

**COMBINED ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
RELATING TO**

**\$205,000,000**

**CONVENTION CENTER EXPANSION FINANCING AUTHORITY**

**Lease Revenue Bonds Series 1998A  
(City of San Diego, California as Lessee)  
(CUSIP Number [79727L](#))**

**\$25,070,000**

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO**

**Lease Revenue Bonds, Series 2002B  
(Fire and Life Safety Facilities Project)  
(CUSIP Number [797299](#))**

**\$15,255,000**

**CITY OF SAN DIEGO/MTDB AUTHORITY**

**2003 Lease Revenue Refunding Bonds  
(San Diego Old Town Light Rail Transit Extension Refunding)  
(CUSIP Number [797448](#))**

**\$17,425,000**

**CITY OF SAN DIEGO**

**2003 Certificates of Participation  
(1993 Balboa Park/Mission Bay Park Refunding)  
Evidencing Undivided Proportionate Interest in Lease Payments to be Made by the City of San  
Diego Pursuant to a Lease with the San Diego Facilities and Equipment Leasing Corporation  
(CUSIP Number [797260](#))**

**\$156,560,000**

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO**

**Lease Revenue Refunding Bonds, Series 2007A  
(Ballpark Refunding)  
(CUSIP Number [797299](#))**

**\$167,635,000**

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO**

**Lease Revenue Refunding Bonds, Series 2010A  
(Master Refunding Project)  
(CUSIP Number [797299](#))**

## Introduction

This Annual Report is being provided by the City of San Diego (the "City") on behalf of itself, the San Diego Facilities and Equipment Leasing Corporation (the "Corporation"), the Public Facilities Financing Authority of the City of San Diego (the "PFFA"), the City of San Diego/MTDB Authority (the "MTDB Authority"), and the Convention Center Expansion Financing Authority ("the Convention Center Authority") for the above stated issuances pursuant to Continuing Disclosure Agreements (entered into to allow the respective underwriters to comply with Securities and Exchange Commission Rule 15c2-12) for the Fiscal Year ended June 30, 2011.

This 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").

This Annual Report is provided in accordance with the terms of the Continuing Disclosure Agreements and Certificates, and does not purport to provide full and complete information on the terms of the above stated issuances. The filing of this Annual Report does not constitute or imply any representation that no changes, circumstances or events have occurred since the end of the Fiscal Year to which this Annual Report relates (other than as contained in this Annual Report), or that no other information exists, which may have a bearing on the security for the above stated issuances or an investor's decision to buy, sell or hold the above-stated issuances. Certain information and data provided herein was obtained from sources other than the City ("Outside Information"), as indicated by the source citations. Although the information contained in this Annual Report has been obtained from sources that are believed to be reliable, the City has not independently verified such Outside Information, and the City cannot guarantee its completion or accuracy. Certain of the information presented in this Annual Report may contain forward-looking statements. Forward looking statements may be indicated by forward-looking words such as "may," "will," "should," "expects," "believes," "anticipates," "estimates," or others. Forward-looking statements are subject to a variety of uncertainties that could cause actual results to materially differ from the projected results. No statement in this Annual Report should be construed as a prediction or representation about future financial performance of the City, the Corporation, the PFFA, the Convention Center Authority, or the MTDB Authority.

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

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

the accuracy, completeness, or fairness of any statements other than those obtained in the  
aforementioned locations.

DATED: 3/20, 2012

CITY OF SAN DIEGO

By:   
Jay M. Goldstone  
Chief Operating Officer

Distribution: Wells Fargo Bank, National Association  
BNY Mellon Trust Company  
Ambac Assurance Corporation  
National Public Finance Guarantee Corporation

**Convention Center Lease Revenue Bonds, Series 1998A**  
**Fire and Life Safety Facilities Project Lease Revenue Bonds, Series 2002B**  
**2003 Lease Revenue Refunding Bonds**  
**(San Diego Old Town Light Rail Transit Extension Refunding)**  
**2003 Certificates of Participation (1993 Balboa Park/Mission Bay Park Refunding)**  
**Lease Revenue Refunding Bonds, Series 2007A (Ballpark Refunding)**  
**2010A Master Refunding Bonds**

Annual Report for the Fiscal Year Ended June 30, 2011

As required by the Continuing Disclosure Agreements or Certificates for the issuances covered by this Annual Report, below are updates of the required certain tabular information from the Official Statements and updates of information under the captions "Labor Relations," "Pension Plan," "Public Liability Insurance," and "Investment of Funds."

The City of San Diego's Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2011 ("CAFR"), which includes the City's Fiscal Year 2011 audited financial statements was electronically transmitted to the Electronic Municipal Market Access ("EMMA") System of the Municipal Securities Rulemaking Board ("MSRB") on March 1, 2012.

**1. Transient Occupancy Tax**

*Refer to the Unaudited Statistical Section, Table 2 "Changes in Net Assets," to the Fiscal Year 2011 CAFR.*

**2. Building Permit Valuations and Number of Dwelling Units**

**CITY OF SAN DIEGO**  
**ASSESSED VALUE AND CONSTRUCTION PERMIT VALUATION**  
**Fiscal Years 2007 through 2011**  
**(\$ in thousands)**  
**(unaudited)**

| Fiscal<br>Year | Residential <sup>(1)</sup> |                                  | Non-Residential <sup>(2)</sup> |                                  | Total Permit<br>Assessed Value<br>Estimate <sup>(3)</sup> |
|----------------|----------------------------|----------------------------------|--------------------------------|----------------------------------|---|
|                | Dwelling Units             | Assessed<br>Value <sup>(3)</sup> | Permits                        | Assessed<br>Value <sup>(3)</sup> |   |
| 2007           | 3,540                      | \$ 587,520                       | 217                            | \$ 1,035,183                     | \$ 1,622,703  |
| 2008           | 2,228                      | \$ 437,934                       | 175                            | \$ 931,648                       | \$ 1,369,582  |
| 2009           | 1,117                      | \$ 202,268                       | 138                            | \$ 576,879                       | \$ 779,147  |
| 2010           | 1,147                      | \$ 234,868                       | 76                             | \$ 368,098                       | \$ 602,966  |
| 2011           | 2,024                      | \$ 342,598                       | 98                             | \$ 818,627                       | \$ 1,161,225  |

*(footnotes to Table appear on next page)*

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- (1) Residential reflects construction of new structures.
  - (2) Non-residential reflects construction of new structures whose intended use includes commercial, industrial, and other uses. Each permit is a separate structure.
  - (3) Valuation figures only include valuation of newly created structures. These figures do not include minor modification work such as interior remodels, reroofs, etc. Total Permit Assessed Value is an estimate determined at time of permit issuance; actuals may vary.

Source: Development Services Department, City of San Diego; Permit Tracking System Database

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### 3. Balance Sheet For The General Fund

**CITY OF SAN DIEGO**  
**BALANCE SHEET FOR THE GENERAL FUND**  
**Fiscal Years Ended June 30, 2007 through 2011**  
**(in thousands)**  
**(audited)**

|  | <u>2007</u>      | <u>2008</u>      | <u>2009</u>      | <u>2010</u>      | <u>2011</u>      |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>ASSETS</b>  |                  |                  |                  |                  |                  |
| Cash or Equity in Pooled Cash & Investments <sup>(1)</sup> | \$97,347         | \$91,439         | \$86,667         | \$101,059        | \$222,352        |
| Receivables:   |                  |                  |                  |                  |                  |
| Taxes – Net  | 73,296           | 76,527           | 69,438           | 67,070           | 66,170           |
| Accounts – Net <sup>(1)</sup>                              | 11,103           | 11,195           | 13,891           | 8,569            | 12,359           |
| Claims – Net   | 88               | 78               | 130              | 214              | 214              |
| Accrued Interest   | 3,466            | 2,395            | 906              | 493              | 498              |
| Grants <sup>(1)</sup>                                      | --               | --               | --               | --               | 1                |
| From Other Funds <sup>(2)</sup>                            | 1,475            | 1,600            | 1,500            | 1,000            | 6,510            |
| Investment in Joint Venture                                | 2,097            | 1,981            | 1,824            | 1,688            | 2,055            |
| Advances to Other Funds                                    | 300              | --               | --               | --               | --               |
| Advances to Other Agencies                                 | 9                | 9                | --               | --               | 45               |
| Land Held for Resale <sup>(1)</sup>                        | --               | --               | --               | --               | 9,403            |
| Prepaid Items <sup>(3)</sup>                               | 81               | 82               | 886              | --               | --               |
| Cash and Investments for TRANS Repayment <sup>(4)</sup>    | 142,000          | 116,383          | --               | --               | --               |
| <b>Total Assets</b>  | <b>\$331,262</b> | <b>\$301,689</b> | <b>\$175,242</b> | <b>\$180,093</b> | <b>\$319,607</b> |
| <b>LIABILITIES</b>   |                  |                  |                  |                  |                  |
| Accounts Payable <sup>(3)(5)</sup>                         | \$9,112          | \$8,005          | \$3,789          | \$15,446         | \$16,765         |
| Accrued Wages and Benefits <sup>(1)</sup>                  | 23,881           | 22,265           | 27,642           | 27,469           | 36,475           |
| Due to Other Funds <sup>(6)</sup>                          | --               | 2,479            | 2,095            | 220              | --               |
| Due to Other Agencies                                      | --               | --               | --               | 17               | 26               |
| Unearned Revenue <sup>(7)</sup>                            | 903              | 784              | 663              | --               | 2,563            |
| Deferred Revenue   | 23,318           | 27,375           | 26,661           | 21,558           | 17,661           |
| Contracts and Notes Payable <sup>(4)</sup>                 | 142,000          | 116,000          | --               | 360              | 369              |
| <b>Total Liabilities</b>                                   | <b>\$199,214</b> | <b>\$176,908</b> | <b>\$60,850</b>  | <b>\$65,070</b>  | <b>\$73,859</b>  |
| <b>FUND EQUITY</b>   |                  |                  |                  |                  |                  |
| <b>Post-GASB 54 Fund Balances<sup>(1)(8)</sup></b>         |                  |                  |                  |                  |                  |
| Nonspendable   |                  |                  |                  |                  | --               |
| Restricted   |                  |                  |                  |                  | 145,880          |
| Committed  |                  |                  |                  |                  | 1,183            |
| Assigned   |                  |                  |                  |                  | 38,153           |
| Unassigned   |                  |                  |                  |                  | 60,532           |
| <b>Total Fund Equity</b>                                   |                  |                  |                  |                  | <b>\$245,748</b> |
| <b>Total Liabilities &amp; Fund Equity</b>                 |                  |                  |                  |                  | <b>\$319,607</b> |
| <b>Pre-GASB 54</b>   |                  |                  |                  |                  |                  |
| Reserves:  |                  |                  |                  |                  |                  |
| Reserved for Encumbrances <sup>(9)</sup>                   | \$33,452         | \$43,853         | \$32,071         | \$6,307          |                  |
| Reserved for Advances & Deposits                           | 309              | 9                | --               | --               |                  |
| Reserved for Investment in Joint Venture                   | 2,097            | 1,981            | 1,824            | 1,689            |                  |
| Unreserved:  |                  |                  |                  |                  |                  |
| Designated for Unrealized Gains <sup>(10)</sup>            | --               | 2,737            | 1,943            | 1,816            |                  |
| Designated for Subsequent Years' Expenditures              | 1,159            | 862              | 207              | 197              |                  |
| Undesignated <sup>(11)</sup>                               | 95,031           | 75,339           | 78,347           | 105,014          |                  |
| <b>Total Fund Equity</b>                                   | <b>\$132,048</b> | <b>\$124,781</b> | <b>\$114,392</b> | <b>\$115,023</b> |                  |
| <b>Total Liabilities &amp; Fund Equity</b>                 | <b>\$331,262</b> | <b>\$301,689</b> | <b>\$175,242</b> | <b>\$180,093</b> |                  |

(footnotes (unaudited) to Table appear on next page)

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- (1) The increase in Fiscal Year 2011 is primarily due to the consolidation of previously reported special revenue funds with the General Fund, pursuant to Government Accounting Services Board Statement No. 54 ("GASB 54"). For comparison purposes, the following represents Fiscal Year 2011 balances had GASB 54 not been implemented: Assets (\$186,344); Liabilities (\$68,453); and Equity (\$117,891).
  - (2) Due From Other Funds increased in Fiscal Year 2011 resulting from a loan to the TransNet fund. This loan was repaid in Fiscal Year 2012 and was executed to cover a negative cash balance resulting from the timing of TransNet receipts.
  - (3) Fiscal Year 2009 year-end Prepaid Items increased due to prepayment of July rents.
  - (4) Fiscal Years 2009, 2010, and 2011 TRANs were issued and repaid within the same Fiscal Year, while Fiscal Year 2007 and 2008 TRANs were 13 month notes.
  - (5) The increase to the Accounts Payable in Fiscal Years 2010 and 2011 is due to the change in processing Good Receipts/Invoice Receipts documents in the Enterprise Resource Planning (ERP) financial system. The ERP financial system was implemented in Fiscal Year 2010.
  - (6) In Fiscal Year 2010, Due to Other Funds decreased due to a \$2.1 million reversal of a San Diego Data Processing Corporation ("SDDPC") accrual for Fiscal Year 2009. The SDDPC accrual was recorded as Due to Other Funds in Fiscal Years 2008 and 2009; however, this accrual was recorded as an Account Payable in Fiscal Year 2010 due to a reconfiguration of the financial statement compilation process resulting from the new ERP implementation.
  - (7) The Redevelopment Agency transferred an estimated amount of tax sharing payments given the uncertainty of the California legislation of the Redevelopment Agency. The payment has been earned in Fiscal Year 2012.
  - (8) Due to the GASB 54 implementation, fund balances in Fiscal Year 2011 are reported in five classifications: Nonspendable, Restricted, Committed, Assigned and Unassigned.
  - (9) In Fiscal Years 2009 and 2010, encumbrances decreased as a result of a new financial policy which requires encumbrances greater than two years old to be released. Additionally, encumbrances which are carried forward from a prior Fiscal Year do not carry forward with budget appropriations; instead the current year budget is appropriated and expended.
  - (10) Beginning in Fiscal Year 2008, a decrease in interest rates led to an increase in the price of fixed income securities, which resulted in unrealized gains. In Fiscal Year 2009, a significant amount of the City's unrealized gains were realized through the City Pool's normal rebalancing process, resulting in an overall decrease in Designated for Unrealized Gains at year-end.
  - (11) The increase in Fiscal Year 2010 Undesignated Fund Balance results from a one-time decrease in encumbrances resulting from the implementation of the new financial policy concerning encumbrances. Also see footnote number 9 above.

Source: Table: Fiscal Years 2007 - 2011 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego  
Footnotes: Comptroller's Office, City of San Diego

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#### 4. Statement of Revenues, Expenditures and Changes In Fund Balance For The General Fund

**CITY OF SAN DIEGO**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE FOR THE GENERAL FUND**  
**Fiscal Years Ended June 30, 2007 through 2011**  
**(in thousands)**

|  | (audited)        |                    |                    |                    |                    |
|--|------------------|--------------------|--------------------|--------------------|--------------------|
|  | 2007             | 2008               | 2009               | 2010               | 2011               |
| <b>REVENUES:</b>   |                  |                    |                    |                    |                    |
| Property Taxes <sup>(1)</sup>  | \$361,062        | \$384,273          | \$398,743          | \$391,382          | \$384,023          |
| Sales Taxes <sup>(2)</sup>   | 233,385          | 235,579            | 212,918            | 192,650            | 215,873            |
| Transient Occupancy Taxes <sup>(3)</sup>   | 80,703           | 83,730             | 73,765             | 65,222             | 73,399             |
| Other Local Taxes  | 74,069           | 71,594             | 72,432             | 73,260             | 70,994             |
| Licenses and Permits   | 31,475           | 33,815             | 31,249             | 28,024             | 28,621             |
| Fines, Forfeitures and Penalties   | 40,346           | 31,083             | 32,467             | 30,179             | 31,598             |
| Revenues from Federal Agencies <sup>(4)</sup>  | 5,066            | 4,086              | 4,268              | 2,859              | 1,431              |
| Revenues from Other Agencies <sup>(5)</sup>  | 16,644           | 14,236             | 8,915              | 6,007              | 8,773              |
| Revenues from Private Sources <sup>(6)</sup>   | --               | --                 | --                 | 14                 | 1,016              |
| Revenues from Use of Money and Property <sup>(6)</sup>   | 42,157           | 44,577             | 41,461             | 40,615             | 49,923             |
| Charges for Current Services <sup>(6)</sup>  | 85,026           | 87,263             | 133,117            | 127,536            | 181,006            |
| Other Revenue <sup>(7)</sup>   | 2,730            | 3,297              | 5,296              | 7,859              | 4,505              |
| <b>Total Revenues</b>  | <b>\$972,663</b> | <b>\$993,533</b>   | <b>\$1,014,631</b> | <b>\$965,607</b>   | <b>\$1,051,162</b> |
| <b>EXPENDITURES:</b>   |                  |                    |                    |                    |                    |
| Current:   |                  |                    |                    |                    |                    |
| General Government and Other Support Services <sup>(6)</sup>   | \$189,203        | \$225,570          | \$243,057          | \$230,270          | \$259,782          |
| Neighborhood Services <sup>(6)</sup>   | 18,339           | 18,563             | 17,255             | 15,845             | 25,767             |
| Public Safety  | 517,522          | 562,975            | 584,986            | 563,475            | 574,248            |
| Parks, Recreation and Culture  | 112,967          | 119,125            | 116,391            | 121,269            | 114,375            |
| Transportation <sup>(6)</sup>  | 59,516           | 66,162             | 72,635             | 62,884             | 42,704             |
| Sanitation and Health  | 39,391           | 48,995             | 67,867             | 73,461             | 66,320             |
| Capital Projects <sup>(9)</sup>  | --               | --                 | --                 | --                 | 776                |
| Debt Service:  |                  |                    |                    |                    |                    |
| Principal Retirement <sup>(6)(10)</sup>  | 2,604            | 2,204              | 818                | 2,640              | 10,391             |
| Interest <sup>(6)</sup>  | 6,519            | 5,720              | 3,106              | 2,888              | 5,030              |
| <b>Total Expenditures</b>  | <b>\$946,061</b> | <b>\$1,049,314</b> | <b>\$1,106,115</b> | <b>\$1,072,732</b> | <b>\$1,099,393</b> |
| EXCESS (DEFICIENCY) OF REVENUES (UNDER) OVER EXPENDITURES  | (26,602)         | (55,781)           | (91,484)           | (107,125)          | (48,231)           |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                  |                    |                    |                    |                    |
| Transfers from Proprietary Funds <sup>(11)</sup>   | 4,181            | 5,896              | 6,267              | 5,723              | 1,983              |
| Transfers from Other Funds <sup>(6)(12)</sup>  | 86,980           | 94,562             | 105,059            | 140,595            | 158,874            |
| Transfers to Proprietary Funds <sup>(13)</sup>   | (1,373)          | (5,358)            | (4,043)            | (10,157)           | (2,852)            |
| Transfers to Other Funds <sup>(6)(14)</sup>  | (46,018)         | (46,470)           | (26,031)           | (28,426)           | (22,601)           |
| Net Income (Loss) from Joint Venture   | 35               | (116)              | (157)              | --                 | --                 |
| Proceeds from the Sale of Capital Assets   | --               | --                 | --                 | 21                 | --                 |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>  | <b>\$43,805</b>  | <b>\$48,514</b>    | <b>\$81,095</b>    | <b>\$107,756</b>   | <b>\$135,404</b>   |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 70,407           | (7,267)            | (10,389)           | 631                | 87,173             |
| <b>FUND BALANCE AT JULY 1</b>  | <b>61,641</b>    | <b>132,048</b>     | <b>124,781</b>     | <b>114,392</b>     | <b>158,575</b>     |
| <b>FUND BALANCE AT FOLLOWING JUNE 30</b>   | <b>\$132,048</b> | <b>\$124,781</b>   | <b>\$114,392</b>   | <b>\$115,023</b>   | <b>\$245,748</b>   |

(footnotes (unaudited) to Table appear on next page)



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- (1) Property Tax revenue decreased in Fiscal Year 2011 mainly due to the downturn in the real estate market.
  - (2) Sales Tax revenue decreased by approximately \$22.7 million in Fiscal Year 2009 and by approximately \$20.3 million in Fiscal Year 2010 due to the economic downturn. Sales Tax revenue increased by approximately \$23.2 million in Fiscal Year 2011 primarily due to an improvement in consumer spending.
  - (3) Includes the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy) only; the balance (5.0% of the 10.5% levy) is allocated to Special Promotional Programs. Of this 5% balance, approximately 1% may be budgeted in the General Fund as discretionary revenue and for Special Promotional Programs in the General Fund. Transient Occupancy Tax revenue increased in Fiscal Year 2011 due to an improvement in the tourism market.
  - (4) The decrease in Revenues from Federal Agencies for Fiscal Year 2011 was primarily due to the timing of receiving money from the Federal Agencies.
  - (5) Revenue from Other Agencies decreased from Fiscal Year 2008 through Fiscal Year 2010 principally due to a decrease in revenue from California State Grants related to the 2007 October Wildfires.
  - (6) Due to the GASB 54 implementation, many of the special funds were consolidated with the General Fund Financial Statements in Fiscal Year 2011.
  - (7) Other Revenue increased due to a reimbursement from COPS grants for prior year Police expenditures. Other Revenue increased in Fiscal Year 2010 due to a reimbursement from Citizens Options for Public Safety grants for prior year Police expenditures in Fiscal Year 2009.
  - (8) Transportation decreased in Fiscal Year 2011 primarily due to a shift of non-contract street work expenditures. Typically the expenditures are funded by the General Fund and reimbursed by Gas Tax, but in Fiscal Year 2011 they were shifted to the Proposition 42 Fund. The shift was due to delays from the State; most of the Fiscal Year 2010 Proposition 42 transportation funding was received in the fourth quarter of Fiscal Year 2010. Proposition 42 funds must be spent by the end of the following fiscal year; leaving only 12 months to expend the funds before they expire. Transportation increased in Fiscal Year 2009 due to the consolidation of the Engineering & Capital Projects Department into the General Fund. In Fiscal Year 2010, the Streets Division had a decrease of \$11.9 million in non-personnel expenditures.
  - (9) Due to a perspective change, capital expenditures (comprised of equipment purchased by several different departments) are shown separately from other operational expenditures in Fiscal Year 2011.
  - (10) The decrease in Principal Retirement in Fiscal Year 2009 was due to the Police Leases being funded from the Seized Asset fund instead of the General Fund. Principal Retirement increased in Fiscal Year 2010 due to Principal Payments for Public Safety Communications Project being paid out of the General Fund, instead of the Seized Asset Fund. Also, the City made its first principal payment on Lease 435 (A lease for the purchase of a fire helicopter) out of the General Fund.
  - (11) Transfer from Proprietary Funds decreased in Fiscal Year 2011 primarily due to market fluctuation.
  - (12) Increase in Transfers from Other Funds in Fiscal Year 2010 is primarily due to the McGuigan Loan Settlement Modification. The City executed an Agreement Regarding Purchase of McGuigan Judgment with Bank of America, N.A. (BANA) that allowed BANA to satisfy the remaining balance of \$32.8 million from the William J. McGuigan Judgment by making a contribution to SDCERS, in the same amount, in excess of the ARC. The City was then obligated to repay BANA starting on July 1, 2011 and for the following three years.
  - (13) The Public Liability Reserve transfer was not budgeted for Fiscal Year 2011. The variance between Fiscal Year 2010 and Fiscal Year 2011 in Transfers to Proprietary Funds is primarily due to this transfer not occurring.
  - (14) The majority of the variance between Fiscal Year 2009 and Fiscal Year 2008 in Transfers to Other Funds is due to the transfers in Fiscal Year 2008 to Capital Improvement Funds from the Storm Water Department and Streets Division. These transfers did not reoccur in Fiscal Year 2009.

Source: Table: Fiscal Years 2007 - 2011 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego  
Footnotes: Comptroller's Office, City of San Diego

## 5. Operating Budget Summary

**CITY OF SAN DIEGO  
OPERATING BUDGET SUMMARY  
Fiscal Years 2011-2012  
(in thousands)**

|   | <i>Fiscal Year<br/>2011</i>                               | <i>Fiscal Year<br/>2012</i> |
|---|---|-----------------------------|
|   | <i>Actuals on a<br/>Budgetary<br/>Basis<sup>(1)</sup></i> | <i>Adopted<br/>Budget</i>   |
| <b>REVENUE SOURCES:</b>   |   |                             |
| Property Tax  | \$384,023   | \$380,909                   |
| Sales Tax <sup>(2)</sup>  | 215,873   | 216,611                     |
| Property Transfer Tax   | 5,448   | 5,148                       |
| Transient Occupancy Tax <sup>(3)</sup>                                    | 73,399  | 74,787                      |
| Licenses and Permits  | 28,621  | 35,220                      |
| Fines, Forfeitures, and Penalties   | 31,598  | 37,675                      |
| Interest Earnings   | 2,362   | 1,888                       |
| Franchises  | 65,546  | 67,809                      |
| Other Rents and Concessions   | 41,873  | 39,164                      |
| Motor Vehicle License Fees  | 6,912   | 3,264                       |
| Revenue from Other Agencies   | 3,291   | 2,584                       |
| Charges for Current Services  | 147,324   | 157,838                     |
| Transfers from Other Funds <sup>(3) (4)</sup>                             | 75,487  | 100,886                     |
| Other Revenue   | <u>4,113</u>  | <u>2,820</u>                |
| <b>Total General Fund Revenues and<br/>Transfers<sup>(5) (6)</sup></b>    | <b><u>\$1,085,870</u></b>                                 | <b><u>\$1,126,603</u></b>   |
| <b>EXPENDITURES:</b>  |   |                             |
| Public Safety   | \$570,655   | \$580,569                   |
| Parks, Recreation, Culture and Leisure                                    | 115,550   | 120,327                     |
| Sanitation and Health   | 66,390  | 67,072                      |
| Transportation  | 43,773  | 77,008                      |
| Neighborhood Services   | 16,578  | 18,564                      |
| General Government and Support  | 237,255   | 208,198                     |
| Capital Projects  | 473   |                             |
| Debt Service <sup>(7)</sup>   | 6,460   | 16,973                      |
| Transfers   | <u>31,158</u>   | <u>39,677</u>               |
| <b>Total General Fund Expenditures and<br/>Transfers<sup>(5)(6)</sup></b> | <b><u>\$1,088,292</u></b>                                 | <b><u>\$1,128,388</u></b>   |

- 
- (1) Actuals on a budgetary basis are prepared using the modified accrual basis of accounting except that (1) encumbrances outstanding at year-end are considered expenditures, (2) the increase/decrease in reserve for advances and deposits are considered as additions/deductions of expenditures, and (3) unrealized gains/losses resulting from the change in fair value of investments, proceeds from capital leases, and net income from joint ventures are excluded.
  - (2) Includes Proposition 172 Safety Sales Tax and "triple flip" in lieu sales tax amounts.
  - (3) Includes the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy) only. The remaining 5%, or \$68.1 million, is budgeted in the Transient Occupancy Tax for Fiscal Year 2012 of which \$28.4 million is budgeted as a transfer to the General Fund in the "Transfers from Other Funds" category.
  - (4) The increase in the "Transfer from Other Funds" category in the Fiscal Year 2012 Adopted Budget is primarily due to one-time revenues.
  - (5) In Fiscal Year 2011, the excess of budgetary expenditures over revenues is primarily the result of outstanding encumbrances as of June 30, 2011.
  - (6) The Fiscal Year 2012 Adopted General Fund expenditures budget does not match the General Fund revenue budget primarily due to the use of fund balance for the Community Projects, Programs, and Services appropriations, budgeted in each Council District. These expenditures are included in the appropriations for Fiscal Year 2012.
  - (7) The increase in debt service budgeted in Fiscal Year 2012 is primarily due to the addition of \$8.0 million of debt service for the General Fund's portion of the McGuigan settlement payment.

Source: Table: Fiscal Year 2011: Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego;  
Fiscal Year 2012: Financial Management, City of San Diego  
Footnotes: Comptroller's Office, City of San Diego, and Financial Management, City of San Diego

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## 6. Assessed Valuation

**CITY OF SAN DIEGO**  
**ASSESSED VALUATION** <sup>(1)(2)(3)</sup>  
**Fiscal Years Ended June 30, 2003 through 2012**  
**(in thousands except for percentages)**  
**(unaudited)**

| <b>Fiscal Year</b> | <b>Secured Property</b> | <b>Unsecured Property</b> | <b>Gross Total</b> | <b>Less Exemptions<sup>(4)</sup></b> | <b>Net Assessed Valuation <sup>(5)</sup></b> | <b>Annual Assessed Valuation % Change</b> |
|--------------------|-------------------------|---------------------------|--------------------|--------------------------------------|--|---|
| 2003               | \$ 96,751,483           | \$6,838,410               | \$103,589,893      | \$4,336,637                          | \$ 99,253,256                                | 8.46                                      |
| 2004               | 105,730,848             | 7,167,011                 | 112,897,859        | 5,171,957                            | 107,725,902                                  | 8.54                                      |
| 2005               | 115,305,637             | 6,724,787                 | 122,030,424        | 4,872,423                            | 117,158,002                                  | 8.76                                      |
| 2006               | 128,935,155             | 7,067,580                 | 136,002,735        | 5,684,279                            | 130,318,456                                  | 11.23                                     |
| 2007               | 142,036,802             | 7,629,006                 | 149,665,808        | 5,867,546                            | 143,798,261                                  | 10.34                                     |
| 2008               | 154,653,913             | 7,410,589                 | 162,064,502        | 6,329,714                            | 155,734,787                                  | 8.30                                      |
| 2009               | 162,580,727             | 7,880,341                 | 170,461,068        | 6,795,274                            | 163,665,794                                  | 5.09                                      |
| 2010               | 161,637,831             | 8,164,394                 | 169,802,225        | 7,157,357                            | 162,644,869                                  | -0.62                                     |
| 2011               | 158,803,280             | 7,873,095                 | 166,676,375        | 7,411,231                            | 159,265,145                                  | -2.08                                     |
| 2012               | 160,568,112             | 7,614,792                 | 168,182,903        | 7,713,035                            | 160,469,868                                  | 0.76                                      |

<sup>(1)</sup> The official date of assessment is the first day of January preceding the Fiscal Year during which taxes are levied. For example, January 1, 2011 is the official assessment date for property taxes due during Fiscal Year 2012.

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

<sup>(3)</sup> The table does not include incremental value for redevelopment project areas (\$16.7 billion for Fiscal Year 2012).

<sup>(4)</sup> Inclusive of homeowners' exemptions.

<sup>(5)</sup> Net assessed valuation for tax purposes.

Source: Fiscal Years 2003 – 2011: Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego  
 Fiscal Year 2012: MuniServices, LLC

## 7. Secured Tax Levies and Collections

*Refer to the Unaudited Statistical Section, Table 8 "Property Tax Levies and Collections," to the Fiscal Year 2011 CAFR.*

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## 8. Principal Property Taxpayers in City Of San Diego

The Table below indicates the ten largest secured and unsecured property taxpayers in the City for the Tax Roll of Fiscal Year 2012. For the Fiscal Year 2011 Tax Roll, refer to the Unaudited Statistical Section, Table 7 "Principal Property Tax Payers," to the Fiscal Year 2011 CAFR.

### PRINCIPAL PROPERTY TAXPAYERS IN CITY OF SAN DIEGO <sup>(1)(2)(3)</sup>

**Tax Roll for Fiscal Year 2012**  
(in thousands except for percentages)  
(unaudited)

| Taxpayers                     | Type of Business | Assessed<br>Valuation <sup>(4)</sup> | Percentage of<br>Net Assessed<br>Valuation <sup>(5)</sup> | Amount<br>of Tax <sup>(6)</sup> |
|-------------------------------|------------------|--------------------------------------|---|---------------------------------|
| Irvine Co.                    | Real Estate      | \$ 1,527,438                         | 0.86%   | \$ 17,229                       |
| Kilroy Realty, LP             | Real Estate      | 1,510,343                            | 0.85  | 17,037                          |
| Qualcomm, Inc                 | Electronics      | 1,344,098                            | 0.76  | 15,161                          |
| San Diego Family Housing, LLC | Real Estate      | 689,756                              | 0.39  | 7,780                           |
| Arden Realty Ltd. Partnership | Real Estate      | 612,156                              | 0.35  | 6,905                           |
| Pfizer, Inc                   | Pharmaceuticals  | 465,970                              | 0.26  | 5,256                           |
| Fashion Valley Mall, LLC      | Developer        | 429,801                              | 0.24  | 4,848                           |
| Seaworld Parks                | Entertainment    | 414,129                              | 0.23  | 4,671                           |
| OCS D Holdings                | Real Estate      | 411,572                              | 0.23  | 4,643                           |
| One Park Boulevard LLC        | Hotel Management | 404,800                              | 0.23  | 4,566                           |
| <b>TOTAL</b>                  |                  | <b><u>\$ 7,810,062</u></b>           | <b><u>4.41%</u></b>                                       | <b><u>\$ 88,097</u></b>         |

<sup>(1)</sup> The official date of assessment is the first day of January preceding the Fiscal Year during which taxes are levied. For example, January 1, 2011 is the official assessment date for property taxes due during Fiscal Year 2012.

<sup>(2)</sup> Utility Companies excluded.

<sup>(3)</sup> The table includes incremental value for redevelopment project areas.

<sup>(4)</sup> Total assessed valuation includes both secured and unsecured property; does not include supplemental assessments.

<sup>(5)</sup> Using total Net Assessed Valuation of \$177.2 billion (includes incremental value for redevelopment project areas) for Fiscal Year 2012.

<sup>(6)</sup> A number of the top 10 property taxpayers have filed various assessment appeals that could result in refunds of prior year taxes paid. The amount of any such refunds is unknown.

Source: MuniServices, LLC

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## 9. Labor Relations

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

As of March 8, 2012, MEA represented approximately 4,603 employees; Local 127 represented approximately 1,713 employees; POA represented approximately 1,808 employees; Local 145 represented approximately 811 employees; Local 911 represented approximately 294 employees; and DCAA represented approximately 142. The City had approximately 754 unrepresented employees.

**Contracts for Fiscal Years 2010 through 2012.** *MEA:* On April 14, 2009, the City Council approved the terms of a labor agreement with MEA for fiscal years 2010 and 2011. The terms included a general salary freeze and a reduction in overall compensation of approximately 6%. MEA implemented its 6% reduction principally through a 52 hour mandatory furlough and a 3% salary reduction or a waiver of the City's 3% match to the employee's mandatory SPSP contribution. On April 25, 2011, the City Council approved a one year extension that continues the 6% reduction through fiscal year 2012.

*Local 127:* On November 29, 2010 the City Council approved the terms of a labor agreement with Local 127 for fiscal years 2011 and 2012. The terms include the continuation of the general salary freeze and a reduction in overall salary of approximately 6% that was imposed on Local 127 in fiscal year 2010. Local 127 implemented its 6% reduction principally through the elimination of a 5.4% retirement offset contribution.

*POA:* On July 12, 2010, the City Council approved the terms of a labor agreement with POA for fiscal years 2011 and 2012. The terms include the continuation of the general salary freeze and a reduction in overall salary of approximately 6% that was imposed on POA in fiscal year 2010. POA implemented its 6% reduction principally through the elimination of a 4.1% retirement offset contribution and a 1.5% salary reduction. The terms reduce the retirement calculation factor for new hires to 3% at 55 with a proportionally reduced retirement factor of 2.5% at age 50 for all employees hired on or after July 1, 2009. Additionally, final compensation for new hires will be calculated using the highest average base salary earned over three one year periods for employees hired on or after January 1, 2012.

*Local 145:* On April 14, 2009, the City Council approved the terms of a labor agreement with Local 145 for fiscal years 2010 and 2011. The terms include a general salary freeze and a reduction in overall compensation of approximately 6%. Local 145 implemented its 6% reduction principally through the elimination of a 4.3% retirement offset contribution. On October 17, 2011, the City Council approved the terms of a labor agreement with Local 145 for fiscal year 2012. The terms include the continuation of the salary freeze and 6% reduction and a reduction in the retirement calculation factor to 3% at 55 with a proportionally reduced retirement factor of 2.5% at age 50 for all new employees. Additionally, final compensation will be calculated using the highest average base salary earned over three one year periods for employees hired after January 1, 2012.

*Local 911:* On June 21, 2010, the City Council approved the terms of a labor agreement with Local 911 for fiscal year 2011. The terms continued the general salary freeze and a reduction in overall compensation of approximately 6% that was implemented in fiscal year 2010. Local 911 implemented its 6% reduction principally through a 52 hour mandatory furlough and a 3% reduction of the retirement offset contribution. The terms reduce the retirement calculation factor to 3% at 55 with a proportionally reduced retirement factor of 2.5% at age 50 for all new employees. Additionally, final compensation will be calculated using the highest average base salary earned over three one year periods for employees hired after June 30, 2011. The terms also eliminated the SPSP benefit for employees hired after January 1, 2011. On October 17, 2011, the City Council approved a one year extension that continued the 6% reduction through fiscal year 2012.

*DCAA:* On April 14, 2009, the City Council approved the terms of a labor agreement with the DCAA for fiscal years 2010 and 2011. The terms include a general salary freeze and a reduction in overall compensation of approximately 6%. DCAA implemented its 6% reduction principally through a 32 hour mandatory furlough and the elimination of a 3.2% retirement offset contribution. On October 17, 2011, the City Council approved a one year extension that continues the 6% reduction through fiscal year 2012.

*Unrepresented:* Unrepresented employees took the same general salary freeze and overall compensation reduction of approximately 6% as other employees. The 6% reduction was principally implemented through a mix of reduced or eliminated retirement offset contributions, salary reductions, or a waiver of the City's 3% match to the employee's mandatory SPSP contribution.

**Retiree Health Agreements.** The City has entered into a 15-year single subject memorandum of understanding with each of its labor organizations regarding reforms to the retiree healthcare benefit for health-eligible employees. The agreement, which cannot be changed until Fiscal Year 2015 at the earliest, caps the City's OPEB contribution at \$57.8 million for Fiscal Years 2012 through 2015, with annual increases of up to 2.5% after 2015.

## 10. Pension Plan and Other Post Employment Benefits

### Pension Plan

The Table below sets forth the City's portion of SDCERS historical funding progress for Fiscal Years 2007 through 2011. In addition, refer to Note 12, "Pension Plans," to the Fiscal Year 2011 CAFR.

**CITY OF SAN DIEGO**  
**SCHEDULE OF FUNDING PROGRESS**  
**Fiscal Years 2007 through 2011**  
**(in thousands)**  
**(unaudited)**

| <b>Valuation Date<br/>(June 30)</b> | <b>Actuarial<br/>Value of Assets</b> | <b>AAL</b>   | <b>Funded Ratio</b> | <b>UAAL</b>  |
|-------------------------------------|--------------------------------------|--------------|---------------------|--------------|
| 2007                                | \$ 4,413,411                         | \$ 5,597,653 | 78.84               | \$ 1,184,242 |
| 2008                                | \$ 4,660,346                         | \$ 5,963,550 | 78.15               | \$ 1,303,204 |
| 2009                                | \$ 4,175,229                         | \$ 6,281,636 | 66.47               | \$ 2,106,407 |
| 2010                                | \$ 4,382,047                         | \$ 6,527,224 | 67.13               | \$ 2,145,177 |
| 2011                                | \$4,739,399                          | \$ 6,917,417 | 68.51               | \$ 2,178,018 |

Source: Fiscal Years 2007 – 2011 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego.

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## Pension Contribution

The Table below sets forth the City's ARC and pension payments for Fiscal Years 2008 through 2012, as well as the amounts related specifically to the General Fund. In addition, refer to Note 12, "Pension Plans," to the Fiscal Year 2011 CAFR.

**CITY OF SAN DIEGO  
PENSION CONTRIBUTION  
Fiscal Years 2008 through 2012  
(in millions)**

| <b>Fiscal Year<br/>ending June 30</b> | <b>ARC<sup>(1)</sup></b> | <b>Total City<br/>Pension Contribution<sup>(2)</sup></b> | <b>General Fund<br/>Pension<br/>Contribution<sup>(3)</sup></b> |
|---------------------------------------|--------------------------|--|--|
| 2008                                  | \$140.1                  | \$166.6  | \$128.7  |
| 2009                                  | \$165.7                  | \$163.6  | \$135.0  |
| 2010                                  | \$155.2                  | \$193.9  | \$152.8  |
| 2011                                  | \$230.9                  | \$230.4  | \$182.9  |
| 2012                                  | \$231.2 <sup>(4)</sup>   | \$232.8  | \$179.9  |

<sup>(1)</sup> Includes core pension Annual Required Contribution ("ARC") and Preservation of Benefits ("POB") Plan ARC. See Note 12 in the City's Fiscal year 2011 CAFR for more information on ARC and POB. Per IRS guidelines, the City may not pre-fund the POB Plan. Therefore, plan contributions may differ from the ARC in any given year. See footnote 2.

<sup>(2)</sup> Fiscal Year 2008: Includes \$137.7 million core pension contribution per SDCERS June 30, 2006 Actuarial Valuation, \$1 million POB Plan contribution, and \$27.9 million in additional voluntary contributions. Fiscal Year 2009: Includes \$161.7 million core pension contribution per SDCERS June 30, 2007 Actuarial Valuation, \$1.2 million POB Plan contribution, and \$700,000 in additional voluntary contributions. Fiscal Year 2010: Includes \$154.2 million core pension contribution per SDCERS June 30, 2008 Actuarial Valuation, \$1.4 million POB Plan contribution, and \$38.3 million in additional contributions related to the McGuigan Settlement. Fiscal Year 2011: Includes \$229.1 million core pension contribution per SDCERS June 30, 2009 Actuarial Valuation and a \$1.3 million POB Plan contribution. Fiscal Year 2012: Includes \$231.2 million core pension contribution per SDCERS June 30, 2010 Actuarial Valuation and a budgeted \$1.6 million POB Plan contribution.

<sup>(3)</sup> Fiscal Years 2008 through 2011: Audited. Fiscal Year 2012: Budgeted.

<sup>(4)</sup> The POB Plan ARC has not yet been determined for Fiscal Year 2012, and accordingly has not been included.

Source: Table: Fiscal Years 2008 – 2011 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego;  
Fiscal Year 2012 Adopted Budget, Financial Management Department, City of San Diego  
Footnotes: Comptroller's Office, City of San Diego, and Financial Management, City of San Diego

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## Postemployment Healthcare Benefits

The table below sets forth the retiree healthcare ARC and contributions for Fiscal Years 2008 through 2012. In addition, refer to Note 13, "Other Postemployment Benefits," to the Fiscal Year 2011 CAFR.

**CITY OF SAN DIEGO  
RETIREE HEALTH CONTRIBUTIONS  
Fiscal Years 2008 through 2012  
(in millions)**

| Fiscal Year<br>ending June 30 | ARC     | Total City<br>Retiree Health<br>Contribution <sup>(1)(2)</sup> | General Fund<br>Retiree Health<br>Contribution <sup>(1)(2)</sup> |
|-------------------------------|---------|--|--|
| 2008                          | \$ 91.6 | \$53.6   | \$32.5   |
| 2009                          | \$104.5 | \$49.5   | \$34.9   |
| 2010                          | \$113.4 | \$56.7   | \$39.6   |
| 2011                          | \$120.3 | \$58.9   | \$42.1   |
| 2012                          | \$ 98.5 | \$57.8   | \$40.5   |

<sup>(1)</sup> Fiscal Years 2008 through 2011: Audited. Fiscal Year 2012: Budgeted.

<sup>(2)</sup> Includes pay-as-you-go expenses, contribution towards the CalPERS Employment Retirement Benefit Trust (CERBT) beginning in Fiscal Year 2008, and contributions to the Retiree Medical Trust (RMT) beginning in Fiscal Year 2010.

Source: Table: Fiscal Years 2008 through 2011 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego  
Fiscal Year 2012 Adopted Budget, Financial Management Department, City of San Diego

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

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## 11. Public Liability Insurance

Estimated liabilities for public liability claims have been recorded in the Self Insurance Fund, Sewer Utility Fund, and Water Utility Fund. The table below presents both the liability expense and the liability premium payments of the City for all three funds for the years presented. Amounts charged to the General Fund for claims and premiums vary from year to year based on a variety of factors including distribution of claims among responsible funds. In addition, refer to the Letter of Transmittal and Note 15, "Risk Management," to the Fiscal Year 2011 CAFR.

**CITY OF SAN DIEGO  
LIABILITY CLAIMS AND PREMIUMS  
Fiscal Years ended June 30, 2007 through 2011**

| <b>Fiscal Year</b> | <b>Liability Claims<br/>Payments and Settlement<br/>Costs<sup>(1)</sup></b> | <b>Liability Premium<br/>Payments</b> |
|--------------------|---|---------------------------------------|
| 2007               | \$ 31,832,000   | \$ 5,725,972                          |
| 2008               | \$ 28,043,000   | \$ 4,487,500                          |
| 2009               | \$ 25,588,000   | \$ 5,491,130                          |
| 2010               | \$ 20,498,000   | \$ 5,826,611                          |
| 2011               | \$ 26,797,000   | \$ 4,938,794                          |

<sup>(1)</sup> The City's portion of settlement and investigation expenses for third party public liability claims, and other litigation expenses.

Source: Information under tabular heading "Liability Claims Payments and Settlement costs" – Fiscal Years 2007 - 2011 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego  
Information under tabular heading "Liability Premium Payments" - Risk Management Department, City of San Diego

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## 12. Investment of Funds (As of January 31, 2012)

### Pool Liquidity and Other Characteristics

The City Pool (including both the “Liquidity” and the “Core” portfolios) is highly liquid. Based on unaudited month-end data as of January 31, 2012, approximately 11% of the pool investments mature within 62 days, 14% within 92 days, 24% within 184 days, 40% within 1 year, 79% within 2 years, 99% within 3 years, and 100% within 4 years (on a cumulative basis). As of January 31, 2012, the City Pool had a weighted average maturity of 1.33 years (484 days) and its weighted average yield was 0.62%. For purposes of calculating weighted average maturity, the City Treasurer treats investments in the State-wide Local Agency Investment Fund (California State Pool) as maturing within one day. The Liquidity portfolio had a duration of 0.39 years and the Core portfolio had a duration of 1.71 years as of January 31, 2012. Duration is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. Accordingly, the Liquidity portfolio should decrease in market value by 0.39% for every 1% increase in market interest rates while the Core portfolio should decrease in market value by 1.71% for every 1% increase in market interest rates. The City Pool’s composition is designed with a goal of having sufficient liquid funds available to meet disbursement requirements. The composition and value of investments under management in the City Pool will vary from time to time depending on cash flow needs of the City, maturity or sale of investments, purchase of new securities, and fluctuations in interest rates. In addition, refer to Note 3, “Cash and Investments,” to the Fiscal Year 2011 CAFR.

**CITY OF SAN DIEGO POOLED INVESTMENT FUND**  
**at January 31, 2012**  
**(in thousands)**  
**(unaudited)**

| <b>Investment Instrument</b>       | <b>Book Value</b>  | <b>Fair Value</b>  | <b>Percent of Total<sup>(1)</sup></b> |
|------------------------------------|--------------------|--------------------|---------------------------------------|
| U.S. Treasury Notes                | \$ 1,041,332       | \$ 1,047,163       | 45.49%                                |
| Agency Discount Notes              | 80,975             | 81,092             | 3.54                                  |
| Agency Notes & Bonds               | 761,814            | 764,154            | 33.27                                 |
| Commercial Paper                   | 99,764             | 99,634             | 4.36                                  |
| Corporate Notes & Bonds            | 147,892            | 147,655            | 6.46                                  |
| Local Agency Investment Fund       | 49,429             | 49,429             | 2.16                                  |
| Repurchase Agreement               | 45,023             | 45,023             | 1.96                                  |
| Negotiable Certificates of Deposit | 25,000             | 25,010             | 1.09                                  |
| Certificates of Deposit (CDARS)    | 10,000             | 10,000             | 0.44                                  |
| Asset Backed Securities            | 28,160             | 28,160             | 1.23                                  |
| <b>TOTAL INVESTMENTS</b>           | <b>\$2,289,389</b> | <b>\$2,297,320</b> | <b>100.00%</b>                        |

<sup>(1)</sup> Based on book value.

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

### 13. General Obligation and General Fund Lease Obligations

As of June 30, 2011, the City had \$2,240,000 aggregate principal amount of long-term general obligation bonded indebtedness outstanding, \$519,297,000 aggregate principal amount of long-term General Fund lease obligations outstanding, and \$29,035,000 of other obligations outstanding.

The table below provides a schedule, by years, of principal and interest payments required to be made by the City or its oversight entities with respect to future obligations, as of June 30, 2011.

**CITY OF SAN DIEGO**  
**GENERAL OBLIGATION AND GENERAL FUND LEASE OBLIGATIONS <sup>(1)</sup>**  
**As of June 30, 2011**  
**(in thousands)**

| <b>Fiscal Year</b>      | <b>General</b>                    | <b>General Fund</b>                         |                            | <b>Total Principal and</b> |
|-------------------------|-----------------------------------|---|----------------------------|----------------------------|
| <b>Ending June 30</b>   | <b>Obligation</b>                 | <b>Lease</b>                                | <b>Other<sup>(5)</sup></b> | <b>Interest Payable</b>    |
|                         | <b><u>Bonds<sup>(2)</sup></u></b> | <b><u>Obligations<sup>(3) (4)</sup></u></b> |                            |                            |
| 2012                    | \$ 2,314                          | \$ 40,764                                   | \$ 7,971                   | \$ 51,049                  |
| 2013                    | 0                                 | 43,064                                      | 7,971                      | 51,035                     |
| 2014                    | 0                                 | 43,029                                      | 7,971                      | 51,000                     |
| 2015                    | 0                                 | 43,010                                      | 7,971                      | 50,980                     |
| 2016                    | 0                                 | 42,976                                      | 0                          | 42,976                     |
| Thereafter              | <u>0</u>                          | <u>631,822</u>                              | <u>0</u>                   | <u>631,822</u>             |
| Subtotal                | \$ 2,314                          | \$ 844,665                                  | \$ 31,883                  | \$ 878,862                 |
| Less Interest Portion   | <u>(74)</u>                       | <u>(325,368)</u>                            | <u>(2,847)</u>             | <u>(328,289)</u>           |
| Total Principal Portion | <u>\$ 2,240</u>                   | <u>\$ 519,297</u>                           | <u>\$ 29,035</u>           | <u>\$ 550,572</u>          |

<sup>(1)</sup> Unaudited.

<sup>(2)</sup> The 1991 G.O. Bonds final maturity is in Fiscal Year 2012.

<sup>(3)</sup> The 2010A Master Refunding Bonds refunded the outstanding 2009A Deferred CIP Bonds, the 1996B Balboa Park/Mission Bay Park Refunding COPs and the 1996A Qualcomm Stadium Bonds.

<sup>(4)</sup> This category includes the Qualified Energy Conservation Bonds ("QECCBs"). The QECCB lease payments are partially offset by direct cash subsidy payments from the federal government annually over the life of the bonds. For example, the Fiscal Year 2012 subsidy is \$473,410 resulting in a net lease payment of \$1,052,656 after accounting for the subsidy. The gross lease payment amounts are reflected in the table.

<sup>(5)</sup> Payment on the sale of McGuigan Settlement concerning the court-approved class action settlement in the case of William J. McGuigan v. City of San Diego, et. al. Does not include the additional non-general fund total principal obligation of \$3,276,705 and interest obligation of \$365,476.

Source: Debt Management Department, City of San Diego

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The following provides a summary list of outstanding general obligation bonds, General Fund lease commitments and other obligations as of June 30, 2011.

|  | <b>Principal<br/>Outstanding<sup>(1)</sup><br/>(in thousands)</b> |
|--|---|
| <b><u>General Obligation Bonds</u></b>                                       |   |
| 1991 – Public Safety Communications <sup>(2)</sup>                           | \$ 2,240  |
| <b>Total Principal of General Obligation Bonds</b>                           | <b><u>\$ 2,240</u></b>  |
| <br><b><u>General Fund Lease Commitments</u></b>                             |   |
| <br><i><u>Certificates of Participation</u></i>                              |   |
| 2003 – Balboa Park/Mission Bay Park Capital Improvements Refunding           | \$7,725   |
| <br><i><u>Lease Revenue Bonds</u></i>  |   |
| 1998 – Convention Center Expansion Financing Authority                       | 156,785   |
| 2002 – Fire and Life Safety Facilities Project                               | 21,150  |
| 2003 – City/MTDB Authority for Old Town Trolley Extension Refunding          | 10,745  |
| 2007 – Ballpark Project  | 142,115   |
| 2010A – Master Refunding Bonds <sup>(3)</sup>                                | 167,635   |
| 2011 – Qualified Energy Conservation Bonds (Broad Spectrum Street Lightning) | <u>13,142</u>   |
| <b>Total Principal of General Fund Lease Commitments</b>                     | <b><u>\$519,297</u></b>   |
| <br><b><u>Other</u></b>  |   |
| McGuigan Settlement Modification   | \$29,035 <sup>(4)</sup>   |
| <b>Total Other</b>   | <b><u>\$29,035</u></b>  |
| <br><b>Total Principal Outstanding</b>                                       | <br><b><u>\$550,572</u></b>                                       |

<sup>(1)</sup> Unaudited.

<sup>(2)</sup> The 1991 G.O. Bonds final maturity is in Fiscal Year 2012.

<sup>(3)</sup> The 2010A Master Refunding Bonds refunded the outstanding 2009A Deferred CIP Bonds, the 1996B Balboa Park/Mission Bay Park Refunding COPs and the 1996A Qualcomm Stadium Bonds.

<sup>(4)</sup> Does not include the additional non-general fund total principal obligation of \$3,276,705 related to the McGuigan Settlement Modification.

Source: Debt Management Department, City of San Diego

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## 14. Short-Term Borrowings

The City issued annual tax and revenue anticipation notes in anticipation of the receipt of taxes and other General Fund revenues. The following Table presents a 10-year history of the City's tax and revenue anticipation notes:

**CITY OF SAN DIEGO  
GENERAL FUND TAX AND REVENUE ANTICIPATION NOTES  
For Fiscal Years Ended June 30, 2003 through 2012  
(in thousands)**

| Fiscal Year Ended<br><u>June 30</u> | Principal<br><u>Amount</u> <sup>(1)</sup> |
|-------------------------------------|---|
| 2003                                | \$ 93,200                                 |
| 2004                                | \$ 110,900                                |
| 2005                                | \$ 114,000                                |
| 2006                                | \$ 145,000                                |
| 2007                                | \$ 142,000                                |
| 2008                                | \$ 116,000                                |
| 2009                                | \$ 135,000                                |
| 2010                                | \$ 124,070                                |
| 2011                                | \$ 163,165                                |
| 2012                                | \$ 161,000 <sup>(2)</sup>                 |

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<sup>(1)</sup> Principal amounts issued pursuant to Charter Section 92.

<sup>(2)</sup> Private placement consisting of three notes; final note matures on May 31, 2012.

Source: Debt Management Department, City of San Diego

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## 15. Future Minimum Rental Payments

The City has entered into various General Fund lease arrangements under which the City must make annual payments to occupy facilities necessary for City operations. The table below is a schedule by years of future minimum rental payments required under such leases entered into by the City that have initial or remaining noncancellable lease terms in excess of one year, as of June 30, 2011.

**CITY OF SAN DIEGO  
FUTURE MINIMUM RENTAL PAYMENTS  
GENERAL FUND OPERATING LEASE COMMITMENTS<sup>(1)</sup>  
As of June 30, 2011  
(in thousands)**

| <u>Fiscal Year Ending June 30</u> | <u>Rent Payable</u> |
|-----------------------------------|---------------------|
| 2011                              | \$ 8,244            |
| 2012                              | 8,241               |
| 2013                              | 8,366               |
| 2014                              | 6,248               |
| 2015                              | 717                 |
| 2016                              | 529                 |
| 2017                              | 553                 |
| 2018                              | 561                 |
| 2019                              | 587                 |
| 2020                              | 596                 |
| 2021                              | 162                 |
| 2022                              | --                  |
| Total                             | <u>\$34,804</u>     |

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<sup>(1)</sup> Table describes commercial rent payable by the City of San Diego.

Source: Real Estate Assets Department, City of San Diego

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**16. Statement of Direct and Overlapping Bonded Debt**

*Refer to the Unaudited Statistical Section, Table 11 "Direct and Overlapping Debt," to the Fiscal Year 2011 CAFR.*

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17. **CONVENTION CENTER EXPANSION FINANCING AUTHORITY**  
**(STATE: CALIFORNIA) Lease Revenue Bonds, Series 1998A (City of San Diego,**  
**California, as Lessee)**

**SAN DIEGO CONVENTION CENTER**

**Bookings**

During each of the five fiscal years ended June 30, the Convention Center hosted the following types of events, which were attended by the following estimated number of attendees:

| <b>Type of Event</b>         | <b>Fiscal Year Ended June 30 (Unaudited)</b> |             |             |             |             |
|------------------------------|--|-------------|-------------|-------------|-------------|
|                              | <b>2007</b>                                  | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> |
| Conventions with Trade Shows | 50   | 53          | 54          | 57          | 61          |
| Estimated Attendance         | 519,078                                      | 568,153     | 458,485     | 511,452     | 514,221     |
| Conventions Only             | 1  | 2           | 2           | 0           | 2           |
| Estimated Attendance         | 4,968  | 10,413      | 7,962       | 0           | 4,684       |
| Trade Shows only             | 5  | 5           | 5           | 5           | 2           |
| Estimated Attendance         | 44,783                                       | 50,222      | 39,517      | 34,385      | 16,378      |
| Incentive Meetings           | 11   | 7           | 10          | 4           | 4           |
| Estimated Attendance         | 48,260                                       | 19,371      | 33,626      | 11,400      | 22,045      |
| All Others <sup>(1)</sup>    | 153  | 167         | 177         | 99          | 152         |
| Estimated Attendance         | 366,617                                      | 348,067     | 322,879     | 229,166     | 240,536     |
| Total Events                 | <u>220</u>                                   | <u>234</u>  | <u>248</u>  | <u>165</u>  | <u>221</u>  |
| Total Estimated Attendance   | 983,706                                      | 996,226     | 862,469     | 786,403     | 797,864     |

<sup>(1)</sup> Consumer shows, meetings and seminars, community events, local trade shows and food and beverage events.

Source: San Diego Convention Center Corporation

**DEFINITE BOOKINGS OF CONVENTIONS AND TRADE SHOWS, CONVENTIONS ONLY, TRADE**  
**SHOWS ONLY, AND INCENTIVE MEETINGS**  
**Fiscal Year Ending June 30<sup>(1)</sup>**

| <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|-------------|-------------|-------------|-------------|-------------|
| 69          | 69          | 56          | 40          | 33          |

<sup>(1)</sup> The San Diego Convention Center is entitled to collect cancellation fees should any definite bookings cancel.

Source: San Diego Convention Center Corporation, unaudited

**BUDGETING AND FUNDING  
CONVENTION CENTER  
OPERATING RESULTS AND CAPITAL EXPENDITURES  
FOR THE FIVE FISCAL YEARS ENDED JUNE 30  
(in thousands)  
(audited)**

|   | <u>2007</u>       | <u>2008</u>       | <u>2009</u>       | <u>2010</u>       | <u>2011</u>       |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Revenues <sup>(1)</sup>                                 | \$33,874          | \$34,874          | \$31,121          | \$31,700          | \$31,168          |
| Operating Expenses <sup>(2)</sup>                             | (27,526)          | (29,240)          | (29,194)          | (29,331)          | (29,236)          |
| Inter-Entity Transfer<br>Expense <sup>(3)</sup>               | (643)             | --                | --                | --                | --                |
| Phase III Expansion<br>Expenses <sup>(4)</sup>                | --                | --                | (2,087)           | (348)             | --                |
| Depreciation Expense <sup>(5)</sup>                           | (2,292)           | (2,164)           | (2,096)           | (2,117)           | (2,044)           |
| Total Expenses and<br>Capital Expenditures <sup>(2) (5)</sup> | --                | --                | --                | --                | --                |
| Capital/Depr Expenditures                                     | <u>(\$30,461)</u> | <u>(\$31,404)</u> | <u>(\$33,377)</u> | <u>(\$31,796)</u> | <u>(\$31,280)</u> |
| Net Excess/(Deficit)  | \$3,413           | \$3,470           | (\$2,256)         | (\$96)            | (\$112)           |

<sup>(1)</sup> As a result of the change in accounting methodology described in footnote (5) below and due to changes in funding from the City as defined in the Third Amended and Restated Management Agreement Between the City of San Diego and the San Diego Convention Center Corporation (effective for fiscal year 2006), funding received from the City is included in Total Revenues. For the fiscal years ended June 30, 2007 and June 30, 2008, funding from the City included in Total Revenues amounted to \$4,339,198 for each year. For the fiscal years ended June 30, 2009, June 30, 2010 and June 30, 2011, funding amounted to \$4,122,238, \$3,905,278 and \$3,405,278, respectively.

<sup>(2)</sup> Operating Expenses and Capital Expenditures are reported in a manner that reflects the method by which these expenditure categories are reflected in the Corporation's Audited Financial Statements, which is different from the method used for the Official Statement and previously published Continuing Disclosure Annual Reports ("Reports"). Specifically, in addition to leasehold improvement capital expenditures (e.g. improvements that are attached to the building, such as the roof and walls), non-leasehold capital expenditures (e.g. equipment, computers, and furniture) are included in Capital Expenditures instead of in Operating Expenses, as was the case for the Official Statement and the Reports previous to the Annual Report ended June 30, 2002.

<sup>(3)</sup> Includes transfer of restricted funds from the San Diego Convention Center Corporation to San Diego Theatres, Inc. (a subsidiary of the San Diego Convention Center Corporation) for use in restoration projects at the San Diego Civic Theatre.

<sup>(4)</sup> Includes expenses related to comprehensive due diligence work analyzing the feasibility of a major expansion of the Convention Center. Amount includes non-refundable option to purchase interest in a ground lease for the Expansion site.

<sup>(5)</sup> Beginning with fiscal year ended June 30, 2006, the accounting methodology for the San Diego Convention Center Corporation was adjusted from modified accrual to full accrual accounting. As a result, capital expenditures are not recognized while depreciation expense (from capital items) is recognized. For the years ended June 30, 2007, June 30, 2008, June 30, 2009, June 30, 2010 and June 30, 2011, funds used to pay for capital purchases and principal payments on debt associated with capital projects amounted to \$3,206,652, \$2,532,101, \$2,847,510, \$3,387,230 and \$4,842,699, respectively.

Source: San Diego Convention Center Corporation