 32,059                        | 1,138,174                 | 1,183,638    | 45,464   |
| -          | -                             | -                         | -            | -  | 1,712        | -                             | 1,712                     | 1,712        | -  |
| -          | -                             | -                         | -            | -  | 483          | -                             | 483                       | 483          | -  |
| -          | -                             | -                         | -            | -  | 2,195        | -                             | 2,195                     | 2,195        | -  |
| -          | -                             | -                         | -            | -  | 1,810        | -                             | 1,810                     | 1,810        | -  |
| -          | -                             | -                         | -            | -  | 31           | -                             | 31                        | 31           | -  |
| -          | -                             | -                         | -            | -  | 7            | -                             | 7                         | 7            | -  |
| -          | -                             | -                         | -            | -  | 1,848        | -                             | 1,848                     | 1,848        | -  |
| -          | -                             | -                         | -            | -  | 4,043        | -                             | 4,043                     | 4,043        | -  |
| -          | -                             | -                         | -            | -  | 897          | -                             | 897                       | 897          | -  |
| -          | -                             | -                         | -            | -  | 6,219        | -                             | 6,219                     | 6,219        | -  |
| -          | -                             | -                         | -            | -  | 3,528        | -                             | 3,528                     | 3,528        | -  |
| -          | -                             | -                         | -            | -  | 11,288       | -                             | 11,288                    | 11,288       | -  |
| -          | -                             | -                         | -            | -  | 21,932       | -                             | 21,932                    | 21,932       | -  |
| 1,254      | -                             | 1,254                     | 1,254        | -  | 4,099        | -                             | 4,099                     | 4,099        | -  |
| 1,254      | -                             | 1,254                     | 1,254        | -  | 4,099        | -                             | 4,099                     | 4,099        | -  |
| 1,254      | -                             | 1,254                     | 1,254        | -  | 26,031       | -                             | 26,031                    | 26,031       | -  |
| \$ 26,641  | \$ 4,235                      | \$ 30,876                 | \$ 43,698    | \$ 12,822                                      | \$ 1,136,189 | \$ 32,059                     | \$ 1,168,248              | \$ 1,213,712 | \$ 45,464                                      |

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## NON MAJOR GOVERNMENTAL FUNDS





**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2009  
(In Thousands)**

|  | Special<br>Revenue | Debt Service      | Capital<br>Projects | Permanent        | Total Nonmajor<br>Governmental<br>Funds |
|--|--------------------|-------------------|---------------------|------------------|---|
| <b>ASSETS</b>  |                    |                   |                     |                  |   |
| Cash and Investments .....   | \$ 463,654         | \$ -              | \$ 622,154          | \$ -             | \$ 1,085,808                            |
| Receivables:   |                    |                   |                     |                  |   |
| Taxes - Net .....  | 13,766             | 2,855             | -                   | -                | 16,621                                  |
| Accounts - Net of Allowance for Uncollectibles (Special Revenue \$26,606) .... | 11,549             | 5,050             | 7,545               | 15               | 24,159                                  |
| Claims - Net .....   | 16                 | -                 | -                   | -                | 16                                      |
| Special Assessments .....  | 1,736              | 1,253             | 4                   | -                | 2,993                                   |
| Notes .....  | 117,948            | -                 | 5,000               | -                | 122,948                                 |
| Accrued Interest .....   | 1,325              | 985               | 1,164               | 23               | 3,497                                   |
| Grants .....   | 7,005              | -                 | 28,697              | -                | 35,702                                  |
| From Other Funds .....   | 25                 | -                 | 1                   | -                | 26                                      |
| Interfund Loan Receivable .....  | -                  | 33,460            | -                   | -                | 33,460                                  |
| Advances to Other Funds .....  | 7,359              | -                 | 600                 | -                | 7,959                                   |
| Advances to Other Agencies .....   | 5,777              | -                 | -                   | -                | 5,777                                   |
| Land Held for Resale .....   | 11,875             | -                 | 27,538              | -                | 39,413                                  |
| Prepaid Items .....  | 1,278              | -                 | 73                  | -                | 1,351                                   |
| Restricted Cash and Investments .....  | -                  | 415,680           | -                   | 15,867           | 431,547                                 |
| <b>TOTAL ASSETS</b> .....  | <u>\$ 643,313</u>  | <u>\$ 459,283</u> | <u>\$ 692,776</u>   | <u>\$ 15,905</u> | <u>\$ 1,811,277</u>                     |
| <b>LIABILITIES</b>   |                    |                   |                     |                  |   |
| Accounts Payable .....   | \$ 24,379          | \$ -              | \$ 9,916            | \$ -             | \$ 34,295                               |
| Accrued Wages and Benefits .....   | 736                | -                 | -                   | -                | 736                                     |
| Other Accrued Liabilities .....  | 210                | -                 | -                   | -                | 210                                     |
| Due to Other Funds .....   | 4,166              | -                 | 1,827               | -                | 5,993                                   |
| Due to Other Agencies .....  | 36                 | -                 | 152                 | -                | 188                                     |
| Unearned Revenue .....   | 15,235             | -                 | 18,819              | -                | 34,054                                  |
| Deferred Revenue .....   | 20,287             | 6,129             | 32,368              | -                | 58,784                                  |
| Sundry Trust Liabilities .....   | 1,161              | -                 | 4,550               | -                | 5,711                                   |
| Advances from Other Funds .....  | 1,928              | -                 | 6,031               | -                | 7,959                                   |
| Interfund Loan Payable .....   | 4,273              | 12,094            | 20,580              | -                | 36,947                                  |
| <b>TOTAL LIABILITIES</b> .....   | <u>72,411</u>      | <u>18,223</u>     | <u>94,243</u>       | <u>-</u>         | <u>184,877</u>                          |
| <b>FUND EQUITY:</b>  |                    |                   |                     |                  |   |
| Fund Balances:   |                    |                   |                     |                  |   |
| Reserved for Land Held for Resale .....  | 11,875             | -                 | 27,538              | -                | 39,413                                  |
| Reserved for Notes Receivable .....  | 113,907            | -                 | 5,000               | -                | 118,907                                 |
| Reserved for Encumbrances .....  | 115,227            | 522               | 134,916             | -                | 250,665                                 |
| Reserved for Advances and Deposits .....                                       | 13,136             | -                 | 600                 | -                | 13,736                                  |
| Reserved for Low and Moderate Income Housing .....                             | 95,668             | -                 | -                   | -                | 95,668                                  |
| Reserved for Permanent Endowments .....  | -                  | -                 | -                   | 13,280           | 13,280                                  |
| Reserved for Debt Service .....  | -                  | 175,302           | -                   | -                | 175,302                                 |
| Unreserved:  |                    |                   |                     |                  |   |
| Designated for Unrealized Gains .....  | 1,190              | 125               | 1,549               | 32               | 2,896                                   |
| Designated for Debt Service .....  | -                  | 265,111           | -                   | -                | 265,111                                 |
| Designated for Subsequent Years' Expenditures .....                            | 76,870             | -                 | 363,530             | -                | 440,400                                 |
| Undesignated .....   | 143,029            | -                 | 65,400              | 2,593            | 211,022                                 |
| <b>TOTAL FUND EQUITY</b> .....   | <u>570,902</u>     | <u>441,060</u>    | <u>598,533</u>      | <u>15,905</u>    | <u>1,626,400</u>                        |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b> .....                                 | <u>\$ 643,313</u>  | <u>\$ 459,283</u> | <u>\$ 692,776</u>   | <u>\$ 15,905</u> | <u>\$ 1,811,277</u>                     |

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Year Ended June 30, 2009  
(In Thousands)

|  | Special<br>Revenue | Debt Service      | Capital<br>Projects | Permanent        | Total Nonmajor<br>Governmental<br>Funds |
|--|--------------------|-------------------|---------------------|------------------|---|
| <b>REVENUES</b>  |                    |                   |                     |                  |   |
| Property Taxes .....   | \$ 60,345          | \$ 144,486        | \$ -                | \$ -             | \$ 204,831                              |
| Special Assessments .....  | 46,625             | 16,871            | 4                   | -                | 63,500                                  |
| Sales Taxes .....  | -                  | -                 | 20,222              | -                | 20,222                                  |
| Transient Occupancy Taxes .....                                    | 66,892             | -                 | -                   | -                | 66,892                                  |
| Other Local Taxes .....  | 98,760             | -                 | -                   | -                | 98,760                                  |
| Licenses and Permits .....   | 1,158              | -                 | 6,942               | -                | 8,100                                   |
| Fines, Forfeitures and Penalties .....                             | 1,939              | -                 | -                   | -                | 1,939                                   |
| Revenue from Use of Money and Property .....                       | 33,391             | 11,460            | 22,238              | (766)            | 66,323                                  |
| Revenue from Federal Agencies .....                                | 43,515             | -                 | 22,603              | -                | 66,118                                  |
| Revenue from Other Agencies .....                                  | 10,542             | 11,444            | 21,555              | -                | 43,541                                  |
| Revenue from Private Sources .....                                 | 2,911              | -                 | 18,560              | 122              | 21,593                                  |
| Charges for Current Services .....                                 | 70,201             | -                 | -                   | 114              | 70,315                                  |
| Other Revenue .....  | 18,338             | -                 | 2,077               | -                | 20,415                                  |
| <b>TOTAL REVENUES .....</b>  | <b>454,617</b>     | <b>184,261</b>    | <b>114,201</b>      | <b>(530)</b>     | <b>752,549</b>                          |
| <b>EXPENDITURES</b>  |                    |                   |                     |                  |   |
| Current:   |                    |                   |                     |                  |   |
| General Government and Support .....                               | 74,809             | 1,443             | 25,505              | 116              | 101,873                                 |
| Public Safety - Police .....                                       | 17,267             | -                 | -                   | -                | 17,267                                  |
| Public Safety - Fire and Life Safety and Homeland Security .....   | 30,058             | -                 | 42                  | -                | 30,100                                  |
| Parks, Recreation, Culture and Leisure .....                       | 92,913             | -                 | 2,245               | 210              | 95,368                                  |
| Transportation .....   | 67,096             | -                 | 23,238              | -                | 90,334                                  |
| Sanitation and Health .....  | 9,743              | -                 | 650                 | -                | 10,393                                  |
| Neighborhood Services .....  | 39,880             | -                 | 16,650              | -                | 56,530                                  |
| Capital Projects .....   | 14,324             | -                 | 124,310             | -                | 138,634                                 |
| Debt Service:  |                    |                   |                     |                  |   |
| Principal Retirement .....   | 6,991              | 49,259            | 141                 | -                | 56,391                                  |
| Interest .....   | 3,357              | 72,122            | 74                  | -                | 75,553                                  |
| Cost of Issuance .....   | -                  | 1,001             | -                   | -                | 1,001                                   |
| <b>TOTAL EXPENDITURES .....</b>                                    | <b>356,438</b>     | <b>123,825</b>    | <b>192,855</b>      | <b>326</b>       | <b>673,444</b>                          |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES .....</b> |                    |                   |                     |                  |   |
|  | 98,179             | 60,436            | (78,654)            | (856)            | 79,105                                  |
| <b>OTHER FINANCING SOURCES (USES)</b>                              |                    |                   |                     |                  |   |
| Transfers from Proprietary Funds .....                             | 1,918              | -                 | 61                  | -                | 1,979                                   |
| Transfers from Other Funds .....                                   | 105,431            | 66,680            | 44,574              | -                | 216,685                                 |
| Transfers to Proprietary Funds .....                               | (1,123)            | -                 | (1,424)             | -                | (2,547)                                 |
| Transfers to Other Funds .....                                     | (185,414)          | (65,977)          | (43,777)            | (545)            | (295,713)                               |
| Proceeds from the Sale of Capital Assets .....                     | -                  | -                 | 2,157               | -                | 2,157                                   |
| Capital Leases .....   | 11,404             | -                 | 18,988              | -                | 30,392                                  |
| Contracts Issued .....   | 2,100              | -                 | -                   | -                | 2,100                                   |
| Loans Issued .....   | 5,885              | -                 | 4,598               | -                | 10,483                                  |
| Special Tax Bonds Issued .....                                     | -                  | 1,823             | 10,542              | -                | 12,365                                  |
| Revenue Bonds Issued .....   | -                  | 302               | 102,698             | -                | 103,000                                 |
| Discount on Bonds Issued .....                                     | -                  | (129)             | -                   | -                | (129)                                   |
| <b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>                  | <b>(59,799)</b>    | <b>2,699</b>      | <b>138,417</b>      | <b>(545)</b>     | <b>80,772</b>                           |
| <b>NET CHANGE IN FUND BALANCES .....</b>                           | <b>38,380</b>      | <b>63,135</b>     | <b>59,763</b>       | <b>(1,401)</b>   | <b>159,877</b>                          |
| Fund Balances at Beginning of Year .....                           | 532,522            | 377,925           | 538,770             | 17,306           | 1,466,523                               |
| <b>FUND BALANCES AT END OF YEAR .....</b>                          | <b>\$ 570,902</b>  | <b>\$ 441,060</b> | <b>\$ 598,533</b>   | <b>\$ 15,905</b> | <b>\$ 1,626,400</b>                     |

NON MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE



## SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than those for major capital projects) that are legally restricted to expenditures for specified purposes.

### CITY OF SAN DIEGO

#### ACQUISITION, IMPROVEMENT AND OPERATIONS

This Fund accounts for various operating activities including business improvement areas, lighting and landscape maintenance areas, facilities financing, and the City's public art program. Revenues are derived from business tax surcharges, special assessments on property, various rents, concessions and fees, and interest earnings derived there from.

#### ENVIRONMENTAL GROWTH

This Fund was established in accordance with Section 103.1a of the City Charter to receive 25 percent of all monies derived from the revenues accruing to the City from gas, electricity, and steam franchises. One third of the franchise monies and the interest derived there from are used exclusively for the purpose of preserving and enhancing the environment of the City of San Diego. Two thirds of the franchise monies and the interest derived there from are used as matching funds for open space acquisition and for debt service of bonds issued by the San Diego Open Space Facilities District No. 1.

#### POLICE DECENTRALIZATION

This Fund accounts for monies allocated for Police department decentralization expenditures for temporary facilities and to devise future capital improvement projects. Revenues are derived from sales tax allocations.

#### PUBLIC TRANSPORTATION

This Fund was established to account for funds set aside as reserves to be used for transportation-related purposes. Fund transfers and interest derived there from are the main sources of revenue.

#### QUALCOMM STADIUM OPERATIONS

This Fund accounts for the operations of the Stadium. The Stadium hosts various sporting events for its football tenants. Revenues are derived from rents, concessions, parking, and advertising.

#### SPECIAL GAS TAX STREET IMPROVEMENT

This Fund was established to account for the receipt of motor vehicle fuel taxes from the State under Sections 2106 and 2107 of the Streets and Highways Code. Expenditures are for the construction, improvement, maintenance, and operation of public streets and highways.

#### STREET DIVISION OPERATIONS

This Fund was established to account for the operations of Transportation's Street division. Revenues are derived from sales tax allocations and transfers from Gas Tax and TransNet, as well as services performed by the Streets Division. Expenditures are for maintenance and operation of City streets.

#### TRANSIENT OCCUPANCY TAX

This Fund was established to receive and expend transient occupancy taxes. Since 1964, a tax has been imposed on transients of hotel and motel rooms in the City of San Diego. Effective August 1994, the tax was increased from 9% to 10.5%.

## UNDERGROUND SURCHARGE

This fund was established to account primarily for the capital improvement activities related to the undergrounding of utilities. This fund receives and disburses undergrounding surcharge revenue in accordance with the City's franchise agreements with San Diego Gas & Electric.

## ZOOLOGICAL EXHIBITS

This Fund was established to collect monies from a fixed property tax levy authorized by Section 77a of the City Charter for the maintenance of zoological exhibits. These funds are remitted in accordance with a contractual agreement with the San Diego Zoological Society, a not-for-profit corporation independent from the City of San Diego.

## OTHER SPECIAL REVENUE - BUDGETED

This Fund was established to account for revenues derived specifically for a variety of budgeted special programs administered by departments such as Police, Development Services, and General Services. Revenues in this Fund are derived from service charges, revenues from other agencies, and fines.

## GRANTS

This Fund was established to account for revenue received from federal, state and other governmental agencies. Expenditures are made and accounted for as prescribed by appropriate grant provisions/agreements.

## OTHER SPECIAL REVENUE FUND - UNBUDGETED

This Fund was established to account for revenues earmarked for a variety of special programs administered by such departments as Engineering and Capital Projects, Libraries, Park and Recreation, and Police. Revenues in this fund are derived from such sources as parking fees, service charges, contributions from other agencies and private sources, and interest earnings.

## **BLENDED COMPONENT UNITS**

### CENTRE CITY DEVELOPMENT CORPORATION

This Fund was established to account for the revenues and expenditures of the Centre City Development Corporation (CCDC). CCDC is a non-profit corporation that administers certain redevelopment projects in downtown San Diego and provides redevelopment advisory services to RDA. CCDC is primarily funded by RDA and the City of San Diego.

### PUBLIC FACILITIES FINANCING AUTHORITY

This Fund was established to account for the activities of the Public Facilities Financing Authority (PFFA). PFFA, which was created by the City and RDA, facilitates the financing, acquisition, and construction of public capital facility improvements of RDA and the City. PFFA's special revenue account is generally used to account for revenues from the Reassessment District Bond Fund and investment income used to pay for costs of issuance and administrative expenses related to debt redemption.

### REDEVELOPMENT AGENCY

This Fund was established to account for the activities of the Redevelopment Agency of the City of San Diego (RDA). RDA was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. The special revenue account is used to account for funds restricted for the benefit of low and moderate income housing. Funding is primarily from property tax increment revenues and the City of San Diego.

#### SAN DIEGO INDUSTRIAL DEVELOPMENT AUTHORITY

This Fund was established to account for revenues and expenditures of the San Diego Industrial Development Authority (SDIDA). SDIDA was formed in 1983 pursuant to the California Industrial Development Financing Act for the purpose of providing an alternative method of financing to participating parties for economic development purposes, through the sale and issuance of revenue bonds. Revenues are derived from fees collected from companies applying for industrial development bond financing. Expenditures are incurred for management and administrative services provided by the City of San Diego.

#### SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION

This Fund was established to account for the revenues and expenditures of the Southeastern Economic Development Corporation (SEDC). SEDC is a non-profit corporation that administers economic development projects within the community of Southeast San Diego and provides redevelopment advisory services to RDA. SEDC is primarily funded by RDA and by the City of San Diego pursuant to operating agreements under which SEDC is reimbursed for eligible costs incurred in connection with such activities.

#### TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION

This fund was established to account for the activities of the Tobacco Settlement Revenue Funding Corporation (TSRFC). The TSRFC was established for the purpose of acquiring the Tobacco Settlement Revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's special revenue fund is used to account for the expenditures incurred for administrative services provided by the City of San Diego.



**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
COMBINING BALANCE SHEET  
JUNE 30, 2009  
(In Thousands)**

|   | <b>City of<br/>San Diego</b> | <b>Centre City<br/>Development<br/>Corporation</b> |
|---|------------------------------|--|
| <b>ASSETS</b>   |                              |  |
| Cash and Investments .....  | \$ 293,136                   | \$ 851   |
| Receivables:  |                              |  |
| Taxes - Net .....   | 12,776                       | -  |
| Accounts - Net of Allowance for Uncollectibles (City of San Diego \$26,606) ..... | 10,541                       | 834  |
| Claims - Net .....  | 16                           | -  |
| Special Assessments .....   | 1,736                        | -  |
| Notes .....   | 4,041                        | -  |
| Accrued Interest .....  | 760                          | -  |
| Grants .....  | 7,005                        | -  |
| From Other Funds .....  | 25                           | -  |
| Advances to Other Funds .....   | 7,359                        | -  |
| Advances to Other Agencies .....  | 5,777                        | -  |
| Land Held for Resale .....  | -                            | -  |
| Prepaid Items .....   | 1,233                        | 5  |
|   | <u>\$ 344,405</u>            | <u>\$ 1,690</u>                                    |
| <b>TOTAL ASSETS</b> .....   | <u>\$ 344,405</u>            | <u>\$ 1,690</u>                                    |
| <b>LIABILITIES</b>  |                              |  |
| Accounts Payable .....  | \$ 24,253                    | \$ -   |
| Accrued Wages and Benefits .....  | 700                          | -  |
| Other Accrued Liabilities .....   | -                            | 210  |
| Due to Other Funds .....  | 4,166                        | -  |
| Due to Other Agencies .....   | 36                           | -  |
| Unearned Revenue .....  | 15,233                       | -  |
| Deferred Revenue .....  | 20,287                       | -  |
| Sundry Trust Liabilities .....  | -                            | -  |
| Advances from Other Funds .....   | -                            | -  |
| Interfund Loan Payable .....  | -                            | -  |
|   | <u>64,675</u>                | <u>210</u>   |
| <b>TOTAL LIABILITIES</b> .....  | <u>64,675</u>                | <u>210</u>   |
| <b>FUND EQUITY:</b>   |                              |  |
| Fund Balances:  |                              |  |
| Reserved for Land Held for Resale .....   | -                            | -  |
| Reserved for Notes Receivable .....   | -                            | -  |
| Reserved for Encumbrances .....   | 39,386                       | -  |
| Reserved for Advances and Deposits .....  | 13,136                       | -  |
| Reserved for Low and Moderate Income Housing .....                                | -                            | -  |
| Unreserved:   |                              |  |
| Designated for Unrealized Gains .....   | 1,190                        | -  |
| Designated for Subsequent Years' Expenditures .....                               | 76,855                       | -  |
| Undesignated .....  | 149,163                      | 1,480  |
|   | <u>279,730</u>               | <u>1,480</u>                                       |
| <b>TOTAL FUND EQUITY</b> .....  | <u>279,730</u>               | <u>1,480</u>                                       |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b> .....                                    | <u>\$ 344,405</u>            | <u>\$ 1,690</u>                                    |

| Public Facilities Financing Authority | Redevelopment Agency | San Diego Industrial Development Authority | Southeastern Economic Development Corporation | Tobacco Settlement Revenue Funding Corporation | Total             |
|---------------------------------------|----------------------|--|---|--|-------------------|
| \$ 476                                | \$ 168,749           | \$ 64                                      | \$ 188  | \$ 190   | \$ 463,654        |
| -                                     | 990                  | -  | -   | -  | 13,766            |
| -                                     | -                    | -  | 174   | -  | 11,549            |
| -                                     | -                    | -  | -   | -  | 16                |
| -                                     | -                    | -  | -   | -  | 1,736             |
| -                                     | 113,907              | -  | -   | -  | 117,948           |
| -                                     | 565                  | -  | -   | -  | 1,325             |
| -                                     | -                    | -  | -   | -  | 7,005             |
| -                                     | -                    | -  | -   | -  | 25                |
| -                                     | -                    | -  | -   | -  | 7,359             |
| -                                     | -                    | -  | -   | -  | 5,777             |
| -                                     | 11,875               | -  | -   | -  | 11,875            |
| -                                     | 3                    | -  | 37  | -  | 1,278             |
| <u>\$ 476</u>                         | <u>\$ 296,089</u>    | <u>\$ 64</u>                               | <u>\$ 399</u>                                 | <u>\$ 190</u>                                  | <u>\$ 643,313</u> |
| \$ -                                  | \$ 101               | \$ -                                       | \$ 25   | \$ -   | \$ 24,379         |
| -                                     | -                    | -  | 36  | -  | 736               |
| -                                     | -                    | -  | -   | -  | 210               |
| -                                     | -                    | -  | -   | -  | 4,166             |
| -                                     | -                    | -  | -   | -  | 36                |
| -                                     | 2                    | -  | -   | -  | 15,235            |
| -                                     | -                    | -  | -   | -  | 20,287            |
| -                                     | 1,161                | -  | -   | -  | 1,161             |
| -                                     | 1,928                | -  | -   | -  | 1,928             |
| -                                     | 4,273                | -  | -   | -  | 4,273             |
| -                                     | 7,465                | -  | 61  | -  | 72,411            |
| -                                     | 11,875               | -  | -   | -  | 11,875            |
| -                                     | 113,907              | -  | -   | -  | 113,907           |
| 11                                    | 75,830               | -  | -   | -  | 115,227           |
| -                                     | -                    | -  | -   | -  | 13,136            |
| -                                     | 95,668               | -  | -   | -  | 95,668            |
| -                                     | -                    | -  | -   | -  | 1,190             |
| -                                     | -                    | 15   | -   | -  | 76,870            |
| 465                                   | (8,656)              | 49   | 338   | 190  | 143,029           |
| 476                                   | 288,624              | 64   | 338   | 190  | 570,902           |
| <u>\$ 476</u>                         | <u>\$ 296,089</u>    | <u>\$ 64</u>                               | <u>\$ 399</u>                                 | <u>\$ 190</u>                                  | <u>\$ 643,313</u> |

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2009**  
(In Thousands)

|  | City of<br>San Diego | Centre City<br>Development<br>Corporation |
|--|----------------------|---|
| <b>REVENUES</b>  |                      |   |
| Property Taxes .....   | \$ 9,947             | \$ -                                      |
| Special Assessments .....  | 46,625               | -   |
| Transient Occupancy Taxes .....                                    | 66,892               | -   |
| Other Local Taxes .....  | 98,760               | -   |
| Licenses and Permits .....   | 1,158                | -   |
| Fines, Forfeitures and Penalties .....                             | 1,939                | -   |
| Revenue from Use of Money and Property .....                       | 27,166               | -   |
| Revenue from Federal Agencies .....                                | 43,515               | -   |
| Revenue from Other Agencies .....                                  | 10,542               | -   |
| Revenue from Private Sources .....                                 | 2,911                | -   |
| Charges for Current Services .....                                 | 59,855               | 8,042                                     |
| Other Revenue .....  | 16,402               | 32  |
| <b>TOTAL REVENUES</b> .....  | <b>385,712</b>       | <b>8,074</b>                              |
| <b>EXPENDITURES</b>  |                      |   |
| Current:   |                      |   |
| General Government and Support .....                               | 36,046               | 7,799                                     |
| Public Safety - Police .....                                       | 17,267               | -   |
| Public Safety - Fire and Life Safety .....                         | 30,058               | -   |
| Parks, Recreation, Culture and Leisure .....                       | 92,913               | -   |
| Transportation .....   | 67,096               | -   |
| Sanitation and Health .....  | 9,743                | -   |
| Neighborhood Services .....  | 27,195               | -   |
| Capital Projects .....   | 14,324               | -   |
| Debt Service:  |                      |   |
| Principal Retirement .....   | 6,991                | -   |
| Interest .....   | 3,357                | -   |
| <b>TOTAL EXPENDITURES</b> .....                                    | <b>304,990</b>       | <b>7,799</b>                              |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> ..... | <b>80,722</b>        | <b>275</b>                                |
| <b>OTHER FINANCING SOURCES (USES)</b>                              |                      |   |
| Transfers from Proprietary Funds .....                             | 1,918                | -   |
| Transfers from Other Funds .....                                   | 67,428               | 280                                       |
| Transfers to Proprietary Funds .....                               | (1,123)              | -   |
| Transfers to Other Funds .....                                     | (147,847)            | (275)                                     |
| Capital Leases .....   | 11,404               | -   |
| Contracts Issued .....   | -                    | -   |
| Loans Issued .....   | -                    | -   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....                  | <b>(68,220)</b>      | <b>5</b>                                  |
| <b>NET CHANGE IN FUND BALANCES</b> .....                           | <b>12,502</b>        | <b>280</b>                                |
| Fund Balances at Beginning of Year .....                           | 267,228              | 1,200                                     |
| <b>FUND BALANCES AT END OF YEAR</b> .....                          | <b>\$ 279,730</b>    | <b>\$ 1,480</b>                           |

| Public Facilities Financing Authority | Redevelopment Agency | San Diego Industrial Development Authority | Southeastern Economic Development Corporation | Tobacco Settlement Revenue Funding Corporation | Total             |
|---------------------------------------|----------------------|--|---|--|-------------------|
| \$ -                                  | \$ 50,398            | \$ -                                       | \$ -  | \$ -   | \$ 60,345         |
| -                                     | -                    | -  | -   | -  | 46,625            |
| -                                     | -                    | -  | -   | -  | 66,892            |
| -                                     | -                    | -  | -   | -  | 98,760            |
| -                                     | -                    | -  | -   | -  | 1,158             |
| -                                     | -                    | -  | -   | -  | 1,939             |
| 1                                     | 6,220                | 3  | -   | 1  | 33,391            |
| -                                     | -                    | -  | -   | -  | 43,515            |
| -                                     | -                    | -  | -   | -  | 10,542            |
| -                                     | -                    | -  | -   | -  | 2,911             |
| -                                     | -                    | -  | 2,304   | -  | 70,201            |
| -                                     | 1,904                | -  | -   | -  | 18,338            |
| <u>1</u>                              | <u>58,522</u>        | <u>3</u>                                   | <u>2,304</u>                                  | <u>1</u>                                       | <u>454,617</u>    |
| 91                                    | 28,508               | -  | 2,297   | 68   | 74,809            |
| -                                     | -                    | -  | -   | -  | 17,267            |
| -                                     | -                    | -  | -   | -  | 30,058            |
| -                                     | -                    | -  | -   | -  | 92,913            |
| -                                     | -                    | -  | -   | -  | 67,096            |
| -                                     | -                    | -  | -   | -  | 9,743             |
| -                                     | 12,685               | -  | -   | -  | 39,880            |
| -                                     | -                    | -  | -   | -  | 14,324            |
| -                                     | -                    | -  | -   | -  | 6,991             |
| -                                     | -                    | -  | -   | -  | 3,357             |
| <u>91</u>                             | <u>41,193</u>        | <u>-</u>                                   | <u>2,297</u>                                  | <u>68</u>                                      | <u>356,438</u>    |
| <u>(90)</u>                           | <u>17,329</u>        | <u>3</u>                                   | <u>7</u>                                      | <u>(67)</u>                                    | <u>98,179</u>     |
| -                                     | -                    | -  | -   | -  | 1,918             |
| 260                                   | 37,407               | -  | -   | 56   | 105,431           |
| -                                     | -                    | -  | -   | -  | (1,123)           |
| -                                     | (37,292)             | -  | -   | -  | (185,414)         |
| -                                     | -                    | -  | -   | -  | 11,404            |
| -                                     | 2,100                | -  | -   | -  | 2,100             |
| -                                     | 5,885                | -  | -   | -  | 5,885             |
| <u>260</u>                            | <u>8,100</u>         | <u>-</u>                                   | <u>-</u>                                      | <u>56</u>                                      | <u>(59,799)</u>   |
| 170                                   | 25,429               | 3  | 7   | (11)   | 38,380            |
| <u>306</u>                            | <u>263,195</u>       | <u>61</u>                                  | <u>331</u>                                    | <u>201</u>                                     | <u>532,522</u>    |
| <u>\$ 476</u>                         | <u>\$ 288,624</u>    | <u>\$ 64</u>                               | <u>\$ 338</u>                                 | <u>\$ 190</u>                                  | <u>\$ 570,902</u> |

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2009**  
(In Thousands)

|  | City of San Diego            |                     |
|--|------------------------------|---------------------|
|  | Actual on<br>Budgetary Basis | Final<br>Budget     |
| <b>REVENUES</b>  |                              |                     |
| Property Taxes .....   | \$ 9,877                     | \$ 9,680            |
| Special Assessments .....  | 46,625                       | 20,655              |
| Transient Occupance Taxes .....                                      | 66,892                       | 74,718              |
| Other Local Taxes .....  | 98,765                       | 100,715             |
| Licenses and Permits .....   | 1,158                        | 1,419               |
| Fines, Forfeitures and Penalties .....                               | 1,379                        | 1,165               |
| Revenue from Use of Money and Property .....                         | 10,470                       | 3,209               |
| Revenue from Federal Agencies .....                                  | 1,335                        | 1,000               |
| Revenue from Other Agencies .....                                    | 6,250                        | 26,421              |
| Revenue from Private Sources .....                                   | 799                          | 1,073               |
| Charges for Current Services .....                                   | 40,247                       | 45,399              |
| Other Revenue .....  | 1,430                        | 104                 |
| <b>TOTAL REVENUES</b> .....  | <b>285,227</b>               | <b>285,558</b>      |
| <b>EXPENDITURES</b>  |                              |                     |
| Current:   |                              |                     |
| General Government and Support .....                                 | 23,038                       | 30,111              |
| Public Safety - Police .....   | 10,975                       | 16,346              |
| Public Safety - Fire and Life Safety .....                           | 8,085                        | 8,999               |
| Parks, Recreation, Culture and Leisure .....                         | 93,961                       | 131,023             |
| Transportation .....   | 48,005                       | 58,615              |
| Sanitation and Health .....  | 7,515                        | 8,745               |
| Neighborhood Services .....  | 12,156                       | 13,248              |
| Capital Projects .....   | 6,670                        | 27,597              |
| Debt Service:  |                              |                     |
| Principal Retirement .....   | 4,627                        | 5,943               |
| Interest .....   | 1,391                        | 347,455             |
| <b>TOTAL EXPENDITURES</b> .....                                      | <b>216,423</b>               | <b>648,082</b>      |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> .....   | <b>68,804</b>                | <b>(362,524)</b>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                              |                     |
| Transfers from Proprietary Funds .....                               | 893                          | 809                 |
| Transfers from Other Funds .....                                     | 43,727                       | 80,483              |
| Transfers to Proprietary Funds .....                                 | (8)                          | (500)               |
| Transfers to Other Funds .....                                       | (129,216)                    | (166,038)           |
| Capital Leases .....   | 526                          | -                   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....                    | <b>(84,078)</b>              | <b>(85,246)</b>     |
| <b>NET CHANGE IN FUND BALANCES</b> .....                             | <b>(15,274)</b>              | <b>(447,770)</b>    |
| Fund Balances Undesignated at July 1, 2008 .....                     | 80,258                       | 80,258              |
| Reserved for Encumbrances at July 1, 2008 .....                      | 14,057                       | 14,057              |
| Designated for Subsequent Years' Expenditures at July 1, 2008 .....  | 33,207                       | 33,207              |
| Designated for Subsequent Years' Expenditures at June 30, 2009 ..... | (30,851)                     | -                   |
| <b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2009</b> .....             | <b>\$ 81,397</b>             | <b>\$ (320,248)</b> |

| Centre City Development Corporation |                 | Southeastern Economic Development Corporation |               | Total                     |                     | Variance with Final Budget Positive (Negative) |
|-------------------------------------|-----------------|---|---------------|---------------------------|---------------------|--|
| Actual on Budgetary Basis           | Final Budget    | Actual on Budgetary Basis                     | Final Budget  | Actual on Budgetary Basis | Final Budget        |  |
| \$ -                                | \$ -            | \$ -  | \$ -          | \$ 9,877                  | \$ 9,680            | \$ 197   |
| -                                   | -               | -   | -             | 46,625                    | 20,655              | 25,970   |
| -                                   | -               | -   | -             | 66,892                    | 74,718              | (7,826)  |
| -                                   | -               | -   | -             | 98,765                    | 100,715             | (1,950)  |
| -                                   | -               | -   | -             | 1,158                     | 1,419               | (261)  |
| -                                   | -               | -   | -             | 1,379                     | 1,165               | 214  |
| -                                   | -               | -   | -             | 10,470                    | 3,209               | 7,261  |
| -                                   | -               | -   | -             | 1,335                     | 1,000               | 335  |
| -                                   | -               | -   | -             | 6,250                     | 26,421              | (20,171)                                       |
| -                                   | -               | -   | -             | 799                       | 1,073               | (274)  |
| 8,042                               | 10,477          | 2,304   | 2,717         | 50,593                    | 58,593              | (8,000)  |
| 32                                  | -               | -   | -             | 1,462                     | 104                 | 1,358  |
| <u>8,074</u>                        | <u>10,477</u>   | <u>2,304</u>                                  | <u>2,717</u>  | <u>295,605</u>            | <u>298,752</u>      | <u>(3,147)</u>                                 |
| 7,799                               | 10,202          | 2,297   | 2,717         | 33,134                    | 43,030              | 9,896  |
| -                                   | -               | -   | -             | 10,975                    | 16,346              | 5,371  |
| -                                   | -               | -   | -             | 8,085                     | 8,999               | 914  |
| -                                   | -               | -   | -             | 93,961                    | 131,023             | 37,062   |
| -                                   | -               | -   | -             | 48,005                    | 58,615              | 10,610   |
| -                                   | -               | -   | -             | 7,515                     | 8,745               | 1,230  |
| -                                   | -               | -   | -             | 12,156                    | 13,248              | 1,092  |
| -                                   | -               | -   | -             | 6,670                     | 27,597              | 20,927   |
| -                                   | -               | -   | -             | 4,627                     | 5,943               | 1,316  |
| -                                   | -               | -   | -             | 1,391                     | 347,455             | 346,064  |
| <u>7,799</u>                        | <u>10,202</u>   | <u>2,297</u>                                  | <u>2,717</u>  | <u>226,519</u>            | <u>661,001</u>      | <u>434,482</u>                                 |
| <u>275</u>                          | <u>275</u>      | <u>7</u>                                      | <u>-</u>      | <u>69,086</u>             | <u>(362,249)</u>    | <u>431,335</u>                                 |
| -                                   | -               | -   | -             | 893                       | 809                 | 84   |
| 280                                 | -               | -   | -             | 44,007                    | 80,483              | (36,476)                                       |
| -                                   | -               | -   | -             | (8)                       | (500)               | 492  |
| (275)                               | (275)           | -   | -             | (129,491)                 | (166,313)           | 36,822   |
| -                                   | -               | -   | -             | 526                       | -                   | -  |
| <u>5</u>                            | <u>(275)</u>    | <u>-</u>                                      | <u>-</u>      | <u>(84,073)</u>           | <u>(85,521)</u>     | <u>922</u>                                     |
| 280                                 | -               | 7   | -             | (14,987)                  | (447,770)           | 432,257  |
| 1,200                               | 1,200           | 331   | 331           | 81,789                    | 81,789              | -  |
| -                                   | -               | -   | -             | 14,057                    | 14,057              | -  |
| -                                   | -               | -   | -             | 33,207                    | 33,207              | -  |
| -                                   | -               | -   | -             | (30,851)                  | -                   | (30,851)                                       |
| <u>\$ 1,480</u>                     | <u>\$ 1,200</u> | <u>\$ 338</u>                                 | <u>\$ 331</u> | <u>\$ 83,215</u>          | <u>\$ (318,717)</u> | <u>\$ 401,406</u>                              |

**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
COMBINING BALANCE SHEET  
JUNE 30, 2009  
(In Thousands)**

|   | Budgeted                                      |                         |                            |                          |                                   |
|---|---|-------------------------|----------------------------|--------------------------|-----------------------------------|
|   | Acquisition,<br>Improvement<br>and Operations | Environmental<br>Growth | Police<br>Decentralization | Public<br>Transportation | Qualcomm<br>Stadium<br>Operations |
| <b>ASSETS</b>   |   |                         |                            |                          |                                   |
| Cash and Investments .....  | \$ 35,672                                     | \$ 574                  | \$ 5,610                   | \$ 5,762                 | \$ 4,903                          |
| Receivables:  |   |                         |                            |                          |                                   |
| Taxes - Net .....   | -   | 3,304                   | -                          | -                        | -                                 |
| Accounts - Net of Allowance for Uncollectibles (TOT \$25,103, Acquisition,<br>Improvement and Operations \$676, Other - Unbudgeted \$827) ..... | 659   | -                       | -                          | -                        | 384                               |
| Claims - Net .....  | 15  | -                       | -                          | -                        | -                                 |
| Special Assessments .....   | 1,543   | -                       | -                          | -                        | -                                 |
| Notes .....   | -   | -                       | -                          | -                        | -                                 |
| Accrued Interest .....  | 128   | 33                      | -                          | 19                       | 12                                |
| Grants .....  | -   | -                       | -                          | -                        | -                                 |
| From Other Funds .....  | -   | -                       | -                          | -                        | -                                 |
| Advances to Other Funds .....   | -   | -                       | -                          | -                        | -                                 |
| Advances to Other Agencies .....  | 5,630   | -                       | -                          | -                        | -                                 |
| Prepaid Items .....   | 13  | -                       | -                          | -                        | -                                 |
| <b>TOTAL ASSETS</b> .....   | <u>\$ 43,660</u>                              | <u>\$ 3,911</u>         | <u>\$ 5,610</u>            | <u>\$ 5,781</u>          | <u>\$ 5,299</u>                   |
| <b>LIABILITIES</b>  |   |                         |                            |                          |                                   |
| Accounts Payable .....  | \$ 165  | \$ 3                    | \$ 4,972                   | \$ -                     | \$ 1,733                          |
| Accrued Wages and Benefits .....  | 67  | -                       | -                          | -                        | 98                                |
| Due to Other Funds .....  | -   | -                       | -                          | -                        | -                                 |
| Due to Other Agencies .....   | -   | -                       | -                          | -                        | -                                 |
| Unearned Revenue .....  | -   | -                       | -                          | -                        | -                                 |
| Deferred Revenue .....  | 1,018   | -                       | -                          | -                        | 384                               |
| <b>TOTAL LIABILITIES</b> .....  | <u>1,250</u>                                  | <u>3</u>                | <u>4,972</u>               | <u>-</u>                 | <u>2,215</u>                      |
| <b>FUND EQUITY:</b>   |   |                         |                            |                          |                                   |
| Fund Balances:  |   |                         |                            |                          |                                   |
| Reserved for Encumbrances .....   | 2,180   | 809                     | -                          | -                        | 1,351                             |
| Reserved for Advances and Deposits .....  | 5,630   | -                       | -                          | -                        | -                                 |
| Unreserved:   |   |                         |                            |                          |                                   |
| Designated for Unrealized Gains .....   | 199   | 4                       | -                          | 31                       | 24                                |
| Designated for Subsequent Years' Expenditures .....   | 514   | 2,261                   | -                          | -                        | -                                 |
| Undesignated .....  | 33,887  | 834                     | 638                        | 5,750                    | 1,709                             |
| <b>TOTAL FUND EQUITY</b> .....  | <u>42,410</u>                                 | <u>3,908</u>            | <u>638</u>                 | <u>5,781</u>             | <u>3,084</u>                      |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b> .....  | <u>\$ 43,660</u>                              | <u>\$ 3,911</u>         | <u>\$ 5,610</u>            | <u>\$ 5,781</u>          | <u>\$ 5,299</u>                   |

|  |                                  |                               |                          |                        |                          | Unbudgeted       |                          |                   |
|--|----------------------------------|-------------------------------|--------------------------|------------------------|--------------------------|------------------|--------------------------|-------------------|
| Special Gas Tax<br>Street<br>Improvement | Street<br>Division<br>Operations | Transient<br>Occupancy<br>Tax | Underground<br>Surcharge | Zoological<br>Exhibits | Other Special<br>Revenue | Grants           | Other Special<br>Revenue | Total             |
| \$ 798                                   | \$ 780                           | \$ 19,082                     | \$ 34,598                | \$ 7,590               | \$ 28,689                | \$ 16,014        | \$ 133,064               | \$ 293,136        |
| -  | -                                | 6,743                         | -                        | -                      | 2,729                    | -                | -                        | 12,776            |
| 47                                       | -                                | 6,563                         | -                        | -                      | 1,685                    | -                | 1,203                    | 10,541            |
| 1  | -                                | -                             | -                        | -                      | -                        | -                | -                        | 16                |
| -  | -                                | -                             | -                        | 125                    | -                        | -                | 68                       | 1,736             |
| -  | -                                | -                             | -                        | -                      | -                        | -                | 4,041                    | 4,041             |
| 14                                       | 1                                | 43                            | 116                      | -                      | 53                       | 81               | 260                      | 760               |
| -  | -                                | -                             | -                        | -                      | -                        | 7,005            | -                        | 7,005             |
| -  | -                                | -                             | -                        | -                      | -                        | -                | 25                       | 25                |
| -  | -                                | -                             | -                        | -                      | -                        | -                | 7,359                    | 7,359             |
| -  | -                                | -                             | -                        | -                      | -                        | 50               | 97                       | 5,777             |
| -  | -                                | 131                           | 1                        | -                      | 1,060                    | -                | 28                       | 1,233             |
| <u>\$ 860</u>                            | <u>\$ 781</u>                    | <u>\$ 32,562</u>              | <u>\$ 34,715</u>         | <u>\$ 7,715</u>        | <u>\$ 34,216</u>         | <u>\$ 23,150</u> | <u>\$ 146,145</u>        | <u>\$ 344,405</u> |
| \$ -                                     | \$ -                             | \$ 677                        | \$ 7,141                 | \$ 7,503               | \$ 54                    | \$ 1,039         | \$ 966                   | \$ 24,253         |
| 6  | -                                | 31                            | 19                       | -                      | 478                      | -                | 1                        | 700               |
| -  | -                                | 8                             | 7                        | -                      | 329                      | 195              | 3,627                    | 4,166             |
| -  | -                                | -                             | -                        | -                      | -                        | 36               | -                        | 36                |
| -  | -                                | -                             | -                        | -                      | -                        | 9,745            | 5,488                    | 15,233            |
| 48                                       | -                                | 6,562                         | -                        | -                      | 908                      | 6,050            | 5,317                    | 20,287            |
| 54                                       | -                                | 7,278                         | 7,167                    | 7,503                  | 1,769                    | 17,065           | 15,399                   | 64,675            |
| -  | 426                              | 4,740                         | 4,457                    | -                      | 10,376                   | 957              | 14,090                   | 39,386            |
| -  | -                                | -                             | -                        | -                      | -                        | 50               | 7,456                    | 13,136            |
| 4  | 2                                | 93                            | 187                      | -                      | 138                      | 48               | 460                      | 1,190             |
| -  | 328                              | 89                            | 20,473                   | -                      | 7,186                    | -                | 46,004                   | 76,855            |
| 802                                      | 25                               | 20,362                        | 2,431                    | 212                    | 14,747                   | 5,030            | 62,736                   | 149,163           |
| 806                                      | 781                              | 25,284                        | 27,548                   | 212                    | 32,447                   | 6,085            | 130,746                  | 279,730           |
| <u>\$ 860</u>                            | <u>\$ 781</u>                    | <u>\$ 32,562</u>              | <u>\$ 34,715</u>         | <u>\$ 7,715</u>        | <u>\$ 34,216</u>         | <u>\$ 23,150</u> | <u>\$ 146,145</u>        | <u>\$ 344,405</u> |



**CITY OF SAN DIEGO**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2009**  
(In Thousands)

|   | Budgeted                                      |                         |                            |                          |                                   |
|---|---|-------------------------|----------------------------|--------------------------|-----------------------------------|
|   | Acquisition,<br>Improvement<br>and Operations | Environmental<br>Growth | Police<br>Decentralization | Public<br>Transportation | Qualcomm<br>Stadium<br>Operations |
| <b>REVENUES</b>                                   |   |                         |                            |                          |                                   |
| Property Taxes .....                              | \$ -  | \$ -                    | \$ -                       | \$ -                     | \$ -                              |
| Special Assessments .....                         | 46,625  | -                       | -                          | -                        | -                                 |
| Transient Occupancy Taxes .....                   | -   | -                       | -                          | -                        | -                                 |
| Other Local Taxes .....                           | -   | 13,480                  | -                          | -                        | -                                 |
| Licenses and Permits .....                        | 1,158   | -                       | -                          | -                        | -                                 |
| Fines, Forfeitures and Penalties .....            | -   | -                       | -                          | -                        | -                                 |
| Revenue from Use of Money and Property .....      | 1,193   | 193                     | 111                        | 130                      | 98                                |
| Revenue from Federal Agencies .....               | -   | -                       | -                          | -                        | -                                 |
| Revenue from Other Agencies .....                 | -   | -                       | -                          | -                        | -                                 |
| Revenue from Private Sources .....                | 17  | -                       | -                          | -                        | -                                 |
| Charges for Current Services .....                | 2,666   | -                       | -                          | -                        | 9,188                             |
| Other Revenue .....                               | 135   | -                       | -                          | -                        | 1,106                             |
| <b>TOTAL REVENUES</b> .....                       | <b>51,794</b>                                 | <b>13,673</b>           | <b>111</b>                 | <b>130</b>               | <b>10,392</b>                     |
| <b>EXPENDITURES</b>                               |   |                         |                            |                          |                                   |
| Current:  |   |                         |                            |                          |                                   |
| General Government and Support .....              | 1,531   | -                       | -                          | -                        | -                                 |
| Public Safety - Police .....                      | -   | -                       | 7,923                      | -                        | -                                 |
| Public Safety - Fire and Life Safety .....        | -   | -                       | -                          | -                        | -                                 |
| Parks, Recreation, Culture and Leisure .....      | 32,735  | 5,313                   | -                          | -                        | 13,364                            |
| Transportation .....                              | -   | -                       | -                          | 31                       | -                                 |
| Sanitation and Health .....                       | -   | -                       | -                          | -                        | -                                 |
| Neighborhood Services .....                       | 8,939   | -                       | -                          | -                        | -                                 |
| Capital Projects .....                            | 130   | 182                     | -                          | -                        | -                                 |
| Debt Service:                                     |   |                         |                            |                          |                                   |
| Principal Retirement .....                        | -   | -                       | -                          | -                        | 105                               |
| Interest .....                                    | -   | -                       | -                          | -                        | 5                                 |
| <b>TOTAL EXPENDITURES</b> .....                   | <b>43,335</b>                                 | <b>5,495</b>            | <b>7,923</b>               | <b>31</b>                | <b>13,474</b>                     |
| <b>EXCESS (DEFICIENCY) OF REVENUES</b>            |   |                         |                            |                          |                                   |
| <b>OVER EXPENDITURES</b> .....                    | <b>8,459</b>                                  | <b>8,178</b>            | <b>(7,812)</b>             | <b>99</b>                | <b>(3,082)</b>                    |
| <b>OTHER FINANCING SOURCES (USES)</b>             |   |                         |                            |                          |                                   |
| Transfers from Proprietary Funds .....            | 17  | 11                      | -                          | -                        | -                                 |
| Transfers from Other Funds .....                  | 2,550   | 14                      | 6,219                      | 4,008                    | 9,825                             |
| Transfers to Proprietary Funds .....              | -   | -                       | -                          | -                        | -                                 |
| Transfers to Other Funds .....                    | (51)  | (9,822)                 | (111)                      | (1,228)                  | (5,683)                           |
| Capital Leases .....                              | -   | -                       | -                          | -                        | -                                 |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b> ..... | <b>2,516</b>                                  | <b>(9,797)</b>          | <b>6,108</b>               | <b>2,780</b>             | <b>4,142</b>                      |
| <b>NET CHANGE IN FUND BALANCES</b> .....          | <b>10,975</b>                                 | <b>(1,619)</b>          | <b>(1,704)</b>             | <b>2,879</b>             | <b>1,060</b>                      |
| Fund Balances at Beginning of Year .....          | 31,435  | 5,527                   | 2,342                      | 2,902                    | 2,024                             |
| <b>FUND BALANCES AT END OF YEAR</b> .....         | <b>\$ 42,410</b>                              | <b>\$ 3,908</b>         | <b>\$ 638</b>              | <b>\$ 5,781</b>          | <b>\$ 3,084</b>                   |

| Special Gas Tax<br>Street<br>Improvement | Street Division<br>Operations | Transient<br>Occupancy Tax | Underground<br>Surcharge | Zoological<br>Exhibits | Other Special<br>Revenue | Unbudgeted      |                          | Total             |
|--|-------------------------------|----------------------------|--------------------------|------------------------|--------------------------|-----------------|--------------------------|-------------------|
|  |                               |                            |                          |                        |                          | Grants          | Other Special<br>Revenue |                   |
| \$ -                                     | \$ -                          | \$ -                       | \$ -                     | \$ 9,877               | \$ -                     | \$ -            | \$ 70                    | \$ 9,947          |
| -  | -                             | -                          | -                        | -                      | -                        | -               | -                        | 46,625            |
| -  | -                             | 66,892                     | -                        | -                      | -                        | -               | -                        | 66,892            |
| 27,462                                   | -                             | 55                         | 47,308                   | -                      | 10,455                   | -               | -                        | 98,760            |
| -  | -                             | -                          | -                        | -                      | -                        | -               | -                        | 1,158             |
| -  | -                             | -                          | -                        | -                      | 1,379                    | -               | 560                      | 1,939             |
| 250                                      | 31                            | 2,965                      | 1,223                    | 125                    | 4,172                    | 1,284           | 15,391                   | 27,166            |
| -  | -                             | -                          | -                        | -                      | 1,335                    | 42,180          | -                        | 43,515            |
| -  | -                             | 4,500                      | -                        | -                      | 1,750                    | 3,495           | 797                      | 10,542            |
| -  | -                             | 782                        | -                        | -                      | -                        | -               | 2,112                    | 2,911             |
| 13                                       | -                             | 104                        | -                        | -                      | 28,276                   | -               | 19,608                   | 59,855            |
| -  | -                             | 27                         | -                        | -                      | 162                      | 1,776           | 13,196                   | 16,402            |
| <u>27,725</u>                            | <u>31</u>                     | <u>75,325</u>              | <u>48,531</u>            | <u>10,002</u>          | <u>47,529</u>            | <u>48,735</u>   | <u>51,734</u>            | <u>385,712</u>    |
| 83                                       | -                             | 212                        | 693                      | -                      | 17,817                   | 1,461           | 14,249                   | 36,046            |
| -  | -                             | -                          | -                        | -                      | 2,880                    | 6,426           | 38                       | 17,267            |
| -  | -                             | -                          | -                        | -                      | 6,320                    | 10,164          | 13,574                   | 30,058            |
| 46                                       | -                             | 23,241                     | -                        | 11,503                 | 203                      | 1,364           | 5,144                    | 92,913            |
| 2  | 11                            | -                          | 47,432                   | -                      | -                        | 108             | 19,512                   | 67,096            |
| -  | -                             | 5,905                      | -                        | -                      | 1,393                    | 1,409           | 1,036                    | 9,743             |
| -  | -                             | -                          | -                        | -                      | 3,216                    | 5,633           | 9,407                    | 27,195            |
| -  | 55                            | 27                         | 1,115                    | -                      | -                        | 6,757           | 6,058                    | 14,324            |
| -  | -                             | -                          | -                        | -                      | 4,522                    | 1,665           | 699                      | 6,991             |
| -  | -                             | -                          | -                        | -                      | 1,386                    | 1,419           | 547                      | 3,357             |
| <u>131</u>                               | <u>66</u>                     | <u>29,385</u>              | <u>49,240</u>            | <u>11,503</u>          | <u>37,737</u>            | <u>36,406</u>   | <u>70,264</u>            | <u>304,990</u>    |
| <u>27,594</u>                            | <u>(35)</u>                   | <u>45,940</u>              | <u>(709)</u>             | <u>(1,501)</u>         | <u>9,792</u>             | <u>12,329</u>   | <u>(18,530)</u>          | <u>80,722</u>     |
| -  | -                             | 57                         | -                        | -                      | 808                      | -               | 1,025                    | 1,918             |
| 4  | -                             | 14,557                     | -                        | 119                    | 6,431                    | 482             | 23,219                   | 67,428            |
| -  | -                             | -                          | -                        | -                      | (8)                      | (476)           | (639)                    | (1,123)           |
| (27,854)                                 | (16)                          | (67,314)                   | (9)                      | (125)                  | (9,460)                  | (1,455)         | (24,719)                 | (147,847)         |
| -  | -                             | -                          | -                        | -                      | 526                      | -               | 10,878                   | 11,404            |
| <u>(27,850)</u>                          | <u>(16)</u>                   | <u>(52,700)</u>            | <u>(9)</u>               | <u>(6)</u>             | <u>(1,703)</u>           | <u>(1,449)</u>  | <u>9,764</u>             | <u>(68,220)</u>   |
| (256)                                    | (51)                          | (6,760)                    | (718)                    | (1,507)                | 8,089                    | 10,880          | (8,766)                  | 12,502            |
| <u>1,062</u>                             | <u>832</u>                    | <u>32,044</u>              | <u>28,266</u>            | <u>1,719</u>           | <u>24,358</u>            | <u>(4,795)</u>  | <u>139,512</u>           | <u>267,228</u>    |
| <u>\$ 806</u>                            | <u>\$ 781</u>                 | <u>\$ 25,284</u>           | <u>\$ 27,548</u>         | <u>\$ 212</u>          | <u>\$ 32,447</u>         | <u>\$ 6,085</u> | <u>\$ 130,746</u>        | <u>\$ 279,730</u> |

**CITY OF SAN DIEGO**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2009**  
**(In Thousands)**

|  | Acquisition, Improvement and Operations |                                  |                              |                 |   |
|--|---|----------------------------------|------------------------------|-----------------|---|
|  | Actual                                  | Adjustment to<br>Budgetary Basis | Actual on Budgetary<br>Basis | Final<br>Budget | Variance with<br>Final Budget<br>Positive<br>(Negative) |
| <b>REVENUES</b>  |   |                                  |                              |                 |   |
| Property Taxes .....   | \$ -                                    | \$ -                             | \$ -                         | \$ -            | \$ -  |
| Special Assessments .....  | 46,625                                  | -                                | 46,625                       | 20,655          | 25,970  |
| Transient Occupancy Taxes .....                                      | -                                       | -                                | -                            | -               | -   |
| Other Local Taxes .....  | -                                       | -                                | -                            | -               | -   |
| Licenses and Permits .....   | 1,158                                   | -                                | 1,158                        | 1,419           | (261)   |
| Fines, Forfeitures and Penalties .....                               | -                                       | -                                | -                            | -               | -   |
| Revenue from Use of Money and Property .....                         | 1,193                                   | 10                               | 1,203                        | 416             | 787   |
| Revenue from Federal Agencies .....                                  | -                                       | -                                | -                            | -               | -   |
| Revenue from Other Agencies .....                                    | -                                       | -                                | -                            | 21,421          | (21,421)  |
| Revenue from Private Sources .....                                   | 17                                      | -                                | 17                           | 30              | (13)  |
| Charges for Current Services .....                                   | 2,666                                   | -                                | 2,666                        | 2,933           | (267)   |
| Other Revenue .....  | 135                                     | -                                | 135                          | 58              | 77  |
| <b>TOTAL REVENUES</b> .....  | <b>51,794</b>                           | <b>10</b>                        | <b>51,804</b>                | <b>46,932</b>   | <b>4,872</b>  |
| <b>EXPENDITURES</b>  |   |                                  |                              |                 |   |
| Current:   |   |                                  |                              |                 |   |
| General Government and Support .....                                 | 1,531                                   | 2,024                            | 3,555                        | 2,151           | (1,404)   |
| Public Safety - Police .....   | -                                       | -                                | -                            | -               | -   |
| Public Safety - Fire and Life Safety .....                           | -                                       | -                                | -                            | -               | -   |
| Parks, Recreation, Culture and Leisure .....                         | 32,735                                  | 3,460                            | 36,195                       | 57,285          | 21,090  |
| Transportation .....   | -                                       | -                                | -                            | -               | -   |
| Sanitation and Health .....  | -                                       | -                                | -                            | -               | -   |
| Neighborhood Services .....  | 8,939                                   | (3)                              | 8,936                        | 9,930           | 994   |
| Capital Projects .....   | 130                                     | -                                | 130                          | 1,612           | 1,482   |
| Debt Service:  |   |                                  |                              |                 |   |
| Principal Retirement .....   | -                                       | -                                | -                            | -               | -   |
| Interest .....   | -                                       | -                                | -                            | -               | -   |
| <b>TOTAL EXPENDITURES</b> .....                                      | <b>43,335</b>                           | <b>5,481</b>                     | <b>48,816</b>                | <b>70,978</b>   | <b>22,162</b>   |
| <b>EXCESS (DEFICIENCY) OF REVENUES</b>                               |   |                                  |                              |                 |   |
| <b>OVER EXPENDITURES</b> .....                                       | <b>8,459</b>                            | <b>(5,471)</b>                   | <b>2,988</b>                 | <b>(24,046)</b> | <b>27,034</b>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |   |                                  |                              |                 |   |
| Transfers from Proprietary Funds .....                               | 17                                      | -                                | 17                           | -               | 17  |
| Transfers from Other Funds .....                                     | 2,550                                   | -                                | 2,550                        | 2,704           | (154)   |
| Transfers to Proprietary Funds .....                                 | -                                       | -                                | -                            | -               | -   |
| Transfers to Other Funds .....                                       | (51)                                    | -                                | (51)                         | (170)           | 119   |
| Capital Leases .....   | -                                       | -                                | -                            | -               | -   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....                    | <b>2,516</b>                            | <b>-</b>                         | <b>2,516</b>                 | <b>2,534</b>    | <b>(18)</b>   |
| <b>NET CHANGE IN FUND BALANCES</b> .....                             | <b>\$ 10,975</b>                        | <b>\$ (5,471)</b>                | <b>5,504</b>                 | <b>(21,512)</b> | <b>27,016</b>   |
| Fund Balances Undesignated at July 1, 2008 .....                     |   |                                  | 25,967                       | 25,967          | -   |
| Reserved for Encumbrances at July 1, 2008 .....                      |   |                                  | 1,906                        | 1,906           | -   |
| Designated for Subsequent Years' Expenditures at July 1, 2008 .....  |   |                                  | 1,024                        | 1,024           | -   |
| Designated for Subsequent Years' Expenditures at June 30, 2009 ..... |   |                                  | (514)                        | -               | (514)   |
| <b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2009</b> .....             |   |                                  | <b>\$ 33,887</b>             | <b>\$ 7,385</b> | <b>\$ 26,502</b>  |

| Environmental Growth |                               |                           |                   |  | Police Decentralization |                               |                           |                   |  |
|----------------------|-------------------------------|---------------------------|-------------------|--|-------------------------|-------------------------------|---------------------------|-------------------|--|
| Actual               | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget      | Variance with Final Budget Positive (Negative) | Actual                  | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget      | Variance with Final Budget Positive (Negative) |
| \$ -                 | \$ -                          | \$ -                      | \$ -              | \$ -   | \$ -                    | \$ -                          | \$ -                      | \$ -              | \$ -   |
| -                    | -                             | -                         | -                 | -  | -                       | -                             | -                         | -                 | -  |
| -                    | -                             | -                         | -                 | -  | -                       | -                             | -                         | -                 | -  |
| 13,480               | -                             | 13,480                    | 14,141            | (661)  | -                       | -                             | -                         | -                 | -  |
| -                    | -                             | -                         | -                 | -  | -                       | -                             | -                         | -                 | -  |
| -                    | -                             | -                         | -                 | -  | -                       | -                             | -                         | -                 | -  |
| 193                  | 9                             | 202                       | 110               | 92   | 111                     | -                             | 111                       | -                 | 111  |
| -                    | -                             | -                         | -                 | -  | -                       | -                             | -                         | -                 | -  |
| -                    | -                             | -                         | -                 | -  | -                       | -                             | -                         | -                 | -  |
| -                    | -                             | -                         | -                 | -  | -                       | -                             | -                         | -                 | -  |
| -                    | -                             | -                         | -                 | -  | -                       | -                             | -                         | -                 | -  |
| <u>13,673</u>        | <u>9</u>                      | <u>13,682</u>             | <u>14,251</u>     | <u>(569)</u>                                   | <u>111</u>              | <u>-</u>                      | <u>111</u>                | <u>-</u>          | <u>111</u>                                     |
| -                    | -                             | -                         | -                 | -  | -                       | -                             | -                         | -                 | -  |
| -                    | -                             | -                         | -                 | -  | 7,923                   | -                             | 7,923                     | 11,423            | 3,500  |
| -                    | -                             | -                         | -                 | -  | -                       | -                             | -                         | -                 | -  |
| 5,313                | -                             | 5,313                     | 3,599             | (1,714)  | -                       | -                             | -                         | -                 | -  |
| -                    | -                             | -                         | -                 | -  | -                       | -                             | -                         | -                 | -  |
| -                    | -                             | -                         | -                 | -  | -                       | -                             | -                         | -                 | -  |
| -                    | -                             | -                         | -                 | -  | -                       | -                             | -                         | -                 | -  |
| 182                  | 809                           | 991                       | 7,725             | 6,734  | -                       | -                             | -                         | -                 | -  |
| -                    | -                             | -                         | -                 | -  | -                       | -                             | -                         | -                 | -  |
| -                    | -                             | -                         | -                 | -  | -                       | -                             | -                         | -                 | -  |
| <u>5,495</u>         | <u>809</u>                    | <u>6,304</u>              | <u>11,324</u>     | <u>5,020</u>                                   | <u>7,923</u>            | <u>-</u>                      | <u>7,923</u>              | <u>11,423</u>     | <u>3,500</u>                                   |
| <u>8,178</u>         | <u>(800)</u>                  | <u>7,378</u>              | <u>2,927</u>      | <u>4,451</u>                                   | <u>(7,812)</u>          | <u>-</u>                      | <u>(7,812)</u>            | <u>(11,423)</u>   | <u>3,611</u>                                   |
| 11                   | -                             | 11                        | -                 | 11   | -                       | -                             | -                         | -                 | -  |
| 14                   | -                             | 14                        | -                 | 14   | 6,219                   | -                             | 6,219                     | 6,219             | -  |
| -                    | -                             | -                         | -                 | -  | -                       | -                             | -                         | -                 | -  |
| (9,822)              | -                             | (9,822)                   | (9,822)           | -  | (111)                   | -                             | (111)                     | (111)             | -  |
| -                    | -                             | -                         | -                 | -  | -                       | -                             | -                         | -                 | -  |
| <u>(9,797)</u>       | <u>-</u>                      | <u>(9,797)</u>            | <u>(9,822)</u>    | <u>25</u>                                      | <u>6,108</u>            | <u>-</u>                      | <u>6,108</u>              | <u>6,108</u>      | <u>-</u>                                       |
| <u>\$ (1,619)</u>    | <u>\$ (800)</u>               | <u>(2,419)</u>            | <u>(6,895)</u>    | <u>4,476</u>                                   | <u>\$ (1,704)</u>       | <u>\$ -</u>                   | <u>(1,704)</u>            | <u>(5,315)</u>    | <u>3,611</u>                                   |
|                      |                               | 2,714                     | 2,714             | -  |                         |                               | -                         | -                 | -  |
|                      |                               | 617                       | 617               | -  |                         |                               | 2,342                     | 2,342             | -  |
|                      |                               | 2,183                     | 2,183             | -  |                         |                               | -                         | -                 | -  |
|                      |                               | <u>(2,261)</u>            | <u>-</u>          | <u>(2,261)</u>                                 |                         |                               | <u>-</u>                  | <u>-</u>          | <u>-</u>                                       |
|                      |                               | <u>\$ 834</u>             | <u>\$ (1,381)</u> | <u>\$ 2,215</u>                                |                         |                               | <u>\$ 638</u>             | <u>\$ (2,973)</u> | <u>\$ 3,611</u>                                |

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**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS) CONTINUED  
YEAR ENDED JUNE 30, 2009  
(In Thousands)**

|  | <u>Public Transportation</u> |  |  |                         |   |
|--|------------------------------|--|--|-------------------------|---|
|  | <u>Actual</u>                | <u>Adjustment to<br/>Budgetary<br/>Basis</u> | <u>Actual on<br/>Budgetary<br/>Basis</u> | <u>Final<br/>Budget</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
| <b>REVENUES</b>  |                              |  |  |                         |   |
| Property Taxes .....   | \$ -                         | \$ -   | \$ -                                     | \$ -                    | \$ -  |
| Special Assessments .....  | -                            | -  | -  | -                       | -   |
| Transient Occupancy Taxes .....                                      | -                            | -  | -  | -                       | -   |
| Other Local Taxes .....  | -                            | -  | -  | -                       | -   |
| Licenses and Permits .....   | -                            | -  | -  | -                       | -   |
| Fines, Forfeitures and Penalties .....                               | -                            | -  | -  | -                       | -   |
| Revenue from Use of Money and Property .....                         | 130                          | (14)   | 116                                      | -                       | 116   |
| Revenue from Federal Agencies .....                                  | -                            | -  | -  | -                       | -   |
| Revenue from Other Agencies .....                                    | -                            | -  | -  | -                       | -   |
| Revenue from Private Sources .....                                   | -                            | -  | -  | -                       | -   |
| Charges for Current Services .....                                   | -                            | -  | -  | -                       | -   |
| Other Revenue .....  | -                            | -  | -  | -                       | -   |
| <b>TOTAL REVENUES</b> .....  | <u>130</u>                   | <u>(14)</u>                                  | <u>116</u>                               | <u>-</u>                | <u>116</u>  |
| <b>EXPENDITURES</b>  |                              |  |  |                         |   |
| Current:   |                              |  |  |                         |   |
| General Government and Support .....                                 | -                            | -  | -  | -                       | -   |
| Public Safety - Police .....   | -                            | -  | -  | -                       | -   |
| Public Safety - Fire and Life Safety .....                           | -                            | -  | -  | -                       | -   |
| Parks, Recreation, Culture and Leisure .....                         | -                            | -  | -  | -                       | -   |
| Transportation .....   | 31                           | -  | 31                                       | 2,889                   | 2,858   |
| Sanitation and Health .....  | -                            | -  | -  | -                       | -   |
| Neighborhood Services .....  | -                            | -  | -  | -                       | -   |
| Capital Projects .....   | -                            | -  | -  | -                       | -   |
| Debt Service:  |                              |  |  |                         |   |
| Principal Retirement .....   | -                            | -  | -  | -                       | -   |
| Interest .....   | -                            | -  | -  | -                       | -   |
| <b>TOTAL EXPENDITURES</b> .....                                      | <u>31</u>                    | <u>-</u>                                     | <u>31</u>                                | <u>2,889</u>            | <u>2,858</u>  |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> .....   | <u>99</u>                    | <u>(14)</u>                                  | <u>85</u>                                | <u>(2,889)</u>          | <u>2,974</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                              |  |  |                         |   |
| Transfers from Proprietary Funds .....                               | -                            | -  | -  | -                       | -   |
| Transfers from Other Funds .....                                     | 4,008                        | -  | 4,008                                    | 4,008                   | -   |
| Transfers to Proprietary Funds .....                                 | -                            | -  | -  | -                       | -   |
| Transfers to Other Funds .....                                       | (1,228)                      | -  | (1,228)                                  | (1,228)                 | -   |
| Capital Leases .....   | -                            | -  | -  | -                       | -   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....                    | <u>2,780</u>                 | <u>-</u>                                     | <u>2,780</u>                             | <u>2,780</u>            | <u>-</u>  |
| <b>NET CHANGE IN FUND BALANCES</b> .....                             | <u>\$ 2,879</u>              | <u>\$ (14)</u>                               | <u>2,865</u>                             | <u>(109)</u>            | <u>2,974</u>  |
| Fund Balances Undesignated at July 1, 2008 .....                     |                              |  | 2,875                                    | 2,875                   | -   |
| Reserved for Encumbrances at July 1, 2008 .....                      |                              |  | 10                                       | 10                      | -   |
| Designated for Subsequent Years' Expenditures at July 1, 2008 .....  |                              |  | -  | -                       | -   |
| Designated for Subsequent Years' Expenditures at June 30, 2009 ..... |                              |  | -  | -                       | -   |
| <b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2009</b> .....             |                              |  | <u>\$ 5,750</u>                          | <u>\$ 2,776</u>         | <u>\$ 2,974</u>   |

| Qualcomm Stadium Operations |                               |                           |                |  | Special Gas Tax Street Improvement |                               |                           |                 |  |
|-----------------------------|-------------------------------|---------------------------|----------------|--|------------------------------------|-------------------------------|---------------------------|-----------------|--|
| Actual                      | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget   | Variance with Final Budget Positive (Negative) | Actual                             | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget    | Variance with Final Budget Positive (Negative) |
| \$ -                        | \$ -                          | \$ -                      | \$ -           | \$ -   | \$ -                               | \$ -                          | \$ -                      | \$ -            | \$ -   |
| -                           | -                             | -                         | -              | -  | -                                  | -                             | -                         | -               | -  |
| -                           | -                             | -                         | -              | -  | -                                  | -                             | -                         | -               | -  |
| -                           | -                             | -                         | -              | -  | 27,462                             | -                             | 27,462                    | 27,589          | (127)  |
| -                           | -                             | -                         | -              | -  | -                                  | -                             | -                         | -               | -  |
| 98                          | (5)                           | 93                        | 35             | 58   | 250                                | 8                             | 258                       | 349             | (91)   |
| -                           | -                             | -                         | -              | -  | -                                  | -                             | -                         | -               | -  |
| -                           | -                             | -                         | -              | -  | -                                  | -                             | -                         | -               | -  |
| 9,188                       | -                             | 9,188                     | 9,271          | (83)   | 13                                 | -                             | 13                        | -               | 13   |
| 1,106                       | -                             | 1,106                     | 46             | 1,060  | -                                  | -                             | -                         | -               | -  |
| <u>10,392</u>               | <u>(5)</u>                    | <u>10,387</u>             | <u>9,352</u>   | <u>1,035</u>                                   | <u>27,725</u>                      | <u>8</u>                      | <u>27,733</u>             | <u>27,938</u>   | <u>(205)</u>                                   |
| -                           | -                             | -                         | -              | -  | 83                                 | -                             | 83                        | 83              | -  |
| -                           | -                             | -                         | -              | -  | -                                  | -                             | -                         | -               | -  |
| -                           | -                             | -                         | -              | -  | -                                  | -                             | -                         | -               | -  |
| 13,364                      | 1,351                         | 14,715                    | 15,453         | 738  | 46                                 | -                             | 46                        | 46              | -  |
| -                           | -                             | -                         | -              | -  | 2                                  | -                             | 2                         | 2               | -  |
| -                           | -                             | -                         | -              | -  | -                                  | -                             | -                         | -               | -  |
| -                           | -                             | -                         | -              | -  | -                                  | -                             | -                         | -               | -  |
| -                           | -                             | -                         | -              | -  | -                                  | -                             | -                         | -               | -  |
| 105                         | -                             | 105                       | 105            | -  | -                                  | -                             | -                         | -               | -  |
| 5                           | -                             | 5                         | 6              | 1  | -                                  | -                             | -                         | -               | -  |
| <u>13,474</u>               | <u>1,351</u>                  | <u>14,825</u>             | <u>15,564</u>  | <u>739</u>                                     | <u>131</u>                         | <u>-</u>                      | <u>131</u>                | <u>131</u>      | <u>-</u>                                       |
| <u>(3,082)</u>              | <u>(1,356)</u>                | <u>(4,438)</u>            | <u>(6,212)</u> | <u>1,774</u>                                   | <u>27,594</u>                      | <u>8</u>                      | <u>27,602</u>             | <u>27,807</u>   | <u>(205)</u>                                   |
| -                           | -                             | -                         | -              | -  | -                                  | -                             | -                         | -               | -  |
| 9,825                       | -                             | 9,825                     | 9,825          | -  | 4                                  | -                             | 4                         | -               | 4  |
| -                           | -                             | -                         | -              | -  | -                                  | -                             | -                         | -               | -  |
| (5,683)                     | -                             | (5,683)                   | (5,683)        | -  | (27,854)                           | -                             | (27,854)                  | (27,854)        | -  |
| -                           | -                             | -                         | -              | -  | -                                  | -                             | -                         | -               | -  |
| 4,142                       | -                             | 4,142                     | 4,142          | -  | (27,850)                           | -                             | (27,850)                  | (27,854)        | 4  |
| <u>\$ 1,060</u>             | <u>\$ (1,356)</u>             | <u>(296)</u>              | <u>(2,070)</u> | <u>1,774</u>                                   | <u>\$ (256)</u>                    | <u>\$ 8</u>                   | <u>(248)</u>              | <u>(47)</u>     | <u>(201)</u>                                   |
|                             |                               | 3                         | 3              | -  |                                    |                               | 1,003                     | 1,003           | -  |
|                             |                               | 496                       | 496            | -  |                                    |                               | -                         | -               | -  |
|                             |                               | 1,506                     | 1,506          | -  |                                    |                               | 47                        | 47              | -  |
|                             |                               | -                         | -              | -  |                                    |                               | -                         | -               | -  |
|                             |                               | <u>\$ 1,709</u>           | <u>\$ (65)</u> | <u>\$ 1,774</u>                                |                                    |                               | <u>\$ 802</u>             | <u>\$ 1,003</u> | <u>\$ (201)</u>                                |

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**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS) CONTINUED  
YEAR ENDED JUNE 30, 2009  
(In Thousands)**

|  | Street Division Operations |                                     |                                 |                 |   |
|--|----------------------------|-------------------------------------|---------------------------------|-----------------|---|
|  | Actual                     | Adjustment to<br>Budgetary<br>Basis | Actual on<br>Budgetary<br>Basis | Final<br>Budget | Variance with<br>Final Budget<br>Positive<br>(Negative) |
| <b>REVENUES</b>  |                            |                                     |                                 |                 |   |
| Property Taxes .....   | \$ -                       | \$ -                                | \$ -                            | \$ -            | \$ -  |
| Special Assessments .....  | -                          | -                                   | -                               | -               | -   |
| Transient Occupancy Taxes .....                                      | -                          | -                                   | -                               | -               | -   |
| Other Local Taxes .....  | -                          | -                                   | -                               | -               | -   |
| Licenses and Permits .....   | -                          | -                                   | -                               | -               | -   |
| Fines, Forfeitures and Penalties .....                               | -                          | -                                   | -                               | -               | -   |
| Revenue from Use of Money and Property .....                         | 31                         | -                                   | 31                              | -               | 31  |
| Revenue from Federal Agencies .....                                  | -                          | -                                   | -                               | -               | -   |
| Revenue from Other Agencies .....                                    | -                          | -                                   | -                               | -               | -   |
| Revenue from Private Sources .....                                   | -                          | -                                   | -                               | -               | -   |
| Charges for Current Services .....                                   | -                          | -                                   | -                               | -               | -   |
| Other Revenue .....  | -                          | -                                   | -                               | -               | -   |
| <b>TOTAL REVENUES</b> .....  | <u>31</u>                  | <u>-</u>                            | <u>31</u>                       | <u>-</u>        | <u>31</u>   |
| <b>EXPENDITURES</b>  |                            |                                     |                                 |                 |   |
| Current:   |                            |                                     |                                 |                 |   |
| General Government and Support .....                                 | -                          | -                                   | -                               | -               | -   |
| Public Safety - Police .....   | -                          | -                                   | -                               | -               | -   |
| Public Safety - Fire and Life Safety .....                           | -                          | -                                   | -                               | -               | -   |
| Parks, Recreation, Culture and Leisure .....                         | -                          | -                                   | -                               | -               | -   |
| Transportation .....   | 11                         | 417                                 | 428                             | 11              | (417)   |
| Sanitation and Health .....  | -                          | -                                   | -                               | -               | -   |
| Neighborhood Services .....  | -                          | -                                   | -                               | -               | -   |
| Capital Projects .....   | 55                         | 9                                   | 64                              | 392             | 328   |
| Debt Service:  |                            |                                     |                                 |                 |   |
| Principal Retirement .....   | -                          | -                                   | -                               | -               | -   |
| Interest .....   | -                          | -                                   | -                               | -               | -   |
| <b>TOTAL EXPENDITURES</b> .....                                      | <u>66</u>                  | <u>426</u>                          | <u>492</u>                      | <u>403</u>      | <u>(89)</u>   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> .....   |                            |                                     |                                 |                 |   |
|  | <u>(35)</u>                | <u>(426)</u>                        | <u>(461)</u>                    | <u>(403)</u>    | <u>(58)</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                            |                                     |                                 |                 |   |
| Transfers from Proprietary Funds .....                               | -                          | -                                   | -                               | -               | -   |
| Transfers from Other Funds .....                                     | -                          | -                                   | -                               | -               | -   |
| Transfers to Proprietary Funds .....                                 | -                          | -                                   | -                               | -               | -   |
| Transfers to Other Funds .....                                       | (16)                       | -                                   | (16)                            | (16)            | -   |
| Capital Leases .....   | -                          | -                                   | -                               | -               | -   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....                    | <u>(16)</u>                | <u>-</u>                            | <u>(16)</u>                     | <u>(16)</u>     | <u>-</u>  |
| <b>NET CHANGE IN FUND BALANCES</b> .....                             | <u>\$ (51)</u>             | <u>\$ (426)</u>                     | <u>(477)</u>                    | <u>(419)</u>    | <u>(58)</u>   |
| Fund Balances Undesignated at July 1, 2008 .....                     |                            |                                     | 427                             | 427             | -   |
| Reserved for Encumbrances at July 1, 2008 .....                      |                            |                                     | 9                               | 9               | -   |
| Designated for Subsequent Years' Expenditures at July 1, 2008 .....  |                            |                                     | 394                             | 394             | -   |
| Designated for Subsequent Years' Expenditures at June 30, 2009 ..... |                            |                                     | <u>(328)</u>                    | <u>-</u>        | <u>(328)</u>  |
| <b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2009</b> .....             |                            |                                     | <u>\$ 25</u>                    | <u>\$ 411</u>   | <u>\$ (386)</u>   |

| Transient Occupancy Tax |                               |                           |                  |  | Underground Surcharge |                               |                           |                 |  |
|-------------------------|-------------------------------|---------------------------|------------------|--|-----------------------|-------------------------------|---------------------------|-----------------|--|
| Actual                  | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget     | Variance with Final Budget Positive (Negative) | Actual                | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget    | Variance with Final Budget Positive (Negative) |
| \$ -                    | \$ -                          | \$ -                      | \$ -             | \$ -   | \$ -                  | \$ -                          | \$ -                      | \$ -            | \$ -   |
| -                       | -                             | -                         | -                | -  | -                     | -                             | -                         | -               | -  |
| 66,892                  | -                             | 66,892                    | 74,718           | (7,826)  | -                     | -                             | -                         | -               | -  |
| 55                      | -                             | 55                        | 50               | 5  | 47,308                | 5                             | 47,313                    | 48,366          | (1,053)  |
| -                       | -                             | -                         | -                | -  | -                     | -                             | -                         | -               | -  |
| -                       | -                             | -                         | -                | -  | -                     | -                             | -                         | -               | -  |
| 2,965                   | 33                            | 2,998                     | 1,915            | 1,083  | 1,223                 | -                             | 1,223                     | -               | 1,223  |
| -                       | -                             | -                         | -                | -  | -                     | -                             | -                         | -               | -  |
| 4,500                   | -                             | 4,500                     | 4,500            | -  | -                     | -                             | -                         | -               | -  |
| 782                     | -                             | 782                       | 1,043            | (261)  | -                     | -                             | -                         | -               | -  |
| 104                     | -                             | 104                       | 3,137            | (3,033)  | -                     | -                             | -                         | 89              | (89)   |
| 27                      | -                             | 27                        | -                | 27   | -                     | -                             | -                         | -               | -  |
| <u>75,325</u>           | <u>33</u>                     | <u>75,358</u>             | <u>85,363</u>    | <u>(10,005)</u>                                | <u>48,531</u>         | <u>5</u>                      | <u>48,536</u>             | <u>48,455</u>   | <u>81</u>                                      |
| 212                     | -                             | 212                       | 299              | 87   | 693                   | 2                             | 695                       | 1,176           | 481  |
| -                       | -                             | -                         | -                | -  | -                     | -                             | -                         | -               | -  |
| -                       | -                             | -                         | -                | -  | -                     | -                             | -                         | -               | -  |
| 23,241                  | 2,745                         | 25,986                    | 42,909           | 16,923   | -                     | -                             | -                         | -               | -  |
| -                       | -                             | -                         | -                | -  | 47,432                | 112                           | 47,544                    | 55,713          | 8,169  |
| 5,905                   | -                             | 5,905                     | 6,719            | 814  | -                     | -                             | -                         | -               | -  |
| -                       | -                             | -                         | -                | -  | -                     | -                             | -                         | -               | -  |
| 27                      | -                             | 27                        | 105              | 78   | 1,115                 | 4,343                         | 5,458                     | 17,763          | 12,305   |
| -                       | -                             | -                         | -                | -  | -                     | -                             | -                         | -               | -  |
| -                       | -                             | -                         | -                | -  | -                     | -                             | -                         | -               | -  |
| <u>29,385</u>           | <u>2,745</u>                  | <u>32,130</u>             | <u>50,032</u>    | <u>17,902</u>                                  | <u>49,240</u>         | <u>4,457</u>                  | <u>53,697</u>             | <u>74,652</u>   | <u>20,955</u>                                  |
| 45,940                  | (2,712)                       | 43,228                    | 35,331           | 7,897  | (709)                 | (4,452)                       | (5,161)                   | (26,197)        | 21,036   |
| 57                      | -                             | 57                        | -                | 57   | -                     | -                             | -                         | -               | -  |
| 14,557                  | -                             | 14,557                    | 50,958           | (36,401)                                       | -                     | -                             | -                         | -               | -  |
| -                       | -                             | -                         | -                | -  | -                     | -                             | -                         | -               | -  |
| (67,314)                | -                             | (67,314)                  | (102,986)        | 35,672   | (9)                   | -                             | (9)                       | (9)             | -  |
| -                       | -                             | -                         | -                | -  | -                     | -                             | -                         | -               | -  |
| <u>(52,700)</u>         | <u>-</u>                      | <u>(52,700)</u>           | <u>(52,028)</u>  | <u>(672)</u>                                   | <u>(9)</u>            | <u>-</u>                      | <u>(9)</u>                | <u>(9)</u>      | <u>-</u>                                       |
| <u>\$ (6,760)</u>       | <u>\$ (2,712)</u>             | <u>(9,472)</u>            | <u>(16,697)</u>  | <u>7,225</u>                                   | <u>\$ (718)</u>       | <u>\$ (4,452)</u>             | <u>(5,170)</u>            | <u>(26,206)</u> | <u>21,036</u>                                  |
|                         |                               | 24,159                    | 24,159           | -  |                       |                               | 1,868                     | 1,868           | -  |
|                         |                               | 5,551                     | 5,551            | -  |                       |                               | 1,821                     | 1,821           | -  |
|                         |                               | 213                       | 213              | -  |                       |                               | 24,385                    | 24,385          | -  |
|                         |                               | (89)                      | -                | (89)   |                       |                               | (20,473)                  | -               | (20,473)                                       |
|                         |                               | <u>\$ 20,362</u>          | <u>\$ 13,226</u> | <u>\$ 7,136</u>                                |                       |                               | <u>\$ 2,431</u>           | <u>\$ 1,868</u> | <u>\$ 563</u>                                  |

Continued on Next Page



**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS) CONTINUED  
YEAR ENDED JUNE 30, 2009  
(In Thousands)**

|  | Zoological Exhibits |                                     |                                 |                 |   |
|--|---------------------|-------------------------------------|---------------------------------|-----------------|---|
|  | Actual              | Adjustment to<br>Budgetary<br>Basis | Actual on<br>Budgetary<br>Basis | Final<br>Budget | Variance with<br>Final Budget<br>Positive<br>(Negative) |
| <b>REVENUES</b>  |                     |                                     |                                 |                 |   |
| Property Taxes .....   | \$ 9,877            | \$ -                                | \$ 9,877                        | \$ 9,680        | \$ 197  |
| Special Assessments .....  | -                   | -                                   | -                               | -               | -   |
| Transient Occupancy Taxes .....                                      | -                   | -                                   | -                               | -               | -   |
| Other Local Taxes .....  | -                   | -                                   | -                               | -               | -   |
| Licenses and Permits .....   | -                   | -                                   | -                               | -               | -   |
| Fines, Forfeitures and Penalties .....                               | -                   | -                                   | -                               | -               | -   |
| Revenue from Use of Money and Property .....                         | 125                 | -                                   | 125                             | -               | 125   |
| Revenue from Federal Agencies .....                                  | -                   | -                                   | -                               | -               | -   |
| Revenue from Other Agencies .....                                    | -                   | -                                   | -                               | -               | -   |
| Revenue from Private Sources .....                                   | -                   | -                                   | -                               | -               | -   |
| Charges for Current Services .....                                   | -                   | -                                   | -                               | -               | -   |
| Other Revenue .....  | -                   | -                                   | -                               | -               | -   |
| <b>TOTAL REVENUES</b> .....  | <u>10,002</u>       | <u>-</u>                            | <u>10,002</u>                   | <u>9,680</u>    | <u>322</u>  |
| <b>EXPENDITURES</b>  |                     |                                     |                                 |                 |   |
| Current:   |                     |                                     |                                 |                 |   |
| General Government and Support .....                                 | -                   | -                                   | -                               | -               | -   |
| Public Safety - Police .....   | -                   | -                                   | -                               | -               | -   |
| Public Safety - Fire and Life Safety .....                           | -                   | -                                   | -                               | -               | -   |
| Parks, Recreation, Culture and Leisure .....                         | 11,503              | -                                   | 11,503                          | 11,503          | -   |
| Transportation .....   | -                   | -                                   | -                               | -               | -   |
| Sanitation and Health .....  | -                   | -                                   | -                               | -               | -   |
| Neighborhood Services .....  | -                   | -                                   | -                               | -               | -   |
| Capital Projects .....   | -                   | -                                   | -                               | -               | -   |
| Debt Service:  |                     |                                     |                                 |                 |   |
| Principal Retirement .....   | -                   | -                                   | -                               | -               | -   |
| Interest .....   | -                   | -                                   | -                               | -               | -   |
| <b>TOTAL EXPENDITURES</b> .....                                      | <u>11,503</u>       | <u>-</u>                            | <u>11,503</u>                   | <u>11,503</u>   | <u>-</u>  |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> .....   | <u>(1,501)</u>      | <u>-</u>                            | <u>(1,501)</u>                  | <u>(1,823)</u>  | <u>322</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                     |                                     |                                 |                 |   |
| Transfers from Proprietary Funds .....                               | -                   | -                                   | -                               | -               | -   |
| Transfers from Other Funds .....                                     | 119                 | -                                   | 119                             | -               | 119   |
| Transfers to Proprietary Funds .....                                 | -                   | -                                   | -                               | -               | -   |
| Transfers to Other Funds .....                                       | (125)               | -                                   | (125)                           | (125)           | -   |
| Capital Leases .....   | -                   | -                                   | -                               | -               | -   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....                    | <u>(6)</u>          | <u>-</u>                            | <u>(6)</u>                      | <u>(125)</u>    | <u>119</u>  |
| <b>NET CHANGE IN FUND BALANCES</b> .....                             | <u>\$ (1,507)</u>   | <u>\$ -</u>                         | <u>(1,507)</u>                  | <u>(1,948)</u>  | <u>441</u>  |
| Fund Balances Undesignated at July 1, 2008 .....                     |                     |                                     | 1,719                           | 1,719           | -   |
| Reserved for Encumbrances at July 1, 2008 .....                      |                     |                                     | -                               | -               | -   |
| Designated for Subsequent Years' Expenditures at July 1, 2008 .....  |                     |                                     | -                               | -               | -   |
| Designated for Subsequent Years' Expenditures at June 30, 2009 ..... |                     |                                     | -                               | -               | -   |
| <b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2009</b> .....             |                     |                                     | <u>\$ 212</u>                   | <u>\$ (229)</u> | <u>\$ 441</u>   |

| Other Special Revenue |                               |                           |                     |  | Total            |                               |                           |                     |  |
|-----------------------|-------------------------------|---------------------------|---------------------|--|------------------|-------------------------------|---------------------------|---------------------|--|
| Actual                | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget        | Variance with Final Budget Positive (Negative) | Actual           | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget        | Variance with Final Budget Positive (Negative) |
| \$ -                  | \$ -                          | \$ -                      | \$ -                | \$ -   | \$ 9,877         | \$ -                          | \$ 9,877                  | \$ 9,680            | \$ 197   |
| -                     | -                             | -                         | -                   | -  | 46,625           | -                             | 46,625                    | 20,655              | 25,970   |
| -                     | -                             | -                         | -                   | -  | 66,892           | -                             | 66,892                    | 74,718              | (7,826)  |
| 10,455                | -                             | 10,455                    | 10,569              | (114)  | 98,760           | 5                             | 98,765                    | 100,715             | (1,950)  |
| -                     | -                             | -                         | -                   | -  | 1,158            | -                             | 1,158                     | 1,419               | (261)  |
| 1,379                 | -                             | 1,379                     | 1,165               | 214  | 1,379            | -                             | 1,379                     | 1,165               | 214  |
| 4,172                 | (62)                          | 4,110                     | 384                 | 3,726  | 10,491           | (21)                          | 10,470                    | 3,209               | 7,261  |
| 1,335                 | -                             | 1,335                     | 1,000               | 335  | 1,335            | -                             | 1,335                     | 1,000               | 335  |
| 1,750                 | -                             | 1,750                     | 500                 | 1,250  | 6,250            | -                             | 6,250                     | 26,421              | (20,171)                                       |
| -                     | -                             | -                         | -                   | -  | 799              | -                             | 799                       | 1,073               | (274)  |
| 28,276                | -                             | 28,276                    | 29,969              | (1,693)  | 40,247           | -                             | 40,247                    | 45,399              | (5,152)  |
| 162                   | -                             | 162                       | -                   | 162  | 1,430            | -                             | 1,430                     | 104                 | 1,326  |
| <u>47,529</u>         | <u>(62)</u>                   | <u>47,467</u>             | <u>43,587</u>       | <u>3,880</u>                                   | <u>285,243</u>   | <u>(16)</u>                   | <u>285,227</u>            | <u>285,558</u>      | <u>(331)</u>                                   |
| 17,817                | 676                           | 18,493                    | 26,402              | 7,909  | 20,336           | 2,702                         | 23,038                    | 30,111              | 7,073  |
| 2,880                 | 172                           | 3,052                     | 4,923               | 1,871  | 10,803           | 172                           | 10,975                    | 16,346              | 5,371  |
| 6,320                 | 1,765                         | 8,085                     | 8,999               | 914  | 6,320            | 1,765                         | 8,085                     | 8,999               | 914  |
| 203                   | -                             | 203                       | 228                 | 25   | 86,405           | 7,556                         | 93,961                    | 131,023             | 37,062   |
| -                     | -                             | -                         | -                   | -  | 47,476           | 529                           | 48,005                    | 58,615              | 10,610   |
| 1,393                 | 217                           | 1,610                     | 2,026               | 416  | 7,298            | 217                           | 7,515                     | 8,745               | 1,230  |
| 3,216                 | 4                             | 3,220                     | 3,318               | 98   | 12,155           | 1                             | 12,156                    | 13,248              | 1,092  |
| -                     | -                             | -                         | -                   | -  | 1,509            | 5,161                         | 6,670                     | 27,597              | 20,927   |
| 4,522                 | -                             | 4,522                     | 5,838               | 1,316  | 4,627            | -                             | 4,627                     | 5,943               | 1,316  |
| 1,386                 | -                             | 1,386                     | 347,449             | 346,063  | 1,391            | -                             | 1,391                     | 347,455             | 346,064  |
| <u>37,737</u>         | <u>2,834</u>                  | <u>40,571</u>             | <u>399,183</u>      | <u>358,612</u>                                 | <u>198,320</u>   | <u>18,103</u>                 | <u>216,423</u>            | <u>648,082</u>      | <u>431,659</u>                                 |
| <u>9,792</u>          | <u>(2,896)</u>                | <u>6,896</u>              | <u>(355,596)</u>    | <u>362,492</u>                                 | <u>86,923</u>    | <u>(18,119)</u>               | <u>68,804</u>             | <u>(362,524)</u>    | <u>431,328</u>                                 |
| 808                   | -                             | 808                       | 809                 | (1)  | 893              | -                             | 893                       | 809                 | 84   |
| 6,431                 | -                             | 6,431                     | 6,769               | (338)  | 43,727           | -                             | 43,727                    | 80,483              | (36,756)                                       |
| (8)                   | -                             | (8)                       | (500)               | 492  | (8)              | -                             | (8)                       | (500)               | 492  |
| (9,460)               | (7,543)                       | (17,003)                  | (18,034)            | 1,031  | (121,673)        | (7,543)                       | (129,216)                 | (166,038)           | 36,822   |
| 526                   | -                             | 526                       | -                   | 526  | 526              | -                             | 526                       | -                   | 526  |
| <u>(1,703)</u>        | <u>(7,543)</u>                | <u>(9,246)</u>            | <u>(10,956)</u>     | <u>1,710</u>                                   | <u>(76,535)</u>  | <u>(7,543)</u>                | <u>(84,078)</u>           | <u>(85,246)</u>     | <u>1,168</u>                                   |
| <u>\$ 8,089</u>       | <u>\$ (10,439)</u>            | <u>(2,350)</u>            | <u>(366,552)</u>    | <u>364,202</u>                                 | <u>\$ 10,388</u> | <u>\$ (25,662)</u>            | <u>(15,274)</u>           | <u>(447,770)</u>    | <u>432,496</u>                                 |
|                       |                               | 19,523                    | 19,523              | -  |                  |                               | 80,258                    | 80,258              | -  |
|                       |                               | 1,305                     | 1,305               | -  |                  |                               | 14,057                    | 14,057              | -  |
|                       |                               | 3,455                     | 3,455               | -  |                  |                               | 33,207                    | 33,207              | -  |
|                       |                               | <u>(7,186)</u>            | <u>-</u>            | <u>(7,186)</u>                                 |                  |                               | <u>(30,851)</u>           | <u>-</u>            | <u>(30,851)</u>                                |
|                       |                               | <u>\$ 14,747</u>          | <u>\$ (342,269)</u> | <u>\$ 357,016</u>                              |                  |                               | <u>\$ 81,397</u>          | <u>\$ (320,248)</u> | <u>\$ 401,645</u>                              |

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**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
ENVIRONMENTAL GROWTH FUND  
COMBINING BALANCE SHEET  
JUNE 30, 2009  
( In Thousands )**

|   | <u>Two-Thirds<br/>Requirement</u> | <u>One-Third<br/>Requirement</u> | <u>Total</u>    |
|---|-----------------------------------|----------------------------------|-----------------|
| <b>ASSETS</b>                                       |                                   |                                  |                 |
| Cash and Investments .....                          | \$ 106                            | \$ 468                           | \$ 574          |
| Receivables:  |                                   |                                  |                 |
| Taxes - Net .....                                   | 2,203                             | 1,101                            | 3,304           |
| Accrued Interest .....                              | 25                                | 8                                | 33              |
| <b>TOTAL ASSETS</b> .....                           | <u>\$ 2,334</u>                   | <u>\$ 1,577</u>                  | <u>\$ 3,911</u> |
| <b>LIABILITIES</b>                                  |                                   |                                  |                 |
| Accounts Payable .....                              | <u>\$ -</u>                       | <u>\$ 3</u>                      | <u>\$ 3</u>     |
| <b>FUND EQUITY</b>                                  |                                   |                                  |                 |
| Fund Balances:                                      |                                   |                                  |                 |
| Reserved for Encumbrances .....                     | 484                               | 325                              | 809             |
| Unreserved:   |                                   |                                  |                 |
| Designated for Unrealized Gains .....               | 1                                 | 3                                | 4               |
| Designated for Subsequent Years' Expenditures ..... | 1,849                             | 412                              | 2,261           |
| Undesignated .....                                  | -                                 | 834                              | 834             |
| <b>TOTAL FUND EQUITY</b> .....                      | <u>2,334</u>                      | <u>1,574</u>                     | <u>3,908</u>    |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b> .....      | <u>\$ 2,334</u>                   | <u>\$ 1,577</u>                  | <u>\$ 3,911</u> |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2009  
( In Thousands )**

|   | <u>Two-Thirds<br/>Requirement</u> | <u>One-Third<br/>Requirement</u> | <u>Total</u>    |
|---|-----------------------------------|----------------------------------|-----------------|
| <b>REVENUES</b>                                   |                                   |                                  |                 |
| Other Local Taxes .....                           | \$ 8,987                          | \$ 4,493                         | \$ 13,480       |
| Revenue from Use of Money and Property .....      | 138                               | 55                               | 193             |
| <b>TOTAL REVENUES</b> .....                       | <u>9,125</u>                      | <u>4,548</u>                     | <u>13,673</u>   |
| <b>EXPENDITURES</b>                               |                                   |                                  |                 |
| Current:  |                                   |                                  |                 |
| Parks, Recreation, Culture and Leisure .....      | 2,646                             | 2,667                            | 5,313           |
| Capital Projects .....                            | -                                 | 182                              | 182             |
| <b>TOTAL EXPENDITURES</b> .....                   | <u>2,646</u>                      | <u>2,849</u>                     | <u>5,495</u>    |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b> ..... | <u>6,479</u>                      | <u>1,699</u>                     | <u>8,178</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                                   |                                  |                 |
| Transfers from Proprietary Funds .....            | 11                                | -                                | 11              |
| Transfers from Other Funds .....                  | 14                                | -                                | 14              |
| Transfers to Other Funds .....                    | (7,932)                           | (1,890)                          | (9,822)         |
| <b>NET CHANGE IN FUND BALANCES</b> .....          | <u>(1,428)</u>                    | <u>(191)</u>                     | <u>(1,619)</u>  |
| Fund Balances at Beginning of Year .....          | 3,762                             | 1,765                            | 5,527           |
| <b>FUND BALANCES AT END OF YEAR</b> .....         | <u>\$ 2,334</u>                   | <u>\$ 1,574</u>                  | <u>\$ 3,908</u> |

CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
ENVIRONMENTAL GROWTH FUND  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2009  
(In Thousands)

|  | Two-Thirds Requirement |                                     |                                 |                   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------------|-------------------------------------|---------------------------------|-------------------|---|
|  | Actual                 | Adjustment to<br>Budgetary<br>Basis | Actual on<br>Budgetary<br>Basis | Final<br>Budget   |   |
| <b>REVENUES</b>  |                        |                                     |                                 |                   |   |
| Other Local Taxes .....  | \$ 8,987               | \$ -                                | \$ 8,987                        | \$ 9,427          | \$ (440)  |
| Revenue from Use of Money and Property .....                         | 138                    | 7                                   | 145                             | 54                | 91  |
| <b>TOTAL REVENUES</b> .....  | <b>9,125</b>           | <b>7</b>                            | <b>9,132</b>                    | <b>9,481</b>      | <b>(349)</b>  |
| <b>EXPENDITURES</b>  |                        |                                     |                                 |                   |   |
| Current:   |                        |                                     |                                 |                   |   |
| Parks, Recreation, Culture and Leisure .....                         | 2,646                  | -                                   | 2,646                           | -                 | (2,646)   |
| Capital Projects .....   | -                      | 484                                 | 484                             | 6,961             | 6,477   |
| <b>TOTAL EXPENDITURES</b> .....                                      | <b>2,646</b>           | <b>484</b>                          | <b>3,130</b>                    | <b>6,961</b>      | <b>3,831</b>  |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b> .....                    | <b>6,479</b>           | <b>(477)</b>                        | <b>6,002</b>                    | <b>2,520</b>      | <b>3,482</b>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                        |                                     |                                 |                   |   |
| Transfers from Proprietary Funds .....                               | 11                     | -                                   | 11                              | -                 | 11  |
| Transfers from Other Funds .....                                     | 14                     | -                                   | 14                              | -                 | 14  |
| Transfers to Other Funds .....                                       | (7,932)                | -                                   | (7,932)                         | (7,932)           | -   |
| <b>NET CHANGE IN FUND BALANCES</b> .....                             | <b>\$ (1,428)</b>      | <b>\$ (477)</b>                     | <b>(1,905)</b>                  | <b>(5,412)</b>    | <b>3,507</b>  |
| Fund Balances Undesignated at July 1, 2008 .....                     |                        |                                     | 1,940                           | 1,940             | -   |
| Reserved for Encumbrances at July 1, 2008 .....                      |                        |                                     | 123                             | 123               | -   |
| Designated for Subsequent Years' Expenditures at July 1, 2008 .....  |                        |                                     | 1,691                           | 1,691             | -   |
| Designated for Subsequent Years' Expenditures at June 30, 2009 ..... |                        |                                     | (1,849)                         | -                 | -   |
| <b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2009</b> .....             |                        |                                     | <b>\$ -</b>                     | <b>\$ (1,658)</b> | <b>\$ 1,658</b>   |

| One-Third Requirement |                               |                           |               |  | Total             |                               |                           |                   |  |
|-----------------------|-------------------------------|---------------------------|---------------|--|-------------------|-------------------------------|---------------------------|-------------------|--|
| Actual                | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget  | Variance with Final Budget Positive (Negative) | Actual            | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Final Budget      | Variance with Final Budget Positive (Negative) |
| \$ 4,493              | \$ -                          | \$ 4,493                  | \$ 4,714      | \$ (221)                                       | \$ 13,480         | \$ -                          | \$ 13,480                 | \$ 14,141         | \$ (661)                                       |
| 55                    | 2                             | 57                        | 56            | 1  | 193               | 9                             | 202                       | 110               | 92   |
| 4,548                 | 2                             | 4,550                     | 4,770         | (220)  | 13,673            | 9                             | 13,682                    | 14,251            | (569)  |
| 2,667                 | -                             | 2,667                     | 3,599         | 932  | 5,313             | -                             | 5,313                     | 3,599             | (1,714)  |
| 182                   | 325                           | 507                       | 764           | 257  | 182               | 809                           | 991                       | 7,725             | 6,734  |
| 2,849                 | 325                           | 3,174                     | 4,363         | 1,189  | 5,495             | 809                           | 6,304                     | 11,324            | 5,020  |
| 1,699                 | (323)                         | 1,376                     | 407           | 969  | 8,178             | (800)                         | 7,378                     | 2,927             | 4,451  |
| -                     | -                             | -                         | -             | -  | 11                | -                             | 11                        | -                 | 11   |
| -                     | -                             | -                         | -             | -  | 14                | -                             | 14                        | -                 | 14   |
| (1,890)               | -                             | (1,890)                   | (1,890)       | -  | (9,822)           | -                             | (9,822)                   | (9,822)           | -  |
| <u>\$ (191)</u>       | <u>\$ (323)</u>               | (514)                     | (1,483)       | 969  | <u>\$ (1,619)</u> | <u>\$ (800)</u>               | (2,419)                   | (6,895)           | 4,476  |
|                       |                               | 774                       | 774           | -  |                   |                               | 2,714                     | 2,714             | -  |
|                       |                               | 494                       | 494           | -  |                   |                               | 617                       | 617               | -  |
|                       |                               | 492                       | 492           | -  |                   |                               | 2,183                     | 2,183             | -  |
|                       |                               | (412)                     | -             | (412)  |                   |                               | (2,261)                   | -                 | (2,261)  |
|                       |                               | <u>\$ 834</u>             | <u>\$ 277</u> | <u>\$ 557</u>                                  |                   |                               | <u>\$ 834</u>             | <u>\$ (1,381)</u> | <u>\$ 2,215</u>                                |

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NON MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE





## DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

### **CITY OF SAN DIEGO**

#### PUBLIC SAFETY COMMUNICATIONS PROJECT

This fund was established to account for the payment of principal and interest on general obligation bonds issued in 1991. These bonds are serviced by property taxes.

#### OTHER SPECIAL ASSESSMENTS

This fund was established to account for the payment of principal and interest for bonds issued under the Improvement Bond Act of 1915 and the Mello-Roos Community Facilities Act of 1982. These bonds are serviced by assessments and special taxes levied on property owners within each district.

### **BLENDED COMPONENT UNITS**

#### CITY OF SAN DIEGO METROPOLITAN TRANSIT DEVELOPMENT BOARD AUTHORITY

This fund was established to account for the debt service activities of the City of San Diego Metropolitan Transit Development Board Authority (MTDB). MTDB was created to acquire and construct mass public transit guideways, systems and related facilities. MTDB's debt service fund is used to account for the payment of long-term debt principal and interest. This fund is serviced by investment income, lease payments from the City of San Diego, and proceeds from lease revenue bonds and certificates of participation.

#### CONVENTION CENTER EXPANSION FINANCING AUTHORITY

This fund was established to account for the debt service activities of the Convention Center Expansion Financing Authority (CCEFA). CCEFA, created by the City of San Diego and the Port of San Diego, facilitates the financing, acquisition and construction of an expansion to the existing convention center. CCEFA's debt service fund is used to account for the payment of long-term debt principal and interest.

#### PUBLIC FACILITIES FINANCING AUTHORITY

This fund was established to account for the debt service activities of the Public Facilities Financing Authority (PFFA). PFFA, which was created by the City of San Diego and RDA, facilitates the financing, acquisition and construction of public capital facility improvements of RDA or the City. PFFA's debt service fund is used to account for the payment of long-term debt principal and interest.

#### REDEVELOPMENT AGENCY

This fund was established to account for the debt service activities of the Redevelopment Agency of the City of San Diego (RDA). RDA was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. This fund is serviced by property tax increments, sale of real estate, and investment income.

#### SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION

This fund was established to account for the debt service activities of the San Diego Facilities and Equipment Leasing Corporation (SDFELC). SDFELC was established to acquire and lease to the City of San Diego real and personal property to be used in the municipal operations of the City. The City makes lease payments from annual appropriations payable out of any source of legally available funds.

#### SAN DIEGO OPEN SPACE PARK FACILITIES DISTRICT #1

This fund was established for the purpose of acquiring open space properties to implement the Open Space element of the City of San Diego General Plan, and accounts for financial resources accumulated for the payment of long-term debt principal and interest. This fund is serviced by City contributions and investment income.

#### TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION

This fund was established to account for the debt service activities of the Tobacco Settlement Revenue Funding Corporation (TSRFC). The TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's debt service fund is used to account for the payment of long-term debt principal and interest.

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**NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
COMBINING BALANCE SHEET  
June 30, 2009  
( In Thousands )**

|  | City of<br>San Diego | City of San<br>Diego/MTDB<br>Authority | Convention<br>Center<br>Expansion<br>Financing<br>Authority | Public Facilities<br>Financing<br>Authority |
|--|----------------------|--|---|---|
| <b>ASSETS</b>                                  |                      |  |   |   |
| Receivables:                                   |                      |  |   |   |
| Taxes - Net .....                              | \$ 6                 | \$ -                                   | \$ -  | \$ -  |
| Accounts .....                                 | -                    | -                                      | -   | -   |
| Special Assessments .....                      | 1,253                | -                                      | -   | -   |
| Accrued Interest .....                         | 23                   | -                                      | -   | -   |
| Interfund Loan Receivable .....                | -                    | -                                      | -   | 33,460                                      |
| Restricted Cash and Investments .....          | 31,380               | 3,236                                  | -   | 12,082                                      |
| <b>TOTAL ASSETS</b> .....                      | <b>\$ 32,662</b>     | <b>\$ 3,236</b>                        | <b>\$ -</b>   | <b>\$ 45,542</b>                            |
| <b>LIABILITIES</b>                             |                      |  |   |   |
| Deferred Revenue .....                         | \$ 1,079             | \$ -                                   | \$ -  | \$ -  |
| Interfund Loan Payable .....                   | -                    | -                                      | -   | -   |
| <b>TOTAL LIABILITIES</b> .....                 | <b>1,079</b>         | <b>-</b>                               | <b>-</b>  | <b>-</b>                                    |
| <b>FUND EQUITY</b>                             |                      |  |   |   |
| Fund Balances:                                 |                      |  |   |   |
| Reserved for Encumbrances .....                | 9                    | -                                      | -   | -   |
| Reserved for Debt Service .....                | 31,520               | 3,236                                  | -   | 45,471                                      |
| Unreserved:                                    |                      |  |   |   |
| Designated for Unrealized Gains .....          | 54                   | -                                      | -   | 71  |
| Designated for Debt Service .....              | -                    | -                                      | -   | -   |
| <b>TOTAL FUND EQUITY</b> .....                 | <b>31,583</b>        | <b>3,236</b>                           | <b>-</b>  | <b>45,542</b>                               |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b> ..... | <b>\$ 32,662</b>     | <b>\$ 3,236</b>                        | <b>\$ -</b>   | <b>\$ 45,542</b>                            |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2009  
(In Thousands)**

|  |                  |                 |                 |                  |
|--|------------------|-----------------|-----------------|------------------|
| <b>REVENUES</b>  |                  |                 |                 |                  |
| Property Taxes .....   | \$ 2,325         | \$ -            | \$ -            | \$ -             |
| Special Assessments .....  | 16,871           | -               | -               | -                |
| Revenue from Use of Money and Property .....                       | 616              | 86              | -               | 290              |
| Revenue from Other Agencies .....                                  | -                | -               | -               | -                |
| <b>TOTAL REVENUES</b> .....  | <b>19,812</b>    | <b>86</b>       | <b>-</b>        | <b>290</b>       |
| <b>EXPENDITURES</b>  |                  |                 |                 |                  |
| Current:   |                  |                 |                 |                  |
| General Government and Support .....                               | 41               | -               | -               | 4                |
| Debt Service:  |                  |                 |                 |                  |
| Principal Retirement .....   | 6,755            | 3,275           | 5,290           | 8,275            |
| Interest .....   | 8,779            | 725             | 8,408           | 15,922           |
| Cost of Issuance .....   | 746              | -               | -               | 255              |
| <b>TOTAL EXPENDITURES</b> .....                                    | <b>16,321</b>    | <b>4,000</b>    | <b>13,698</b>   | <b>24,456</b>    |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> ..... | <b>3,491</b>     | <b>(3,914)</b>  | <b>(13,698)</b> | <b>(24,166)</b>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                              |                  |                 |                 |                  |
| Transfers from Other Funds .....                                   | 14               | 1,228           | 13,690          | 23,243           |
| Transfers to Other Funds .....                                     | (3,852)          | -               | -               | (85)             |
| Special Tax Bonds Issued .....                                     | 1,823            | -               | -               | -                |
| Revenue Bonds Issued .....   | -                | -               | -               | 302              |
| Discount on Bonds Issued .....                                     | (129)            | -               | -               | -                |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....                  | <b>(2,144)</b>   | <b>1,228</b>    | <b>13,690</b>   | <b>23,460</b>    |
| <b>NET CHANGE IN FUND BALANCES</b> .....                           | <b>1,347</b>     | <b>(2,686)</b>  | <b>(8)</b>      | <b>(706)</b>     |
| Fund Balances at Beginning of Year .....                           | 30,236           | 5,922           | 8               | 46,248           |
| <b>FUND BALANCES AT END OF YEAR</b> .....                          | <b>\$ 31,583</b> | <b>\$ 3,236</b> | <b>\$ -</b>     | <b>\$ 45,542</b> |

| Redevelopment Agency | San Diego Facilities and Equipment Leasing Corporation | San Diego Open Space Park Facilities District #1 | Tobacco Settlement Revenue Funding Corporation | Total             |
|----------------------|--|--|--|-------------------|
| \$ 2,849             | \$ -   | \$ -   | \$ -   | \$ 2,855          |
| -                    | -  | -  | 5,050  | 5,050             |
| 962                  | -  | -  | -  | 1,253             |
| -                    | -  | -  | -  | 985               |
| 356,508              | 93   | -  | 12,381   | 415,680           |
| <u>\$ 360,319</u>    | <u>\$ 93</u>   | <u>\$ -</u>                                      | <u>\$ 17,431</u>                               | <u>\$ 459,283</u> |
| \$ -                 | \$ -   | \$ -   | \$ 5,050                                       | \$ 6,129          |
| 12,094               | -  | -  | -  | 12,094            |
| 12,094               | -  | -  | 5,050  | 18,223            |
| 513                  | -  | -  | -  | 522               |
| 82,601               | 93   | -  | 12,381   | 175,302           |
| -                    | -  | -  | -  | 125               |
| 265,111              | -  | -  | -  | 265,111           |
| 348,225              | 93   | -  | 12,381   | 441,060           |
| <u>\$ 360,319</u>    | <u>\$ 93</u>   | <u>\$ -</u>                                      | <u>\$ 17,431</u>                               | <u>\$ 459,283</u> |
| \$ 142,161           | \$ -   | \$ -   | \$ -   | \$ 144,486        |
| -                    | -  | -  | -  | 16,871            |
| 9,952                | -  | 6  | 510  | 11,460            |
| 15                   | -  | -  | 11,429   | 11,444            |
| 152,128              | -  | 6  | 11,939   | 184,261           |
| 1,398                | -  | -  | -  | 1,443             |
| 15,959               | 5,305  | 410  | 3,990  | 49,259            |
| 29,952               | 1,258  | 12   | 7,066  | 72,122            |
| -                    | -  | -  | -  | 1,001             |
| 47,309               | 6,563  | 422  | 11,056   | 123,825           |
| 104,819              | (6,563)  | (416)  | 883  | 60,436            |
| 21,850               | 6,655  | -  | -  | 66,680            |
| (60,641)             | -  | (14)   | (1,385)  | (65,977)          |
| -                    | -  | -  | -  | 1,823             |
| -                    | -  | -  | -  | 302               |
| -                    | -  | -  | -  | (129)             |
| (38,791)             | 6,655  | (14)   | (1,385)  | 2,699             |
| 66,028               | 92   | (430)  | (502)  | 63,135            |
| 282,197              | 1  | 430  | 12,883   | 377,925           |
| <u>\$ 348,225</u>    | <u>\$ 93</u>   | <u>\$ -</u>                                      | <u>\$ 12,381</u>                               | <u>\$ 441,060</u> |

**NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2009**  
(In Thousands)

|  | City of San Diego            |                 |
|--|------------------------------|-----------------|
|  | Actual on<br>Budgetary Basis | Final<br>Budget |
| <b>REVENUES</b>  |                              |                 |
| Property Taxes .....   | \$ 2,325                     | \$ 2,315        |
| Revenue from Use of Money and Property .....                       | 45                           | 55              |
| <b>TOTAL REVENUES</b> .....  | 2,370                        | 2,370           |
| <b>EXPENDITURES</b>  |                              |                 |
| Current:   |                              |                 |
| General Government and Support .....                               | 1                            | 1               |
| Debt Service:  |                              |                 |
| Principal Retirement .....   | 1,855                        | 1,855           |
| Interest .....   | 477                          | 477             |
| <b>TOTAL EXPENDITURES</b> .....                                    | 2,333                        | 2,333           |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> ..... | 37                           | 37              |
| <b>OTHER FINANCING SOURCES (USES)</b>                              |                              |                 |
| Transfers from Other Funds .....                                   | -                            | -               |
| Transfers to Other Funds .....                                     | -                            | -               |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....                  | -                            | -               |
| <b>NET CHANGE IN FUND BALANCES</b> .....                           | 37                           | 37              |
| Reserved for Debt Service at July 1, 2008 .....                    | 2,554                        | 2,554           |
| Reserved for Debt Service at June 30, 2009 .....                   | (2,591)                      | (2,591)         |
| <b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2009</b> .....           | \$ -                         | \$ -            |

| San Diego Open Space Park<br>Facilities District #1 |                 | Total                        |                 |   |
|---|-----------------|------------------------------|-----------------|---|
| Actual on<br>Budgetary Basis                        | Final<br>Budget | Actual on<br>Budgetary Basis | Final<br>Budget | Variance with<br>Final Budget<br>Positive<br>(Negative) |
| \$ -  |                 | \$ 2,325                     | \$ 2,315        | \$ 10   |
| 9   | 54              | 54                           | 109             | (55)  |
| 9   | 54              | 2,379                        | 2,424           | (45)  |
| -   | -               | 1                            | 1               | -   |
| 410   | 410             | 2,265                        | 2,265           | -   |
| 12  | 25              | 489                          | 502             | 13  |
| 422   | 435             | 2,755                        | 2,768           | 13  |
| (413)   | (381)           | (376)                        | (344)           | (32)  |
| -   | 434             | -                            | 434             | (434)   |
| (14)  | (727)           | (14)                         | (727)           | 713   |
| (14)  | (293)           | (14)                         | (293)           | 279   |
| (427)   | (674)           | (390)                        | (637)           | 247   |
| 427   | 427             | 2,981                        | 2,981           | -   |
| -   | -               | (2,591)                      | (2,591)         | -   |
| \$ -  | \$ (247)        | \$ -                         | \$ (247)        | \$ 247  |



**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
COMBINING BALANCE SHEET  
June 30, 2009  
( In Thousands )**

|  | Budgeted                                   | Unbudgeted                      | Total            |
|--|--|---------------------------------|------------------|
|  | Public Safety<br>Communications<br>Project | Other<br>Special<br>Assessments |                  |
| <b>ASSETS</b>                                  |  |                                 |                  |
| Receivables:                                   |  |                                 |                  |
| Taxes - Net .....                              | \$ 6                                       | \$ -                            | \$ 6             |
| Special Assessments - Net .....                | -  | 1,253                           | 1,253            |
| Accrued Interest .....                         | 8  | 15                              | 23               |
| Restricted Cash and Investments .....          | 2,591                                      | 28,789                          | 31,380           |
| <b>TOTAL ASSETS .....</b>                      | <b>\$ 2,605</b>                            | <b>\$ 30,057</b>                | <b>\$ 32,662</b> |
| <b>LIABILITIES</b>                             |  |                                 |                  |
| Deferred Revenue .....                         | \$ -                                       | \$ 1,079                        | \$ 1,079         |
| <b>TOTAL LIABILITIES .....</b>                 | <b>-</b>                                   | <b>1,079</b>                    | <b>1,079</b>     |
| <b>FUND EQUITY</b>                             |  |                                 |                  |
| Fund Balances:                                 |  |                                 |                  |
| Reserved for Encumbrances .....                | -  | 9                               | 9                |
| Reserved for Debt Service .....                | 2,591                                      | 28,929                          | 31,520           |
| Unreserved:                                    |  |                                 |                  |
| Designated for Unrealized Gains .....          | 14   | 40                              | 54               |
| <b>TOTAL FUND EQUITY .....</b>                 | <b>2,605</b>                               | <b>28,978</b>                   | <b>31,583</b>    |
| <b>TOTAL LIABILITIES AND FUND EQUITY .....</b> | <b>\$ 2,605</b>                            | <b>\$ 30,057</b>                | <b>\$ 32,662</b> |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2009  
(In Thousands)**

|  |                 |                  |                  |
|--|-----------------|------------------|------------------|
| <b>REVENUES</b>  |                 |                  |                  |
| Property Taxes .....   | \$ 2,325        | \$ -             | \$ 2,325         |
| Special Assessments .....  | -               | 16,871           | 16,871           |
| Revenue from Use of Money and Property .....                       | 44              | 572              | 616              |
| <b>TOTAL REVENUES .....</b>  | <b>2,369</b>    | <b>17,443</b>    | <b>19,812</b>    |
| <b>EXPENDITURES</b>  |                 |                  |                  |
| Current:   |                 |                  |                  |
| General Government and Support .....                               | 1               | 40               | 41               |
| Debt Service:  |                 |                  |                  |
| Principal Retirement .....   | 1,855           | 4,900            | 6,755            |
| Interest .....   | 477             | 8,302            | 8,779            |
| Cost of Issuance .....   | -               | 746              | 746              |
| <b>TOTAL EXPENDITURES .....</b>                                    | <b>2,333</b>    | <b>13,988</b>    | <b>16,321</b>    |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES .....</b> | <b>36</b>       | <b>3,455</b>     | <b>3,491</b>     |
| <b>OTHER FINANCING SOURCES (USES)</b>                              |                 |                  |                  |
| Transfers from Other Funds .....                                   | -               | 14               | 14               |
| Transfers to Other Funds .....                                     | -               | (3,852)          | (3,852)          |
| Special Tax Bonds Issued .....                                     | -               | 1,823            | 1,823            |
| Discount on Bonds Issued .....                                     | -               | (129)            | (129)            |
| <b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>                  | <b>-</b>        | <b>(2,144)</b>   | <b>(2,144)</b>   |
| <b>NET CHANGE IN FUND BALANCES .....</b>                           | <b>36</b>       | <b>1,311</b>     | <b>1,347</b>     |
| Fund Balances at Beginning of Year .....                           | 2,569           | 27,667           | 30,236           |
| <b>FUND BALANCES AT END OF YEAR .....</b>                          | <b>\$ 2,605</b> | <b>\$ 28,978</b> | <b>\$ 31,583</b> |

CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 Year Ended June 30, 2009  
 (In Thousands)

|  | Public Safety Communications Project |                                  |                              |                 |  |
|--|--------------------------------------|----------------------------------|------------------------------|-----------------|--|
|  | Actual                               | Adjustment to<br>Budgetary Basis | Actual on<br>Budgetary Basis | Final<br>Budget | Variance with Final<br>Budget Positive<br>(Negative) |
| <b>REVENUES</b>  |                                      |                                  |                              |                 |  |
| Property Taxes .....   | \$ 2,325                             | \$ -                             | \$ 2,325                     | \$ 2,315        | \$ 10  |
| Revenue from Use of Money and Property .....                       | 44                                   | 1                                | 45                           | 55              | (10)   |
| <b>TOTAL REVENUES</b> .....  | <b>2,369</b>                         | <b>1</b>                         | <b>2,370</b>                 | <b>2,370</b>    | <b>-</b>   |
| <b>EXPENDITURES</b>  |                                      |                                  |                              |                 |  |
| Current:   |                                      |                                  |                              |                 |  |
| General Government and Support .....                               | 1                                    | -                                | 1                            | 1               | -  |
| Debt Service:  |                                      |                                  |                              |                 |  |
| Principal Retirement .....   | 1,855                                | -                                | 1,855                        | 1,855           | -  |
| Interest .....   | 477                                  | -                                | 477                          | 477             | -  |
| <b>TOTAL EXPENDITURES</b> .....                                    | <b>2,333</b>                         | <b>-</b>                         | <b>2,333</b>                 | <b>2,333</b>    | <b>-</b>   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> ..... | <b>36</b>                            | <b>1</b>                         | <b>37</b>                    | <b>37</b>       | <b>-</b>   |
| <b>NET CHANGE IN FUND BALANCES</b> .....                           | <b>\$ 36</b>                         | <b>\$ 1</b>                      | <b>37</b>                    | <b>37</b>       | <b>-</b>   |
| Reserved for Debt Service at July 1, 2008 .....                    |                                      |                                  | 2,554                        | 2,554           | -  |
| Reserved for Debt Service at June 30, 2009 .....                   |                                      |                                  | (2,591)                      | (2,591)         | -  |
| <b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2009</b> .....           |                                      |                                  | <b>\$ -</b>                  | <b>\$ -</b>     | <b>\$ -</b>  |

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NON MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS



## CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and fiduciary funds).

### CITY OF SAN DIEGO

#### CAPITAL OUTLAY

This fund was established per Section 77 of the City Charter to account for the acquisition, construction and completion of permanent public improvements and real property. Capital outlay fund revenues are derived from the sale of City-owned real property supplemented by sales tax revenue.

#### PARK & RECREATION DISTRICTS

This fund was established to account for park fees collected at the time of subdivision or permit issuance and is mandated per the City of San Diego Municipal Code. Fee assessments are only to be used for park purposes within a Community Park Service District to purchase land, facilities, or reimburse those who have donated more than their proportionate responsibilities.

#### FACILITIES BENEFIT ASSESSMENTS

This fund was established to account for building permit fees collected at the time of permit issuance and is mandated by the City Charter. Fee assessments are only to be used in the community the assessments are collected and are the primary source of project funding, excluding maintenance costs.

#### IMPACT FEES

This fund was established to account for building permit fees collected at the time of permit issuance and has specific State reporting requirements. Fee assessments are only to be used in the community the assessments are collected and are not the primary source of project funding and exclude maintenance costs.

#### SPECIAL ASSESSMENT/SPECIAL TAX BONDS

This fund was established to account for Community Facilities Districts and Special Assessment Districts, which under various sections of State law, issues limited obligation bonds to finance infrastructure facilities and other public improvements necessary to facilitate development of the properties within each district. The bonds are secured solely by the properties within each district, and are repaid through revenues generated by the annual levy of special taxes or special assessments on the benefiting properties.

#### TRANSNET

This fund was established to account for transportation improvements funded by a local sales tax approved by voters in the County of San Diego. Funds are to help relieve traffic congestion, increase safety, and improve air quality by performing repairs, restorations, and construction of needed facilities within the public rights-of-way.

#### OTHER CONSTRUCTION

This fund was established to account for a variety of capital projects such as park and street improvements and construction of public facilities in new development areas. Revenues in this fund are derived from such sources as contributions from developers, grants from Federal, State and other governmental agencies, special assessments, special taxes, fees, and interest derived there from.

**BLENDED COMPONENT UNITS****PUBLIC FACILITIES FINANCING AUTHORITY**

This fund was established to account for the capital improvement acquisition and construction activities of the Public Facilities Financing Authority (PFFA). PFFA, which was created by the City of San Diego and RDA, facilitates the financing and construction of public capital improvements of the City or RDA. Revenues are derived from the issuance of bonds and interest earnings on investments.

**REDEVELOPMENT AGENCY**

This fund was established to account for the capital improvement activities of the Redevelopment Agency of the City of San Diego (RDA). RDA was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. Funds are derived from the City of San Diego, from the issuance of bonds for specific redevelopment projects, sale of real estate and investment income.

**SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION**

This fund was established to account for the capital improvement activities of the San Diego Facilities and Equipment Leasing Corporation (SDFELC). SDFELC was established to acquire and lease to the City of San Diego real and personal property to be used in the municipal operations of the City. This fund accounts for proceeds from the issuance of Certificates of Participation used to finance construction projects in Balboa and Mission Bay parks.

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**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**  
**COMBINING BALANCE SHEET**  
**June 30, 2009**  
**( In Thousands )**

|   | <b>City of<br/>San Diego</b> | <b>Public Facilities<br/>Financing<br/>Authority</b> |
|---|------------------------------|--|
| <b>ASSETS</b>                                       |                              |  |
| Cash or Equity in Pooled Cash and Investments ..... | \$ 322,004                   | \$ 105,438   |
| Receivables:  |                              |  |
| Accounts .....                                      | 7,545                        | -  |
| Special Assessments .....                           | 4                            | -  |
| Notes .....   | -                            | -  |
| Accrued Interest .....                              | 871                          | 8  |
| Grants .....  | 28,697                       | -  |
| Due from Other Funds .....                          | 1                            | -  |
| Advances to Other Funds .....                       | 600                          | -  |
| Land Held for Resale .....                          | -                            | -  |
| Prepaid Items .....                                 | -                            | -  |
| <b>TOTAL ASSETS</b> .....                           | <b>\$ 359,722</b>            | <b>\$ 105,446</b>                                    |
| <b>LIABILITIES</b>                                  |                              |  |
| Accounts Payable .....                              | \$ 6,061                     | \$ -   |
| Due to Other Funds .....                            | 1,827                        | -  |
| Due to Other Agencies .....                         | 152                          | -  |
| Unearned Revenue .....                              | 18,816                       | -  |
| Deferred Revenue .....                              | 32,368                       | -  |
| Sundry Trust Liabilities .....                      | -                            | -  |
| Advances from Other Funds .....                     | 600                          | -  |
| Interfund Loan Payable .....                        | 3,487                        | -  |
| <b>TOTAL LIABILITIES</b> .....                      | <b>63,311</b>                | <b>-</b>   |
| <b>FUND EQUITY</b>                                  |                              |  |
| Fund Balances:                                      |                              |  |
| Reserved for Land Held for Resale .....             | -                            | -  |
| Reserved for Notes Receivable .....                 | -                            | -  |
| Reserved for Encumbrances .....                     | 52,865                       | 401  |
| Reserved for Advances and Deposits .....            | 600                          | -  |
| Unreserved:   |                              |  |
| Designated for Unrealized Gains .....               | 1,358                        | 8  |
| Designated for Subsequent Years' Expenditures ..... | 177,925                      | 103,300  |
| Undesignated .....                                  | 63,663                       | 1,737  |
| <b>TOTAL FUND EQUITY</b> .....                      | <b>296,411</b>               | <b>105,446</b>                                       |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b> .....      | <b>\$ 359,722</b>            | <b>\$ 105,446</b>                                    |

| <u>Redevelopment<br/>Agency</u> | <u>San Diego<br/>Facilities and<br/>Equipment<br/>Leasing<br/>Corporation</u> | <u>Total</u>      |
|---------------------------------|---|-------------------|
| \$ 194,712                      | \$ -  | \$ 622,154        |
| -                               | -   | 7,545             |
| -                               | -   | 4                 |
| 5,000                           | -   | 5,000             |
| 285                             | -   | 1,164             |
| -                               | -   | 28,697            |
| -                               | -   | 1                 |
| -                               | -   | 600               |
| 27,538                          | -   | 27,538            |
| <u>73</u>                       | <u>-</u>  | <u>73</u>         |
| <u>\$ 227,608</u>               | <u>\$ -</u>   | <u>\$ 692,776</u> |
| <br>                            |   |                   |
| \$ 3,855                        | \$ -  | \$ 9,916          |
| -                               | -   | 1,827             |
| -                               | -   | 152               |
| 3                               | -   | 18,819            |
| -                               | -   | 32,368            |
| 4,550                           | -   | 4,550             |
| 5,431                           | -   | 6,031             |
| <u>17,093</u>                   | <u>-</u>  | <u>20,580</u>     |
| <br>                            |   |                   |
| <u>30,932</u>                   | <u>-</u>  | <u>94,243</u>     |
| <br>                            |   |                   |
| 27,538                          | -   | 27,538            |
| 5,000                           | -   | 5,000             |
| 81,650                          | -   | 134,916           |
| -                               | -   | 600               |
| 183                             | -   | 1,549             |
| 82,305                          | -   | 363,530           |
| <u>-</u>                        | <u>-</u>  | <u>65,400</u>     |
| <br>                            |   |                   |
| <u>196,676</u>                  | <u>-</u>  | <u>598,533</u>    |
| <br>                            |   |                   |
| <u>\$ 227,608</u>               | <u>\$ -</u>   | <u>\$ 692,776</u> |

**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2009**  
**( In Thousands )**

|   | City of<br>San Diego | Public Facilities<br>Financing<br>Authority |
|---|----------------------|---|
| <b>REVENUES</b>                                   |                      |   |
| Special Assessments.....                          | \$ 4                 | \$ -  |
| Sales Taxes .....                                 | 20,222               | -   |
| Licenses and Permits .....                        | 6,942                | -   |
| Revenue from Use of Money and Property .....      | 14,249               | 115   |
| Revenue from Federal Agencies .....               | 22,603               | -   |
| Revenue from Other Agencies .....                 | 21,555               | -   |
| Revenue from Private Sources .....                | 9,406                | -   |
| Other Revenue .....                               | 554                  | 104   |
| <b>TOTAL REVENUES .....</b>                       | <b>95,535</b>        | <b>219</b>                                  |
| <b>EXPENDITURES</b>                               |                      |   |
| Current:  |                      |   |
| General Government and Support .....              | 3,725                | -   |
| Public Safety - Fire & Life Safety .....          | 42                   | -   |
| Parks, Recreation, Culture and Leisure .....      | 2,245                | -   |
| Transportation .....                              | 23,238               | -   |
| Sanitation and Health .....                       | 650                  | -   |
| Neighborhood Services .....                       | 189                  | -   |
| Capital Projects .....                            | 100,980              | -   |
| Debt Service:                                     |                      |   |
| Principal Retirement .....                        | 141                  | -   |
| Interest .....                                    | 74                   | -   |
| <b>TOTAL EXPENDITURES .....</b>                   | <b>131,284</b>       | <b>-</b>                                    |
| <b>EXCESS (DEFICIENCY) OF REVENUES</b>            |                      |   |
| <b>OVER EXPENDITURES .....</b>                    | <b>(35,749)</b>      | <b>219</b>                                  |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                      |   |
| Transfers from Proprietary Funds .....            | 61                   | -   |
| Transfers from Other Funds .....                  | 6,120                | 85  |
| Transfers to Proprietary Funds .....              | (1,424)              | -   |
| Transfers to Other Funds .....                    | (29,295)             | -   |
| Proceeds from the Sale of Capital Assets .....    | 2,157                | -   |
| Capital Leases .....                              | 18,988               | -   |
| Loans Issued .....                                | 302                  | -   |
| Special Tax Bonds Issued .....                    | 10,542               | -   |
| Revenue Bonds Issued .....                        | -                    | 102,698                                     |
| <b>TOTAL OTHER FINANCING SOURCES (USES) .....</b> | <b>7,451</b>         | <b>102,783</b>                              |
| <b>NET CHANGE IN FUND BALANCES .....</b>          | <b>(28,298)</b>      | <b>103,002</b>                              |
| Fund Balances at Beginning of Year .....          | 324,709              | 2,444                                       |
| <b>FUND BALANCES AT END OF YEAR .....</b>         | <b>\$ 296,411</b>    | <b>\$ 105,446</b>                           |

| Redevelopment<br>Agency | San Diego<br>Facilities and<br>Equipment<br>Leasing<br>Corporation | Total             |
|-------------------------|--|-------------------|
| \$ -                    | \$ -   | \$ 4              |
| -                       | -  | 20,222            |
| -                       | -  | 6,942             |
| 7,874                   | -  | 22,238            |
| -                       | -  | 22,603            |
| -                       | -  | 21,555            |
| 9,154                   | -  | 18,560            |
| <u>1,419</u>            | <u>-</u>   | <u>2,077</u>      |
| <u>18,447</u>           | <u>-</u>   | <u>114,201</u>    |
| 21,780                  | -  | 25,505            |
| -                       | -  | 42                |
| -                       | -  | 2,245             |
| -                       | -  | 23,238            |
| -                       | -  | 650               |
| 16,461                  | -  | 16,650            |
| 23,330                  | -  | 124,310           |
| -                       | -  | 141               |
| <u>-</u>                | <u>-</u>   | <u>74</u>         |
| <u>61,571</u>           | <u>-</u>   | <u>192,855</u>    |
| <u>(43,124)</u>         | <u>-</u>   | <u>(78,654)</u>   |
| -                       | -  | 61                |
| 38,369                  | -  | 44,574            |
| -                       | -  | (1,424)           |
| (14,478)                | (4)  | (43,777)          |
| -                       | -  | 2,157             |
| -                       | -  | 18,988            |
| 4,296                   | -  | 4,598             |
| -                       | -  | 10,542            |
| <u>-</u>                | <u>-</u>   | <u>102,698</u>    |
| <u>28,187</u>           | <u>(4)</u>   | <u>138,417</u>    |
| (14,937)                | (4)  | 59,763            |
| <u>211,613</u>          | <u>4</u>   | <u>538,770</u>    |
| <u>\$ 196,676</u>       | <u>\$ -</u>  | <u>\$ 598,533</u> |

**CITY OF SAN DIEGO**  
**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**  
**COMBINING BALANCE SHEET**  
**June 30, 2009**  
**( In Thousands )**

|   | Capital<br>Outlay | Park & Recreation<br>Districts | Facilities Benefit<br>Assesments |
|---|-------------------|--------------------------------|----------------------------------|
| <b>ASSETS</b>                                       |                   |                                |                                  |
| Cash and Investments .....                          | \$ 19,599         | \$ 7,126                       | \$ 134,760                       |
| Receivables:  |                   |                                |                                  |
| Accounts .....                                      | -                 | -                              | -                                |
| Special Assesments .....                            | -                 | -                              | -                                |
| Accrued Interest .....                              | (8)               | 25                             | 459                              |
| Grants .....  | 28,697            | -                              | -                                |
| Due from Other Funds .....                          | -                 | -                              | 1                                |
| Advances to Other Funds .....                       | 600               | -                              | -                                |
| <b>TOTAL ASSETS .....</b>                           | <b>\$ 48,888</b>  | <b>\$ 7,151</b>                | <b>\$ 135,220</b>                |
| <b>LIABILITIES</b>                                  |                   |                                |                                  |
| Accounts Payable .....                              | \$ 2,452          | \$ -                           | \$ 1,955                         |
| Due to Other Funds .....                            | 1,827             | -                              | -                                |
| Due to Other Agencies .....                         | 13                | -                              | -                                |
| Unearned Revenue .....                              | 17,076            | -                              | -                                |
| Deferred Revenue .....                              | 23,076            | -                              | -                                |
| Advances from Other Funds .....                     | -                 | -                              | -                                |
| Interfund Loan Payable .....                        | -                 | -                              | 3,487                            |
| <b>TOTAL LIABILITIES .....</b>                      | <b>44,444</b>     | <b>-</b>                       | <b>5,442</b>                     |
| <b>FUND EQUITY</b>                                  |                   |                                |                                  |
| Fund Balances:                                      |                   |                                |                                  |
| Reserved for Encumbrances .....                     | 2,552             | 461                            | 36,101                           |
| Reserved for Advances and Deposits .....            | 600               | -                              | -                                |
| Unreserved:   |                   |                                |                                  |
| Designated for Unrealized Gains .....               | 4                 | 39                             | 736                              |
| Designated for Subsequent Years' Expenditures ..... | 25,292            | 1,999                          | 92,941                           |
| Undesignated .....                                  | (24,004)          | 4,652                          | -                                |
| <b>TOTAL FUND EQUITY .....</b>                      | <b>4,444</b>      | <b>7,151</b>                   | <b>129,778</b>                   |
| <b>TOTAL LIABILITIES AND FUND EQUITY .....</b>      | <b>\$ 48,888</b>  | <b>\$ 7,151</b>                | <b>\$ 135,220</b>                |

| <b>Impact Fees</b> | <b>Special Assessment / Special Tax Bonds</b> | <b>TransNet</b>  | <b>Other Construction</b> | <b>Total</b>      |
|--------------------|---|------------------|---------------------------|-------------------|
| \$ 48,695          | \$ 18,288                                     | \$ 33,349        | \$ 60,187                 | \$ 322,004        |
| -                  | -   | 5,497            | 2,048                     | 7,545             |
| -                  | 4   | -                | -                         | 4                 |
| 161                | 12  | 125              | 97                        | 871               |
| -                  | -   | -                | -                         | 28,697            |
| -                  | -   | -                | -                         | 1                 |
| -                  | -   | -                | -                         | 600               |
| <u>\$ 48,856</u>   | <u>\$ 18,304</u>                              | <u>\$ 38,971</u> | <u>\$ 62,332</u>          | <u>\$ 359,722</u> |
| <br>               |   |                  |                           |                   |
| \$ 30              | \$ -  | \$ 1,380         | \$ 244                    | 6,061             |
| -                  | -   | -                | -                         | 1,827             |
| -                  | -   | -                | 139                       | 152               |
| -                  | -   | -                | 1,740                     | 18,816            |
| -                  | -   | 7,244            | 2,048                     | 32,368            |
| -                  | -   | -                | 600                       | 600               |
| -                  | -   | -                | -                         | 3,487             |
| <u>30</u>          | <u>-</u>                                      | <u>8,624</u>     | <u>4,771</u>              | <u>63,311</u>     |
| <br>               |   |                  |                           |                   |
| 3,095              | 112   | 5,884            | 4,660                     | 52,865            |
| -                  | -   | -                | -                         | 600               |
| 263                | 31  | 169              | 116                       | 1,358             |
| 5,007              | 75  | 23,725           | 28,886                    | 177,925           |
| <u>40,461</u>      | <u>18,086</u>                                 | <u>569</u>       | <u>23,899</u>             | <u>63,663</u>     |
| <br>               |   |                  |                           |                   |
| <u>48,826</u>      | <u>18,304</u>                                 | <u>30,347</u>    | <u>57,561</u>             | <u>296,411</u>    |
| <br>               |   |                  |                           |                   |
| <u>\$ 48,856</u>   | <u>\$ 18,304</u>                              | <u>\$ 38,971</u> | <u>\$ 62,332</u>          | <u>\$ 359,722</u> |

CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2009  
(In Thousands)

|   | Capital<br>Outlay | Park & Recreation<br>Districts | Facilities Benefit<br>Assesments |
|---|-------------------|--------------------------------|----------------------------------|
| <b>REVENUES</b>                                   |                   |                                |                                  |
| Special Assessments .....                         | \$ -              | \$ -                           | \$ -                             |
| Sales Taxes .....                                 | -                 | -                              | -                                |
| Licenses and Permits .....                        | -                 | -                              | -                                |
| Revenue from Use of Money and Property .....      | 2,755             | 252                            | 4,972                            |
| Revenue from Federal Agencies .....               | 22,603            | -                              | -                                |
| Revenue from Other Agencies .....                 | 19,092            | -                              | -                                |
| Revenue from Private Sources .....                | -                 | -                              | 9,048                            |
| Other Revenue .....                               | 6                 | -                              | -                                |
| <b>TOTAL REVENUES</b> .....                       | <b>44,456</b>     | <b>252</b>                     | <b>14,020</b>                    |
| <b>EXPENDITURES</b>                               |                   |                                |                                  |
| Current:  |                   |                                |                                  |
| General Government and Support .....              | -                 | -                              | 1,657                            |
| Public Safety - Fire & Life Safety .....          | 1                 | -                              | -                                |
| Parks, Recreation, Culture and Leisure .....      | 1,075             | -                              | -                                |
| Transportation .....                              | 1,110             | -                              | 116                              |
| Sanitation and Health .....                       | -                 | -                              | 224                              |
| Neighborhood Services .....                       | 189               | -                              | -                                |
| Capital Projects .....                            | 65,204            | 18                             | 20,673                           |
| Debt Service:                                     |                   |                                |                                  |
| Principal Retirement .....                        | -                 | -                              | -                                |
| Interest .....                                    | -                 | -                              | -                                |
| <b>TOTAL EXPENDITURES</b> .....                   | <b>67,579</b>     | <b>18</b>                      | <b>22,670</b>                    |
| <b>EXCESS (DEFICIENCY) OF REVENUES</b>            |                   |                                |                                  |
| <b>OVER EXPENDITURES</b> .....                    | <b>(23,123)</b>   | <b>234</b>                     | <b>(8,650)</b>                   |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                   |                                |                                  |
| Transfers from Proprietary Funds .....            | -                 | -                              | -                                |
| Transfers from Other Funds .....                  | 54                | -                              | -                                |
| Transfers to Proprietary Funds .....              | (1,424)           | -                              | -                                |
| Transfers to Other Funds .....                    | (8,968)           | -                              | -                                |
| Proceeds from the Sale of Capital Assets .....    | 1,600             | -                              | -                                |
| Capital Leases .....                              | 18,988            | -                              | -                                |
| Loans Issued .....                                | -                 | -                              | -                                |
| Special Tax Bonds Issued .....                    | -                 | -                              | -                                |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b> ..... | <b>10,250</b>     | <b>-</b>                       | <b>-</b>                         |
| <b>NET CHANGE IN FUND BALANCES</b> .....          | <b>(12,873)</b>   | <b>234</b>                     | <b>(8,650)</b>                   |
| Fund Balances at Beginning of Year .....          | 17,317            | 6,917                          | 138,428                          |
| <b>FUND BALANCES AT END OF YEAR</b> .....         | <b>\$ 4,444</b>   | <b>\$ 7,151</b>                | <b>\$ 129,778</b>                |

| <u>Impact Fees</u> | <u>Special<br/>Assesment /<br/>Special Tax<br/>Bonds</u> | <u>TransNet</u>  | <u>Other<br/>Construction</u> | <u>Total</u>      |
|--------------------|--|------------------|-------------------------------|-------------------|
| \$ -               | \$ 4   | \$ -             | \$ -                          | \$ 4              |
| -                  | -  | 20,222           | -                             | 20,222            |
| 6,380              | -  | 562              | -                             | 6,942             |
| 1,690              | 369  | 1,238            | 2,973                         | 14,249            |
| -                  | -  | -                | -                             | 22,603            |
| -                  | -  | -                | 2,463                         | 21,555            |
| -                  | 100  | -                | 258                           | 9,406             |
| -                  | -  | -                | 548                           | 554               |
| <u>8,070</u>       | <u>473</u>   | <u>22,022</u>    | <u>6,242</u>                  | <u>95,535</u>     |
| 587                | 173  | 102              | 1,206                         | 3,725             |
| -                  | -  | -                | 41                            | 42                |
| -                  | -  | -                | 1,170                         | 2,245             |
| 4                  | 11,695   | 261              | 10,052                        | 23,238            |
| -                  | -  | 309              | 117                           | 650               |
| -                  | -  | -                | -                             | 189               |
| 2,108              | -  | 7,201            | 5,776                         | 100,980           |
| -                  | -  | -                | 141                           | 141               |
| -                  | -  | -                | 74                            | 74                |
| <u>2,699</u>       | <u>11,868</u>  | <u>7,873</u>     | <u>18,577</u>                 | <u>131,284</u>    |
| <u>5,371</u>       | <u>(11,395)</u>  | <u>14,149</u>    | <u>(12,335)</u>               | <u>(35,749)</u>   |
| -                  | -  | -                | 61                            | 61                |
| 1                  | 495  | -                | 5,570                         | 6,120             |
| -                  | -  | -                | -                             | (1,424)           |
| (4,749)            | -  | (9,821)          | (5,757)                       | (29,295)          |
| -                  | -  | -                | 557                           | 2,157             |
| -                  | -  | -                | -                             | 18,988            |
| -                  | -  | -                | 302                           | 302               |
| -                  | 10,542   | -                | -                             | 10,542            |
| <u>(4,748)</u>     | <u>11,037</u>  | <u>(9,821)</u>   | <u>733</u>                    | <u>7,451</u>      |
| 623                | (358)  | 4,328            | (11,602)                      | (28,298)          |
| <u>48,203</u>      | <u>18,662</u>  | <u>26,019</u>    | <u>69,163</u>                 | <u>324,709</u>    |
| <u>\$ 48,826</u>   | <u>\$ 18,304</u>   | <u>\$ 30,347</u> | <u>\$ 57,561</u>              | <u>\$ 296,411</u> |



CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 Year Ended June 30, 2009  
 (In Thousands)

|  | TransNet        |                                  |                              |                 |  |
|--|-----------------|----------------------------------|------------------------------|-----------------|--|
|  | Actual          | Adjustment to<br>Budgetary Basis | Actual on<br>Budgetary Basis | Final<br>Budget | Variance with Final<br>Budget Positive<br>(Negative) |
| <b>REVENUES</b>  |                 |                                  |                              |                 |  |
| Sales Taxes .....  | \$ 20,222       | \$ -                             | \$ 20,222                    | \$ 27,057       | \$ (6,835)   |
| Revenue from Use of Money and Property .....                         | 1,238           | (2)                              | 1,236                        | -               | 1,236  |
| Other Revenue .....  | 562             | -                                | 562                          | -               | 562  |
| <b>TOTAL REVENUES</b> .....  | <u>22,022</u>   | <u>(2)</u>                       | <u>22,020</u>                | <u>27,057</u>   | <u>(5,037)</u>                                       |
| <b>EXPENDITURES</b>  |                 |                                  |                              |                 |  |
| Current:   |                 |                                  |                              |                 |  |
| General Government and Support .....                                 | 102             | -                                | 102                          | 162             | 60   |
| Transportation .....   | 261             | 21                               | 282                          | 319             | 37   |
| Sanitation and Health .....  | 309             | 66                               | 375                          | 1,043           | 668  |
| Capital Projects .....   | 7,201           | 5,797                            | 12,998                       | 38,635          | 25,637   |
| Debt Service:  |                 |                                  |                              |                 |  |
| Principal Retirement .....   | -               | -                                | -                            | 142             | 142  |
| <b>TOTAL EXPENDITURES</b> .....                                      | <u>7,873</u>    | <u>5,884</u>                     | <u>13,757</u>                | <u>40,301</u>   | <u>26,544</u>  |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> .....   |                 |                                  |                              |                 |  |
|  | <u>14,149</u>   | <u>(5,886)</u>                   | <u>8,263</u>                 | <u>(13,244)</u> | <u>21,507</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                 |                                  |                              |                 |  |
| Transfers to Other Funds .....                                       | (9,821)         | -                                | (9,821)                      | (9,898)         | 77   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....                    | <u>(9,821)</u>  | <u>-</u>                         | <u>(9,821)</u>               | <u>(9,898)</u>  | <u>77</u>  |
| <b>NET CHANGE IN FUND BALANCES</b> .....                             | <u>\$ 4,328</u> | <u>\$ (5,886)</u>                | <u>(1,558)</u>               | <u>(23,142)</u> | <u>21,584</u>  |
| Fund Balances Undesignated at July 1, 2008 .....                     |                 |                                  | 130                          | 130             |  |
| Reserved for Encumbrances at July 1, 2008 .....                      |                 |                                  | 7,690                        | 7,690           | -  |
| Designated for Subsequent Years' Expenditures at July 1, 2008 .....  |                 |                                  | 18,032                       | 18,032          | -  |
| Designated for Subsequent Years' Expenditures at June 30, 2009 ..... |                 |                                  | <u>(23,725)</u>              | <u>-</u>        | <u>(23,725)</u>                                      |
| <b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2009</b> .....             |                 |                                  | <u>\$ 569</u>                | <u>\$ 2,710</u> | <u>\$ (2,141)</u>                                    |

NON MAJOR GOVERNMENTAL FUNDS - PERMANENT



## PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs (i.e., for the benefit of the City or its citizens).

### CARMEL VALLEY SEWER MAINTENANCE

This fund was established to fund the City's share of maintenance costs for a private sewer system in the Carmel Valley community. The original contribution was received from a developer and interest earnings derived there from will finance a fifty-year maintenance period.

### CEMETERY PERPETUITY

This fund was established to account for the Mt. Hope Cemetery endowment. Investment earnings derived from the endowment supplement grave sales revenues in order to finance cemetery operations.

### EFFIE SERGEANT

This fund was established to account for a donation to benefit the North Park Branch Library. Investment earnings are used to finance library services and programs.

### FIGG ESTATE ENDOWMENT

This fund was established to account for a donation received for the planting and maintenance of jacaranda trees in the public rights of way throughout the City of San Diego. Investment earnings are used for planting and maintenance as well.

### GLADYS EDNA PETERS

This fund was established to account for a donation to benefit the Rancho Bernardo Branch Library. Investment earnings are used to procure and maintain a collection of large print books and periodicals.

### JANE CAMERON ESTATE

This fund was established to account for a donation to benefit the La Jolla/Riford Branch Library. Investment earnings are used to finance library services and programs.

### LOS PENASQUITOS CANYON

This fund was established to account for the Los Penasquitos Canyon Preserve Trust Fund. Investment earnings are used to finance operations, land acquisitions, historical restoration, and maintenance of the Penasquitos Preserve Park.

### MONTEZUMA ROAD MEDIAN MAINTENANCE

This fund was established to account for an endowment from San Diego State University. Investment earnings derived there from are used to finance the maintenance of medians along Montezuma Road.

### SOUTHCREST PARK ESTATES II

This fund was established to finance the City's landscape maintenance costs for the Southcrest Park Estates II, a residential development within the Southcrest Redevelopment project area. The original contribution was received from a developer, and investment earnings derived there from will finance the permanent maintenance costs.

### SYCAMORE ESTATES

This fund was established to account for an endowment agreement between the City and Sycamore Estates, LLC. Investment earnings from the endowment shall be used exclusively for the long-term maintenance of conserved property within Sycamore Estates.

### ZOOLOGICAL SOCIETY – MISSION TRAILS

This fund was established to account for the Fortuna Mountain Conservation Bank endowment. Investment earnings derived from the endowment shall be used to fund the permanent management of the Fortuna Mountain Conservation Bank within Mission Trails Regional Park.

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**CITY OF SAN DIEGO  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT  
JUNE 30, 2009  
(In Thousands)**

|   | <b>Carmel Valley<br/>Sewer<br/>Maintenance</b> | <b>Cemetery<br/>Perpetuity</b> | <b>Effie<br/>Sergeant</b> |
|---|--|--------------------------------|---------------------------|
| <b>ASSETS</b>                           |  |                                |                           |
| Receivables:                            |  |                                |                           |
| Accounts - Net .....                    | \$ -   | \$ 15                          | \$ -                      |
| Accrued Interest .....                  | -  | 14                             | -                         |
| Restricted Cash and Investments .....   | <u>49</u>                                      | <u>9,427</u>                   | <u>441</u>                |
| <b>TOTAL ASSETS</b> .....               | <u>\$ 49</u>                                   | <u>\$ 9,456</u>                | <u>\$ 441</u>             |
| <b>FUND EQUITY:</b>                     |  |                                |                           |
| Fund Balances:                          |  |                                |                           |
| Reserved for Permanent Endowments ..... | \$ -   | \$ 9,439                       | \$ 441                    |
| Unreserved:                             |  |                                |                           |
| Designated for Unrealized Gains .....   | -  | 17                             | -                         |
| Undesignated .....                      | <u>49</u>                                      | <u>-</u>                       | <u>-</u>                  |
| <b>TOTAL FUND EQUITY</b> .....          | <u>\$ 49</u>                                   | <u>\$ 9,456</u>                | <u>\$ 441</u>             |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2009  
(In Thousands)**

|  |              |                 |               |
|--|--------------|-----------------|---------------|
| <b>REVENUES</b>  |              |                 |               |
| Revenue from Use of Money and Property .....                       | \$ 1         | \$ (411)        | \$ (65)       |
| Revenue from Private Sources .....                                 | -            | -               | -             |
| Charges for Current Services .....                                 | <u>-</u>     | <u>114</u>      | <u>-</u>      |
| <b>TOTAL REVENUES</b> .....  | <u>1</u>     | <u>(297)</u>    | <u>(65)</u>   |
| <b>EXPENDITURES</b>  |              |                 |               |
| Current:   |              |                 |               |
| General Government and Support .....                               | -            | -               | -             |
| Parks, Recreation, Culture and Leisure .....                       | <u>-</u>     | <u>-</u>        | <u>10</u>     |
| <b>TOTAL EXPENDITURES</b> .....                                    | <u>-</u>     | <u>-</u>        | <u>10</u>     |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> ..... |              |                 |               |
|  | <u>1</u>     | <u>(297)</u>    | <u>(75)</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                              |              |                 |               |
| Transfers to Other Funds .....                                     | <u>-</u>     | <u>(372)</u>    | <u>-</u>      |
| <b>NET CHANGE IN FUND BALANCES</b> .....                           | <u>1</u>     | <u>(669)</u>    | <u>(75)</u>   |
| Fund Balances at Beginning of Year .....                           | <u>48</u>    | <u>10,125</u>   | <u>516</u>    |
| <b>FUND BALANCES AT END OF YEAR</b> .....                          | <u>\$ 49</u> | <u>\$ 9,456</u> | <u>\$ 441</u> |

| Figg Estate<br>Endowment | Gladys Edna<br>Peters | Jane Cameron<br>Estate | Los<br>Penasquitos<br>Canyon | Montezuma<br>Road Median<br>Maintenance | Southcrest<br>Park Estates II | Sycamore<br>Estates | Zoological<br>Society -<br>Mission Trails | Total            |
|--------------------------|-----------------------|------------------------|------------------------------|---|-------------------------------|---------------------|---|------------------|
| \$ -                     | \$ -                  | \$ -                   | \$ -                         | \$ -                                    | \$ -                          | \$ -                | \$ -                                      | \$ 15            |
| -                        | -                     | 9                      | -                            | -                                       | -                             | -                   | -   | 23               |
| <u>322</u>               | <u>298</u>            | <u>2,789</u>           | <u>2,209</u>                 | <u>-</u>                                | <u>13</u>                     | <u>250</u>          | <u>69</u>                                 | <u>15,867</u>    |
| <u>\$ 322</u>            | <u>\$ 298</u>         | <u>\$ 2,798</u>        | <u>\$ 2,209</u>              | <u>\$ -</u>                             | <u>\$ 13</u>                  | <u>\$ 250</u>       | <u>\$ 69</u>                              | <u>\$ 15,905</u> |
| \$ -                     | \$ 298                | \$ 2,783               | \$ -                         | \$ -                                    | \$ -                          | \$ 250              | \$ 69                                     | \$ 13,280        |
| -                        | -                     | 15                     | -                            | -                                       | -                             | -                   | -   | 32               |
| <u>322</u>               | <u>-</u>              | <u>-</u>               | <u>2,209</u>                 | <u>-</u>                                | <u>13</u>                     | <u>-</u>            | <u>-</u>                                  | <u>2,593</u>     |
| <u>\$ 322</u>            | <u>\$ 298</u>         | <u>\$ 2,798</u>        | <u>\$ 2,209</u>              | <u>\$ -</u>                             | <u>\$ 13</u>                  | <u>\$ 250</u>       | <u>\$ 69</u>                              | <u>\$ 15,905</u> |
| \$ 15                    | \$ (47)               | \$ 99                  | \$ (375)                     | \$ 4                                    | \$ -                          | \$ 10               | \$ 3                                      | \$ (766)         |
| -                        | -                     | 122                    | -                            | -                                       | -                             | -                   | -   | 122              |
| <u>-</u>                 | <u>-</u>              | <u>-</u>               | <u>-</u>                     | <u>-</u>                                | <u>-</u>                      | <u>-</u>            | <u>-</u>                                  | <u>114</u>       |
| <u>15</u>                | <u>(47)</u>           | <u>221</u>             | <u>(375)</u>                 | <u>4</u>                                | <u>-</u>                      | <u>10</u>           | <u>3</u>                                  | <u>(530)</u>     |
| -                        | -                     | -                      | 1                            | 115                                     | -                             | -                   | -   | 116              |
| <u>-</u>                 | <u>22</u>             | <u>178</u>             | <u>-</u>                     | <u>-</u>                                | <u>-</u>                      | <u>-</u>            | <u>-</u>                                  | <u>210</u>       |
| <u>-</u>                 | <u>22</u>             | <u>178</u>             | <u>1</u>                     | <u>115</u>                              | <u>-</u>                      | <u>-</u>            | <u>-</u>                                  | <u>326</u>       |
| <u>15</u>                | <u>(69)</u>           | <u>43</u>              | <u>(376)</u>                 | <u>(111)</u>                            | <u>-</u>                      | <u>10</u>           | <u>3</u>                                  | <u>(856)</u>     |
| <u>(13)</u>              | <u>-</u>              | <u>-</u>               | <u>(143)</u>                 | <u>(4)</u>                              | <u>-</u>                      | <u>(10)</u>         | <u>(3)</u>                                | <u>(545)</u>     |
| <u>2</u>                 | <u>(69)</u>           | <u>43</u>              | <u>(519)</u>                 | <u>(115)</u>                            | <u>-</u>                      | <u>-</u>            | <u>-</u>                                  | <u>(1,401)</u>   |
| <u>320</u>               | <u>367</u>            | <u>2,755</u>           | <u>2,728</u>                 | <u>115</u>                              | <u>13</u>                     | <u>250</u>          | <u>69</u>                                 | <u>17,306</u>    |
| <u>\$ 322</u>            | <u>\$ 298</u>         | <u>\$ 2,798</u>        | <u>\$ 2,209</u>              | <u>\$ -</u>                             | <u>\$ 13</u>                  | <u>\$ 250</u>       | <u>\$ 69</u>                              | <u>\$ 15,905</u> |



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NON MAJOR BUSINESS-TYPE FUNDS - ENTERPRISE



## ENTERPRISE FUNDS

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. These funds use full accrual accounting.

### **CITY OF SAN DIEGO**

#### AIRPORTS

This fund was established to account for the operation, maintenance and development of both City-owned airports--Montgomery and Brown Fields. Airports fund revenues are derived from such sources as rent/lease revenue, usage fees, earnings on investments and aid from other governmental agencies.

#### CITY STORE

This fund was established to account for activities of the City's entrepreneurial program. This program operates retail store outlets for the purpose of selling surplus city materials and other items promoting the City of San Diego.

#### DEVELOPMENT SERVICES

This fund was established to account for construction management, development project review, permitting, and inspection services for the City.

#### ENVIRONMENTAL SERVICES

This fund was established to account for refuse disposal, collection, energy conservation, resource management, and other environmental programs.

#### GOLF COURSE

This fund was established to operate, maintain, and improve physical conditions and initiate capital improvement programs for Torrey Pines, Mission Bay, and Balboa golf courses. Revenues are derived from green fees and leases.

#### RECYCLING

This fund was established to account for the planning, implementation, operation and management of City recycling and waste diversion programs. Revenues are derived from the recycling fee on all waste generated in the City or disposed of at the City landfill.

**NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE**  
**COMBINING STATEMENT OF NET ASSETS**  
**June 30, 2009**  
**( In Thousands )**

|   | <u>Airports</u>  | <u>City Store</u> |
|---|------------------|-------------------|
| <b>ASSETS</b>   |                  |                   |
| Cash and Investments .....  | \$ 11,866        | \$ -              |
| Receivables:  |                  |                   |
| Accounts - Net of Allowance for Uncollectibles (Airports \$340) ..... | 392              | -                 |
| Claims - Net .....  | -                | -                 |
| Accrued Interest .....  | 42               | -                 |
| Grants .....  | 1,560            | -                 |
| From Other Funds .....  | -                | -                 |
| Inventories .....   | -                | -                 |
| Prepaid Expenses .....  | 2                | -                 |
| Restricted Cash and Investments .....                                 | -                | -                 |
| Capital Assets - Non-Depreciable .....                                | 3,667            | -                 |
| Capital Assets - Depreciable .....                                    | <u>9,652</u>     | <u>-</u>          |
| <b>TOTAL ASSETS</b> .....   | <u>27,181</u>    | <u>-</u>          |
| <b>LIABILITIES</b>  |                  |                   |
| Accounts Payable .....  | 491              | -                 |
| Accrued Wages and Benefits .....                                      | 44               | -                 |
| Interest Accrued on Long-Term Debt .....                              | -                | -                 |
| Long Term Debt Due Within One Year .....                              | 67               | -                 |
| Due to Other Funds .....  | 2                | -                 |
| Unearned Revenue .....  | -                | -                 |
| Contract Deposits .....   | -                | -                 |
| Deposits/Advances from Others .....                                   | -                | -                 |
| Compensated Absences .....  | 68               | -                 |
| Estimated Landfill Closure and Postclosure Care .....                 | -                | -                 |
| Net Other Post Employment Benefits Obligation .....                   | 131              | -                 |
| Net Pension Obligation .....  | <u>197</u>       | <u>-</u>          |
| <b>TOTAL LIABILITIES</b> .....  | <u>1,000</u>     | <u>-</u>          |
| <b>NET ASSETS</b>   |                  |                   |
| Invested in Capital Assets, Net of Related Debt .....                 | 13,319           | -                 |
| Restricted for Closure/Postclosure maintenance .....                  | -                | -                 |
| Unrestricted .....  | <u>12,862</u>    | <u>-</u>          |
| <b>TOTAL NET ASSETS</b> .....   | <u>\$ 26,181</u> | <u>\$ -</u>       |

| <u>Development Services</u> | <u>Environmental Services</u> | <u>Golf Course</u> | <u>Recycling</u> | <u>Total</u>      |
|-----------------------------|-------------------------------|--------------------|------------------|-------------------|
| \$ 5,322                    | \$ 58,010                     | \$ 20,439          | \$ 8,547         | \$ 104,184        |
| 85                          | 112                           | 14                 | 198              | 801               |
| -                           | -                             | 2                  | -                | 2                 |
| 52                          | 296                           | 70                 | 51               | 511               |
| -                           | -                             | -                  | 224              | 1,784             |
| 3,604                       | -                             | 5                  | -                | 3,609             |
| -                           | -                             | 2                  | -                | 2                 |
| -                           | -                             | -                  | -                | 2                 |
| -                           | 37,983                        | -                  | 2,569            | 40,552            |
| 177                         | 19,409                        | 1,629              | -                | 24,882            |
| <u>1,082</u>                | <u>32,886</u>                 | <u>15,443</u>      | <u>1,460</u>     | <u>60,523</u>     |
| <u>10,322</u>               | <u>148,696</u>                | <u>37,604</u>      | <u>13,049</u>    | <u>236,852</u>    |
| 46                          | 684                           | 326                | 23               | 1,570             |
| 1,191                       | 465                           | 182                | 294              | 2,176             |
| -                           | -                             | -                  | 1                | 1                 |
| 1,024                       | 513                           | 173                | 207              | 1,984             |
| 58                          | 60                            | -                  | 27               | 147               |
| 6,453                       | -                             | -                  | 224              | 6,677             |
| -                           | -                             | -                  | 337              | 337               |
| -                           | -                             | -                  | 2,569            | 2,569             |
| 1,031                       | 516                           | 174                | 208              | 1,997             |
| -                           | 19,336                        | -                  | -                | 19,336            |
| 3,212                       | 1,199                         | 734                | 997              | 6,273             |
| <u>6,092</u>                | <u>2,067</u>                  | <u>547</u>         | <u>1,309</u>     | <u>10,212</u>     |
| <u>19,107</u>               | <u>24,840</u>                 | <u>2,136</u>       | <u>6,196</u>     | <u>53,279</u>     |
| 1,259                       | 52,295                        | 17,072             | 1,460            | 85,405            |
| -                           | 38,113                        | -                  | -                | 38,113            |
| <u>(10,044)</u>             | <u>33,448</u>                 | <u>18,396</u>      | <u>5,393</u>     | <u>60,055</u>     |
| <u>\$ (8,785)</u>           | <u>\$ 123,856</u>             | <u>\$ 35,468</u>   | <u>\$ 6,853</u>  | <u>\$ 183,573</u> |

**NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
 Year Ended June 30, 2009  
 (In Thousands)

|  | Airports         | City Store   |
|--|------------------|--------------|
| <b>OPERATING REVENUES</b>                              |                  |              |
| Charges for Services .....                             | \$ -             | \$ 242       |
| Usage Fees .....                                       | 4,778            | -            |
| Other .....  | 151              | -            |
| <b>TOTAL OPERATING REVENUES</b> .....                  | <b>4,929</b>     | <b>242</b>   |
| <b>OPERATING EXPENSES</b>                              |                  |              |
| Maintenance and Operations .....                       | 3,854            | 277          |
| Administration .....                                   | 795              | 38           |
| Depreciation .....                                     | 520              | 1            |
| <b>TOTAL OPERATING EXPENSES</b> .....                  | <b>5,169</b>     | <b>316</b>   |
| <b>OPERATING INCOME (LOSS)</b> .....                   | <b>(240)</b>     | <b>(74)</b>  |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                |                  |              |
| Earnings on Investments .....                          | 439              | 2            |
| Federal Grant Assistance .....                         | -                | -            |
| Other Agency Grant Assistance .....                    | -                | -            |
| Gain (Loss) on Sale/Retirement of Capital Assets ..... | (4)              | (5)          |
| Debt Service Interest Expense .....                    | -                | -            |
| Other .....  | 6                | (1)          |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b> .....    | <b>441</b>       | <b>(4)</b>   |
| <b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b> ..... | <b>201</b>       | <b>(78)</b>  |
| Capital Contributions .....                            | 1,806            | -            |
| Transfers from Other Funds .....                       | 8                | -            |
| Transfers from Governmental Funds .....                | -                | -            |
| Transfers to Other Funds .....                         | (32)             | -            |
| Transfers to Governmental Funds .....                  | (2)              | (57)         |
| <b>CHANGE IN NET ASSETS</b> .....                      | <b>1,981</b>     | <b>(135)</b> |
| Net Assets at Beginning of Year .....                  | 24,200           | 135          |
| <b>NET ASSETS AT END OF YEAR</b> .....                 | <b>\$ 26,181</b> | <b>\$ -</b>  |

| <u>Development<br/>Services</u> | <u>Environmental<br/>Services</u> | <u>Golf Course</u> | <u>Recycling</u> | <u>Total</u>      |
|---------------------------------|-----------------------------------|--------------------|------------------|-------------------|
| \$ 37,178                       | \$ 1,047                          | \$ 14,859          | \$ 5,463         | \$ 58,789         |
| -                               | 30,169                            | 1,334              | 9,391            | 45,672            |
| <u>132</u>                      | <u>510</u>                        | <u>8</u>           | <u>1,173</u>     | <u>1,974</u>      |
| <u>37,310</u>                   | <u>31,726</u>                     | <u>16,201</u>      | <u>16,027</u>    | <u>106,435</u>    |
| 21,424                          | 27,558                            | 10,171             | 18,337           | 81,621            |
| 25,624                          | 4,616                             | 972                | 2,093            | 34,138            |
| <u>267</u>                      | <u>3,140</u>                      | <u>817</u>         | <u>1,052</u>     | <u>5,797</u>      |
| <u>47,315</u>                   | <u>35,314</u>                     | <u>11,960</u>      | <u>21,482</u>    | <u>121,556</u>    |
| <u>(10,005)</u>                 | <u>(3,588)</u>                    | <u>4,241</u>       | <u>(5,455)</u>   | <u>(15,121)</u>   |
| 94                              | 3,403                             | 696                | 441              | 5,075             |
| -                               | -                                 | -                  | 27               | 27                |
| -                               | 83                                | -                  | 200              | 283               |
| (9)                             | (787)                             | -                  | (9)              | (814)             |
| -                               | -                                 | -                  | (3)              | (3)               |
| <u>-</u>                        | <u>1,993</u>                      | <u>1</u>           | <u>263</u>       | <u>2,262</u>      |
| <u>85</u>                       | <u>4,692</u>                      | <u>697</u>         | <u>919</u>       | <u>6,830</u>      |
| (9,920)                         | 1,104                             | 4,938              | (4,536)          | (8,291)           |
| -                               | -                                 | -                  | -                | 1,806             |
| 11                              | 171                               | 20                 | 66               | 276               |
| 2,125                           | 9                                 | -                  | 483              | 2,617             |
| (31)                            | -                                 | -                  | -                | (63)              |
| <u>(134)</u>                    | <u>(35)</u>                       | <u>(2,134)</u>     | <u>(102)</u>     | <u>(2,464)</u>    |
| (7,949)                         | 1,249                             | 2,824              | (4,089)          | (6,119)           |
| <u>(836)</u>                    | <u>122,607</u>                    | <u>32,644</u>      | <u>10,942</u>    | <u>189,692</u>    |
| <u>\$ (8,785)</u>               | <u>\$ 123,856</u>                 | <u>\$ 35,468</u>   | <u>\$ 6,853</u>  | <u>\$ 183,573</u> |



**NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE  
COMBINING STATEMENT OF CASH FLOWS  
Year Ended June 30, 2009  
( In Thousands )**

|   | Airports         | City Store     |
|---|------------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                  |                |
| Receipts from Customers and Users .....   | \$ 5,073         | \$ 237         |
| Receipts from Interfund Services Provided .....   | -                | 4              |
| Payments to Suppliers .....   | (2,310)          | (247)          |
| Payments to Employees .....   | (1,172)          | -              |
| Payments for Interfund Services Used.....   | (736)            | (4)            |
| <b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>   | <b>855</b>       | <b>(10)</b>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                  |                |
| Transfers In .....  | 8                | -              |
| Transfers from Governmental Funds .....   | -                | -              |
| Transfers Out .....   | (32)             | -              |
| Transfers to Governmental Funds .....   | (2)              | (57)           |
| Operating Grants Received .....   | -                | -              |
| Proceeds from Advances and Deposits .....   | -                | -              |
| Payments for Advances and Deposits .....  | -                | -              |
| <b>NET CASH PROVIDED BY (USED FOR)<br/>NONCAPITAL FINANCING ACTIVITIES .....</b>                              | <b>(26)</b>      | <b>(57)</b>    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |                  |                |
| Proceeds from Capital Contributions .....   | 973              | -              |
| Acquisition of Capital Assets .....   | (1,648)          | -              |
| Principal Payments on Capital Leases .....  | -                | -              |
| Interest Paid on Long-Term Debt .....   | -                | -              |
| <b>NET CASH USED FOR CAPITAL<br/>AND RELATED FINANCING ACTIVITIES .....</b>                                   | <b>(675)</b>     | <b>-</b>       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                  |                |
| Interest and Dividends Received on Investments .....  | 471              | 2              |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES .....</b>  | <b>471</b>       | <b>2</b>       |
| Net Increase (Decrease) in Cash and Cash Equivalents .....  | 625              | (65)           |
| Cash and Cash Equivalents at Beginning of Year .....  | 11,241           | 65             |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>   | <b>\$ 11,866</b> | <b>\$ -</b>    |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided by (Used For) Operating Activities:</b> |                  |                |
| Operating Income (Loss) .....   | \$ (240)         | \$ (74)        |
| Adjustments to Reconcile Operating Income (Loss) to<br>Net Cash Provided By (Used For) Operating Activities:  |                  |                |
| Depreciation .....  | 520              | 1              |
| (Increase) Decrease in Assets:  |                  |                |
| Accounts Receivable - Net .....   | 138              | -              |
| Claims Receivable - Net .....   | -                | -              |
| Due From Other Funds .....  | -                | -              |
| Inventories .....   | -                | 77             |
| Prepaid Expenses .....  | (2)              | -              |
| Increase (Decrease) in Liabilities:   |                  |                |
| Accounts Payable .....  | 322              | (13)           |
| Accrued Wages and Benefits .....  | 10               | -              |
| Due to Other Funds .....  | (1)              | -              |
| Unearned Revenue .....  | -                | -              |
| Contract Deposits .....   | -                | -              |
| Compensated Absences .....  | 15               | -              |
| Estimated Landfill Closure and Postclosure Care .....   | -                | -              |
| Net OPEB Obligation .....   | 82               | -              |
| Net Pension Obligation .....  | 5                | -              |
| Other Nonoperating Revenue (Expenses) .....   | 6                | (1)            |
| Total Adjustments .....   | 1,095            | 64             |
| <b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>   | <b>\$ 855</b>    | <b>\$ (10)</b> |
| <b>Noncash Investing, Capital, and Financing Activities:</b>  |                  |                |
| Increase (Decrease) in Capital Assets related Accounts Payable .....  | \$ 76            | -              |
| Noncash Retirement of Capital Assets .....  | (4)              | (5)            |

| Development Services | Environmental Services | Golf Course      | Recycling         | Total              |
|----------------------|------------------------|------------------|-------------------|--------------------|
| \$ 23,210            | \$ 30,744              | \$ 16,188        | \$ 15,155         | \$ 90,607          |
| 13,965               | 2,938                  | 7                | 1,391             | 18,305             |
| (10,480)             | (16,816)               | (3,908)          | (8,077)           | (41,838)           |
| (34,887)             | (11,018)               | (5,964)          | (8,866)           | (61,907)           |
| (350)                | (2,740)                | (759)            | (3,020)           | (7,609)            |
| <u>(8,542)</u>       | <u>3,108</u>           | <u>5,564</u>     | <u>(3,417)</u>    | <u>(2,442)</u>     |
| 11                   | 171                    | 20               | 66                | 276                |
| 2,125                | 9                      | -                | 483               | 2,617              |
| (30)                 | -                      | -                | -                 | (62)               |
| (134)                | (35)                   | (2,134)          | (102)             | (2,464)            |
| -                    | 83                     | -                | 155               | 238                |
| -                    | -                      | -                | 2,569             | 2,569              |
| -                    | (25)                   | -                | -                 | (25)               |
| <u>1,972</u>         | <u>203</u>             | <u>(2,114)</u>   | <u>3,171</u>      | <u>3,149</u>       |
| -                    | -                      | -                | -                 | 973                |
| -                    | (3,809)                | (1,113)          | (10)              | (6,580)            |
| -                    | -                      | -                | (166)             | (166)              |
| -                    | -                      | -                | (11)              | (11)               |
| <u>-</u>             | <u>(3,809)</u>         | <u>(1,113)</u>   | <u>(187)</u>      | <u>(5,784)</u>     |
| <u>207</u>           | <u>3,721</u>           | <u>754</u>       | <u>477</u>        | <u>5,632</u>       |
| <u>207</u>           | <u>3,721</u>           | <u>754</u>       | <u>477</u>        | <u>5,632</u>       |
| (6,363)              | 3,223                  | 3,091            | 44                | 555                |
| <u>11,685</u>        | <u>92,770</u>          | <u>17,348</u>    | <u>11,072</u>     | <u>144,181</u>     |
| <u>\$ 5,322</u>      | <u>\$ 95,993</u>       | <u>\$ 20,439</u> | <u>\$ 11,116</u>  | <u>\$ 144,736</u>  |
| <u>\$ (10,005)</u>   | <u>\$ (3,588)</u>      | <u>\$ 4,241</u>  | <u>\$ (5,455)</u> | <u>\$ (15,121)</u> |
| 267                  | 3,140                  | 817              | 1,052             | 5,797              |
| (36)                 | (37)                   | -                | (2)               | 63                 |
| -                    | -                      | (2)              | -                 | (2)                |
| 469                  | -                      | (5)              | -                 | 464                |
| -                    | -                      | (1)              | -                 | 76                 |
| -                    | -                      | -                | 12                | 10                 |
| (59)                 | (157)                  | (1)              | (84)              | 8                  |
| 87                   | 85                     | (11)             | 22                | 193                |
| (21)                 | (42)                   | (7)              | (63)              | (134)              |
| (568)                | -                      | -                | 196               | (372)              |
| -                    | -                      | -                | 62                | 62                 |
| (496)                | 40                     | 14               | (78)              | (505)              |
| -                    | 907                    | -                | -                 | 907                |
| 1,715                | 729                    | 499              | 627               | 3,652              |
| 105                  | 38                     | 19               | 31                | 198                |
| -                    | 1,993                  | 1                | 263               | 2,262              |
| <u>1,463</u>         | <u>6,696</u>           | <u>1,323</u>     | <u>2,038</u>      | <u>12,679</u>      |
| <u>\$ (8,542)</u>    | <u>\$ 3,108</u>        | <u>\$ 5,564</u>  | <u>\$ (3,417)</u> | <u>\$ (2,442)</u>  |
| \$ -                 | \$ (160)               | \$ (298)         | \$ -              | \$ (382)           |
| (9)                  | (787)                  | -                | (9)               | (814)              |

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## INTERNAL SERVICE FUNDS



## INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units and/or funds.

### **CITY OF SAN DIEGO**

#### FLEET SERVICES

This fund was established to account for the acquisition, replacement, maintenance and fueling of the City's motive equipment.

#### CENTRAL STORES

This fund was established to provide centralized storeroom services to all City departments.

#### PUBLISHING SERVICES

This fund was established to provide printing and reproduction services to all City departments.

#### SELF INSURANCE

This fund was established to account for self insurance activities, including worker's compensation and long-term disability programs for employees. Revenues are derived from rates charged to departments as a percentage of payroll. This fund also accounts for the public liability reserve, which was established for the purpose of paying claims in excess of annual appropriations.

#### SPECIAL ENGINEERING

This fund was established to provide project planning, design, engineering systems management and support, and construction management and inspection services for water and wastewater capital improvements.

#### MISCELLANEOUS INTERNAL SERVICE

This fund accounts for various administrative activities including risk management administration, administration and operation of various employee related programs such as unused compensatory time, unused sick leave and unemployment insurance, and citywide training. Revenues are derived from rates or fees charged to the departments for specific services rendered.

### **BLENDED COMPONENT UNIT**

#### SAN DIEGO DATA PROCESSING CORPORATION

This fund accounts for the operations of the San Diego Data Processing Corporation, Inc. (SDDPC). SDDPC was formed for the purpose of providing data processing services to public agencies, primarily the City of San Diego, which is the sole member of SDDPC. SDDPC also provides telecommunication services to the City. Rates are charged for the various services provided as per operating agreements and are subject to change each year.

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2009  
( In Thousands )**

|   | <u>City of San Diego</u>  |                           |
|---|---------------------------|---------------------------|
|   | <u>Fleet<br/>Services</u> | <u>Central<br/>Stores</u> |
| <b>ASSETS</b>   |                           |                           |
| Cash and Investments .....  | \$ 76,819                 | \$ 857                    |
| Receivables:  |                           |                           |
| Accounts - Net of Allowance for Uncollectibles (Self Insurance \$896) ..... | 97                        | 157                       |
| Claims - Net .....  | 1                         | -                         |
| Contributions .....   | -                         | -                         |
| Accrued Interest .....  | -                         | -                         |
| From Other Funds .....  | -                         | -                         |
| Inventories .....   | -                         | 2,031                     |
| Prepaid Expenses .....  | 931                       | 1                         |
| Capital Assets - Non-Depreciable .....                                      | -                         | -                         |
| Capital Assets - Depreciable .....  | <u>113,444</u>            | <u>79</u>                 |
| <b>TOTAL ASSETS</b> .....   | <u>191,292</u>            | <u>3,125</u>              |
| <b>LIABILITIES</b>  |                           |                           |
| Accounts Payable .....  | 828                       | 905                       |
| Accrued Wages and Benefits .....  | 805                       | 39                        |
| Interest Accrued on Long-Term Debt .....                                    | 269                       | -                         |
| Long-Term Debt Due Within One Year .....                                    | 8,195                     | 22                        |
| Due to Other Funds .....  | 91                        | 4                         |
| Unearned Revenue .....  | -                         | -                         |
| Compensated Absences .....  | 761                       | 25                        |
| Liability Claims .....  | -                         | -                         |
| Capital Lease Obligations .....   | 21,221                    | -                         |
| Net Other Post Employment Benefits Obligation .....                         | 2,009                     | 175                       |
| Net Pension Obligation .....  | <u>1,579</u>              | <u>203</u>                |
| <b>TOTAL LIABILITIES</b> .....  | <u>35,758</u>             | <u>1,373</u>              |
| <b>NET ASSETS</b>   |                           |                           |
| Invested in Capital Assets, Net of Related Debt .....                       | 84,685                    | 79                        |
| Unrestricted .....  | <u>70,849</u>             | <u>1,673</u>              |
| <b>TOTAL NET ASSETS</b> .....   | <u>\$ 155,534</u>         | <u>\$ 1,752</u>           |

| <u>Publishing Services</u> | <u>Self Insurance</u> | <u>Special Engineering</u> | <u>Miscellaneous Internal Service</u> | <u>San Diego Data Processing Corporation</u> | <u>Total</u>    |
|----------------------------|-----------------------|----------------------------|---------------------------------------|--|-----------------|
| \$ 1,321                   | \$ 57,638             | \$ -                       | \$ 10,383                             | \$ 1,098                                     | \$ 148,116      |
| 10                         | 303                   | -                          | 2                                     | 607  | 1,176           |
| -                          | 8                     | -                          | -                                     | -  | 9               |
| -                          | -                     | -                          | 360                                   | -  | 360             |
| -                          | -                     | -                          | 18                                    | -  | 18              |
| -                          | -                     | -                          | -                                     | 5,980  | 5,980           |
| -                          | -                     | -                          | -                                     | 2  | 2,033           |
| 1                          | -                     | -                          | 39                                    | 2,104  | 3,076           |
| -                          | -                     | -                          | -                                     | 1,984  | 1,984           |
| 206                        | -                     | -                          | -                                     | 10,241                                       | 123,970         |
| <u>1,538</u>               | <u>57,949</u>         | <u>-</u>                   | <u>10,802</u>                         | <u>22,016</u>                                | <u>286,722</u>  |
| 139                        | 440                   | -                          | 2                                     | 6,128  | 8,442           |
| 35                         | 92                    | -                          | 1,375                                 | 590  | 2,936           |
| -                          | -                     | -                          | -                                     | -  | 269             |
| 44                         | 43,663                | -                          | 2,230                                 | 1,113  | 55,267          |
| 1,521                      | -                     | -                          | 165                                   | 31   | 1,812           |
| -                          | -                     | -                          | -                                     | 77   | 77              |
| 51                         | -                     | -                          | 2,578                                 | 380  | 3,795           |
| -                          | 178,126               | -                          | -                                     | -  | 178,126         |
| -                          | -                     | -                          | -                                     | -  | 21,221          |
| 137                        | -                     | -                          | 657                                   | -  | 2,978           |
| 285                        | -                     | -                          | 858                                   | -  | 2,925           |
| <u>2,212</u>               | <u>222,321</u>        | <u>-</u>                   | <u>7,865</u>                          | <u>8,319</u>                                 | <u>277,848</u>  |
| 206                        | -                     | -                          | -                                     | 12,225                                       | 97,195          |
| <u>(880)</u>               | <u>(164,372)</u>      | <u>-</u>                   | <u>2,937</u>                          | <u>1,472</u>                                 | <u>(88,321)</u> |
| <u>\$ (674)</u>            | <u>\$ (164,372)</u>   | <u>\$ -</u>                | <u>\$ 2,937</u>                       | <u>\$ 13,697</u>                             | <u>\$ 8,874</u> |



**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**YEAR ENDED JUNE 30, 2009**  
(In Thousands )

|  | City of San Diego |                   |
|--|-------------------|-------------------|
|  | Fleet<br>Services | Central<br>Stores |
| <b>OPERATING REVENUES</b>                              |                   |                   |
| Charges for Services .....                             | \$ 2,079          | \$ 31,536         |
| Usage Fees .....                                       | 81,001            | -                 |
| Other .....  | 253               | 331               |
| <b>TOTAL OPERATING REVENUES</b> .....                  | <u>83,333</u>     | <u>31,867</u>     |
| <b>OPERATING EXPENSES</b>                              |                   |                   |
| Benefit and Claim Payments .....                       | -                 | -                 |
| Maintenance and Operations .....                       | 42,189            | 1,406             |
| Cost of Materials Issued .....                         | -                 | 29,149            |
| Administration .....                                   | 2,730             | 69                |
| Depreciation .....                                     | 22,202            | 19                |
| <b>TOTAL OPERATING EXPENSES</b> .....                  | <u>67,121</u>     | <u>30,643</u>     |
| <b>OPERATING INCOME (LOSS)</b> .....                   | <u>16,212</u>     | <u>1,224</u>      |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                |                   |                   |
| Earnings on Investments .....                          | 2,460             | (7)               |
| Other Agency Grant Assistance .....                    | 123               | -                 |
| Gain (Loss) on Sale/Retirement of Capital Assets ..... | (309)             | (3)               |
| Debt Service Interest Expense .....                    | (971)             | -                 |
| Other .....  | 10,455            | -                 |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b> .....    | <u>11,758</u>     | <u>(10)</u>       |
| <b>INCOME (LOSS) BEFORE TRANSFERS</b> .....            | 27,970            | 1,214             |
| Capital Contributions .....                            | 198               | -                 |
| Transfers from Other Funds .....                       | 157               | 4                 |
| Transfers from Governmental Funds .....                | 5,681             | 11                |
| Transfers to Other Funds .....                         | (840)             | (1)               |
| Transfers to Governmental Funds .....                  | (1,713)           | (41)              |
| <b>CHANGE IN NET ASSETS</b> .....                      | 31,453            | 1,187             |
| Net Assets at Beginning of Year .....                  | 124,081           | 565               |
| <b>NET ASSETS AT END OF YEAR</b> .....                 | <u>\$ 155,534</u> | <u>\$ 1,752</u>   |

| <u>Publishing<br/>Services</u> | <u>Self<br/>Insurance</u> | <u>Special<br/>Engineering</u> | <u>Miscellaneous<br/>Internal<br/>Service</u> | <u>San Diego<br/>Data<br/>Processing<br/>Corporation</u> | <u>Total</u>    |
|--------------------------------|---------------------------|--------------------------------|---|--|-----------------|
| \$ 5,347                       | \$ 57,983                 | \$ -                           | \$ 16,791                                     | \$ 47,201  | \$ 160,937      |
| -                              | -                         | -                              | -   | -  | 81,001          |
| -                              | 161                       | -                              | 138   | -  | 883             |
| <u>5,347</u>                   | <u>58,144</u>             | <u>-</u>                       | <u>16,929</u>                                 | <u>47,201</u>  | <u>242,821</u>  |
| -                              | 45,665                    | -                              | 12,751  | -  | 58,416          |
| 2,752                          | -                         | -                              | -   | -  | 46,347          |
| -                              | -                         | -                              | -   | -  | 29,149          |
| 2,396                          | -                         | (3,094)                        | 9,250   | 44,364   | 55,715          |
| 83                             | -                         | -                              | -   | 4,209  | 26,513          |
| <u>5,231</u>                   | <u>45,665</u>             | <u>(3,094)</u>                 | <u>22,001</u>                                 | <u>48,573</u>  | <u>216,140</u>  |
| <u>116</u>                     | <u>12,479</u>             | <u>3,094</u>                   | <u>(5,072)</u>                                | <u>(1,372)</u>   | <u>26,681</u>   |
| (31)                           | 2,207                     | (3)                            | 523   | 33   | 5,182           |
| -                              | -                         | -                              | -   | -  | 123             |
| (8)                            | -                         | (1)                            | -   | 85   | (236)           |
| -                              | -                         | -                              | -   | -  | (971)           |
| -                              | -                         | -                              | -   | 6  | 10,461          |
| <u>(39)</u>                    | <u>2,207</u>              | <u>(4)</u>                     | <u>523</u>                                    | <u>124</u>   | <u>14,559</u>   |
| 77                             | 14,686                    | 3,090                          | (4,549)                                       | (1,248)  | 41,240          |
| -                              | -                         | -                              | -   | -  | 198             |
| 2                              | -                         | -                              | -   | -  | 163             |
| 31                             | -                         | -                              | -   | -  | 5,723           |
| -                              | -                         | (432)                          | -   | -  | (1,273)         |
| <u>(34)</u>                    | <u>(2,207)</u>            | <u>(207)</u>                   | <u>(337)</u>                                  | <u>-</u>   | <u>(4,539)</u>  |
| 76                             | 12,479                    | 2,451                          | (4,886)                                       | (1,248)  | 41,512          |
| <u>(750)</u>                   | <u>(176,851)</u>          | <u>(2,451)</u>                 | <u>7,823</u>                                  | <u>14,945</u>  | <u>(32,638)</u> |
| <u>\$ (674)</u>                | <u>\$ (164,372)</u>       | <u>\$ -</u>                    | <u>\$ 2,937</u>                               | <u>\$ 13,697</u>   | <u>\$ 8,874</u> |

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2009  
( In Thousands )**

|  | City of San Diego |                   |                        |
|--|-------------------|-------------------|------------------------|
|  | Fleet<br>Services | Central<br>Stores | Publishing<br>Services |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                   |                   |                        |
| Receipts from Customers and Users .....  | \$ -              | \$ -              | \$ -                   |
| Receipts from Interfund Services Provided .....  | 93,790            | 31,854            | 5,347                  |
| Payments to Suppliers .....  | (26,305)          | (30,859)          | (4,001)                |
| Payments to Employees .....  | (18,711)          | (1,209)           | (1,162)                |
| Payments for Interfund Services Used.....  | (2,602)           | (100)             | (37)                   |
| <b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>  | <b>46,172</b>     | <b>(314)</b>      | <b>147</b>             |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>   |                   |                   |                        |
| Transfers In .....   | 157               | 3                 | 2                      |
| Transfers from Governmental Funds .....  | 2,512             | 7                 | 31                     |
| Transfers Out .....  | (840)             | -                 | -                      |
| Transfers to Governmental Funds .....  | (1,713)           | (37)              | (13)                   |
| Operating Grants Received .....  | 123               | -                 | -                      |
| <b>NET CASH PROVIDED BY (USED FOR)<br/>NONCAPITAL FINANCING ACTIVITIES .....</b>                             | <b>239</b>        | <b>(27)</b>       | <b>20</b>              |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |                   |                   |                        |
| Proceeds from Contracts, Notes, and Loans .....  | 10,362            | -                 | -                      |
| Acquisition of Capital Assets .....  | (44,598)          | -                 | -                      |
| Proceeds from the Sale of Capital Assets .....   | 3,273             | -                 | -                      |
| Principal Payments on Capital Leases .....   | (7,055)           | -                 | -                      |
| Interest Paid on Long-Term Debt .....  | (1,046)           | -                 | -                      |
| <b>NET CASH USED FOR CAPITAL<br/>AND RELATED FINANCING ACTIVITIES .....</b>                                  | <b>(39,064)</b>   | <b>-</b>          | <b>-</b>               |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                   |                   |                        |
| Interest and Dividends Received on Investments .....   | 2,460             | (6)               | (31)                   |
| <b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES .....</b>  | <b>2,460</b>      | <b>(6)</b>        | <b>(31)</b>            |
| Net Increase (Decrease) in Cash and Cash Equivalents .....   | 9,807             | (347)             | 136                    |
| Cash and Cash Equivalents at Beginning of Year .....   | 67,012            | 1,204             | 1,185                  |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>  | <b>\$ 76,819</b>  | <b>\$ 857</b>     | <b>\$ 1,321</b>        |
| <b>Reconciliation of Operating Income to Net Cash<br/>Provided by (Used For) Operating Activities:</b>       |                   |                   |                        |
| Operating Income (Loss) .....  | \$ 16,212         | \$ 1,224          | \$ 116                 |
| Adjustments to Reconcile Operating Income (Loss) to<br>Net Cash Provided By (Used For) Operating Activities: |                   |                   |                        |
| Depreciation .....   | 22,202            | 19                | 83                     |
| (Increase) Decrease in Assets:   |                   |                   |                        |
| Accounts Receivable - Net .....  | (3)               | (13)              | -                      |
| Claims Receivable - Net .....  | 5                 | -                 | -                      |
| Contributions Receivable .....   | -                 | -                 | -                      |
| Inventories .....  | -                 | 72                | -                      |
| Prepaid Expenses.....  | (184)             | (1)               | (1)                    |
| Increase (Decrease) in Liabilities:  |                   |                   |                        |
| Accounts Payable .....   | (3,859)           | (1,723)           | (55)                   |
| Accrued Wages and Benefits .....   | 140               | (7)               | 1                      |
| Due to Other Funds .....   | (1)               | -                 | (96)                   |
| Unearned Revenue .....   | -                 | -                 | -                      |
| Compensated Absences .....   | (96)              | (2)               | 7                      |
| Liability Claims .....   | -                 | -                 | -                      |
| Net OPEB Obligation .....  | 1,238             | 113               | 88                     |
| Net Pension Obligation .....   | 63                | 4                 | 4                      |
| Other Nonoperating Revenue (Expenses) .....  | 10,455            | -                 | -                      |
| Total Adjustments .....  | 29,960            | (1,538)           | 31                     |
| <b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>  | <b>\$ 46,172</b>  | <b>\$ (314)</b>   | <b>\$ 147</b>          |
| <b>Noncash Investing, Capital, and Financing Activities:</b>   |                   |                   |                        |
| Capital Leases.....  | \$ 10,366         | \$ -              | \$ -                   |
| Developer Contributed Assets .....   | 198               | -                 | -                      |
| Increase (Decrease) in Capital Assets related Accounts Payable .....   | (6,243)           | (3)               | -                      |
| Noncash Retirement of Capital Assets .....   | (309)             | -                 | (8)                    |
| Contributions of Capital Assets from Governmental Activities .....   | 3,170             | 4                 | -                      |

| Self Insurance | Special Engineering | Miscellaneous Internal Service | San Diego Data Processing Corporation | Total      |
|----------------|---------------------|--------------------------------|---------------------------------------|------------|
| \$ -           | \$ -                | \$ -                           | \$ 3,182                              | \$ 3,182   |
| 58,004         | -                   | 16,927                         | 44,100                                | 250,022    |
| (23,222)       | (194)               | (1,139)                        | (18,930)                              | (104,650)  |
| (21,696)       | (429)               | (20,911)                       | (26,592)                              | (90,710)   |
| -              | -                   | -                              | -                                     | (2,739)    |
| 13,086         | (623)               | (5,123)                        | 1,760                                 | 55,105     |
| -              | -                   | -                              | -                                     | 162        |
| -              | -                   | -                              | -                                     | 2,550      |
| -              | (433)               | -                              | -                                     | (1,273)    |
| (2,207)        | -                   | (337)                          | -                                     | (4,307)    |
| -              | -                   | -                              | -                                     | 123        |
| (2,207)        | (433)               | (337)                          | -                                     | (2,745)    |
| -              | -                   | -                              | -                                     | 10,362     |
| -              | (1)                 | -                              | (4,570)                               | (49,169)   |
| -              | -                   | -                              | 85                                    | 3,358      |
| -              | -                   | -                              | -                                     | (7,055)    |
| -              | -                   | -                              | -                                     | (1,046)    |
| -              | (1)                 | -                              | (4,485)                               | (43,550)   |
| 2,207          | (3)                 | 542                            | 33                                    | 5,202      |
| 2,207          | (3)                 | 542                            | 33                                    | 5,202      |
| 13,086         | (1,060)             | (4,918)                        | (2,692)                               | 14,012     |
| 44,552         | 1,060               | 15,301                         | 3,790                                 | 134,104    |
| \$ 57,638      | \$ -                | \$ 10,383                      | \$ 1,098                              | \$ 148,116 |
| \$ 12,479      | \$ 3,094            | \$ (5,072)                     | \$ (1,372)                            | \$ 26,681  |
| -              | -                   | -                              | 4,209                                 | 26,513     |
| (137)          | -                   | (1)                            | (801)                                 | (955)      |
| (3)            | -                   | -                              | -                                     | 2          |
| -              | -                   | 39                             | -                                     | 39         |
| -              | -                   | -                              | -                                     | 72         |
| -              | 1                   | (39)                           | (486)                                 | (710)      |
| (1,586)        | (42)                | (228)                          | (759)                                 | (8,252)    |
| 2              | (429)               | 36                             | (39)                                  | (296)      |
| -              | (151)               | 117                            | -                                     | (131)      |
| -              | -                   | -                              | (49)                                  | (49)       |
| -              | -                   | (397)                          | 126                                   | (362)      |
| 2,331          | -                   | -                              | -                                     | 2,331      |
| -              | (603)               | 401                            | -                                     | 1,237      |
| -              | (2,493)             | 21                             | -                                     | (2,401)    |
| -              | -                   | -                              | 931                                   | 11,386     |
| 607            | (3,717)             | (51)                           | 3,132                                 | 28,424     |
| \$ 13,086      | \$ (623)            | \$ (5,123)                     | \$ 1,760                              | \$ 55,105  |
| \$ -           | \$ -                | \$ -                           | \$ -                                  | \$ 10,366  |
| -              | -                   | -                              | -                                     | 198        |
| -              | -                   | -                              | -                                     | (6,246)    |
| -              | (1)                 | -                              | -                                     | (318)      |
| -              | -                   | -                              | -                                     | 3,174      |

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## FIDUCIARY FUNDS



## FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government.

The resources of fiduciary funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

### CITY OF SAN DIEGO

#### PENSION AND EMPLOYEE SAVINGS TRUST FUNDS

##### PRESERVATION OF BENEFITS PLAN

The Preservation of Benefits Plan is a qualified governmental excess benefit arrangement under Internal Revenue Code (IRC) section 415(m), which was created by Congress to allow for the payment of promised pension benefits that exceed the IRC section 415(b) limits (and therefore can't be paid from the City's Pension and Employee Savings Trust Fund). This fund is maintained by the Retirement Board of Administration to reflect all amounts the City contributes for payment of pension benefits that exceed IRC section 415(b) limits.

##### RETIREE HEALTH INSURANCE TRUST FUND

Retiree Health Insurance Trust fund is a separate trust fund used solely for providing retiree health benefits. It is maintained by the Retirement Board of Administration to reflect all amounts the City and retirees contribute to pay retiree health benefits.

##### SUPPLEMENTAL PENSION SAVINGS PLAN

The Supplemental Pension Savings Plan Fund is a defined contribution plan, where benefits depend solely on amounts contributed to the plan by both the City and employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

##### 401(k) PLAN

The City's 401(k) Plan Fund is a defined contribution plan, where benefits depend solely on amounts contributed to the plan by City employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

#### AGENCY FUNDS

These funds were established to account for assets held by the City as an agent for individuals, private organizations, other governments and/or funds, including federal and state income taxes withheld from employees, parking citation revenues, and employee benefit plans.

### BLENDED COMPONENT UNIT

#### PENSION AND EMPLOYEE SAVINGS TRUST FUNDS

##### CITY EMPLOYEES' RETIREMENT SYSTEM

The San Diego City Employees' Retirement System ("CERS") provides retirement, health insurance, disability, and death benefits. SDCERS is a defined benefit plan, whereby funds are accumulated from City and employee contributions, plus earnings from fund investments. Currently SDCERS also administers the Port of San Diego and the San Diego County Regional Airport Authority defined benefit plans.



**FIDUCIARY FUNDS**  
**PENSION AND EMPLOYEE SAVINGS TRUST FUNDS**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2009**  
**(In Thousands)**

|   | City Employees'<br>Retirement<br>System | Preservation of<br>Benefits<br>Arrangement | Post-<br>Employment<br>Healthcare | Supplemental<br>Pension<br>Savings Plan | 401(k) Plan    | Total            |
|---|---|--|-----------------------------------|---|----------------|------------------|
| <b>ASSETS</b>   |   |  |                                   |   |                |                  |
| Cash or Equity in Pooled Cash and Investments .....         | \$ 3,199                                | \$ 4                                       | \$ 369                            | \$ 344                                  | \$ 700         | \$ 4,616         |
| Cash with Custodian/Fiscal Agent .....                      | 371,736                                 | 26   | -                                 | -                                       | -              | 371,762          |
| Investments at Fair Value:                                  |   |  |                                   |   |                |                  |
| Short Term Investments .....                                | 33,311                                  | -  | -                                 | -                                       | -              | 33,311           |
| Domestic Fixed Income Securities (Bonds) .....              | 861,555                                 | -  | -                                 | -                                       | -              | 861,555          |
| International Fixed Income Securities (Bonds) .....         | 143,677                                 | -  | -                                 | -                                       | -              | 143,677          |
| Domestic Equity Securities (Stocks) .....                   | 1,444,848                               | -  | -                                 | -                                       | -              | 1,444,848        |
| International Equity Securities (Stocks) .....              | 614,246                                 | -  | -                                 | -                                       | -              | 614,246          |
| Real Estate Equity and Real Estate Securities .....         | 350,498                                 | -  | -                                 | -                                       | -              | 350,498          |
| Defined Contribution Investments .....                      | -                                       | -  | -                                 | 464,337                                 | 209,585        | 673,922          |
| Receivables:  |   |  |                                   |   |                |                  |
| Contributions .....   | 15,116                                  | -  | -                                 | 1,841                                   | -              | 16,957           |
| Accrued Interest .....                                      | 13,140                                  | -  | (5)                               | -                                       | -              | 13,135           |
| Loans .....   | -                                       | -  | -                                 | 22,822                                  | 9,737          | 32,559           |
| Securities Sold .....                                       | 81,077                                  | -  | -                                 | -                                       | -              | 81,077           |
| Prepaid Expenses .....                                      | 73                                      | -  | -                                 | -                                       | -              | 73               |
| Securities Lending Collateral .....                         | 395,085                                 | -  | -                                 | -                                       | -              | 395,085          |
| Capital Assets - Depreciable .....                          | 1,275                                   | -  | -                                 | -                                       | -              | 1,275            |
| <b>TOTAL ASSETS</b> .....                                   | <b>4,328,836</b>                        | <b>30</b>                                  | <b>364</b>                        | <b>489,344</b>                          | <b>220,022</b> | <b>5,038,596</b> |
| <b>LIABILITIES</b>  |   |  |                                   |   |                |                  |
| Accounts Payable .....                                      | 5,759                                   | -  | 354                               | -                                       | -              | 6,113            |
| Accrued Wages and Benefits .....                            | 783                                     | -  | -                                 | -                                       | -              | 783              |
| Deposits/Advances from Others .....                         | 7,200                                   | -  | -                                 | -                                       | -              | 7,200            |
| DROP Liability .....  | 360,758                                 | -  | -                                 | -                                       | -              | 360,758          |
| Net Other Post Employment Benefit Obligation .....          | 607                                     | -  | -                                 | -                                       | -              | 607              |
| Net Pension Obligation .....                                | 628                                     | -  | -                                 | -                                       | -              | 628              |
| Securities Lending Obligations .....                        | 395,085                                 | -  | -                                 | -                                       | -              | 395,085          |
| Securities Purchased .....                                  | 203,700                                 | -  | -                                 | -                                       | -              | 203,700          |
| <b>TOTAL LIABILITIES</b> .....                              | <b>974,520</b>                          | <b>-</b>                                   | <b>354</b>                        | <b>-</b>                                | <b>-</b>       | <b>974,874</b>   |
| <b>NET ASSETS</b>   |   |  |                                   |   |                |                  |
| Held in Trust for Pension Benefits and Other Purposes ..... | \$ 3,354,316                            | \$ 30                                      | \$ 10                             | \$ 489,344                              | \$ 220,022     | \$ 4,063,722     |

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Year Ended June 30, 2009**  
**(In Thousands)**

|   |                     |              |               |                   |                   |                     |
|---|---------------------|--------------|---------------|-------------------|-------------------|---------------------|
| <b>ADDITIONS</b>                              |                     |              |               |                   |                   |                     |
| Employer Contributions .....                  | \$ 198,134          | \$ 1,210     | \$ 25,587     | \$ 23,746         | \$ -              | \$ 248,677          |
| Employee Contributions .....                  | 50,456              | -            | -             | 22,643            | 22,246            | 95,345              |
| Retiree Contributions .....                   | -                   | -            | 7,483         | -                 | -                 | 7,483               |
| Earnings on Investments:                      |                     |              |               |                   |                   |                     |
| Investment Income .....                       | (941,670)           | 3            | (14)          | (44,726)          | (26,128)          | (1,012,535)         |
| Investment Expense .....                      | (19,661)            | -            | -             | -                 | -                 | (19,661)            |
| Net Investment Income .....                   | (961,331)           | 3            | (14)          | (44,726)          | (26,128)          | (1,032,196)         |
| Securities Lending:                           |                     |              |               |                   |                   |                     |
| Gross Earnings .....                          | 11,607              | -            | -             | -                 | -                 | 11,607              |
| Borrower Rebates .....                        | (4,944)             | -            | -             | -                 | -                 | (4,944)             |
| Administrative Expenses (Lending Agent) ..... | (1,754)             | -            | -             | -                 | -                 | (1,754)             |
| Net Securities Lending Income .....           | 4,909               | -            | -             | -                 | -                 | 4,909               |
| Other Income .....                            | 325                 | -            | -             | -                 | -                 | 325                 |
| <b>TOTAL OPERATING ADDITIONS</b> .....        | <b>(707,507)</b>    | <b>1,213</b> | <b>33,056</b> | <b>1,663</b>      | <b>(3,882)</b>    | <b>(675,457)</b>    |
| <b>DEDUCTIONS</b>                             |                     |              |               |                   |                   |                     |
| DROP Interest Expense .....                   | 27,098              | -            | -             | -                 | -                 | 27,098              |
| Benefit and Claim Payments .....              | 281,200             | 1,298        | 32,819        | 44,195            | 13,983            | 373,495             |
| Administration .....                          | 14,726              | 12           | 319           | -                 | -                 | 15,057              |
| <b>TOTAL OPERATING DEDUCTIONS</b> .....       | <b>323,024</b>      | <b>1,310</b> | <b>33,138</b> | <b>44,195</b>     | <b>13,983</b>     | <b>415,650</b>      |
| <b>CHANGE IN NET ASSETS</b> .....             | <b>(1,030,531)</b>  | <b>(97)</b>  | <b>(82)</b>   | <b>(42,532)</b>   | <b>(17,865)</b>   | <b>(1,091,107)</b>  |
| Net Assets at Beginning of Year .....         | 4,384,847           | 127          | 92            | 531,876           | 237,887           | 5,154,829           |
| <b>NET ASSETS AT END OF YEAR</b> .....        | <b>\$ 3,354,316</b> | <b>\$ 30</b> | <b>\$ 10</b>  | <b>\$ 489,344</b> | <b>\$ 220,022</b> | <b>\$ 4,063,722</b> |

**FIDUCIARY FUNDS  
AGENCY FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2009  
(In Thousands)**

|                                       | Employee<br>Benefits | Other<br>Miscellaneous<br>Agency | Total            |
|---------------------------------------|----------------------|----------------------------------|------------------|
| <b>ASSETS</b>                         |                      |                                  |                  |
| Cash and Investments .....            | \$ 10,189            | \$ 19,064                        | \$ 29,253        |
| Receivables:                          |                      |                                  |                  |
| Accounts - Net .....                  | 118                  | 2                                | 120              |
| Accrued Interest .....                | 5                    | 10                               | 15               |
| Restricted Cash and Investments ..... | -                    | 10,205                           | 10,205           |
| <b>TOTAL ASSETS</b> .....             | <b>\$ 10,312</b>     | <b>\$ 29,281</b>                 | <b>\$ 39,593</b> |
| <b>LIABILITIES</b>                    |                      |                                  |                  |
| Deposits/Advances from Others .....   | \$ -                 | \$ 10,977                        | \$ 10,977        |
| Trust Liabilities .....               | 10,312               | 18,304                           | 28,616           |
| <b>TOTAL LIABILITIES</b> .....        | <b>\$ 10,312</b>     | <b>\$ 29,281</b>                 | <b>\$ 39,593</b> |

**FIDUCIARY FUNDS  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED JUNE 30, 2009  
(In Thousands)**

|   | Beginning<br>Balance | Additions           | Deductions          | Ending<br>Balance |
|---|----------------------|---------------------|---------------------|-------------------|
| <b>Employee Benefits</b>                            |                      |                     |                     |                   |
| <b>ASSETS</b>                                       |                      |                     |                     |                   |
| Cash or Equity in Pooled Cash and Investments ..... | \$ 9,558             | \$ 65,078           | \$ 64,447           | \$ 10,189         |
| Receivables:  |                      |                     |                     |                   |
| Accounts - Net .....                                | 89                   | 1,037               | 1,008               | 118               |
| Accrued Interest .....                              | 10                   | 82                  | 87                  | 5                 |
| <b>TOTAL ASSETS</b> .....                           | <u>\$ 9,657</u>      | <u>\$ 66,197</u>    | <u>\$ 65,542</u>    | <u>\$ 10,312</u>  |
| <b>LIABILITIES</b>                                  |                      |                     |                     |                   |
| Trust Liabilities .....                             | \$ 9,657             | \$ 78,626           | \$ 77,971           | \$ 10,312         |
| <b>TOTAL LIABILITIES</b> .....                      | <u>\$ 9,657</u>      | <u>\$ 78,626</u>    | <u>\$ 77,971</u>    | <u>\$ 10,312</u>  |
| <b>Other Miscellaneous Agency</b>                   |                      |                     |                     |                   |
| <b>ASSETS</b>                                       |                      |                     |                     |                   |
| Cash and Investments .....                          | \$ 19,346            | \$ 985,774          | \$ 986,056          | \$ 19,064         |
| Receivables:  |                      |                     |                     |                   |
| Accounts - Net .....                                | 2                    | 2                   | 2                   | 2                 |
| Accrued Interest .....                              | 9                    | 136                 | 135                 | 10                |
| Restricted Cash and Investments .....               | 3,287                | 10,128              | 3,210               | 10,205            |
| <b>TOTAL ASSETS</b> .....                           | <u>\$ 22,644</u>     | <u>\$ 996,040</u>   | <u>\$ 989,403</u>   | <u>\$ 29,281</u>  |
| <b>LIABILITIES</b>                                  |                      |                     |                     |                   |
| Accounts Payable .....                              | \$ 647               | \$ 6,765            | \$ 7,412            | \$ -              |
| Deposits/Advances from Others .....                 | 12,730               | 2,396               | 4,149               | 10,977            |
| Trust Liabilities .....                             | 9,267                | 992,732             | 983,695             | 18,304            |
| <b>TOTAL LIABILITIES</b> .....                      | <u>\$ 22,644</u>     | <u>\$ 1,001,893</u> | <u>\$ 995,256</u>   | <u>\$ 29,281</u>  |
| <b>TOTAL AGENCY FUNDS</b>                           |                      |                     |                     |                   |
| <b>ASSETS</b>                                       |                      |                     |                     |                   |
| Cash and Investments .....                          | \$ 28,904            | \$ 1,050,852        | \$ 1,050,503        | \$ 29,253         |
| Receivables:  |                      |                     |                     |                   |
| Accounts - Net .....                                | 91                   | 1,039               | 1,010               | 120               |
| Accrued Interest .....                              | 19                   | 218                 | 222                 | 15                |
| Restricted Cash and Investments .....               | 3,287                | 10,128              | 3,210               | 10,205            |
| <b>TOTAL ASSETS</b> .....                           | <u>\$ 32,301</u>     | <u>\$ 1,062,237</u> | <u>\$ 1,054,945</u> | <u>\$ 39,593</u>  |
| <b>LIABILITIES</b>                                  |                      |                     |                     |                   |
| Accounts Payable .....                              | \$ 647               | \$ 6,765            | \$ 7,412            | \$ -              |
| Deposits/Advances from Others .....                 | 12,730               | 2,396               | 4,149               | 10,977            |
| Trust Liabilities .....                             | 18,924               | 1,071,358           | 1,061,666           | 28,616            |
| <b>TOTAL LIABILITIES</b> .....                      | <u>\$ 32,301</u>     | <u>\$ 1,080,519</u> | <u>\$ 1,073,227</u> | <u>\$ 39,593</u>  |

STATISTICAL SECTION [UNAUDITED]



## STATISTICAL SECTION

The Statistical Section presents information as required by Government Accounting Standards Board (GASB) Statement 44. In addition to utilizing the basic financial statements, notes to the financial statements, and required supplementary information, the statistical data presented in this section helps users assess the City's economic condition. Ten-year trend information has been provided when available. The statistical tables are footnoted to indicate sources and when accounting data or other information is unavailable.

### **CONTENTS**

#### FINANCIAL TRENDS

Tables 1 through 4 contain information to help the reader understand how the City's financial performance and well-being have changed over time.

#### REVENUE CAPACITY

Tables 5 through 8 contain information to help the reader assess the City's ability to generate its most significant local revenue source, property tax.

#### DEBT CAPACITY

Tables 9 through 14 present information to help the reader assess the affordability of the City's current levels of certain outstanding debt categories.

#### DEMOGRAPHIC AND ECONOMIC INFORMATION

Tables 15 through 16 offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to provide comparisons over time with other governments.

#### OPERATING INFORMATION

Tables 17 through 19 contain information about the City's resources and operations to help the reader understand how the City's financial report relates to the services provided and activities performed by the City.

\*Additional financial information (audited and statistical) on the Sewer and Water Utilities can be obtained in the Annual Report Disclosure filings submitted to the Municipal Securities Rulemaking Board, <http://emma.msrb.org>, and the City's Investor Webpage, <http://www.sandiego.gov/investorinformation>.

**City of San Diego**  
**Net Assets by Category (Unaudited)**  
**Last Eight Fiscal Years (In Thousands)**  
*(Accrual Basis of Accounting)*

|   | Fiscal Year         |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 2002<br>(restated)  | 2003                | 2004                | 2005                |
| <b><u>Governmental Activities</u></b>           |                     |                     |                     |                     |
| Invested in Capital Assets, Net of Related Debt | \$ 3,013,292        | \$ 3,106,168        | \$ 3,200,262        | \$ 3,600,989        |
| Restricted for:                                 |                     |                     |                     |                     |
| Capital Projects                                | 231,964             | 250,452             | 274,664             | 90,390              |
| Debt Service                                    | 70,029              | 154,926             | 74,268              | 37,522              |
| Low-Moderate Income Housing                     | -                   | -                   | -                   | -                   |
| Permanent                                       | 15,860              | 11,857              | 13,104              | 13,908              |
| Other   | 137,071             | 78,743              | 129,686             | 104,488             |
| Unrestricted                                    | 5,450               | (53,988)            | (146,793)           | (215,719)           |
| Total Governmental Activities Net Assets        | <u>3,473,666</u>    | <u>3,548,158</u>    | <u>3,545,191</u>    | <u>3,631,578</u>    |
| <b><u>Business-type Activities</u></b>          |                     |                     |                     |                     |
| Invested in Capital Assets, Net of Related Debt | 2,348,754           | 2,624,846           | 2,818,690           | 2,863,136           |
| Restricted for:                                 |                     |                     |                     |                     |
| Debt Service                                    | 70,011              | 72,567              | 3,674               | 3,517               |
| Other   | 24,385              | 25,275              | 26,735              | 29,412              |
| Unrestricted                                    | 616,624             | 373,143             | 317,358             | 271,943             |
| Total Business-type Activities Net Assets       | <u>3,059,774</u>    | <u>3,095,831</u>    | <u>3,166,457</u>    | <u>3,168,008</u>    |
| <b><u>Primary Government</u></b>                |                     |                     |                     |                     |
| Invested in Capital Assets, Net of Related Debt | 5,362,046           | 5,731,014           | 6,018,952           | 6,464,125           |
| Restricted for:                                 |                     |                     |                     |                     |
| Capital Projects                                | 231,964             | 250,452             | 274,664             | 90,390              |
| Debt Service                                    | 140,040             | 227,493             | 77,942              | 41,039              |
| Low-Moderate Income Housing                     | -                   | -                   | -                   | -                   |
| Permanent                                       | 15,860              | 11,857              | 13,104              | 13,908              |
| Other   | 161,456             | 104,018             | 156,421             | 133,900             |
| Unrestricted                                    | 622,074             | 319,155             | 170,565             | 56,224              |
| Total Primary Government Net Assets             | <u>\$ 6,533,440</u> | <u>\$ 6,643,989</u> | <u>\$ 6,711,648</u> | <u>\$ 6,799,586</u> |

Table 1

|    |                  | Fiscal Year |                  |      |                  |    |                  |
|----|------------------|-------------|------------------|------|------------------|----|------------------|
|    |                  | 2006        | 2007             | 2008 | 2009             |    |                  |
| \$ | 3,472,531        | \$          | 3,461,127        | \$   | 3,518,704        | \$ | 3,530,937        |
|    | 273,575          |             | 300,288          |      | 314,931          |    | 293,284          |
|    | -                |             | -                |      | -                |    | -                |
|    | 64,493           |             | 81,739           |      | 108,026          |    | 135,581          |
|    | 14,568           |             | 16,509           |      | 16,757           |    | 13,280           |
|    | 96,537           |             | 100,159          |      | 124,328          |    | 122,460          |
|    | (140,126)        |             | (19,999)         |      | 70,635           |    | 162,661          |
|    | <u>3,781,578</u> |             | <u>3,939,823</u> |      | <u>4,153,381</u> |    | <u>4,258,203</u> |
|    | 2,867,469        |             | 2,998,848        |      | 2,933,012        |    | 2,970,351        |
|    | 2,970            |             | 2,977            |      | 2,660            |    | 4,372            |
|    | 32,115           |             | 34,732           |      | 36,776           |    | 38,113           |
|    | <u>308,575</u>   |             | <u>343,280</u>   |      | <u>517,261</u>   |    | <u>587,443</u>   |
|    | <u>3,211,129</u> |             | <u>3,379,837</u> |      | <u>3,489,709</u> |    | <u>3,600,279</u> |
|    | 6,340,000        |             | 6,459,975        |      | 6,451,716        |    | 6,501,288        |
|    | 273,575          |             | 300,288          |      | 314,931          |    | 293,284          |
|    | 2,970            |             | 2,977            |      | 2,660            |    | 4,372            |
|    | 64,493           |             | 81,739           |      | 108,026          |    | 135,581          |
|    | 14,568           |             | 16,509           |      | 16,757           |    | 13,280           |
|    | 128,652          |             | 134,891          |      | 161,104          |    | 160,573          |
|    | <u>168,449</u>   |             | <u>323,281</u>   |      | <u>587,896</u>   |    | <u>750,104</u>   |
| \$ | <u>6,992,707</u> | \$          | <u>7,319,660</u> | \$   | <u>7,643,090</u> | \$ | <u>7,858,482</u> |



City of San Diego  
**Changes in Net Assets (Unaudited)**  
**Last Eight Fiscal Years (In Thousands)**  
*(Accrual Basis of Accounting)*

Table 2

|  | Fiscal Year        |                  |                  |                  |                  |                  |                    |                    |
|--|--------------------|------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|
|  | 2002<br>(restated) | 2003             | 2004             | 2005             | 2006             | 2007             | 2008               | 2009               |
| <b>Expenses</b>  |                    |                  |                  |                  |                  |                  |                    |                    |
| <b>Governmental Activities</b>                             |                    |                  |                  |                  |                  |                  |                    |                    |
| General Government and Support                             | \$ 181,722         | \$ 204,072       | \$ 221,752       | \$ 247,038       | \$ 252,295       | \$ 270,190       | \$ 322,157         | \$ 303,581         |
| Public Safety - Police                                     | 298,176            | 334,461          | 361,501          | 372,230          | 370,990          | 376,581          | 382,907            | 418,549            |
| Public Safety - Fire and Life Safety and Homeland Security | 139,699            | 147,897          | 173,311          | 186,203          | 194,074          | 209,902          | 204,822            | 220,787            |
| Parks, Recreation, Culture and Leisure                     | 181,762            | 202,567          | 204,736          | 218,601          | 237,375          | 229,500          | 231,955            | 258,038            |
| Transportation   | 153,002            | 154,603          | 197,152          | 220,095          | 200,883          | 272,780          | 212,255            | 239,305            |
| Sanitation and Health                                      | 57,227             | 37,615           | 44,925           | 45,088           | 48,774           | 43,780           | 51,772             | 77,447             |
| Neighborhood Services                                      | 116,397            | 95,267           | 100,568          | 89,162           | 111,886          | 99,870           | 91,110             | 116,735            |
| Debt Service:  |                    |                  |                  |                  |                  |                  |                    |                    |
| Interest   | 59,952             | 68,410           | 71,588           | 73,381           | 71,109           | 84,920           | 82,211             | 84,070             |
| <b>Total Governmental Activities Expenses</b>              | <b>1,187,937</b>   | <b>1,244,892</b> | <b>1,375,533</b> | <b>1,451,798</b> | <b>1,487,386</b> | <b>1,587,523</b> | <b>1,579,189</b>   | <b>1,718,512</b>   |
| <b>Business-type Activities</b>                            |                    |                  |                  |                  |                  |                  |                    |                    |
| Airports   | 3,085              | 4,281            | 7,384            | 3,196            | 4,100            | 3,755            | 4,109              | 5,140              |
| City Store   | 731                | 731              | 858              | 808              | 810              | 843              | 788                | 321                |
| Development Services                                       | 46,920             | 47,278           | 52,970           | 60,240           | 57,893           | 53,924           | 51,461             | 47,260             |
| Environmental Services                                     | 35,684             | 40,306           | 40,602           | 43,711           | 44,493           | 40,138           | 37,279             | 35,718             |
| Golf Course  | 6,433              | 6,963            | 7,572            | 8,585            | 9,563            | 10,690           | 11,142             | 11,864             |
| Recycling  | 16,161             | 19,141           | 19,497           | 21,426           | 21,853           | 19,754           | 20,511             | 20,067             |
| Sewer Utility  | 277,833            | 352,075          | 312,929          | 348,327          | 319,274          | 313,716          | 322,552            | 314,125            |
| Water Utility  | 255,160            | 267,855          | 270,940          | 300,665          | 302,996          | 313,256          | 321,123            | 329,748            |
| <b>Total Business-type Activities Expenses</b>             | <b>642,007</b>     | <b>738,630</b>   | <b>712,752</b>   | <b>786,958</b>   | <b>760,982</b>   | <b>756,076</b>   | <b>768,965</b>     | <b>764,243</b>     |
| <b>Total Primary Government Expenses</b>                   | <b>1,829,944</b>   | <b>1,983,522</b> | <b>2,088,285</b> | <b>2,238,756</b> | <b>2,248,368</b> | <b>2,343,599</b> | <b>2,348,154</b>   | <b>2,482,755</b>   |
| <b>Program Revenues</b>                                    |                    |                  |                  |                  |                  |                  |                    |                    |
| <b>Governmental Activities</b>                             |                    |                  |                  |                  |                  |                  |                    |                    |
| Charges for Services:                                      |                    |                  |                  |                  |                  |                  |                    |                    |
| General Government and Support                             | 72,067             | 80,782           | 81,167           | 100,887          | 96,345           | 107,257          | 111,714            | 152,630            |
| Public Safety - Police                                     | 18,812             | 21,498           | 23,699           | 23,496           | 24,256           | 27,960           | 40,628             | 42,178             |
| Public Safety - Fire and Life Safety and Homeland Security | 16,492             | 21,014           | 19,940           | 21,381           | 18,572           | 16,548           | 19,156             | 20,449             |
| Parks, Recreation, Culture and Leisure                     | 20,136             | 9,187            | 12,466           | 35,314           | 51,196           | 52,656           | 64,030             | 80,795             |
| Transportation   | 35,673             | 44,020           | 47,709           | 30,625           | 52,375           | 49,809           | 21,877             | 18,360             |
| Sanitation and Health                                      | 7,571              | 9,009            | 9,087            | 8,651            | 10,697           | 10,224           | 9,832              | 9,306              |
| Neighborhood Services                                      | 21,801             | 17,748           | 20,033           | 48,623           | 25,440           | 39,412           | 22,748             | 21,814             |
| Operating Grants and Contributions                         | 99,541             | 95,882           | 95,202           | 109,268          | 101,723          | 84,745           | 75,126             | 93,244             |
| Capital Grants and Contributions                           | 136,461            | 115,748          | 91,981           | 134,702          | 100,564          | 81,169           | 78,347             | 110,802            |
| <b>Total Governmental Activities Program Revenues</b>      | <b>428,554</b>     | <b>414,888</b>   | <b>401,284</b>   | <b>512,947</b>   | <b>481,168</b>   | <b>469,780</b>   | <b>443,458</b>     | <b>549,578</b>     |
| <b>Business-type Activities</b>                            |                    |                  |                  |                  |                  |                  |                    |                    |
| Charges for Services:                                      |                    |                  |                  |                  |                  |                  |                    |                    |
| Airports   | 3,346              | 3,461            | 3,827            | 4,151            | 4,385            | 5,635            | 5,140              | 4,929              |
| City Store   | 694                | 771              | 852              | 807              | 837              | 827              | 744                | 242                |
| Development Services                                       | 46,860             | 46,656           | 58,412           | 61,299           | 55,011           | 48,746           | 45,945             | 37,310             |
| Environmental Services                                     | 33,315             | 36,889           | 38,377           | 41,944           | 39,850           | 36,143           | 35,485             | 31,726             |
| Golf Course  | 10,143             | 10,311           | 11,911           | 12,625           | 13,119           | 15,772           | 15,153             | 16,201             |
| Recycling  | 15,870             | 17,640           | 16,169           | 19,883           | 21,345           | 20,476           | 23,390             | 16,027             |
| Sewer Utility  | 233,980            | 256,947          | 267,294          | 288,972          | 290,568          | 304,749          | 328,119            | 322,571            |
| Water Utility  | 213,577            | 222,462          | 239,533          | 267,649          | 280,567          | 310,292          | 318,626            | 342,719            |
| Operating Grants and Contributions                         | 5,981              | 3,616            | 1,483            | 2,028            | 1,909            | 1,203            | 2,312              | 1,739              |
| Capital Grants and Contributions                           | 170,943            | 143,444          | 133,586          | 63,830           | 77,602           | 141,419          | 58,400             | 60,863             |
| <b>Total Business-type Activities Program Revenues</b>     | <b>734,709</b>     | <b>742,197</b>   | <b>771,444</b>   | <b>763,188</b>   | <b>785,193</b>   | <b>885,262</b>   | <b>833,314</b>     | <b>834,327</b>     |
| <b>Total Primary Government Program Revenues</b>           | <b>1,163,263</b>   | <b>1,157,085</b> | <b>1,172,728</b> | <b>1,276,135</b> | <b>1,266,361</b> | <b>1,355,042</b> | <b>1,276,772</b>   | <b>1,383,905</b>   |
| <b>Net (Expense)/Revenue</b>                               |                    |                  |                  |                  |                  |                  |                    |                    |
| Governmental Activities                                    | (759,383)          | (830,004)        | (974,249)        | (938,851)        | (1,006,218)      | (1,117,743)      | (1,135,731)        | (1,168,934)        |
| Business-type Activities                                   | 92,702             | 3,567            | 58,692           | (23,770)         | 24,211           | 129,186          | 64,349             | 70,084             |
| <b>Total Primary Government Net Expense</b>                | <b>(666,681)</b>   | <b>(826,437)</b> | <b>(915,557)</b> | <b>(962,621)</b> | <b>(982,007)</b> | <b>(988,557)</b> | <b>(1,071,382)</b> | <b>(1,098,850)</b> |

City of San Diego  
**Changes in Net Assets (Unaudited)**  
**Last Eight Fiscal Years (In Thousands)**  
*(Accrual Basis of Accounting)*

Table 2

|   | Fiscal Year                       |                   |                  |                  |                   |                   |                   |                   |
|---|-----------------------------------|-------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
|   | 2002<br><small>(restated)</small> | 2003              | 2004             | 2005             | 2006              | 2007              | 2008              | 2009              |
| <b>General Revenues and Other Changes in Net Assets</b>                                       |                                   |                   |                  |                  |                   |                   |                   |                   |
| <b>Governmental Activities</b>  |                                   |                   |                  |                  |                   |                   |                   |                   |
| Property Taxes  | \$ 222,778                        | \$ 248,659        | \$ 278,804       | \$ 329,659       | \$ 459,777        | \$ 526,722        | \$ 576,605        | \$ 607,857        |
| Transient Occupancy Taxes   | 95,175                            | 105,263           | 113,209          | 120,792          | 136,803           | 154,810           | 159,348           | 140,657           |
| Other Local Taxes   | 106,723                           | 98,783            | 139,748          | 152,577          | 148,001           | 157,941           | 151,267           | 161,485           |
| Developer Contributions and Fees  | 36,879                            | 39,577            | 33,363           | 47,063           | 53,502            | 62,693            | 38,331            | 16,148            |
| Grants and Contributions not Restricted to Specific Programs                                  | 93,824                            | 91,556            | 101,086          | 141,934          | 64,039            | 5,339             | 6,251             | 8,488             |
| Sales Taxes   | 233,864                           | 223,594           | 238,616          | 197,198          | 227,017           | 263,399           | 269,757           | 229,651           |
| Investment Income   | 90,073                            | 84,448            | 57,537           | 29,473           | 40,108            | 76,292            | 96,725            | 75,245            |
| Gain on Sale of Capital Assets  | 480                               | 92                | 467              | 684              | 1,214             | 6,546             | 17,884            | 1,922             |
| Special and Extraordinary Items   | 280                               | 870               | 250              | -                | -                 | -                 | -                 | -                 |
| Miscellaneous   | 6,983                             | 6,243             | 4,396            | 5,232            | 21,227            | 25,671            | 29,570            | 33,528            |
| Transfers   | 47,953                            | 5,411             | 3,806            | 626              | 4,530             | (3,425)           | 3,551             | (1,225)           |
| <b>Total Governmental Activities General Revenues, Contributions, and Transfers</b>           | <b>935,012</b>                    | <b>904,496</b>    | <b>971,282</b>   | <b>1,025,238</b> | <b>1,156,218</b>  | <b>1,275,988</b>  | <b>1,349,289</b>  | <b>1,273,756</b>  |
| <b>Business-type Activities</b>   |                                   |                   |                  |                  |                   |                   |                   |                   |
| Investment Income   | 34,918                            | 31,760            | 10,289           | 17,132           | 16,938            | 30,713            | 41,224            | 31,004            |
| Gain/(Loss) on Sale of Capital Assets   | -                                 | (1,761)           | 8                | -                | -                 | -                 | -                 | -                 |
| Miscellaneous   | (1,036)                           | 7,902             | 5,443            | 8,815            | 6,502             | 5,384             | 7,850             | 8,257             |
| Transfers   | (47,953)                          | (5,411)           | (3,806)          | (626)            | (4,530)           | 3,425             | (3,551)           | 1,225             |
| <b>Total Business-type Activities General Revenues and Transfers</b>                          | <b>(14,071)</b>                   | <b>32,490</b>     | <b>11,934</b>    | <b>25,321</b>    | <b>18,910</b>     | <b>39,522</b>     | <b>45,523</b>     | <b>40,486</b>     |
| <b>Total Primary Government General Revenues, Permanent Fund Contributions, and Transfers</b> | <b>920,941</b>                    | <b>936,986</b>    | <b>983,216</b>   | <b>1,050,559</b> | <b>1,175,128</b>  | <b>1,315,510</b>  | <b>1,394,812</b>  | <b>1,314,242</b>  |
| <b>Change in Net Assets</b>   |                                   |                   |                  |                  |                   |                   |                   |                   |
| Governmental Activities   | 175,629                           | 74,492            | (2,967)          | 86,387           | 150,001           | 158,245           | 213,558           | 104,822           |
| Business-type Activities  | 78,631                            | 36,057            | 70,626           | 1,551            | 43,121            | 168,708           | 109,872           | 110,570           |
| <b>Total Primary Government Change in Net Assets</b>  | <b>\$ 254,260</b>                 | <b>\$ 110,549</b> | <b>\$ 67,659</b> | <b>\$ 87,938</b> | <b>\$ 193,122</b> | <b>\$ 326,953</b> | <b>\$ 323,430</b> | <b>\$ 215,392</b> |

**City of San Diego**  
**Fund Balances of Governmental Funds (Unaudited)**  
**Last Ten Fiscal Years (In Thousands)**  
*(Modified Accrual Basis of Accounting)*

|                                    | Fiscal Year         |                   |                     |                   |
|------------------------------------|---------------------|-------------------|---------------------|-------------------|
|                                    | 2000                | 2001 <sup>1</sup> | 2002 <sup>1</sup>   | 2003              |
| General Fund:                      |                     |                   |                     |                   |
| Reserved                           | \$ 21,898           | \$ 22,128         | \$ 26,298           | \$ 21,482         |
| Unreserved                         | 32,508              | 55,579            | 43,705              | 45,570            |
| Total General Fund                 | <u>\$ 54,406</u>    | <u>\$ 77,707</u>  | <u>\$ 70,003</u>    | <u>\$ 67,052</u>  |
| All Other Governmental Funds:      |                     |                   |                     |                   |
| Reserved                           | \$ 593,837          | \$ 445,752        | \$ 574,974          | \$ 386,652        |
| Unreserved, reported in:           |                     |                   |                     |                   |
| Special Revenue Funds              | 119,272             | 137,040           | 202,651             | 185,219           |
| Debt Service Funds                 | 562                 | 1,194             | 3,740               | 864               |
| Capital Projects Funds             | 357,522             | 320,563           | 283,250             | 275,591           |
| Permanent Funds                    | -                   | -                 | -                   | 461               |
| Total All Other Governmental Funds | <u>\$ 1,071,193</u> | <u>\$ 904,549</u> | <u>\$ 1,064,615</u> | <u>\$ 848,787</u> |

Footnote:

<sup>1</sup> Amounts have been subsequently restated in future periods.

Table 3

| Fiscal Year       |                   |                     |                     |                     |                     |
|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| 2004              | 2005              | 2006                | 2007                | 2008                | 2009                |
| \$ 18,550         | \$ 17,501         | \$ 21,288           | \$ 35,858           | \$ 45,843           | \$ 33,895           |
| 42,672            | 43,547            | 40,353              | 96,190              | 78,938              | 80,497              |
| <u>\$ 61,222</u>  | <u>\$ 61,048</u>  | <u>\$ 61,641</u>    | <u>\$ 132,048</u>   | <u>\$ 124,781</u>   | <u>\$ 114,392</u>   |
| \$ 277,968        | \$ 372,806        | \$ 401,019          | \$ 504,693          | \$ 652,222          | \$ 706,971          |
| 305,909           | 284,818           | 267,576             | 350,096             | 233,388             | 221,089             |
| 1,650             | 13                | 217                 | 29                  | 221,814             | 265,236             |
| 287,259           | 279,866           | 406,130             | 377,648             | 358,550             | 430,479             |
| 879               | 1,063             | 656                 | 1,249               | 549                 | 2,625               |
| <u>\$ 873,665</u> | <u>\$ 938,566</u> | <u>\$ 1,075,598</u> | <u>\$ 1,233,715</u> | <u>\$ 1,466,523</u> | <u>\$ 1,626,400</u> |

**City of San Diego**  
**Changes in Fund Balances of Governmental Funds (Unaudited)**  
**Last Ten Fiscal Years (In Thousands)**  
*(Modified Accrual Basis of Accounting)*

|  | Fiscal Year         |                     |                   |                     |
|--|---------------------|---------------------|-------------------|---------------------|
|  | 2000                | 2001                | 2002              | 2003                |
| <b>Revenues:</b>   |                     |                     |                   |                     |
| Property Taxes   | \$ 179,048          | \$ 201,801          | \$ 223,100        | \$ 248,276          |
| Special Assessments  | 18,457              | 18,775              | 22,491            | 25,748              |
| Sales Taxes  | 198,622             | 221,724             | 221,383           | 223,023             |
| In-Lieu Sales Taxes <sup>(1)</sup>                         | -                   | -                   | -                 | -                   |
| Transient Occupancy Taxes <sup>(2)</sup>                   | -                   | -                   | -                 | -                   |
| Other Local Taxes  | 171,141             | 193,177             | 202,364           | 203,493             |
| Licenses and Permits                                       | 30,381              | 34,803              | 25,194            | 29,268              |
| Fines, Forfeitures and Penalties                           | 31,141              | 32,902              | 25,854            | 26,679              |
| Revenue from Use of Money and Property                     | 120,966             | 108,345             | 97,213            | 86,789              |
| Revenue from Federal Agencies                              | 52,889              | 40,136              | 42,635            | 56,851              |
| Revenue from Other Agencies                                | 214,559             | 222,868             | 171,681           | 136,359             |
| Revenue from Private Sources                               | 82,382              | 77,583              | 140,841           | 82,410              |
| Charges for Current Services                               | 95,000              | 101,781             | 110,418           | 123,461             |
| Other Revenue  | 15,462              | 11,544              | 10,074            | 10,594              |
| Total Revenues   | <u>1,210,048</u>    | <u>1,265,439</u>    | <u>1,293,248</u>  | <u>1,252,951</u>    |
| <b>Expenditures:</b>                                       |                     |                     |                   |                     |
| <b>Current:</b>  |                     |                     |                   |                     |
| General Government   | 83,351              | 95,992              | 189,128           | 193,980             |
| Community and Economic Development <sup>(4)</sup>          | 16,289              | 27,830              | -                 | -                   |
| Public Safety - Police <sup>(3)</sup>                      | 395,942             | 406,580             | 288,809           | 301,839             |
| Public Safety - Fire and Life Safety and Homeland Security | -                   | -                   | 131,974           | 141,967             |
| Libraries <sup>(5)</sup>                                   | 26,237              | 31,364              | -                 | -                   |
| Parks, Recreation, Culture and Leisure                     | 106,227             | 116,195             | 174,485           | 177,584             |
| Public Works <sup>(6)</sup>                                | 152,409             | 152,557             | -                 | -                   |
| Housing and Community Development <sup>(7)</sup>           | 13,535              | 13,641              | -                 | -                   |
| Public Transportation <sup>(4)</sup>                       | 14                  | 8                   | 91,746            | 89,653              |
| Sanitation and Health <sup>(4)</sup>                       | -                   | -                   | 36,851            | 38,031              |
| Neighborhood Services <sup>(4)</sup>                       | -                   | -                   | 72,087            | 98,050              |
| Employee Relations and Special Projects                    | 7,761               | 8,426               | -                 | -                   |
| Miscellaneous and Unallocated                              | 1,914               | 1,371               | -                 | -                   |
| Cost of Issuance, Bonds and Notes                          | 360                 | 4,054               | -                 | -                   |
| Capital Projects   | 413,107             | 467,769             | 208,083           | 229,496             |
| <b>Debt Service:</b>                                       |                     |                     |                   |                     |
| Principal Retirement                                       | 43,027              | 54,233              | 39,831            | 49,858              |
| Interest   | 127,620             | 125,330             | 49,140            | 65,216              |
| Arbitrage Rebate   | -                   | -                   | -                 | -                   |
| Cost of Issuance   | -                   | -                   | -                 | -                   |
| Total Expenditures   | <u>1,387,793</u>    | <u>1,505,350</u>    | <u>1,282,134</u>  | <u>1,385,674</u>    |
| Excess (Deficiency) of Revenues Over Expenditures          | <u>(177,745)</u>    | <u>(239,911)</u>    | <u>11,114</u>     | <u>(132,723)</u>    |
| <b>Other Financing Sources (Uses):</b>                     |                     |                     |                   |                     |
| Transfers In   | 5,286               | 7,130               | 6,338             | 11,660              |
| Transfers Out  | (32,476)            | (28,013)            | (16,749)          | (8,676)             |
| Transfer to Escrow Agent                                   | -                   | -                   | -                 | (53,974)            |
| Contracts, Notes, and Loans Issued                         | 3,711               | 222                 | -                 | 3,891               |
| Bonds Issued   | 23,459              | 117,229             | 253,181           | 89,340              |
| Other Income   | -                   | -                   | 2,622             | 8,237               |
| Restatements   | (23,063)            | -                   | (104,144)         | (136,534)           |
| Total Other Financing Sources (Uses)                       | <u>(23,083)</u>     | <u>96,568</u>       | <u>141,248</u>    | <u>(86,056)</u>     |
| Net Change in Fund Balances                                | <u>\$ (200,828)</u> | <u>\$ (143,343)</u> | <u>\$ 152,362</u> | <u>\$ (218,779)</u> |
| Debt Service as a Percentage of Noncapital Expenditures    | 17.5%               | 17.3%               | 8.3%              | 10.0%               |

**Footnotes:**

- (1) The City began reporting In-Lieu Sales Taxes separate from Sales Taxes beginning with the fiscal year ended June 30, 2005.  
(2) The City began reporting Transient Occupancy Taxes separate from Other Local Taxes beginning with the fiscal year ended June 30, 2004.  
(3) Amounts reported as Public Safety - Police prior to the fiscal year ended June 30, 2002 includes Public Safety - Fire & Life Safety.  
(4)-(7) Multiple classification adjustments were imposed as a result of implementation of GASB Statement No. 34.

Table 4

|    |                  | Fiscal Year |                  |      |                  |      |                  |    |                  |    |                  |
|----|------------------|-------------|------------------|------|------------------|------|------------------|----|------------------|----|------------------|
|    |                  | 2004        | 2005             | 2006 | 2007             | 2008 | 2009             |    |                  |    |                  |
| \$ | 279,090          | \$          | 325,857          | \$   | 457,908          | \$   | 521,734          | \$ | 573,311          | \$ | 603,574          |
|    | 26,816           |             | 30,263           |      | 36,699           |      | 36,585           |    | 50,274           |    | 63,500           |
|    | 238,430          |             | 197,198          |      | 227,017          |      | 264,587          |    | 270,791          |    | 233,140          |
|    | -                |             | 48,220           |      | 45,433           |      | -                |    | -                |    | -                |
|    | 113,209          |             | 121,612          |      | 136,801          |      | 153,574          |    | 159,348          |    | 140,657          |
|    | 140,016          |             | 152,576          |      | 148,001          |      | 158,046          |    | 146,899          |    | 171,192          |
|    | 30,592           |             | 40,724           |      | 42,117           |      | 41,425           |    | 50,693           |    | 39,349           |
|    | 33,870           |             | 33,906           |      | 35,441           |      | 42,932           |    | 32,785           |    | 34,406           |
|    | 63,268           |             | 77,514           |      | 89,438           |      | 117,552          |    | 129,582          |    | 107,784          |
|    | 50,493           |             | 66,283           |      | 43,570           |      | 79,735           |    | 40,413           |    | 70,386           |
|    | 154,559          |             | 143,639          |      | 58,289           |      | 61,977           |    | 53,370           |    | 52,456           |
|    | 62,143           |             | 91,354           |      | 91,287           |      | 59,549           |    | 23,013           |    | 21,593           |
|    | 129,350          |             | 138,794          |      | 127,121          |      | 159,877          |    | 165,910          |    | 203,432          |
|    | 10,462           |             | 11,518           |      | 25,923           |      | 31,027           |    | 30,824           |    | 25,711           |
|    | <u>1,332,298</u> |             | <u>1,479,458</u> |      | <u>1,565,045</u> |      | <u>1,728,600</u> |    | <u>1,727,213</u> |    | <u>1,767,180</u> |
|    | 198,826          |             | 236,706          |      | 290,550          |      | 267,461          |    | 310,814          |    | 344,930          |
|    | -                |             | -                |      | -                |      | -                |    | -                |    | -                |
|    | 313,387          |             | 347,359          |      | 408,474          |      | 376,762          |    | 388,729          |    | 406,657          |
|    | 152,073          |             | 178,553          |      | 212,069          |      | 202,031          |    | 205,660          |    | 225,696          |
|    | -                |             | -                |      | -                |      | -                |    | -                |    | -                |
|    | 170,163          |             | 180,327          |      | 216,038          |      | 182,197          |    | 195,808          |    | 211,759          |
|    | -                |             | -                |      | -                |      | -                |    | -                |    | -                |
|    | -                |             | -                |      | -                |      | -                |    | -                |    | -                |
|    | 117,619          |             | 140,604          |      | 147,977          |      | 139,349          |    | 135,404          |    | 162,969          |
|    | 42,184           |             | 44,327           |      | 49,094           |      | 44,729           |    | 53,957           |    | 78,260           |
|    | 104,205          |             | 102,235          |      | 112,080          |      | 85,544           |    | 88,242           |    | 73,785           |
|    | -                |             | -                |      | -                |      | -                |    | -                |    | -                |
|    | -                |             | -                |      | -                |      | -                |    | -                |    | -                |
|    | -                |             | -                |      | -                |      | -                |    | -                |    | -                |
|    | 174,346          |             | 175,493          |      | 126,583          |      | 106,518          |    | 132,432          |    | 138,634          |
|    | 49,118           |             | 77,952           |      | 53,293           |      | 68,160           |    | 59,228           |    | 57,209           |
|    | 68,800           |             | 68,201           |      | 68,732           |      | 82,928           |    | 78,133           |    | 78,659           |
|    | 421              |             | -                |      | -                |      | -                |    | -                |    | -                |
|    | -                |             | -                |      | -                |      | 5,145            |    | 3,618            |    | 1,001            |
|    | <u>1,391,142</u> |             | <u>1,551,757</u> |      | <u>1,684,890</u> |      | <u>1,560,824</u> |    | <u>1,652,025</u> |    | <u>1,779,559</u> |
|    | <u>(58,844)</u>  |             | <u>(72,299)</u>  |      | <u>(119,845)</u> |      | <u>167,776</u>   |    | <u>75,188</u>    |    | <u>(12,379)</u>  |
|    | 7,373            |             | 10,634           |      | 6,975            |      | 9,509            |    | 10,373           |    | 8,246            |
|    | (16,474)         |             | (2,366)          |      | (1,784)          |      | (3,546)          |    | (9,756)          |    | (6,590)          |
|    | (10,132)         |             | (32,011)         |      | -                |      | (159,690)        |    | (10,676)         |    | -                |
|    | 27,507           |             | 5,435            |      | 13,873           |      | 13,003           |    | 16,063           |    | 12,583           |
|    | 66,168           |             | 152,056          |      | 217,797          |      | 182,328          |    | 108,121          |    | 115,236          |
|    | 3,450            |             | 3,278            |      | 20,609           |      | 19,144           |    | 36,228           |    | 32,392           |
|    | -                |             | -                |      | -                |      | -                |    | -                |    | -                |
|    | <u>77,892</u>    |             | <u>137,026</u>   |      | <u>257,470</u>   |      | <u>60,748</u>    |    | <u>150,353</u>   |    | <u>161,867</u>   |
| \$ | <u>19,048</u>    | \$          | <u>64,727</u>    | \$   | <u>137,625</u>   | \$   | <u>228,524</u>   | \$ | <u>225,541</u>   | \$ | <u>149,488</u>   |
|    | 9.7%             |             | 10.6%            |      | 7.8%             |      | 10.7%            |    | 9.3%             |    | 8.3%             |

**City of San Diego**  
**Assessed Value and Estimated Value of Taxable Property (Unaudited)**  
**Last Ten Fiscal Years (In Thousands)**

| Fiscal Year<br>Ended<br>June 30 | City          |              |                     |                           |
|---------------------------------|---------------|--------------|---------------------|---------------------------|
|                                 | Secured       | Unsecured    | Less:<br>Exemptions | Taxable<br>Assessed Value |
| 2000                            | \$ 82,195,239 | \$ 6,347,101 | \$ (4,606,047)      | \$ 83,936,293             |
| 2001                            | 89,259,317    | 6,838,926    | (4,955,424)         | 91,142,819                |
| 2002                            | 96,534,652    | 6,959,602    | (4,577,069)         | 98,917,185                |
| 2003                            | 105,602,893   | 7,230,861    | (5,415,535)         | 107,418,219               |
| 2004                            | 115,116,772   | 6,842,254    | (5,690,654)         | 116,268,372               |
| 2005                            | 128,611,940   | 7,191,819    | (5,967,224)         | 129,836,535               |
| 2006                            | 124,598,322   | 7,063,201    | (5,678,208)         | 125,983,315               |
| 2007                            | 137,387,588   | 7,625,115    | (5,861,380)         | 139,151,323               |
| 2008                            | 150,001,428   | 7,405,798    | (6,323,459)         | 151,083,767               |
| 2009                            | 157,927,906   | 7,873,733    | (6,788,981)         | 159,012,658               |

Sources: MuniServices, LLC and County of San Diego

Table 5

| Redevelopment Agency |            |                     |                           |                             |
|----------------------|------------|---------------------|---------------------------|-----------------------------|
| Secured              | Unsecured  | Less:<br>Exemptions | Taxable<br>Assessed Value | Total<br>Direct Tax<br>Rate |
| \$ 6,637,895         | \$ 466,314 | \$ (403,072)        | \$ 6,701,137              | 0.198%                      |
| 7,420,900            | 482,155    | (394,372)           | 7,508,683                 | 0.205%                      |
| 8,287,824            | 526,423    | (456,942)           | 8,357,305                 | 0.208%                      |
| 9,662,606            | 593,738    | (480,455)           | 9,775,889                 | 0.212%                      |
| 9,558,045            | 483,522    | (531,458)           | 9,510,109                 | 0.222%                      |
| 10,222,644           | 505,380    | (573,561)           | 10,154,463                | 0.233%                      |
| 14,574,228           | 633,220    | (691,376)           | 14,516,072                | 0.326%                      |
| 17,678,580           | 896,315    | (930,793)           | 17,644,102                | 0.333%                      |
| 20,608,094           | 894,544    | (1,070,838)         | 20,431,800                | 0.334%                      |
| 22,422,105           | 924,847    | (1,146,235)         | 22,200,717                | 0.333%                      |



**City of San Diego**  
**Direct and Overlapping Property Tax Rates (Unaudited)**  
**(\$1 Per \$100 of Assessed Value)**  
**Last Ten Fiscal Years**

**Table 6**

| Fiscal Year<br>Ended<br>June 30 | Direct<br>Rate             | Overlapping          |           | Total    |
|---------------------------------|----------------------------|----------------------|-----------|----------|
|                                 | Basic County/<br>City Rate | City of<br>San Diego | Education |          |
| 2000                            | 1.00000%                   | 0.00760%             | 0.09580%  | 1.10340% |
| 2001                            | 1.00000%                   | 0.00740%             | 0.09580%  | 1.10320% |
| 2002                            | 1.00000%                   | 0.00730%             | 0.09580%  | 1.10310% |
| 2003                            | 1.00000%                   | 0.00710%             | 0.09580%  | 1.10290% |
| 2004                            | 1.00000%                   | 0.00680%             | 0.00000%  | 1.00680% |
| 2005                            | 1.00000%                   | 0.00670%             | 0.00000%  | 1.00670% |
| 2006                            | 1.00000%                   | 0.01165%             | 0.10085%  | 1.11250% |
| 2007                            | 1.00000%                   | 0.01094%             | 0.08931%  | 1.10025% |
| 2008                            | 1.00000%                   | 0.01069%             | 0.08747%  | 1.09816% |
| 2009                            | 1.00000%                   | 0.01038%             | 0.07396%  | 1.08434% |

Sources: MuniServices, LLC and County of San Diego

**City of San Diego  
Principal Property Tax Payers (Unaudited)  
Current Year and Nine Years Ago (In Thousands)**

Table 7

| <u>Taxpayer</u>                                       | <u>Taxable<br/>Assessed<br/>Value</u> | <u>Percent of<br/>Total City<br/>Taxable<br/>Assessed<br/>Value</u> |
|---|---------------------------------------|---|
| <b><u>For the Fiscal Year Ended June 30, 2009</u></b> |                                       |   |
| Irvine Co.  | \$ 1,718,022                          | 0.95%   |
| Qualcomm, Inc.  | 1,329,978                             | 0.73%   |
| Kilroy Realty, LP                                     | 1,088,952                             | 0.60%   |
| Arden Realty Ltd. Partnership                         | 642,724                               | 0.35%   |
| O C S D Holdings, LLC                                 | 520,855                               | 0.29%   |
| Pfizer, Inc.  | 477,578                               | 0.26%   |
| Fashion Valley Mall, LLC                              | 447,698                               | 0.25%   |
| San Diego Family Housing, LLC                         | 444,676                               | 0.25%   |
| Sea World, Inc.                                       | 395,532                               | 0.22%   |
| Host San Diego Hotel, LLC                             | 391,680                               | 0.22%   |
| <b><u>For the Fiscal Year Ended June 30, 2000</u></b> |                                       |   |
| Qualcomm, Inc.  | \$ 513,021                            | 0.61%   |
| Equitable Life Assurance                              | 372,236                               | 0.44%   |
| Sea World, Inc.                                       | 264,336                               | 0.31%   |
| Kilroy Realty, LP                                     | 264,023                               | 0.31%   |
| Sony Corp of America                                  | 240,863                               | 0.29%   |
| Pacific Gateway, Ltd                                  | 240,599                               | 0.29%   |
| University Towne Center, LLC                          | 214,175                               | 0.26%   |
| Solar Turbines  | 208,445                               | 0.25%   |
| Horton Plaza, LLC                                     | 184,620                               | 0.22%   |
| Pardee Construction                                   | 165,538                               | 0.20%   |

Sources: 2008-09 MuniServices, LLC and Comprehensive Annual Financial Reports

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**City of San Diego**  
**Property Tax Levies and Collections <sup>1</sup> (Unaudited)**  
**Last Ten Fiscal Years (In Thousands)**

**Table 8**

| Fiscal Year<br>Ended<br>June 30 | Taxes Levied<br>for the<br>Fiscal Year | Collected within the<br>Fiscal Year of Levy |                    | Collections in<br>Subsequent<br>Years | Total Collections to Date |                    |
|---------------------------------|--|---|--------------------|---------------------------------------|---------------------------|--------------------|
|                                 |  | Amount                                      | Percent<br>of Levy |                                       | Amount                    | Percent<br>of Levy |
| 2000                            | \$ 141,963                             | \$ 137,859                                  | 97.11%             | \$ 2,366                              | \$ 140,225                | 98.78%             |
| 2001                            | 155,060                                | 150,900                                     | 97.32%             | 2,506                                 | 153,406                   | 98.93%             |
| 2002                            | 167,077                                | 163,357                                     | 97.77%             | 2,089                                 | 165,446                   | 99.02%             |
| 2003                            | 181,687                                | 175,943                                     | 96.84%             | 2,398                                 | 178,341                   | 98.16%             |
| 2004                            | 199,630                                | 191,224                                     | 95.79%             | 3,175                                 | 194,399                   | 97.38%             |
| 2005                            | 227,422                                | 213,173                                     | 93.73%             | 3,152                                 | 216,325                   | 95.12%             |
| 2006                            | 255,211                                | 240,895                                     | 94.39%             | 4,563                                 | 245,458                   | 96.18%             |
| 2007                            | 272,983                                | 257,034                                     | 94.16%             | 5,865                                 | 262,899                   | 96.31%             |
| 2008                            | 289,235                                | 271,657                                     | 93.92%             | 8,102                                 | 279,759                   | 96.72%             |
| 2009                            | 299,935                                | 284,212                                     | 94.76%             | 11,923                                | 296,135                   | 98.73%             |

Footnote:

<sup>1</sup> Property Tax Levies and Collections for the General Fund and Zoological Exhibits Fund

Source: County of San Diego

City of San Diego  
 Ratios of Outstanding Debt by Type (Unaudited)  
 Last Ten Fiscal Years (In Thousands)

| Fiscal Year<br>Ended<br>June 30 | Governmental Activities |                                 |                      |                  |          |                                |
|---------------------------------|-------------------------|---------------------------------|----------------------|------------------|----------|--------------------------------|
|                                 | Arbitrage<br>Liability  | Capital<br>Lease<br>Obligations | Contracts<br>Payable | Notes<br>Payable | Loans    | General<br>Obligation<br>Bonds |
| 2000                            | \$ -                    | \$ 14,284                       | \$ 1,697             | \$ 33,606        | \$ 5,972 | \$ 68,700                      |
| 2001                            | -                       | 13,233                          | 3,848                | 37,962           | 3,250    | 63,595                         |
| 2002                            | -                       | 38,345                          | 3,597                | 15,521           | 28,255   | 58,095                         |
| 2003                            | 363                     | 37,701                          | 1,882                | 8,416            | 46,117   | 52,165                         |
| 2004                            | 262                     | 30,619                          | 1,715                | 5,998            | 69,084   | 45,775                         |
| 2005                            | -                       | 30,647                          | 1,715                | 7,924            | 62,024   | 14,530                         |
| 2006                            | -                       | 40,541                          | 2,615                | 7,294            | 64,199   | 12,690                         |
| 2007                            | -                       | 39,130                          | 2,615                | 8,555            | 60,493   | 10,705                         |
| 2008                            | -                       | 61,262                          | 2,615                | 5,662            | 70,763   | 8,580                          |
| 2009                            | 533                     | 89,519                          | 4,715                | 4,786            | 78,347   | 6,315                          |

| Fiscal Year<br>Ended<br>June 30 | Business-Type Activities |                                 |                  |                  |                   |                             |
|---------------------------------|--------------------------|---------------------------------|------------------|------------------|-------------------|-----------------------------|
|                                 | Arbitrage<br>Liability   | Capital<br>Lease<br>Obligations | Notes<br>Payable | Loans<br>Payable | Line of<br>Credit | Revenue<br>Bonds<br>Payable |
| 2000                            | \$ -                     | \$ 25,807                       | \$ 1,485,497     | \$ 17,256        | \$ 3,569          | \$ -                        |
| 2001                            | -                        | 28,885                          | 1,463,290        | 60,222           | 4,169             | -                           |
| 2002*                           | -                        | 7,612                           | 63,786           | -                | -                 | 1,433,465                   |
| 2003                            | 1,812                    | 6,465                           | -                | 69,093           | -                 | 1,612,200                   |
| 2004                            | 221                      | 5,008                           | -                | 67,054           | -                 | 1,731,825                   |
| 2005                            | 213                      | 3,521                           | -                | 63,803           | -                 | 1,698,060                   |
| 2006                            | 193                      | 2,051                           | -                | 91,247           | -                 | 1,662,705                   |
| 2007                            | 224                      | 1,006                           | 280,830          | 101,316          | -                 | 1,469,060                   |
| 2008                            | 586                      | 166                             | 430,830          | 95,875           | -                 | 1,425,445                   |
| 2009                            | -                        | -                               | -                | 90,326           | -                 | 2,166,906                   |

Footnotes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

\*In fiscal year 2002, loans payable were reclassified as notes payable, and notes payable were reclassified as bond payable.

(a) Ratio is calculated using assessed property values. Personal income data is not available.

(b) Ratio is calculated using population data.

Source: Comprehensive Annual Financial Reports

Table 9

| Governmental Activities |   |  |                      |  |                               |
|-------------------------|---|--|----------------------|--|-------------------------------|
| Pooled Financing Bonds  | Revenue Bonds/<br>Lease Revenue Bonds/<br>Certificates of Participation | Special Assessment/<br>Special Tax Bonds | Tax Allocation Bonds | Tobacco Settlement<br>Asset-Backed Bonds | Total Governmental Activities |
| \$ -                    | \$ 448,000  | \$ 70,550                                | \$ 171,101           | \$ -                                     | \$ 813,910                    |
| -                       | 434,365   | 128,545                                  | 222,751              | -  | 907,549                       |
| -                       | 609,235   | 125,955                                  | 275,471              | -  | 1,154,474                     |
| -                       | 609,785   | 123,130                                  | 283,310              | -  | 1,162,869                     |
| -                       | 591,620   | 140,545                                  | 314,333              | -  | 1,199,951                     |
| -                       | 571,285   | 137,305                                  | 415,778              | -  | 1,241,208                     |
| -                       | 549,850   | 133,605                                  | 514,845              | 105,400                                  | 1,431,039                     |
| -                       | 521,210   | 145,625                                  | 502,804              | 102,700                                  | 1,393,837                     |
| 34,115                  | 498,950   | 144,805                                  | 548,643              | 99,370                                   | 1,474,765                     |
| 33,460                  | 579,500   | 152,270                                  | 534,547              | 95,380                                   | 1,579,372                     |

| Business-Type Activities       |                          |                                  |                     |
|--------------------------------|--------------------------|----------------------------------|---------------------|
| Total Business-Type Activities | Total Primary Government | Percentage of Assessed Value (a) | Debt Per Capita (b) |
| \$ 1,532,129                   | \$ 2,346,039             | 2.75%                            | \$ 1.84             |
| 1,556,566                      | 2,464,115                | 2.66%                            | 1.97                |
| 1,504,863                      | 2,659,337                | 2.65%                            | 2.12                |
| 1,689,570                      | 2,852,439                | 2.62%                            | 2.24                |
| 1,804,108                      | 3,004,059                | 2.55%                            | 2.32                |
| 1,765,597                      | 3,006,805                | 2.29%                            | 2.30                |
| 1,756,196                      | 3,187,235                | 2.53%                            | 2.43                |
| 1,852,436                      | 3,246,273                | 2.33%                            | 2.47                |
| 1,952,902                      | 3,427,667                | 2.27%                            | 2.56                |
| 2,257,232                      | 3,836,604                | 2.41%                            | 2.83                |

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**City of San Diego**  
**Ratios of General Bonded Debt Outstanding (Unaudited)**  
**Last Ten Fiscal Years**

**Table 10**

| <b>Fiscal Year<br/>Ended<br/>June 30</b> | <b>General<br/>Obligation Bonds<br/>(Thousands)</b> | <b>Assessed<br/>Valuation<br/>(Thousands)</b> | <b>Percentage<br/>of Assessed<br/>Value (a)</b> | <b>Population</b> | <b>Debt<br/>Per<br/>Capita (b)</b> |
|--|---|---|---|-------------------|------------------------------------|
| 2000                                     | \$ 68,700   | \$ 83,936,293                                 | 0.082%  | 1,277,168         | \$ 53.79                           |
| 2001                                     | 63,595  | 91,142,819                                    | 0.070%  | 1,250,700         | 50.85                              |
| 2002                                     | 58,095  | 98,917,185                                    | 0.059%  | 1,255,742         | 46.26                              |
| 2003                                     | 52,165  | 107,418,219                                   | 0.049%  | 1,275,112         | 40.91                              |
| 2004                                     | 45,775  | 116,268,372                                   | 0.039%  | 1,294,000         | 35.37                              |
| 2005                                     | 14,530  | 129,836,535                                   | 0.011%  | 1,306,000         | 11.13                              |
| 2006                                     | 12,690  | 125,983,315 (c)                               | 0.010%  | 1,311,162         | 9.68                               |
| 2007                                     | 10,705  | 139,151,323                                   | 0.008%  | 1,316,837         | 8.13                               |
| 2008                                     | 8,580   | 151,083,767                                   | 0.006%  | 1,336,865         | 6.42                               |
| 2009                                     | 6,315   | 159,012,658                                   | 0.004%  | 1,353,993         | 4.66                               |

Footnotes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) Ratio is calculated using assessed property values. Personal income data is not available.

(b) Ratio is calculated using population data.

(c) The City recognized a fluctuation in Taxable Assessed Value in fiscal year 2006 due to a change in the allocation method between the City & the Redevelopment Agency. This methodology change resulted from Management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB 44.

Source: Comprehensive Annual Financial Reports



**City of San Diego**  
**Direct and Overlapping Debt (Unaudited)**  
**June 30, 2009 (In Thousands)**

**Table 11**

| <b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>  | Total Debt<br>6/30/09 | % Applicable (1) | City's Share of<br>Debt, 6/30/09 |
|--|-----------------------|------------------|----------------------------------|
| Metropolitan Water District  | \$ 293,425            | 8.897%           | \$ 26,106                        |
| Palomar Community College District   | 151,750               | 25.401%          | 38,546                           |
| San Diego Community College District   | 628,194               | 99.910%          | 627,629                          |
| Poway Unified School District School Facilities Improvement District No. 2002-1, 2007-1, 253, 318, & 254 | 253,318               | 67.466-65.485%   | 169,438                          |
| San Diego Unified School District  | 1,550,175             | 99.913%          | 1,548,826                        |
| Sweetwater Union High School District  | 347,829               | 20.255%          | 70,453                           |
| San Ysidro School District   | 88,702                | 88.473%          | 78,477                           |
| Other School, High School and Community College Districts  | 885,704               | Various          | 41,945                           |
| Grossmont Healthcare District  | 85,627                | 8.030%           | 6,876                            |
| Palomar Pomerado Hospital District   | 418,568               | 30.881%          | 129,258                          |
| City of San Diego  | 6,315                 | 100.000%         | 6,315                            |
| City of San Diego Special Assessment/Special Tax Bonds (3)   | 152,270               | 100.000%         | 152,270                          |
| Del Mar Unified School District Community Facilities District No. 99-1 & 95-1                            | 29,650                | 100.000%         | 29,650                           |
| North City West School District Community Facilities District  | 94,133                | 100.000%         | 94,133                           |
| Poway Unified School District Community Facilities Districts   | 303,175               | 99.609-100.000%  | 302,982                          |
| San Dieguito Union High School District Community Facilities Districts                                   | 64,834                | 39.731-81.063%   | 32,535                           |
| Sweetwater Union High School District Community Facilities Districts                                     | 44,237                | 8.935-100.000%   | 23,852                           |
| Other Special District 1915 Act Bonds  | 18,997                | Various          | 1,874                            |
| TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT   |                       |                  | <u>3,381,165</u>                 |
| <br><b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>  |                       |                  |                                  |
| San Diego County General Fund Obligations  | 462,405               | 45.938%          | 212,420                          |
| San Diego County Pension Obligations   | 986,678               | 45.938%          | 453,260                          |
| San Diego Superintendent of Schools Certificates of Participation  | 16,395                | 45.938%          | 7,531                            |
| Palomar Community College District General Fund Obligations  | 7,300                 | 25.401%          | 1,854                            |
| Poway Unified School District Certificates of Participation  | 127,465               | 71.261%          | 90,833                           |
| Sweetwater Union High School District Certificates of Participation                                      | 12,810                | 20.255%          | 2,595                            |
| Chula Vista School District General Fund Obligations   | 128,975               | 4.967%           | 6,406                            |
| San Ysidro School District Certificates of Participation   | 37,455                | 88.473%          | 33,137                           |
| Other School, High School and Community College District Certificates of Participation                   | 81,910                | Various          | 2,248                            |
| City of San Diego Revenue Bonds, Leased Revenue Bonds, and Certificates of Participation (3)             | 579,500               | 100.000%         | 579,500                          |
| Otay Municipal Water District Certificates of Participation  | 63,635                | 6.761%           | 4,302                            |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT   |                       |                  | <u>1,394,086</u>                 |
| Less: Otay Municipal Water District Certificates of Participation  |                       |                  | 4,302                            |
| Less: Sweetwater Union High School District QZABs supported by investment fund payments                  |                       |                  | 1,013                            |
| Less: Santee School District QZABs supported by investment fund payments                                 |                       |                  | 96                               |
| Less: San Ysidro School District QZABs supported by investment fund payments                             |                       |                  | 4,424                            |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT   |                       |                  | <u>1,384,251</u>                 |
| GROSS COMBINED TOTAL DEBT (2)  |                       |                  | <u>4,775,251</u>                 |
| NET COMBINED TOTAL DEBT  |                       |                  | <u>\$ 4,765,416</u>              |

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

(3) Amounts for total debt reconcile to Note 5.

**City of San Diego**  
**Direct and Overlapping Debt (Unaudited)**  
**June 30, 2009 (In Thousands)**  
 (Continued)

**Table 11**

Ratios to 2008-09 Assessed Valuation:

|  |        |
|--|--------|
| Direct Debt (\$6,315)                                      | 0.003% |
| Total Gross Direct and Overlapping Tax and Assessment Debt | 2.64%  |
| Total Net Direct and Overlapping Tax and Assessment Debt   | 2.63%  |

Ratios to Adjusted Assessed Valuation:

|                                      |       |
|--------------------------------------|-------|
| Combined Direct Debt (\$585,815) (1) | 0.37% |
| Gross Combined Total Debt            | 3.00% |
| Net Combined Total Debt              | 3.00% |

|  |                   |
|--|-------------------|
| (1) City of San Diego                              | \$ 6,315          |
| City Authorities and Certificates of Participation | 579,500           |
|  | <u>\$ 585,815</u> |

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: \$0

Source: California Municipal Statistics, Inc. and Comprehensive Annual Financial Report

**City of San Diego  
Legal Debt Margin Schedule (Unaudited)  
Last Ten Fiscal Years (In Thousands)**

|   | Fiscal Year   |               |               |                |
|---|---------------|---------------|---------------|----------------|
|   | 2000          | 2001          | 2002          | 2003           |
| Assessed valuation (restated) <sup>1</sup>                              | \$ 83,936,293 | \$ 91,142,819 | \$ 98,917,185 | \$ 107,418,219 |
| Conversion percentage *   | 25%           | 25%           | 25%           | 25%            |
| Adjusted assessed valuation   | 20,984,073    | 22,785,705    | 24,729,296    | 26,854,555     |
| Debt limit percentage **  | 25%           | 25%           | 25%           | 25%            |
| Debt limit <sup>2</sup>   | 5,246,018     | 5,696,426     | 6,182,324     | 6,713,639      |
| Total net debt applicable to limit:<br>General Obligation Bonds         | 19,170        | 18,075        | 16,920        | 15,690         |
| Legal debt margin   | 5,226,848     | 5,678,351     | 6,165,404     | 6,697,949      |
| Total debt applicable to the limit as a<br>percentage of the debt limit | 0.37%         | 0.32%         | 0.27%         | 0.23%          |

Footnotes:

<sup>1</sup> The City recognized a fluctuation in Taxable Assessed Value in fiscal year 2006 due to a change in the allocation method between the City & the Redevelopment Agency. This methodology change resulted from Management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB 44.

<sup>2</sup> The current debt limitation for Water is 15% of the Adjusted Assessed Valuation, or \$5,962,975, and the debt limitation for other purposes is 10% of the Adjusted Assessed Valuation, or \$3,975,316.

\* The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value. The calculations shown above present a conversion of assessed valuation data for each fiscal year from the current 100% valuation to the 25% level that was in effect at the time the legal debt margin was enacted.

\*\* Section 90 of the City Charter provides that the bonded indebtedness for the development, conservation, and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation.

Source: MuniServices, LLC

Table 12

|    |             | Fiscal Year |             |      |             |      |             |    |             |    |             |
|----|-------------|-------------|-------------|------|-------------|------|-------------|----|-------------|----|-------------|
|    |             | 2004        | 2005        | 2006 | 2007        | 2008 | 2009        |    |             |    |             |
| \$ | 116,268,372 | \$          | 129,836,535 | \$   | 125,983,315 | \$   | 139,151,323 | \$ | 151,083,767 | \$ | 159,012,658 |
|    | 25%         |             | 25%         |      | 25%         |      | 25%         |    | 25%         |    | 25%         |
|    | 29,067,093  |             | 32,459,134  |      | 31,495,829  |      | 34,787,831  |    | 37,770,942  |    | 39,753,165  |
|    | 25%         |             | 25%         |      | 25%         |      | 25%         |    | 25%         |    | 25%         |
|    | 7,266,773   |             | 8,114,783   |      | 7,873,957   |      | 8,696,958   |    | 9,442,735   |    | 9,938,291   |
|    | 14,390      |             | 13,010      |      | 11,520      |      | 9,905       |    | 8,170       |    | 6,315       |
|    | 7,252,383   |             | 8,101,773   |      | 7,862,437   |      | 8,687,053   |    | 9,434,565   |    | 9,931,976   |
|    | 0.20%       |             | 0.16%       |      | 0.15%       |      | 0.11%       |    | 0.09%       |    | 0.06%       |

**City of San Diego**  
**Pledged-Revenue Coverage - Water Bonds (Unaudited)**  
**Last Ten Fiscal Years (In Thousands)**

| <b>Fiscal Year<br/>Ended<br/>June 30</b> | <b>Total System<br/>Revenues</b> | <b>Total<br/>Maintenance<br/>and Operation<br/>Costs (Excludes<br/>Depreciation)</b> | <b>Net System<br/>Revenues <sup>1</sup></b> | <b>Less: Interest<br/>Earnings on<br/>Reserve Fund -<br/>Senior Obligations</b> | <b>Adjusted<br/>Net System<br/>Revenues <sup>2</sup></b> |
|--|----------------------------------|--|---|---|--|
| 2000                                     | \$ 255,736                       | \$ 213,358   | \$ 42,378                                   | \$ -  | \$ 42,378  |
| 2001                                     | 255,974                          | 214,056  | 41,918                                      | (54)  | 41,864   |
| 2002                                     | 261,333                          | 222,104  | 39,229                                      | (3,444)   | 35,785   |
| 2003                                     | 256,968                          | 226,058  | 30,910                                      | (1,305)   | 29,605   |
| 2004                                     | 267,649                          | 232,193  | 35,456                                      | (1,296)   | 34,160   |
| 2005                                     | 294,904                          | 234,392  | 60,512                                      | (1,262)   | 59,250   |
| 2006                                     | 303,453                          | 242,180  | 61,273                                      | (1,228)   | 60,045   |
| 2007                                     | 336,599                          | 255,486  | 81,113                                      | (1,346)   | 79,767   |
| 2008                                     | 350,770                          | 258,813  | 91,957                                      | (1,481)   | 90,476   |
| 2009                                     | 364,413                          | 263,280  | 101,133                                     | (2,668)   | 98,465   |

<sup>1</sup> Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Water System for the fiscal year.

<sup>2</sup> Adjusted Net System Revenues is the "Net System Revenues" less "an amount equal to earnings from investments in any Reserve Fund or Reserve Account" for the fiscal year.

<sup>3</sup> All Obligations include Senior, Subordinate and State Revolving Fund (SRF) Loans.

Source: Comprehensive Annual Financial Reports

Table 13

| Senior Debt Service |           |           |                                |                       | All Obligations <sup>3</sup>   |                    |                                 |  |
|---------------------|-----------|-----------|--------------------------------|-----------------------|--------------------------------|--------------------|---------------------------------|--|
| Principal           | Interest  | Total     | Less: Senior Interest Earnings | Adjusted Debt Service | Adjusted Debt Service Coverage | Total Debt Service | Aggregate Debt Service Coverage |  |
| \$ -                | \$ 18,730 | \$ 18,730 | \$ -                           | \$ 18,730             | 2.26                           | \$ 18,730          | 2.26                            |  |
| -                   | 18,730    | 18,730    | (54)                           | 18,676                | 2.24                           | 18,730             | 2.24                            |  |
| 6,780               | 18,594    | 25,374    | (3,444)                        | 21,930                | 1.63                           | 25,510             | 1.54                            |  |
| 7,055               | 16,308    | 23,363    | (1,305)                        | 22,058                | 1.34                           | 27,002             | 1.14                            |  |
| 7,345               | 14,010    | 21,355    | (1,296)                        | 20,059                | 1.70                           | 34,861             | 1.02                            |  |
| 7,645               | 13,710    | 21,355    | (1,262)                        | 20,093                | 2.95                           | 34,861             | 1.74                            |  |
| 7,965               | 13,390    | 21,355    | (1,228)                        | 20,127                | 2.98                           | 35,549             | 1.72                            |  |
| 8,305               | 13,046    | 21,351    | (1,346)                        | 20,005                | 3.99                           | 40,759             | 1.99                            |  |
| 8,675               | 12,679    | 21,354    | (1,481)                        | 19,873                | 4.55                           | 43,082             | 2.13                            |  |
| 9,065               | 12,289    | 21,354    | (2,668)                        | 18,686                | 5.27                           | 49,600             | 2.04                            |  |

**City of San Diego**  
**Pledged-Revenue Coverage - Sewer Bonds (Unaudited)**  
**Last Ten Fiscal Years (In Thousands)**

| Fiscal Year<br>Ended<br>June 30 | Total System<br>Revenues <sup>1</sup> | Total<br>Maintenance<br>and Operation<br>Costs (Excludes<br>Depreciation) | Net System<br>Revenues <sup>2</sup> | Senior Debt Service |           |        |
|---------------------------------|---------------------------------------|---|-------------------------------------|---------------------|-----------|--------|
|                                 |                                       |   |                                     | Principal           | Interest  | Total  |
| 2000                            | \$ 291,238                            | \$ 137,007  | \$ 154,231                          | \$ 18,300           | \$ 58,755 | 77,055 |
| 2001                            | 283,228                               | 168,853   | 114,375                             | 22,150              | 54,905    | 77,055 |
| 2002                            | 310,392                               | 170,022   | 140,370                             | 23,045              | 54,009    | 77,054 |
| 2003                            | 334,551                               | 241,822   | 92,729                              | 24,000              | 53,046    | 77,046 |
| 2004                            | 296,169                               | 196,823   | 99,346                              | 25,030              | 52,020    | 77,050 |
| 2005                            | 322,542                               | 204,163   | 118,379                             | 26,120              | 50,935    | 77,055 |
| 2006                            | 320,288                               | 202,111   | 118,177                             | 27,390              | 49,662    | 77,052 |
| 2007 <sup>4</sup>               | 343,921                               | 202,632   | 141,289                             | 28,760              | 48,291    | 77,051 |
| 2008                            | 361,511                               | 211,449   | 150,062                             | 30,250              | 46,805    | 77,055 |
| 2009                            | 353,446                               | 197,379   | 156,067                             | 31,700              | 45,356    | 77,056 |

<sup>1</sup> Beginning in Fiscal Year 2004, the City's methodology for reporting Net System Revenues was changed to exclude interest earnings on Acquisition Bond Proceeds from Total Income. The data presented in this Table has been restated to reflect this change.

<sup>2</sup> Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Wastewater System for the fiscal year.

<sup>3</sup> All Obligations include Senior, Subordinate and State Revolving Fund (SRF) Loans.

<sup>4</sup> Senior Debt Service principal and interest amounts for FY 2007 were updated for correct amounts.

Source: Comprehensive Annual Financial Reports

Table 14

| Senior<br>Debt Service<br>Coverage | All Obligations <sup>3</sup> |                                       |
|------------------------------------|------------------------------|---------------------------------------|
|                                    | Total<br>Debt Service        | Aggregate<br>Debt Service<br>Coverage |
| 2.00                               | \$ 77,055                    | 2.00                                  |
| 1.48                               | 77,688                       | 1.47                                  |
| 1.82                               | 77,888                       | 1.80                                  |
| 1.20                               | 80,995                       | 1.14                                  |
| 1.29                               | 81,516                       | 1.22                                  |
| 1.54                               | 84,789                       | 1.40                                  |
| 1.53                               | 86,802                       | 1.36                                  |
| 1.83                               | 96,408                       | 1.47                                  |
| 1.95                               | 94,555                       | 1.59                                  |
| 2.03                               | 94,305                       | 1.65                                  |



**City of San Diego  
Demographic and Economic Statistics (Unaudited)  
Last Ten Fiscal Years**

**Table 15**

| <b>Fiscal Year<br/>Ended<br/>June 30</b> | <b>Population <sup>1</sup></b> | <b>Personal<br/>Income <sup>2</sup><br/>(Thousands \$)</b> | <b>Per Capita<br/>Personal Income<br/>(\$)</b> | <b>Unemployment<br/>Rate <sup>3</sup></b> |
|--|--------------------------------|--|--|---|
| 2000                                     | 1,277,168                      | N/A  | N/A  | 3.2%                                      |
| 2001                                     | 1,250,700                      | N/A  | N/A  | 2.3%                                      |
| 2002                                     | 1,255,742                      | 31,859,430   | 25,371   | 3.7%                                      |
| 2003                                     | 1,275,112                      | 32,794,606   | 25,719   | 4.4%                                      |
| 2004                                     | 1,294,000                      | 35,896,854   | 27,741   | 5.0%                                      |
| 2005                                     | 1,306,000                      | 38,523,082   | 29,497   | 4.5%                                      |
| 2006                                     | 1,311,162                      | 37,749,536   | 28,791   | 4.3%                                      |
| 2007                                     | 1,316,837                      | 39,302,317   | 29,846   | 4.0%                                      |
| 2008                                     | 1,336,865                      | 42,678,078   | 31,924   | 4.6%                                      |
| 2009                                     | 1,353,993                      | 42,857,116   | 31,652   | 6.0%                                      |

Footnotes:

<sup>1</sup> Population projections are provided by the California Department of Finance Projections.

<sup>2</sup> Income data is provided by the United States Census Data and is adjusted for inflation.

<sup>3</sup> Unemployment data is an annual percentage provided by the EDD's Bureau of Labor Statistics Department.

Sources: 2008-09 MuniServices, LLC, and Comprehensive Annual Financial Reports

**City of San Diego  
Principal Employers (Unaudited)  
Fiscal Year-End 2009<sup>1</sup>**

**Table 16**

| Employer                                       | Number of<br>Employees | Percentage of<br>Total Employment <sup>2</sup> |
|--|------------------------|--|
| United States Navy <sup>3</sup>                | 55,300                 | 7.91%  |
| San Diego Unified School District <sup>4</sup> | 21,959                 | 3.14%  |
| University of California San Diego             | 19,435                 | 2.78%  |
| San Diego County <sup>5</sup>                  | 17,900                 | 2.56%  |
| Sharp Memorial Hospital                        | 14,724                 | 2.11%  |
| City of San Diego <sup>6</sup>                 | 10,799                 | 1.54%  |
| Kaiser Permanente                              | 7,220                  | 1.03%  |
| University of San Diego                        | 6,086                  | 0.87%  |
| Qualcomm, Inc. <sup>7</sup>                    | 6,000                  | 0.86%  |
| UC San Diego Medical Center                    | 5,300                  | 0.76%  |
| Total Top Employers                            | 164,723                | 23.56%   |

Footnotes:

<sup>1</sup> Past data going back to fiscal year-end 2000 is not available for a 10 year comparison.

<sup>2</sup> Percentage based on total employment of 699,200 provided by the EDD Labor Force Data.

<sup>3</sup> Employee count includes Navy personnel only (civilian/military).

<sup>4</sup> Employee count is district-wide.

<sup>5</sup> Employee count is county-wide.

<sup>6</sup> Employee count is provided by the City of San Diego, Office of the Comptroller - Payroll Division

<sup>7</sup> Qualcomm's employee count is the same as last year's report. The current year employee count was not available.

Source: 2008-09 MuniServices, LLC

**City of San Diego**  
**Full-time and Part-time City Employees by Function (Unaudited)**  
**Last Nine Fiscal Years <sup>1</sup>**

Table 17

| Function                               | Fiscal Year   |               |               |               |               |               |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 2001          | 2002          | 2003          | 2004          | 2005          | 2006          | 2007          | 2008          | 2009          |
| General Government and Support         | 1,864         | 2,015         | 2,039         | 1,990         | 1,944         | 1,816         | 1,870         | 1,979         | 2,248         |
| Public Safety - Police                 | 2,854         | 2,875         | 2,836         | 2,730         | 2,774         | 2,628         | 2,627         | 2,712         | 2,674         |
| Public Safety - Fire and Life Safety   | 1,286         | 1,314         | 1,355         | 1,352         | 1,373         | 1,322         | 1,333         | 1,314         | 1,304         |
| Parks, Recreation, Culture and Leisure | 2,041         | 2,023         | 2,052         | 1,822         | 1,777         | 1,701         | 1,663         | 1,705         | 1,682         |
| Transportation                         | 490           | 517           | 513           | 501           | 461           | 447           | 339           | 326           | 279           |
| Sanitation and Health                  | 164           | 163           | 161           | 161           | 148           | 144           | 129           | 150           | 164           |
| Neighborhood Services                  | 267           | 259           | 260           | 235           | 234           | 177           | 148           | 154           | 145           |
| Airports                               | 19            | 20            | 21            | 19            | 17            | 14            | 14            | 15            | 16            |
| Development Services                   | 480           | 498           | 463           | 524           | 535           | 482           | 426           | 392           | 329           |
| Environmental Services                 | 209           | 222           | 225           | 219           | 219           | 196           | 188           | 164           | 168           |
| Golf Course                            | 69            | 70            | 73            | 82            | 81            | 88            | 95            | 88            | 97            |
| Recycling                              | 99            | 118           | 120           | 119           | 116           | 121           | 108           | 98            | 100           |
| Sewer Utility                          | 972           | 1,052         | 1,108         | 1,071         | 1,050         | 976           | 906           | 863           | 817           |
| Water Utility                          | 967           | 997           | 979           | 975           | 943           | 878           | 839           | 829           | 776           |
| Total Employees                        | <u>11,781</u> | <u>12,143</u> | <u>12,205</u> | <u>11,800</u> | <u>11,672</u> | <u>10,990</u> | <u>10,685</u> | <u>10,789</u> | <u>10,799</u> |

Footnote:

<sup>1</sup> Data only available for the last nine fiscal years.

Source: City of San Diego, Office of the Comptroller - Payroll Division

**City of San Diego**  
**Operating Indicators by Function (Unaudited)**  
**Last Four Fiscal Years <sup>1</sup>**

Table 18

| Function  | Fiscal Year |            |            |            |
|---|-------------|------------|------------|------------|
|   | 2006        | 2007       | 2008       | 2009       |
| <u>Public Safety - Police</u>   |             |            |            |            |
| Calls for police services dispatched  | 626,067     | 623,940    | 631,371    | 668,989    |
| Calls for 9-1-1 emergencies   | 471,927     | 518,291    | 526,391    | 506,738    |
| <u>Public Safety - Fire and Life Safety</u>                                 |             |            |            |            |
| Fire Department:  |             |            |            |            |
| Emergency calls - fire  | 3,579       | 3,392      | 4,445      | 3,868      |
| Emergency calls - medical/rescue  | 84,882      | 87,789     | 91,932     | 94,422     |
| Emergency calls - other   | 12,918      | 13,010     | 13,635     | 13,671     |
| Lifeguard:  |             |            |            |            |
| Water rescues   | 5,075       | 3,696      | 4,771      | 5,233      |
| Other rescues   | 4,490       | 3,388      | 4,334      | 4,813      |
| Beach attendance  | 21,277,945  | 21,253,050 | 20,275,495 | 21,166,884 |
| <u>Parks, Recreation, Culture and Leisure</u>                               |             |            |            |            |
| Parks and Recreation:   |             |            |            |            |
| Number of aquatic users <sup>2</sup>  | 333,688     | 293,300    | 325,080    | 311,173    |
| Number of youth served in after school program sites <sup>2</sup>           | 80,837      | 57,111     | 88,032     | 84,140     |
| Library:  |             |            |            |            |
| Circulation   | 7,003,040   | 7,167,104  | 7,374,378  | 7,651,619  |
| Total attendance - all libraries  | 6,017,790   | 6,040,091  | 6,234,038  | 6,601,210  |
| <u>Sewer Utility</u>  |             |            |            |            |
| Average daily sewage flow (millions of gallons)                             | 180.95      | 175.13     | 175.29     | 170.78     |
| Average daily peak - maximum sewage flow <sup>3</sup> (millions of gallons) | 224.41      | 215.67     | 242.19     | 268.29     |
| System daily capacity (millions of gallons)                                 | 255.00      | 255.00     | 255.00     | 255.00     |
| <u>Water Utility</u>  |             |            |            |            |
| Average daily consumption (millions of gallons)                             | 204.74      | 220.28     | 204.00     | 194.00     |
| Maximum daily consumption (millions of gallons)                             | 279.47      | 291.17     | 298.00     | 283.00     |
| Total water consumption (millions of gallons)                               | 74,730      | 79,606     | 74,430     | 70,893     |
| Total water deliveries <sup>4</sup> (millions of gallons)                   | 79,486      | 83,202     | 80,100     | 77,014     |

Footnotes:

<sup>1</sup> Historical data for prior years is unavailable.

<sup>2</sup> Estimated figure

<sup>3</sup> The National Pollutant Discharge Elimination System (NPDES) permitted treatment capacity is the sum of the design Average Annual Daily Flows (AADF) for Point Loma Wastewater Treatment Plant (PLWTP) and South Bay Water Reclamation Plant (SBWRP). There is no permit restriction for Maximum Daily Flow at PLWTP as long as the AADF is not exceeded. The Peak Wet Weather Flow is the hydraulic capacity of the Point Loma Ocean Outfall.

<sup>4</sup> Includes filtered and raw water

Source: Citywide departments

**City of San Diego**  
**Capital Asset Statistics by Function (Unaudited)**  
**Last Ten Fiscal Years**

| Function  | Fiscal Year |         |         |         |
|---|-------------|---------|---------|---------|
|   | 2000        | 2001    | 2002    | 2003    |
| <u>Public Safety - Police</u>                           |             |         |         |         |
| Stations  | 9           | 10      | 10      | 10      |
| <u>Public Safety - Fire and Life Safety</u>             |             |         |         |         |
| Fire stations   | 43          | 43      | 43      | 43      |
| <u>Parks, Recreation, Culture and Leisure</u>           |             |         |         |         |
| Park and recreation sites <sup>1</sup>                  | 416         | 416     | 444     | 460     |
| <u>Transportation</u>                                   |             |         |         |         |
| Miles of streets -asphalt,concrete, & dirt <sup>2</sup> | 3,820       | 3,820   | 3,112   | 2,985   |
| <u>Airports</u>   |             |         |         |         |
| Municipal airports                                      | 2           | 2       | 2       | 2       |
| <u>Golf Course</u>                                      |             |         |         |         |
| Municipal golf courses <sup>3</sup>                     | 9           | 9       | 9       | 10      |
| <u>Sewer Utility</u>                                    |             |         |         |         |
| Miles of sewers   | 2,592       | 2,610   | 2,620   | 2,950   |
| Sewer service laterals                                  | 263,107     | 265,212 | 266,342 | 268,372 |
| <u>Water Utility</u>                                    |             |         |         |         |
| Miles of water distribution mains                       | 3,125       | 3,139   | 3,157   | 3,280   |
| Water meters in service                                 | 261,361     | 263,468 | 266,627 | 267,845 |
| Fire hydrants   | 23,399      | 23,476  | 23,844  | 24,145  |

Footnotes:

<sup>1</sup> Statistics for fiscal years 2000-2003 were based on the number of parks, squares, and recreation centers. The department updated the statistics for overall park and recreation sites onward from fiscal year 2004.

<sup>2</sup> In prior years, miles of streets also included alleys and dirt streets. Since FY 2006, Transportation provided the statistic only for miles of asphalt and concrete streets.

<sup>3</sup> Includes City operated as well as leased golf courses.

Sources: Comprehensive Annual Financial Reports, Citywide departments

Table 19

| Fiscal Year |         |         |         |         |         |
|-------------|---------|---------|---------|---------|---------|
| 2004        | 2005    | 2006    | 2007    | 2008    | 2009    |
| 10          | 10      | 10      | 10      | 10      | 10      |
| 45          | 45      | 45      | 46      | 47      | 47      |
| 363         | 367     | 370     | 380     | 380     | 384     |
| 2,985       | 2,800   | 2,685   | 2,700   | 2,721   | 2,721   |
| 2           | 2       | 2       | 2       | 2       | 2       |
| 10          | 10      | 10      | 10      | 10      | 10      |
| 3,028       | 3,030   | 2,993   | 3,018   | 3,076   | 3,023   |
| 270,365     | 271,284 | 271,445 | 274,014 | 273,081 | 273,438 |
| 3,317       | 3,319   | 3,336   | 3,381   | 3,263   | 3,281   |
| 270,022     | 271,204 | 272,466 | 273,304 | 278,692 | 274,310 |
| 24,428      | 24,600  | 24,661  | 24,905  | 25,003  | 25,023  |

