

**COMBINED ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
RELATING TO**

**\$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](#))**

**\$140,440,000**

**CONVENTION CENTER EXPANSION FINANCING AUTHORITY  
Lease Revenue Refunding Bonds, Series 2012A  
(City of San Diego, California as Lessee)  
(CUSIP Number [79727L](#))**

**\$72,000,000**

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO  
Lease Revenue Bonds, Series 2012A  
(Capital Improvement Projects)  
(CUSIP Number [797299](#))**

**\$18,745,000**

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO  
Lease Revenue Refunding Bonds, Series 2012B  
(Fire and Life Safety Facilities Refunding)  
(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 or Certificates (entered into to allow the respective underwriters to comply with Securities and Exchange Commission Rule 15c2-12) for the Fiscal Year ended June 30, 2012.

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: 4-5, 2013

CITY OF SAN DIEGO

By:   
Greg Bych  
Interim Chief Financial Officer

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

**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**  
**Convention Center Lease Revenue Refunding Bonds, Series 2012A**  
**Lease Revenue Bonds Series 2012A (Capital Improvement Projects)**  
**Fire and Life Safety Facilities Project Lease Revenue Refunding Bonds, Series 2012B**

Annual Report for the Fiscal Year Ended June 30, 2012

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, 2012 (“CAFR”), which includes the City’s Fiscal Year 2012 audited financial statements was electronically transmitted to the Electronic Municipal Market Access (“EMMA”) System of the Municipal Securities Rulemaking Board (“MSRB”) on February 14, 2013.

**1. Transient Occupancy Tax**

*Refer to the Unaudited Statistical Section, Table 2 (pages 284-285) “Changes in Net Assets,” to the Fiscal Year 2012 CAFR.*

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

**CITY OF SAN DIEGO**  
**ASSESSED VALUE AND CONSTRUCTION PERMIT VALUATION**  
**Fiscal Years 2008 through 2012**  
**(\$ in thousands)**  
**(unaudited)**

<b>Fiscal Year</b>	<b>Residential<sup>(1)</sup></b>		<b>Non-Residential<sup>(2)</sup></b>		<b>Total Permit Assessed Value Estimate<sup>(3)</sup></b>
	<b>Dwelling Units</b>	<b>Assessed Value<sup>(3)</sup></b>	<b>Permits</b>	<b>Assessed Value<sup>(3)</sup></b>	
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
2012	2,406	\$ 518,091	113	\$ 1,142,674	\$ 1,660,765

<sup>(1)</sup> Residential reflects construction of new structures.

<sup>(2)</sup> Non-residential reflects construction of new structures whose intended use includes commercial, industrial, and other uses. Each permit is a separate structure.

<sup>(3)</sup> 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

### 3. Balance Sheet For The General Fund

**CITY OF SAN DIEGO**  
**BALANCE SHEET FOR THE GENERAL FUND**  
**Fiscal Years 2008 through 2012**  
**(in thousands)**  
**(audited)**

<b>ASSETS</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Cash or Equity in Pooled Cash & Investments <sup>(1)</sup>	\$91,439	\$86,667	\$101,059	\$222,352	\$236,030
Receivables:					
Taxes – Net <sup>(2)</sup>	76,527	69,438	67,070	66,170	84,110
Accounts – Net <sup>(1)</sup>	11,195	13,891	8,569	12,359	9,846
Claims – Net	78	130	214	214	214
Notes and Loans <sup>(3)</sup>	--	--	--	--	21,094
Accrued Interest	2,395	906	493	498	477
Grants <sup>(1)</sup>	--	--	--	1	--
From Other Funds	1,600	1,500	1,000	6,510	1,600
Investment in Joint Venture	1,981	1,824	1,688	2,055	--
Advances to Other Funds	--	--	--	--	--
Advances to Other Agencies	9	--	--	45	44
Land Held for Resale <sup>(1)</sup>	--	--	--	9,403	7,769
Prepaid Items	82	886	--	--	1,707
Cash and Investments for TRANS Repayment <sup>(4)</sup>	116,383	--	--	--	--
<b>Total Assets</b>	<b>\$301,689</b>	<b>\$175,242</b>	<b>\$180,093</b>	<b>\$319,607</b>	<b>\$362,891</b>
<b>LIABILITIES</b>					
Accounts Payable	\$8,005	\$3,789	\$15,446	\$16,765	\$18,172
Accrued Wages and Benefits <sup>(1)</sup>	22,265	27,642	27,469	36,475	40,838
Due to Other Funds <sup>(5)</sup>	2,479	2,095	220	--	7,769
Due to Other Agencies	--	--	17	26	34
Unearned Revenue	784	663	--	2,563	--
Deferred Revenue	27,375	26,661	21,558	17,661	17,005
Contracts and Notes Payable <sup>(4)</sup>	116,000	--	360	369	523
<b>Total Liabilities</b>	<b>\$176,908</b>	<b>\$60,850</b>	<b>\$65,070</b>	<b>\$73,859</b>	<b>\$84,341</b>
<b>FUND EQUITY</b>					
<b>Post-GASB 54<sup>(1)</sup></b>					
Nonspendable <sup>(6)</sup>				--	\$22,140
Restricted				\$145,880	102,104
Committed <sup>(7)</sup>				1,183	44,831
Assigned <sup>(7)</sup>				38,153	--
Unassigned				60,532	109,475
<b>Total Fund Equity</b>				<b>\$245,748</b>	<b>\$278,550</b>
<b>Total Liabilities &amp; Fund Equity</b>				<b>\$319,607</b>	<b>\$362,891</b>
<b>Pre-GASB 54</b>					
Reserves:					
Reserved for Encumbrances	\$43,853	\$32,071	\$6,307		
Reserved for Advances & Deposits	9	--	--		
Reserved for Investment in Joint Venture	1,981	1,824	1,689		
Unreserved:					
Designated for Unrealized Gains	2,737	1,943	1,816		
Designated for Subsequent Years' Expenditures	862	207	197		
Undesignated	75,339	78,347	105,014		
<b>Total Fund Equity</b>	<b>\$124,781</b>	<b>\$114,392</b>	<b>\$115,023</b>		
<b>Total Liabilities &amp; Fund Equity</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) GASB 54 was implemented in Fiscal Year 2011 causing certain variances between the reporting of Fiscal Year 2010 and Fiscal Year 2011.
  - (2) The increase in Fiscal Year 2012 is a result of a residual balance of property tax from the dissolution of the Redevelopment Agency.
  - (3) The increase in Fiscal Year 2012 was due to the recording of a receivable due from the Successor Agency Trust Fund, as a result of the dissolution of the Redevelopment Agency.
  - (4) Fiscal Years 2009 through 2012 tax and revenue anticipation notes ("TRANs") were issued and repaid within the same Fiscal Year, while the Fiscal Year 2008 TRAN was a 13 month note.
  - (5) The increase in Fiscal Year 2012 was due to the recording of a payable due to the Successor Agency Trust Fund, as a result of the dissolution of the Redevelopment Agency.
  - (6) In Fiscal Year 2012, Nonspendable fund balance increased due to the dissolution of the Redevelopment Agency.
  - (7) A clarification in the implementation guidance of GASB 54 was issued between fiscal years 2011 and 2012. The clarification resulted in the Assigned fund balance moving to Committed.

Source: Table: Fiscal Years 2008 - 2012 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, 2008 through 2012  
(in thousands)  
(audited)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>REVENUES<sup>(1)</sup></b>					
Property Taxes <sup>(2)</sup>	\$384,273	\$398,743	\$391,382	\$384,023	\$408,776
Sales Taxes <sup>(3)</sup>	235,579	212,918	192,650	215,873	227,650
Transient Occupancy Taxes <sup>(4)</sup>	83,730	73,765	65,222	73,399	78,268
Other Local Taxes	71,594	72,432	73,260	70,994	74,818
Licenses and Permits	33,815	31,249	28,024	28,621	31,117
Fines, Forfeitures and Penalties <sup>(5)</sup>	31,083	32,467	30,179	31,598	62,976
Revenues from Federal Agencies	4,086	4,268	2,859	1,431	1,608
Revenues from Other Agencies <sup>(6)</sup>	14,236	8,915	6,007	8,773	969
Revenues from Private Sources	--	--	14	1,016	--
Revenues from Use of Money and Property	44,577	41,461	40,615	49,923	51,679
Charges for Current Services	87,263	133,117	127,536	181,006	181,682
Other Revenue	3,297	5,296	7,859	4,505	6,239
<b>Total Revenues</b>	<b>\$993,533</b>	<b>\$1,014,631</b>	<b>\$965,607</b>	<b>\$1,051,162</b>	<b>\$1,125,782</b>
<b>EXPENDITURES<sup>(1)</sup></b>					
Current:					
General Government and Other Support Services	\$225,570	\$243,057	\$230,270	\$259,782	\$233,122
Neighborhood Services <sup>(7)</sup>	18,563	17,255	15,845	25,767	60,255
Public Safety	562,975	584,986	563,475	574,248	586,663
Parks, Recreation and Culture	119,125	116,391	121,269	114,375	112,569
Transportation	66,162	72,635	62,884	42,704	58,772
Sanitation and Health	48,995	67,867	73,461	66,320	62,874
Capital Projects	--	--	--	776	894
Debt Service:					
Principal Retirement	2,204	818	2,640	10,391	11,580
Interest	5,720	3,106	2,888	5,030	3,580
<b>Total Expenditures</b>	<b>\$1,049,314</b>	<b>\$1,106,115</b>	<b>\$1,072,732</b>	<b>\$1,099,393</b>	<b>\$1,130,309</b>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) OVER EXPENDITURES	(55,781)	(91,484)	(107,125)	(48,231)	(4,527)
<b>OTHER FINANCING SOURCES (USES)<sup>(1)</sup></b>					
Transfers from Proprietary Funds <sup>(8)</sup>	5,896	6,267	5,723	1,983	17,013
Transfers from Other Funds <sup>(9)</sup>	94,562	105,059	140,595	158,874	74,273
Transfers to Proprietary Funds <sup>(10)</sup>	(5,358)	(4,043)	(10,157)	(2,852)	(30,234)
Transfers to Other Funds	(46,470)	(26,031)	(28,426)	(22,601)	(36,390)
Net Income (Loss) from Joint Venture	(116)	(157)	--	--	--
Proceeds from the Sale of Capital Assets	--	--	21	--	3
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$48,514</b>	<b>\$81,095</b>	<b>\$107,756</b>	<b>\$135,404</b>	<b>\$24,665</b>
Extraordinary Gain <sup>(11)</sup>	--	--	--	--	12,664
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(7,267)	(10,389)	631	87,173	32,802
<b>FUND BALANCE AT JULY 1<sup>(12)</sup></b>	<b>132,048</b>	<b>124,781</b>	<b>114,392</b>	<b>158,575</b>	<b>245,748</b>
<b>FUND BALANCE AT FOLLOWING JUNE 30</b>	<b>\$124,781</b>	<b>\$114,392</b>	<b>\$115,023</b>	<b>\$245,748</b>	<b>\$278,550</b>

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

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- (1) GASB 54 was implemented in Fiscal Year 2011 causing certain variances between the reporting of Fiscal Year 2010 and Fiscal Year 2011.
  - (2) Does not include sales tax triple flip or vehicle license fees. Property Tax revenue increased in Fiscal Year 2012 mainly due to the dissolution of Redevelopment Agency.
  - (3) Includes Proposition 172 safety sales tax revenues and sales tax triple flip.
  - (4) Includes the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy) only; the balance (5.0% of the 10.5% levy) is allocated to Special Promotional Programs. Of this 5% balance, approximately 1% may be budgeted in the General Fund as discretionary revenue and for Special Promotional Programs in the General Fund.
  - (5) In Fiscal Year 2012, Fines, Forfeitures, and Penalties increased primarily due to the \$27M settlement awarded to the City of San Diego from SDG&E for the San Diego Wildfires.
  - (6) In Fiscal Year 2012, the decrease in Revenues from Other Agencies was primarily due to the State of California elimination of motor vehicle license Fee revenue.
  - (7) In Fiscal Year 2012, Neighborhood Services expenditures increased due to the 3<sup>rd</sup> Amendment to the Cooperation Agreement (R-04618) authorizing the City to transfer assets from Redevelopment Cooperation Agreement funds to the Successor Agency.
  - (8) In Fiscal Year 2012, the Transfers from Proprietary increased due investments in the Customer Care Solutions application by Public Utilities.
  - (9) In Fiscal Year 2012, the decrease in Transfers From Other Funds was due to the dissolution of Redevelopment Agency.
  - (10) In Fiscal Year 2012, the increase in Transfers to Proprietary Funds is due to a \$27M cash transfer received by SDG&E for the San Diego wildfires. Capital expenditures (comprised of equipment purchased by several different departments) are shown separately from other operational expenditures in Fiscal Year 2011.
  - (11) In Fiscal Year 2012, the extraordinary gain was due to the dissolution of the Redevelopment Agency.
  - (12) The beginning fund balance for Fiscal Year 2011 increased from the ending fund balance for Fiscal Year 2010 due to the consolidation of previously reported special revenue funds with the General Fund, pursuant to GASB 54.

Source: Table: Fiscal Years 2008 - 2012 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego.  
Footnotes: Comptroller's Office, City of San Diego.

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## 5. Operating Budget Summary

### CITY OF SAN DIEGO OPERATING BUDGET SUMMARY Fiscal Years 2012-2013 (in thousands)

	<u>Fiscal Year 2012</u> <u>Actuals on a</u> <u>Budgetary Basis<sup>(1)</sup></u>	<u>Fiscal Year 2013</u> <u>Adopted Budget</u>
<b>REVENUE SOURCES:</b>		
Property Tax	\$408,776	\$387,135
Sales Tax <sup>(2)</sup>	220,277	236,258
Property Transfer Tax	5,747	6,359
Transient Occupancy Tax <sup>(3)</sup>	78,268	81,711
Licenses and Permits	31,117	31,900
Fines, Forfeitures, and Penalties	62,976	31,406
Interest Earnings	930	1,354
Franchises	69,071	71,679
Other Rents and Concessions	45,912	41,216
Motor Vehicle License Fees	--	-
Revenue from Other Agencies	2,573	3,526
Charges for Current Services	177,447	181,413
Transfers from Other Funds <sup>(2)(3)</sup>	80,785	73,421
Other Revenue	5,297	3,838
<b>Total General Fund Revenues and Transfers<sup>(4)</sup></b>	<b><u>\$1,189,176</u></b>	<b><u>\$1,151,216</u></b>
<b>EXPENDITURES:</b>		
Public Safety	\$584,151	\$595,022
Parks, Recreation, Culture and Leisure	114,098	123,613
Sanitation and Health	63,896	67,520
Transportation	60,872	65,549
Neighborhood Services	16,554	19,616
General Government and Support	212,483	220,970
Capital Projects	772	-
Debt Service <sup>(5)</sup>	6,199	16,564
Transfers	88,209	55,089
<b>Total General Fund Expenditures and Transfers<sup>(4)(6)</sup></b>	<b><u>\$1,147,234</u></b>	<b><u>\$1,163,943</u></b>

<sup>(1)</sup> 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.

<sup>(2)</sup> Fiscal 2012 includes Proposition 172 safety sales tax revenue of \$5.0 million. Starting in Fiscal Year 2013, Proposition 172 General Fund portion of safety sales tax revenue (\$6.9 million) is budgeted in the Transfers from Other Funds category.

<sup>(3)</sup> Includes the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy) only. For Fiscal Year 2013, the remaining 5%, or \$74.3 million, is budgeted in the Transient Occupancy Tax Fund, of which \$36.2 million is budgeted as a transfer to the General Fund in the "Transfers from Other Funds" category.

<sup>(4)</sup> In Fiscal Year 2012, the excess of budgetary expenditures over revenues is primarily the result of outstanding encumbrances as of June 30, 2012.

<sup>(5)</sup> The increase in debt service budgeted in Fiscal Year 2013 is primarily due to \$8.0 million of debt service for the General Fund's portion of the McGuigan settlement payment. While the McGuigan settlement payment is categorized in Debt Service for the Fiscal Year 2013 Budget, this line item is categorized in Transfers from Other Funds in the Fiscal Year 2012 actuals.

<sup>(6)</sup> The Fiscal Year 2013 Adopted General Fund expenditures budget does not match the General Fund revenue budget due to re-budgeting Fiscal Year 2012 savings in City Council Offices for Fiscal Year 2013 Community Projects, Programs, and Services appropriations per Council Policy 100-06; re-budgeting unused Fiscal Year 2012 funding for the Kinder Morgan Litigation, for Deferred Capital Projects and for Community Plan Updates in Fiscal Year 2013.

Source: Table: Fiscal Year 2012: Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego; Fiscal Year 2013: Financial Management, City of San Diego.

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



## 6. Assessed Valuation

**CITY OF SAN DIEGO**  
**ASSESSED VALUATION** <sup>(1)(2)(3)</sup>  
**Fiscal Years Ended June 30, 2004 through 2013**  
**(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>
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
2013	159,731,138	7,784,851	167,515,989	7,883,818	159,632,171	-0.52

<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, 2012 is the official assessment date for property taxes due during Fiscal Year 2013.

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

<sup>(3)</sup> The table does not include incremental value for redevelopment project areas (\$16.9 billion for Fiscal Year 2013).

<sup>(4)</sup> Reflects homeowners' exemptions, which provide for a reduction of \$7,000 off the assessed value of a qualifying residence. The result is an annual property tax reduction of approximately \$70 for a qualifying homeowner.

<sup>(5)</sup> Net assessed valuation for tax purposes. Net assessed valuation reflects a reduction for homeowners exemptions (see footnote 4 above).

Source: Fiscal Years 2004 – 2012: Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego  
 Fiscal Year 2013: MuniServices, LLC

## 7. Secured Tax Levies and Collections

*Refer to the Unaudited Statistical Section, Table 8 (page 295) "Property Tax Levies and Collections," to the Fiscal Year 2012 CAFR.*

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

*For the Fiscal Year 2012 Tax Roll, refer to the Unaudited Statistical Section, Table 7 (page 293) "Principal Property Tax Payers," to the Fiscal Year 2012 CAFR.*

The Table below indicates the ten largest secured and unsecured property taxpayers in the City for the Tax Roll of Fiscal Year 2013.

**PRINCIPAL PROPERTY TAXPAYERS IN CITY OF SAN DIEGO** <sup>(1)(2)(3)</sup>  
**Tax Roll of Fiscal Year 2013**  
**(in thousands except for percentages)**  
 (unaudited)

<b>Taxpayers</b>	<b>Type of Business</b>	<b>Assessed Valuation<sup>(4)</sup></b>	<b>Percentage of Net Assessed Valuation<sup>(5)</sup></b>	<b>Amount of Tax<sup>(6)</sup></b>
Kilroy Realty, LP	Real Estate	\$ 1,506,263	0.85%	\$ 16,743
Irvine Co.	Real Estate	1,454,270	0.82	16,165
Qualcomm, Inc	Electronics	1,313,238	0.74	14,597
Sunstone Park	Real Estate	782,232	0.44	8,695
Host Hotels Resorts LP	Hotel Management	765,593	0.43	8,510
Arden Realty Ltd. Partnership	Real Estate	469,184	0.27	5,215
Fashion Valley Mall, LLC	Developer	467,185	0.26	5,193
Pfizer, Inc	Pharmaceuticals	464,537	0.26	5,163
OCSD Holdings	Real Estate	444,560	0.25	4,941
Seaworld Parks	Entertainment	429,109	0.24	4,770
<b>TOTAL</b>		<b>\$ 8,096,170</b>	<b>4.59%</b>	<b>\$ 89,991</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, 2012 is the official assessment date for property taxes due during Fiscal Year 2013.  
<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 \$176.5 billion (includes incremental value for redevelopment project areas) for Fiscal Year 2013.  
<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 San Diego Municipal Employees' Association (MEA); Local 127, American Federation of State, County, and Municipal Employees, AFL-CIO (Local 127); the San Diego Police Officers Association (POA); the San Diego City Firefighters, International Association of Firefighters Local 145 (Local 145); and the California Teamsters Local 911 (Teamsters Local 911) which represents lifeguards. A sixth labor organization, the Deputy City Attorneys Association of San Diego (DCAA), represents unclassified deputy city attorneys. There are also certain City employees who are unrepresented.

As of February 22, 2013, MEA represented approximately 4,674 employees; Local 127 represented approximately 1,683 employees; POA represented approximately 1,815 employees; Local 145 represented approximately 791 employees; Teamsters Local 911 represented approximately 313 employees; and DCAA represented approximately 143. The City had approximately 734 unrepresented employees.

### **Contracts for Fiscal Years 2010 through 2013**

Beginning in Fiscal Year 2010, the City either negotiated or imposed a general salary freeze and 6% reduction in overall compensation for all labor organizations and virtually all unrepresented employees. The salary freeze and 6% reduction is in place through Fiscal Year 2013. The various labor organizations and unrepresented employees implemented the 6% reduction in overall compensation in different ways as described below:

*MEA:* MEA implemented its 6% reduction through a 52 hour mandatory furlough and a 3% salary reduction.

*Local 127:* Local 127 implemented its 6% reduction principally through the elimination of a 5.4% retirement offset contribution.

*POA:* POA implemented its 6% reduction principally through the elimination of a 4.1% retirement offset contribution and a 1.5% salary reduction.

*Local 145:* Local 145 implemented its 6% reduction principally through the elimination of a 4.3% retirement offset contribution.

*Teamsters Local 911:* Teamsters Local 911 implemented its 6% reduction principally through a 52 hour mandatory furlough and a 3% reduction of the retirement offset contribution.

*DCAA:* DCAA implemented its 6% reduction principally through a 32 hour mandatory furlough and the elimination of a 3.2% retirement offset contribution.

*Unrepresented:* For unrepresented employees the 6% reduction was principally implemented through eliminated retirement offset contributions and salary reductions.

## 10. Pension Plan

### Pension Plan

The Table below sets forth the City's portion of SDCERS historical funding progress for Fiscal Years 2003 through 2012. In addition, refer to Note 12, "Pension Plans," in the Fiscal Year 2012 CAFR.

**CITY OF SAN DIEGO  
SCHEDULE OF FUNDING PROGRESS  
Fiscal Years 2003 through 2012  
(\$ In Thousands)  
(Unaudited)**

Valuation Date (June 30)	Actuarial Value of Assets	Market Value of Assets	AAL	Funded Ratio (Actuarial)	Funded Ratio (Market)	UAAL (Actuarial)	AAL less Market Value of Assets	Covered Payroll <sup>(5)</sup>	UAAL to Covered Payroll
2003	\$2,375,431	\$2,780,080	\$3,532,626	67.2%	78.7%	\$1,157,195	\$ 752,546	\$533,595	216.9%
2004 <sup>(1)</sup>	2,628,680	2,847,479	3,997,328	65.8	71.2	1,368,648	1,149,849	540,181	253.4
2005	2,983,080	3,205,722	4,377,093	68.2	73.2	1,394,013	1,171,371	557,631	250.0
2006 <sup>(2)</sup>	3,981,932	3,981,932	4,982,699	79.9	79.9	1,000,767	1,000,767	534,103	187.4
2007 <sup>(3)</sup>	4,413,411	4,641,341	5,597,653	78.8	82.9	1,184,242	956,312	512,440	231.1
2008 <sup>(1)</sup>	4,660,346	4,408,719	5,963,550	78.2	73.9	1,303,204	1,554,831	535,774	243.2
2009	4,175,229	3,479,357	6,281,636	66.5	55.4	2,106,407	2,802,279	536,591	392.6
2010	4,382,047	3,900,537	6,527,224	67.1	59.8	2,145,177	2,626,687	530,238	404.6
2011 <sup>(4)</sup>	4,739,399	4,848,059	6,917,175	68.5	70.1	2,177,776	2,069,121	514,265	423.5
2012	4,982,442	4,799,827	7,261,731	68.6	66.1	2,279,289	2,461,904	511,091	446.0

<sup>(1)</sup> Reflects revised actuarial assumptions.

<sup>(2)</sup> Reflects revised actuarial methodologies.

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

<sup>(4)</sup> Reflects revised actuarial methodologies and assumptions.

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

Source: Fiscal Years 2003-2012 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego; Cheiron Actuarial Valuations, Fiscal Years 2005-2012.

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## Pension Contribution

The Table below sets forth the City's ARC and pension payments for Fiscal Years 2009 through 2013, as well as the amounts related specifically to the General Fund. In addition, refer to Note 12, "Pension Plans," to the Fiscal Year 2012 CAFR.

**CITY OF SAN DIEGO  
PENSION CONTRIBUTION  
Fiscal Years 2009 through 2013<sup>(1)</sup>  
(\$ In Thousands)**

<b>Fiscal Year ended (June 30)</b>	<b>Pension Plan ARC</b>	<b>Preservation of Benefits Plan ARC</b>	<b>Total ARC<sup>(2)</sup></b>	<b>Total Pension Contribution</b>	<b>Additional Contribution (underfunding)</b>	<b>General Fund Pension Contribution</b>
2009	\$161,700	\$4,004	\$165,704	\$163,614	\$(2,090)	\$135,018
2010	154,200	1,000	155,200	193,880	38,680	152,785
2011	229,100	1,817	230,917	230,423	(494)	182,913
2012	231,200	1,269	232,469	232,828	359	179,546
2013	231,100	1,314	232,414	232,800	386	181,442

<sup>(1)</sup> Fiscal Years 2009-2012: Actuals; Fiscal Year 2013: Estimates.

<sup>(2)</sup> Includes core pension Annual Required Contribution ("ARC") and Preservation of Benefits ("POB") Plan ARC. See Note 12 in the City's Fiscal year 2012 CAFR for more information on ARC and POB Plan ARC. Per IRS guidelines, the City may not pre-fund the POB Plan. Therefore, plan contributions may differ from the Total ARC in any given year.

Source: City of San Diego Comprehensive Annual Financial Reports Fiscal Years 2009-2011; Cheiron Actuarial Valuation as of June 30, 2012; Office of the City Comptroller; Department of Financial Management.

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## **Pension Reform Ballot Initiative**

An initiative entitled “Comprehensive Pension Reform for San Diego” (Proposition B) was approved by voters on June 5, 2012. Generally, the measure amends the City Charter to provide all new City employees hired on or after the effective date of the amendments, except sworn police officers, with a 401(k)-style defined contribution plan instead of a defined benefit plan. The initiative contains other provisions intended to limit the City’s pension costs for existing employees by directing the City Council to seek, through labor negotiations, to limit City employees’ compensation used to calculate pension benefits through Fiscal Year 2019, a term of approximately 6 years. Pensionable Pay increases may be authorized with a 2/3 vote of the City Council following preparation of an actuarial report that discloses the impact of any proposed increases in compensation or benefits on the City’s defined benefit plan.

Proposition B is the subject of ongoing litigation before the California Public Employment Relations Board (PERB). On February 11, 2013, a PERB administrative law judge issued a proposed decision finding that the City violated state labor laws by failing to meet and confer with City labor organizations prior to placing Proposition B on the ballot. The City has filed exceptions to the proposed decision, which will be reviewed by the full PERB board. The decision of the PERB board may also be appealed to the Fourth District Court of Appeal. This litigation may delay or preclude the implementation of some or all of the Proposition B amendments to the City Charter.

Notwithstanding the Proposition B litigation, the Fiscal Year 2012 Actuarial Valuation prepared by Cheiron, the SDCERS actuary, assumes the validity of Proposition B. As a result of Proposition B, the City’s annual required contribution (ARC) for Fiscal Year 2014 is approximately \$27 million higher than it would have been had Proposition B not passed.

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## 11. Public Liability Insurance

The City is self-insured for workers' compensation, long-term disability ("LTD") and public liability claims. Public liability, workers' compensation, and LTD estimated liabilities as of June 30, 2012 are determined based on results of independent actuarial evaluations and include amounts for claims incurred but not reported and the loss 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. 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 2012 CAFR.

**CITY OF SAN DIEGO  
LIABILITY CLAIMS AND PREMIUMS  
Fiscal Years ended June 30, 2008 through 2012**

<b>Fiscal Year</b>	<b>Liability Claims Payments and Settlement Costs<sup>(1)</sup></b>	<b>Liability Premium Payments</b>
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
2012	\$ 18,495,000	\$ 3,850,819

<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 2008 - 2012 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 June 30, 2012)

*Refer to Note 3, "Cash and Investments," to the Fiscal Year 2012 CAFR for information regarding Investment of Funds as of June 30, 2012.*

### Investment of Funds (As of January 31, 2013)

#### Pool Liquidity and Other Characteristics

The City Treasurer's Pooled Investment Fund (including both the "Liquidity" and the "Core" portfolios) is highly liquid. Based on unaudited month-end data as of January 31, 2013, approximately 11% of the pool investments mature within 62 days, 14% within 92 days, 28% within 184 days, 40% within 1 year, 74% within 2 years, 97% within 3 years, and 100% within 5 years (on a cumulative basis). As of January 31, 2013, the City Treasurer's Pooled Investment Fund had a weighted average maturity of 1.39 years (507 days) and its weighted average yield was 0.47%. 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 0.34 years and the Core portfolio had a duration of 1.67 years as of January 31, 2013. Duration is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. Accordingly, the Liquidity portfolio should decrease in market value by 0.34% for every 1% increase in market interest rates while the Core portfolio should decrease in market value by 1.67% for every 1% increase in market interest rates. The City Treasurer's Pooled Investment Fund composition is designed with a goal of having sufficient liquid funds available to meet disbursement requirements. The composition and value of investments under management in the City Treasurer's Pooled Investment Fund will vary from time to time depending on cash flow needs of the City, maturity or sale of investments, purchase of new securities, and fluctuations in interest rates.

**CITY TREASURER'S POOLED INVESTMENT FUND**  
**at January 31, 2013**  
**(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	\$ 1,049,734	\$ 1,051,383	45.65%
Agency Discount Notes	49,911	49,978	2.17
Agency Notes & Bonds	634,747	635,728	27.60
Commercial Paper	124,751	124,861	5.42
Corporate Notes & Bonds	85,665	85,973	3.73
Local Agency Investment Fund	49,604	49,604	2.16
Repurchase Agreement	71,000	71,000	3.09
Negotiable Certificates of Deposit	150,000	150,051	6.52
Certificates of Deposit (CDARS)	10,000	10,000	0.43
Asset Backed Securities	74,317	74,423	3.23
<b>TOTAL INVESTMENTS</b>	<b>\$2,299,729</b>	<b>\$2,303,001</b>	<b>100.00%</b>

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

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



### 13. General Fund Lease Obligations

As of June 30, 2012, the City had \$481,630,000 aggregate principal amount of long-term General Fund lease obligations outstanding, and \$37,422,000 of bank loans 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, 2012.

**CITY OF SAN DIEGO  
GENERAL FUND LEASE OBLIGATIONS <sup>(1)</sup>  
As of June 30, 2012  
(In thousands)**

<b>Fiscal Year Ending June 30</b>	<b>General Fund Lease Obligations<sup>(2)</sup></b>	<b>Bank Loans<sup>(3)</sup></b>	<b>Total Principal and Interest Payable</b>
2013	\$ 40,409	\$ 10,512	\$ 50,921
2014	40,399	10,484	50,883
2015	40,409	10,455	50,864
2016	40,410	1,431	41,841
2017	40,417	1,401	41,818
Thereafter	<u>565,146</u>	<u>11,108</u>	<u>576,254</u>
Subtotal	\$ 767,190	\$ 45,391	\$ 812,581
Less Interest Portion	<u>(285,560)</u>	<u>(7,969)</u>	<u>(293,529)</u>
Total Principal Portion	<u>\$ 481,630</u>	<u>\$ 37,422</u>	<u>\$ 519,052</u>

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

<sup>(2)</sup> This category includes the Convention Center Expansion Financing Authority Lease Revenue Refunding Bonds, Series 2012A, which refunded the 1998 Convention Center Expansion Financing Authority Lease Revenue Bonds. The 1998 Lease Revenue Bonds were defeased on June 20, 2012, and therefore are not included in this category.

<sup>(3)</sup> This category includes lease payments related to Qualified Energy Conservation Bonds ("QECBs") issued in 2011. The QECB 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 was \$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. This category also includes the payment on the Sale of McGuigan Judgment concerning the court-approved class action settlement in the case of William J. McGuigan v. City of San Diego, et. al.

Source: Debt Management Department, City of San Diego

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The following provides a summary list of outstanding General Fund lease commitments and bank loans as of June 30, 2012.

<b><u>General Fund Lease Commitments</u></b>	<b><u>Principal Outstanding<sup>(1)</sup> (in thousands)</u></b>
<i>Certificates of Participation</i>	
2003 – Balboa Park/Mission Bay Park Capital Improvements Refunding	\$7,240
<i>Lease Revenue Bonds<sup>(2)</sup></i>	
2002 – Fire and Life Safety Facilities Project <sup>(3)</sup>	20,545
2003 – City/MTDB Authority for Old Town Trolley Extension Refunding	10,025
2007 – Ballpark Project	138,200
2010A – Master Refunding Bonds	165,180
2012A – Convention Center Expansion Financing Authority Refunding Bonds <sup>(4)</sup>	<u>140,440</u>
<b>Total Principal of General Fund Lease Commitments</b>	<b><u>\$481,630</u></b>
 <b><u>Bank Loans</u></b>	
2011 – Qualified Energy Conservation Bonds (Broad Spectrum Street Lighting)	12,391
McGuigan Settlement Modification	\$25,031
<b>Total Bank Loans</b>	<b><u>\$37,422</u></b>
 <b>Total Principal Outstanding</b>	 <b><u>\$519,052</u></b>

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

<sup>(2)</sup> On July 3, 2012, the Public Facilities Financing Authority issued \$72,000,000 Lease Revenue Bonds, Series 2012A to finance capital improvement projects of the City and issued \$18,745,000 Lease Revenue Refunding Bonds, Series 2012B to refund Lease Revenue Bonds 2002. The 2012A and 2012B bonds are not included in this category.

<sup>(3)</sup> On July 3, 2012, the 2002 Bonds were refunded with the issuance of the \$18,745,000 Lease Revenue Refunding Bonds, Series 2012B.

<sup>(4)</sup> The 2012A Bonds refunded the 1998 Convention Center Expansion Financing Authority Bonds.

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, 2004 through 2013  
(in thousands)**

<b>Fiscal Year Ended <u>June 30</u></b>	<b>Notes <u>Amount</u></b>
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
2013	\$ 100,685 <sup>(1)</sup>

<sup>(1)</sup> Matures on June 28, 2013

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, 2012.

**CITY OF SAN DIEGO  
FUTURE MINIMUM RENTAL PAYMENTS  
GENERAL FUND OPERATING LEASE COMMITMENTS<sup>(1)</sup>  
As of June 30, 2012  
(in thousands)**

<u>Fiscal Year Ending June 30</u>	<u>Rent Payable</u>
2013	9,048
2014	6,074
2015	746 <sup>(2)</sup>
2016	544
2017	553
2018	561
2019	587
2020	596
2021	162
2022	-- <sup>(3)</sup>
Total	<u>\$18,871</u>

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

<sup>(2)</sup> Six existing leases will expire by Fiscal Year 2014. In accordance with the City's facility plan, terms from an amendment or new leases will affect future fiscal year lease commitments.

<sup>(3)</sup> No lease commitment projections are available for Fiscal Year 2022.

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 (pages 300-301) "Direct and Overlapping Debt," to the Fiscal Year 2012 CAFR.*

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