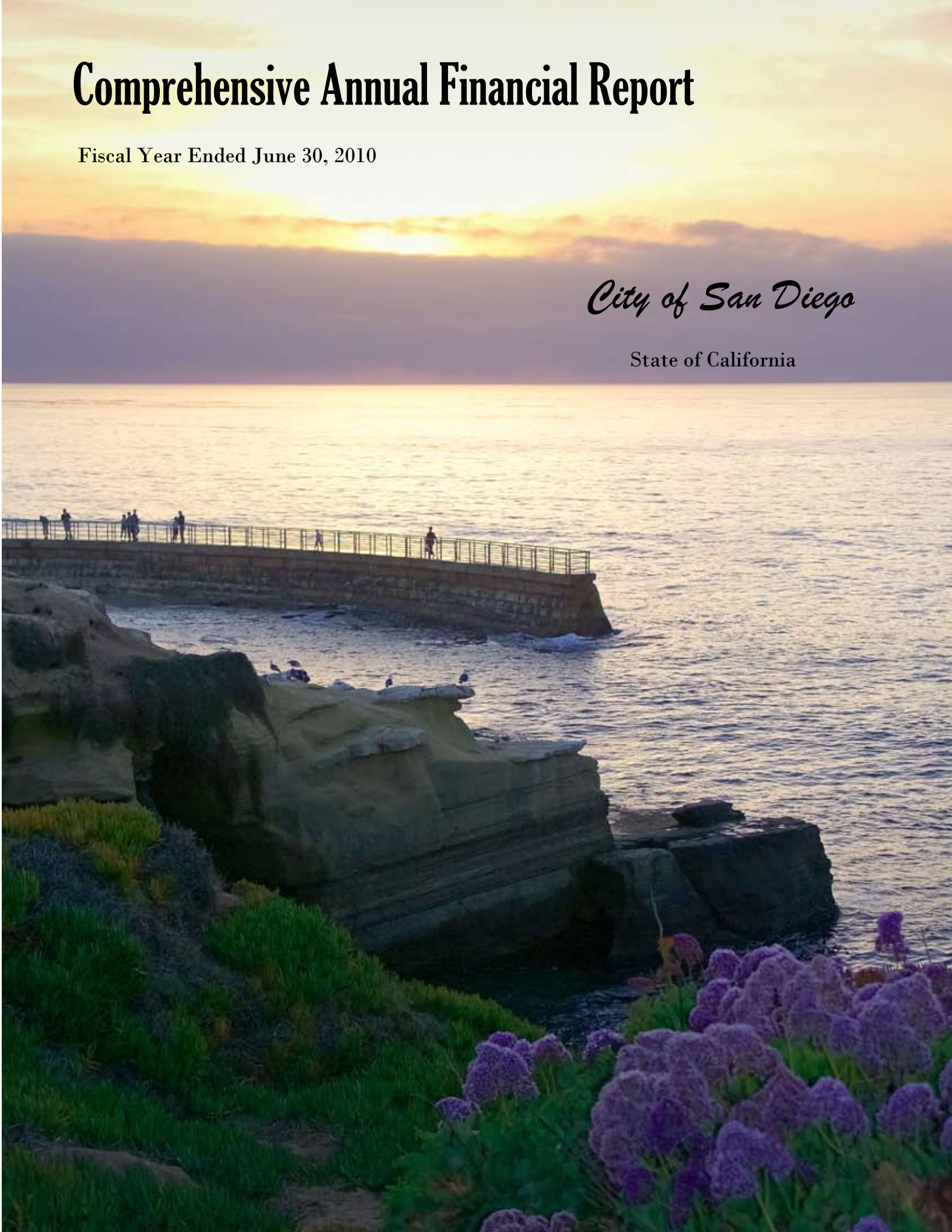


# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010

*City of San Diego*

State of California







*City of*  
*San Diego*  
State of California

**Comprehensive  
Annual Financial Report**

**Fiscal Year Ended June 30, 2010**

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

# Table of Contents

For The Fiscal Year Ended June 30, 2010

## INTRODUCTORY SECTION

Letter of Transmittal.....	11
Purpose, Background, and Scope of this Report.....	23
Profile of the City of San Diego.....	24
City of San Diego Current Officials.....	25
City of San Diego Organization Chart.....	26

## FINANCIAL SECTION

Independent Auditor's Report.....	31
Management's Discussion and Analysis (Required Supplementary Information).....	33
Basic Financial Statements.....	47
<b>Government-Wide Financial Statements</b>	
Statement of Net Assets.....	50
Statement of Activities.....	52
<b>Governmental Funds Financial Statements</b>	
Balance Sheet.....	54
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	56
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	57
<b>Proprietary Funds Financial Statements</b>	
Statement of Net Assets.....	58
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	59
Statement of Cash Flows.....	60
<b>Fiduciary Funds Financial Statements</b>	
Statement of Fiduciary Net Assets.....	61
Statement of Changes in Fiduciary Net Assets.....	62
<b>Notes to the Financial Statements</b>	
1. Summary of Significant Accounting Policies.....	63
2. Reconciliation of Government-Wide and Fund Financial Statements.....	76

# Table of Contents

For the Fiscal Year Ended June 30, 2010

3. Cash and Investments .....	80
4. Capital Assets .....	104
5. Governmental Activities Long-Term Liabilities .....	107
6. Business-Type Activities Long-Term Liabilities .....	119
7. Discretely Presented Component Units Long-Term Debt .....	124
8. Short-Term Notes Payable .....	127
9. Joint Venture and Jointly Governed Organizations .....	128
10. Lease Commitments .....	130
11. Deferred Compensation Plan .....	132
12. Pension Plans .....	133
13. Other Postemployment Benefits .....	143
14. Interfund Receivables, Payables, and Transfers .....	146
15. Risk Management .....	148
16. Fund Balance/Net Assets (Deficit) .....	150
17. Commitments .....	151
18. Contingencies .....	153
19. Debt Without Government Commitment .....	157
20. Closure and Post Closure Care Cost .....	159
21. Operating Agreements .....	160
22. Subsequent Events .....	161
23. Restatements .....	165
<b>Required Supplementary Information</b>	
Pension and OPEB Trust Funds Schedule of Funding Progress / Schedule of OPEB Employer Contributions ..	166
General Fund Budgetary Information .....	167
Note to Required Supplementary Information .....	171
<b>Supplementary Information</b>	
Supplementary Information - General Fund .....	173

# Table of Contents

For the Fiscal Year Ended June 30, 2010

Nonmajor Governmental Funds.....	185
Special Revenue.....	189
Debt Service.....	217
Capital Projects.....	229
Permanent.....	241
Nonmajor Business-Type Funds - Enterprise.....	249
Internal Service Funds.....	259
Fiduciary Funds.....	269

## STATISTICAL SECTION

Table 1: Net Assets by Category.....	282
Table 2: Changes in Net Assets.....	284
Table 3: Fund Balances of Governmental Funds.....	286
Table 4: Changes in Fund Balances of Governmental Funds.....	288
Table 5: Assessed Value and Estimated Value of Taxable Property.....	290
Table 6: Direct and Overlapping Property Tax Rates.....	292
Table 7: Principal Property Tax Payers.....	293
Table 8: Property Tax Levies and Collections.....	295
Table 9: Ratios of Outstanding Debt by Type.....	296
Table 10: Ratios of General Bonded Debt Outstanding.....	299
Table 11: Direct and Overlapping Debt.....	300
Table 12: Legal Debt Margin Schedule.....	302
Table 13: Pledged-Revenue Coverage - Water Bonds.....	304
Table 14: Pledged-Revenue Coverage - Sewer Bonds.....	306
Table 15: Demographic and Economic Statistics.....	308
Table 16: Principal Employers.....	309
Table 17: Full-time and Part-time City Employees by Function.....	310
Table 18: Operating Indicators by Function.....	311
Table 19: Capital Asset Statistics by Function.....	312

## Forward-Looking Statements

The Comprehensive Annual Financial Report of the City for the fiscal year ended June 30, 2010 (CAFR), including the Letter of Transmittal and the section regarding Management's Discussion and Analysis, contains forward-looking statements regarding the City's business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in the CAFR. Additionally, statements concerning future matters such as City budgets and the financial outlook for future years, the level of City services, California state matters that may impact the City, revenue and expense levels and other statements regarding matters that are not historical are also forward-looking statements.

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

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## INTRODUCTORY SECTION





## THE CITY OF SAN DIEGO

**August 31, 2011**

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

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The San Diego economy has shown signs of recovery compared to the low point of the recession; however, economic uncertainties still remain in the San Diego region. Several economic indicators have improved in the past 12 months and some major general revenues such as sales tax and tourism tax have increased. However, concerns about the national economic outlook have destabilized the markets, and as recent events have indicated, the economy has not demonstrated consistent stability. At best, the current national economic projections are for slow growth and limited expansion. State revenues are also coming in lower than projected, adding more pressure on the State's already fragile budget.

In this challenging economic environment, the City has successfully balanced its annual budgets and adopted them on time, by June 30 each year. By close monitoring of revenues and economic trends, the City acted in mid-fiscal year 2010 to make the necessary spending reductions to maintain a balanced budget while at the same time planning for the next fiscal year's challenges. The City's balanced budget was accomplished through the fiscal discipline of the Mayor and the City Council working together to make difficult spending reductions and adopt budgets that balanced expenditures for core services with declining revenues. The City's labor organizations were also partners and participated in the 6% roll back of employee compensation that is still in effect; there were increased employee pension contributions; and long term pension and retiree healthcare reform was achieved that will save the City millions of dollars now and into the future.

The City Council and the Mayor's ability to resolve significant budget issues year after year and adopt annual balanced budgets is an accomplishment that has contributed to the strong results in the General Fund: the fiscal year 2010 results show General Fund reserves in excess of 8%, a policy goal that was accomplished two years earlier than anticipated.

### **Economic Development Activities**

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While the national and regional economic recession has adversely affected the City of San Diego's revenues and City services, it has also affected the health of the business community. The unemployment rate in San Diego county remains near historical highs at 10.5% as of July 2011. The City of San Diego remains committed to aid in restoring economic stability and reducing the level of local unemployment. By focusing on its comparative advantages such as its skilled labor force, desirable climate, and its strategic location adjacent to Mexico and the Pacific Rim, San Diego can compete for new job-creating public and private-sector investment. This plan for economic recovery continues to be centered on a four-pronged strategy designed to ensure that investment dollars flow into San Diego:

- A business expansion, attraction, and retention (BEAR) effort designed to highlight

the advantages of doing business in San Diego.

- A regulatory streamlining effort that eliminates duplicative and bureaucratic procedures which do not meaningfully contribute to protecting the public interests.
- A focus on emerging industries, including the implementation of the Mayor's CleanTech Initiative designed to increase demand for renewable energy (e.g. solar), biofuels, energy efficient solutions, and "green" products as well as food and beverage production.
- The completion of critical path infrastructure facilities which will be especially attractive to base sector businesses.

The Mayor's Office of Economic Growth Services (EGS) has ramped up its business retention efforts to ensure that businesses remain fully supported and are able to access State and Federal programs. During the past year, the Mayor has actively engaged with many local manufacturers who have either expanded research & development (R&D) or production operations or are considering expansions. Retaining local businesses and expanding incentives for existing companies is also a focus and part of the Enterprise Zone program and potential expansion of the program.

The attraction, retention and expansion of local companies are vital in the City's efforts to create local jobs. To that end, significant new projects were completed this past year throughout the City in the sectors of manufacturing, retail, clean tech, and medical devices. Those EGS-facilitated projects include the 300,000 square foot Costco Packaging Center in Otay Mesa which will package and distribute Kirkland merchandise to 157 retail outlets in Mexico and the western United States; Emerald Textiles, a \$20 million high-efficiency commercial laundry; the expansion of Chromalloy's aircraft engine test and repair facility; the expansion of White Labs, a manufacturer of yeast and hops for microbrewing; the expansion of Integrated DNA Technologies, a medical device manufacturer; the attraction of a cleantech manufacturer, Energy Efficiency Corp; expansion of Westfield Shopping Town-UTC; expansion of Advanced Bio-Healing, a medical device manufacturer; and a new laboratory for DiscovRx, a drug manufacturer.

Regulatory streamlining efforts are ongoing to encourage new private sector investment. The City recently adopted the 7<sup>th</sup> iteration of the Zoning Code Update which simplifies land use regulations and creates a more predictable approval process for new development.

Emerging industries in San Diego are strongly supported by EGS. Partnering with industry organizations such as CleanTECH San Diego, or working directly with companies on their individual needs, EGS provides government assistance to help local businesses thrive. Local initiatives that encourage private investment in new clean technology are provided technical and regulatory expertise. During the past year, EGS has assisted ECotality, Inc. in the installation of electric vehicle charging stations throughout the City. The goal is to install 1,000 electric vehicle (EV) charging stations by the end of 2011, significantly improving EV infrastructure in the City.

The City has been actively involved with other local, state, and federal agencies to complete important infrastructure projects which are designed to facilitate the movement of goods, vehicles, and pedestrians to and from commercial and industrial zones. The Carroll Canyon undercrossing, funded in part by the City and Qualcomm, Inc., is now under construction. When completed, this project will connect the industrial parks of Sorrento Valley with the industrial parks of neighboring Sorrento Mesa.

Along the border with Mexico, the City has provided planning, coordination, and advocacy

for three major projects. Phase 2 of the 905 Freeway is now under construction with completion expected in 2012. This freeway will accommodate increased international trade within a large industrial area which spans both sides of the border. Two other border infrastructure projects, improvements to the San Ysidro Port of Entry, and construction of a new Cross Border Facility adjacent to Mexico's Rodriguez International Airport, will facilitate increased tourism between San Diego and Mexico.

## Fiscal Challenges

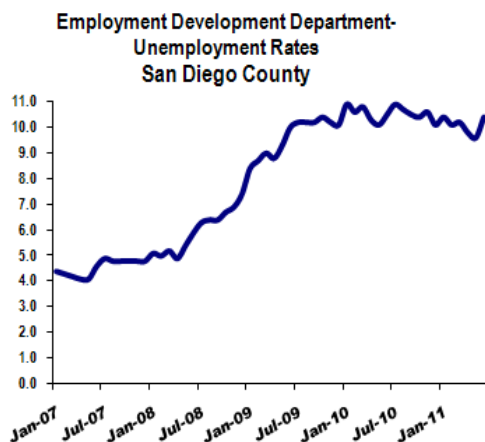
The City of San Diego has faced significant financial challenges over the last several years. The impact of the national recession was felt locally in the form of a declining housing market, high unemployment, depressed business climate, and less tourism and consumer spending. The City forecasted the financial and budgetary impact of each of these factors and took prudent actions to address them. Annual budgets were balanced through a combination of ongoing service reductions, efficiencies, and some one-time actions. General Fund deficits of \$179 million in fiscal year 2011 and \$56 million in fiscal year 2012 were resolved in each year's budget process.

There are signs of an economic recovery, but most forecasters predict it will be slow. While retail sales and tourism have improved over the past year, unemployment and the housing market continue to be concerns. In addition, the impact of State budgetary actions and ongoing pension obligations continue to be challenges. The City continues to closely monitor these areas. A new Five-Year Financial Forecast will be issued in the fall of 2011 incorporating the latest information for all General Fund revenues and expenditures as the the fiscal year 2013 budget process begins.

The City privately sold \$161 million Tax and Revenue Anticipation Notes (TRAN) on July 1, 2011 and does not currently foresee the need to issue additional notes to meet any General Fund liquidity needs for the remainder of fiscal year 2012. The City treasury holds approximately \$2 billion that is invested primarily in US Treasuries and agencies, and consistent with the City's investment policy, has sufficient liquidity to meet all currently foreseeable cash demands.

Readers of these financial statements should pay particular attention to Notes 12, 13, 18, and 22, concerning Pension Plans, Other Post Employment Benefits, Contingencies, and Subsequent Events, respectively. The notes, along with the other financial and operational data included in the City's CAFR, must be read in their entirety to obtain a complete understanding of the City's financial position as of June 30, 2010.

## Our Underlying Fundamentals



The City has a diversified economy, with the principal employers being government, military, manufacturing, high-tech industries, particularly biotech and telecommunications, and the tourism industry. The City's economic base is also anchored by higher education and major scientific research institutions, including the University of California, San Diego, San Diego State University, Scripps Research Institute, the Salk Institute for Biological Studies, and the Sanford-Burnham Medical Research Institute.

Like all regions around the country, San Diego County's economy has been impacted by the economic recession. In the past four years unemployment has more than doubled, rising from an average in 2007 of 4.5% to an average of 10.5% in 2010. Unemployment hit its peak in July 2010 at 10.9%. Since then we have seen only modest improvement to the current 10.5% rate (July 2011). The recession has slowed both residential and commercial development within our region.

The City's General Fund property tax revenue, which had grown over the previous four years at a decreasing rate, declined in fiscal year 2010 by \$7.3 million. In fiscal year 2010 General Fund property tax revenues were \$391.4 million compared to \$398.7 million in fiscal year 2009, representing a 1.8% decline. Fiscal year 2011 General Fund property tax revenue is projected to decline to approximately \$384.7 million (*unaudited*). Property tax revenues for fiscal year 2012 are budgeted to remain about the same over the fiscal year 2011 year-end projection.



The impact of lower business and consumer spending has had a significant effect on sales tax revenues. In fiscal year 2010, actual General Fund sales tax revenues (including safety sales tax) were \$192.7 million, a 9.5% decline from 2009 sales tax revenues of \$212.9 million. However, in fiscal year 2011, sales tax revenues are projected to grow to \$213.1 million (*unaudited*), an increase of \$20.4 million or 10.6% due to improving consumer spending. The City's sales tax revenue budget for fiscal year 2012 is \$216.6 million, which assumed a 4.0% growth in taxable sales over fiscal year 2011 projected sales tax revenues.

San Diego remains a top tourist destination due to the region's natural attractions; however, the tourism industry suffered during the recession. The City's Transient Occupancy Tax (TOT) rate is currently 10.5% and is allocated according to the Municipal Code. As such, the General Fund receives approximately 53% of these revenues to be used for general governmental purposes, and the TOT fund receives the remaining 47% for the purpose of promoting the City as a tourism destination. The General Fund portion of TOT represents approximately 7% of the General Fund's fiscal year 2010 revenue. In fiscal year 2010, San Diego experienced a decline of \$17.3 million, a 12.3% decrease in TOT revenue from fiscal year 2009. However, in fiscal year 2011, TOT revenues are projected to grow to \$137.3 million (*unaudited*), an increase of \$14.0 million or 11.4%. The City's total TOT revenue

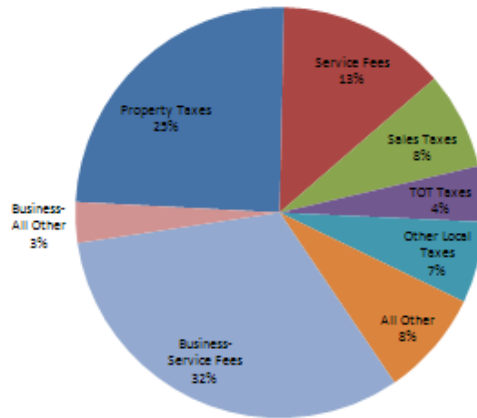


budget for fiscal year 2012 is \$142.8 million, which assumed a 4% growth over fiscal year 2011 projected TOT revenues.

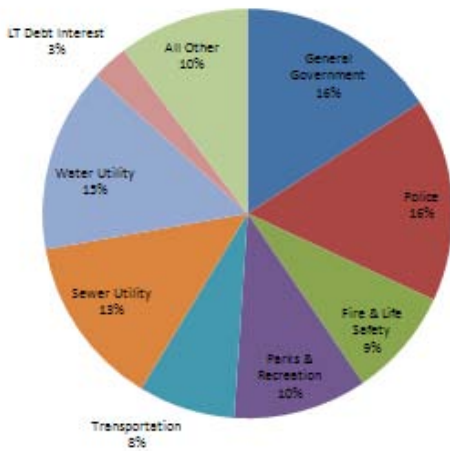
**Financial Health**

The City’s total government-wide revenues, which are generated through a combination of governmental and business-type activities, have remained approximately the same over the prior three years. While business-type services revenue for water and wastewater services grew during fiscal year 2010, a variety of governmental revenues declined. Total government-wide revenues for fiscal year 2010 were \$2.7 billion; governmental activities were \$1.7 billion and business-type activities were \$1.0 billion, and are illustrated in the chart to the right.

**Total Government-Wide Revenues**



**Total Government-Wide Expenses**



In fiscal year 2010, the City’s total government-wide expenses increased by approximately 4%. These expenses supported all public services and the significant fiscal obligations of the City, including funding of the City’s pension system, post-employment healthcare benefits, and capital improvements. Total expenses for fiscal year 2010 were \$2.6 billion. Governmental activities were \$1.8 billion, of which 35% was spent on public safety for police, fire, and life safety services. Business-type activities were \$.8 billion, of which 86% of these expenses were for water and wastewater expenses.

## Pension Funding

The City's unfunded pension liability remains a significant obligation of the City. The City has aggressively confronted this deficit, fully funding the City's Annual Required Contribution (ARC) beginning in fiscal year 2006, and has made significant additional payments in excess of the ARC into the pension fund in certain years. In June 2010, the City contributed in excess of the ARC \$32.8 million as part of the McGuigan settlement obligations. The San Diego City Employees' Retirement System (SDCERS) is the administrator of the City's employee pension funds. On an annual basis, the pension fund portfolio and future pension obligations are evaluated by an independent actuary to determine the full pension liability. The most recent June 30, 2010 valuation calculated the unfunded pension liability to be approximately \$2.145 billion.

Actuarial Valuation Date	Actuarial Value of Assets	UAAL	Funded Ratio
6/30/2006	\$3,981,932	\$1,000,768	79.9%
6/30/2007	\$4,413,411	\$1,184,242	78.8%
6/30/2008	\$4,660,346	\$1,303,203	78.2%
6/30/2009	\$4,175,229	\$2,106,364	66.5%
6/30/2010	\$4,382,047	\$2,145,176	67.1%

In fiscal year 2009, the Mayor proposed and City Council approved a new pension plan for General Members (effective July 1, 2009). In addition, pension reforms have been implemented for Police Officers hired after June 30, 2009, Lifeguards hired after June 30, 2011, and Firefighters hired on or after January 1, 2012. These changes are expected to achieve savings in the City's pension payments in future years.

Beginning in fiscal year 2012 the City eliminated the employee retirement offset contribution for elected officials, unrepresented employees and most of the represented employees. This is the portion of the individual's retirement system contribution that the City previously paid on the employee's behalf.

In fiscal year 2010, SDCERS investment portfolio rebounded strongly with final returns of +13.4%, following a -19.2% decline in fiscal year 2009. Portfolio returns in fiscal year 2011 continued at a strong pace, improving to an annual return of +23.8% as of June 30, 2011. SDCERS employs a long-term investment strategy. The City's ARC is determined using an asset smoothing methodology which dampens the volatility of the market value of assets which occurs from fluctuations in market conditions. The ARC payment for fiscal year 2010 was calculated by SDCERS Actuary to be \$155.2 million. In fiscal year 2011 the calculated ARC payment increased by \$78.3 million to \$233.5 million or 50.5 percent as a result of smoothing the large loss in market value of the portfolio experienced in fiscal year 2009. The dramatic increase of the ARC has put a tremendous strain on City operating expenses, all at the same time that revenues have flattened or declined. The City has responded by adjusting manageable operating expenses through reductions in personnel and supplies costs.

## Retiree Healthcare

The City's actuarial valuation for retiree healthcare costs estimated an unfunded actuarial accrued liability (UAAL) of \$1.128 billion as of June 30, 2010. The City is participating in a trust administered by CalPERS to fund this long-term liability. The actuarial value of these assets as of June 30, 2010 was \$72.7 million. The City did not fully fund the ARC for retiree healthcare in fiscal years 2010 and 2011 which was \$113.4 million and \$120.3 million, respectively. The fiscal

Actuarial Valuation Date	Actuarial Value of Assets	UAAL	Funded Ratio
6/30/2008	\$29,637	\$1,206,070	2.4%
6/30/2009	\$41,497	\$1,317,880	3.1%
6/30/2010	\$72,720	\$1,128,190	6.1%



year 2010 funded amount was \$56.7 million and the City budgeted \$57.8 million for retiree healthcare in fiscal year 2011.

The City has recently reached a tentative agreement with all six bargaining units on reforms to the retiree healthcare benefit for employees hired before July 1, 2005. These new changes, if approved by employees, will be implemented on April 1, 2012. The tentative agreement for retiree healthcare will establish a \$58 million five year maximum cap on the City's pay-go obligation. The actuarial analysis of this tentative agreement indicates that the current UAAL will decrease by approximately \$330 million and the ARC, as of the June 30, 2010 actuarial valuation, will be reduced by approximately \$33 million.

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

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The City's General Fund finished fiscal year 2010 with unrestricted cash and investments of approximately \$101 million. As a fiscal precaution against natural disasters or unforeseen events, the City maintains an emergency reserve fund that can only be accessed for qualifying emergencies as declared by the Mayor and/or City Council and approved by at least a 2/3 vote of the City Council. The General Fund Reserve Policy set a funding goal of 7.0% of General Fund revenue by the end of fiscal year 2010 and 8% at the end of Fiscal Year 2012. The General Fund reserve was actually 10.9% of General Fund revenue at June 30, 2010, resulting in a total reserve balance of \$105 million. This balance is reported within the General Fund Balance Sheet as Undesignated Fund Balance. The City's goal is to maintain General Fund reserves at 8% of revenues.

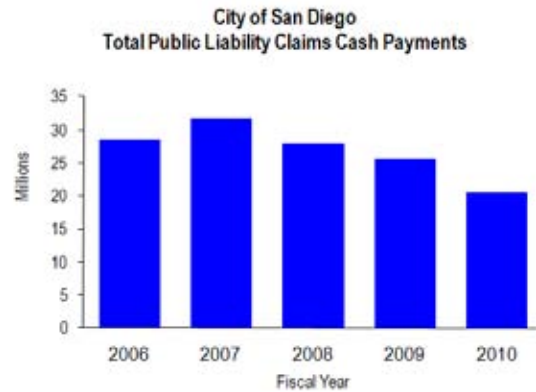
The fiscal year 2011 year end projection indicates that general fund expenses will be approximately the same ( $\pm 1\%$ ) as compared to fiscal year 2010. This is a result of staff reductions, a general salary freeze on controllable wages, and deep reductions in non-personnel operating expenses. The City managed expenditures so as to absorb the significant increase in the pension ARC payment in fiscal year 2011 while revenues declined.

During fiscal year 2010, total long-term liabilities of the City's governmental activities increased by \$54.6 million. Even though the City continued to pay down existing debt obligations, liability claims increased and was primarily related to an audit finding from the Office of the Inspector General which resulted in the accrual of a liability claim related to the City's Redevelopment Agency. Two refunding bond issuances, the \$13.9 million North Park Tax Allocation Bonds and the \$167.6 million Lease Revenue Refunding Bonds (Master Refunding Project), did not significantly add to overall long term debt as they both were primarily used to reduce balances of prior outstanding debt.

The City's capital assets are essential to providing services to its residents and maintaining the quality of its environment. During fiscal year 2010, total capital assets for governmental activities increased by \$31 million. This was funded by a combination of developer contributions, grant monies, and city-funded capital improvement programs.

The City's capital improvement backlog is estimated to be approximately \$840 million according to the most recent assessment and cost estimate reported in March 2011. This amount includes the cost of needed repairs to City facilities, streets and storm drains but does not include alleys, sidewalks or related soft costs. Capital project expenditures have been deferred because the City has not had the necessary funding resources. The City issued \$103 million in bonds during fiscal year 2009 which are currently being used to fund deferred capital improvement projects within the City.

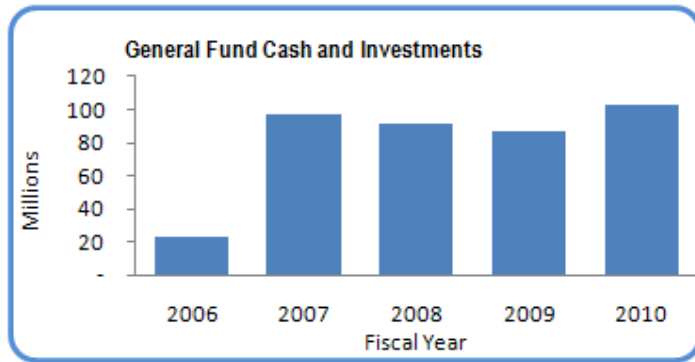
The City's Public Liability Claims Reserve Fund, which does not include \$136 million of liability claims specifically related to the RDA and the Sewer and Water funds, had a deficit of approximately \$34 million as of June 30, 2010. This deficit includes an accrued liability for actuarially calculated claims costs, incurred but not reported claims, and allocated and unallocated losses of approximately \$38 million, offset with the cash reserves collected in the fund. This fund experienced significantly higher claims from fiscal years 2005 - 2008 largely as a result of the legal claims and investigations stemming from the pension fund underpayment and related financial disclosure issues. However, most of these unusual claim costs have been settled and paid, and since fiscal year 2008 we have seen declining liability claims payments.



The Workers' Compensation Liability Claims reserve, which accounts for both governmental and business-type claims, had a deficit of \$114 million as of June 30, 2010. This deficit includes an accrued liability for actuarially calculated liabilities, for open and unreported claims, as well as a provision for the allocated loss adjustment expense totaling approximately \$152 million, offset with the cash reserves collected in the fund. The total liability for workers compensation has declined since fiscal year 2007 due to a downward trend in the number of claims and the effect of State legislation regarding workers compensation reform enacted in 2004.

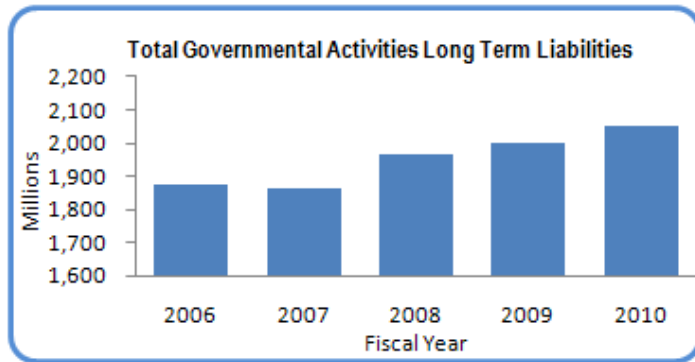
Per the City Reserve Policy, the City will budget funds annually to establish cash reserves to reach the goal of 50% of the estimated outstanding liabilities in each fund. The City suspended funding these reserves in the fiscal year 2011 and 2012 budgets as a result of the significant decline in General Fund revenues and the resulting expenditure reductions enacted by the City to balance the budget. Reserve balances were not used to balance the budget in fiscal years 2011 and 2012; but additional funds were not budgeted to contribute to the reserves for these funds. The City's Reserve Policy, established in 2008, is under revision with goals to maintain an overall 8% General Fund reserve level by 2012 and to change the amounts and the timing of funding in both the Public Liability Claims and the Workers Compensation Liability Claims reserves to achieve 50% funding by 2018.

### Governmental Activities Key Indicators



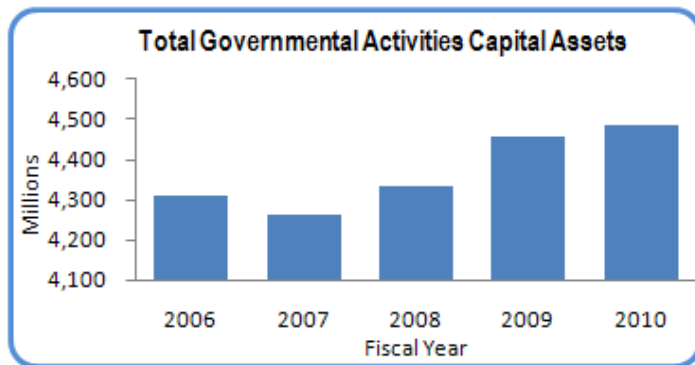
#### General Fund Cash

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



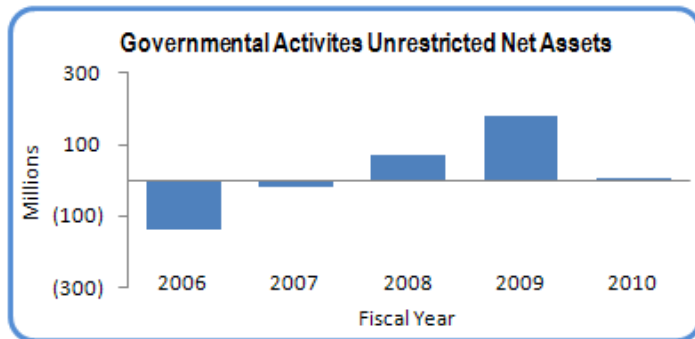
#### Total Long Term Liabilities

The City's balance of long term liabilities increased by approximately 3% over the past year primarily due to an increase in liability claims related to the City's Redevelopment Agency.



#### Capital Assets

Capital Assets increased by \$31 million during fiscal year 2010. This included capital expenditures related to the City street overlay program, infrastructure and improvements to Carroll Canyon Road/Sorrento Valley Road to I-805 and the second phase of the new ERP system.



#### Unrestricted Net Assets

Unrestricted Net Assets decreased by approximately \$179 million in FY 2010. A majority of this decrease was offset by an increase to Invested in Capital Assets, Net of Related Debt. Additionally, an accrued liability claim related to the City's Redevelopment Agency added to this decrease.

## Business-Type Activities

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The majority of the City's business-type activities are related to utilities that provide water and wastewater services. In fiscal year 2011 the Water and Metropolitan Wastewater Departments were consolidated into a single Public Utilities Department and continue to serve San Diego and several regional agencies outside of the City's boundaries. The utilities operations are mainly supported by fees charged to customers. The Independent Rate Oversight Committee (an independent committee of stakeholders) monitors utility rates and expenditures on behalf of the ratepayers.

The City's Water Utility Fund issued \$123 million of Water Revenue Refunding Bonds, Series 2010A during fiscal year 2010 to refund outstanding principal of \$141 million of Certificates of Undivided Interest, Series 1998. The publicly offered Water 2010A Revenue Refunding Bonds are secured by and payable solely from net system revenues of the Water Utility Fund. The City's Wastewater Utility Fund issued \$162 million of Senior Sewer Revenue Bonds to fully refund \$179 million in wastewater revenue bonds. The publicly offered Sewer Revenue Refunding Bonds, Series 2010A are secured by and payable solely from wastewater system net revenues.

For the year ended June 30, 2010, the City's business-type activities closed with unrestricted net assets totaling \$643 million, an increase over fiscal year 2009 of approximately \$56 million as a result of Council approved rate increases for Sewer and Water Utilities.

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

Compliance with environmental regulations generally requires infrastructure construction, including the replacement of water distribution systems, treatment plant upgrades, the replacement of wastewater collection systems, and improving sewage treatment capacity. The City has agreed with various state and federal regulators to build significant infrastructure upgrades. The City received final approval of its third five-year modified discharge permit from the Environmental Protection Agency (EPA) and the state Regional Water Quality Control Board that became effective August 1, 2010. This allows the City to continue operating the Point Loma Wastewater Treatment Plant at advanced primary treatment levels, rather than secondary as otherwise required, through July 2015.

The City began implementing mandatory water use restriction in June 2009 as a persistent regional drought and judicial decisions regarding management of the State Water Project has put significant pressure on San Diego's regional water supplies. The City of San Diego imports as much as 90% of its water supply. The mandatory measures were needed to help San Diego stay within water supply allocations established by the water wholesalers. Within the first year of implementation, the City of San Diego achieved an 11.5% reduction when compared to fiscal year 2009 water usage, and a 17% total reduction through June 2011. Due to abundant precipitation this past winter and improved regional and local water supply conditions, the San Diego City Council ended the Drought Response Level 2 restrictions on May 24, 2011.

As part of the long-term effort to increase supply independence, and reduce local demand, the Mayor proposed and the City Council approved in October 2009 a revised Landscape Ordinance in advance of the state's requirement to do so by January 2010. The Water Efficient Landscape Ordinance requires new landscapes to be designed with a watering

demand below a climate based budget, through a combination of plant selection and efficient irrigation devices. The Ordinance also calls for the installation of separate irrigation meters on larger properties and sub-metering for smaller properties.

In FY2010, the City also moved forward with the California Department of Public Health to undertake a demonstration project intended to verify that highly treated municipal wastewater can be placed in a potable water reservoir and thereby augment local water supplies for the City of San Diego. In June 2011, the demonstration project completed construction and is in operation.

### **Best Practice Operating Improvements**

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The City took a major leap forward on July 1, 2009 when it went live with its new Enterprise Resource Planning (ERP) financial system. After two years of planning, the City successfully transitioned to an integrated financial system which allowed for the elimination of over a dozen legacy software applications. Since then, the City has continued to implement additional functional software modules to its ERP system environment. In December 2009 the Payroll module was activated and in March 2010 the Accounts Receivable module went live. Recently in July 2011, the City converted all of its Utility Customer Billing accounts to the ERP platform. With each new module added to the ERP system, the City is able to eliminate costly legacy software applications and hardware. The addition of the ERP system and a well trained workforce are expected to significantly improve the City's financial operations, reporting capabilities and internal controls for years to come.

Internal controls over financial operations and reporting continue to be a focus issue for the City. As part of the ERP system, the City has invested in an integrated internal controls module called Governance, Risk and Compliance (GRC). The City also has staffed a dedicated Internal Controls section that is responsible for citywide internal controls development and operational oversight. To date, 208 new processes and procedure documents have been developed and published. Employees have been trained on these processes and we are seeing an improvement in the City's internal control environment. Monthly progress to the internal control environment is reviewed by both the Mayor and Audit Committee.

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

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The City publishes a Five Year Financial Outlook (Outlook) annually. The City's most recently published Five Year Financial Outlook was released in February 2011. The Outlook incorporated the most recent revenue and expenditure projections based on fiscal year 2011 trends, local and national economic indicators, and known incremental expenditure adjustments over the forecast period. Expenditure projections were adjusted for known increases, including higher legal and fleet costs and revenue projections were updated using more conservative growth assumptions than the fiscal year 2011 budget. Based on these factors, a \$56.7 million deficit was forecast for fiscal year 2012. In June 2011, the City approved a balanced fiscal year 2012 budget through a combination of on-going expense reductions, increased revenue projections for sales tax and TOT tax and some one-time revenue solutions matched to one-time expenditures.

The City's General Fund is the focus of the Outlook. Approximately 65% of the City's major revenues consist of four revenue sources: property tax, sales tax, TOT, and franchise fees. Nearly 72% of the City's General Fund expenditures are personnel expenses. The regional economy has shown signs of economic stabilization after the extended recession. Recent growth in sales tax and TOT revenues may be affected by a persistently high level of

unemployment in addition to a stagnant residential and commercial property market. The extended economic recession, combined with the current slow and uncertain pace of recovery, has continued to place fiscal strain on governments, including the City of San Diego. The Outlook discusses risks and opportunities that affect fiscal decisions and the City's ability to accomplish its strategic financial goals over the next five-year period. These goals include:

- Eliminate the General Fund structural budget deficit
- Meet contractual obligations and fund mandated programs
- Reduce personnel pension and retiree health care liability and annual City cost through the meet and confer process
- Contribute the full payment of the Annual Required Contribution (ARC) for the City's pension system
- Achieve full cost recovery for programs and services that are intended to be fully cost recoverable
- Maintain or enhance General Fund and other reserves according to the City's Reserve Policy
- Preserve City services to the fullest extent possible
- Develop plans to fund deferred capital infrastructure and maintenance needs

In order to achieve and maintain a structurally balanced budget, the Mayor has indicated that cuts to services and programs may continue even when factoring in projected moderate growth in sales tax and TOT tax revenues (and no growth in property tax revenues) budgeted in fiscal year 2012. Resolving the projected budget deficit in fiscal year 2013 may result in additional workforce reductions combined with expenditure savings from reduced or eliminated programs and services. The Mayor's budget plan for fiscal year 2012 does not include contributions to fund reserves; however, the General Fund budget assumes a projected General Fund reserve level of 8% will be maintained.

### Looking Forward

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Although there are some positive signs of economic recovery, these continue to be uncertain economic times and the City has set challenging goals for its future. The City believes these goals are achievable with continued fiscal discipline and greater government efficiency. The diversity of industry, education and tourism well positions the City for an early economic recovery ahead of other peer cities. We are beginning to see the signs of a slow economic rebound even though we have several years of recovery ahead to get to pre-recession revenue levels.

San Diego continues to restructure its operations through managed competition and internally reexamining and improving its services and programs so that the City will emerge with a sound, fundamentally sustainable municipal business model. We have addressed the issues that have created prior difficulties for this City, such as pension and retiree health reform, and we are structuring ourselves for long-term stability and flexibility. We will continue to live within our means and balance our annual budgets.

## Purpose, Background, and Scope of this Report

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San Diego City Charter § 111 requires the City to submit an annual report, including a Statement of Net Assets, and requires that all accounts of the City be audited by an independent auditor. Pursuant to this requirement, the Comprehensive Annual Financial Report (“CAFR”) of the City of San Diego (“City”) for the fiscal year ended June 30, 2010, is hereby submitted. The audit firm of Macias Gini & O’Connell LLP has issued an unqualified opinion on the City of San Diego’s financial statements. The independent auditor’s report is located at the front of the financial section of this report.

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

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

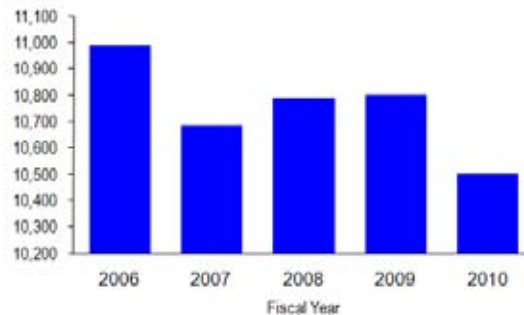
A narrative introduction, overview, and analysis of the financial statements can be found in Management’s Discussion and Analysis (MD&A), which immediately follows the independent auditor’s report. The MD&A complements this letter of transmittal and should be read in conjunction with it. The CAFR is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

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

## Profile of the City of San Diego

The City of San Diego was incorporated in 1850. The City comprises 324 square miles and, as of January 1, 2011, the California Department of Finance estimates the population to be 1,311,882. The City, with approximately 10,500 employees, provides a full range of governmental services including police and fire protection, sanitation and health services, the construction and maintenance of streets and infrastructure, recreational activities and cultural events, and the maintenance and operation of the water and sewer utilities.

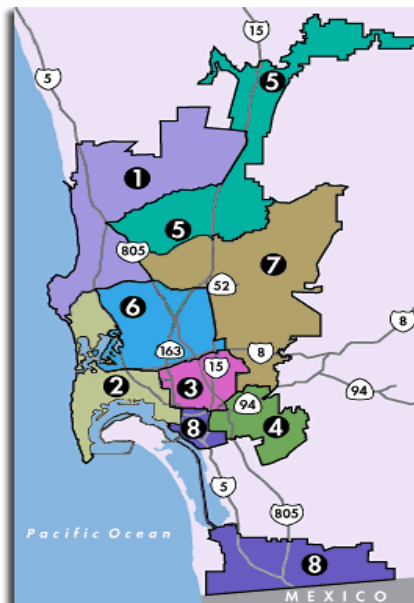
City of San Diego  
Full Time and Part Time Employees



## Governing Structure

The City operates under and is governed by the laws of the State of California and its own Charter, as periodically amended since its adoption by the electorate in 1931. The City has operated under a Strong-Mayor form of government since January 2006. The permanent departure from the City's previous Council-Manager form of government was approved by a vote of the public and became effective January 1, 2011. The Mayor is elected at large to serve a four-year term.

City of San Diego Council  
District Map



Under the Strong-Mayor form of government, the Mayor is the Chief Executive Officer of the City and has direct oversight over all City functions and services except for the City Council, Personnel, City Clerk, Independent Budget Analyst (IBA), City Attorney, Ethics Commission and City Auditor departments. Under this form of government, the City Council is composed of eight members and is presided over by the Council President, who is selected by a majority vote of the City Council. The Mayor presides over City Council in closed session meetings of the Council. The Council retains its legislative authority; however, all City Council resolutions and ordinances are subject to a veto of the Mayor except for certain ordinances including emergency declarations and the City's annual Salary and Appropriations Ordinances. The City Council may override a Mayoral veto with five votes. The City Attorney, who is elected for a four-year term, serves as the chief legal advisor and attorney for the City and all departments.

During the City's primary election held on June 8, 2010, voters approved Measure D which made permanent the Strong-Mayor form of government effective January 1, 2011. Additionally, Measure D increased the number of

City Council districts from eight to nine, and therefore, a corresponding increase of City Council votes required to override the Mayor's veto from five to six. The ninth council district will be added in 2012.



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



Mayor Jerry Sanders

District 1 Councilmember Sherri Lightner			District 5 Councilmember Carl DeMaio
District 2 Council President Pro Tem Kevin Faulconer			District 6 Councilmember Lori Zapf
District 3 Councilmember Todd Gloria			District 7 Councilmember Marti Emerald
District 4 Council President Tony Young			District 8 Councilmember David Alvarez

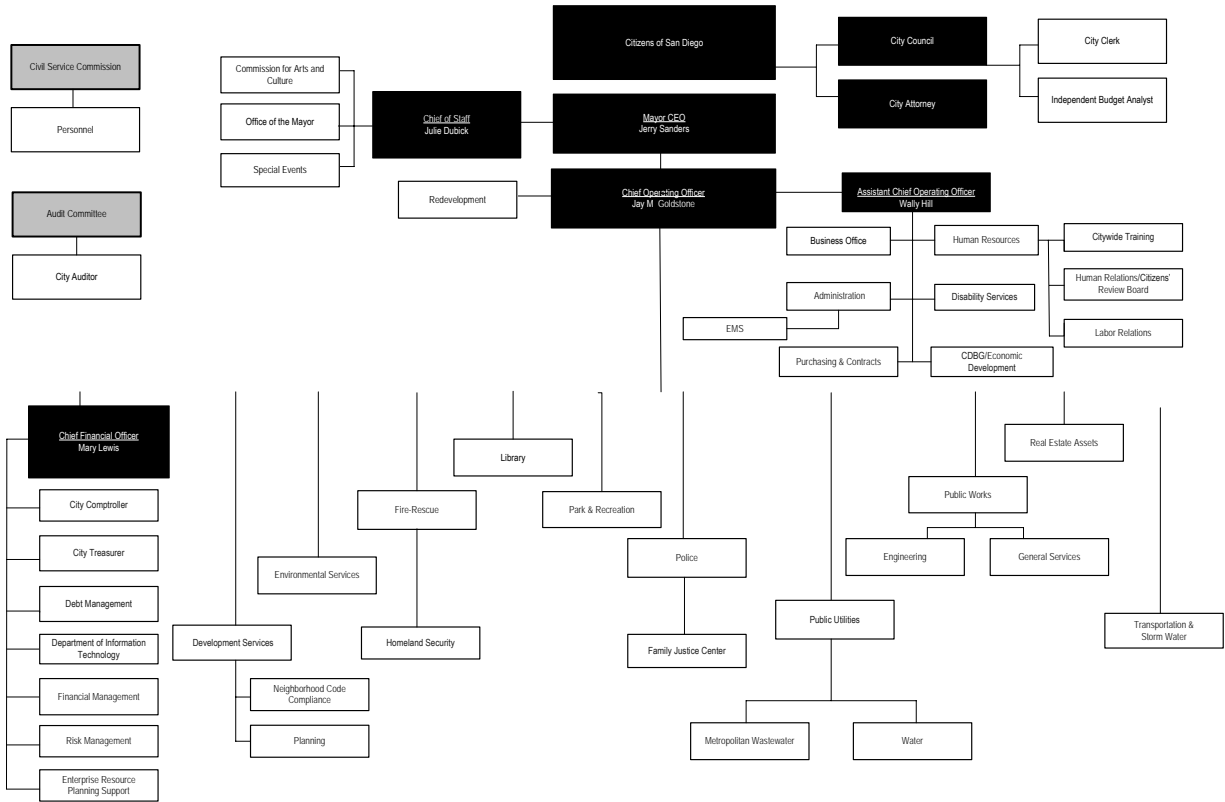


City Attorney  
Jan Goldsmith

Other City Officials

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

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



## Financial Reporting Entity

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

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

Additionally, the City in fiscal year 2010 participated in a joint venture operation with a private company to provide for emergency medical and medical transportation services. This joint venture is a limited liability company named San Diego Medical Services Enterprise, LLC. The financial impact of the joint venture is displayed in the General Fund within the governmental funds statement of revenues, expenditures and changes in fund balance and in the government-wide statement of activities. This joint venture was mutually dissolved in fiscal year 2011, but is included in this fiscal year 2010 report.


## Budgetary Process

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

The City continues to implement improvements to the effectiveness and efficiency of its operations and increase transparency to the public.

Sincerely,



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Jerry Sanders  
Mayor



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Jay M. Goldstone  
Chief Operating Officer



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Mary Lewis  
Chief Financial Officer



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Kenton C. Whitfield  
City Comptroller

## FINANCIAL SECTION



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Diego, California (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Diego Housing Commission, a discretely presented component unit, which financial statements reflect 90%, 95%, and 86% of the total assets, total net assets, and total revenues, respectively, of the aggregate discretely presented component units totals. Also, we did not audit the Southeastern Economic Development Corporation, a blended component unit, which financial statements reflect less than 1% in each of the total assets, total net assets, and total revenues, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the San Diego Housing Commission and the Southeastern Economic Development Corporation is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1(v) to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*Macias Jini & O'Connell LLP*

San Diego, California  
August 31, 2011



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
(In Thousands)  
June 30, 2010

As management of the City of San Diego (City), we offer readers of the City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. We encourage the reader to consider the information presented here in addition to the information presented in the Letter of Transmittal.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The statement of activities presents information showing changes in the City's net assets during the fiscal year 2010. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The focus is on both gross and net costs of City functions, which are supported by general revenues. This Statement also distinguishes functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include: General Government and Support; Public Safety - Police; Public Safety - Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; and Neighborhood Services. The business-type activities of the City include: Airports; Development Services; Environmental Services; Golf Course; Recycling; Sewer Utility; and Water Utility.

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

Included within the primary government as blended component units:

- Centre City Development Corporation (CCDC)
- City of San Diego/Metropolitan Transit Development Board Authority (MTDB)
- Convention Center Expansion Financing Authority (CCEFA)
- Public Facilities Financing Authority (PFFA)
- Redevelopment Agency of the City of San Diego (RDA)
- San Diego City Employees' Retirement System (SDCERS)
- San Diego Data Processing Corporation (SDDPC)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)

- San Diego Industrial Development Authority (SDIDA)
- Southeastern Economic Development Corporation (SEDC)
- Tobacco Settlement Revenue Funding Corporation (TSRFC)
- Tourism Marketing District (TMD)

The government-wide financial statements can be found beginning on page 50 of this report.

#### FUND FINANCIAL STATEMENTS

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

#### GOVERNMENTAL FUNDS

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

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

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

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

The basic governmental funds financial statements can be found beginning on page 54 of this report.

#### PROPRIETARY FUNDS

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

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Sewer and Water funds, which are considered to be major funds of the City. Data for the nonmajor proprietary funds are combined into a single, aggregated presentation, and the internal service funds are combined into a single, aggregated presentation as well. Included in the Supplementary Information section of this report are individual fund data for the nonmajor proprietary funds and the internal service funds. The basic proprietary funds financial statements can be found beginning on page 58 of this report.

#### FIDUCIARY FUNDS

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

The basic fiduciary funds financial statements can be found beginning on page 61 of this report.

#### NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 63 of this report.

#### OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and postemployment healthcare benefits to its employees, and the General Fund's budgetary comparison schedule. Required supplementary information can be found beginning on page 166 of this report.

The individual fund data referred to earlier in connection with nonmajor governmental funds, nonmajor proprietary funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions and the General Fund budgetary comparison schedule, beginning on page 185 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Capital Assets	\$ 4,486,074	\$ 4,455,525	\$ 4,904,908	\$ 4,766,721	\$ 9,390,982	\$ 9,222,246
Other Assets	2,114,026	2,073,989	1,292,984	1,357,070	3,407,010	3,431,059
Total Assets	6,600,100	6,529,514	6,197,892	6,123,791	12,797,992	12,653,305
Net Long-Term Liabilities	2,052,459	1,997,836	2,325,652	2,413,033	4,378,111	4,410,869
Other Liabilities	192,596	142,084	140,851	110,479	333,447	252,563
Total Liabilities	2,245,055	2,139,920	2,466,503	2,523,512	4,711,558	4,663,432
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	3,780,474	3,673,643	3,035,924	2,970,351	6,816,398	6,643,994
Restricted	572,382	535,030	52,190	42,485	624,572	577,515
Unrestricted	2,189	180,921	643,275	587,443	645,464	768,364
Total Net Assets	\$ 4,355,045	\$ 4,389,594	\$ 3,731,389	\$ 3,600,279	\$ 8,086,434	\$ 7,989,873

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$8,086,434 at June 30, 2010, an increase of \$96,561 over fiscal year 2009.

\$6,816,398, or approximately 84% of total Net Assets represent the City's investment in capital assets (e.g., land, structures and improvements, equipment, distribution and collections systems, infrastructure, and construction-in-progress), less any outstanding debt used to acquire these assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves generally are not used to liquidate these liabilities.

\$624,572, or approximately 8%, of total Net Assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$645,464, or approximately 8%, is available to fund ongoing services and obligations to the City's citizens and creditors.

In total, Unrestricted Net Assets experienced a net decrease of \$122,900, or approximately 16%. Unrestricted Net Assets for Governmental activities decreased by \$178,732. This decrease was partially offset by an increase to Invested in Capital Assets, Net of Related Debt as a result of an increase in capital assets, a decrease in outstanding bonds payable, and an increase in unspent bond proceeds. Additionally, this decrease was attributed to an accrued liability claim resulting from an audit by the Office of the Inspector General related to the City's Redevelopment Agency. Business-Type activities experienced an increase in Unrestricted Net Assets of \$55,832 which was primarily attributed to Council approved rate increases for Sewer and Water Utilities.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues						
Charges for Current Services	\$ 369,740	\$ 345,532	\$ 859,732	\$ 771,725	\$ 1,229,472	\$ 1,117,257
Operating Grants and Contributions	71,829	93,244	3,289	1,739	75,118	94,983
Capital Grants and Contributions	60,139	104,471	45,738	60,863	105,877	165,334
General Revenues						
Property Taxes	579,410	607,857	-	-	579,410	607,857
Transient Occupancy Taxes	123,332	140,657	-	-	123,332	140,657
Sales Taxes	244,406	229,651	-	-	244,406	229,651
Other Local Taxes	183,694	161,485	-	-	183,694	161,485
Grants and Contributions not Restricted to						
Specific Programs	18,065	8,488	-	-	18,065	8,488
Investment Income	30,472	74,615	22,332	31,004	52,804	105,619
Other	43,334	51,598	13,321	8,257	56,655	59,855
<b>Total Revenues</b>	<b>1,724,421</b>	<b>1,817,598</b>	<b>944,412</b>	<b>873,588</b>	<b>2,668,833</b>	<b>2,691,186</b>
Expenses:						
General Government and Support	395,344	302,394	-	-	395,344	302,394
Public Safety-Police	402,222	418,549	-	-	402,222	418,549
Public Safety-Fire, Life Safety, Homeland Security	214,975	220,787	-	-	214,975	220,787
Parks, Recreation, Culture and Leisure	266,343	258,038	-	-	266,343	258,038
Transportation	190,054	239,305	-	-	190,054	239,305
Sanitation and Health	78,171	77,447	-	-	78,171	77,447
Neighborhood Services	137,971	116,735	-	-	137,971	116,735
Debt Service:						
Interest on Long-Term Debt	72,672	75,059	-	-	72,672	75,059
Airports	-	-	5,671	5,140	5,671	5,140
City Store	-	-	-	321	-	321
Development Services	-	-	36,640	47,260	36,640	47,260
Environmental Services	-	-	33,955	35,718	33,955	35,718
Golf Course	-	-	14,618	11,864	14,618	11,864
Recycling	-	-	19,265	20,067	19,265	20,067
Sewer Utility	-	-	338,688	314,125	338,688	314,125
Water Utility	-	-	365,683	329,748	365,683	329,748
<b>Total Expenses</b>	<b>1,757,752</b>	<b>1,708,314</b>	<b>814,520</b>	<b>764,243</b>	<b>2,572,272</b>	<b>2,472,557</b>
Change in Net Assets Before Transfers:	(33,331)	109,284	129,892	109,345	96,561	218,629
Transfers	(1,218)	(1,225)	1,218	1,225	-	-
Net Change in Net Assets	<b>(34,549)</b>	<b>108,059</b>	<b>131,110</b>	<b>110,570</b>	<b>96,561</b>	<b>218,629</b>
Net Assets - July 1, as Restated	4,389,594	4,281,535	3,600,279	3,489,709	7,989,873	7,771,244
Net Assets - June 30	<b>\$ 4,355,045</b>	<b>\$ 4,389,594</b>	<b>\$ 3,731,389</b>	<b>\$ 3,600,279</b>	<b>\$ 8,086,434</b>	<b>\$ 7,989,873</b>

## GOVERNMENTAL ACTIVITIES

Governmental activities decreased the City's net assets by \$34,549 during fiscal year 2010. Variances from fiscal year 2009 of more than 10% are discussed below.

- Operating Grants and Contributions decreased by \$21,415, or approximately 23%, which was primarily due to the reclassification of Proposition 42 revenues from Operating Grants to Other Local Taxes (\$10,000) and the reclassification of Maintenance Assessment District revenues from Operating Grants to Charges for Services (\$14,000).
- Capital Grants and Contributions decreased by \$44,332, or approximately 42%. The Redevelopment Agency had a decrease in Capital Grants of \$6,200, primarily due to one-time transfers of Developer Impact Fees from the City during fiscal year 2009. The City had decreases in grant revenues related to Soledad Mountain Road (\$11,800), Homeland Security FEMA grants (\$6,800) and Seismic Retrofit grants (\$5,400). The remaining decrease was primarily attributed to a decrease in proceeds related to capital asset financing activities.
- Transient Occupancy Taxes decreased by \$17,325, or approximately 12%, primarily due to the downturn in San Diego's tourism industry.
- Other Local Taxes increased by \$22,209, or approximately 14%. The accrual of SDG&E franchise revenues for the Underground Surcharge Program which was not accrued in previous years accounted for approximately \$16,000 of the increase. In addition, there was a \$12,000 increase due to the reclassification of Proposition 42 revenues, from Operating Grants to Other Local Taxes. These increases were partially offset by a decrease in Gas Tax revenues of \$5,600, due to suspended apportionments for fiscal year 2008 which were received during fiscal year 2009.
- Grants and Contributions not Restricted to Specific Programs increased by \$9,577, or approximately 113%, primarily due to a reduction of outstanding long-term debt obligations in the amount of \$8,391, as a result of the Redevelopment Agency's negotiations with various developers.
- Investment Income decreased by \$44,143, or approximately 59%, primarily due to the prolonged low interest rate environment.
- Other Revenue decreased by \$8,264, or approximately 16%. During fiscal year 2009, a capital asset inventory was completed and a one-time revenue was recorded in Fleet Services for vehicles that were not previously capitalized.
- General Government and Support expense increased by \$92,950, or approximately 31%. On July 1, 2009, the City went live with a new Enterprise Resource Planning (ERP) financial system. In preparation for this conversion, the City reconciled the capital asset information that was contained in the legacy system. As a result of this reconciliation, a one-time reduction of approximately \$64,000 was recorded in fiscal year 2009. In addition, the Redevelopment Agency made a payment to the Supplemental Educational Revenue Augmentation Fund (SERAF) required under State Assembly Bill 26 4x, which increased expenses by approximately \$55,000 during fiscal year 2010. These increases were offset with decreases to General Government and Support expenses related to lower staffing levels in the General Fund (\$12,800) and a reduction of the Annual Required Contribution (\$10,500) to the defined benefit pension plan.
- Transportation expense decreased by \$49,251, or approximately 21%. This variance is primarily the result of a reclassification of Subdivision Fund expenditures from Transportation to General Government and Support (\$17,800), a decrease in Underground Surcharge expenses resulting from a decrease in undergrounding receipts (\$13,000), and a decrease in expenses related to General Fund Streets projects (\$10,000).
- Neighborhood Services expense increased by \$21,236, or approximately 18%. This increase was primarily attributed to an increase in accrued liability claims related to the Redevelopment Agency of approximately \$58,500 as a result of an audit by the Office of the Inspector General related to the City's CDBG program (see Note 18 for additional information). This increase was partially offset by a \$39,000 decrease in claims expense due to a settlement with the County of San Diego related to the Grantville Redevelopment Project area.

## BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net assets by \$131,110 fiscal year 2010. Variances from fiscal year 2009 of more than 10% are discussed below.

- Charges for Services increased by \$88,007, or approximately 11%, primarily due to Council approved rate increases for Sewer and Water Utilities.
- Operating Grants and Contributions increased by \$1,550, or approximately 89%, primarily due to recognition of revenues associated with Oil Recycling and Airports programs.
- Capital Grants and Contributions decreased by \$15,125, or approximately 25%, primarily due to a decline in water and sewer main infrastructure installations by developers and a decline in related capacity fees received.
- Investment Income decreased by \$8,672, or approximately 28%, primarily due to the prolonged low interest rate environment.
- Other Revenues increased by \$5,064, or approximately 61%, as a result of litigation awards received and increases in sewerage system permits and discharge fees.
- Development Services expenses decreased by \$10,620, or approximately 22%, primarily due to the reduction of 43 full time equivalent (FTE) positions.
- Golf Course expenses increased by \$2,754, or approximately 23%, as a result of a reclassification of \$2,100 in rent expense which was recorded as a transfer in prior years.
- Water Utility expenses increased by \$35,935, or approximately 11%, primarily due to increased costs of water purchased and debt service interest expenses.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

### GOVERNMENTAL FUNDS

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

As of the end of fiscal year 2010, the City's governmental funds reported combined ending fund balances of \$1,639,340, a decrease of \$101,452 from fiscal year 2009. Approximately \$855,020 constitutes unreserved fund balance, which is available for spending at the government's direction. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the period, (2) to pay debt service, (3) to generate income to pay for the perpetual funding of various programs, or (4) for a variety of other purposes.

The General Fund is the principal operating fund of the City. Total Fund Balance for the General Fund remained stable at \$115,023 compared with \$114,392 in fiscal year 2009. The Undesignated Fund Balance of \$105,014 increased by \$26,667 over fiscal year 2009. This increase was offset by a decrease in Reserve for Encumbrances, resulting from a new encumbrance policy effective in fiscal year 2009 which requires encumbrances created in regular operating funds to be consumed prior to the end of the fiscal year.

## PROPRIETARY FUNDS

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

As of the end of fiscal year 2010, Unrestricted Net Assets of the Sewer Utility Fund were \$352,341. Unrestricted Net Assets increased approximately \$59,900, or approximately 20%, primarily due to Council approved rate increases.

As of the end of fiscal year 2010, Unrestricted Net Assets of the Water Utility Fund remained stable at \$233,265, an increase of \$366 over fiscal year 2009.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget for expenditures and transfers out was \$645 lower than the final budget due to increases (decreases) in appropriations primarily attributed to the following:

- \$3,570 for General Governmental and Support. This variance was mostly attributed to contractual obligations of the City Auditor and the General Services Department.
- (\$9,676) for Public Safety-Police. The majority of the budget reduction was in personnel, which was attributed to vacant positions, a decrease in recruits from the Police Academy, and overtime savings.
- \$8,789 for Transportation. This increase was principally due to slurry seal expenditures in the Streets Department.
- \$3,605 for Sanitation and Health. The increase was primarily due to contractual obligations of the Storm Water Department.
- (\$1,871) for Neighborhood Services. The decrease was primarily due to reduced contractual expenditures in the City Planning and Community Investment Department.
- (\$2,844) for Transfers Out. This decrease was primarily due to lower than anticipated transfers to the Mission Bay/Regional Parks Fund.

Actual revenues received for the General Fund were \$74,195 less than budgeted. Property Tax revenue was over budget by \$8,754 primarily due to an increase in collection rates. Sales Tax and Transient Occupancy Tax were under budget by \$24,549 and \$10,685, respectively, due to the downturn in the economy. Other Local Taxes were under budget by \$4,968 mainly due to a shortfall in SDG&E Franchise Fees. Licenses and Permits revenue was under budget by \$4,412 due to lower Business and Rental Unit Taxes. Revenue from Use of Money and Property came in \$5,074 under budget due to declining market values of the City's investment pool. Charges for Current Services came in \$35,807 under budget due to revenue shortfalls in the Parks and Recreation and General Services Departments. Other revenue was \$3,275 over budget which was due to a reimbursement from the COPS Grant for police expenditures incurred in the prior year.

Actual expenditures for the General Fund were \$13,702 under budget. General Government and Support had appropriation savings of \$10,449, primarily due to a reduction of Personnel expenditures. Sanitation and Health had appropriation savings of \$1,811 due to a decrease in lease expenses resulting from an amendment to the lease agreement between the General Fund and the Environmental Services Department.



## CAPITAL ASSET AND DEBT ADMINISTRATION

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Land & Rights of Way	\$ 1,798,345	\$ 1,768,968	\$ 95,428	\$ 93,240	\$ 1,893,773	\$ 1,862,208
Easements	5	-	19	-	24	-
Construction-in-Progress	191,743	192,741	288,869	291,283	480,612	484,024
Structures and Improvements	811,904	826,488	1,305,899	1,253,903	2,117,803	2,080,391
Equipment	190,898	169,387	147,086	156,891	337,984	326,278
Distribution and Collection Systems	-	-	3,067,607	2,971,404	3,067,607	2,971,404
Infrastructure	1,493,179	1,497,941	-	-	1,493,179	1,497,941
Totals	<u>\$ 4,486,074</u>	<u>\$ 4,455,525</u>	<u>\$ 4,904,908</u>	<u>\$ 4,766,721</u>	<u>\$ 9,390,982</u>	<u>\$ 9,222,246</u>

## CAPITAL ASSETS

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

The City's investment in capital assets (including infrastructure) for governmental and business-type activities as of June 30, 2010 was \$9,390,982 (net of accumulated depreciation). There was an overall increase in the City's investment in capital assets over fiscal year 2009 of approximately \$168,736. Readers interested in more detailed information on capital asset activity should refer to Note 4 - Capital Assets.

## HIGHLIGHTS OF FISCAL YEAR 2010 CAPITAL IMPROVEMENT ACTIVITIES

Governmental Activities

- Phase 2 of the Enterprise Resource Planning (ERP) System Core Project to provide a replacement of the legacy software currently used by the Offices of the Chief Financial Officer (CFO) and Business and Support Services was completed and implemented City-wide on Jan 1, 2010. Phase 2 of the Project focused primarily on the implementation of a new payroll and time entry system. The project was funded primarily through a lease purchase agreement with IBM Credit LLC and cash from SDDPC. The City's fiscal year 2010 capital expenditures for this project were \$8,594.
- The reconstruction of Soledad Mountain Road was completed following the October 2007 landslide that destroyed a large section of the 5700 block of Soledad Mountain Road and Desert View Drive Alley. The project was funded by TransNet as well as state and federal grants. The City's fiscal year 2010 capital expenditures for this project were \$1,052.

- Construction on the North Harbor Drive Bridge over the Navy Estuary was completed in September of 2009. This project provided for the seismic retrofitting of the bridge as well as stabilization of the existing piers and joining the paired piers together at the waterline to increase support during seismic events. The City's fiscal year 2010 capital expenditures for this project were \$3,187.
- Construction began on the Carroll Canyon Road/Sorrento Valley Road improvement project. This project is a joint project with CalTrans that will provide a modified four-lane collector street under Interstate 805 as well as Class II bike lanes and direct access ramps from Carroll Canyon onto the I-805 and I-5 interchanges. The City's fiscal year 2010 capital expenditures for this project were \$10,891.
- The Carmel Valley Road from Street A to Neighborhood Parkway project is a developer built project that will provide for the design and construction of a four lane road to contain enough right of way to accommodate the eventual future expansion to six lanes. Pedestrian undercrossings and landscaped medians are also included in the project plan. The City reimbursed the developer \$6,034 for this project during fiscal year 2010.
- Construction was completed on Phase II of the Logan Heights Branch Library. This project provided for a new 25,000 square foot library at 28<sup>th</sup> Street and Ocean Boulevard to serve the Logan Heights Community. The project was funded by various grants as well as the Library System Improvement Fund. The City's fiscal year 2010 capital expenditures for this project were \$2,244.
- Construction began and was completed on the Murphy Canyon Storm Drain Repair project. This project provided for the replacement of approximately 1,150 linear feet of 54-inch storm drain pipes that had deteriorated and were at risk for continued failure. In fiscal year 2010, \$4,700 was expended to complete the project.
- Construction on the First Avenue Bridge Rehabilitation and Retrofit project was completed in December 2009. This project provided for seismic retrofits to the abutments, expansion joints and bracing of the First Ave Bridge as well as extensive hardware restoration and replacement. The project is part of the Uptown Community Plan and was funded by Federal and State grants as well as Urban Community funding. The City's fiscal year 2010 capital expenditures for this project were \$4,318.
- Property acquisition was completed for the Ocean View Hills Community Park Acquisition project. When complete, this project will provide for a 15 acre park with an additional 5 acres of joint use facilities that will be used by the neighboring Ocean View Hills Elementary School. Park amenities may include tennis courts, lighted ball fields, comfort stations, children's play areas and other improvements. Project expenditures towards land acquisition totaled \$2,145 during fiscal year 2010.

#### Business-Type Activities

During fiscal year 2010, the Water Utility Fund added approximately \$80,895 in capital improvement projects (CIP). Upgrades and expansion of the Miramar Water Treatment Plant, Otay Water Treatment Plant, Rancho Penasquitos Water Pump Station #2, and the Alvarado Water Treatment Plant continued, along with water main replacements. Capital asset write-offs for fiscal year 2010 were approximately \$2,631, and were primarily related to losses on abandoned projects and retirements of developer contributed assets.

During fiscal year 2010, the Sewer Utility Fund added approximately \$45,586 in CIP, of which the Metropolitan system CIP increased approximately \$9,207. Municipal system CIP increased approximately \$36,368 and included the following major projects: South Mission Valley Trunk Sewer, Metro Facilities Control Systems Upgrade, Pipeline Rehabilitation Phase G-1, and the continued replacement of sewer mains and upgrades to the sewer infrastructure. Capital asset write-offs for fiscal year 2010 were approximately \$561 and were primarily related to losses on abandoned projects and retirements of developer contributed assets.

#### **HIGHLIGHTS OF THE APPROVED FISCAL YEAR 2011 CAPITAL IMPROVEMENT PROJECTS (CIP) BUDGET**

The Annual Approved Capital Improvements Budget for Fiscal Year 2011 was \$299,600 which was a decrease of \$153,600, or approximately 33.9% from the fiscal year 2010 budget of \$453,200. The decrease in the Fiscal Year 2011 budget was primarily due to a change in budget practices to conform to the City's Budget Policy (Council Policy 000-02). Water and Sewer projects

comprise over 60.5% of the total CIP budget. General Services projects, which include transportation and building improvements, comprise 32.2% of the total CIP budget. Funding for governmental projects include: TransNet funds; Facilities Benefit Assessments; Developer Impact Fees; developer contributions; federal, state, local, and private contributions; land sale proceeds; and deferred capital projects bonds. Highlights of the key budgets by department are as follows:

#### Governmental Activities

- **General Services: \$31,400.** Key projects included the undergrounding of City utilities to augment the California Public Utilities Commission (CPUC) Rule 20A funds, and conversion of City-owned street lighting and resurfacing of roadways associated with the undergrounding of utilities. The estimated \$7,500 annual allocation funding for these projects is entirely funded by the Underground Surcharge Fund. Other significant projects included \$6,100 for Torrey Meadows Overdrive Crossing and \$2,500 for improvements at State Route 163 & Friars Road.
- **Storm Water: \$2,600.** Projects during the 2011 fiscal year focused on storm drain repair, replacement, and reconstruction. Emphasis was on replacing the corrugated metal pipes in order to mitigate the risk of storm drain failures and increasing storm drain capacities.
- **Parks and Recreation: \$16,500.** Planned project types for fiscal year 2011 included play area upgrades, joint use fields, accessibility improvements, comfort stations, picnic shelters, sports field and security lighting, new park development, and golf course improvements and upgrades.
- **Library: \$133,000.** This budget is primarily for the San Diego New Central Library which is planned to be a 500,000 square foot, multi-purpose library building which will have space for a Charter School, 350-seat auditorium, and art gallery, among other amenities.

#### Business-Type Activities

The fiscal year 2011 Public Utilities CIP budget is \$240,900. Significant projects include: \$72,600 for water main replacements; \$68,800 for sewer main replacements; \$26,100 for the replacement of trunk sewers; \$10,100 for the repair and upgrade of pump stations; \$7,700 for water pump station restorations; and \$5,200 for the Metro Facilities control system upgrades.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
	Capital Lease Obligations	\$ 84,561	\$ 89,519	\$ -	\$ -	\$ 84,561
Contracts Payable	1,018	4,715	-	-	1,018	4,715
Notes Payable	3,301	4,786	-	-	3,301	4,786
Loans Payable	79,395	44,815	84,673	90,326	164,068	135,141
Section 108 Loans	31,496	33,532	-	-	31,496	33,532
General Obligation Bonds	4,340	6,315	-	-	4,340	6,315
Revenue Bonds/COP's/ Lease Revenue Bonds	547,260	579,500	2,073,075	2,166,906	2,620,335	2,746,406
Tax Allocation Bonds	529,423	534,547	-	-	529,423	534,547
Tobacco Settlement Asset-Backed Bonds	92,350	95,380	-	-	92,350	95,380
Pooled Financing Bonds	32,780	33,460	-	-	32,780	33,460
Totals	<u>\$ 1,405,924</u>	<u>\$ 1,426,569</u>	<u>\$ 2,157,748</u>	<u>\$ 2,257,232</u>	<u>\$ 3,563,672</u>	<u>\$ 3,683,801</u>

**LONG-TERM DEBT**

At the end of fiscal year 2010, the City, including blended component units, had total debt outstanding of approximately \$3,563,672. Of this amount, \$4,340 is comprised of debt backed by the full faith and credit of the City. The remainder of the City's debt represents revenue bonds, lease revenue bonds, certificates of participation (COPs), tax allocation bonds, tobacco settlement asset-backed bonds, pooled financing bonds, contracts payable, notes payable, loans payable, Section 108 loans, SRF loans, and capital lease obligations.

Governmental Activities

- The City (RDA) issued \$13,930 of Subordinate Tax Allocation Bonds for the purpose of repaying certain outstanding obligations and to finance redevelopment activities relating to the North Park Redevelopment Project area. The Series 2009A bonds are payable solely from and secured by a pledge of tax revenues and are subordinate to the prior liens of the outstanding North Park Redevelopment Project Tax Allocation Bonds, Series 2000, Series 2003A and 2003B.
- The City (PFFA) issued \$167,635 of Lease Revenue Refunding Bonds, Series 2010A (Master Refunding Project) to refund the outstanding Refunding Certificates of Participation (Balboa Park and Mission Bay Park Capital Improvements Program, Series 1991) (Series 1996B), refund the outstanding taxable PFFA Lease Revenue Bonds, Series 1996A (San Diego Jack Murphy Stadium) and refund the outstanding PFFA Lease Revenue Bonds, Series 2009A (Various Capital Improvement Projects).

- The City executed an Agreement Regarding Purchase of McGuigan Judgment with Bank of America, N.A. (BANA) that allowed the bank to make the unpaid remaining balance of \$32,762 from the William J. McGuigan Judgment. The City was then obligated to repay BANA starting on July 1, 2011 and for the following three years, at a fixed rate of 3.79% throughout the term of the obligation, unless the City's long-term general obligation indebtedness rating was lowered, withdrawn, suspended, or upon the occurrence of an Event of Default.
- Total principal payments or reductions of long-term debt were \$247,254. \$209,834 of this amount was for outstanding bonds, including \$165,295 of bonds refunded or redeemed in advance of scheduled maturity date, and \$44,539 of scheduled bond principal payments. Also included were \$16,166 for loans payable, \$1,485 for notes payable, \$3,697 for contracts payable, and \$16,072 for capital leases. Readers interested in more detailed information regarding Governmental Activities Long Term Liabilities should refer to Note 5.

#### Business-Type Activities

- The City (PFFA) issued \$123,075 of Water Revenue Bonds, Refunding Series 2010A for the following purposes: to fully refund the outstanding \$141,320 Water of Certificates of Undivided Interest, Series 1998; to fund the reserve; and to pay costs of issuance related to the Series 2010A Bonds. The publicly offered Water 2010A Revenue Refunding Bonds are secured by and payable solely from net system revenues of the Water Utility Fund.
- The City (PFFA) issued \$161,930 of Senior Sewer Revenue Refunding Bonds, Series 2010A for the following purposes: to refund the outstanding \$43,850 of Sewer Revenue Bonds, Series 1995; to refund the outstanding \$22,565 of Sewer Revenue Bonds, Series 1997A and \$8,260 of Sewer Revenue Bonds, Series 1997B; to refund the outstanding \$67,020 of Sewer Revenue Bonds, Series 1999A and \$37,080 of Sewer Revenue Bonds, Series 1999B; to fund the reserve; and to pay costs of issuance related to the Series 2010A Bonds. The publicly offered Sewer 2010A Revenue Refunding Bonds are secured by and payable solely from wastewater system net revenues.
- Total principal payments for long-term debt were \$384,489. \$378,836 of this amount was for outstanding bonds, including \$320,095 of bonds refunded or redeemed in advance of scheduled maturity date, and \$58,741 for scheduled bond principal payments. Principal payments on loans payable were \$5,653. Readers interested in more detailed information regarding Business-Type Activities Long Term Liabilities should refer to Note 6.

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

	Moody's Investors Service	Fitch Ratings	Standard & Poor's
General Fund Backed Lease Revenue Bonds Outlook	A2 Stable	A+ Stable	A- Positive
Wastewater System Bonds Outlook	Aa3 Stable	AA Stable	A+ Stable
Water System Bonds Outlook	Aa2/Aa3 Stable	AA/AA- Stable	AA-/A+ Stable

Section 90 of the City Charter provides that the general obligation bonded indebtedness for the development, conservation and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation. The City's current outstanding general obligation balances as of June 30, 2010 are significantly less than the current debt limitations for water and other purposes, which are \$6,099,183 and \$4,066,122, respectively (see Statistical Section, Table 12).

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

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

#### REQUESTS FOR INFORMATION

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

## BASIC FINANCIAL STATEMENTS





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**STATEMENT OF NET ASSETS**  
**June 30, 2010**  
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
<b>ASSETS</b>					
Cash and Investments .....	\$ 1,352,208	\$ 708,794	\$ 2,061,002	\$ 15,877	\$ 114,919
Receivables:					
Taxes - Net of Allowance for Uncollectibles (Governmental \$2,206) ...	105,038	-	105,038	-	-
Accounts - Net of Allowance for Uncollectibles					
(Governmental \$29,234, Business-Type \$4,137) .....	84,860	111,314	196,174	3,286	10,063
Claims .....	249	589	838	-	-
Special Assessments .....	592	-	592	-	-
Notes .....	158,103	-	158,103	-	203,278
Accrued Interest .....	2,792	2,005	4,797	-	21,395
Grants .....	48,281	2,044	50,325	-	-
From Other Agencies .....	2	-	2	-	-
Investment in Joint Venture .....	1,688	-	1,688	-	-
Advances to Other Agencies .....	3,076	-	3,076	-	-
Internal Balances .....	(11,069)	11,069	-	-	-
Inventories of Water in Storage .....	-	38,303	38,303	-	-
Inventories .....	2,551	703	3,254	15	148
Land Held for Resale .....	36,146	-	36,146	-	-
Prepaid Expenses .....	1,684	467	2,151	967	3,230
Restricted Cash and Investments .....	310,916	404,225	715,141	-	2,078
Deferred Charges .....	16,909	13,471	30,380	-	487
Capital Assets - Non-Depreciable .....	1,990,093	384,316	2,374,409	13,661	43,342
Capital Assets - Depreciable .....	<u>2,495,981</u>	<u>4,520,592</u>	<u>7,016,573</u>	<u>14,860</u>	<u>63,915</u>
<b>TOTAL ASSETS</b> .....	<u>6,600,100</u>	<u>6,197,892</u>	<u>12,797,992</u>	<u>48,666</u>	<u>462,855</u>

**STATEMENT OF NET ASSETS**  
**June 30, 2010**  
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
<b>LIABILITIES</b>					
Accounts Payable .....	\$ 90,818	\$ 64,871	\$ 155,689	\$ 1,820	\$ 3,415
Accrued Wages and Benefits .....	30,659	21,344	52,003	-	551
Other Accrued Liabilities .....	782	-	782	2,500	2,247
Interest Accrued on Long-Term Debt .....	20,144	23,032	43,176	-	365
Long-Term Liabilities Due Within One Year .....	167,314	82,671	249,985	2,275	2,230
Due to Other Agencies .....	3,707	2,220	5,927	-	-
Unearned Revenue .....	41,072	3,772	44,844	8,657	3,592
Contract Deposits .....	363	8,726	9,089	-	-
Sundry Trust Liabilities .....	5,051	-	5,051	-	-
Customer Deposits Payable .....	-	4,930	4,930	-	-
Deposits/Advances from Others .....	-	11,956	11,956	-	936
Long-Term Liabilities Due After One Year:					
Arbitrage Liability .....	3	-	3	-	-
Compensated Absences .....	44,403	7,545	51,948	-	-
Liability Claims .....	282,783	19,444	302,227	-	-
Capital Lease Obligations .....	67,652	-	67,652	-	-
Contracts Payable .....	1,018	-	1,018	-	-
Notes Payable .....	3,301	-	3,301	12,500	66,681
Loans Payable .....	39,355	78,908	118,263	-	-
Section 108 Loans Payable .....	28,851	-	28,851	-	-
Net Bonds Payable .....	1,182,930	2,060,529	3,243,459	-	-
Estimated Landfill Closure and Postclosure Care .....	-	20,126	20,126	-	-
Net Other Post Employment Benefit Obligation .....	118,431	33,239	151,670	-	-
Net Pension Obligation .....	116,418	23,190	139,608	-	-
<b>TOTAL LIABILITIES</b> .....	<b>2,245,055</b>	<b>2,466,503</b>	<b>4,711,558</b>	<b>27,752</b>	<b>80,017</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt .....	3,780,474	3,035,924	6,816,398	14,990	39,788
Restricted for:					
Capital Projects .....	260,754	-	260,754	-	-
Debt Service .....	-	8,443	8,443	-	-
Low-Moderate Income Housing .....	162,514	-	162,514	-	-
Nonexpendable Permanent Endowments .....	17,514	-	17,514	-	-
Other .....	131,600	43,747	175,347	1,884	129,063
Unrestricted .....	2,189	643,275	645,464	4,040	213,987
<b>TOTAL NET ASSETS</b> .....	<b>\$ 4,355,045</b>	<b>\$ 3,731,389</b>	<b>\$ 8,086,434</b>	<b>\$ 20,914</b>	<b>\$ 382,838</b>

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

**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2010**  
**(In Thousands)**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government and Support .....	\$ 395,344	\$ 179,461	\$ 11,947	\$ 773
Public Safety - Police .....	402,222	39,636	14,931	-
Public Safety - Fire and Life Safety and Homeland Security ....	214,975	19,916	12,994	20
Parks, Recreation, Culture and Leisure .....	266,343	61,495	2,633	25,181
Transportation .....	190,054	31,485	422	33,540
Sanitation and Health .....	78,171	11,788	1,171	625
Neighborhood Services .....	137,971	25,959	27,731	-
Debt Service:				
Interest .....	<u>72,672</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES .....</b>	<b><u>1,757,752</u></b>	<b><u>369,740</u></b>	<b><u>71,829</u></b>	<b><u>60,139</u></b>
<b>Business-Type Activities:</b>				
Airports .....	5,671	4,849	477	460
Development Services .....	36,640	37,338	-	-
Environmental Services .....	33,955	26,342	-	-
Golf Course .....	14,618	15,671	-	-
Recycling .....	19,265	16,946	1,256	-
Sewer Utility .....	338,688	382,125	340	21,346
Water Utility .....	<u>365,683</u>	<u>376,461</u>	<u>1,216</u>	<u>23,932</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES .....</b>	<b><u>814,520</u></b>	<b><u>859,732</u></b>	<b><u>3,289</u></b>	<b><u>45,738</u></b>
<b>TOTAL PRIMARY GOVERNMENT .....</b>	<b><u>\$ 2,572,272</u></b>	<b><u>\$ 1,229,472</u></b>	<b><u>\$ 75,118</u></b>	<b><u>\$ 105,877</u></b>
<b>Component Units:</b>				
San Diego Convention Center Corporation .....	\$ 37,390	\$ 33,169	\$ 3,908	\$ 143
San Diego Housing Commission .....	<u>192,882</u>	<u>27,787</u>	<u>189,101</u>	<u>-</u>
<b>TOTAL COMPONENT UNITS .....</b>	<b><u>\$ 230,272</u></b>	<b><u>\$ 60,956</u></b>	<b><u>\$ 193,009</u></b>	<b><u>\$ 143</u></b>
<b>General Revenues:</b>				
Property Taxes .....				
Transient Occupancy Taxes .....				
Sales Taxes .....				
Other Local Taxes .....				
Developer Contributions and Fees .....				
Grants and Contributions not Restricted to Specific Programs .....				
Investment Income .....				
Gain on Sale of Capital Assets .....				
Miscellaneous .....				
Transfers .....				
<b>TOTAL GENERAL REVENUES AND TRANSFERS .....</b>				
<b>CHANGE IN NET ASSETS .....</b>				
Net Assets at Beginning of Year, as Restated .....				
<b>NET ASSETS AT END OF YEAR .....</b>				

<b>Net Revenue/(Expense) and Changes in Net Assets</b>				
<b>Primary Government</b>			<b>Component Units</b>	
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>San Diego Convention Center Corporation</b>	<b>San Diego Housing Commission</b>
\$ (203,163)	\$ -	\$ (203,163)	\$ -	\$ -
(347,655)	-	(347,655)	-	-
(182,045)	-	(182,045)	-	-
(177,034)	-	(177,034)	-	-
(124,607)	-	(124,607)	-	-
(64,587)	-	(64,587)	-	-
(84,281)	-	(84,281)	-	-
<u>(72,672)</u>	<u>-</u>	<u>(72,672)</u>	<u>-</u>	<u>-</u>
<u>(1,256,044)</u>	<u>-</u>	<u>(1,256,044)</u>	<u>-</u>	<u>-</u>
-	115	115	-	-
-	698	698	-	-
-	(7,613)	(7,613)	-	-
-	1,053	1,053	-	-
-	(1,063)	(1,063)	-	-
-	65,123	65,123	-	-
-	35,926	35,926	-	-
-	94,239	94,239	-	-
<u>(1,256,044)</u>	<u>94,239</u>	<u>(1,161,805)</u>	<u>-</u>	<u>-</u>
-	-	-	(170)	-
-	-	-	-	24,006
-	-	-	(170)	24,006
579,410	-	579,410	-	-
123,332	-	123,332	-	-
244,406	-	244,406	-	-
183,694	-	183,694	-	-
21,022	-	21,022	-	-
18,065	-	18,065	-	-
30,472	22,332	52,804	77	7,772
1,854	-	1,854	-	-
20,458	13,321	33,779	807	-
(1,218)	1,218	-	-	-
<u>1,221,495</u>	<u>36,871</u>	<u>1,258,366</u>	<u>884</u>	<u>7,772</u>
(34,549)	131,110	96,561	714	31,778
<u>4,389,594</u>	<u>3,600,279</u>	<u>7,989,873</u>	<u>20,200</u>	<u>351,060</u>
<u>\$ 4,355,045</u>	<u>\$ 3,731,389</u>	<u>\$ 8,086,434</u>	<u>\$ 20,914</u>	<u>\$ 382,838</u>

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

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2010  
(In Thousands)**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments .....	\$ 101,059	\$ 1,090,141	\$ 1,191,200
Receivables:			
Taxes - Net of Allowance for Uncollectibles (General Fund \$1,858, Other Governmental \$348) .....	67,070	37,968	105,038
Accounts - Net of Allowance for Uncollectibles (General Fund \$7,977, Other Governmental \$20,375) ....	8,569	68,187	76,756
Claims .....	214	8	222
Special Assessments .....	-	592	592
Notes .....	-	158,103	158,103
Accrued Interest .....	493	2,291	2,784
Grants .....	-	48,281	48,281
From Other Funds .....	1,000	865	1,865
From Other Agencies .....	-	2	2
Interfund Loan Receivable .....	-	32,780	32,780
Advances to Other Funds .....	-	7,437	7,437
Advances to Other Agencies .....	-	3,076	3,076
Land Held for Resale .....	-	36,146	36,146
Prepaid Items .....	-	144	144
Investment in Joint Venture .....	1,688	-	1,688
Restricted Cash and Investments .....	-	310,916	310,916
<b>TOTAL ASSETS .....</b>	<b>\$ 180,093</b>	<b>\$ 1,796,937</b>	<b>\$ 1,977,030</b>
<b>LIABILITIES</b>			
Accounts Payable .....	\$ 15,446	\$ 57,636	\$ 73,082
Accrued Wages and Benefits .....	27,469	1,091	28,560
Other Accrued Liabilities .....	-	782	782
Due to Other Funds .....	220	6,250	6,470
Due to Other Agencies .....	17	3,690	3,707
Unearned Revenue .....	-	41,070	41,070
Deferred Revenue .....	21,558	113,343	134,901
Sundry Trust Liabilities .....	-	5,051	5,051
Advances from Other Funds .....	-	7,437	7,437
Interfund Loan Payable .....	-	36,267	36,267
Contract Deposits .....	360	3	363
<b>TOTAL LIABILITIES .....</b>	<b>65,070</b>	<b>272,620</b>	<b>337,690</b>

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2010  
(In Thousands)**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>FUND EQUITY</b>			
Reserved for Land Held for Resale .....	-	36,146	36,146
Reserved for Notes Receivable .....	-	154,492	154,492
Reserved for Encumbrances .....	6,307	337,235	343,542
Reserved for Advances and Deposits .....	-	10,420	10,420
Reserved for Low and Moderate Income Housing .....	-	61,118	61,118
Reserved for Permanent Endowments .....	-	17,514	17,514
Reserved for Debt Service .....	-	159,399	159,399
Reserved for Minority Interest in Joint Venture .....	1,689	-	1,689
Unreserved, Reported in General Fund:			
Designated for Unrealized Gains .....	1,816	-	1,816
Designated for Subsequent Years' Expenditures .....	197	-	197
Undesignated .....	105,014	-	105,014
Unreserved, Reported in:			
Special Revenue Funds .....	-	219,394	219,394
Debt Service Funds .....	-	159,737	159,737
Capital Projects Funds .....	-	368,860	368,860
Permanent Funds .....	-	2	2
<b>TOTAL FUND EQUITY .....</b>	<b>115,023</b>	<b>1,524,317</b>	<b>1,639,340</b>
<b>TOTAL LIABILITIES AND FUND EQUITY .....</b>	<b>\$ 180,093</b>	<b>\$ 1,796,937</b>	

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	4,365,510
Other assets and liabilities used in governmental activities are not financial resources (uses), and therefore, are either deferred or not reported in the funds.	151,810
Internal Service funds are used by management to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, and Self Insurance to individual funds. The assets and liabilities of certain Internal Service Funds are included in governmental activities in the Statement of Net Assets.	26,930
Certain liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	(1,828,545)
Net Assets of governmental activities	\$ 4,355,045

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

**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2010**  
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes .....	\$ 391,382	\$ 192,960	\$ 584,342
Special Assessments .....	-	45,606	45,606
Sales Taxes .....	192,650	15	192,665
Transient Occupancy Taxes .....	65,222	58,657	123,879
Other Local Taxes .....	73,260	110,436	183,696
Licenses and Permits .....	28,024	5,064	33,088
Fines, Forfeitures and Penalties .....	30,179	1,657	31,836
Revenue from Use of Money and Property .....	40,615	50,612	91,227
Revenue from Federal Agencies .....	2,859	51,197	54,056
Revenue from Other Agencies .....	6,007	50,129	56,136
Revenue from Private Sources .....	14	21,675	21,689
Charges for Current Services .....	127,536	64,233	191,769
Other Revenue .....	7,859	15,328	23,187
<b>TOTAL REVENUES .....</b>	<b>965,607</b>	<b>667,569</b>	<b>1,633,176</b>
<b>EXPENDITURES</b>			
Current:			
General Government and Support .....	230,270	161,410	391,680
Public Safety - Police .....	378,046	21,868	399,914
Public Safety - Fire and Life Safety and Homeland Security .....	185,429	25,301	210,730
Parks, Recreation, Culture and Leisure .....	121,269	107,088	228,357
Transportation .....	62,884	54,661	117,545
Sanitation and Health .....	73,461	4,890	78,351
Neighborhood Services .....	15,845	59,927	75,772
Capital Projects .....	-	134,426	134,426
Debt Service:			
Principal Retirement .....	2,640	63,288	65,928
Cost of Issuance .....	-	1,881	1,881
Interest .....	2,888	71,937	74,825
Refunding Escrow .....	-	4,172	4,172
<b>TOTAL EXPENDITURES .....</b>	<b>1,072,732</b>	<b>710,849</b>	<b>1,783,581</b>
<b>DEFICIENCY OF REVENUES</b>			
<b>UNDER EXPENDITURES .....</b>	<b>(107,125)</b>	<b>(43,280)</b>	<b>(150,405)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Proprietary Funds .....	5,723	1,983	7,706
Transfers from Other Funds .....	140,595	365,183	505,778
Transfers to Proprietary Funds .....	(10,157)	(3,287)	(13,444)
Transfers to Other Funds .....	(28,426)	(477,352)	(505,778)
Transfers to Escrow Agent .....	-	(161,194)	(161,194)
Proceeds from the Sale of Capital Assets .....	21	5,106	5,127
Capital Leases.....	-	10,214	10,214
Loans Issued .....	-	48,256	48,256
Section 108 Loans Issued .....	-	454	454
Special Tax Bonds Issued .....	-	13,930	13,930
Revenue Bonds Issued .....	-	167,635	167,635
Discount on Bonds Issued .....	-	(92)	(92)
Premium on Bonds Issued .....	-	1,923	1,923
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>107,756</b>	<b>(27,241)</b>	<b>80,515</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>631</b>	<b>(70,521)</b>	<b>(69,890)</b>
Fund Balances at Beginning of Year, as Restated .....	114,392	1,594,838	1,709,230
<b>FUND BALANCES AT END OF YEAR .....</b>	<b>\$ 115,023</b>	<b>\$ 1,524,317</b>	<b>\$ 1,639,340</b>

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



**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010  
(In Thousands)**

Net change in fund balances - total governmental funds (page 56)	\$ (69,890)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
	40,624
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to decrease net assets.</p>	
	(4,685)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	49,456
<p>The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
	(875)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension obligation), and therefore are not accrued as expenditures in governmental funds.</p>	
	(69,283)
<p>Internal Service funds are used by management to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, Self Insurance, and others to individual funds. The net revenue of certain internal service activities is reported with governmental activities.</p>	
	<u>20,104</u>
Change in net assets of governmental activities (page 53)	<u>\$ (34,549)</u>

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

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2010  
( In Thousands )**

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and Investments .....	\$ 380,774	\$ 221,585	\$ 106,435	\$ 708,794	\$ 161,008
Receivables:					
Accounts - Net of Allowance for Uncollectibles (Sewer \$1,556, Water \$2,134, Other Enterprise \$447, Internal Service \$882) .....	48,763	62,048	503	111,314	8,104
Claims .....	305	284	-	589	27
Accrued Interest .....	964	761	280	2,005	8
Grants .....	137	1,162	745	2,044	-
From Other Funds .....	-	-	5,385	5,385	372
Inventories of Water in Storage .....	-	38,303	-	38,303	-
Inventories .....	-	700	3	703	2,551
Prepaid Expenses .....	-	467	-	467	1,540
<b>Total Current Assets</b> .....	<b>430,943</b>	<b>325,310</b>	<b>113,351</b>	<b>869,604</b>	<b>173,610</b>
<b>Non-Current Assets:</b>					
Restricted Cash and Investments .....	166,647	189,149	48,429	404,225	-
Deferred Charges .....	6,631	6,840	-	13,471	-
Interfund Loan Receivable .....	3,487	-	-	3,487	-
Capital Assets - Non-Depreciable .....	138,386	226,299	19,631	384,316	7,620
Capital Assets - Depreciable .....	2,727,976	1,729,470	63,146	4,520,592	112,944
<b>Total Non-Current Assets</b> .....	<b>3,043,127</b>	<b>2,151,758</b>	<b>131,206</b>	<b>5,326,091</b>	<b>120,564</b>
<b>TOTAL ASSETS</b> .....	<b>3,474,070</b>	<b>2,477,068</b>	<b>244,557</b>	<b>6,195,695</b>	<b>294,174</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts Payable .....	17,999	43,710	3,162	64,871	17,736
Accrued Wages and Benefits .....	12,908	6,253	2,183	21,344	2,099
Interest Accrued on Long-Term Debt .....	7,867	15,165	-	23,032	92
Long-Term Debt Due Within One Year .....	54,807	26,181	1,683	82,671	46,226
Due to Other Funds .....	24	99	29	152	1,000
Due to Other Agencies .....	698	1,522	-	2,220	-
Unearned Revenue .....	-	665	3,107	3,772	2
Contract Deposits .....	3,633	4,670	423	8,726	-
Current Liabilities Payable from Restricted Assets:					
Customer Deposits Payable .....	-	4,930	-	4,930	-
<b>Total Current Liabilities</b> .....	<b>97,936</b>	<b>103,195</b>	<b>10,587</b>	<b>211,718</b>	<b>67,155</b>
<b>Non-Current Liabilities:</b>					
Deposits/Advances from Others .....	530	-	11,426	11,956	-
Compensated Absences .....	2,954	2,394	2,197	7,545	4,187
Liability Claims .....	16,337	3,107	-	19,444	170,834
Capital Lease Obligations .....	-	-	-	-	15,503
Loans Payable .....	62,274	16,634	-	78,908	-
Net Revenue Bonds Payable .....	1,198,845	861,684	-	2,060,529	-
Estimated Landfill Closure and Postclosure Care .....	-	-	20,126	20,126	-
Net Other Post Employment Benefit Obligation .....	11,830	11,215	10,194	33,239	5,235
Net Pension Obligation .....	8,565	6,442	8,183	23,190	1,981
<b>Total Non-Current Liabilities</b> .....	<b>1,301,335</b>	<b>901,476</b>	<b>52,126</b>	<b>2,254,937</b>	<b>197,740</b>
<b>TOTAL LIABILITIES</b> .....	<b>1,399,271</b>	<b>1,004,671</b>	<b>62,713</b>	<b>2,466,655</b>	<b>264,895</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt .....	1,717,312	1,235,835	82,777	3,035,924	98,543
Restricted for Debt Service .....	5,146	3,297	-	8,443	-
Restricted for Closure/Postclosure Maintenance .....	-	-	43,747	43,747	-
Unrestricted .....	352,341	233,265	55,320	640,926	(69,264)
<b>TOTAL NET ASSETS</b> .....	<b>\$ 2,074,799</b>	<b>\$ 1,472,397</b>	<b>\$ 181,844</b>	<b>3,729,040</b>	<b>\$ 29,279</b>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds .....				2,349	
Net assets of Business-Type activities .....				<u>\$ 3,731,389</u>	

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

**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**YEAR ENDED JUNE 30, 2010**  
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
<b>OPERATING REVENUES</b>					
Sales of Water .....	\$ -	\$ 354,543	\$ -	\$ 354,543	\$ -
Charges for Services .....	378,640	14,655	56,010	449,305	144,078
Revenue from Use of Property .....	184	4,431	-	4,615	-
Usage Fees .....	-	503	43,243	43,746	74,287
Other .....	3,301	2,329	1,893	7,523	1,739
<b>TOTAL OPERATING REVENUES</b> .....	<u>382,125</u>	<u>376,461</u>	<u>101,146</u>	<u>859,732</u>	<u>220,104</u>
<b>OPERATING EXPENSES</b>					
Benefit and Claim Payments .....	-	-	-	-	37,619
Maintenance and Operations .....	136,820	70,568	74,912	282,300	50,294
Cost of Materials Issued .....	-	-	-	-	31,491
Cost of Purchased Water Used .....	-	148,232	-	148,232	-
Taxes .....	-	1,805	-	1,805	-
Administration .....	80,879	65,169	30,362	176,410	59,951
Depreciation .....	66,523	38,525	5,711	110,759	28,799
<b>TOTAL OPERATING EXPENSES</b> .....	<u>284,222</u>	<u>324,299</u>	<u>110,985</u>	<u>719,506</u>	<u>208,154</u>
<b>OPERATING INCOME (LOSS)</b> .....	<u>97,903</u>	<u>52,162</u>	<u>(9,839)</u>	<u>140,226</u>	<u>11,950</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Earnings on Investments .....	10,612	8,914	2,806	22,332	3,086
Federal Grant Assistance .....	175	1,351	-	1,526	-
Other Agency Grant Assistance .....	165	(135)	1,733	1,763	11
Gain (Loss) on Sale/Retirement of Capital Assets .....	(558)	(2,582)	(588)	(3,728)	1,435
Debt Service Interest Expense .....	(53,348)	(38,240)	1	(91,587)	(726)
Other .....	7,750	3,809	1,762	13,321	123
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b> .....	<u>(35,204)</u>	<u>(26,883)</u>	<u>5,714</u>	<u>(56,373)</u>	<u>3,929</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> .....	62,699	25,279	(4,125)	83,853	15,879
Capital Contributions .....	21,346	23,932	460	45,738	6
Transfers from Other Funds .....	316	245	252	813	222
Transfers from Governmental Funds .....	-	337	2,212	2,549	10,895
Transfers to Other Funds .....	(119)	(2)	(95)	(216)	(819)
Transfers to Governmental Funds .....	(883)	(612)	(433)	(1,928)	(5,778)
<b>CHANGE IN NET ASSETS</b> .....	83,359	49,179	(1,729)	130,809	20,405
Net Assets at Beginning of Year .....	1,991,440	1,423,218	183,573		8,874
<b>NET ASSETS AT END OF YEAR</b> .....	<u>\$ 2,074,799</u>	<u>\$ 1,472,397</u>	<u>\$ 181,844</u>		<u>\$ 29,279</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				301	
Change in net assets of Business-Type activities				<u>\$ 131,110</u>	

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

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2010  
(In Thousands)**

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers and Users .....	\$ 371,797	\$ 347,932	\$ 85,895	\$ 805,624	\$ 45,442
Receipts from Interfund Services Provided .....	4,312	13,341	12,056	29,709	173,732
Payments to Suppliers .....	(135,581)	(177,667)	(42,390)	(355,638)	(93,586)
Payments to Employees .....	(56,561)	(69,973)	(57,069)	(183,603)	(89,906)
Payments for Interfund Services Used .....	(24,875)	(14,270)	(1,685)	(40,830)	(808)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>159,092</b>	<b>99,363</b>	<b>(3,193)</b>	<b>255,262</b>	<b>34,874</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from Other Funds .....	316	245	252	813	222
Transfers from Governmental Funds .....	-	337	2,212	2,549	10,895
Transfers to Other Funds .....	(119)	(2)	(95)	(216)	(819)
Transfers to Governmental Funds .....	(883)	(612)	(433)	(1,928)	(5,778)
Operating Grants Received .....	203	1,876	1,702	3,781	11
Proceeds from Advances and Deposits .....	279	364	8,857	9,500	-
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>(204)</b>	<b>2,208</b>	<b>12,495</b>	<b>14,499</b>	<b>4,531</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from Contracts, Notes and Loans .....	-	-	-	-	900
Proceeds from Revenue Bonds .....	9,079	7,086	-	16,165	-
Repayment of Refunding Bonds to Escrow Agent .....	(16,845)	(18,245)	-	(35,090)	-
Proceeds from Capital Contributions .....	5,536	5,103	1,530	12,169	-
Acquisition of Capital Assets .....	(88,293)	(125,916)	(3,746)	(217,955)	(24,428)
Proceeds from the Sale of Capital Assets .....	3	49	6	58	2,461
Principal Payments on Capital Leases .....	-	-	-	-	(7,639)
Principal Payments on Contracts, Notes and Loans .....	(4,738)	(915)	-	(5,653)	-
Principal Payments on Revenue Bonds .....	(43,320)	(15,421)	-	(58,741)	-
Interest Paid on Long-Term Debt .....	(61,102)	(40,775)	-	(101,877)	(903)
<b>NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>(199,680)</b>	<b>(189,034)</b>	<b>(2,210)</b>	<b>(390,924)</b>	<b>(29,609)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Sales of Investments .....	725,558	1,611,891	-	2,337,449	-
Purchases of Investments .....	(660,742)	(1,538,870)	-	(2,199,612)	-
Interest and Dividends Received on Investments .....	10,550	8,066	3,036	21,652	3,096
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES .....</b>	<b>75,366</b>	<b>81,087</b>	<b>3,036</b>	<b>159,489</b>	<b>3,096</b>
Net Increase (Decrease) in Cash and Cash Equivalents .....	34,574	(6,376)	10,128	38,325	12,892
Cash and Cash Equivalents at Beginning of Year .....	345,942	233,351	144,736	724,029	148,116
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<b>\$ 380,516</b>	<b>\$ 226,975</b>	<b>\$ 154,864</b>	<b>\$ 762,354</b>	<b>\$ 161,008</b>
<b>Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Assets:</b>					
Cash and Investments .....	\$ 380,774	\$ 221,585	\$ 106,435	\$ 708,794	\$ 161,008
Restricted Cash and Investments .....	166,647	189,149	48,429	404,225	-
Less Investments not meeting the definition of cash equivalents .....	(166,905)	(183,759)	-	(350,664)	-
<b>Total Cash and Cash Equivalents at End of Year .....</b>	<b>\$ 380,516</b>	<b>\$ 226,975</b>	<b>\$ 154,864</b>	<b>\$ 762,355</b>	<b>\$ 161,008</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>					
Operating Income (Loss) .....	\$ 97,903	\$ 52,162	\$ (9,839)	\$ 140,226	\$ 11,950
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:					
Depreciation .....	66,523	38,525	5,711	110,759	28,799
Other Nonoperating Revenue .....	7,750	3,809	1,762	13,321	124
(Increase) Decrease in Assets:					
Accounts Receivable - Net .....	(13,591)	(18,475)	300	(31,766)	(948)
Claims Receivable - Net .....	(305)	(284)	2	(587)	(18)
Contributions Receivable .....	-	-	-	-	360
Due from Other Funds .....	-	-	(1,776)	(1,776)	(372)
Inventories .....	-	(1,436)	(1)	(1,437)	(518)
Prepaid Expenses .....	3	(11)	2	(6)	1,536
Increase (Decrease) in Liabilities:					
Accounts Payable .....	13,305	17,089	1,659	32,053	9,193
Accrued Wages and Benefits .....	5,226	4,108	7	9,341	(768)
Due to Other Funds .....	(486)	(459)	(118)	(1,063)	(781)
Due to Other Agencies .....	(9,564)	476	-	(9,088)	-
Unearned Revenue .....	-	(152)	(3,570)	(3,722)	(75)
Contract Deposits .....	130	(86)	87	131	-
Compensated Absences .....	587	170	(101)	656	(96)
Liability Claims .....	(11,083)	1,945	-	(9,138)	(14,824)
Estimated Landfill Closure and Postclosure Care .....	-	-	790	790	-
Pollution Remediation Obligation .....	-	(620)	-	(620)	-
Net OPEB Obligation .....	4,914	4,637	3,921	13,472	2,258
Net Pension Obligation .....	(2,220)	(2,035)	(2,029)	(6,284)	(944)
<b>Total Adjustments .....</b>	<b>61,189</b>	<b>47,201</b>	<b>6,646</b>	<b>115,036</b>	<b>22,924</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>\$ 159,092</b>	<b>\$ 99,363</b>	<b>\$ (3,193)</b>	<b>\$ 255,262</b>	<b>\$ 34,874</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>					
Capital Leases .....	\$ -	\$ -	\$ -	\$ -	\$ 900
Developer Contributed Assets .....	15,810	18,829	-	34,639	6
(Decrease) in Capital Assets related Accounts Payable .....	(7,301)	(5,746)	(69)	(13,116)	-
Noncash Retirement of Capital Assets .....	-	(2,631)	(594)	(3,225)	(1,026)
Capitalized Interest and Related Amounts .....	7,661	5,593	-	13,254	-
Contributions of Capital Assets from Governmental Activities .....	-	-	-	-	-
Proceeds of Refunding Bonds Issued .....	161,930	123,075	-	285,005	-
Repayment of Refunding Bonds to Escrow Agent .....	(161,930)	(123,075)	-	(285,005)	-
Change in Fair Value of Investments .....	(518)	(692)	-	(1,210)	-
Interest Fund Credits for Debt Service Payments .....	(4)	(761)	-	(765)	-

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

**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2010**  
**(In Thousands)**

	Pension & Employee Savings Trust	Investment Trust	Agency
<b>ASSETS</b>			
Cash or Equity in Pooled Cash and Investments .....	\$ 1,879	\$ 4,796	\$ 13,011
Cash with Custodian/Fiscal Agent .....	404,179	-	-
Investments at Fair Value:			
Short Term Investments .....	36,444	-	-
Domestic Fixed Income Securities (Bonds) .....	825,895	-	-
International Fixed Income Securities (Bonds) .....	153,079	-	-
Domestic Equity Securities (Stocks) .....	1,765,726	-	-
International Equity Securities (Stocks) .....	655,441	-	-
Real Estate Equity and Real Estate Securities .....	360,990	-	-
Equity Mutual Funds .....	329,823	-	-
Fixed Income Mutual Funds .....	392,733	-	-
Private Equity .....	37,824	-	-
Receivables:			
Accounts - Net .....	-	-	1,594
Special Assessments .....	-	-	1,132
Contributions .....	14,142	-	-
Accrued Interest .....	12,670	9	18
Loans .....	35,466	-	-
Securities Sold .....	58,637	-	-
Prepaid Expenses .....	378	-	-
Securities Lending Collateral .....	492,171	-	-
Restricted Cash and Investments .....	-	-	44,019
Capital Assets - Depreciable .....	1,262	-	-
<b>TOTAL ASSETS</b> .....	<b>5,578,739</b>	<b>4,805</b>	<b>\$ 59,774</b>
<b>LIABILITIES</b>			
Accounts Payable .....	10,538	-	\$ 732
Accrued Wages and Benefits .....	804	-	-
Deposits/Advances from Others .....	-	-	676
Sundry Agency Liabilities .....	-	-	24,059
Due to Bondholders .....	-	-	34,307
DROP Liability .....	391,283	-	-
Net Other Post Employment Benefit Obligation .....	961	-	-
Net Pension Obligation .....	625	-	-
Securities Lending Obligations .....	492,171	-	-
Securities Purchased .....	136,394	-	-
<b>TOTAL LIABILITIES</b> .....	<b>1,032,776</b>	<b>-</b>	<b>\$ 59,774</b>
<b>NET ASSETS</b>			
Held in Trust for Pension Benefits and Other Purposes .....	<b>\$ 4,545,963</b>	<b>\$ 4,805</b>	

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

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
Year Ended June 30, 2010  
(In Thousands)

	Pension & Employee Savings Trust	Investment Trust	Total
<b>ADDITIONS</b>			
Employer Contributions .....	\$ 257,251	\$ -	\$ 257,251
Employee Contributions .....	109,803	-	109,803
Retiree Contributions .....	7,569	-	7,569
Contributions to Pooled Investments .....	-	3,498	3,498
Earnings on Investments:			
Investment Income .....	578,135	76	578,211
Investment Expense .....	(22,705)	-	(22,705)
Net Investment Income .....	555,430	76	555,506
Securities Lending Income:			
Gross Earnings .....	3,048	-	3,048
Borrower Rebates .....	(1,274)	-	(1,274)
Net Securities Lending Income .....	1,774	-	1,774
Other Income:			
Litigation Proceeds .....	1,107	-	1,107
<b>TOTAL OPERATING ADDITIONS</b> .....	<u>932,934</u>	<u>3,574</u>	<u>936,508</u>
<b>DEDUCTIONS</b>			
DROP Interest Expense .....	25,375	-	25,375
Benefit and Claim Payments .....	410,007	-	410,007
Distributions from Pooled Investments .....	-	3,444	3,444
Administration .....	15,311	-	15,311
<b>TOTAL OPERATING DEDUCTIONS</b> .....	<u>450,693</u>	<u>3,444</u>	<u>454,137</u>
<b>CHANGE IN NET ASSETS</b> .....	482,241	130	482,371
Net Assets at Beginning of Year.....	4,063,722	4,675	4,068,397
<b>NET ASSETS AT END OF YEAR</b> .....	<u>\$ 4,545,963</u>	<u>\$ 4,805</u>	<u>\$ 4,550,768</u>

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

**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2010****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (In Thousands)**

The City of San Diego (the "City") adopted its current charter on April 7, 1931 and operates as a municipality in accordance with State laws. Since adoption, the City Charter has been amended several times. Most recently, changes were made to the City Charter in the municipal primary election on June 8, 2010 and the municipal general election on November 2, 2010. During the primary election, voters approved Proposition C, which expanded the eligibility for veterans preference points for City employment to veterans who have served in any war, major military action or peacekeeping mission, and Proposition D, which made permanent the Strong Mayor form of government, created a ninth City Council district and increased number of Council votes needed to override a mayoral veto from five to six. During the general election, voters approved Proposition B, which established a good cause requirement for the termination or suspension of Deputy City Attorneys.

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

**a. Financial Reporting Entity**

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

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

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

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

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

A brief description of each blended component unit follows:

- Centre City Development Corporation, Inc. (CCDC) is a not-for-profit public benefit corporation established in 1975 to administer certain redevelopment projects in downtown San Diego and to provide redevelopment advisory services to the Redevelopment Agency of the City of San Diego. The City Council elects the Board of Directors. CCDC's budget and governing board are approved by the Redevelopment Agency of the City of San Diego and services are provided exclusively to the primary government. CCDC is reported as a governmental fund. Financial statements are available at [www.ccdc.com](http://www.ccdc.com).
- The City of San Diego/Metropolitan Transit Development Board Authority (MTDB Authority) is a financing authority which was established in 1988 by the City and the Metropolitan Transit Development Board (now the Metropolitan Transit System or MTS) to acquire and construct mass transit guide ways, public transit systems, and related transportation facilities primarily benefiting the residents of the City of San Diego. The Mayor appoints, with Council confirmation, two public members and the MTS Board appoints one MTS boardmember to the governing board of the MTDB Authority. The MTDB Authority primarily provides services to the primary government. The MTDB Authority is reported as a governmental fund.
- The Convention Center Expansion Financing Authority (CCEFA) was established in 1996 by the City and the Port of San Diego to acquire and construct the expansion of the existing convention center. The CCEFA is governed by a board consisting of the Mayor, the City Manager, the Director of the Port of San Diego and a member of the Board of Commissioners for the Port of San Diego. Under the strong mayor form of government, the Mayor may appoint a City Manager and the Chief Operating Officer has been confirmed in this position by the City Council. The CCEFA provides services which primarily benefit the primary government. CCEFA is reported as a governmental fund.
- The Public Facilities Financing Authority (PFFA) was established in 1991 by the City and the Redevelopment Agency to acquire and construct public capital improvements. PFFA is governed by a board of commissioners composed of the City Treasurer, the assistant executive director of the Redevelopment Agency and three members of the public appointed by the Mayor and confirmed by the Council. PFFA provides services exclusively to the primary government. Financing for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity.
- The Redevelopment Agency of the City of San Diego (RDA) was established in 1958 in order to provide a method for revitalizing deteriorating and blighted areas of the City and began functioning in 1969 under the authority granted by the community redevelopment law. The City Council is the governing board sitting as the Board of Directors of the RDA, and the RDA is reported as a governmental fund. Complete stand-alone financial statements are available at [www.sandiego.gov](http://www.sandiego.gov).
- San Diego Data Processing Corporation (SDDPC) was formed in 1979 as a not-for-profit public benefit corporation for the purpose of providing data processing services. SDDPC's budget and governing board are approved by the City Council. SDDPC provides services almost exclusively to the primary government. SDDPC is reported as an Internal Service Fund. Financial statements are available at [www.sddpc.org](http://www.sddpc.org).
- The San Diego Facilities and Equipment Leasing Corporation (SDFELC) is a not-for-profit public benefit corporation established in 1987 for the purpose of acquiring and leasing to the City real and personal property to be used in the municipal operations of the City. The SDFELC is governed by a three member board consisting of the City Attorney, the Chief Financial Officer and the Mayor (as City Manager) and services are provided exclusively to the primary government. Financing for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity.



- The San Diego Industrial Development Authority (SDIDA) was established in 1983 by the City for the purpose of providing an alternate method of financing to participating parties for economic development purposes. The City Council is the governing board. SDIDA is reported as a governmental fund.
- Southeastern Economic Development Corporation (SEDC) is a not-for-profit public benefit corporation organized in 1980 by the City to administer certain redevelopment projects in southeast San Diego and to perform economic development services in its area of influence. SEDC's budget and governing board are approved by the Redevelopment Agency and services are provided exclusively to the primary government. SEDC is reported as a governmental fund. Financial statements are available at [www.sedcinc.org](http://www.sedcinc.org).
- San Diego City Employees' Retirement System (SDCERS) was established in 1927 by the City and administers retirement, post employment healthcare, disability, and death benefits. Currently, SDCERS also administers the San Diego Unified Port District and the San Diego County Regional Airport Authority defined benefit plans.

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

SDCERS is reported as a pension and employee savings trust fund. Complete stand-alone financial statements are available at [www.sdcers.org](http://www.sdcers.org).

- The Tobacco Settlement Revenue Funding Corporation (TSRFC) is a not-for-profit public benefit corporation established in 2006 for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. TSRFC purchased from the City the rights to receive future tobacco settlement revenues due to the City. TSRFC is governed by the Board of Directors which consists of the Chief Operating Officer, the Chief Financial Officer, and one independent director. The independent director shall be appointed by the Mayor or the remaining directors. TSRFC is reported as a governmental fund.
- The Tourism Marketing District (TMD) is an assessment district created, in fiscal year 2008, by the City on behalf of larger hotel and motel operators within the City. The TMD provides for tourism development, including coordinated joint marketing and promotion of San Diego, in order to maintain and expand the tourism industry. The TMD procedural ordinance establishes a method by which benefited businesses may be assessed for the cost of activities associated with tourism development within their respective area. The governing body of the TMD is the City Council. The City Council initiated proceedings to establish a district upon submission of a written petition, signed by the business owners in the proposed district, who would pay more than 50 percent of the assessments proposed to be levied. Additionally, the City Council approved the district management plan which includes an annual budget, the frequency for levying assessments, and the number of years assessments will be levied. The TMD is reported as a governmental fund.

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

There are two entities which are discretely presented component units:

- San Diego Convention Center Corporation (SDCCC)  
SDCCC is a not-for-profit public benefit corporation originally organized to market operate and maintain the San Diego

Convention Center. San Diego Theaters Inc. is a non-profit subsidiary of SDCCC created in 2003 to operate the San Diego Civic Theater and the restored Balboa Theater. The City is the sole member of SDCCC and acts through the San Diego City Council in accordance with the City Charter and the City's Municipal Code. The City appoints seven voting members out of the nine-member Board of Directors of SDCCC. The City subsidizes the annual operations of the SDCCC. SDCCC is discretely presented because it provides services directly to the citizens. Complete stand-alone financial statements are available at [www.sdccc.org](http://www.sdccc.org).

- San Diego Housing Commission (SDHC)

SDHC is a government agency which was formed by the City under Ordinance No. 2515 on December 5, 1978 in accordance with the Housing Authority Law of the State of California. SDHC primarily serves low-income families by providing rental assistance payments, rental housing, loans and grants to individuals and not-for-profit organizations and other services. SDHC is discretely presented because it provides services directly to the citizens. The Housing Commission is governed by the San Diego Housing Authority, which is composed of the eight members of the San Diego City Council. The Housing Authority has final authority over the Commission's budget and major policy changes. The Commission has three blended component units which are Belden SDHC FNMA LLC, Central SDHC FNMA LLC and Northern SDHC FNMA LLC together and collectively referred to as the "LLCs". The LLCs were created as a requirement of Fannie Mae to obtain financing on the former public housing units and are wholly owned by San Diego Housing Commission. A portion of the Commission's larger properties were recently leveraged with FNMA and FHA loans and are the obligation of the LLCs, not the Commission. Each one of these loans are nonrecourse obligations of the LLCs. Complete stand-alone financial statements are available at [www.sdhc.org](http://www.sdhc.org).

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

- b. Government-Wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable as to a specific function or segment. Direct expenses reported include administrative and overhead charges. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues and contributions.

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

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

**Government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are

recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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

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

All internal service funds have been included within governmental activities in the government-wide financial statements since they predominantly benefit governmental functions.

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

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

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

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

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

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

Permanent Funds, also referred to as Endowment Funds, are governmental funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs. The City has received endowments for the following programs: Mt. Hope Cemetery; Carmel Valley Sewer Maintenance; North Park Branch Library; Jacaranda Tree planting and maintenance in City rights-of-way; Rancho Bernardo Branch Library; La Jolla/Riford Branch Library; Los Penasquitos Canyon Preserve; Environmental Trust Bankruptcy Endowment; Southcrest Oak Estates II landscape maintenance; Sycamore Estates property maintenance; and, the Fortuna Mountain Conservation Bank management within Mission Trails Regional Park. The amount of investment earnings available for

expenditure is reported as Undesignated Fund Balance in the fund level financial statements. The endowment principal is reported as Restricted for Nonexpendable Permanent Endowments in the Statement of Net Assets. The State law governing the spending of endowment funds investment earnings is California Probate Code Section 18504.

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

**Fiduciary funds** are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units, and include pension and employee savings trust, investment trust, and agency funds. Pension and Employee Savings Trust Funds are reported using the same measurement focus and basis of accounting as Proprietary Funds. Agency funds are reported using the accrual basis of accounting and only report assets and liabilities, and therefore, do not have a measurement focus.

The following is the City's major governmental fund:

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

The following are the City's major Enterprise Funds:

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

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

The following are the City's other fund types:

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

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

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

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

d. Property Taxes

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

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

At the government-wide level, property tax revenue is recognized in the fiscal year for which the taxes have been levied. Property taxes received after the fiscal year and which do not meet the 60 day availability criterion are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are recorded as deferred revenue in the governmental funds. The City provides an allowance for uncollected property taxes of approximately 5% of the outstanding current balance which is analyzed each year against most recent data from the County. For fiscal year 2010, the allowance amount was \$2,206.

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

Additionally, under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City was \$35,800.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority (California Communities), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables. Under the Securitization Program, California Communities, acting solely as a conduit for the State of California, simultaneously purchased the Proposition 1A receivables and issued bonds (Prop 1A Bonds) to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

e. Cash and Investments

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

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

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

It has been the City's policy to allow the General Fund to receive interest earned by certain governmental funds, internal service funds and agency funds, unless otherwise expressly stated in the resolutions creating individual funds. During the fiscal year ended June 30, 2010, approximately \$4,955 interest was assigned from various funds to the General Fund. These transactions caused an increase to the "transfers from other funds" amount for the General Fund and caused a like increase to the "transfer to other funds" amount for the fund disbursing the interest. In the case of negative interest, these transactions caused an increase to the "transfers from other funds" amount for the fund transferring the negative interest and caused a like increase to the "transfer to other funds" amount for the General Fund.

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

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

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

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

f. Inventories

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

g. Land Held for Resale

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

h. Deferred Charges

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

i. Capital Assets

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

Depreciable Capital Assets, which include structures and improvements, equipment, distribution and collection systems, and infrastructure, are reported net of accumulated depreciation in the applicable governmental or business-type activities column in the government-wide financial statements, as well as in the proprietary funds financial statements. To meet the

criteria for capitalization, an asset must have a useful life in excess of one year and in the case of equipment outlay, must equal or exceed a capitalization threshold of five thousand dollars. All other capital assets such as land, structures, infrastructure, and distribution and collection systems are capitalized regardless of cost. Subsequent improvements are capitalized to the extent that they extend the initial estimated useful life of the capitalized asset, or improve the efficiency or capacity of that asset. Costs for routine maintenance are expensed as incurred. Interest expense incurred during the construction phase of business-type capital assets are reflected in the capitalized value of the asset constructed. During fiscal year 2010, \$13,254 of interest expense incurred was capitalized which is calculated net of related interest revenue of \$1,751.

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

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

j. Unearned/Deferred Revenue

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

k. Interfund Transactions

The City has the following types of interfund transactions:

**Loans** – amounts provided with a requirement for repayment. Interfund loans are normally reported as interfund receivables (i.e. Due from Other Funds) in lender funds and interfund payables (i.e. Due to Other Funds) in borrower funds. The non-current portions of long-term interfund loans receivable are reported as advances.



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

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

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

i. Long-Term Liabilities

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

m. Sundry Trust Liabilities

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

n. Compensated Absences

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

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

o. Claims and Judgments

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

p. Non-Monetary Transactions

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

q. Net Assets

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

- Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition of these assets.
- Restricted Net Assets consist of assets with restrictions imposed on them by external creditors, grantors, contributors, laws and regulations of other governments, or law through constitutional provisions or enabling legislation. It is the City's policy to first apply restricted resources when an expense is incurred for purposes which both restricted and unrestricted net assets are available. As of June 30, 2010, the amount of restricted net assets due to enabling legislation was approximately \$136,571.
- Unrestricted Net Assets consist of net assets that do not meet the definition of Invested in Capital Assets, Net of Related Debt or Restricted Net Assets.

r. Fund Balance

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

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

s. Reserves

City Charter Section 91 requires the City Council to maintain a General Reserve Fund in an amount sufficient to meet all legal demands against the City Treasury for the first four months or other necessary period of each fiscal year prior to the collection of taxes. This fund may be expended only in the event of a public emergency by the affirmative vote of two-thirds of the City Council.

The City adopted a formal reserve policy in accordance with Charter Section 91 in fiscal year 2008 which defined the General Fund Reserve. The General Fund Reserve includes the General Reserve Fund (or Emergency Reserve), the appropriated reserve and the General Fund undesignated fund balance, all of which are reported as undesignated fund balance in the General Fund financial statements. The reserve policy defines a goal of having a minimum of 8% of annual General Fund revenues held in the General Fund Reserve by fiscal year 2012. This reserve level was achieved in fiscal year 2010.

In addition to the General Reserve Fund, the City had maintained internal policy reserves for certain governmental long term liabilities which are repaid with Transient Occupancy Tax revenues. These policy reserves were equal to one half of

the annually required lease payments for each liability. The purpose of the reserves was to make the lease payments in the event that Transient Occupancy Tax receipts were insufficient. These reserve funds were closed and the balances transferred to the General Fund in fiscal year 2010; however, the City maintains cash funded debt service reserve funds or surety guarantees with trustees in accordance with the bond indentures that exist for these liabilities, as it does with other bonded indebtedness.

t. Participating Agencies Revenue Recognition

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

u. Estimates

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

v. New Governmental Accounting Standards Implemented During Fiscal Year Ended June 30, 2010

The requirements for the following accounting standards are effective for the purpose of implementation, if applicable for the City, for the fiscal year ended June 30, 2010.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which establishes standard requirements for accounting and financial reporting for intangible assets. The statement generally requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Additionally, this statement establishes a specific-conditions approach to recognizing intangible assets that are internally generated as well as provides specific guidance related to the amortization of intangible assets. Prior to the implementation of this statement, the City capitalized and amortized intangible assets within its Capital Improvement Projects; however, post implementation, the City now records and amortizes intangible assets individually per the requirements of GASB Statement No. 51.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which requires governments to measure derivative instruments at fair value. The City's investment portfolio does not include any derivative instruments. However, SDCERS' investment portfolio does include derivative instruments which have been reported in accordance with GASB Statement No. 53. See Note 3 for additional information regarding the City's or SDCERS' investment policies.

In December 2009, GASB issued Statements No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. Additionally, the statement requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan.

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

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

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

The Governmental Funds Balance Sheet includes a reconciliation between "Total Fund Equity-Governmental Funds" and "Total Net Assets-Governmental Activities" as reported in the Government-wide Statement of Net Assets. One element of the reconciliation states, "Other assets and liabilities used in governmental activities are not financial resources (uses), and therefore, are either deferred or not reported in the funds." The details of this \$151,810 difference are as follows:

Deferred Charges, net, July 1, 2009, as restated	\$ 16,265
Issuance Costs	1,881
Amortization Expense	<u>(1,237)</u>
Deferred Charges, net, June 30, 2010	<u>16,909</u>
Deferred Revenue:	
Taxes Receivable	77,655
Notes Receivable	3,611
Motor Vehicle License Receivable	1,020
Special Assessments Receivable	1,137
Grants and Other Receivables	<u>51,478</u>
Deferred Revenue, net, June 30, 2010	<u>134,901</u>
Net Adjustment to increase "Total Fund Equity-Governmental Funds" to arrive at "Total Net Assets-Governmental Activities"	<u>\$ 151,810</u>

Another element of the reconciliation states, "Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this (\$1,828,545) difference are as follows:

Interest Accrued on Long-Term Debt	\$ (20,052)
Arbitrage Liability	(3)
Compensated Absences	(65,667)
Liability Claims	(111,949)
Capital Lease Obligations	(62,540)
Contracts Payable	(1,018)
Notes Payable	(3,301)
Loans Payable	(79,395)
Section 108 Loans Payable	(31,496)
Net Bonds Payable	(1,208,956)
Accretion of Interest on Capital Appreciation Bonds	(16,535)
Net Other Post Employment Benefits Obligation	(113,196)
Net Pension Obligation	<u>(114,437)</u>
Net adjustment to decrease "Total Fund Equity-Governmental Funds" to arrive at "Total Net Assets-Governmental Activities"	<u>\$ (1,828,545)</u>

Another element of the reconciliation states, "Internal Service Funds are used by management to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services and Self Insurance to individual funds. The assets and liabilities of certain Internal Service Funds are included in the governmental activities in the Statement of Net Assets. The details of this \$26,930 difference are as follows:

Assets:	
Capital Assets - Non Depreciable	\$ 7,620
Capital Assets - Depreciable	112,944
Internal Balances	(2,349)
Other Assets	173,610
Liabilities:	
Compensated Absences	(7,764)
Liability Claims	(206,965)
Capital Lease Obligations	(22,021)
Net Other Post Employment Benefits Obligation	(5,235)
Net Pension Obligation	(1,981)
Other Liabilities	<u>(20,929)</u>
Net adjustment to increase "Total Fund Equity-Governmental Funds" to arrive at "Total Net Assets-Governmental Activities"	<u><u>\$ 26,930</u></u>

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

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between "Net Change in Fund Balances-Total Governmental Funds" and "Changes in Net Assets of Governmental Activities" as reported in the Government-wide Statement of Activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$40,624 difference are as follows:

Capital Projects	\$ 134,426
Other Capital Activities	29,086
Depreciation Expense	<u>(122,888)</u>
Net Adjustment to increase "Net Changes in Fund Equity-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	<u><u>\$ 40,624</u></u>

Another element of the reconciliation states "The net effect of various miscellaneous transactions involving capital assets (i.e., donations and retirements) is to decrease net assets." The details of this (\$4,685) are as follows:

In the Statement of Activities, only the net gain on the sale of land is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the net book value of the capital assets sold/retired.	\$ (333)
The Statement of Activities reports losses arising from the retirement of existing depreciable capital assets. Conversely, governmental funds do not report any gain or loss on retirements of capital assets.	<u>(4,352)</u>
Net adjustment to decrease "Net Change in Fund Equity-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	<u>\$ (4,685)</u>

Another element of the reconciliation states, "Internal Service Funds are used by management to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, Self Insurance, and others to individual funds." The net expense of certain Internal Service activities is reported with governmental activities. The details of this \$20,104 are as follows:

Allocated Operating Profit	\$ 11,649
Nonoperating Revenues (Expenses):	
Gain on Sale/Retirement of Capital Assets	1,435
Other Nonoperating Revenues	2,494
Transfers	4,520
Capital Contributions	<u>6</u>
Net adjustment to increase "Net Changes in Fund Equity-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	<u>\$ 20,104</u>

Another element of the reconciliation states "The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this (\$875) difference are as follows:

Debt Issued or Incurred:	
Capital Lease Obligations	\$ (10,214)
Loans Payable	(48,256)
Section 108 Loans Payable	(454)
Revenue Bonds	(167,635)
Tax Allocation Bonds	(13,930)
Principal Repayments:	
Capital Lease Obligations	8,432
Contracts/Notes Payable	1,760
Loans Payable	8,707
Section 108 Loans	2,490
General Obligation Bonds	1,975
Revenue Bonds	19,800
Tax Allocation Bonds	19,054
Tobacco Settlement Asset-Backed Bonds	3,030
Pooled Financing Bonds	680
Modifications:	
Contracts/Notes Payable	3,422
Loans Payable	4,969
Refundings:	
Revenue Bonds	<u>165,295</u>
Net adjustment to decrease "Net Changes in Fund Equity-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	<u>\$ (875)</u>

Another element of the reconciliation states that "Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension obligation) and therefore are not accrued as expenditures in governmental funds." The details of this (\$69,283) difference are as follows:

Compensated Absences	\$ 918
Liability Claims	(59,759)
Net Pension Obligation/Net OPEB Obligation	(12,367)
Accrued Interest	4,698
Current Year Premiums/Discounts and Interest Accretion	
Less Amortization of Bond Premiums	(3,418)
Issuance Costs Less Current Year Amortization	<u>644</u>
Net adjustment to decrease "Net Changes in Fund Equity-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	<u>\$ (69,283)</u>

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

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

	Governmental Activities	Business-Type Activities	Fiduciary Statement of Net Assets other than SDCERS	Subtotal	SDCERS Fiduciary Statement of Net Assets	Grand Total
Cash and Cash or Equity in						
Pooled Cash and Investments	\$ 1,342,641	\$ 762,320	\$ 33,015	\$ 2,137,976	\$ 348	\$ 2,138,324
Cash and Investments with Fiscal Agents	132,310	162,245	30,356	324,911	404,165	729,076
Investments at Fair Value	188,173	188,454	722,556	1,099,183	3,835,399	4,934,582
Securities Lending Collateral	-	-	-	-	492,171	492,171
TOTAL	<u>\$ 1,663,124</u>	<u>\$ 1,113,019</u>	<u>\$ 785,927</u>	<u>\$ 3,562,070</u>	<u>\$ 4,732,083</u>	<u>\$ 8,294,153</u>

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

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

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

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

Cash on Hand - Petty Cash	\$ 203
Deposits - Held in Escrow Accounts	10,860
Deposits - Cash and Cash Equivalents (Not Pooled)	2,252
Deposits - Cash, Cash Equivalents, and Certificates of Deposit (Pooled)	383
Pooled Investments in the City Treasury	<u>2,124,626</u>
Total Cash and Cash or Equity in Pooled Cash and Investments	<u>\$ 2,138,324</u>



A summary of the deposits and investments held by the City Treasurer's investment pool as of June 30, 2010 is presented in the table below:

Investment	Fair Value	Book Value	Interest Rate % Range	Maturity Range
U.S. Treasury Notes & Bonds	\$ 877,973	\$ 870,992	0.625-4.875%	4/30/2011-6/15/2013
U.S. Agency Discount Notes	299,844	299,580	0.15-0.31% *	7/9/2010-2/4/2011
U.S. Agency Notes & Bonds	634,534	632,227	0.39-4.75%	7/1/2010-6/25/2013
Corporate Notes & Bonds	196,567	194,595	1.25-5.50%	12/23/2010-8/1/2012
Local Agency Investment Fund (LAIF)	49,107	49,026	0.56% **	1/19/2011
Repurchase Agreement	66,601	66,601	0.01%	7/1/2010
Certificates of Deposit (CDARS)	10,000	10,000	1.40%	2/3/2011
	<u>\$ 2,134,626</u>	<u>\$ 2,123,021</u>		

\* Discount Rates

\*\* LAIF - Fair Value is adjusted to account for LAIF factor. Maturity range is based on weighted average maturity of 203 days.

The following represents a condensed statement of net assets and changes in net assets for the City Treasurer's cash and investment pool as of June 30, 2010:

#### Statement of Net Assets

Deposit - Cash, Cash Equivalents, and Certificates of Deposit (Pooled)	\$ 383
Investments of Pool Participants	2,124,626
Accrued Interest Receivable of Internal Pool Participants	3,620
Accrued Interest Receivable of External Pool Participants	9
Total Cash, Investments, and Interest Receivable	<u>\$ 2,128,638</u>
Equity of Internal Pool Participants	\$ 2,123,833
Equity of External Pool Participants (AVA) **	4,805
Total Equity	<u>\$ 2,128,638</u>

\*\*Voluntary Participation

#### Statement of Changes in Net Assets

Net Assets Held for Pool Participants at July 1, 2009	\$ 2,150,667
Net Change in Investments by Pool Participants	<u>(22,029)</u>
Total Net Assets Held for Pool Participants at June 30, 2010	<u>\$ 2,128,638</u>

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

Cash and Investments with Fiscal Agents include cash and investments held by fiscal agents resulting from bond issuances. More specifically, these funds represent reserves held by fiscal agents or trustees as legally required by bond issuances and liquid investments held by fiscal agents or trustees which are used to pay debt service. Under the Fiduciary Statement of Net Assets, Cash and Investments with Fiscal Agents include the City's balance for the Preservation of Benefit Plan (POB Plan). The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under Internal Revenue Code (IRC) section 415(m) and is discussed in further detail in Note 12. Additionally, Cash and Investments with Fiscal Agents include the San Diego City Employees' Retirement System (SDCERS) portion of funds held as cash collateral from market neutral portfolios (domestic fixed income investment strategy). Furthermore, it represents transaction settlements, held in each investment manager's portfolio, which are invested overnight by SDCERS' custodial bank.

c. Investments at Fair Value

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

d. Investment Policy

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

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

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

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

Footnotes:

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

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

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

Ineligible investments prohibited from use in the portfolio include, but are not limited to, common stocks and long-term corporate notes/bonds. The City of San Diego Investment Policy is available at [www.sandiego.gov/treasurer/investments/invpolicy.shtml](http://www.sandiego.gov/treasurer/investments/invpolicy.shtml).

#### *Other Investment Policies*

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

The City and its component units have funds invested in accordance with various bond indenture and trustee agreements. The investment of these bond issuances is in accordance with the Permitted Investments section and applicable account restrictions outlined in the Indenture of each bond issuance. The Permitted Investments section in each Indenture will vary based upon the maturity, cash flow demands, and reserve requirements associated with each issuance. In general, the Permitted Investments section of each Indenture will closely resemble the City of San Diego Investment Policy, but may include certain investment options not authorized by applicable law for the City of San Diego Investment Policy (CGC §53601). Individual bond indentures are available at [www.sandiego.gov/investorinformation/terms.shtml](http://www.sandiego.gov/investorinformation/terms.shtml).

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

#### e. Interest Rate Risk

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

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

As of June 30, 2010, the City's investments (in thousands) by maturity are as follows:

	Years				Fair Value (In Thousands)
	Under 1	1-3	3-5	Over 5	
<b><u>Pooled Investments with City Treasurer:</u></b>					
U.S. Treasury Notes	\$ 110,595	\$ 767,378	\$ -	\$ -	\$ 877,973
U.S. Agencies - Federal Farm Credit Bank	105,619	55,715	-	-	161,334
U.S. Agencies - Federal Home Loan Bank	214,287	55,583	-	-	269,870
U.S. Agencies - Federal Home Loan Mortgage Corporation	172,036	60,750	-	-	232,786
U.S. Agencies - Federal National Mortgage Association	174,930	95,458	-	-	270,388
Corporate Notes	48,595	147,972	-	-	196,567
Non-Negotiable Certificate of Deposit (CDARS deposit)	10,000	-	-	-	10,000
Repurchase Agreement	66,601	-	-	-	66,601
State Local Agency Investment Fund	49,107	-	-	-	49,107
	<u>951,770</u>	<u>1,182,856</u>	<u>-</u>	<u>-</u>	<u>2,134,626</u>
<b><u>Non-Pooled Investments with City Treasurer:</u></b>					
U.S. Treasury Bills	100,703	-	-	-	100,703
U.S. Treasury Notes	47,421	2,052	-	-	49,473
U.S. Agencies - Federal Farm Credit Bank	12,703	-	-	-	12,703
U.S. Agencies - Federal Home Loan Bank	28,706	-	-	-	28,706
U.S. Agencies - Federal Home Loan Mortgage Corporation	47,608	-	-	-	47,608
U.S. Agencies - Federal National Mortgage Association	58,734	-	-	-	58,734
Commercial Paper	12,954	-	-	-	12,954
Repurchase Agreements	50,099	-	-	-	50,099
	<u>358,928</u>	<u>2,052</u>	<u>-</u>	<u>-</u>	<u>360,980</u>
<b><u>Investments with Fiscal Agents, Funds Commission, and Blended Component Units:</u></b>					
U.S. Treasury Bills	21,244	-	-	-	21,244
U.S. Treasury Bonds and Notes	28,646	41,526	48,938	29,423	148,533
U.S. Agencies - Federal Home Loan Bank	12,016	-	-	-	12,016
U.S. Agencies - Federal Home Loan Mortgage Corporation	10,943	-	-	-	10,943
U.S. Agencies - Federal National Mortgage Association	11,504	-	-	-	11,504
Commercial Paper	5,970	-	-	-	5,970
Common Stock <sup>1</sup>	2,813	-	-	-	2,813
Corporate Bonds and Notes	236	67,998	664	3,327	72,225
Guaranteed Investment Contracts	-	-	-	13,709	13,709
Money Market Mutual Funds	34,843	-	-	-	34,843
Mortgage Backed Securities - Commercial	-	-	-	38	38
Mortgage Backed Securities - Government	-	-	-	21	21
Mutual Funds - Equity <sup>1</sup>	334,014	-	-	-	334,014
Mutual Funds - Fixed Income	-	392,733	-	2,306	395,039
Cash (with Fiscal Agents)	202	-	-	-	202
	<u>462,431</u>	<u>502,257</u>	<u>49,602</u>	<u>48,824</u>	<u>1,063,114</u>
Total Investments	\$ 1,773,129	\$ 1,687,165	\$ 49,602	\$ 48,824	3,558,720
Total Deposits					3,495
Total Cash on Hand					203
Total Investments, Deposits, and Cash on Hand (Includes SDCERS Pooled Cash and Investments - \$348)					<u>\$ 3,562,418</u>

<sup>1</sup> Common stock and equity mutual funds do not have maturities.

f. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2010, the City's investments and corresponding credit ratings are as follows:

<u>Pooled Investments with City Treasurer:</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fair Value</u>	<u>Percentage</u>
U.S. Treasury Notes	Exempt	Exempt	\$ 877,973	41.14%
U.S. Agencies - Federal Farm Credit Bank <sup>1</sup>	Aaa	N/A	161,334	7.56%
U.S. Agencies - Federal Home Loan Bank <sup>1</sup>	Aaa	N/A	269,870	12.64%
U.S. Agencies - Federal Home Loan Mortgage Corporation <sup>1</sup>	Aaa	N/A	107,872	5.05%
U.S. Agencies - Federal Home Loan Mortgage Corporation <sup>1</sup>	P-1	N/A	124,914	5.85%
U.S. Agencies - Federal National Mortgage Association <sup>1</sup>	Aaa	N/A	95,458	4.47%
U.S. Agencies - Federal National Mortgage Association <sup>1</sup>	P-1	N/A	174,930	8.19%
Corporate Notes	Aaa	N/A	139,530	6.54%
Corporate Notes	Aa1	N/A	5,211	0.24%
Corporate Notes	Aa2	N/A	25,405	1.19%
Corporate Notes	Aa3	N/A	15,135	0.71%
Corporate Notes	A1	N/A	10,272	0.48%
Corporate Notes	A2	N/A	1,014	0.05%
Non-Negotiable Certificates of Deposit (CDARS deposit)	Not Rated	Not Rated	10,000	0.47%
Repurchase Agreements	Not Rated	Not Rated	66,601	3.12%
State Local Agency Investment Fund	Not Rated	Not Rated	49,107	2.30%
Subtotal - Pooled Investments			<u>2,134,626</u>	<u>100.00%</u>
<u>Non-Pooled Investments with City Treasurer:</u>				
U.S. Treasury Bills	Exempt	Exempt	100,703	27.89%
U.S. Treasury Notes	Exempt	Exempt	49,473	13.71%
U.S. Agencies - Federal Farm Credit Bank	Aaa	N/A	12,703	3.52%
U.S. Agencies - Federal Home Loan Bank <sup>1</sup>	Aaa	N/A	9,467	2.62%
U.S. Agencies - Federal Home Loan Bank <sup>1</sup>	P-1	N/A	19,239	5.33%
U.S. Agencies - Federal Home Loan Mortgage Corporation <sup>1</sup>	P-1	N/A	47,608	13.20%
U.S. Agencies - Federal National Mortgage Association <sup>1</sup>	Aaa	N/A	10,009	2.76%
U.S. Agencies - Federal National Mortgage Association <sup>1</sup>	P-1	N/A	48,725	13.50%
Commerical Paper	P-1	N/A	12,954	3.59%
Repurchase Agreements	Not Rated	Not Rated	50,099	13.88%
Subtotal - Non-Pooled Investments			<u>360,980</u>	<u>100.00%</u>

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

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

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

(continued on next page)

<u>Investments with Fiscal Agents, Funds Commission, and Blended Component Units:</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fair Value</u>	<u>Percentage</u>
U.S. Treasury Bills	Exempt	Exempt	\$ 21,244	2.00%
U.S. Treasury Bonds and Notes	Exempt	Exempt	148,533	13.97%
U.S. Agencies - Federal Home Loan Bank	Aaa	N/A	3,800	0.36%
U.S. Agencies - Federal Home Loan Bank	P-1	N/A	8,216	0.77%
U.S. Agencies - Federal Home Loan Mortgage Corporation	P-1	N/A	10,943	1.03%
U.S. Agencies - Federal National Mortgage Association	P-1	N/A	11,504	1.08%
Commercial Paper	P-1	N/A	5,970	0.56%
Common Stock	N/A	N/A	2,813	0.26%
Corporate Bonds and Notes	Aaa	N/A	67,257	6.33%
Corporate Bonds and Notes	Aa1	N/A	207	0.02%
Corporate Bonds and Notes	Aa2	N/A	457	0.04%
Corporate Bonds and Notes	Aa3	N/A	164	0.02%
Corporate Bonds and Notes	A1	N/A	920	0.09%
Corporate Bonds and Notes	A2	N/A	2,944	0.28%
Corporate Bonds and Notes	A3	N/A	170	0.02%
Corporate Bonds and Notes	Baa1	N/A	106	0.01%
Guaranteed Investment Contracts	Not Rated	Not Rated	13,709	1.29%
Money Market Mutual Funds	Aaa	N/A	34,843	3.28%
Mortgage Backed Securities - Commercial	Aaa	N/A	38	0.01%
Mortgage Backed Securities - Government	Not Rated	Not Rated	21	0.01%
Mutual Funds - Equity	N/A	N/A	334,014	31.42%
Mutual Funds - Fixed Income	Not Rated	Not Rated	395,039	37.13%
Cash (with Fiscal Agents)	Not Rated	Not Rated	202	0.02%
Subtotal - Other Investments			<u>1,063,114</u>	<u>100.00%</u>
Total Investments			3,558,720	
Total Deposits			3,495	
Total Cash on Hand			203	
Total Investments, Deposits, and Cash on Hand*			<u>\$ 3,562,418</u>	

\*(includes SDCERS Pooled Cash and Investments - \$348)

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

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

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

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. As of June 30, 2010, the City exceeded the 5% limit of total investments for issuers of various U.S. Agencies. Investments exceeding the 5% limit are referenced in the credit ratings table above. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are exempt.

g. Custodial Credit Risk*Deposits*

At June 30, 2010, the carrying amount of the City's cash deposits was approximately \$2,635, and the bank balance was approximately \$21,800; the difference is substantially due to outstanding checks. For the balance of cash deposits in financial institutions, approximately \$10,845 was covered by federal depository insurance and approximately \$10,955 was uninsured. Pursuant to the California Government Code, California banks and savings and loan associations are required to secure the City's deposits not covered by federal depository insurance by pledging government securities as collateral. As such, \$9,450 of the City's deposits are pledged at 110% and held by a bank acting as the City's agent, in the City's name. The City is exposed to custodial credit risk for the remaining \$1,505, which is uninsured and uncollateralized. The amount subject to custodial credit risk includes approximately \$1,040 in deposits with San Diego Data Processing Corporation and \$465 in deposits with Centre City Development Corporation.

The City also has deposits held in escrow accounts with a carrying amount and bank balance of approximately \$10,860. For the balance of deposits in escrow accounts, approximately \$2,111 was covered by federal depository insurance. The remaining balance of \$8,749 was uninsured. Pursuant to the California Government Code, California banks and savings and loans associations are required to secure the City's deposits in excess of insurance by pledging government securities as collateral. As such, \$8,749 of the City's deposits in escrow accounts are collateralized and pledged at 110%.

*Investments*

The City's investments at June 30, 2010 are categorized as described below:

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

At June 30, 2010, the City had investments exposed to custodial credit risk. Investments within the Cemetery Perpetuity Fund's portfolio were held by Northern Trust Bank, and were not in the City's name. The following summarizes the investment types and amounts that are exposed to custodial credit risk and are classified as Category 3:

<u>Investment Type</u>	<u>Fair Value</u>
Common Stock	\$ 2,813
Corporate Bonds and Notes	4,968
Mortgage Backed Securities - Commercial	38
Mortgage Backed Securities - Government	21
U.S. Treasury Bonds and Notes	1,015
Total	<u>\$ 8,855</u>

h. Restricted Cash and Investments

Cash and investments at June 30, 2010 that are restricted by legal or contractual requirements are comprised of the following:

<u>Nonmajor Governmental Funds</u>	
Reserved for Debt Service	\$ 294,226
Permanent Endowments	16,690
Total Nonmajor Governmental Funds	<u>310,916</u>
<u>Nonmajor Enterprise Funds</u>	
Environmental Services Fund -Funds set aside for landfill site closure and maintenance costs	43,675
Recycling Enterprise Fund - Customer deposits	4,754
Total Nonmajor Enterprise Funds	<u>48,429</u>
<u>Water Utility Enterprise Fund</u>	
Customer Deposits	4,956
Interest and Redemption Funds	184,193
Total Water Utility Enterprise Fund	<u>189,149</u>
<u>Sewer Utility Enterprise Fund</u>	
Interest and Redemption Funds	166,647
<u>Miscellaneous Agency Funds</u>	
Special Assessment Funds and Retention Held in Escrow Accounts	44,019
Total Restricted Cash and Investments	<u>\$ 759,160</u>

Summary of Total Cash and Investments  
(In Thousands)

Total Unrestricted Cash and Investments	\$ 7,534,993
Total Restricted Cash and Investments	759,160
Total Cash and Investments	<u>\$ 8,294,153</u>
Total Governmental Activities	\$ 1,663,124
Total Business-Type Activities	1,113,019
Total Fiduciary Activities	5,518,010
Total Cash and Investments	<u>\$ 8,294,153</u>



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

*Narratives and tables presented in the following sections (i. through s.) are taken directly from the comprehensive annual financial report of the San Diego City Employees' Retirement System, as of June 30, 2010, issued December 8, 2010.*

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

Cash or Equity in Pooled Cash and Investments with Wells Fargo Bank and the City of San Diego	\$ 348
Cash and Cash Equivalents on Deposit with Custodial Bank and Fiscal Agents	404,165
Investments at Fair Value:	
Short-Term Investments	36,444
Domestic Fixed Income Securities	825,895
International Fixed Income Securities	153,079
Domestic Equity Securities	1,765,726
International Equity Securities	655,441
Real Estate	360,990
Private Equity	37,824
Securities Lending Collateral	492,171
Total Cash and Investments for SDCERS	<u>\$ 4,732,083</u>

#### i. Investment Policy and Portfolio Risk

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

Investment earnings from the pension trust fund are accounted for in accordance with GASB Statement No. 25. Net investment income includes the net appreciation/depreciation in the fair value of investments, interest income, dividend income, and other income not included in the appreciation/depreciation in the fair value of investments, less total investment expenses (including investment management/custodial fees and all other significant investment-related costs). SDCERS had realized gains that totaled \$233,300 for the year ended June 30, 2010. Pursuant to the San Diego Municipal Code, realized gains and losses determine whether contingent benefits will be paid each fiscal year.

SDCERS' investment portfolio includes fixed income strategies to diversify the investment portfolio. The percentage allocated to these strategies is based on efficient model portfolios developed from an annual asset allocation study. The returns of fixed income strategies vary less than equity returns. SDCERS' target asset allocation policy is reviewed each year to reflect changes in capital market assumptions. As of June 30, 2010, SDCERS' target allocation to fixed income strategies was 26%. The fixed income allocation is externally managed and is comprised as follows: 22% to core-plus domestic fixed income (benchmarked to the Barclays Capital Aggregate Bond Index), and 4% to non-U.S. fixed income (benchmarked to the Citigroup Non-U.S. Government Bond Index). A 3% target allocation to convertible bond securities (benchmarked to the Merrill Lynch Convertible Index, All Qualities) is not included in the fixed income allocation. However, given that these

convertible securities have fixed income attributes, the convertible bond allocation is included in the Portfolio Risk analysis. SDCERS' overall portfolio diversification limits the fixed income invested in the debt security of any one issuer to 10% of the portfolio at the time of the initial commitment, except for U.S. Government obligations (or agencies and instruments of the U.S. Government) to minimize overall market and credit risk.

SDCERS also has a 5% target allocation to an unsecuritized equity market neutral strategy which is benchmarked to the Citigroup 90 day Treasury Bills plus 3%. The equity market neutral strategy is no longer considered part of the fixed income allocation. This strategy uses equity securities held long and sold short with the cash proceeds of the short sales held in a cash account invested in U.S. Government Federal Funds. Due to the nature of the securities in this strategy, there is no credit or interest rate risk.

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

j. Interest Rate Risk

SDCERS does not have a general investment policy that addresses interest rate risk. Each investment manager's specific investment guidelines places limits on each portfolio to manage interest rate risk. SDCERS uses duration to measure how changes in interest rates will affect the value of its fixed income portfolios. Convertible bonds are generally less sensitive to changes in interest rates and more sensitive to the profitability of the underlying issuer. Company fundamentals are the overriding factor in the bond's return, while fluctuations in interest rates have significantly less impact.

The following table displays the durations for SDCERS' domestic and international fixed income strategies based on portfolio holdings as of June 30, 2010.

**Fixed Income Portfolios (Domestic and International)  
Portfolio Duration Analysis as of June 30, 2010**

Type of Security	Effective Duration (in years)	Fair Value <sup>1</sup> (in thousands)
<u>Asset-Backed Securities</u>		
Asset-Backed Securities	2.03	\$ 35,407
<u>Adjustable Rate Mortgages</u>		
Adjustable Rate Mortgages	1.27	5,298
<u>Commercial Mortgage-Backed Securities</u>		
Commercial Mortgage-Backed Securities	4.58	38,024
<u>Collateralized Mortgage Obligations</u>		
Collateralized Mortgage Obligations	4.38	84,448
<u>Corporate Bonds</u>		
Corporate Bonds <sup>2</sup>	4.07	244,437
<u>Government &amp; Agency Obligations</u>		
Agency Securities	1.23	28,346
Municipals	9.93	15,126
Other Government Securities	3.38	21,300
Pass-Thru Securities	2.55	122,500
Sovereign Debt Securities	6.57	105,060
Supranational Debt Securities	14.79	4,747
Treasury Securities	6.29	174,213
<u>Mortgage-Backed Securities</u>		
Mortgage-Backed Securities	6.73	1,389
<u>Short-Term/Other <sup>3</sup></u>		
Mutual Funds - Fixed Income <sup>4</sup>	6.92	19,418
Short Term Instruments	0.02	23,583
Total	4.61	\$ 923,296

<sup>1</sup> Fair Value does not include convertible bonds, short-term investments, and derivative securities of \$111,540. These securities do not exhibit interest rate risk and duration cannot be calculated.

<sup>2</sup> Corporates do not include convertible securities of \$115,353.

<sup>3</sup> Short Term/Other does not include derivative instruments of (\$3,813).

<sup>4</sup> A Fixed Income Mutual Fund of \$19,418 has been added to this schedule as the duration was available.

Source: SDCERS' CAFR as of June 30, 2010

k. Investments Highly Sensitive to Interest Rate Changes

Certain terms in fixed income securities may increase the sensitivity of their fair values to changes in interest rates. The Portfolio Duration Analysis table on the previous page discloses the degree to which SDCERS' investments are sensitive to interest rate changes due to the remaining term of maturity. The total value of securities, as of June 30, 2010, that are highly sensitive to interest rate changes due to factors other than term to maturity are presented in the table below.

Type of Security	Fair Value (in thousands)	Percent of Fixed Income Portfolio
Adjustable Rate Notes	\$ 10,252	1.0%
Asset-Backed Securities	14,441	1.4%
Floating Rate Notes	29,838	2.9%
Interest Only Strips & Inverse Floating Rate Notes	5,172	0.5%
Range Notes	3,402	0.3%
Total	\$ 63,105	6.1%

Source: SDCERS' CAFR as of June 30, 2010

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

i. Credit Risk

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

The permitted securities for SDCERS' domestic convertible bond portfolio include convertible bonds, convertible preferred stocks, common stocks (due to forced conversions), and synthetic convertibles. SDCERS' domestic convertible bond portfolio will generally maintain an average rating of at least B.

The permitted securities and derivatives for SDCERS' international fixed income portfolio include investments in developed and emerging markets and derivatives. In developed markets, investments may be made in sovereign and supranationals, Eurodollar bonds, corporates and mortgages. Emerging market investments are defined as sovereign and corporate debt outside the index of the Citi World Govt. Bond Index ex-US. Derivative instruments may include interest rate futures, options, swaps, Fx forward contracts and spot transactions. SDCERS' international fixed income portfolio has the following credit and market risk parameters: minimum average portfolio quality of A rating (market value weighted); and a minimum credit quality at time of purchase of BBB- or equivalent rating by at least one of the major rating agencies.

The table on the following page identifies the credit quality for SDCERS' fixed income strategies based on portfolio holdings as of June 30, 2010.

Credit Quality of SDCERS'  
Fixed Income Strategies (Domestic and International)  
As of June 30, 2010

S&P Quality Rating	Total Fair Value (in thousands)	Asset-Backed Securities	Adjustable- Rate Mortgages	Commerical Mortgage-Backed Securities	Collateralized Mortgage Obligations	Corporates <sup>1</sup>	Government & Agency Obligations <sup>2</sup>	Mortgage- Backed Securities	Short-Term/ Other
US Treasury	\$ 174,213	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 174,213	\$ -	\$ -
AAA	322,754	10,537	5,298	8,233	52,362	29,460	216,102	762	-
AA+	27,626	1,852	-	1,616	-	9,235	14,923	-	-
AA	16,117	-	-	-	477	8,309	7,331	-	-
AA-	19,522	2,100	-	4,393	145	12,774	110	-	-
A+	41,779	-	-	9,776	-	21,205	10,798	-	-
A	61,568	-	-	6,415	1,652	49,964	3,537	-	-
A-	31,889	-	-	4,676	-	24,900	2,313	-	-
BBB+	12,276	-	-	94	232	11,950	-	-	-
BBB	11,425	-	-	-	11	11,207	207	-	-
BBB-	22,543	-	-	-	6,698	14,322	1,523	-	-
BB+	7,926	-	-	209	646	7,071	-	-	-
BB	4,399	862	-	-	-	3,371	166	-	-
BB-	11,349	1,397	-	-	970	8,766	216	-	-
B+	4,203	-	-	-	-	4,203	-	-	-
B	4,551	2,700	-	-	298	1,553	-	-	-
B-	1,487	818	-	-	-	669	-	-	-
CCC	24,525	5,306	-	-	19,219	-	-	-	-
CC	424	-	-	-	424	-	-	-	-
NR	214,842	9,835	-	2,612	1,314	140,831	39,853	627	19,770
Totals	\$ 1,015,418	\$ 35,407	\$ 5,298	\$ 38,024	\$ 84,448	\$ 359,790	\$ 471,292	\$ 1,389	\$ 19,770

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

<sup>2</sup> Includes international and municipal holdings.

Source: SDCERS' CAFR as of June 30, 2010

m. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. As of June 30, 2010, SDCERS had no single issuer that exceeded 5% of total investments, excluding investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments. With respect to the concentration of credit risk by issue, SDCERS' Investment Policy states that not more than 10% of the fixed income portfolio shall be invested in the debt security of any one issue at the time of initial commitment, except for U.S. Government and Agency obligations. While SDCERS does not have a general investment policy on the concentration of credit risk by issuer, each manager's specific investment guidelines place limitations on the maximum holdings in any one issuer.

n. Custodial Credit Risk

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

*Deposits*

SDCERS' is exposed to custodial credit risk for uncollateralized cash and cash equivalents that are not covered by federal depository insurance. At June 30, 2010, the amount of cash and cash equivalents on deposit with SDCERS' custodial bank totaled \$199,800.

*Investments*

As of June 30, 2010, 100% of SDCERS' investments were held in SDCERS' name. SDCERS is not exposed to custodial credit risk related to these investments.

*Securities Lending Collateral*

SDCERS is exposed to custodial credit risk for the securities lending collateral such that certain collateral is received in the form of letters of credit, tri-party collateral or securities collateral. The fair value of securities on loan collateralized by these non-cash vehicles totaled \$20,500 as of June 30, 2010 and are at risk as the collateral for these loaned securities is not held in SDCERS' name and cannot be sold without a borrower default. The cash collateral held by SDCERS' custodian in conjunction with the securities lending program, which totaled \$492,171 as of June 30, 2010, is also at risk as it is invested in a pooled vehicle managed by the custodian. The investment characteristics of the collateral pool are disclosed in the Securities Lending Collateral section.

o. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The following table represents SDCERS' securities (in thousands) held in a foreign currency as of June 30, 2010.

**Foreign Currency Risk <sup>1</sup>**  
**As of June 30, 2010**  
**(Dollars in Thousands)**

<u>Local Currency Name</u>	<u>Cash</u>	<u>Equity</u>	<u>Fixed income</u>	<u>Total</u>
Australian Dollar	\$ 149	\$ 17,184	\$ 9,125	\$ 26,458
Brazilian Real	3	265	33	301
Canadian Dollar	247	23,160	10,606	34,013
Danish Krone	7	6,326	2,884	9,217
Euro Currency	2,604	166,920	94,648	264,172
Hong Kong Dollar	280	19,963	-	20,243
Indonesian Rupiah	-	2,491	-	2,491
Japanese Yen	1,419	127,874	20,821	150,114
Malaysian Ringgit	-	2,338	-	2,338
Mexican Peso	-	-	3,336	3,336
New Zealand Dollar	-	456	-	456
Norwegian Krone	13	3,687	-	3,700
Philippine Peso	-	308	-	308
Pound Sterling	271	113,462	14,051	127,784
Singapore Dollar	144	10,998	-	11,142
South African Rand	-	98	-	98
South Korean Won	-	15,848	2,957	18,805
Swedish Krona	3	14,085	768	14,856
Swiss Franc	142	30,970	-	31,112
Taiwan Dollar	1	6,599	-	6,600
Turkish Lira	-	1,003	-	1,003
Totals	<u>\$ 5,283</u>	<u>\$ 564,035</u>	<u>\$ 159,229</u>	<u>\$ 728,547</u>

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

Source: SDCERS' CAFR as of June 30, 2010

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

p. Derivative Instruments

In June 2008, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which became effective for financial statements for periods beginning after June 15, 2009. Pursuant to the requirements of this statement, SDCERS has provided a summary of derivative instrument activities during the reporting period and the related risks. As of June 30, 2010, the derivative instruments held by SDCERS are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized in the SDCERS' Statement of Changes in Plan Net Assets.

SDCERS' investment managers, as permitted by their specific investment guidelines, may enter into transactions involving derivative financial instruments, consistent with the objectives established by the Board's Investment Policy Statement. These instruments include futures, options, swaps, forwards, warrants and rights. By Board policy these investment vehicles may not be used to leverage SDCERS' portfolio, i.e., use derivatives to increase the portfolio's notional exposure to any given asset class. These instruments are used in an attempt to enhance a portfolio's performance and/or reduce its risk or volatility.

All investment derivatives discussed below are addressed in the Portfolio Risk discussion (section i). Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

The following table provides a summary of the derivative instruments outstanding as of June 30, 2010.

Investment Derivative Disclosure  
(Dollars in Thousands)

Investment Derivative Instrument	Changes in Fair Value		Fair Value at June 30, 2010		
	Classification	Amount	Classification	Amount	Notional
Credit Default Swaps	Investment Income / (Loss)	\$ (1,510)	Swaps	\$ (2,744)	\$ 27,970
Fixed Income Futures	Investment Income / (Loss)	14,836	Futures	-	1,229,850
Fixed Income Options	Investment Income / (Loss)	(290)	Options	(912)	(163,900)
Foreign Currency Futures	Investment Income / (Loss)	340	Futures	-	1,500
Futures Options Written	Investment Income / (Loss)	563	Options	(156)	(1,187)
Foreign Currency Forwards	Investment Income / (Loss)	5,813	Long Term Instruments	337	-
Index Futures	Investment Income / (Loss)	29,060	Futures	-	82
Interest Rate Swaps	Investment Income / (Loss)	7,913	Swaps	2,556	108,500
Rights	Investment Income / (Loss)	(378)	Common Stock	14	407
TBA Securities	Investment Income / (Loss)	767	Long Term Instruments	588	35,445
Warrants	Investment Income / (Loss)	(3)	Common Stock	-	-
<b>Total Derivative Instruments</b>		<b>\$ 57,111</b>		<b>\$ (317)</b>	<b>\$ 1,238,667</b>

Source: SDCERS' CAFR as of June 30, 2010

The derivatives instruments that are not exchange traded, such as credit default swaps and interest rate swaps, are valued using quoted market prices.

Futures contracts are financial instruments that derive their value from underlying indices or reference rates and are marked-to-market at the end of each trading day. Daily settlement of gains and losses occur on the following business day. As a result, the futures contracts do not have a fair value as of June 30, 2010. Daily settlement of gains and losses is a risk control measure to limit counterparty credit risk. Futures variation margin amounts are settled each trading day and recognized in the financial statements under net appreciation (depreciation) in fair value of investments as they are incurred.

Foreign currency forward contracts are obligations to buy or sell a currency at a specified exchange rate and quantity on a specific future date. To-be-announced securities (TBA) are obligations to buy or sell a mortgage-backed security at a future date to be announced. The fair value of the foreign currency forwards and TBAs is the



unrealized gain or loss calculated based on the difference between the specified exchange rate and the closing exchange rate at June 30, 2010.

#### *Counterparty Credit Risk*

The following table illustrates the counterparty credit ratings of SDCERS' non-exchange traded investment derivative instruments outstanding and subject to loss at June 30, 2010:

#### Counterparty Credit Risk (Dollars in Thousands)

Counterparty Name	Fair Value	S&P Rating
Bank of America N.A.	\$ 92	A+
Barclays Bank PLC Wholesale	170	AA-
Barclays Capital	74	AA-
BNP Paribas SA	20	AA
Citibank N.A.	62	A+
Credit Suisse Financial Products	19	A+
Credit Suisse London Branch (GFX)	827	A+
CSFB	202	A+
Deutsche Bank AG London	359	A+
HSBC Bank PLC	4	AA
HSBC Bank USA	3	AA
JPMorgan Chase Bank	63	AA-
JPMorgan Chase Bank N.A.	23	AA-
Mellon Bank N.A.	5	AA-
Merrill Lynch Pierce Fenner & Smith Inc.	5	A
Morgan Stanley and Co. Inc.	3	A
Morgan Stanley and Co. International PLC	700	A
Morgan Stanley Capital Services	523	A
Royal Bank of Scotland PLC	1,645	A+
UBS AG	88	A+
UBS AG London	13	A+
UBS AG Stamford	16	A+
UBS Securities LLC	84	A+
Total	\$ 5,000	

Source: SDCERS' CAFR as of June 30, 2010

The aggregate fair value of investment derivative instruments in an asset position subject to counterparty credit risk at June 30, 2010 was \$5,000. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. At June 30, 2010, SDCERS did not have any significant exposure to counterparty credit risk with any single party. SDCERS does not have any specific policies relating to the posting of collateral or master netting agreements.

#### *Custodial Credit Risk*

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the disclosure requirements of GASB Statement No. 40. At June 30, 2010, all of SDCERS' investments in derivative instruments were held in SDCERS' name and were not exposed to custodial credit risk.

*Interest Rate Risk*

At June 30, 2010 SDCERS was exposed to interest rate risk on its investments in interest rate swaps, options, credit default swaps, and TBA securities. The table below illustrates the maturity periods of these derivative instruments.

**Investment Maturities**  
(Dollars in Thousands)

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Interest Rate Swaps	\$ 2,556	\$ 46	\$ 2,081	\$ 429	\$ -
Fixed Income Options	(912)	(631)	(15)	(266)	-
Futures Options	(156)	(156)	-	-	-
Credit Default Swaps	(2,744)	-	22	3	(2,769)
TBA Securities	588	-	-	-	588
<b>Total</b>	<b>\$ (668)</b>	<b>\$ (741)</b>	<b>\$ 2,088</b>	<b>\$ 166</b>	<b>\$ (2,181)</b>

Source: SDCERS' CAFR as of June 30, 2010

*Investments Highly Sensitive to Interest Rate Changes*

Interest rate swaps are highly sensitive to changes in interest rates. The table below details the reference rate, fair value and notional amount of these derivative instruments at June 30, 2010:

**Investments Highly Sensitive to Interest Rate Changes**  
(Dollars in Thousands)

Investment Type	Reference Rate	Fair Value	Notional
Interest Rate Swaps	Receive Australian Dollar Fixed 4.5%, Pay Australian Dollar Variable 6 month Bank Bill Interest Rate	\$ (2)	\$ 600
Interest Rate Swaps	Receive Australian Dollar Fixed 4.5%, Pay Australian Dollar Variable 3 month LIBOR	(23)	7,900
Interest Rate Swaps	Receive Australian Dollar Fixed 6.0%, Pay Australian Dollar Variable 6 month Bank Bill Interest Rate	84	4,800
Interest Rate Swaps	Receive Brazilian Real Fixed 11.36%, Pay Brazilian Real Variable Brazilian CDI (overnight rate)	16	3,400
Interest Rate Swaps	Receive Brazilian Real Fixed 11.63%, Pay Brazilian Real Variable Brazilian CDI (overnight rate)	-	700
Interest Rate Swaps	Receive Brazilian Real Fixed 11.89%, Pay Brazilian Real Variable Brazilian CDI (overnight rate)	4	1,700
Interest Rate Swaps	Receive Brazilian Real Fixed 11.90%, Pay Brazilian Real Variable Brazilian CDI (overnight rate)	5	3,700
Interest Rate Swaps	Receive Brazilian Real Fixed 12.08%, Pay Brazilian Real Variable Brazilian CDI (overnight rate)	9	3,500
Interest Rate Swaps	Receive Euro Fixed 2.09%, Pay Euro Variable French CPI minus Tobacco	41	1,100
Interest Rate Swaps	Receive Euro Fixed 2.1025%, Pay Euro Variable French CPI minus Tobacco	30	800
Interest Rate Swaps	Receive US Dollar Fixed 2.0%, Pay US Dollar Variable 3 month Libor	399	27,500
Interest Rate Swaps	Receive US Dollar Fixed 3.0%, Pay US Dollar Variable 3 month Libor	1,463	47,100
Interest Rate Swaps	Receive US Dollar Fixed 4.0%, Pay US Dollar Variable 3 month Libor	531	5,700
<b>Total</b>		<b>\$ 2,557</b>	<b>\$ 108,500</b>

Source: SDCERS' CAFR as of June 30, 2010

*Foreign Currency Risk*

At June 30, 2010, SDCERS was exposed to foreign currency risk on its investments in credit default swaps, interest rate swaps, options and rights denominated in foreign currencies.

Foreign Currency Risk  
(Dollars in Thousands)

Currency Name	Credit Default Swaps	Fixed Income Options	Interest Rate Swaps	Rights	Forward Contracts		Total
					Net Payables	Net Receivables	
Australian Dollar	\$ -	\$ -	\$ 59	\$ -	\$ 15	\$ (369)	\$ (295)
Brazilian Real	-	-	33	-	(1)	-	32
Canadian Dollar	-	-	-	-	(217)	137	(80)
Danish Krone	-	-	-	-	(31)	(127)	(158)
Euro Currency	-	(10)	71	14	(4)	224	295
Indian Rupee	-	-	-	-	8	-	8
Japanese Yen	-	-	-	-	1,079	(1)	1,078
Malaysian Ringgit	-	-	-	-	(26)	-	(26)
Mexican Peso	-	-	-	-	-	(2)	(2)
New Russian Ruble	-	-	-	-	(19)	-	(19)
Norwegian Krone	-	-	-	-	89	-	89
Philippine Peso	-	-	-	-	8	-	8
Polish Zloty	-	-	-	-	(229)	-	(229)
Pound Sterling	-	-	-	-	4	(248)	(244)
Swedish Krona	-	-	-	-	14	(4)	10
Swiss Franc	-	-	-	-	76	-	76
Yuan Renminbi	-	-	-	-	(39)	-	(39)
Subtotals	-	(10)	163	14	727	(390)	504
Investments Denominated in USD	(16)	-	1,642	-	-	-	1,626
Total	\$ (16)	\$ (10)	\$ 1,805	\$ 14	\$ 727	\$ (390)	\$ 2,130

Source: SDCERS' CAFR as of June 30, 2010

In addition to the investments listed in the above table, SDCERS has investments in foreign futures contracts with a total notional value of \$5.0 million. As indicated above, futures variation margin amounts are settled each trading day and recognized as realized gains / (losses) as they are incurred. As a result, the foreign futures contracts have no fair value at June 30, 2010.

*Contingent Features*

At June 30, 2010, SDCERS did not hold any positions in derivatives containing contingent features.

q. Private Equity

SDCERS' target allocation to private equity is 5%. The Board has approved an opportunistic portfolio composition with a focus on value and current income-producing strategies. As of June 30, 2010, unfunded capital commitments totaled \$268,900 and private equity investments totaled \$37,824.

r. Real Estate

SDCERS' target allocation to real estate is 11%. SDCERS' Board established the following portfolio composition targets: 25% in public real estate securities and 75% in private real estate investments. The private portfolio is further diversified with a target of 60% in core real estate and 40% in value-add and opportunistic real estate. No more than 40% of SDCERS' real estate portfolio is allocated to non-U.S. real estate investment opportunities

pursuant to a policy adopted by the Board in FY 2007. As of June 30, 2010, unfunded capital commitments totaled \$225,800 and real estate investments totaled \$360,990.

s. Securities Lending Collateral

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

State Street manages the securities lending program and receives cash and/or securities as collateral. Borrowers are required to deliver collateral for each loan equal to at least 100% of the market value of the loaned securities. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default.

SDCERS had no credit risk exposure to borrowers because the amounts provided to State Street on behalf of SDCERS, in the form of collateral plus accrued interest, exceeded the amounts broker-dealers and banks owed to State Street on behalf of SDCERS for securities borrowed. State Street has indemnified SDCERS by agreeing to purchase replacement securities or return cash collateral in the event a borrower fails to return or pay distributions on a loaned security. SDCERS incurred no losses during the fiscal year resulting from a default of the borrowers or State Street. Non-cash collateral (securities and letters of credit) cannot be pledged or sold without a borrower default and are therefore not reported as an asset of SDCERS for financial reporting purposes.

Despite lending securities on a fully collateralized basis, SDCERS may encounter various risks related to securities lending agreements. These risks include operational risk, borrower or counterparty default risk, and collateral reinvestment risk. During the fiscal year, the credit markets became more normalized compared to the prior year as liquidity in the markets and credit spreads improved. The Net Asset Value (NAV) of the collateral pools rebounded and continued to perform without incurring any losses. State Street is required to maintain its securities lending program in compliance with applicable laws of the United States and all countries in which lending activities take place, and all rules, regulations, and exemptions from time to time promulgated and issued under the authority of those laws.

The SDCERS securities on loan, collateralized by cash as of June 30, 2010, had a fair value of \$476,800 and a collateral value of \$492,171, which were reported in the assets and liabilities in the accompanying Statement of Fiduciary Net Assets for the Group Trust in accordance with GASB Statement No. 28. As of June 30, 2010, the securities on loan collateralized by securities, irrevocable letters of credit, or tri-party collateral had a fair value of \$20,500 and a collateral value of \$21,500, which were not reported in the assets or liabilities in the accompanying Statement of Plan Net Assets for the Group Trust per GASB Statement No. 28. The total collateral pledged to SDCERS at fiscal year end for its securities lending activities was \$513,700.

The cash collateral received on lent securities was invested by State Street, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. Because the securities loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. As of June 30, 2010, SDCERS has \$482,400 invested in domestic (USD) collateral pool, which had an average duration of 29.64 days and an average weighted maturity of 244.18 days. Beginning in fiscal year 2007, the securities lending program was expanded to allow the acceptance of Euro (EUR) denominated collateral. As of June 30, 2010, SDCERS had \$9,700 in the Euro collateral pool, which had an average duration of 29 days and an average weighted maturity of 445 days.

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

*Narratives and tables presented in the following sections (t. through u.) are taken directly from the audited financial statements of the San Diego Convention Center Corporation and the comprehensive annual financial report of the San Diego Housing Commission as of June 30, 2010.*

t. San Diego Convention Center Corporation

Cash deposits and investments for SDCCC were categorized as follows at June 30, 2010:

Cash on hand	\$ 93
Deposits	1,356
Certificates of deposit (non-negotiable)	1,107
Bank money market account deposits	11,729
Government money market mutual funds	<u>1,592</u>
Total cash and investments	<u>\$ 15,877</u>

*Deposits (In Thousands)*

On June 30, 2010, the carrying amount of the San Diego Convention Center Corporation's (SDCCC) cash on hand, deposits, non-negotiable certificates of deposit and bank money market account deposits was \$14,285 and the bank balance was \$14,391. The difference is substantially due to outstanding checks. Of the bank balance, \$2,055 was covered by federal depository insurance. The remaining uninsured balance of \$12,336 was collateralized with the collateral held by an affiliate of the counterparty's financial institution. Neither the money market account deposits nor the certificates of deposit are rated by credit rating agencies. The \$1,107 invested in non-negotiable certificates of deposit bear interest rates of 0.75% and have maturities greater than three months and less than one year. SDCCC developed a formal deposit and investment policy that was approved in August 2010 which addresses custodial credit risk.

*Investments (In Thousands)*

At June 30, 2010, SDCCC had a total investment balance of \$1,592 which was invested in government money market mutual funds. The government money market mutual funds have a "AAA" rating. The investments are not covered by FDIC insurance nor are collateralized by the bank and therefore are considered uninsured. SDCCC developed a formal deposit and investment policy in August 2010 which addresses credit quality risk. SDCCC places no limit on the amount that may be invested in any one account or fund. There were no other invested amounts in any one account or fund in excess of 5% of total investments that were not covered by federal depository insurance or fully collateralized.

u. San Diego Housing Commission

Cash, cash equivalents, and investments at June 30, 2010 consisted of the following:

Deposits	\$ 1,216
Petty cash	14
Cash held in investment account	497
Certificates of deposit (non-negotiable)	2,179
Agency Bonds	61,952
Corporate Bonds	9,081
Local Agency Investment Fund	19,946
San Diego County Investment Pool	<u>20,034</u>
Total cash and investments	114,919
Restricted cash and cash equivalents	<u>2,078</u>
Total	<u><u>\$ 116,997</u></u>

*Deposits (In Thousands)*

The carrying amount of the San Diego Housing Commission's (SDHC) deposits and petty cash was \$1,230 and the bank balance was \$2,127 at June 30, 2010. The bank balances were fully insured and/or collateralized with securities held by the pledging financial institutions in SDHC's name. The California Government Code requires California banks and savings and loan associations to secure SDHC's deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in SDHC's name.

At June 30, 2010, SDHC had a carrying amount and bank balance of \$2,179 in non-negotiable certificates of deposit. The certificates of deposit were either covered by FDIC insurance or 100% collateralized with securities held by pledging financial institutions.

*Investments (In Thousands)*

As of June 30, 2010, SDHC's investments included agency bonds, corporate bonds, California Local Agency Investment Fund (LAIF) and San Diego County Investment Pool (SDCIP). Agency bonds represent SDHC's investment in Government-Sponsored Enterprises (GSE), such as Fannie Mae (FNMA) and Freddie Mac (FDMC), Senior Debt and Mortgage-Backed Security (MBS) bonds traded on an active secondary market. As of June 30, 2010, SDHC had \$61,952 invested in U.S. Government Agency bonds, with \$7,014 invested in GSE Senior Debt and the remaining \$54,938 invested in Agency MBS. The GSE Senior Debt securities hold a Standard & Poor's AAA rating.

SDHC's investment in corporate bonds represent an investment in FDIC-guaranteed floating rate corporate debt securities (floaters) explicitly backed by the U.S. government. Unlike fixed rate instruments, the coupon rate on these floating-rate securities resets every 3 months based on the 90 day London Inter-Bank Offer Rate (LIBOR) index plus a margin or basis points. As of June 30, 2010, SDHC had \$9,081 invested in corporate bonds which were all rated AAA by Standard & Poor's.

SDHC participates in the Local Agency Investment Fund (LAIF). As of June 30, 2010, SDHC had \$19,946 invested with LAIF. The investment in LAIF represents SDHC's equity in the pooled investments of that fund. The average maturity of Pooled Money Investment Account (PMIA) investments was 203 days as of June 30, 2010. LAIF had 5.42% of the pool investment funds in structured notes and asset-backed securities.

In addition to LAIF, SDHC also participates in the San Diego County Investment Pool (SDCIP). SDCIP is a Standard & Poor's AAA rated fund managed by the San Diego County Treasurer-Tax Collector. The market value of SDCIP's investment portfolio at June 30, 2010 was \$5,175,000. The investment portfolio had a weighted average yield to maturity of 1.14%, weighted days to maturity of 425 days and an effective duration of 0.470 years. SDHC is a voluntary participant in the County pool and as of June 30, 2010, SDHC has \$20,034 invested in SDCIP.

#### *Policy*

In accordance with state statutes and HUD regulations, SDHC has authorized the CFO or designee to invest in obligations of the U.S. Treasury, U.S. Government agencies or other investments as outlined in the Commission Investment Policy. An Investment Committee, consisting of two Commission Board members, monitors the management of funds and compliance with the Commission Investment Policy. There are many factors that can affect the value of investments. Some factors, such as credit risk, custodial risk, concentration of credit risk, and interest rate risk, may affect both equity and fixed income securities. It is the investment policy of SDHC to invest substantially all of its funds in fixed income securities which limits SDHC's exposure to most types of risk.

#### *Interest Rate Risk*

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

#### *Credit Risk*

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

#### *Concentration of Credit Risk*

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

#### *Custodial Credit Risk*

At June 30, 2010, SDHC did not have any investments exposed to custodial risk. Bonds are purchased through a Merrill Lynch account in SDHC's name. All securities are held in safekeeping by Merrill Lynch and are covered by Securities Investor Protection Corporation (SIPC) and a separate Lloyd's of London policy for a combined aggregate limit of \$600 million.

## 4. CAPITAL ASSETS (In Thousands)

Capital asset activity for the year ended June 30, 2010 was as follows:

	Primary Government				
	Beginning Balance	Increases	Decreases/ Adjustments	Transfers	Ending Balance
<b>GOVERNMENTAL ACTIVITIES:</b>					
Non-Depreciable Capital Assets:					
Land & Rights of Way	\$ 1,768,968	\$ 29,710	\$ (333)	\$ -	\$ 1,798,345
Easements	-	5	-	-	5
Construction in Progress	192,741	76,624	(2,684)	(74,938)	191,743
Total Non-Depreciable Capital Assets	1,961,709	106,339	(3,017)	(74,938)	1,990,093
Depreciable Capital Assets:					
Structures and Improvements	1,169,788	5,447	(72)	10,082	1,185,245
Equipment	370,453	20,123	(33,785)	-	356,791
Equipment (Intangible)	-	8,594	-	29,025	37,619
Infrastructure	3,140,551	47,458	(3,007)	35,831	3,220,833
Total Depreciable Capital Assets	4,680,792	81,622	(36,864)	74,938	4,800,488
Less Accumulated Depreciation For:					
Structures and Improvements	(343,300)	(30,057)	65	(49)	(373,341)
Equipment	(201,066)	(35,126)	32,680	-	(203,512)
Equipment (Intangible)	-	-	-	-	-
Infrastructure	(1,642,610)	(86,504)	1,411	49	(1,727,654)
Total Accumulated Depreciation	(2,186,976)	(151,687)	34,156	-	(2,304,507)
Total Depreciable Capital Assets - Net of Depreciation	2,493,816	(70,065)	(2,708)	74,938	2,495,981
Governmental Activities Capital Assets, Net	\$ 4,455,525	\$ 36,274	\$ (5,725)	\$ -	\$ 4,486,074
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Non-Depreciable Capital Assets:					
Land & Rights of Way	\$ 93,240	\$ 2,191	\$ (3)	\$ -	\$ 95,428
Easements	-	19	-	-	19
Construction in Progress	291,283	127,058	(1,524)	(127,948)	288,869
Total Non-Depreciable Capital Assets	384,523	129,268	(1,527)	(127,948)	384,316
Depreciable Capital Assets:					
Structures and Improvements	1,610,361	17,069	(1)	70,295	1,697,724
Equipment	403,991	3,387	(1,429)	7,703	413,652
Distribution & Collection Systems and Other Infrastructure	3,710,003	103,008	(3,031)	49,950	3,859,930
Total Depreciable Capital Assets	5,724,355	123,464	(4,461)	127,948	5,971,306
Less Accumulated Depreciation For:					
Structures and Improvements	(356,458)	(35,112)	-	(255)	(391,825)
Equipment	(247,100)	(20,532)	1,343	(277)	(266,566)
Distribution & Collection Systems and Other Infrastructure	(738,599)	(55,115)	859	532	(792,323)
Total Accumulated Depreciation	(1,342,157)	(110,759)	2,202	-	(1,450,714)
Total Depreciable Capital Assets - Net of Depreciation	4,382,198	12,705	(2,259)	127,948	4,520,592
Business-Type Activities Capital Assets, Net	\$ 4,766,721	\$ 141,973	\$ (3,786)	\$ -	\$ 4,904,908



Governmental Activities capital assets net of accumulated depreciation at June 30, 2010 are comprised of the following:

General Capital Assets, Net	\$ 4,365,510
Internal Service Funds Capital Assets, Net	<u>120,564</u>
Total	<u>\$ 4,486,074</u>

Business-Type Activities capital assets net of accumulated depreciation at June 30, 2010 are comprised of the following:

Enterprise Funds Capital Assets, Net	<u>\$ 4,904,908</u>
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Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

General Government and Support	\$ 3,415
Public Safety - Police	4,496
Public Safety - Fire and Life Safety	3,618
Parks, Recreation, Culture and Leisure	34,733
Transportation	74,160
Sanitation and Health	294
Neighborhood Services	<u>2,172</u>
Subtotal	122,888
Internal Service	<u>28,799</u>
Total Depreciation Expense	<u>\$ 151,687</u>

**Business-Type Activities:**

Airports	\$ 544
Development Services	123
Environmental Services	3,280
Golf Course	954
Recycling	810
Sewer Utility	66,523
Water Utility	<u>38,525</u>
Total Depreciation Expense	<u>\$ 110,759</u>

Discretely Presented Component Units

Capital asset activities for the City's Discretely Presented Component Units for the year ended June 30, 2010 are as follows:

	Discretely Presented Component Unit - San Diego Convention Center Corp			
	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Non-Depreciable Capital Assets:				
Land, Easements, Rights of Way	\$ -	\$ 13,661	\$ -	\$ 13,661
Depreciable Capital Assets:				
Structures and Improvements	26,266	832	-	27,098
Equipment	9,730	101	(261)	9,570
Total Depreciable Capital Assets	35,996	933	(261)	36,668
Less Accumulated Depreciation For:				
Structures and Improvements	(12,221)	(1,742)	-	(13,963)
Equipment	(7,371)	(731)	257	(7,845)
Total Accumulated Depreciation	(19,592)	(2,473)	257	(21,808)
Total Depreciable Capital Assets - Net of Depreciation	16,404	(1,540)	(4)	14,860
Capital Assets, Net	\$ 16,404	\$ 12,121	\$ (4)	\$ 28,521

	Discretely Presented Component Unit - San Diego Housing Commission			
	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Non-Depreciable Capital Assets:				
Land, Easements, Rights of Way	\$ 29,544	\$ 8,041	\$ 1,438	\$ 39,023
Construction in Progress	7,001	921	(3,603)	4,319
Total Non-Depreciable Capital Assets	36,545	8,962	(2,165)	43,342
Depreciable Capital Assets:				
Structures and Improvements	68,772	3,609	801	73,182
Equipment	2,845	54	32	2,931
Total Depreciable Capital Assets	71,617	3,663	833	76,113
Less Accumulated Depreciation For:				
Structures and Improvements	(9,570)	(2,055)	1,332	(10,293)
Equipment	(1,364)	(541)	-	(1,905)
Total Accumulated Depreciation	(10,934)	(2,596)	1,332	(12,198)
Total Depreciable Capital Assets - Net of Depreciation	60,683	1,067	2,165	63,915
Capital Assets, Net	\$ 97,228	\$ 10,029	\$ -	\$ 107,257

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

## a. Long-Term Liabilities

Governmental long-term liabilities as of June 30, 2010 are comprised of the following:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30 2010
Arbitrage Liability				\$ 3
Compensated Absences				73,431
Liability Claims				318,914
Capital Lease Obligations				84,561
<u>Contracts Payable:</u>				
Contract Payable to Western Pacific Housing, Inc., dated April 2004	5.0%	---	3,000	1,018
<b>Total Contracts Payable</b>				<b>1,018</b>
<u>Notes Payable:</u>				
Note Payable to Price Charities, dated April 2001	5.0	2032	5,115	1,607
Note Payable to Price Charities, dated May 2005	8.0	2025	2,100	1,514
Amendment to Note Payable to Price Charities, dated February 2006	8.0	2025	180	180
<b>Total Notes Payable</b>				<b>3,301</b>
<u>Loans Payable:</u>				
International Gateway Associates, LLC, dated October 2001	10.0	2033	1,876	1,768
PCCP/SB Las America, LLC, dated August 2005	10.0	2036	1,247	1,212
California Housing Finance Agency, dated October 2006	3.0	2017	1,250	1,250
California Energy Resources Conservation and Development Commission, dated January 2007	4.5	2021	935	935
California Energy Resources Conservation and Development Commission, dated March 2007	3.95	2019	2,154	1,613
San Diego National Bank, Line of Credit, dated July 2007 City Heights Housing Area	4.05	2011	4,153	4,153
San Diego National Bank, Line of Credit, dated July 2007 City Heights Non-Housing Area	6.42	2011	2,011	2,011
San Diego National Bank, Line of Credit, dated July 2007 Naval Training Center Housing Area	1.33-2.58	2011	5,600	5,600
San Diego National Bank, Line of Credit, dated July 2007 Naval Training Center Non-Housing Area	1.0 - 5.49	2011	12,211	12,211
San Diego National Bank, Line of Credit, dated July 2007 North Bay Housing Area	1.33-4.05	2011	8,580	8,580
San Diego National Bank, Line of Credit, dated July 2007 North Park Housing Area	1.42 - 4.05	2011	7,300	7,300
Bank of America, N.A. McGuigan Judgment, dated June 2010	3.79*	2015	32,762	32,762
<b>Total Loans Payable</b>				<b>79,395</b>
<b>Section 108 Loans Payable</b>				<b>31,496</b>

(continued on next page)

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30 2010</u>
<b>General Obligation Bonds:</b>				
Public Safety Communications Project, Series 1991	5.0 - 8.0**	2012	\$ 25,500	\$ 4,340
<b>Total General Obligation Bonds</b>				<b>4,340</b>
<b>Revenue Bonds / Lease Revenue Bonds / COPs:</b>				
San Diego Facilities and Equipment Leasing Corp. Certificates of Participation, Series 1996 A	4.0 - 5.6**	2011	33,430	3,435
Convention Center Expansion Financing Authority Lease Revenue Bonds, Series 1998 A	3.8 - 5.25**	2028	205,000	162,545
Centre City Parking Revenue Bonds, Series 1999 A	4.5 - 6.49**	2026	12,105	9,510
Public Facilities Financing Authority Fire and Life Safety Lease Revenue Bonds, Series 2002 B	3.55 - 7.0**	2032	25,070	21,730
Centre City Parking Revenue Bonds, Series 2003 B	3.0 - 5.30**	2027	20,515	16,925
MTDB Authority Lease Revenue Refunding Bonds, Series 2003	2.0 - 4.375**	2023	15,255	11,445
San Diego Facilities Equipment Leasing Corp. Certificates of Participation Refunding, Series 2003	1.0 - 4.0**	2024	17,425	8,195
Public Facilities Financing Authority Ballpark Lease Revenue Refunding Bonds, Series 2007 A	5.0 - 5.25**	2032	156,560	145,840
Public Facilities Financing Authority Lease Revenue Refunding Bonds, Series 2010 A	3.0-5.25**	2040	167,635	167,635
<b>Total Revenue Bonds / Lease Revenue Bonds / COPs</b>				<b>547,260</b>
<b>Tax Allocation Bonds:</b>				
Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995	7.8 - 9.75**	2014	1,400	485
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	4.4 - 6.0**	2020	1,200	700
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	3.8 - 6.0**	2016	12,970	5,600
Centre City Redevelopment Tax Allocation Bonds, Series 1999 A	3.0 - 5.125**	2019	25,680	23,995
Centre City Redevelopment Tax Allocation Bonds, Series 1999 B	6.25**	2014	11,360	8,975
Centre City Redevelopment Tax Allocation Bonds, Series 1999 C	3.1 - 4.75**	2025	13,610	11,450
City Heights Redevelopment Tax Allocation Bonds, Series 1999 A	4.5 - 5.8**	2029	5,690	4,915
City Heights Redevelopment Tax Allocation Bonds, Series 1999 B	5.75 - 6.4***	2029	10,141	8,593

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30 2010
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	4.0 - 5.6**	2025	\$ 6,100	\$ 4,615
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	3.95 - 5.35**	2025	21,390	17,655
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.8**	2022	15,025	12,475
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.875**	2031	13,000	10,935
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	4.1 - 5.9**	2031	7,000	5,890
Centre City Redevelopment Project Tax Allocation Bonds, Series 2001 A	4.93 - 5.55****	2027	58,425	55,305
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A	5.0**	2027	3,055	3,055
Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A	2.5 - 5.0**	2029	31,000	11,980
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A	5.875 - 6.5**	2034	4,955	4,955
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 B	2.5 - 4.25**	2014	865	335
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	1.5 - 6.125**	2028	7,145	5,845
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B	4.75 - 5.0**	2034	5,360	5,360
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A	4.65 - 5.1**	2022	6,325	6,325
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B	3.25 - 5.45**	2022	4,530	4,200
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	3.49 - 7.74**	2022	8,000	6,240
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A	3.5 - 5.25**	2030	101,180	91,270
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 B	2.26 - 4.58**	2011	9,855	1,170

(continued on next page)

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30 2010</u>
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C	2.26 - 6.18**	2030	\$ 27,785	\$ 24,245
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D	2.26 - 6.28**	2030	8,905	7,785
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A	4.25 - 5.25**	2033	76,225	74,295
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 B	5.66 - 6.2**	2032	33,760	32,205
Centre City Redevelopment Project Tax Allocation Bonds, Series 2008 A	3.74 - 6.3**	2021	69,000	64,640
North Park Redevelopment Project Tax Allocation Bonds, Series 2009 A	6.0-7.0**	2040	13,930	13,930
<b>Total Tax Allocation Bonds</b>				<u>529,423</u>
<b><u>Tobacco Settlement Asset-Backed Bonds:</u></b>				
Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006	7.125**	2023	105,400	<u>92,350</u>
<b><u>Pooled Financing Bonds:</u></b>				
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 A	5.95 - 6.65**	2038	17,230	15,965
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 B	4.0 - 5.25**	2038	17,755	<u>16,815</u>
<b>Total Pooled Financing Bonds</b>				<u>32,780</u>
<b>Total Bonds Payable</b>				<u>1,206,153</u>
<b>Net Other Postemployment Benefits Obligation</b>				118,431
<b>Net Pension Obligation</b>				<u>116,418</u>
<b>Total Governmental Activities Long-Term Liabilities</b>				<u>\$ 2,033,121</u>

\* McGuigan Judgment loan payable has a 3.79% fixed rate for term of borrowing subject to increase if there is a rating downgrade or an event of default.

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

\*\*\* The City Heights Redevelopment Tax Allocation Bonds, Series 1999 B, are capital appreciation bonds, which mature from fiscal year 2011 through 2029. The balance outstanding at June 30, 2010 does not include accreted interest of \$8,395.

\*\*\*\* The Centre City Redevelopment Tax Allocation Bonds, Series 2001 A, partially include capital appreciation bonds, which mature from fiscal year 2015 through 2027. The balance outstanding at June 30, 2010 does not include accreted interest of \$8,140.

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

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

A Contract Payable with San Diego State University Foundation (Foundation), based upon an Agreement for Processing a Redevelopment Plan and Land Use Entitlements with RDA, dated December 3rd, 1991 allows for reimbursement of expenses incurred by the Foundation in assisting in the preparation and processing of the Redevelopment and Land Use Entitlements in the College Area. The variable rate agreement carries an interest rate based on the prime rate and is fixed on a quarterly basis using the prime rate established on the first banking day of each calendar quarter. Interest calculations are made on the quarterly weighted average of the principal balance at the end of the quarter, based upon the rate fixed for that quarter. On December 9, 2009, the Foundation approved a settlement agreement with RDA on a complaint for specific performance, alleging that RDA breached an agreement requiring RDA to sell certain property to the plaintiff. Based on the settlement, RDA's Contract Payable to the Foundation of \$1,715 was reduced by \$965 to \$750 and related accrued interest of \$1,613 was eliminated. As part of the agreement, RDA transferred fee title of the property to the Foundation by Grant Deed. The remaining balance was paid in full by the end of the fiscal year.

A Contract Payable to Western Pacific Housing of \$3,000 was reduced in the current fiscal year by \$1,872, pursuant to the Disposition and Development Agreement between RDA and Western Pacific Housing. The Affordability Component of the obligation, which is subject to an adjustment based on the actual project sales revenue proceeds received by Western Pacific Housing, resulted in a reduction of \$972. Additionally, due to the fact that Western Pacific Housing did not comply with prevailing wage requirements of the DDA, the Public Improvement Component of the obligation of \$900 was eliminated.

A Loan Payable, pursuant to the Disposition and Development Agreement (DDA) with Centerpoint, LLC, was eliminated due to a mutual decision with RDA and the developer to terminate the agreement which called for development of a mixed-use project within the Crossroads Project Area. Pursuant to the DDA, RDA's contribution was in the form of a developer loan of \$5,245 to be repaid from the Crossroads Low and Moderate Income Housing Fund to subsidize 47 affordable units. The loan amount was later reduced to \$4,969 pursuant to a third implementation agreement with the developer. Termination of the agreement resulted in the elimination of the loans payable.

A Loan Payable line of credit executed by RDA with Bank of America, N.A. was paid in full during the current fiscal year with proceeds of the North Park Redevelopment Project Tax Allocation Bonds, Series 2009A, and the corresponding liability has been removed.

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

Under the Original Settlement Agreement and Judgment between William J. McGuigan (Class Representative) and the City of San Diego, the City agreed to pay SDCERS \$173,000 in excess of the ARC no later than June 8, 2011. On June 4, 2010, the City executed a Modification Agreement of the original Settlement Agreement which allowed the City to sell the unpaid balance of \$32,762 to a third party, specifically Bank of America, N.A. (BANA). The City executed an Agreement Regarding Purchase of McGuigan Judgment requiring BANA to satisfy the remaining terms of the McGuigan Judgment and the City to make annual payments to BANA on July 1, 2011 through July 1, 2014 for the balance paid to SDCERS plus interest. The Judgment Installment Payments to BANA are at a fixed rate of 3.79% throughout the term of the obligation unless the City's long-term general obligation indebtedness rating is lowered, withdrawn, suspended or upon the occurrence of an Event of Default.

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

Public safety general obligation bonds are secured by a pledge of the full faith and credit of the City or by a pledge of the City to levy ad valorem property taxes without limitation.

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

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

b. Amortization Requirements

The annual requirements to amortize such long-term debt outstanding as of June 30, 2010, including interest payments to maturity, are as follows:

Year Ended June 30,	Capital Lease Obligations		Contracts Payable		Notes Payable		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 16,909	\$ 3,395	\$ -	\$ -	\$ -	\$ -	\$ 40,040	\$ 679
2012	17,252	2,465	-	-	-	-	7,927	1,613
2013	15,881	1,784	-	-	-	-	8,235	1,305
2014	11,810	1,218	-	-	-	-	8,556	983
2015	8,435	823	-	-	-	-	8,888	652
2016-2020	10,848	1,615	-	-	-	-	1,115	1,400
2021-2025	3,426	335	-	-	-	-	528	1,129
2026-2030	-	-	-	-	-	-	850	807
2031-2035	-	-	-	-	-	-	951	308
2036-2040	-	-	-	-	-	-	120	12
Unscheduled*	-	-	1,018	12	3,301	1,094	2,185	-
Total	<u>\$ 84,561</u>	<u>\$ 11,635</u>	<u>\$ 1,018</u>	<u>\$ 12</u>	<u>\$ 3,301</u>	<u>\$ 1,094</u>	<u>\$ 79,395</u>	<u>\$ 8,888</u>

\* The contracts to Western Pacific Housing, Inc. in the amount of \$1,018, the notes payable to Price Charities of \$3,301, the loan payable to California Housing Finance Agency in the amount of \$1,250, and the loan payable to the California Energy Resources Conservation and Development Commission in the amount of \$935 do not have annual repayment schedules. Annual payments on the Western Pacific Housing, Inc., and Price Charities debt are based on available tax increment. Annual payments on the California Housing Finance Agency are deferred for the term of the loan. Annual payments on the January 2007 California Energy and Resources Conservation and Development Commission Loan will begin during FY 2011.



Year Ended June 30,	Section 108 Loans		General Obligation Bonds		Revenue Bonds / COPs	
	Principal	Interest	Principal	Interest	Principal	Interest
	2011	\$ 2,645	\$ 1,586	\$ 2,100	\$ 219	\$ 15,710
2012	2,775	1,471	2,240	74	15,330	26,362
2013	2,881	1,339	-	-	18,400	25,596
2014	3,036	1,195	-	-	19,260	24,731
2015	3,174	1,041	-	-	20,180	23,818
2016-2020	11,426	3,024	-	-	116,370	103,598
2021-2025	5,559	711	-	-	141,940	72,152
2026-2030	-	-	-	-	119,660	36,263
2031-2035	-	-	-	-	48,605	13,923
2036-2040	-	-	-	-	31,805	4,763
Total	<u>\$ 31,496</u>	<u>\$ 10,367</u>	<u>\$ 4,340</u>	<u>\$ 293</u>	<u>\$ 547,260</u>	<u>\$ 356,298</u>

Year Ended June 30,	Tax Allocation Bonds			Tobacco Asset-Backed Bonds		Pooled Financing Bonds	
	Principal	Unaccreted		Principal**	Interest	Principal	Interest
		Appreciation*	Interest				
2011	\$ 19,948	\$ 2,243	\$ 26,682	\$ 4,000	\$ 6,580	\$ 770	\$ 1,846
2012	20,884	2,317	25,703	4,400	6,295	825	1,805
2013	24,143	2,388	24,566	4,600	5,981	860	1,762
2014	25,704	2,455	23,281	5,000	5,654	900	1,718
2015	26,278	2,459	21,959	5,400	5,297	950	1,671
2016-2020	150,829	11,730	87,761	33,100	20,175	5,565	7,533
2021-2025	127,093	7,694	50,590	35,850	5,889	5,710	5,916
2026-2030	90,669	1,136	22,047	-	-	7,290	4,052
2031-2035	34,890	-	6,229	-	-	7,100	1,712
2036-2040	8,985	-	1,658	-	-	2,810	255
Subtotal	529,423	32,422	290,476	92,350	55,871	32,780	28,270
Add:							
Accreted Appreciation through June 30, 2010	16,535	-	-	-	-	-	-
Total	<u>\$ 545,958</u>	<u>\$ 32,422</u>	<u>\$ 290,476</u>	<u>\$ 92,350</u>	<u>\$ 55,871</u>	<u>\$ 32,780</u>	<u>\$ 28,270</u>

\* Unaccreted Appreciation represents the amount to be accreted in future years regardless of the timing of cash flows.

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

## c. Change in Long-Term Liabilities

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

The following is a summary of changes in governmental activities long-term liabilities for the year ended June 30, 2010. The effect of bond accretion, bond premiums, discounts, and deferred amounts on bond refunds are amortized as adjustments to long-term liabilities.

	Governmental Activities				
	Beginning Balance, as Restated*	Additions	Reductions	Ending Balance	Due Within One Year
Arbitrage Liability	\$ 533	\$ 1	\$ (531)	\$ 3	\$ -
Compensated Absences	74,446	45,981	(46,996)	73,431	29,028
Liability Claims	273,979	85,584	(40,649)	318,914	36,131
Capital Lease Obligations	89,519	11,114	(16,072)	84,561	16,909
Contracts Payable	4,715	-	(3,697)	1,018	-
Notes Payable	4,786	-	(1,485)	3,301	-
Loans Payable	44,815	48,256	(13,676)	79,395	40,040
Section 108 Loans Payable	33,532	454	(2,490)	31,496	2,645
General Obligation Bonds	6,315	-	(1,975)	4,340	2,100
Revenue Bonds / COPs	564,720	167,635	(185,095)	547,260	15,710
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(4,032)	1,690	164	(2,178)	(164)
Net Revenue Bonds/COP's	560,688	169,325	(184,931)	545,082	15,546
Tax Allocation Bonds	534,547	13,930	(19,054)	529,423	19,948
Interest Accretion	14,682	2,163	(310)	16,535	-
Balance with Accretion	549,229	16,093	(19,364)	545,958	19,948
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	5,378	(92)	(215)	5,071	215
Net Tax Allocation Bonds	554,607	16,001	(19,579)	551,029	20,163
Tobacco Settlement Asset-Backed Bonds	95,380	-	(3,030)	92,350	4,000
Pooled Financing Bonds	33,460	-	(680)	32,780	770
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(108)	-	18	(90)	(18)
Net Pooled Financing Bonds	33,352	-	(662)	32,690	752
Net Other Postemployment Benefits Obligation	73,504	44,927	-	118,431	-
Net Pension Obligation	147,665	-	(31,247)	116,418	-
Total	\$ 1,997,836	\$ 421,643	\$ (367,020)	\$ 2,052,459	\$ 167,314

\* Special Assessment/Special Tax Bonds have been restated due to a change to City policy. Additional information on the restatement is included in Note 23.

d. Defeasance and Redemption of Debt

Lease Revenue Refunding Bonds, Series 2010A (Master Refunding Project) were issued to refund outstanding Refunding Certificates of Participation, Series 1996B, refund the outstanding taxable PFFA Lease Revenue Bonds, Series 1996A (Jack Murphy Stadium) and refund the outstanding PFFA Lease Revenue Bonds, Series 2009A (Various Capital Improvement Projects). Since all the refunded bonds have been fully redeemed prior to fiscal year end, the liabilities have been removed.

As of June 30, 2010, principal amounts payable from escrow funds established for defeased bonds are as follows:

<u>Defeased Bonds</u>	<u>Amount</u>
Central Imperial Redevelopment Project Tax Allocation Bonds, Series 2000	\$ 2,910
Southcrest Redevelopment Project Tax Allocation Bonds, Series 2000	<u>1,470</u>
Total Defeased Bonds Outstanding	<u><u>\$ 4,380</u></u>

e. Long-Term Pledged Liabilities

Governmental long-term pledged liabilities as of June 30, 2010 are comprised of the following:

<u>Type of Pledged Revenue</u>	<u>Fiscal Year Maturity Date</u>	<u>Pledged Revenue to Maturity</u>	<u>Debt Principal &amp; Interest Paid</u>	<u>Pledged Revenue Recognized</u>
<b><u>Pledged CDBG Revenue:</u></b>				
Section 108 Loans Payable		\$ 31,923	\$ 3,396	\$ 3,396
<b>Total Pledged CDBG Revenue</b>		<b>31,923</b>	<b>3,396</b>	<b>3,396</b>
<b><u>Pledged Developer Revenue:</u></b>				
Regional Transportation Center Redevelopment Project (Section 108)	2021	2,387	276	276
<b>Total Pledged Developer Revenue</b>		<b>2,387</b>	<b>276</b>	<b>276</b>
<b><u>Pledged Net Operating Revenue (Parking):</u></b>				
Centre City Parking Revenue Bonds, Series 1999 A	2026	15,111	954	964
Centre City Parking Revenue Bonds, Series 2003 B	2027	25,375	1,505	1,340
<b>Total Pledged Net Operating Revenue (Parking)</b>		<b>40,486</b>	<b>2,459</b>	<b>2,304</b>
<b><u>Pledged Tax Increment Revenue:</u></b>				
<b><u>Contracts</u></b>				
Contract Payable to SDSU Foundation, dated December 1991	2010	-	750	750
Contract Payable to Western Pacific Housing, Inc., dated April 2004	--	1,030	113	113
<b><u>Notes</u></b>				
Note Payable to Price Charities, dated April 2001	2032	2,685	1,025	1,025
Note Payable to Price Charities, dated May 2005	2025	1,530	-	-
Amendment to Note Payable to Price Charities, dated February 2006	2025	180	-	-
<b><u>Loans</u></b>				
International Gateway Associates, LLC, dated October 2001	2033	4,577	199	199
PCCP/SB Las America, LLC, dated August 2005	2036	3,439	132	132
Bank of America, N.A. Line of Credit, dated October 2006	2010	-	1,012	1,012
San Diego National Bank, Line of Credit, dated July 2007 City Heights Housing Area	2011	4,184	104	104
San Diego National Bank, Line of Credit, dated July 2007 City Heights Non-Housing Area	2011	2,063	212	212
San Diego National Bank, Line of Credit, dated July 2007 Naval Training Center Housing Area	2011	5,629	94	94
San Diego National Bank, Line of Credit, dated July 2007 Naval Training Center Non-Housing Area	2011	12,321	441	441
San Diego National Bank, Line of Credit, dated July 2007 North Bay Housing Area	2011	8,621	135	135
San Diego National Bank, Line of Credit, dated July 2007 North Park Housing Area	2011	7,355	213	213
Naval Training Center Civic, Arts, and Cultural Center (Section 108)	2025	7,554	508	508

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
<b>Bonds</b>				
Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995	2014	\$ 585	\$ 147	\$ 109
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	2020	925	93	92
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	2016	6,664	1,114	923
Centre City Redevelopment Tax Allocation Bonds, Series 1999 A	2019	30,582	2,405	6,642
Centre City Redevelopment Tax Allocation Bonds, Series 1999 B	2014	10,134	3,020	3,787
Centre City Redevelopment Tax Allocation Bonds, Series 1999 C	2025	16,380	799	329
City Heights Redevelopment Tax Allocation Bonds, Series 1999 A	2029	8,069	428	424
City Heights Redevelopment Tax Allocation Bonds, Series 1999 B	2029	30,431	699	699
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	2025	6,769	446	416
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	2025	25,920	1,456	1,100
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	2022	17,454	1,352	1,321
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	2031	18,908	896	807
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	2031	10,194	482	437
Centre City Redevelopment Tax Allocation Bonds, Series 2001 A	2027	106,598	2,564	2,552
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A	2027	5,202	153	153
Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A	2029	20,521	586	-
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A	2034	10,056	316	316
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 B	2014	363	89	50
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	2028	9,432	543	534
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B	2034	10,930	259	248

(continued on next page)

<u>Type of Pledged Revenue</u>	<u>Fiscal Year Maturity Date</u>	<u>Pledged Revenue to Maturity</u>	<u>Debt Principal &amp; Interest Paid</u>	<u>Pledged Revenue Recognized</u>
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A	2022	\$ 9,177	\$ 310	\$ 445
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B	2022	5,822	313	388
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	2022	9,458	794	1,022
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A	2030	139,343	6,743	5,496
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 B	2011	1,197	1,959	1,959
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C	2030	39,658	2,233	2,729
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D	2030	12,847	723	885
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A	2033	121,121	4,356	11,925
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 B	2032	58,754	2,639	5,927
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 A	2038	31,087	1,412	1,390
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 B	2038	29,962	1,151	1,120
Centre City Redevelopment Project Tax Allocation Bonds, Series 2008 A	2021	87,810	8,068	7,811
North Park Redevelopment Project Tax Allocation Bonds, Series 2009 A	2040	37,552	718	473
<b>Total Pledged Tax Increment Revenue</b>		<u>991,073</u>	<u>54,204</u>	<u>67,447</u>
<b><u>Pledged Tobacco Settlement Revenue:</u></b>				
Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006	2023	148,221	9,826	9,530
<b>Total Pledged Tobacco Settlement Revenue</b>		<u>148,221</u>	<u>9,826</u>	<u>9,530</u>
<b>Total Pledged Revenue</b>		<u>\$ 1,214,090</u>	<u>\$ 70,161</u>	<u>\$ 82,953</u>

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

a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2010 are comprised of the following:

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2010</u>
Compensated Absences				\$ 13,327
Liability Claims				23,715
<u>Loans Payable:</u>				
Loans Payable to San Diego County Water Authority	-	-	\$ 100	100
Loans Payable to State Water Resources Control Board, issued February 9, 2000	1.80%**	2020	10,606	5,778
Loans Payable to State Water Resources Control Board, issued February 9, 2000	1.80**	2022	6,684	4,295
Loans Payable to State Water Resources Control Board, issued March 30, 2001	1.80**	2022	33,720	21,660
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80**	2022	7,742	4,972
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80**	2021	860	511
Loans Payable to State Water Resources Control Board, issued June 11, 2001	1.80**	2021	2,525	1,500
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.99**	2020	3,767	2,257
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.80**	2023	8,068	5,565
Loans Payable to State Water Resources Control Board, issued December 14, 2005	1.89**	2024	10,093	7,775
Loans Payable to Department of Health Services, issued July 6, 2005	2.51**	2026	21,525	17,574
Loans Payable to State Water Resources Control Board, issued October 15, 2006	1.99**	2024	3,858	3,115
Loans Payable to State Water Resources Control Board, issued February 28, 2007	1.89**	2026	11,068	9,571
Total Loans Payable				<u>84,673</u>

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2010</u>
<b><u>Bonds Payable:</u></b>				
Subordinated Water Revenue Bonds, Series 2002	2.0 - 5.0*	2033	\$ 286,945	\$ 258,460
Senior Sewer Revenue Bonds, Series 2009 A	2.0-5.375*	2039	453,775	446,965
Senior Sewer Revenue Refunding Bonds Series 2009 B	3.0-5.5*	2025	634,940	598,430
Water Revenue Refunding Bonds, Series 2009 A	2.5-5.25*	2039	157,190	156,155
Water Revenue Bonds, Series 2009 B	2.5-5.75*	2040	328,060	328,060
Senior Sewer Revenue Refunding Bonds Series 2010 A	5.25*	2029	161,930	161,930
Water Revenue Refunding Bonds, Series 2010 A	5.0-5.25*	2029	123,075	<u>123,075</u>
<b>Total Bonds Payable</b>				<u>2,073,075</u>
<b>Estimated Landfill Closure and Postclosure Care</b>				20,126
<b>Net Other Postemployment Benefits Obligation</b>				33,239
<b>Net Pension Obligation</b>				<u>23,190</u>
<b>Total Business-Type Activities Long-Term Liabilities</b>				<u>\$ 2,271,345</u>

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

\*\* Effective rate



b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2010, including interest payments to maturity, are as follows:

Year Ended June 30	Loans Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2011	\$ 5,765	\$ 1,670	\$ 63,915	\$ 99,982
2012	5,878	1,557	66,420	100,084
2013	5,992	1,443	69,275	97,235
2014	6,109	1,326	72,485	94,022
2015	6,229	1,207	75,895	90,615
2016-2020	33,017	4,159	437,695	394,780
2021-2025	20,217	1,171	501,720	277,393
2026-2030	1,366	21	364,745	158,467
2031-2035	-	-	217,815	84,896
2036-2040	-	-	203,110	27,828
2041-2045	-	-	-	-
Unscheduled*	100	-	-	-
Total	<u>\$ 84,673</u>	<u>\$ 12,554</u>	<u>\$ 2,073,075</u>	<u>\$ 1,425,302</u>

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

c. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010. The effect of bond premiums, discounts and deferred amounts on refunding are reflected as adjustments to long-term liabilities.

	Business-Type Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Arbitrage Liability	\$ -	\$ 288	\$ (288)	\$ -	\$ -
Compensated Absences	12,671	10,870	(10,214)	13,327	5,782
Liability Claims	32,853	(5,259)	(3,879)	23,715	4,271
Loans Payable	90,326	-	(5,653)	84,673	5,765
Revenue Bonds Payable	2,166,906	285,005	(378,836)	2,073,075	63,915
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	41,080	13,036	191	54,307	2,938
Net Revenue Bonds Payable	2,207,986	298,041	(378,645)	2,127,382	66,853
Estimated Landfill Closure/Postclosure Care	19,336	790	-	20,126	-
Net Other Postemployment Benefits Obligation	19,767	13,472	-	33,239	-
Net Pension Obligation	29,474	-	(6,284)	23,190	-
Pollution Remediation Obligation	620	-	(620)	-	-
Totals	\$ 2,413,033	\$ 318,202	\$ (405,583)	\$ 2,325,652	\$ 82,671

d. Defeasance and Redemption of Debt

PFFA issued Water Revenue Bonds, Refunding Series 2010A in the amount of \$123,075. The bond proceeds were used to fully redeem the outstanding Water Certificates of Undivided Interest, Series 1998. The Water 1998 Certificates have all been redeemed and the corresponding liability has been removed from the Statement of Net Assets. The redemption transaction for the Water 1998 Certificates resulted in a total economic gain of approximately \$4,414 and a cash flow savings of approximately \$26,213. All of the Water 1998 Certificates that were refunded from the Water Revenue Bonds, Refunding Series 2010A were redeemed on June 30, 2010, and accordingly, there is no defeased debt balance outstanding as of June 30, 2010.

PFFA issued Senior Sewer Revenue Refunding Bonds, Series 2010A in the amount of \$161,930. The bond proceeds were used to refund and redeem all outstanding Senior Sewer Revenue Bonds, Series 1995, Senior Sewer Revenue Bonds, Series 1997A and Series 1997B and Senior Sewer Revenue Bonds, Series 1999A and Series 1999B. All liabilities associated with the refunded bonds have been removed from the Statement of Net Assets. The redemption transaction for the Senior Sewer Revenue Bonds, Series 1995 resulted in a total economic gain of approximately \$1,678 and a cash flow savings of \$4,931. The redemption transaction for the Senior Sewer Revenue Bonds, Series 1997A resulted in a total economic gain of approximately \$1,052 and a cash flow savings of approximately \$3,092. The redemption of the Senior Sewer Revenue Bonds, Series 1997B resulted in a total economic gain of approximately \$385 and a cash flow savings of approximately \$1,132. The redemption of the Senior Sewer Revenue Bonds, Series 1999A resulted in a total economic gain of approximately \$3,606 and a cash flow savings of approximately \$10,595. The redemption of the Senior Sewer Revenue Bonds, Series 1999B resulted in a total economic gain of approximately \$1,995 and a cash flow savings of approximately \$5,862. The Senior Sewer Revenue Bonds, Series 1995 and Senior Sewer Revenue Bonds, Series 1997A and 1997B were all fully redeemed on April 29, 2010 and the Senior Sewer Revenue Bonds, Series 1999 A and Series 1999B were all fully redeemed on May 15, 2010 and accordingly, there is no defeased debt balance outstanding as of June 30, 2010.

As of June 30, 2010, there is no defeased debt balance outstanding for Business-type activities.

e. Long-Term Pledged Liabilities

Business-type activities long-term pledged liabilities as of June 30, 2010 are comprised of the following:

<u>Type of Pledged Revenue</u>	<u>Fiscal Year Maturity Date</u>	<u>Pledged Revenue to Maturity</u>	<u>Debt Principal &amp; Interest Paid</u>	<u>Pledged Revenue Recognized</u>
<b><u>Pledged Net Sewer Systems Revenue:</u></b>				
<b><u>Loans</u></b>				
Loans Payable to State Water Resources Control Board, issued February 9, 2000	2020	\$ 6,367	\$ 637	\$ 637
Loans Payable to State Water Resources Control Board, issued February 9, 2000	2022	4,815	401	401
Loans Payable to State Water Resources Control Board, issued March 30, 2001	2022	24,296	2,025	2,025
Loans Payable to State Water Resources Control Board, issued May 17, 2001	2022	5,574	464	464
Loans Payable to State Water Resources Control Board, issued May 17, 2001	2021	568	52	52
Loans Payable to State Water Resources Control Board, issued June 11, 2001	2021	1,667	152	152
Loans Payable to State Water Resources Control Board, issued October 3, 2002	2020	2,512	251	251
Loans Payable to State Water Resources Control Board, issued October 3, 2002	2023	6,293	484	484
Loans Payable to State Water Resources Control Board, issued December 14, 2005	2024	8,924	637	637
Loans Payable to State Water Resources Control Board, issued October 15, 2006	2024	3,601	257	257
Loans Payable to State Water Resources Control Board, issued February 28, 2007	2026	11,184	699	699
<b><u>Bonds and Notes</u></b>				
Sewer Revenue Bonds, Series 1995	2010	-	2,095	2,095
Sewer Revenue Bonds, Series 1997 A	2010	-	1,132	1,132
Sewer Revenue Bonds, Series 1997 B	2010	-	414	414
Sewer Revenue Bonds, Series 1999 A	2010	-	3,351	3,351
Sewer Revenue Bonds, Series 1999 B	2010	-	1,854	1,854
Senior Sewer Revenue Bonds, Series 2009 A	2039	829,531	28,978	28,106
Senior Sewer Revenue Refunding Bonds Series 2009 B	2025	846,595	65,027	65,023
Senior Sewer Revenue Refunding Bonds Series 2010 A	2029	298,347	378	1,587
<b>Total Pledged Net Sewer Systems Revenue</b>		<b>2,050,274</b>	<b>109,288</b>	<b>109,621</b>
<b><u>Pledged Net Water Systems Revenue:</u></b>				
<b><u>Loans</u></b>				
Loans Payable to Department of Health Services, issued July 6, 2005	2026	21,327	1,376	1,376
<b><u>Bonds and Notes</u></b>				
Water Certificate of Undivided Interest, Series 1998	2010	-	9,735	9,735
Subordinated Water Revenue Bonds, Series 2002	2033	396,900	27,299	26,954
Water Revenue Refunding Bonds, Series 2009 A	2039	253,928	8,679	8,387
Water Revenue Bonds, Series 2009 B	2040	652,089	9,888	9,766
Water Revenue Refunding Bonds, Series 2010 A	2029	220,986	-	-
<b>Total Pledged Net Water Systems Revenue</b>		<b>1,545,230</b>	<b>56,977</b>	<b>56,218</b>
<b>Total Pledged Revenues</b>		<b>\$ 3,595,504</b>	<b>\$ 166,265</b>	<b>\$ 165,839</b>

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

*Narratives and tables presented in the following sections are taken directly from the audited financial statements of the San Diego Convention Center Corporation and the comprehensive annual financial report of the San Diego Housing Commission as of June 30, 2010.*

**San Diego Convention Center Corporation**

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2010	Due Within One Year
Compensated Absences				\$ 1,244	\$ 1,244
Capital Leases			\$ 3,942	531	531
Notes Payable:					
San Diego Unified Port District	0.00%	2011	10,000	500	500
Fifth Avenue Landing LLC	5.27%	2015	12,500	12,500	-
Total Notes Payable				13,000	500
Total Long-Term Liabilities				\$ 14,775	\$ 2,275

Annual requirements to amortize long-term debt as of June 30, 2010, are as follows:

Capital Lease		Notes Payable		
Fiscal Year Ended June 30	Amount	Fiscal Year Ended June 30	Principal	Interest
2011	\$ 543	2011	\$ 500	\$ 500
Total minimum lease payments	543	2012	-	500
Less: amount representing interest	(12)	2013	-	500
Present value of minimum lease payments	\$ 531	2014	-	500
		2015	12,500	1,297
		Total	\$ 13,000	\$ 3,297

**San Diego Housing Commission (SDHC)**

<u>Type of Obligation</u>	<u>Interest Rate</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2010</u>	<u>Due Within One Year</u>
Compensated Absences				\$ 1,442	\$ 1,442
Notes Payable:					
<u>Debts of SDHC</u>					
JP Morgan Chase, dated June 1995	Variable	2012	\$ 4,725	3,116	164
State of California (RHCP)	0.00%	2015	3,149	3,149	-
State of California (RHCP)	0.00%	2014	1,405	1,405	-
US Bank, dated November 2006	Variable	2012	20,550	19,009	258
Redevelopment Agency, dated March 1992	0.00%	2022	696	696	-
Redevelopment Agency, dated March 18, 2010	1.00% forgivable	2065	3,099	3,099	-
<u>Debts of the LLCs</u>					
Greystone Servicing Corp, Inc. Fannie Mae (Belden)	7.32%	2040	12,320	12,272	121
Greystone Servicing Corp, Inc. Fannie Mae (Northern)	7.32%	2040	10,810	10,768	107
Greystone Servicing Corp, Inc. Fannie Mae (Central)	7.32%	2040	14,010	13,955	138
Total Notes Payable				<u>67,469</u>	<u>788</u>
Total Long-Term Liabilities				<u>\$ 68,911</u>	<u>\$ 2,230</u>

The interest rate for the JP Morgan Chase obligation as of June 30, 2010 was 3.14%. The variable rate in accordance with the loan agreement is equal to .65 times the sum of the Variable Index Rate plus 3%. The Variable Index Rate is defined as the most recently available monthly weighted average cost of funds for 11<sup>th</sup> District Savings Institutions published by the Federal Home Loan Bank of San Francisco.

The interest rate for the US Bank obligation as of June 30, 2010 was 7.89%. The variable interest rate in accordance with the loan agreement is 2.6% plus LIBOR.

SDHC entered into an Interest Rate Swap Agreement with US Bank (the Swap Provider) to reduce the impact of changes in interest rates. Under the terms of the Swap Agreement, the Commission has agreed to pay interest to the Swap Provider at a fixed rate of 5.29% plus 2.6% exclusive of any fees, add-ons or other trustee or bank charges, while the Swap Provider has agreed to make SDHC's required monthly mortgage payment. The notional amount of the Swap Agreement is \$19,766. The Swap Agreement expires at maturity of the mortgage in 2011.

Pursuant to GASB No. 53, derivative instruments not meeting the criteria for hedge accounting are recorded at fair value on the Statement of Net Assets with any change in fair value reflected in the Statement of Activities in the period of change. The Commission recorded a liability for the fair value of the interest rate swap as of June 30, 2010 in the amount of \$1,276. During the year ended June 30, 2010, a gain in fair value of \$460 has been realized and is included in the Statement of Activities.

The US Bank loan represents the loan for the Smart Corner Building which houses the administrative offices of SDHC.

SDHC entered into a new loan agreement with RDA as of March 18, 2010, for the acquisition and rehabilitation of the Sanford Hotel. The loan from RDA is a forgivable loan, with a term of 55 years and 1% simple interest. The total approved loan amount is \$6,095 with \$3,099 disbursed during fiscal year 2010.

On December 30, 2009, Belden SDHC FNMA LLC, Central SDHC FNMA LLC and Northern SDHC FNMA LLC entered into debt agreements with Greystone Servicing Corp. Inc. in the amount of \$37 million. The debt agreement is to obtain financing to acquire over 350 affordable housing units in the City of San Diego. The FNMA loans were loans of the LLCs, not of SDHC. Each one of the loans is a nonrecourse obligation of the LLCs. Under the terms of the loan agreements, the LLCs agree to pay a fixed interest rate of 7.32% on the life of the loan through the maturity date January 1, 2040.

The American Recovery and Reinvestment Act of 2009 created the new Build America Bond program. State and local governments receive directly from the U.S. Treasury subsidy payments for a portion of their borrowing costs on Build America Bonds (BAB) equal to 35 percent of the total coupon interest paid. The Subsidy stream is paid for the full term of the bonds. The Belden SDHC FNMA LLC loan has been approved as a qualified direct subsidy BAB's loan. SDHC has received \$123 of subsidy payments in fiscal year 2010.

The annual requirements to amortize such long-term debt as of June 30, 2010 are as follows:

<u>Notes Payable</u>		
Fiscal Year Ended	Principal	Interest
<u>June 30</u>		
2011	\$ 788	\$ 4,270
2012	22,096	3,185
2013	423	2,670
2014	1,860	2,637
2015	3,639	2,603
2016-2020	3,062	12,400
2021-2025	5,107	11,051
2026-2030	6,354	9,109
2031-2035	9,151	6,311
2036-2040	11,890	2,297
2065	3,099	766
Total	<u>\$ 67,469</u>	<u>\$ 57,299</u>

8. SHORT-TERM NOTES PAYABLE (In Thousands)

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

Short-term debt activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax and Revenue Anticipation Notes	\$ -	\$ 124,070	\$ (124,070)	\$ -

The \$124,070 (FY10) TRANS issue had an interest rate of 2.0% and was repaid on April 30, 2010.

## 9. JOINT VENTURE and JOINTLY GOVERNED ORGANIZATIONS (In Thousands)

### San Diego Medical Services Enterprise, LLC

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

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

SDMSE was organized on May 2, 1997 to provide emergency medical services and medical transportation services to the citizens of San Diego. Operations began July 1, 1997, and the City currently has an agreement with Rural/Metro of San Diego, Inc. to provide emergency medical services and medical transportation services within the City through June 30, 2013.

The maximum funds which the City is required to contribute to the costs of SDMSE operations are limited to an aggregate of \$8,450 during the term of the third amended agreement. This aggregate includes a \$650 annual subsidy and any other amounts to be paid to the City since 1997 under the original contract, and any losses the City is required to cover under the extended contract, excluding any amount the City contributes for Medicare fee reimbursements. Cumulatively, the City has paid annual subsidies totaling \$5,700 as of June 30, 2010. Effective in fiscal year 2006, the City was no longer required to pay the \$650 annual subsidy and the Medicare fee reimbursements shall not exceed \$250 per fiscal year. In accordance with the operating agreement, profit and loss for each fiscal year is allocated equally to the members, subject to an aggregate limitation on loss to the City of \$8,450 (equal to the amount of subsidies discussed above). For the fiscal year ended June 30, 2010, SDMSE reported a net income of \$4,529, a member distribution of \$4,800, and ending net assets of \$3,377.

Under the terms of an agreement between Rural/Metro of San Diego, Inc. and SDMSE, Rural/Metro of San Diego, Inc. has made available a line-of-credit in the initial amount of \$3,500 bearing an interest rate of 9.5%. SDMSE did not have an outstanding balance, nor did it borrow on the line-of-credit at June 30, 2010.

As described in detail in Note 22, in fiscal year 2011 the City sold to an affiliate of Rural Metro, Rural Metro of Southern California, the City's interest in SDMSE; therefore, the City no longer has any partnership interest in SDMSE.

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

### San Diego Workforce Partnership

The City of San Diego and the County of San Diego jointly govern the San Diego Workforce Partnership (Consortium). The Consortium's Board of Directors consists of two members of the City Council, two members from the County Board of Supervisors, and one member of a charitable organization. The purpose of the Consortium is to provide regional employment and training services in order to develop and create job opportunities throughout San Diego County. The Consortium is empowered to make applications for and receive grants from governmental or private sources. The City does not appoint a majority of the Board, is not able to impose its will on the Consortium, and the Consortium is not fiscally dependent on the City. Therefore, it is the City's conclusion that the Consortium is a



Governmental Organization with a jointly appointed board and not a component unit of the City. However, in the event the Consortium incurs a liability it cannot financially handle, the City and the County have agreed to share in the payment of those obligations.

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

San Diego Geographic Information Source (SanGIS)

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

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

## 10. LEASE COMMITMENTS (In Thousands)

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

### Operating Leases

The City's operating leases consist primarily of rental property occupied by City departments. The following is a schedule of future minimum rental payments required under operating leases entered into by the City for property that has initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2010:

Year Ended June 30	Amount
2011	\$ 11,558
2012	11,856
2013	11,721
2014	7,397
2015	782
2016-2020	2,842
2021-2025	145
Total	<u>\$ 46,301</u>

Rent expense as related to operating leases was \$12,350 for the year ended June 30, 2010.

### Capital Leases

The City has entered into various capital leases for equipment and structures. These capital leases have maturity dates ranging from July 1 2010 through October 1, 2023 and interest rates ranging from 1.89% to 4.88%. A schedule of future minimum lease payments under capital leases as of June 30, 2010 is provided in Note 5. The value of all capital leased assets as of June 30, 2010 for governmental assets is \$106,032 net of accumulated depreciation of \$105,659. These amounts are categorized by major asset class in the table below.

	<b>Values of Capital Leased Assets by Major Asset Class</b>		
	Gross Value	Depreciation	Net Book Value
<u>Governmental</u>			
Equipment	\$ 163,464	\$ (60,455)	\$ 103,009
Structures & Improvement	48,227	(45,204)	3,023
Total Governmental	<u>\$ 211,691</u>	<u>\$ (105,659)</u>	<u>\$ 106,032</u>

Lease Revenues

The City has operating leases for certain land, buildings, and facilities with tenants and concessionaires. Leased capital asset carrying values of approximately \$76,922, as well as depreciation, are reported in Note 4 and are consolidated with non-leased assets. Minimum annual lease revenues are reported in the following schedule:

Year Ended June 30	Amount
2011	\$ 34,479
2012	33,744
2013	32,744
2014	32,046
2015	31,564
2016-2020	143,475
2021-2025	128,589
2026-2030	120,525
2031-2035	110,647
2036-2040	102,672
2041-2045	93,247
2046-2050	57,084
2051-2055	9,717
2056-2060	3,520
2061-2065	550
Total	<u>\$ 934,603</u>

This amount does not include contingent rentals, which may be received under certain leases of property on the basis of percentage returns. Rental income as related to operating leases was \$76,895 for the year ended June 30, 2010, which includes contingent rentals of \$42,632.

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

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

## 12. PENSION PLANS (In Thousands)

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

### DEFINED BENEFIT PLAN

#### a. Plan Description

San Diego City Employees' Retirement System ("SDCERS"), as authorized by Article IX of the City Charter, is a public employee retirement system established in fiscal year 1927 by the City. SDCERS administers independent, qualified, single employer governmental defined benefit plans and trusts for the City, the San Diego Unified Port District (the "Port"), and the San Diego County Regional Airport Authority (the "Airport"). The assets of the three separate plans and trusts are pooled in the SDCERS Group Trust. These plans are administered by the SDCERS Board (the "Board") to provide retirement, disability, death and survivor benefits for its members. Amendments to the City's benefit provisions require City Council approval and amendments to retirement benefits require a majority vote by those SDCERS members who are also City employees or retirees. As of January 1, 2007, benefit increases also require a majority vote of the public. All approved benefit changes are codified in the City's Municipal Code.

The plans cover all eligible employees of the City, the Port, and the Airport. All City employees working half-time or greater and full-time employees of the Port and the Airport are eligible for membership and are required to join SDCERS. The Port and Airport are not component units of the City per GASB Statement No. 14; however, the financial statements of SDCERS Pension Trust do include the Port and the Airport activity and are reported in the trust and agency section of the CAFR.

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

#### City of San Diego Plan Membership as of June 30, 2010 (actual member count)

	General	Safety	Total by Classification
Active Members	5,694	2,426	8,120
Terminated Members	2,341	533	2,874
Retirees, Disabled and Beneficiaries	4,555	3,026	7,581
Total Members, as of June 30, 2010	12,590	5,985	18,575

Source: Cheiron Actuarial Valuation as of June 30, 2010

As a defined benefit plan, retirement benefits are determined under the Plan primarily by a member's class, hire date, age at retirement, number of years of creditable service, and the member's final compensation. The Plan provides annual cost of living adjustments not to exceed 2% to retirees, which is factored into the actuarial

assumptions. Increases in retirement benefits due to cost of living adjustments do not require voter approval.

Final compensation is based upon either the highest salary earned over a consecutive twelve month period or the highest average salary earned over three one-year periods, depending on the member's hire date. To qualify for a service retirement benefit, the Plan requires ten years of service at age 62 for general members (55 for safety members) or 20 years of service at age 55 for general members (50 for safety members), which could include certain service purchased or service earned at a reciprocating government entity. Retirement benefits are awarded at various rates ranging from 1.0% to 3.5% of final compensation depending on the member's plan and hiring date; however, the rates for all general and safety members hired after January 1, 2012 have been reduced within this range as a result of negotiations with labor unions. The actual percentage of final compensation per year served component of the calculation rises as the employee's retirement age increases and depends on the retirement option selected by the employee. The maximum percentage of final compensation per year served is 2.8% for general members, 3% for safety members and 3.5% for elected officers. Depending on the number of years of service, participants of the Elected Officer's Retirement Plan can retire earlier than the age of 55; however, their retirement allowance is reduced by 2.0% for each year under the age of 55.

#### Deferred Retirement Option Plan (DROP)

The Deferred Retirement Option Plan (DROP) is a program designed to allow members an alternate method of accruing additional retirement benefits from the Plan while they continue to work for the City. Only members hired before July 1, 2005 are eligible to participate in DROP. A member must be eligible for a service retirement to enter DROP. In addition, the member must agree to participate in the program for a specific period, up to a maximum of five years. A DROP participant must agree to end employment with the City on or before the end of the selected DROP participation period. The member's decision to enter DROP is irrevocable.

Upon entering DROP, the participant stops making pension contributions to SDCERS and stops earning service credit. Instead, amounts equivalent to the participant's retirement benefit plus additional DROP contributions are credited to an interest bearing individual account held in the participant's name. Effective January 1, 2011, the annual interest credited to DROP participant accounts is 2.3% while the participant is employed by the City. When the participant leaves DROP and retires from City service, the participant's DROP account balance may be paid in a lump sum, rolled over to another plan, or converted to monthly payments over either 240 months or the participant's life expectancy. The DROP annuity factor used to calculate the monthly payments is 4.8% effective January 1, 2011. Outstanding liabilities for DROP are shown on the Statement of Fiduciary Net Assets in the basic financial statements. During the period of participation, the participant continues to receive most of the employer offered benefits available to regular employees with exception to earning service credit, as previously discussed.

#### Purchase of Service Credits

Plan members hired prior to July 1, 2005 are permitted to purchase service credits to be used in determining retirement allowances. The cost of purchased service credits is determined by the Board and must be equal to both the employer and employee cost of the service.

Prior to August 15, 2003, the cost of purchased service credits to employees was priced below actual cost. On August 15, 2003, the Board became aware of and corrected the under-pricing; however, the Board continued to allow employees to purchase service credits at the below-cost rate until November 1, 2003, in violation of the Municipal Code. In November 2007, the City challenged this action in court and in November 2008, the trial court ruled, and in June 2010 an appellate court later affirmed, that the employees had underpaid for the purchased

service credits and that the Board was prohibited from requiring the City make up the underfunded amount by including it in the UAAL. The Board has determined not to further appeal this ruling and the costs associated with the under-priced purchased service credits will not be borne by the City. SDCERS is currently implementing corrections for the under-priced purchased service credits, which include refunding purchased amounts, requiring additional payments from employees, or reducing credits purchased to the amount of the actual payments received. According to the June 30, 2010 actuarial valuation, the City's UAAL has been reduced by approximately \$50,000 as a result of the purchased service credit cost recovery process. This amount may be adjusted in future years to reflect the actual cost of the purchased service credit cost recovery process.

#### Preservation of Benefit Plan

The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under Internal Revenue Code (IRC) section 415(m), which was created by Congress to allow the payment of promised pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). As provided in SDMC section 24.1606 and required by federal tax law, the POB Plan is unfunded within the meaning of the federal tax laws. The City may not pre-fund the POB Plan to cover future liabilities beyond the current year as it can with an IRC section 401(a) pension plan. SDCERS has established procedures to pay for these benefits on a pay-as-you-go basis which is funded by the City.

In Fiscal Year 2010, approximately \$1,400 in benefits above 415(b) limits were paid by the City for the POB Plan. The number of participants in any given year for the POB Plan is determined by the number of Plan participants who exceed the current year's §415(b) limitations as calculated by SDCERS' actuary. The maximum annual participant payment from a defined benefit plan for the calendar year 2010 was \$195 and is adjusted downward depending on the age of the participant when benefits began. In fiscal year 2010, the City's POB ARC was approximately \$1,000; however, the City contributed approximately \$1,400 to the POB Plan, and therefore, the \$400 excess contribution, was offset against the City's prior year Net Pension Obligation (NPO). Additionally, the Actuarial Accrued Liability (AAL) related to the POB Plan is approximately \$9,144 as of July 1, 2010 which is required to be paid on a pay-as-you-go basis. Financial statements for the Preservation of Benefits Plan are included in the Trust & Agency section of this report.

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

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

*Method Used to Value Investments* - SDCERS' investments are stated at fair value. The SDCERS custodial agent provides market values of invested assets with the exception of the fair value of directly owned real estate assets which are provided by the responsible investment manager and independent third party appraisal firms. Investment income is recognized in accordance with GASB 25 and is stated net of investment management fees and related expenses.

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

##### **Offset Agreements**

The City has historically negotiated employee retirement contribution offsets with certain employee groups meaning the City has paid a portion of the employee's retirement contributions. For instance, in fiscal year 2009,

the City made offset payments of employee retirement contributions ranging from 5.89 percent for elected officials and 1.4 percent for employees represented by the Municipal Employees Association (MEA), which represents white-collar workers. All eligible employees received some level of contribution offset. In recent years, such offsets have been reduced and for fiscal year 2012 the City has only two such arrangements. The City currently pays retirement contribution offsets of 2.3% for members of Teamsters Local 911, which represents employees in the lifeguard service, and 0.4% for members of MEA.

#### **Funding Commitments Related to Legal Settlements—McGuigan Settlement**

The City employer contributions for fiscal years 1996 – 2005 were not based on the full actuarial rates. Instead, employer contributions were less than the full actuarial rates in accordance with agreements between the City and SDCERS, commonly referred to as Manager's Proposal 1 (MP-1) and Manager's Proposal 2 (MP-2). The underfunding of the pension system resulted in numerous lawsuits, most of which have been settled by the City.

In September 2006, the City entered into a settlement of McGuigan v. City of San Diego (the "McGuigan Settlement") related to the underfunding by the City of the pension system. Under the McGuigan Settlement, the City was obligated to pay into SDCERS approximately \$173,000 in excess of its required contributions no later than June 8, 2011. Prior to fiscal year 2010, the City made approximately \$144,000 in additional payments to SDCERS to meet, in part, the terms of the McGuigan Settlement and, on June 30, 2010, entered into an agreement with Bank of America to satisfy the remaining obligation. Under the terms of the agreement, the bank made payment to SDCERS on behalf of the City in an amount of approximately \$32,800. The City is required to repay the bank in four annual payments of approximately \$9.0 commencing July 1, 2011. In addition to the payment made to SDCERS by the bank on behalf of the City, the City contributed an additional \$5,600 of accrued interest to SDCERS. The McGuigan Settlement was fully funded by the arrangement with Bank of America described above, the securitization of future tobacco revenue, transfers of actual tobacco revenue receipts, additional employee "pick up" savings, and City contributions made in excess of the ARC.

#### **d. Funding Policy and Contribution Rates**

City Charter Article IX Section 143 requires employees and employers to contribute to the retirement Plan. The Charter section stipulates that funding obligations of the City shall be determined by the Board of SDCERS and are not subject to modification by the City. The section also stipulates that under no circumstances may the City and Board enter into any multi-year funding agreements that delay full funding of the retirement Plan. The Charter requires that employer contributions for normal retirement allowances be substantially equal to employee contributions. SDCERS' legal counsel has opined that this requirement applies to the current normal cost contribution only and not to changes in unfunded liabilities resulting from market or actuarial gains or losses. This matter is currently being litigated between SDCERS and the City.

Pursuant to the Charter, City employer contribution rates, adjusted for payment at the beginning of the year, are actuarially determined rates and are expressed as a fixed annual required contribution as well as percentages of annual covered payroll. The entire expense of SDCERS' administration is charged against the earnings and Plan assets of SDCERS.



The following table shows the City's contribution rates (weighted average of each employee group) for fiscal year 2010, based on the valuation ended June 30, 2008, expressed as percentages of active payroll:

	Employer Contribution Rates		
	General Members	Elected Members	Safety Members
Normal Cost*	8.46%	19.81%	14.85%
Amortization Payment*	13.97%	24.96%	21.58%
Normal Cost Adjusted for Amortization Payment*	22.43%	44.77%	36.43%
City Contribution Rates Adjusted for Payment at the Beginning of the Year	21.60%	33.33%	35.06%

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

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

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

Members are required to contribute a percentage of their annual salary to the Plan on a biweekly basis. Rates vary according to entry age. For fiscal year 2010, the City employee contribution rates as a percentage of annual covered payroll averaged 10.01% for general members and 12.46% for safety members. A portion of the employee's share, depending on the employee's member class, may be paid by the City as a retirement offset. In fiscal year 2010, the amount paid by the City ranges from 0.00% to 5.89% of covered payroll for general members and the rate for safety Plan members ranges from 0.00% to 5.30%. Employee contribution offsets paid by the City, amounting to approximately \$7,367 in fiscal year 2010, are made from the City's operating budget. The amount paid on behalf of the employees has been renegotiated through the meet and confer process which reduced the amount of the employee contribution paid by the City.

On September 2, 2008, Council approved O-19781 which amended Chapter 2, Article 4, Division 15 of the San Diego Municipal Code. The intent of the amendment was to eliminate the concept of "Surplus Earnings" (earnings in excess of those earned using the assumed actuarial rate of return) which was the historical term for the funds used to pay for supplemental and contingent benefits. In accordance with these revised SDMC sections, these benefits are distributed to various SDCERS system reserves, SDCERS budget, and contingent benefits. The order of distribution and a more detailed discussion of each distribution follows: First, Plan assets are used to credit interest, at a rate determined by the SDCERS Board, which is currently 7.75%, to the Employer and Employee Contribution Reserves and 2.3% to DROP member accounts. Second, Plan assets are used to fund the SDCERS Annual Budget. Third, Plan assets are distributed for supplemental or contingent payments or transfers to reserves. These items include in a priority order: 1) Annual Supplement Benefit Payment ("13th Check") paid to retirees which ranges from \$30 to \$75 (whole dollars) times the number of years of service credit. 2) Corbett Settlement Payment paid to retirees who terminated employment prior to July 1, 2000 (Corbett Settlement payments not paid in any one year accrue to the next year and remain an obligation of SDCERS until paid). 3) Crediting interest to the Reserve for Supplemental Cost of Living Adjustment ("COLA").

e. Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	UAAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/30/2010	\$ 4,382,047	\$ 6,527,224	\$ 2,145,177	67.13%	\$ 530,238	404.57%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The City's annual pension cost for fiscal year 2010 is based on the SDCERS June 30, 2008 Actual Valuation. The following table summarizes the principal actuarial methods and assumptions used to calculate the annual pension cost for the fiscal year 2010:

<u>Description</u>	<u>Method/Assumption</u>
Actuarial Method	Entry Age Normal (EAN) <sup>1</sup>
Amortization Method	Level percent closed
Equivalent single amortization period	19 years <sup>2</sup>
Asset smoothing method	Expected Value Method
Annual Rate of Return on Investments	7.75%, net of administrative expenses
Inflation Rate	4.00% per year, compounded annually
Cost of Living Adjustment	2.00% per year, compounded annually
Projected salary increases due to inflation	4.00% per year

The actuarial value of assets was determined using a methodology that smoothes the effects of short-term volatility in the market value of investments. The valuations performed prior to Fiscal Year 2008 assumed an 8% annual rate of return. Additionally, the valuations performed prior to Fiscal Year 2007 amortized the UAAL over a fixed 30-year closed period. For valuations effective June 30 2007, the Board adopted a 20-year closed

<sup>1</sup> The entry age normal actuarial cost method is designed to fund a member's total plan benefit over the course of his or her career and to produce stable employer contributions in amounts that increase at the same rate as the employer's payroll (i.e., level % of payroll). SDCERS adopted this actuarial cost method as of the June 30, 2007 Actuarial Valuation.

<sup>2</sup> 19 years for the outstanding balance of the 2007 unfunded actuarial liability, 15 years for experience gains and losses, 30 years for changes in methods and assumptions, 5 years for benefit changes.

amortization schedule with no negative amortization and a 15-year closed amortization schedule for gains and losses beginning in fiscal year 2008.

The following table shows the City's annual pension cost ("APC") and the percentage of APC contributed for the fiscal year ended June 30, 2010 and two preceding years (in thousands):

Fiscal Year Ended June 30	APC	Percentage Contributed	Net Pension Obligation
2008	\$ 145,077	114.82%	\$ 173,852
2009	167,529	97.66%	177,767
2010	156,346	124.01%	140,233

### Net Pension Obligation

Net Pension Obligation (NPO) is the cumulative difference, since the effective date of GASB Statement No. 27 (fiscal year 1998, with a 10-year look back), between the annual pension cost and the employer's contributions to the Plan. This includes the pension liability at transition (beginning pension liability) and excludes short term differences and unpaid contributions that have been converted to pension-related debt. As of June 30, 2010, the City's NPO is approximately \$140,233 and is reported in accordance with GASB 27. See table above.

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

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

ARC [Fiscal Year 2010]	\$ 155,200
Interest on NPO	13,777
ARC Adjustment	<u>(12,631)</u>
Annual Pension Cost	156,346
Contributions [Fiscal Year 2010]	<u>(193,880)</u>
Change in NPO	(37,534)
NPO Beginning of Year [July 1, 2009]	<u>177,767</u>
NPO End of Year [June 30, 2010]	<u><u>\$ 140,233</u></u>

### DEFINED CONTRIBUTION PLANS

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

Pursuant to the City's withdrawal from the Federal Social Security System effective January 8, 1982, the City established the Supplemental Pension Savings Plan ("SPSP"). Pursuant to the Federal Government's mandate of a Social Security Medicare tax for all employees not covered by Social Security hired on or after April 1, 1986, the City established the Supplemental Pension Savings Plan-Medicare ("SPSP-M"). The SPSP and SPSP-M Plans were merged into a single plan ("SPSP") on November 12, 2004 for administrative simplification, without a change in benefits. Pursuant to the requirements of the Omnibus Budget Reconciliation Act of 1990 ("OBRA-90") requiring employee coverage under a retirement system in lieu of coverage under the Federal Insurance

Contributions Act ("FICA") effective July 1, 1991, the City established the Supplemental Pension Savings Plan-Hourly ("SPSP-H"). These supplemental plans are defined contribution plans administered by Wells Fargo to provide pension benefits for eligible employees. There are no plan members who belong to an entity other than the City. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings, less investment losses. The City's general retirement members and lifeguard members of the City's safety retirement members participate in the plan. Eligible employees may participate from the date of employment; however, as of July 1, 2009, the plan is closed to new entrants.

The following table details plan participation as of June 30, 2010:

<u>Plan</u>	<u>Participants</u>
SPSP	7,880
SPSP - H	4,144

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

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

In fiscal year 2010, the City and the covered employees contributed approximately \$17,283 and \$20,514, respectively. As of June 30, 2010, the fair value of plan assets totaled approximately \$520,618. SPSP is considered part of the City of San Diego's financial reporting entity and is reported as a pension and employee savings trust fund.

b. 401(a) Plan - City

The City established a 401(a) Plan for all General Member employees hired on or after July 1, 2009. The 401(a) Plan is a defined contribution plan administered by Wells Fargo to provide pension benefits for eligible employees. Employees are eligible to participate from date of employment. Employees contribute 1% on a mandatory basis which is matched by City contributions. Additionally, employees can make voluntary contributions to their 401(a) Plan accounts through payroll deductions not to exceed IRS limits. Voluntary contributions to the plan are not matched by the City.

The City and employees contributed approximately \$43 and \$106, respectively, during the fiscal year ended June 30, 2010. As of June 30, 2010, the fair value of plan assets totaled approximately \$145. The 401(a) Plan is considered part of the City's financial reporting entity and is reported as a pension and employee savings trust fund.

c. 401(k) Plan - City

The City established a 401(k) Plan effective July 1, 1985. The 401(k) Plan is a defined contribution plan administered by Wells Fargo to provide pension benefits for eligible employees. Employees are eligible to participate from date of employment. Employees make contributions to their 401(k) Plan accounts through payroll

deductions.

The employees' 401(k) contributions are based on IRS calendar year limits. Employees contributed approximately \$14,156 during the fiscal year ended June 30, 2010. There is no City contribution towards the 401(k) Plan.

As of June 30, 2010, the fair value of plan assets totaled approximately \$238,513. The 401(k) Plan is considered part of the City's financial reporting entity and is reported as a pension and employee savings trust fund.

a) Pension Plan - Centre City Development Corporation (CCDC)

CCDC has a Money Purchase Pension Plan covering all full-time permanent employees (the "CCDC Plan"). The CCDC Plan is a defined contribution plan under which benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During each year, CCDC contributes semi-monthly an amount equal to 8% of the total quarterly compensation for all employees. CCDC's contributions for each employee are fully vested after six years of continuous service. CCDC's total payroll (excluding benefits) in fiscal year 2010 was approximately \$3,481. CCDC contributions were calculated using the base salary amount of approximately \$3,434. CCDC made the required 8% contribution amounting to approximately \$207 (net of forfeitures) for fiscal year 2010.

In addition, CCDC has a Tax Deferred Annuity Plan covering all full-time permanent employees. The CCDC Plan is a defined contribution plan under which benefits depend solely on amounts contributed to the plan by the employer and the employees, plus investment earnings. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During each plan year, CCDC contributes semi-monthly an amount equal to 16% of the total semi-monthly compensation for eligible employees. CCDC's contributions for each employee are fully vested at time of contribution. The Tax Deferred Annuity Plan includes amounts deposited by employees prior to CCDC becoming a contributor to the CCDC Plan. CCDC made the required 16% contribution amounting to approximately \$549 for fiscal year 2010.

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

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

SDCCC's Money Purchase Pension Plan (the "SDCCC Plan") became effective January 1, 1986. The SDCCC Plan is a qualified defined contribution plan and as such, benefits depend on amounts contributed to the SDCCC Plan plus investment earnings less allowable plan expenses. The SDCCC Plan covers employees not otherwise entitled to a retirement/pension plan provided through a collective bargaining unit agreement. Employees are eligible at the earlier of the date on which they complete six months of continuous full-time service, or the twelve-month period beginning on the hire date (or any subsequent Plan year) during which they complete 1,000 hours of service. Effective January 1, 2009, employees are eligible to participate in the Plan on the first day of the month after completion of 1,000 hours of service during the twelve-month period beginning on hire date (or during any subsequent Plan years).

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

For the year ended June 30, 2010, pension expenses for the SDCCC Plan amounted to \$1,422. SDCCC records pension expenses during the fiscal year based upon estimated covered compensation.

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

SDDPC administers a Money Purchase Pension Plan (the "SDDPC Plan") covering substantially all employees. The SDDPC Plan is a defined contribution plan, wherein benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. During each plan year, SDDPC contributes monthly an amount equal to 20% of the total monthly compensation for all employees. SDDPC contributions for each employee are fully vested after four years of continuing service. The City does not act in a trustee or agency capacity for the SDDPC Plan; therefore, these assets are not reported within the City's basic financial statements. In fiscal year 2010, SDDPC made the required 20% contribution, amounting to approximately \$3,972.

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

g. Pension Plan - San Diego Housing Commission (SDHC)

SDHC provides pension benefits for all its full-time employees through a defined contribution plan (the "SDHC Plan"). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the first day of their employment. SDHC's contributions for each employee (and interest allocated to the employee's account) are fully vested after four years of continuous service. SDHC's contributions for, and interest forfeited by, employees who leave employment before four years of service are used to reduce the SDHC's current-period contribution requirement. SDHC's covered payroll in fiscal year 2010 was approximately \$13,616. SDHC made the required 14% contribution, amounting to approximately \$1,906 and plan members contributed \$73 for fiscal year 2010. The City does not act in a trustee or agency capacity for the SDHC Plan; therefore, these assets are not reported within the City's basic financial statements.

h. Pension Plan - Southeastern Economic Development Corporation (SEDC)

SEDC has a 403(b) Tax Sheltered Annuity Plan (Defined Contribution Plan) covering all employees (the "SEDC Plan"). The plan is currently administered by VLP Corporate Services, LLP with Merrill Lynch as the investment advisor. Employees are eligible on their date of employment, and SEDC contributes an amount equal to 12% of all employees' salaries. SEDC's total payroll in fiscal year 2010 was approximately \$767 and SEDC made the required 403(b) contribution totaling \$108 for fiscal year 2010. SEDC Plan members contributed an additional \$54. The City does not act in a trustee or agency capacity for the SEDC Plan; therefore, these assets are not reported within the City's basic financial statements.

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

#### a. Plan Description

The City provides postemployment healthcare benefits to qualifying general, safety and elected members, as provided for in San Diego Municipal Code (SDMC) Sections 24.1201 through 24.1204. The Other Postemployment Benefit Plan (the "OPEB Plan") is a single-employer plan, managed by SDCERS, and includes approximately 5,400<sup>1</sup> retirees, 7,400<sup>1</sup> active employees and 800<sup>1</sup> terminated vested members as of June 30, 2010. Postemployment healthcare benefits are primarily for health eligible retirees, not inclusive of dependents, who were actively employed on or after October 5, 1980 and were otherwise entitled to retirement allowances. Additionally, employees must have 10 years of service with the City to receive 50% of the retiree health benefit and receive an additional 5% per year of service in excess of 10 years, resulting in a maximum benefit of 100% at 20 years of service. Health eligible retirees can obtain health insurance coverage with the plan of their choice, including any City sponsored, union sponsored, or privately secured health plan. Health eligible retirees who are also eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, ranging from approximately \$8,400<sup>1</sup> to \$8,800<sup>1</sup> per year depending on retirement date, in addition to reimbursement/payment for Medicare Part B premiums, which is limited to approximately \$1,200<sup>1</sup> per year. Health eligible retirees who are not eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, ranging from approximately \$8,900<sup>1</sup> to \$9,400<sup>1</sup> per year depending on retirement date. Reimbursements for health eligible retirees are adjusted annually based upon the projected increase for National Health Expenditures by the Centers for Medicare and Medicaid Services (Annual Inflator). Annual adjustments may not exceed 10% for any plan year. Non-health eligible employees who retired or terminated prior to October 6, 1980 and who are otherwise eligible for retirement allowances are also eligible for reimbursement/payment of healthcare benefits limited to a total of \$1,200<sup>1</sup> per year. Reimbursements for non-health eligible retirees are not subject to annual adjustments.

The City's postemployment healthcare benefit plan is closed to employees hired on or after July 1, 2005; however, this is being challenged in court by certain employee groups who contend that due to delays in codification of benefit changes into the Municipal Code, the effective cutoff date would instead be February 16, 2007, which is when the Ordinance O-19567 was officially codified in the Municipal Code. The court ruled in favor of the City but the matter is currently on appeal.

In addition, the Annual Inflator associated with the benefit was frozen for active employees, effective July 1, 2009 and continues until June 30, 2011, pending further negotiation. Employees retiring during that period are not entitled to the Annual Inflator. However, employees retiring after June 30, 2011 are entitled to the inflator with exception to POA and Local 127 members.

In fiscal year 2010, the City established a trust vehicle for a defined contribution plan to fund retiree medical benefits for General member employees hired after July 1, 2009 who are excluded from the OPEB Plan. This defined contribution plan requires a mandatory employee contribution of 0.25% of gross salary with a corresponding 0.25% match by the City. Legislative and Safety members are ineligible for this plan.

#### b. Summary of Significant Accounting Policies

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

*Method Used to Value Investments* - CalPERS, which administers the retirement benefits trust described below, states investments at fair value. Certain construction projects and alternative investments are reported at cost, which

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

approximates market value. Mortgages are valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments, principally rental property subject to long-term net leases, is estimated based on independent appraisals.

c. Contributions and Reserves

In accordance with SDMC Section 24.1204, postemployment healthcare benefits are to be paid by the City, directly, from any source available to it other than the Pension Plan. Members of the OPEB Plan do not have contribution requirements related to their own coverage; however, are required to pay for the benefits of their beneficiaries (amounts vary based on coverage elections). In fiscal year 2010, the City contributed \$31,689 to the Post-Employment Healthcare Benefit Plan.

In addition to current retirees and beneficiaries, the OPEB Plan includes active and terminated vested members, and therefore, the City also pre-funds future expenses related to postemployment healthcare benefits through an investment trust administered by CalPERS. The CalPERS Employers Retirement Benefits Trust (CERBT) requires the City to pre-fund in an amount not less than \$5 annually. An ARC for the OPEB Plan is calculated by the City's actuary on an annual basis.

The City plans to continue funding current year postemployment healthcare benefits from the pay-as-you-go trust fund (Post Employment Healthcare Benefit Plan) until it is able to pay the ARC in full. Additionally, the City plans to contribute approximately \$10,000 to \$15,000 per year to the CERBT, not to exceed \$25,000, for Fiscal Years 2012 through 2015 to pre-fund future Other Postemployment Benefits. All contributions to the CERBT become trust assets.

The City contributed approximately \$25,000 to the CERBT in fiscal year 2010. As of June 30, 2010, the balance in the CERBT was approximately \$72,720. This balance is inclusive of all contributions to the plan as well as Fiscal Year 2010 annual investment gains and administrative expenses amounting to approximately \$6,274 and \$50, respectively.

d. Funded Status and Funding Progress

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

Schedule of Funded Status						
Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/10	\$ 72,720	\$ 1,200,910	\$ 1,128,190	6.06%	\$ 472,561	238.74%

The schedules presented as required supplementary information following the notes to the financial statements present information regarding the funding status and employer contributions for the current and preceding fiscal years. The Schedule of Funding Progress is intended to present information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The Schedule of Employer Contributions is intended to present trend information about the amounts contributed to the OPEB Plan by employers in comparison to the ARC determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation. Additionally, actuarial calculations reflect a long-term perspective and include methods and assumptions that are designed to reduce short-term volatility of



actuarial accrued liabilities and the actuarial value of assets. The following table summarizes the more significant actuarial methods and assumptions used to calculate the ARC for the fiscal year 2010 (actuarial valuation for the fiscal year ended June 30, 2008) as well as for the most current actuarial valuation (ended June 30, 2010):

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

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

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

Source: Buck Consultants

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

The following table presents the annual OPEB cost, the percentage of annual OPEB cost contributed during the fiscal year, and the net OPEB obligation at the end of fiscal year 2010 as well as for the two preceding fiscal years:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
06/30/08	\$ 91,346	58.63%	\$ 37,793
06/30/09	105,583	46.88%	93,878
06/30/10	115,442	49.11%	152,631

As the administrator of the OPEB Plan, the City implemented GASB Statements 43 and 45 in fiscal year 2008 and elected to report a zero net OPEB obligation at the beginning of the transition year. The following table shows the calculation of the City's net OPEB obligation of the OPEB Plan for the fiscal year ended June 30, 2010 (based on the valuation ended June 30, 2008):

ARC [Fiscal Year 2010]	\$ 113,426
Interest on NOPEBO	6,280
ARC Adjustment	(4,264)
Annual OPEB Cost	115,442
Contributions [Fiscal Year 2010]	(56,689)
Change in NOPEBO	58,753
NOPEBO Beginning of Year [July 1, 2009]	93,878
NOPEBO End of Year [June 30, 2010]	\$ 152,631

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

Interfund Working Capital Advance (WCA) balances are the result of loans between funds that are expected to be repaid in excess of one year. The majority of the advances, approximately \$6,837, are advances from the Housing and Urban Development (HUD) Section 108 grant funds to RDA. Interfund WCA balances at June 30, 2010 are as follows:

Contributing Fund (Receivable)	Benefitting Fund (Payable)	
	NonMajor Governmental	
NonMajor Governmental	\$	7,437

Interfund receivable and payable balances are the result of loans between funds that are expected to be repaid during the next fiscal year, as well as amounts due for services provided. \$1,000 represents a loan from the General Fund to Publishing Services to cover their cash deficit, and \$5,385 represents a loan from Development Services to cover a deficit in the Subdivision Fund. Interfund receivable/payable balances at June 30, 2010 are as follows:

Contributing Fund (Receivable)	Benefitting Fund (Payable)						
	General Fund	NonMajor Governmental	Internal Service	Sewer Utility	Water Utility	Nonmajor Enterprise	Total
General Fund	\$ -	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ 1,000
Nonmajor Governmental	-	865	-	-	-	-	865
Nonmajor Enterprise	-	5,385	-	-	-	-	5,385
Internal Service	220	-	-	24	99	29	372
Total	\$ 220	\$ 6,250	\$ 1,000	\$ 24	\$ 99	\$ 29	\$ 7,622

The Sewer Utility Fund has an interfund loan receivable of \$3,487, and the Black Mountain Ranch FBA Fund, a capital projects fund, has a corresponding interfund payable for advanced FBA project funding. In order to expedite construction, the Sewer Utility Fund agreed to finance the Carmel Valley Trunk Sewer project. A portion of this project was deemed the responsibility of the Carmel Valley area developers and is intended to be reimbursed during fiscal year 2012 from FBA Fund assessment revenue.

PFFA issued pooled financing bonds, Series 2007 A and B for the purpose of making loans to RDA to be used for financing and refinancing redevelopment activities in the Southcrest, Central Imperial, and Mount Hope Redevelopment Project Areas. The PFFA debt service fund has an interfund loan receivable of \$32,780 and RDA has an aggregate interfund loan payable of \$32,780. Since these loans are between governmental funds, the interfund receivable and payable are eliminated through the government-wide conversion.

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

Interfund transfer balances for the year ended June 30, 2010 are as follows:

Contributing Fund	Benefiting Fund						Total
	General Fund	Nonmajor Governmental	Sewer Utility	Water Utility	Nonmajor Enterprise	Internal Service	
General Fund	\$ -	\$ 28,426	\$ -	\$ 200	\$ -	\$ 9,957	\$ 38,583
Nonmajor Governmental	140,595	336,757	-	137	2,212	938	480,639
Sewer Utility	-	883	-	-	-	119	1,002
Water Utility	-	612	-	-	-	2	614
Nonmajor Enterprise	-	433	-	-	30	65	528
Internal Service	5,723	55	316	245	222	36	6,597
Total	\$ 146,318	\$ 367,166	\$ 316	\$ 582	\$ 2,464	\$ 11,117	\$ 527,963

## 15. RISK MANAGEMENT (In Thousands)

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

The City maintains an excess liability insurance policy in collaboration with a statewide joint powers authority risk pool, the California State Association of Counties-Excess Insurance Authority (CSAC-EIA) for amounts up to \$50,000. The City's self-insurance retention amount is \$4,000.

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

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

Public liability, workers' compensation, and long-term disability estimated liabilities as of June 30, 2010 are determined based on results of independent actuarial evaluations and include amounts for claims incurred but not reported and adjustment expenses. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Estimated liabilities for public liability claims have been recorded in the Self Insurance Fund, Sewer Utility Fund, and Water Utility Fund.

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

	Public Liability	Workers' Comp & Long- Term Disability	Total
Balance, July 1, 2008	\$ 112,103	\$ 170,584	\$ 282,687
Claims and Changes in Estimates	57,358	13,711	71,069
Claim Payments	<u>(25,588)</u>	<u>(21,336)</u>	<u>(46,924)</u>
Balance, June 30, 2009	143,873	162,959	306,832
Claims and Changes in Estimates	50,720	29,605	80,325
Claim Payments	<u>(20,498)</u>	<u>(24,030)</u>	<u>(44,528)</u>
Balance, June 30, 2010	<u>\$ 174,095</u>	<u>\$ 168,534</u>	<u>\$ 342,629</u>

The City, in collaboration with CSAC-EIA, maintains an "All Risk" policy which includes flood coverage for scheduled locations for amounts up to \$25,000 per occurrence under the primary policy, with a \$25 deductible. Limits include coverage for business interruption losses for designated lease-financed locations. There is no sharing of limits among the City and member counties of the CSAC-EIA pool, unless the City and member are mutually subject to the same loss. Limits and coverage may be adjusted periodically in response to the requirements of bond financed projects, acquisitions, and in response to changes in the insurance marketplace.

Earthquake coverage is provided for designated buildings/structures and, as required, certain designated City lease-financed locations in the amount of \$60,000, including coverage for business interruption caused by earthquake at certain designated locations. Earthquake coverage is subject to a deductible of 5% of total insured values per unit per occurrence, subject to a \$100 minimum. The City's earthquake coverage is purchased jointly and shared with the member counties in the CSAC-EIA pool. Due to the potential for geographically concentrated earthquake losses, the CSAC-EIA pool is geographically diverse to minimize any potential sharing of coverage in the case of an individual earthquake occurrence. Depending upon the availability and affordability of such earthquake insurance, the City may elect not to purchase such coverage in the future, or the City may elect to increase the deductible or reduce the coverage from present levels.

The City is a public agency subject to liability for the dishonest and negligent acts or omissions of its officers and employees acting within the scope of their duty ("employee dishonesty" and "faithful performance"). The City participates in the joint purchase of insurance covering employee dishonesty and faithful performance through the CSAC-EIA pool. Coverage is provided in the amount of \$10,000 per occurrence, subject to a \$25 deductible.

During fiscal year 2010, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

See Contingencies, Note 18, or Subsequent Events, Note 22, for additional information.

**16. FUND BALANCE / NET ASSETS (DEFICIT) (In Thousands)**

Development Services (Enterprise) has a net deficit of approximately (\$7,940), of which a significant portion is carried forward from fiscal year 2009. There was a substantial drop in workload activity resulting from the economic downturn and the slowdown in the construction industry. A fee increase was approved by City Council and became effective mid-way through fiscal year 2010. In addition, 43 full time equivalent (FTE) positions were reduced from the department's budget. This fee increase and reduction in expenses helped the department balance revenues and expenses for the fiscal year. With the leveling of development activity towards the end of the fiscal year, this fee increase has allowed the department to begin reducing the net deficit during fiscal year 2011

Publishing Services (Internal Service) has a net deficit of (\$869) due to a steady decline in offset printing revenue as City Departments make increasing use of digital copier/printers, and rely on the City intranet to disseminate information internally and on the web to communicate with San Diego residents. Publishing Services recently completed a series of expense reduction measures as a result of a managed competition process. Measures completed in fiscal year 2012 include eliminating 14.5 FTE positions out of 25.0 FTE and reducing the amount of floor space used by Print Shop staff with a proportional reduction in rent and utility expenses.

The Self Insurance Fund (Internal Service) has a net deficit of approximately (\$141,559), which represents unfunded estimated claims and claim settlements related to Public Liability, Workers' Compensation, and Long-Term Disability. It is anticipated that individual claim settlements will be funded through future user charges subsequent to the filing of a claim and prior to its settlement. The City suspended funding reserves for Public Liability and Workers' Compensation in fiscal years 2011 and 2012. In fiscal year 2008, the City Council approved the revised formal City Reserve Policy which contains a "Risk Management Reserve Policy" for the self insurance funds. Both the Public Liability and Workers' Compensation funds shall maintain dedicated reserves equal to 50% of the outstanding claims. According to the Reserve Policy, this is to be achieved no later than fiscal year 2014. However, due to the continued decline in the economy and a reduction in General Fund revenues, the City may reassess this reserve policy during fiscal year 2012. The Long-Term Disability fund reserve was set to be \$12,000 by fiscal year 2013 as recommended in the actuarial valuation report.

The Miscellaneous Internal Service Fund has a net deficit of (\$1,560) and is primarily due to unemployment expenses in excess of revenues and an increase in the annual OPEB liability. In fiscal year 2012, the rates for the unemployment insurance reserve were adjusted upward to help mitigate this deficit. Additionally, the Risk Management Department is in the process of identifying a solution to correct future potential deficits resulting from pension and OPEB liabilities.

## 17. COMMITMENTS (In Thousands)

As of June 30, 2010, the City's business-type activities contractual commitments are as follows:

Airports	\$ 1,060
Environmental Services	3,037
Sewer Utility	77,384
Water Utility	56,996
Other	<u>768</u>
Total Contractual Commitments	<u>\$ 139,245</u>

The Sewer and Water Utility Funds intend to meet their contractual commitments with existing net assets, present and future revenues and financing proceeds secured by system revenues.

Consent Decree

In October 2007, the City settled litigation filed by the U.S. Environmental Protection Agency (EPA) and two environmental groups by agreeing to additional requirements to reduce sewer spills, which are set forth in a court approved Consent Decree (the "Consent Decree"). The Consent Decree requires, among other things, increased maintenance and infrastructure improvements, including the replacement or rehabilitation of 250 miles of pipeline and trunk sewer, pump station and force main upgrades, and entails court supervision of these upgrades at least through June 2013. The estimated average annual cost of this commitment is \$76,600 per year in capital projects and \$42,000 per year in operational maintenance to the sewer system (based on actual expenditures for fiscal year 2010 and projected expenditures for fiscal years 2011-2013); however, the costs for bidding, constructing and completing the required work will fluctuate depending on variables such as changes in the cost of materials and labor. No civil penalty payment was required, though stipulated penalties ranging from \$375 (in whole dollars) to \$20,000 (in whole dollars) per occurrence are included for subsequent violations of the Consent Decree. The City is currently in compliance with all requirements of the Consent Decree.

Agreement Relative to Modified Permit for the Point Loma Wastewater Treatment

In December 2008, the EPA released its tentative decision to approve the City's request to renew a modified permit for the Point Loma Wastewater Treatment Plant. Point Loma initially received a modified permit (also known as a waiver) in 1995, which was renewed in 2002. The City entered into an agreement with the environmental organizations to support the waiver and the City promised to conduct a study to identify opportunities to maximize recycling wastewater for non-potable and potable uses for an amount not to exceed \$2,000,000 (in whole dollars). This request is the City's second renewal. In June 2009, the State of California's Regional Water Quality Control Board concurred with the EPA and concluded the public hearing process by unanimously approving the modified permit. On October 7, 2009 the California Coastal Commission voted 8 to 4 to approve the modified permit and required the City to come back in 2 years with the Recycled Water Study. The modified permit was issued effective August 1, 2010 and will expire in 5 years. There is no assurance that additional waivers will be approved.

### California Department of Public Health Compliance Order

In January 1997, the State of California Department of Public Health (DPH) issued a compliance order. This Compliance Order was last amended in May of 2007 (Amendment 11), and included additional items that were not in the original Compliance Order. The DPH Compliance Order will remain in effect until the required projects are completed.

Presently, the City is meeting all of the requirements of the DPH Compliance Order, including the progress of mandated projects and the ongoing obligation to provide DPH with quarterly progress reports. The DPH has authority to impose civil penalties if the City fails to meet Compliance Order deadlines, although DPH has not imposed such penalties to date. Violation of the DPH Compliance Order may be subject to judicial action, including civil penalties specified in the California Health and Safety Code, Section 116725. Section 116725 penalties for violating a schedule of compliance for a primary drinking water standard can go as high as \$25,000 (in whole dollars) per day for each violation. For violations of other standards, such as turbidity, the penalties can reach \$5,000 (in whole dollars) per day. There are a number of additional enforcement tools prescribed by law, including mandatory water conservation, litigation and service connection moratoriums.

The costs for bidding, constructing and completing the required work will fluctuate depending on variables such as changes in the cost of materials and labor. For fiscal years 2011 to 2016, the City's DPH Compliance Order project costs are estimated to be a combined total of \$268,130. These commitments are intended to be met with existing net assets, present and future revenues and financing proceeds secured by system revenues.



## 18. CONTINGENCIES (In Thousands)

### FEDERAL AND STATE GRANTS

The City recognizes as revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Although the City's Federal grant programs are audited in accordance with the requirements of the Federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget Circular A-133, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Single Audit for fiscal year 2009 was completed by Macias Gini & O'Connell LLP. The Single Audit for fiscal year 2010 is in process.

The Office of the Inspector General (OIG) audited the City's Community Development Block Grant (CDBG) program, specifically CDBG loans to RDA, and on December 30, 2008, OIG issued its audit report to HUD, Office of Community Planning and Development (OPD). In addition to other findings, OIG determined that the City failed to execute loan agreements and repayment schedules for the CDBG loans issued to RDA that include a principal balance of \$63,000 and an accumulated interest of approximately \$76,000 totaling \$139,202 in loans outstanding. The OIG audit report recommended that HUD require the City to execute written interagency agreements and loan agreements with RDA for these outstanding loan amounts.

After reaching agreement with HUD on appropriate corrective actions with respect to the audit report, on June 30, 2010, the City and RDA executed a repayment agreement in which a total of \$75,153 was scheduled to be repaid by the RDA to the City over a ten year period commencing in fiscal year 2010. Upon receipt from RDA, the City is required to transfer these funds to HUD. Upon receipt, HUD will increase the City CDBG entitlement by the amount of the payment received. These loans are reported as a component of loans payable and accrued interest payable to the City in the long-term liabilities footnote of the Redevelopment Agency Financial Statements. As a result of this agreement, at the government wide level, the City now reports a liability for the amount due to HUD. Payments to HUD are reported as expenditures in the governmental funds and a reduction of a liability in the government wide statements.

### CONTINUING DISCLOSURE OBLIGATIONS

The City, in connection with all bond offerings since the effective date (July 1995) of the continuing disclosure requirements of SEC Rule 15c2-12, has contractually obligated itself to provide annual financial information, including audited financial statements, within certain specified time periods (generally nine months) after the end of each fiscal year. The City met its contractual obligations to provide to the national repositories the audited financial statements for the fiscal years ended 2008 and 2009; however, the audited financial statements for fiscal year 2010 were not completed prior to the required filing date due to a delay in the year-end closing process resulting from the newly implemented ERP system. As a result, the City, as required by its continuing disclosure contractual obligations, provided to the national repositories notices of failure to file the annual reports and the audited financial statements for fiscal year 2010. Previously, the City failed to file required annual reports and the audited financial statements by the filing dates for the fiscal years ended 2003 through 2007. Each required annual report and the audited financial statements were subsequently filed.

### STATUS OF INTERNAL CONTROLS OVER FINANCIAL REPORTING

The City moved forward with its plan to improve the internal controls over financial reporting with the successful implementation of an enterprise resource planning (ERP) system on July 1, 2009. This implementation has improved the City's management of financial information and the processes and internal controls involved in its accounting and human resources functions. The original 18 month internal controls plan to address the remediation of internal control

weaknesses over financial reporting has been extended due to the increased amount of processes that require documentation and subsequent testing and monitoring. As of the issuance of this report, approximately 208 processes have been documented with approximately 202 remaining to be completed. These processes will be incorporated into the Governance, Risk and Compliance (GRC) module within the City's ERP system for testing and monitoring during Fiscal Year 2012.

#### LITIGATION AND REGULATORY ACTIONS

The City is a defendant in lawsuits pertaining to material matters, including claims asserted which are incidental to performing routine governmental and other functions. This litigation includes but is not limited to: actions commenced and claims asserted against the City arising out of alleged torts; alleged breaches of contracts; alleged violations of law; and condemnation proceedings. The City has received 2,433 notices of claims in fiscal year 2010.

The estimate of the liability for unsettled claims has been reported in the Government-wide Statement of Net Assets and the proprietary funds financial statements. The liability was estimated by categorizing the various claims and supplemented by information provided by the City Attorney with respect to certain large individual claims and proceedings. The recorded liability is the City's best estimate based on available information.

Significant individual lawsuits are described below.

##### Burke, et al. v. City of San Diego

On January 21, 2010, a palm tree fell on the Plaintiff fracturing his pelvis and femur. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of \$0 - \$7,000.

##### Janet Wood v. City of San Diego

This case against the City claims that women and unmarried retirees receive fewer benefits than others. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of \$0 - \$2,000.

##### Academy of Our Lady of Peace v. City of San Diego

This complaint alleges that the City is in violation of the Religious Land Use and Institutionalized Persons Act, the U.S. Constitution (Free Exercise Religion, Freedom of Speech, Freedom of Association, Equal Protection and Due Process) and the California Constitution by denying the Plaintiffs request for a Planned Development Permit and a Site Development Permit. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of \$0 - \$3,000.

##### Border Business Park, Inc., National Enterprises, Inc., Otay Acquisitions, LLC, and Otay Truck Parking, L.P. v. City of San Diego

Plaintiffs allege that the City breached a 1986 development agreement by improperly changing specifications regarding improvements and causing delay during the development of a project. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of \$0 - \$30,000.

##### Cathy Lexin, et al. v. City of San Diego

This complaint seeks recovery for defense costs incurred by six former City employees who served on the SDCERS Board of Administration when the Board conditionally approved a pension contribution relief proposal known as "Manager's Proposal II (MP2)". In the event of an adverse ruling, the liability facing the City is estimated to be in the range of \$0 - \$5,500.

Michael Sardina v. City of San Diego

Plaintiff is a current City employee and is suing the City for sexual harassment. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of \$0 - \$2,500.

San Diego Police Tow operators v. City of San Diego

This case was brought by the towing companies under contract with the City, and alleges that the City is charging them "franchise fees" that exceed the amount permitted to be charged under the California Vehicle Code. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of \$0 - \$24,000.

Joseph Aglio, etc v. City of San Diego

This complaint was filed by the firm Tatro & Zamoyski, representing residents of the De Anza Mobilehome Park who are alleging violations of the California Mobilehome Residency laws for management abuses and individual tort claims. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of \$0 - \$16,000.

Significant regulatory actions are described below (Other regulatory actions are described in Note 17 Commitments).

## POLLUTION REMEDIATION OBLIGATIONS

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and clean ups. This Statement was effective beginning in the fiscal year ended June 30, 2009.

Significant Pollution Remediation Events are discussed below:

California Regional Water Quality Board Administrative Proceeding

This matter involves a tentative cleanup and abatement order by the Regional Water Quality Control Board (RWQCB) which when made effective will require remediation of polluted bay sediments near historic shipyards on San Diego Bay. The City has been named as a "Discharger" in the tentative order along with other entities which include shipyard operators, the local electric utility SDG&E, and the U.S. Navy. The basis for the City being named is pollution flowing from its storm water conveyance system into the bay and Chollas Creek, which empties into the bay at the site. The City is also named in the proposed order for its historic ownership of the shipyard properties before 1962 where former operating lessees are no longer extant. The discharges causing the polluted sediment are alleged to have occurred from 1915 to present. The order was originally issued in 2005 and was stayed by the Board in 2006; the stay was lifted in April 2008 after the RWQCB staff revised and reissued the tentative order. The proceeding was then stayed again in June 2008 while the parties pursued mediation. The Board extended the mediation stay several times as the parties continued to actively pursue a settlement in confidential mediation. The RWQCB has divided functions in this matter and has a "Cleanup Team" effectively prosecuting the administrative case and an "Advisory Team" advising the Board members who will preside over the administrative disposition of the case. The Cleanup team participated in mediation with the Dischargers and terms for the proposed cleanup were established and set forth in a revised draft order issued in December 2010. However, mediation on the apportionment of costs was not immediately productive in the absence of litigation so the City initiated the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) litigation in 2009. Cross complaints were filed against the City and the City tendered insurance claims. The litigation remains pending but the court's procedural and discovery orders have recognized that issues of allocation are being confidentially discussed in mediation. In December 2010 the RWQCB released the revised proposed cleanup

order which, if adopted, would have a project with an estimated cost of \$50,000 to \$60,000. The RWQCB prepared an environmental impact report for the proposed cleanup level project that is scheduled which has been released for public review and comment. A hearing date with the RWQCB is proposed for November 15 and 16, 2011. Intervening environmental groups have filed testimony and objections to the proposed cleanup levels and will seek a more costly remedial project at the hearings. If the Board agrees with the environmental groups the cleanup project costs could exceed the estimated \$50,000 to \$60,000; however, in that case the Board's decision might be contested by one or more of the Dischargers. Therefore, the cleanup levels and allocation of costs may continue to be the subject of litigation depending largely on the outcome of the administrative hearings. The cost of the cleanup is likely to be between \$50,000 to \$100,000, plus an additional \$6,000 to \$9,000 of costs related to site investigation, assessment and RWQCB oversight. The order will include post-remedial monitoring requirements which, depending on monitoring results and trends, may lead to further cleanup orders. The parties will address allocation of all of these costs in mediation and if it continues to be necessary, in the litigation; however many variables exist which make accurate estimation of the City's likely share of the total costs impossible at this time. Issues of allocation among the parties will be determined using principles established in the CERCLA, as interpreted in existing case law. CERCLA principles will be the basis of discussion in further mediation, and absent a settlement on allocation, those principles will be at issue in litigation. In this case there are a myriad of factual inputs relative to the CERCLA principles of allocation. Disputes over those facts and the weight they should be given, the number of Discharger parties, the confidential nature of the mediation, and the exposure to the possibility of litigation all preclude the City from publishing more a specific projected outcome in this matter at this time.

#### County Department of Environmental Health (DEH) Unauthorized Release Cases

The City owns/owned Underground Storage Tank (UST) Systems at various locations, including but not limited to: Airports, Fleet Operations Yards, Police Substations, and Fire-Rescue Facilities. The City has been named as a responsible party by the DEH in 23 cases located at 11 UST sites. The nature of the pollution involves soil and groundwater contamination by the UST's. The City has been able to utilize the State's UST Cleanup Fund to obtain reimbursement for a vast majority of the site assessment and mitigation costs. An estimate of the City's Pollution Liability has been established using a variety of methods and assumptions including but not limited to: soil borings and groundwater monitoring wells to determine lateral and vertical extent of impacts; soil vapor assessment studies; corrective action planning; active soil and groundwater treatment; and attenuation monitoring. The liability for each site ranges from \$0 to \$1,000, all but two estimates are under \$300. Given that the vast majority of all costs are paid out of the State's UST Cleanup Fund, and the majority of the estimates are of relatively small amounts, the estimates are expensed when incurred throughout the year in the responsible fund and no liability is accrued in the financial statements.

## 19. DEBT WITHOUT GOVERNMENT COMMITMENT (In Thousands)

The City has authorized the issuance of certain conduit revenue private activity bonds and special assessment bonds, in its name, to provide tax exempt status because it believes a substantial public benefit will be achieved through the use of the proceeds. Aside from the fact that these bonds have been issued in the City's name, the City has no legal obligation to make payment on these bonds and has not pledged any City assets as a guarantee to the bondholders. These bonds do not constitute an indebtedness of the City. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans, certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures, property liens and other loans. In reliance upon the opinion of bond counsel, City officials have determined that these bonds are not payable from any revenues or assets of the City, and neither the full faith nor credit of the taxing authority of the City, the state, or any political subdivision thereof is obligated to the payment of principal or interest on the bonds. In essence, the City is acting as a conduit for the private property owners/bondholders in collecting and forwarding the funds. Accordingly, no liability has been recorded in the City's government-wide statement of net assets.

The following describes the outstanding debt without government commitment:

### Mortgage Revenue Bonds

Single family mortgage revenue bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single-family residences. The purpose of this program is to provide low interest rate home mortgage loans to persons of low or moderate income who are unable to qualify for conventional mortgages at market rates. Multi-family housing revenue bonds are issued to provide construction and permanent financing to developers of multi-family residential rental projects located in the City to be partially occupied by persons of low income.

As of June 30, 2010, the status of mortgage revenue bonds issued is as follows (in thousands):

	Original Amount	Balance June 30, 2010
Mortgage Revenue	\$ 15,700	\$ 6,485

### Special Assessment/Special Tax Bonds

The special assessment districts, including Community Facilities Districts, in various parts of the City have issued debt to finance infrastructure improvements and facilities within their respective districts. The special assessment bonds are secured by special tax liens and assessments on the real property within the special assessment district and are not direct liabilities of the City. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. The City acts as the agent in the collection and remittance of the special taxes and assessments for these Districts and initiates foreclosure proceedings as required under the bond covenants.

As of June 30, 2010, the status of each of the special assessment bonds issued is as follows (in thousands):

	Original Amount	Balance June 30, 2010
Assessment District No.4030 (Otay Mesa Industrial Park), Issued May 1992	\$ 2,235	\$ 195
Communities Facilities District No.1 (Miramar Ranch North), Series 1998	59,465	37,130
Reassessment District No. 1999-1, Issued February 1999	38,145	14,516
Communities Facilities District No.2 (Santaluz), Improvement Area No. 1, Series 2000 A	56,020	50,805
Communities Facilities District No.2 (Santaluz), Improvement Area No. 3, Series 2000 B	4,350	3,935
Reassessment District No. 2003-1, Issued August 2003	8,850	5,645
Assessment District No. 4096 (Piper Ranch), Issued December 2003	5,430	4,225
Communities Facilities District No.2 (Santaluz), Improvement Area No. 1, Series 2004 A	5,000	4,355
Communities Facilities District No.4 (Santaluz), Improvement Area No. 4, Series 2004 A	9,965	9,295
Communities Facilities District No.3 (Liberty Station), Series 2006 A	16,000	15,380
Communities Facilities District No.3 (Liberty Station), Series 2008 A	3,950	3,815
Communities Facilities District No.4 (Black Mountain Ranch Villages), Series 2008 A	12,365	12,165
Total Special Assessment / Special Tax Bonds:	<u>\$ 221,775</u>	<u>\$ 161,461</u>

#### Refunding Revenue Bonds

The Public Facilities Financing Authority of the City of San Diego issued Refunding Revenue Bonds in February 1999 for the purpose of acquiring the Limited Obligation Refunding Bonds issued by the City of San Diego Reassessment District No.1999-1 and sold to the Authority for the purpose of refunding certain outstanding prior assessment district bonds of the City. The Bonds are special obligations of the Authority payable solely from and secured by amounts received from the acquired Limited Obligations, investment income with respect to any monies held by the Trustee in the funds and accounts established under the indenture and any amounts, including proceeds of the sale of the Bonds, held in any fund or account established pursuant to the Indenture. The City has no obligation beyond the balances in the designated Trustee funds for any delinquent bond payments. If delinquencies occur beyond the amounts held in the Trustee funds, the City has no duty to pay the delinquency out of any available funds of the City.

As of June 30, 2010, the status of each of the refunding revenue bonds issued is as follows (in thousands):

	Original Amount	Balance June 30, 2010
Reassessment District No. 1999-1, Series 1999 A Senior Lien Bonds	\$ 30,515	\$ 9,990
Reassessment District No. 1999-1, Series 1999 B Subordinate Lien Bonds	7,630	2,470
Total Revenue Refunding Bonds	<u>\$ 38,145</u>	<u>\$ 12,460</u>

## 20. CLOSURE AND POST CLOSURE CARE COST (In Thousands)

State and federal laws and regulations require that the City of San Diego place a final cover on its Miramar Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each financial statement date.

The \$20,126 reported as landfill closure and post closure care liability at June 30, 2010 represents the cumulative amount reported to date based on the use of 78% of the estimated capacity of the landfill.

The City will recognize the remaining estimated cost of closure and post closure care of \$5,628 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care at June 30, 2010. The City expects to close the landfill in fiscal year 2022. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. The City is in compliance with these requirements and at June 30, 2010, cash or equity in pooled cash and investments of \$42,154 was held for this purpose. This is reported as restricted assets on the statement of net assets in the Environmental Services Fund. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be paid by charges to future landfill users or from other sources.

The City is required by state and federal laws and regulations to demonstrate financial resources sufficient to conduct corrective action for all known or reasonably foreseeable releases from the Miramar Landfill site to meet the current corrective action cost estimate approved by the San Diego Regional Water Quality Control Board. The City is in compliance with these requirements and at June 30, 2010, cash or equity in pooled cash and investments of \$1,521 was held for this purpose. This is reported as restricted assets on the statement of net assets in the Environmental Services Fund. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be paid by charges to future landfill users or from other sources.

**21. OPERATING AGREEMENTS (In Thousands)**San Diego Data Processing Corporation and Automated Regional Justice Information System

SDDPC has a yearly information technology services contract agreement with a joint powers agency known as the Automated Regional Justice Information System ("ARJIS") whose main purpose is to pursue development of computerized law enforcement systems in the region.

Under the agreement, SDDPC provides information technology services to ARJIS at rates which, on an annual basis, are equivalent to those charged to other governmental agency clients. Included in SDDPC's services revenue is approximately \$4,348 related to ARJIS for the year ended June 30, 2010.

City of San Diego and Padres L.P.

On February 1, 2000, the City entered into a Joint Use and Management Agreement (Agreement) with the San Diego Padres baseball team (Padres) governing the rights and duties of the City and Padres with respect to the use and operation of the new Petco Park Ballpark Facility (Facility). The Facility was completed and operational in April 2004 and the City and Padres jointly own the facility. The Padres have a 30% divided interest based upon the original Facility cost estimate of \$267,500 (or \$80,250), and the City owns 70%, which is capitalized on the City's books. The City and the Padres have agreed upon the schedule of items and components that constitute the Padres' divided ownership, and the value of that divided ownership may vary from (but does not exceed) 30% due to the calculation of cost overruns for the Facility. The occupancy agreement expires on December 14, 2033 and includes the right to exercise two 5-year extensions. Upon expiration, the Padres' ownership interest will automatically transfer to the City. Under the terms of the Agreement, the Padres are responsible for Facility operation and management, including maintenance, repairs and security required to preserve its condition. The City is responsible for paying certain expenses associated with the operation and maintenance of the Facility, up to a maximum of \$3,500 per year, subject to certain inflationary adjustments. In fiscal year 2010, the City paid approximately \$4,100 related to the operation and maintenance of Petco Park.

For information pertaining to the operating agreement with San Diego Medical Services Enterprises, LLC please refer to Note 9, Joint Ventures and Jointly Governed Organizations.



## 22. SUBSEQUENT EVENTS (In Thousands)

On July 1, 2010, the City issued the fiscal year 2010-2011 Tax and Revenue Anticipation Notes as a public offering in the amount of \$163,165 to meet the annual general fund cash flow needs of the City. The final payment for the fiscal year 2010-2011 Tax Revenue Anticipation Notes was paid on May 18, 2011.

In March 2011, the CalPERS Board of Administration authorized the CERBT program to offer three asset allocation strategies which reflect varying degrees of risk and corresponding long-term expected rates of return. The City intends to remain in the current asset allocation strategy; however, the discount rate will be reduced from 7.75% to 7.61%. The adjustment to the discount rate will reduce the interpolated discount rate which will be included in future actuarial valuations after June 30, 2011, thus increasing the UAAL. However, the effect of retiree health benefit changes for eligible active employees adopted by the City and its labor groups in 2011 are expected to reduce the UAAL and the annual required contribution. The effect on the UAAL by the decrease to the discount rate may be offset by these benefit changes.

On July 1, 2011, the City issued the fiscal year 2011-2012 Tax and Revenue Anticipation Notes as a private placement in the amount of \$161,000 to meet the annual general fund cash flow needs of the City. The final maturity date of the fiscal year 2011-2012 Tax Revenue Anticipation Notes is May 31, 2012.

### Long-Term Debt Issued

On August 26, 2010, RDA issued \$58,565 of Housing Set-Aside Tax Allocation Bonds for the purpose of repaying long-term debt and to finance a portion of the costs of low and moderate income housing projects within the City Heights, North Bay, North Park, Crossroads, Naval Training Center and San Ysidro Redevelopment Project areas. The Series 2010A taxable bonds are payable solely from, and secured by, a pledge of tax revenues derived from the 20% of tax increment allocated to RDA from the Redevelopment Project Areas that RDA is obligated to deposit into its Low and Moderate Income Housing Fund. The bond issuance is structured as term bonds and has an interest rate that ranges from 4.37% to 7.75% with a final maturity date of September 1, 2040. Bond proceeds were used to repay \$25,633 of the San Diego National Bank line of credit outstanding principal, \$1,018 to repay the Western Pacific Housing Contract Payable and \$1,607 to repay the Price Charities Note Payable dated April 2001.

On August 26, 2010, RDA issued \$19,765 of Tax Allocation Bonds for the purpose of repaying long-term debt and financing a portion of the costs of redevelopment activities within the Naval Training Center Redevelopment Project. The Series A bonds are payable solely from, and secured by, a pledge of tax revenues allocated to RDA from the Naval Training Center Redevelopment Project excluding those moneys that RDA is obligated to deposit into its Low and Moderate Income Housing Fund and monies allocable to other taking agencies under the Redevelopment Law. The bond issuance is structured as both serial and term bonds and has an interest rate that ranges from 3.0% to 5.75% with a final maturity date of September 1, 2040. Bond proceeds were used to repay \$12,211 of the San Diego National Bank line of credit outstanding principal.

On August 26, 2010, RDA issued \$4,915 of Tax Allocation Bonds for the purpose of financing certain redevelopment activities within or of benefit to the Crossroads Redevelopment Project. The Series A bonds are payable solely from, and secured by, a pledge of tax revenues allocated to RDA from the Crossroads Redevelopment Project, excluding those moneys that RDA is obligated to deposit into its Low and Moderate Income Housing Fund and excluding moneys which are allocable to other taking agencies under the Redevelopment Law. The bond issuance is structured as both serial and term bonds and has an interest rate that ranges from 3.0% to 6.0% with a final maturity date of September 1, 2040.

On August 26, 2010, RDA issued \$5,635 of 2010 Series A tax-exempt and \$9,590 of 2010 Series B taxable City Heights Redevelopment Project Tax Allocation Bonds. The Series A bonds were issued to fund redevelopment projects within the City Heights Redevelopment Project and the Series B bonds were issued for the purpose of repaying long-term debt and to finance redevelopment activities in the City Heights Redevelopment Project. The 2010 Series A and B bonds are payable solely from, and secured by, pledged tax revenues allocated to RDA from the City Heights Redevelopment Project, excluding amounts payable to RDA's Low and Moderate Income Housing Fund, and amounts payable to other taxing agencies pursuant to tax sharing agreements. The Series A bond issuance was structured as term bonds with a fixed interest rate of 5.62% and a final maturity of September 1, 2040. The Series B bond issuance was structured as a term bonds with a fixed interest rate of 7.37% and a final maturity of September 1, 2037. Bond proceeds were used to repay \$2,010 of the San Diego National Bank line of credit outstanding principal and \$1,694 to repay the Price Charities Note Payable dated May 2005.

On August 26, 2010, RDA issued \$2,900 of 2010 Series A tax-exempt and \$5,030 Series B taxable San Ysidro Redevelopment Project Tax Allocation Bonds. The Series A bonds were issued to repay certain redevelopment activities within or of benefit to the San Ysidro Redevelopment Project and the Series B bonds were issued for the purpose of repaying a loan with a developer and fund certain redevelopment activities in the Redevelopment Project. The 2010 Series A and B bonds are payable solely from, and secured by, tax revenues allocated to RDA from the San Ysidro Redevelopment Project, excluding those moneys that RDA is obligated to deposit into its Low and Moderate Income Housing Fund and excluding moneys which are allocable to other taxing agencies under the Redevelopment Law. The Series A bond issuance was structured as term bonds with a fixed interest rate of 5.75% and a final maturity of September 1, 2040. The Series B bond issuance was structured as term bonds with an interest rate that ranges from 4.37% to 7.75% with a final maturity date of September 1, 2035.

On April 15, 2011, the City entered into a Taxable Qualified Energy Conservation Bonds (QECB) Equipment Lease Agreement with Banc of America Leasing and Capital, LLC for \$13,142 for the purpose of replacing light fixtures for approximately 28,700 street lights and related improvements and equipment as part of the City's energy efficient Broad Spectrum Street Lighting program and for paying cost of issuance related to the financing. The QECB financing is eligible for the direct payment subsidy from the United States Department of the Treasury within the meaning of Section 54D(a) of the Internal Revenue Code of 1986, as amended. The nominal interest rate of the lease financing is 6.16% with a net effective rate of 2.40% including the QECB federal subsidy. The final maturity date is March 30, 2026.

On May 30, 2011, the City received a State Revolving Fund Loan disbursement from the State of California Department of Public Health totaling \$12,000 to assist in financing construction of Alvarado Water Treatment Plant Ozone Improvement project which will enable the City to meet safe drinking water standards. The payback period for the loan is 20 years, which begins on January 1, 2012, with an annual interest rate of 2.31%. Any future debt issued may not be senior to this loan and may only be issued at parity. Net System Revenue of the Water Utility Fund have been designated as the dedicated source of funds for repayment of the loan.

On August 5, 2011, Standard & Poor's lowered the long-term credit rating of U.S. Government debt obligations from AAA to AA+. On August 8, 2011, S&P also downgraded the long-term credit ratings of U.S. government-sponsored enterprises. These credit downgrades may impact the credit risk associated with the City's investments in U.S. Treasury and U.S. Agency securities.

#### San Diego Medical Services Enterprise, LLC

On July 1, 2010, the City and SDMSE executed an Emergency Medical Services Agreement (2010 EMS Agreement) to provide emergency medical services to the City for a five year term.

On August 30, 2010, a qui tam lawsuit (lawsuit brought by a private citizen on behalf of a government entity) was filed under seal in San Diego Superior Court alleging that Rural/Metro had violated the California False Claims Act by failing to report or remit payments that were collected for ambulance and/or paramedic services provided by SDMSE. The City Attorney's office had previously reviewed the SDMSE structure and the City was considering changes to its participation in SDMSE. Upon reviewing the qui tam claim, the City determined to renegotiate the agreements between the City and SDMSE.

On April 15, 2011, the City, Rural/Metro Corporation, Rural/Metro of San Diego, SDMSE and the qui tam claimant entered into two interim settlement agreements (Settlement Agreements) setting forth certain requirements in connection with SDMSE, including that: i) the City would forebear from suing Rural/Metro; ii) Rural/Metro agreed that all statute of limitations would be tolled; iii) Rural/Metro would pay all costs for a full forensic accounting of SDMSE, and iv) Rural/Metro would post a surety bond. The Settlement Agreements also called for the parties to renegotiate and enter into new contracts for providing emergency medical services to the City by June 15, 2011.

On July 1, 2011, a new Emergency Medical Services Agreement between the City and Rural/Metro (2011 EMS Agreement) became effective. Under the 2011 EMS Agreement, Rural/Metro provides emergency medical transportation services to the City for an interim two year period through June 2013. The City intends to solicit proposals for an EMS service provider prior to the expiration of the 2011 EMS Agreement.

Also on July 1, 2011 and as a condition to the execution of the 2011 EMS Agreement, the City executed a Unit Purchase Agreement with Rural/Metro of San Diego, Inc. and Rural/Metro of Southern California, Inc. whereby the City sold the City's 50% membership interest in SDMSE for \$5.5 million, plus the undistributed profits of SDMSE as of June 30, 2011. The City no longer has any partnership interest or interest in the revenue or assets of SDMSE.

#### Redevelopment Agency

On June 15, 2011, the California State Legislature approved ABx1 26, Dissolution Act and ABx1 27, Voluntary Program Act, which, respectively, eliminates redevelopment agencies and allows their continued existence. The Dissolution Act immediately suspended all new redevelopment activities to incur new debt, obligations and redevelopment activities, dissolving redevelopment agencies effective October 1, 2011. The Voluntary Program Act establishes a voluntary alternative program whereby a redevelopment agency is exempt from the dissolution measures of ABx1 26 if the legislative body of the community enacts an ordinance requiring that the City deposit specified sums of money on an annual basis to the County Auditor and Comptroller for deposit into the Special District Allocation Fund and Educational Revenue Augmentation Fund. The Voluntary Program Act provides a statewide formula to determine each city's proportional share based upon Fiscal Year 2009 statewide redevelopment agency financial data. The estimated proportional share for the San Diego RDA is \$69,255 in Fiscal Year 2012, and \$16,428 in Fiscal Year 2013. The amount of remittances owed in subsequent fiscal years could increase or decrease from the FY2013 estimate, as tax and debt service payments may alter the results of the formula. On July 18, 2011 the City enacted an Ordinance to establish the Voluntary Program. On July 18, 2011, the California Redevelopment Association and the League of Cities filed a claim with the California Supreme Court to overturn ABx1 26 and ABx1 27. The central claim for the challenge is that these bills violate Proposition 22 which prohibits the "seizing, diverting, shifting, borrowing, transferring, suspending, or otherwise taking or interfering with" revenue dedicated to local government, including local redevelopment funds. On August 11, 2011, the California Supreme Court ordered a limited stay on ABx1 26 and ABx1 27. The court allowed the first statute to remain in effect insofar as it precludes existing redevelopment agencies from incurring new indebtedness, transferring assets, acquiring real property, entering into new contracts or modifying existing contracts, entering into new partnerships, adopting or amending redevelopment plans, etc., but it stayed enforcement of both statutes in all other respects. The court established an expedited briefing schedule designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012.

### Retirement Benefits

The City has implemented multiple agreements with various labor unions which have impacted retirement benefits for new employees. The following is a summary of the most significant changes:

- Reduction in retirement calculation factors for various Safety members to 3% at age 55 with a proportionally reduced retirement factor of 2.5% at age 50. Additionally, final compensation will be calculated using the highest average salary earned over three one year periods.
- Elimination of the SPSP benefit for Lifeguard members hired after January 1, 2011.
- Elimination of Employer Retirement Offset Contribution for various General, Safety and Legislative Members.

These changes will be implemented in fiscal years 2011 and 2012 and will result in a lower ARC than would otherwise apply if such changes were not implemented.

### Other Post-Employment Benefits

On June 27, 2011, the City reached a tentative agreement with all bargaining units regarding reforms to the retiree healthcare benefit for employees hired before July 1, 2005. The agreement provides multiple options with varying degrees of contributions and final benefit payments and the changes, if approved by members in September 2011, will be implemented on April 1, 2012. Additionally, the agreement is subject to the creation of a 15 year single subject Memorandum of Understanding (MOU) with each labor organization and cannot be changed until Fiscal Year 2015 at the earliest. The City is required to conduct an actuarial analysis of the impacts of these changes following Fiscal Year 2014 and present it to the City Council. The City Council may only change the benefits after engaging in good faith negotiations and with a 2/3 (6 out of 9 Council Members) vote. During this 15 year period, the City's contribution is capped at \$57,782 for Fiscal Years 2012 through 2015 and will not increase by more than 2.5% per year after Fiscal Year 2015.

## 23. RESTATEMENTS (In Thousands)

## Special Assessment Districts

Special assessment districts, including Community Facilities Districts, have historically been included in the financial statements and notes of the City's CAFR. The City's Debt Policy, which was initially adopted November 6, 2007 and subsequently revised with the final passage of the Debt Policy Report for 2009 adopted on May 11, 2010, included certain provisions of the Special District Policy related to the process for the approval of indebtedness. Historically, the City did not have a legal requirement to make payments from its general revenues in the event of a shortfall in special taxes or assessments due to delinquencies; however, the City did have the discretion to do so. One of the provisions adopted with the revised Debt policy, however, stated that the City will not make payments from its general revenues in the event of such a shortfall. Based on this change in the revised Debt Policy, the City reclassified the outstanding debt as debt without government commitment and accordingly, the financial statements have been adjusted to reflect it as such. The Special Assessments are reported as agency funds in fiscal year 2010 and the outstanding balances of debt obligations are listed under Note 19.

This restatement represents an update to City policy that results in a change to the application of GASB 6 specifically related to Special Assessment Debt for which the government is not obligated. In accordance with GAAP for local governments, the change is treated as a direct adjustment to beginning equity. In the government-wide financial statements, removing the Special Assessment debt from the financial statements results in an increase in Net Assets for governmental activities of approximately \$131,400. There is no need to apply this change to any other previously issued financial statements retrospectively since this policy change was implemented during the current reporting period.

The following table contains a summary of the Special Assessment Debt restatement:

	<u>Primary Government</u>	<u>Governmental Funds</u>
	<u>Governmental Activities</u>	<u>Other Governmental Funds</u>
Net Assets and Fund Equity as of June 30, 2009, as previously reported:	\$ 4,258,203	\$ 1,626,400
Adjustments related to Special Assessment Debt restatement		
Removal of fund balances	(31,562)	(31,562)
Removal of bonds payable	167,050	-
Removal of cost of issuance	(3,487)	-
Removal of unamortized premiums, discounts and deferred amounts on refunding	(610)	-
Net Assets/Fund Equity as of June 30, 2009, as Restated	<u>\$ 4,389,594</u>	<u>\$ 1,594,838</u>

Required Supplementary Information (Unaudited)  
June 30 2010

PENSION TRUST FUND

**Schedule of Funding Progress**

The following table shows the funding progress of the City's pension trust funds for the last three fiscal years (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	UAAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/30/2008	\$ 4,660,346	\$ 5,963,550	\$ 1,303,204	78.15%	\$ 535,774	243.24%
6/30/2009	4,175,229	6,281,636	2,106,407	66.47%	536,591	392.55%
6/30/2010	4,382,047	6,527,224	2,145,177	67.13%	530,238	404.57%

Source: Cheiron, Inc.

OPEB TRUST FUND

**Schedule of Funding Progress**

The following table shows the funding progress of the City's OPEB trust fund for the last three fiscal years (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	UAAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/30/2008	\$ 29,637	\$ 1,235,707	\$ 1,206,070	2.40%	\$ 556,857	216.59%
6/30/2009	41,497	1,359,377	1,317,880	3.05%	549,012	240.05%
6/30/2010	72,720	1,200,910	1,128,190	6.06%	472,561	238.74%

**Schedule of Contributions from Employer and Other Contributing Entities**

The following table shows contributions to the City's OPEB trust fund for the last three fiscal years (in thousands):

Fiscal Year	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2008	\$ 91,645	\$ 53,553	58.44%
6/30/2009	104,475	49,498	47.38%
6/30/2010	113,426	56,689	49.98%

Source: Buck Consultants

REQUIRED SUPPLEMENTARY INFORMATION - GENERAL FUND





## GENERAL FUND

The general fund is the chief operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

General fund revenues are derived from such sources as: Taxes; Licenses and Permits; Fines, Forfeitures, and Penalties; Use of Money and Property; Aid from Other Governmental Agencies; Charges for Current Services; and Other Revenue.

Current expenditures and encumbrances are classified by the functions of: General Government and Support; Public Safety–Police; Public Safety–Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; Neighborhood Services; and Debt Service Principal and Interest. Appropriations are made from the fund annually.

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2010**  
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Property Taxes.....	\$ 382,628	\$ 382,628	\$ 391,382	\$ 8,754
Sales Taxes.....	217,199	217,199	192,650	(24,549)
Transient Occupancy Taxes.....	75,907	75,907	65,222	(10,685)
Other Local Taxes.....	78,228	78,228	73,260	(4,968)
Licenses and Permits.....	32,436	32,436	28,024	(4,412)
Fines, Forfeitures and Penalties.....	32,434	32,384	30,179	(2,205)
Revenue from Use of Money and Property.....	45,818	45,818	40,744	(5,074)
Revenue from Federal Agencies.....	2,224	2,224	2,859	635
Revenue from Other Agencies.....	4,951	5,082	6,007	925
Revenue from Private Sources.....	98	98	14	(84)
Charges for Current Services.....	153,599	163,343	127,536	(35,807)
Other Revenue.....	4,055	4,584	7,859	3,275
<b>TOTAL REVENUES.....</b>	<b>1,029,577</b>	<b>1,039,931</b>	<b>965,736</b>	<b>(74,195)</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General Government and Support.....	238,458	242,028	231,579	10,449
Public Safety - Police.....	388,164	378,488	378,225	263
Public Safety - Fire and Life Safety and Homeland Security.....	186,156	185,727	185,481	246
Parks, Recreation, Culture and Leisure.....	123,244	122,676	121,915	761
Transportation.....	55,192	63,981	63,980	1
Sanitation and Health.....	73,268	73,873	75,062	1,811
Neighborhood Services.....	19,313	17,442	17,271	171
<b>Debt Service:</b>				
Principal Retirement.....	2,640	2,640	2,640	-
Interest.....	2,818	2,888	2,888	-
<b>TOTAL EXPENDITURES.....</b>	<b>1,089,254</b>	<b>1,092,743</b>	<b>1,079,041</b>	<b>13,702</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES.....</b>	<b>(59,677)</b>	<b>(52,812)</b>	<b>(113,305)</b>	<b>(60,493)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Proprietary Funds.....	-	-	5,723	5,723
Transfers from Other Funds.....	100,130	97,272	140,595	43,323
Transfers to Proprietary Funds.....	-	(10,157)	(10,157)	-
Transfers to Other Funds.....	(41,427)	(28,426)	(28,426)	-
Proceeds from the Sale of Capital Assets.....	-	-	21	21
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>58,704</b>	<b>58,689</b>	<b>107,756</b>	<b>49,067</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(973)</b>	<b>5,877</b>	<b>(5,549)</b>	<b>(11,426)</b>
Fund Balance Undesignated at July 1, 2009.....	78,347	78,347	78,347	-
Reserved for Encumbrances at July 1, 2009.....	32,071	32,071	32,071	-
Reserved for Minority Interest in Joint Venture at July 1, 2009.....	1,824	1,824	1,824	-
Reserved for Minority Interest in Joint Venture at June 30, 2010.....	-	-	(1,689)	(1,689)
Designated for Subsequent Years' Expenditures at July, 2009.....	207	207	207	-
Designated for Subsequent Years' Expenditures at June 30, 2010.....	-	-	(197)	(197)
<b>FUND BALANCE UNDESIGNATED AT JUNE 30, 2010.....</b>	<b>\$ 111,476</b>	<b>\$ 118,326</b>	<b>\$ 105,014</b>	<b>\$ (13,312)</b>

## Note to Required Supplementary Information Year Ended June 30, 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Budgetary Data

On or before the first meeting in May of each year, the City Manager submits to the City Council a proposed operating and capital improvements budget for the fiscal year commencing July 1. This budget includes annual budgets for the following funds:

- General Fund
- Special Revenue Funds:
  - City of San Diego:
    - Acquisition, Improvement and Operation
    - Environmental Growth Funds:
      - Two-Thirds Requirement
      - One-Third Requirement
    - Police Decentralization
    - Public Transportation
    - Qualcomm Stadium Operations
    - Special Gas Tax Street Improvement
    - Street Division Operations
    - Transient Occupancy Tax
    - Underground Surcharge
    - Zoological Exhibits
    - Other Special Revenue
  - Centre City Development Corporation
  - Southeastern Economic Development Corporation
- Debt Service Funds:
  - City of San Diego:
    - Public Safety Communications Project
- Capital Projects Funds:
  - City of San Diego:
    - TransNet

Public hearings are then conducted to obtain citizen comments on the proposed budget. A budget resolution legally adopting the budget for the next fiscal year is passed prior to June 30 and during the month of July the appropriation ordinance is passed by the City Council appropriating funds according to the budget resolution. Budgets are prepared on the modified accrual basis of accounting except that (1) encumbrances outstanding at year-end are considered expenditures and (2) the increase/decrease in reserve for advances and deposits to other funds and agencies are considered as additions/deductions of expenditures. The City budget is prepared excluding unrealized gains or losses resulting from the change in fair value of investments, proceeds from capital leases, and net income from joint venture.

The legal level of budgetary control for the City's general fund is exercised at the salaries and wages and non-personnel expenditures level. Budgetary control for the other budgeted funds, including those of certain component units, is maintained at the total fund appropriation level. All amendments to the adopted budget require City Council approval except as delegated in the Annual Appropriation Ordinance.

Reported budget figures are as originally adopted or subsequently amended plus prior year continuing appropriations. Such budget amendments during the year, including those related to supplemental appropriations, did not cause these reported budget amounts to be significantly different than the originally adopted budget amounts. Appropriations lapse at year-end to the extent that they have not been expended or encumbered, except for those of a capital nature, which continue to subsequent years.

The following is a reconciliation of the net change in fund balance prepared on a GAAP basis to that prepared on the budgetary basis for the year ended June 30, 2010 (in thousands):

	General Fund
Net Change in Fund Balances - GAAP Basis	\$ 631
Add (Deduct):	
Encumbrances Outstanding, June 30, 2010	(6,307)
Designated for Unrealized Gains, June 30, 2010	(1,816)
Designated for Unrealized Gains, June 30, 2009	1,943
Net Change in Fund Balances - Budgetary Basis	<u>\$ (5,549)</u>

b. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the budgeted governmental funds.

Encumbrances outstanding at year-end are reported as reservations of fund balances, since the commitments will be honored through subsequent years' continuing appropriations. Encumbrances do not constitute expenditures or liabilities for GAAP reporting purposes.

## SUPPLEMENTARY INFORMATION - GENERAL FUND



**GENERAL FUND  
SCHEDULE OF REVENUE AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2010  
(In Thousands)**

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget
<b>PROPERTY TAXES</b>					
One Percent Property Tax Allocation .....	\$ 1	\$ -	\$ 1	\$ 53	\$ (52)
Current Year - Secured .....	124,391	-	124,391	269,861	(145,470)
Current Year Supplemental - Secured .....	968	-	968	5,652	(4,684)
Current Year - Unsecured .....	9,541	-	9,541	9,069	472
Current Unsecured Supplemental Roll .....	44	-	44	168	(124)
Homeowners' Exemptions - Secured .....	2,689	-	2,689	2,637	52
Homeowners' Exemptions - Unsecured .....	2	-	2	2	-
Prior years' - Secured .....	4,865	-	4,865	1,390	3,475
Prior years' - Unsecured .....	(86)	-	(86)	68	(154)
In-Lieu Vehicle License Fees .....	105,981	-	105,981	80,401	25,580
Interest and Penalties on Delinquent Taxes .....	2,216	-	2,216	7,985	(5,769)
Escapes - Secured .....	3,063	-	3,063	-	3,063
Escapes - Unsecured .....	349	-	349	-	349
Other Property Taxes .....	134,926	-	134,926	1,147	133,779
State Secured Unitary .....	2,432	-	2,432	4,195	(1,763)
<b>TOTAL PROPERTY TAXES .....</b>	<b>391,382</b>	<b>-</b>	<b>391,382</b>	<b>382,628</b>	<b>8,754</b>
<b>SALES TAXES .....</b>	<b>192,650</b>	<b>-</b>	<b>192,650</b>	<b>217,199</b>	<b>(24,549)</b>
<b>TRANSIENT OCCUPANCY TAXES .....</b>	<b>65,222</b>	<b>-</b>	<b>65,222</b>	<b>75,907</b>	<b>(10,685)</b>
<b>OTHER LOCAL TAXES</b>					
Franchises .....	67,443	-	67,443	73,717	(6,274)
Property Transfer Tax .....	5,817	-	5,817	4,511	1,306
<b>TOTAL OTHER LOCAL TAXES .....</b>	<b>73,260</b>	<b>-</b>	<b>73,260</b>	<b>78,228</b>	<b>(4,968)</b>
<b>LICENSES AND PERMITS</b>					
General Business Licenses .....	7,545	-	7,545	8,782	(1,237)
Refuse Collection Business Licenses .....	724	-	724	1,000	(276)
Other Regulatory Business Licenses .....	2	-	2	-	2
Rental Unit Tax .....	5,096	-	5,096	6,775	(1,679)
Parking Meter Revenue .....	6,900	-	6,900	6,900	-
Other Licenses and Permits .....	7,757	-	7,757	8,979	(1,222)
<b>TOTAL LICENSES AND PERMITS .....</b>	<b>28,024</b>	<b>-</b>	<b>28,024</b>	<b>32,436</b>	<b>(4,412)</b>
<b>FINES, FORFEITURES AND PENALTIES</b>					
California Vehicle Code Violations .....	27,521	-	27,521	28,018	(497)
Other City Ordinance Code Violations .....	2,658	-	2,658	4,366	(1,708)
<b>TOTAL FINES, FORFEITURES AND PENALTIES .....</b>	<b>30,179</b>	<b>-</b>	<b>30,179</b>	<b>32,384</b>	<b>(2,205)</b>

Continued on Next Page

**GENERAL FUND**  
**SCHEDULE OF REVENUE AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2010**  
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget
<b>REVENUE FROM USE OF MONEY AND PROPERTY</b>					
Interest on Investments .....	\$ (282)	\$ 129	\$ (153)	\$ 4,091	\$ (4,244)
Balboa Park Rents and Concessions .....	242	-	242	-	242
Mission Bay Park Rents and Concessions .....	23,984	-	23,984	-	23,984
Other Rents and Concessions .....	16,671	-	16,671	41,727	(25,056)
<b>TOTAL REVENUE FROM USE OF MONEY AND PROPERTY ...</b>	<b>40,615</b>	<b>129</b>	<b>40,744</b>	<b>45,818</b>	<b>(5,074)</b>
<b>REVENUE FROM FEDERAL AGENCIES .....</b>	<b>2,859</b>	<b>-</b>	<b>2,859</b>	<b>2,224</b>	<b>635</b>
<b>REVENUE FROM OTHER AGENCIES</b>					
State Motor Vehicle License Fees .....	3,988	-	3,988	3,900	88
Local Relief .....	114	-	114	210	(96)
Tobacco Revenue .....	-	-	-	701	(701)
State Grants .....	1,905	-	1,905	271	1,634
<b>TOTAL REVENUE FROM OTHER AGENCIES .....</b>	<b>6,007</b>	<b>-</b>	<b>6,007</b>	<b>5,082</b>	<b>925</b>
<b>REVENUE FROM PRIVATE SOURCES .....</b>	<b>14</b>	<b>-</b>	<b>14</b>	<b>98</b>	<b>(84)</b>
<b>CHARGES FOR CURRENT SERVICES</b>					
Administrative Services to Other Agencies .....	645	-	645	302	343
Cemetery Revenue .....	732	-	732	878	(146)
Engineering Services .....	381	-	381	657	(276)
Fire Services .....	7,635	-	7,635	10,247	(2,612)
Library Revenue .....	1,417	-	1,417	1,527	(110)
Miscellaneous Recreation Revenue .....	3,822	-	3,822	3,901	(79)
Other Services .....	272	-	272	239	33
Paramedic Services .....	178	-	178	167	11
Planning and Miscellaneous Filing Fees .....	84	-	84	20	64
Police Services .....	3,998	-	3,998	2,939	1,059
Swimming Pools Revenue .....	1,055	-	1,055	1,166	(111)
Services Rendered to Other Funds for:					
General Government and Financial .....	42,299	-	42,299	73,494	(31,195)
Engineering .....	57,143	-	57,143	58,224	(1,081)
Park Design .....	1,143	-	1,143	1,436	(293)
Miscellaneous Services .....	6,732	-	6,732	8,146	(1,414)
<b>TOTAL CHARGES FOR CURRENT SERVICES .....</b>	<b>127,536</b>	<b>-</b>	<b>127,536</b>	<b>163,343</b>	<b>(35,807)</b>
<b>OTHER REVENUE</b>					
Other Refunds of Prior Years' Expenditures .....	3,667	-	3,667	341	3,326
Repairs and Damage Recoveries .....	457	-	457	245	212
Sale of Personal Property .....	274	-	274	117	157
Miscellaneous Revenue .....	3,461	-	3,461	3,881	(420)
<b>TOTAL OTHER REVENUE .....</b>	<b>7,859</b>	<b>-</b>	<b>7,859</b>	<b>4,584</b>	<b>3,275</b>
<b>TOTAL REVENUES .....</b>	<b>965,607</b>	<b>129</b>	<b>965,736</b>	<b>1,039,931</b>	<b>(74,195)</b>



**GENERAL FUND**  
**SCHEDULE OF REVENUE AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2010**  
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget
<b>TRANSFERS FROM PROPRIETARY FUNDS</b>					
Internal Service Funds:					
City of San Diego:					
Fleet Services .....	\$ 1,938	\$ -	\$ 1,938	\$ -	\$ 1,938
Self Insurance .....	2,631	-	2,631	-	2,631
Miscellaneous Internal Service .....	1,154	-	1,154	-	1,154
<b>TOTAL TRANSFERS FROM PROPRIETARY FUNDS .....</b>	<b>5,723</b>	<b>-</b>	<b>5,723</b>	<b>-</b>	<b>5,723</b>
<b>TRANSFERS FROM OTHER FUNDS</b>					
Special Revenue Funds:					
City of San Diego:					
Acquisition, Improvement & Operations .....	3	-	3	-	3
Environmental Growth Fund (Two-Thirds) .....	7,512	-	7,512	8,897	(1,385)
Environmental Growth Fund (One-Third) .....	1,587	-	1,587	3,486	(1,899)
Police Decentralization .....	79	-	79	-	79
Public Transportation .....	4,891	-	4,891	-	4,891
Qualcomm Stadium Operations .....	9	-	9	-	9
Special Gas Tax Street Improvement .....	21,107	-	21,107	17,065	4,042
Street Division Operations .....	432	-	432	417	15
Transient Occupancy Tax .....	27,668	-	27,668	13,581	14,087
Zoological Exhibits .....	62	-	62	-	62
Other Special Revenue - Budgeted .....	11,526	-	11,526	9,633	1,893
Grants .....	559	-	559	-	559
Other Special Revenue - Unbudgeted .....	18,234	-	18,234	37,712	(19,478)
Redevelopment Agency .....	3,026	-	3,026	-	3,026
Debt Funds:					
City of San Diego:					
McGuigan Loan Fund .....	29,035	-	29,035	-	29,035
Capital Projects Funds:					
City of San Diego:					
Capital Outlay .....	579	-	579	-	579
TransNet .....	6,626	-	6,626	6,266	360
Other Construction .....	6,420	-	6,420	215	6,205
Redevelopment Agency .....	815	-	815	-	815
Permanent Funds:					
Cemetery Perpetuity .....	425	-	425	-	425
<b>TOTAL TRANSFERS FROM OTHER FUNDS .....</b>	<b>140,595</b>	<b>-</b>	<b>140,595</b>	<b>97,272</b>	<b>43,323</b>
<b>PROCEEDS FROM THE SALE OF CAPITAL ASSETS .....</b>	<b>21</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>21</b>
<b>TOTAL REVENUE AND TRANSFERS .....</b>	<b>\$ 1,111,946</b>	<b>\$ 129</b>	<b>\$ 1,112,075</b>	<b>\$ 1,137,203</b>	<b>\$ (25,128)</b>

**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2010  
(In Thousands)**

	<u>Actual</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>GENERAL GOVERNMENT AND SUPPORT</b>					
Departmental:					
Mayor					
Salaries and Wages.....	\$ 468	\$ -	\$ 468	\$ 468	\$ -
Non-Personnel.....	250	-	250	251	1
Total Mayor.....	<u>718</u>	<u>-</u>	<u>718</u>	<u>719</u>	<u>1</u>
City Council District 1					
Salaries and Wages.....	448	-	448	448	-
Non-Personnel.....	393	-	393	393	-
Total City Council District 1.....	<u>841</u>	<u>-</u>	<u>841</u>	<u>841</u>	<u>-</u>
City Council District 2					
Salaries and Wages.....	466	-	466	466	-
Non-Personnel.....	373	-	373	373	-
Total City Council District 2.....	<u>839</u>	<u>-</u>	<u>839</u>	<u>839</u>	<u>-</u>
City Council District 3					
Salaries and Wages.....	485	-	485	485	-
Non-Personnel.....	441	-	441	441	-
Total City Council District 3.....	<u>926</u>	<u>-</u>	<u>926</u>	<u>926</u>	<u>-</u>
City Council District 4					
Salaries and Wages.....	457	-	457	457	-
Non-Personnel.....	446	-	446	446	-
Total City Council District 4.....	<u>903</u>	<u>-</u>	<u>903</u>	<u>903</u>	<u>-</u>
City Council District 5					
Salaries and Wages.....	467	-	467	467	-
Non-Personnel.....	397	41	438	438	-
Total City Council District 5.....	<u>864</u>	<u>41</u>	<u>905</u>	<u>905</u>	<u>-</u>
City Council District 6					
Salaries and Wages.....	497	-	497	497	-
Non-Personnel.....	432	-	432	432	-
Total City Council District 6.....	<u>929</u>	<u>-</u>	<u>929</u>	<u>929</u>	<u>-</u>
City Council District 7					
Salaries and Wages.....	515	-	515	515	-
Non-Personnel.....	438	-	438	438	-
Total City Council District 7.....	<u>953</u>	<u>-</u>	<u>953</u>	<u>953</u>	<u>-</u>
City Council District 8					
Salaries and Wages.....	484	-	484	484	-
Non-Personnel.....	440	-	440	440	-
Total City Council District 8.....	<u>924</u>	<u>-</u>	<u>924</u>	<u>924</u>	<u>-</u>
Council Administration					
Salaries and Wages.....	901	-	901	901	-
Non-Personnel.....	776	25	801	801	-
Total Council Administration.....	<u>1,677</u>	<u>25</u>	<u>1,702</u>	<u>1,702</u>	<u>-</u>
City Clerk					
Salaries and Wages.....	2,201	-	2,201	2,201	-
Non-Personnel.....	2,191	-	2,191	2,191	-
Total City Clerk.....	<u>4,392</u>	<u>-</u>	<u>4,392</u>	<u>4,392</u>	<u>-</u>
Independent Budget Analyst					
Salaries and Wages.....	984	-	984	984	-
Non-Personnel.....	603	-	603	603	-
Independent Budget Analyst.....	<u>1,587</u>	<u>-</u>	<u>1,587</u>	<u>1,587</u>	<u>-</u>

Continued on Next Page

**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2010  
(In Thousands)**

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>City Attorney</b>					
Salaries and Wages.....	\$ 22,110	\$ -	\$ 22,110	\$ 22,110	\$ -
Non-Personnel.....	16,433	38	16,471	16,471	-
<b>Total City Attorney.....</b>	<b>38,543</b>	<b>38</b>	<b>38,581</b>	<b>38,581</b>	<b>-</b>
<b>Personnel</b>					
Salaries and Wages.....	3,517	-	3,517	3,517	-
Non-Personnel.....	2,761	-	2,761	2,761	-
<b>Total Personnel.....</b>	<b>6,278</b>	<b>-</b>	<b>6,278</b>	<b>6,278</b>	<b>-</b>
<b>Ethics Commission</b>					
Salaries and Wages.....	567	-	567	567	-
Non-Personnel.....	389	-	389	389	-
<b>Total Ethics Commission.....</b>	<b>956</b>	<b>-</b>	<b>956</b>	<b>956</b>	<b>-</b>
<b>City Auditor</b>					
Salaries and Wages.....	1,393	-	1,393	1,395	2
Non-Personnel.....	1,805	-	1,805	1,826	21
<b>Total City Auditor.....</b>	<b>3,198</b>	<b>-</b>	<b>3,198</b>	<b>3,221</b>	<b>23</b>
<b>Assistant Chief Operating Officer</b>					
Salaries and Wages.....	194	-	194	261	67
Non-Personnel.....	90	-	90	168	78
<b>Total Assistant Chief Operating Officer.....</b>	<b>284</b>	<b>-</b>	<b>284</b>	<b>429</b>	<b>145</b>
<b>Citywide Administration</b>					
Salaries and Wages.....	1,229	-	1,229	1,249	20
Non-Personnel.....	1,456	70	1,526	1,897	371
<b>Total Citywide Administration.....</b>	<b>2,685</b>	<b>70</b>	<b>2,755</b>	<b>3,146</b>	<b>391</b>
<b>Business Office</b>					
Salaries and Wages.....	492	-	492	612	120
Non-Personnel.....	412	-	412	683	271
<b>Total Business Office.....</b>	<b>904</b>	<b>-</b>	<b>904</b>	<b>1,295</b>	<b>391</b>
<b>Human Resources</b>					
Salaries and Wages.....	1,402	-	1,402	1,402	-
Non-Personnel.....	1,153	-	1,153	1,154	1
<b>Total Human Resources.....</b>	<b>2,555</b>	<b>-</b>	<b>2,555</b>	<b>2,556</b>	<b>1</b>
<b>Office of the CIO</b>					
Salaries and Wages.....	-	-	-	-	-
Non-Personnel.....	16,355	-	16,355	16,356	1
<b>Total Office of the CIO.....</b>	<b>16,355</b>	<b>-</b>	<b>16,355</b>	<b>16,356</b>	<b>1</b>
<b>Community and Legislative Services</b>					
Salaries and Wages.....	2,906	-	2,906	3,055	149
Non-Personnel.....	2,801	20	2,821	2,821	-
<b>Total Community and Legislative Services.....</b>	<b>5,707</b>	<b>20</b>	<b>5,727</b>	<b>5,876</b>	<b>149</b>
<b>Chief Financial Officer</b>					
Salaries and Wages.....	319	-	319	319	-
Non-Personnel.....	449	13	462	559	97
<b>Total Chief Financial Officer.....</b>	<b>768</b>	<b>13</b>	<b>781</b>	<b>878</b>	<b>97</b>
<b>City Comptroller</b>					
Salaries and Wages.....	5,876	-	5,876	5,876	-
Non-Personnel.....	5,125	25	5,150	5,150	-
<b>Total City Comptroller.....</b>	<b>11,001</b>	<b>25</b>	<b>11,026</b>	<b>11,026</b>	<b>-</b>

Continued on Next Page

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2010**  
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Debt Management					
Salaries and Wages.....	\$ 1,328	\$ -	\$ 1,328	\$ 1,446	\$ 118
Non-Personnel.....	1,013	12	1,025	1,081	56
Total Debt Management.....	2,341	12	2,353	2,527	174
Financial Management					
Salaries and Wages.....	2,278	-	2,278	2,278	-
Non-Personnel.....	1,675	-	1,675	1,675	-
Total Financial Management.....	3,953	-	3,953	3,953	-
Purchasing and Contracts					
Salaries and Wages.....	1,975	-	1,975	2,190	215
Non-Personnel.....	1,626	-	1,626	1,864	238
Total Purchasing and Contracts.....	3,601	-	3,601	4,054	453
City Treasurer					
Salaries and Wages.....	5,741	-	5,741	5,741	-
Non-Personnel.....	8,286	162	8,448	8,448	-
Total City Treasurer.....	14,027	162	14,189	14,189	-
Real Estate Assets					
Salaries and Wages.....	2,022	-	2,022	2,026	4
Non-Personnel.....	1,407	1	1,408	1,645	237
Total Real Estate Assets.....	3,429	1	3,430	3,671	241
Engineering and Capital Projects					
Salaries and Wages.....	23,049	-	23,049	23,049	-
Non-Personnel.....	19,478	38	19,516	19,517	1
Total Engineering and Capital Projects.....	42,527	38	42,565	42,566	1
General Services					
Salaries and Wages.....	5,418	-	5,418	7,907	2,489
Non-Personnel.....	9,911	23	9,934	10,263	329
Total General Services.....	15,329	23	15,352	18,170	2,818
Public Works					
Salaries and Wages.....	204	-	204	204	-
Non-Personnel.....	120	-	120	132	12
Total Public Works.....	324	-	324	336	12
Citywide Expenses					
Salaries and Wages.....	-	-	-	3,628	3,628
Non-Personnel.....	39,586	413	39,999	40,001	2
Total Citywide Expenses.....	39,586	413	39,999	43,629	3,630
Citywide Expenses/Continuing Projects					
Salaries and Wages.....	-	-	-	-	-
Non-Personnel.....	366	428	794	1,048	254
Total Citywide Expenses/Continuing Projects.....	366	428	794	1,048	254
General Fund Appropriated Reserve					
Salaries and Wages.....	-	-	-	1,666	1,666
Non-Personnel.....	-	-	-	1	1
Total General Fund Appropriated Reserve.....	-	-	-	1,667	1,667
<b>TOTAL GENERAL GOVERNMENT AND SUPPORT.....</b>	<b>230,270</b>	<b>1,309</b>	<b>231,579</b>	<b>242,028</b>	<b>10,449</b>

Continued on Next Page

**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2010  
(In Thousands)**

	<u>Actual</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>PUBLIC SAFETY-POLICE</b>					
Departmental:					
Police					
Salaries and Wages.....	\$ 207,997	\$ -	\$ 207,997	\$ 208,259	\$ 262
Non-Personnel.....	170,049	179	170,228	170,229	1
Total Police .....	<u>378,046</u>	<u>179</u>	<u>378,225</u>	<u>378,488</u>	<u>263</u>
<b>TOTAL PUBLIC SAFETY - POLICE.....</b>	<u>378,046</u>	<u>179</u>	<u>378,225</u>	<u>378,488</u>	<u>263</u>
<b>PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY</b>					
Departmental:					
Fire - Rescue					
Salaries and Wages.....	104,568	-	104,568	104,568	-
Non-Personnel.....	79,625	1	79,626	79,626	-
Total Fire - Rescue.....	<u>184,193</u>	<u>1</u>	<u>184,194</u>	<u>184,194</u>	<u>-</u>
Office of Homeland Security					
Salaries and Wages.....	656	-	656	793	137
Non-Personnel.....	580	51	631	740	109
Total Office of Homeland Security.....	<u>1,236</u>	<u>51</u>	<u>1,287</u>	<u>1,533</u>	<u>246</u>
<b>TOTAL PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY.....</b>	<u>185,429</u>	<u>52</u>	<u>185,481</u>	<u>185,727</u>	<u>246</u>
<b>PARKS, RECREATION, CULTURE AND LEISURE</b>					
Departmental:					
Library					
Salaries and Wages.....	16,167	-	16,167	16,167	-
Non-Personnel.....	18,603	7	18,610	18,610	-
Total Library.....	<u>34,770</u>	<u>7</u>	<u>34,777</u>	<u>34,777</u>	<u>-</u>
Parks and Recreation					
Salaries and Wages.....	31,063	-	31,063	31,063	-
Non-Personnel.....	54,204	638	54,842	54,842	-
Total Parks and Recreation - Administrative Services .....	<u>85,267</u>	<u>638</u>	<u>85,905</u>	<u>85,905</u>	<u>-</u>
Reservoir Concessions					
Salaries and Wages.....	-	-	-	747	747
Non-Personnel.....	1,232	1	1,233	1,247	14
Total Reservoir Concessions.....	<u>1,232</u>	<u>1</u>	<u>1,233</u>	<u>1,994</u>	<u>761</u>
<b>TOTAL PARKS, RECREATION CULTURE AND LEISURE.....</b>	<u>121,269</u>	<u>646</u>	<u>121,915</u>	<u>122,676</u>	<u>761</u>
<b>TRANSPORTATION</b>					
Departmental:					
Engineering and Capital Projects - Transportation					
Salaries and Wages.....	12,069	-	12,069	12,069	-
Non-Personnel.....	8,462	147	8,609	8,609	-
Total Engineering and Capital Projects - Transportation.....	<u>20,531</u>	<u>147</u>	<u>20,678</u>	<u>20,678</u>	<u>-</u>
Streets					
Salaries and Wages.....	12,412	-	12,412	12,413	1
Non-Personnel.....	29,941	949	30,890	30,890	-
Total Streets.....	<u>42,353</u>	<u>949</u>	<u>43,302</u>	<u>43,303</u>	<u>1</u>
<b>TOTAL TRANSPORTATION .....</b>	<u>62,884</u>	<u>1,096</u>	<u>63,980</u>	<u>63,981</u>	<u>1</u>

Continued on Next Page

**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2010  
(In Thousands)**

	<u>Actual</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>SANITATION AND HEALTH</b>					
Departmental:					
Environmental Protection					
Salaries and Wages.....	\$ 7,931	\$ -	\$ 7,931	\$ 9,504	\$ 1,573
Non-Personnel.....	26,846	283	27,129	27,366	237
Total Environmental Protection.....	<u>34,777</u>	<u>283</u>	<u>35,060</u>	<u>36,870</u>	<u>1,810</u>
Storm Water					
Salaries and Wages.....	6,700	-	6,700	6,700	-
Non-Personnel.....	31,984	1,318	33,302	33,303	1
Total Storm Water.....	<u>38,684</u>	<u>1,318</u>	<u>40,002</u>	<u>40,003</u>	<u>1</u>
<b>TOTAL SANITATION AND HEALTH .....</b>	<u>73,461</u>	<u>1,601</u>	<u>75,062</u>	<u>76,873</u>	<u>1,811</u>
<b>NEIGHBORHOOD SERVICES:</b>					
Departmental:					
Development Services					
Salaries and Wages.....	3,036	-	3,036	3,207	171
Non-Personnel.....	3,025	31	3,056	3,056	-
Total Development Services .....	<u>6,061</u>	<u>31</u>	<u>6,092</u>	<u>6,263</u>	<u>171</u>
City Planning & City Investment					
Salaries and Wages.....	4,566	-	4,566	4,566	-
Non-Personnel.....	5,218	1,395	6,613	6,613	-
Total City Planning & City Investment.....	<u>9,784</u>	<u>1,395</u>	<u>11,179</u>	<u>11,179</u>	<u>-</u>
<b>TOTAL NEIGHBORHOOD SERVICES.....</b>	<u>15,845</u>	<u>1,426</u>	<u>17,271</u>	<u>17,442</u>	<u>171</u>
<b>DEBT SERVICE</b>					
Principal.....	2,640	-	2,640	2,640	-
Interest.....	2,888	-	2,888	2,888	-
<b>TOTAL DEBT SERVICE .....</b>	<u>5,528</u>	<u>-</u>	<u>5,528</u>	<u>5,528</u>	<u>-</u>
<b>TOTAL EXPENDITURES.....</b>	<u>1,072,732</u>	<u>6,309</u>	<u>1,079,041</u>	<u>1,092,743</u>	<u>13,702</u>

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**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2010  
(In Thousands)**

	<u>Actual</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>TRANSFERS TO PROPRIETARY FUNDS</b>					
Enterprise Funds:					
City of San Diego:					
Water Utility.....	\$ 200	\$ -	\$ 200	\$ 200	\$ -
Internal Service Funds:					
City of San Diego:					
Fleet Services.....	2,804	-	2,804	2,804	-
Print Shop.....	5	-	5	5	-
Self Insurance.....	7,071	-	7,071	7,071	-
Central Stores.....	77	-	77	77	-
Total Internal Service Funds.....	<u>9,957</u>	<u>-</u>	<u>9,957</u>	<u>9,957</u>	<u>-</u>
<b>TOTAL TRANSFERS TO PROPRIETARY FUNDS.....</b>	<u>10,157</u>	<u>-</u>	<u>10,157</u>	<u>10,157</u>	<u>-</u>
<b>TRANSFERS TO OTHER FUNDS</b>					
Special Revenue Funds:					
City of San Diego:					
Acquisition, Improvement and Operations.....	4,338	-	4,338	4,338	-
Police Decentralization.....	7,825	-	7,825	7,825	-
Other Special Revenue - Budgeted.....	2,096	-	2,096	2,096	-
Grants.....	142	-	142	142	-
Other Special Revenue - Unbudgeted.....	4,141	-	4,141	4,141	-
Public Facilities Financing Authority.....	4,821	-	4,821	4,821	-
Total Special Revenue Funds.....	<u>23,363</u>	<u>-</u>	<u>23,363</u>	<u>23,363</u>	<u>-</u>
Capital Projects Funds:					
City of San Diego:					
Other Construction.....	5,063	-	5,063	5,063	-
<b>TOTAL TRANSFERS TO OTHER FUNDS.....</b>	<u>28,426</u>	<u>-</u>	<u>28,426</u>	<u>28,426</u>	<u>-</u>
<b>TOTAL EXPENDITURES AND TRANSFERS.....</b>	<u>\$ 1,111,315</u>	<u>\$ 6,309</u>	<u>\$ 1,117,624</u>	<u>\$ 1,131,326</u>	<u>\$ 13,702</u>

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## NON MAJOR GOVERNMENTAL FUNDS



**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2010  
(In Thousands)**

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and Investments .....	\$ 422,686	\$ -	\$ 667,455	\$ -	\$ 1,090,141
Receivables:					
Taxes - Net of Allowance for Uncollectibles (Special Revenue \$348) .....	30,926	7,042	-	-	37,968
Accounts - Net of Allowance for Uncollectibles (Special Revenue \$20,375) .....	11,338	5,050	51,783	16	68,187
Claims .....	8	-	-	-	8
Special Assessments .....	587	-	5	-	592
Notes .....	153,321	-	4,782	-	158,103
Accrued Interest .....	650	951	677	13	2,291
Grants .....	22,056	-	26,225	-	48,281
From Other Funds .....	865	-	-	-	865
From Other Agencies .....	2	-	-	-	2
Interfund Loan Receivable .....	-	32,780	-	-	32,780
Advances to Other Funds .....	6,837	-	600	-	7,437
Advances to Other Agencies .....	3,076	-	-	-	3,076
Land Held for Resale .....	8,400	-	27,746	-	36,146
Prepaid Items .....	144	-	-	-	144
Investment in Joint Venture .....	-	-	-	-	-
Restricted Cash and Investments .....	-	294,226	-	16,690	310,916
<b>TOTAL ASSETS</b> .....	<b>\$ 660,896</b>	<b>\$ 340,049</b>	<b>\$ 779,273</b>	<b>\$ 16,719</b>	<b>\$ 1,796,937</b>
<b>LIABILITIES</b>					
Accounts Payable .....	\$ 34,806	\$ -	\$ 22,827	\$ 3	\$ 57,636
Accrued Wages and Benefits .....	1,091	-	-	-	1,091
Other Accrued Liabilities .....	782	-	-	-	782
Due to Other Funds .....	5,385	-	865	-	6,250
Due to Other Agencies .....	3,639	-	51	-	3,690
Unearned Revenue .....	14,139	-	26,931	-	41,070
Deferred Revenue .....	26,726	9,499	77,118	-	113,343
Sundry Trust Liabilities .....	636	-	4,415	-	5,051
Advances from Other Funds .....	1,767	-	5,670	-	7,437
Interfund Loan Payable .....	4,273	11,414	20,580	-	36,267
Contract Deposits .....	3	-	-	-	3
<b>TOTAL LIABILITIES</b> .....	<b>93,247</b>	<b>20,913</b>	<b>158,457</b>	<b>3</b>	<b>272,620</b>
<b>FUND EQUITY</b>					
Fund Balances:					
Reserved for Land Held for Resale .....	8,400	-	27,746	-	36,146
Reserved for Notes Receivable .....	149,710	-	4,782	-	154,492
Reserved for Encumbrances .....	118,407	-	218,828	-	337,235
Reserved for Advances and Deposits .....	9,820	-	600	-	10,420
Reserved for Low and Moderate Income Housing .....	61,118	-	-	-	61,118
Reserved for Permanent Endowments .....	800	-	-	16,714	17,514
Reserved for Debt Service .....	-	159,399	-	-	159,399
Unreserved:					
Designated for Unrealized Gains .....	934	24	2,587	2	3,547
Designated for Debt Service .....	-	159,713	-	-	159,713
Designated for Subsequent Years' Expenditures .....	96,718	-	341,524	-	438,242
Undesignated .....	121,742	-	24,749	-	146,491
<b>TOTAL FUND EQUITY</b> .....	<b>567,649</b>	<b>319,136</b>	<b>620,816</b>	<b>16,716</b>	<b>1,524,317</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b> .....	<b>\$ 660,896</b>	<b>\$ 340,049</b>	<b>\$ 779,273</b>	<b>\$ 16,719</b>	<b>\$ 1,796,937</b>

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2010**  
**(In Thousands)**

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Property Taxes .....	\$ 45,821	\$ 147,139	\$ -	\$ -	\$ 192,960
Special Assessments .....	45,606	-	-	-	45,606
Sales Taxes .....	-	-	15	-	15
Transient Occupancy Taxes .....	58,657	-	-	-	58,657
Other Local Taxes .....	110,434	-	2	-	110,436
Licenses and Permits .....	553	-	4,511	-	5,064
Fines, Forfeitures and Penalties .....	1,657	-	-	-	1,657
Revenue from Use of Money and Property .....	30,999	6,512	12,071	1,030	50,612
Revenue from Federal Agencies .....	47,886	-	3,311	-	51,197
Revenue from Other Agencies .....	13,846	9,530	26,753	-	50,129
Revenue from Private Sources .....	1,241	-	19,955	479	21,675
Charges for Current Services .....	64,148	-	-	85	64,233
Other Revenue .....	15,219	-	109	-	15,328
<b>TOTAL REVENUES .....</b>	<b>436,067</b>	<b>163,181</b>	<b>66,727</b>	<b>1,594</b>	<b>667,569</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	138,849	92	22,469	-	161,410
Public Safety - Police .....	21,866	-	2	-	21,868
Public Safety - Fire, Life Safety and Homeland Security .....	25,006	-	295	-	25,301
Parks, Recreation, Culture and Leisure .....	105,822	-	1,029	237	107,088
Transportation .....	38,328	-	16,333	-	54,661
Sanitation and Health .....	4,873	-	17	-	4,890
Neighborhood Services .....	52,849	3,633	3,445	-	59,927
Capital Projects .....	16,231	-	118,195	-	134,426
Debt Service:					
Principal Retirement .....	8,392	54,749	147	-	63,288
Cost of Issuance .....	-	1,874	7	-	1,881
Interest on Long-Term Debt .....	2,750	69,119	68	-	71,937
Refunding Escrow .....	-	4,172	-	-	4,172
<b>TOTAL EXPENDITURES .....</b>	<b>414,966</b>	<b>133,639</b>	<b>162,007</b>	<b>237</b>	<b>710,849</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES ..</b>	<b>21,101</b>	<b>29,542</b>	<b>(95,280)</b>	<b>1,357</b>	<b>(43,280)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds .....	1,839	80	64	-	1,983
Transfers from Other Funds .....	153,782	77,583	133,818	-	365,183
Transfers to Proprietary Funds .....	(352)	(2,935)	-	-	(3,287)
Transfers to Other Funds .....	(192,034)	(251,531)	(33,241)	(546)	(477,352)
Transfers to Escrow Agent .....	-	(161,194)	-	-	(161,194)
Proceeds from the Sale of Capital Assets .....	2	-	5,104	-	5,106
Capital Leases .....	141	-	10,073	-	10,214
Loans Issued .....	13,749	32,762	1,745	-	48,256
Section 108 Loans Issued .....	454	-	-	-	454
Special Tax Bonds Issued .....	-	13,930	-	-	13,930
Revenue Bonds Issued .....	-	167,635	-	-	167,635
Discount on Bonds Issued .....	-	(92)	-	-	(92)
Premium on Bonds Issued .....	-	1,923	-	-	1,923
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>(22,419)</b>	<b>(121,839)</b>	<b>117,563</b>	<b>(546)</b>	<b>(27,241)</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>(1,318)</b>	<b>(92,297)</b>	<b>22,283</b>	<b>811</b>	<b>(70,521)</b>
Fund Balances at Beginning of Year, as Restated .....	568,967	411,433	598,533	15,905	1,594,838
<b>FUND BALANCES AT END OF YEAR .....</b>	<b>\$ 567,649</b>	<b>\$ 319,136</b>	<b>\$ 620,816</b>	<b>\$ 16,716</b>	<b>\$ 1,524,317</b>

NON MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE



## SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than those for major capital projects) that are legally restricted to expenditures for specified purposes.

### CITY OF SAN DIEGO

#### ACQUISITION, IMPROVEMENT AND OPERATIONS

This Fund accounts for various operating activities including business improvement areas, lighting and landscape maintenance areas, facilities financing, and the City's public art program. Revenues are derived from business tax surcharges, special assessments on property, various rents, concessions and fees, and interest earnings derived there from.

#### ENVIRONMENTAL GROWTH

This Fund was established in accordance with Section 103.1a of the City Charter to receive 25 percent of all monies derived from the revenues accruing to the City from gas, electricity, and steam franchises. One third of the franchise monies and the interest derived there from are used exclusively for the purpose of preserving and enhancing the environment of the City of San Diego. Two thirds of the franchise monies and the interest derived there from are used as matching funds for open space acquisition and for debt service of bonds issued by the San Diego Open Space Facilities District No. 1.

#### POLICE DECENTRALIZATION

This Fund accounts for monies allocated for Police department decentralization expenditures for temporary facilities and to devise future capital improvement projects. Revenues are derived from sales tax allocations.

#### PUBLIC TRANSPORTATION

This Fund was established to account for funds set aside as reserves to be used for transportation-related purposes. Fund transfers and interest derived there from are the main sources of revenue.

#### QUALCOMM STADIUM OPERATIONS

This Fund accounts for the operations of the Stadium. The Stadium hosts various sporting events for its football tenants. Revenues are derived from rents, concessions, parking, and advertising.

#### SPECIAL GAS TAX STREET IMPROVEMENT

This Fund was established to account for the receipt of motor vehicle fuel taxes from the State under Sections 2106 and 2107 of the Streets and Highways Code. Expenditures are for the construction, improvement, maintenance, and operation of public streets and highways.

#### STREET DIVISION OPERATIONS

This Fund was established to account for the operations of Transportation's Street division. Revenues are derived from sales tax allocations and transfers from Gas Tax and TransNet, as well as services performed by the Streets Division. Expenditures are for maintenance and operation of City streets.

#### TRANSIENT OCCUPANCY TAX

This Fund was established to receive and expend transient occupancy taxes. Since 1964, a tax has been imposed on transients of hotel and motel rooms in the City of San Diego. Effective August 1994, the tax was increased from 9% to 10.5%.

## UNDERGROUND SURCHARGE

This fund was established to account primarily for the capital improvement activities related to the undergrounding of utilities. This fund receives and disburses undergrounding surcharge revenue in accordance with the City's franchise agreements with San Diego Gas & Electric.

## ZOOLOGICAL EXHIBITS

This Fund was established to collect monies from a fixed property tax levy authorized by Section 77a of the City Charter for the maintenance of zoological exhibits. These funds are remitted in accordance with a contractual agreement with the San Diego Zoological Society, a not-for-profit corporation independent from the City of San Diego.

## OTHER SPECIAL REVENUE - BUDGETED

This Fund was established to account for revenues derived specifically for a variety of budgeted special programs administered by departments such as Police, Development Services, and General Services. Revenues in this Fund are derived from service charges, revenues from other agencies, and fines.

## GRANTS

This Fund was established to account for revenue received from federal, state and other governmental agencies. Expenditures are made and accounted for as prescribed by appropriate grant provisions/agreements.

## OTHER SPECIAL REVENUE FUND - UNBUDGETED

This Fund was established to account for revenues earmarked for a variety of special programs administered by such departments as Engineering and Capital Projects, Libraries, Park and Recreation, and Police. Revenues in this fund are derived from such sources as parking fees, service charges, contributions from other agencies and private sources, and interest earnings.

## BLENDING COMPONENT UNITS

### CENTRE CITY DEVELOPMENT CORPORATION

This Fund was established to account for the revenues and expenditures of the Centre City Development Corporation (CCDC). CCDC is a non-profit corporation that administers certain redevelopment projects in downtown San Diego and provides redevelopment advisory services to RDA. CCDC is primarily funded by RDA and the City of San Diego.

### REDEVELOPMENT AGENCY

This Fund was established to account for the activities of the Redevelopment Agency of the City of San Diego (RDA). RDA was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. The special revenue account is used to account for funds restricted for the benefit of low and moderate income housing. Funding is primarily from property tax increment revenues and the City of San Diego.

### SAN DIEGO INDUSTRIAL DEVELOPMENT AUTHORITY

This Fund was established to account for revenues and expenditures of the San Diego Industrial Development Authority (SDIDA). SDIDA was formed in 1983 pursuant to the California Industrial Development Financing Act for the purpose of providing an alternative method of financing to participating parties for economic development purposes, through the sale and issuance of revenue bonds. Revenues are derived from fees collected from companies applying for industrial development bond financing. Expenditures are incurred for management and administrative services provided by the City of San Diego.



#### SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION

This Fund was established to account for the revenues and expenditures of the Southeastern Economic Development Corporation (SEDC). SEDC is a non-profit corporation that administers economic development projects within the community of Southeast San Diego and provides redevelopment advisory services to RDA. SEDC is primarily funded by RDA and by the City of San Diego pursuant to operating agreements under which SEDC is reimbursed for eligible costs incurred in connection with such activities.

#### TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION

This fund was established to account for the activities of the Tobacco Settlement Revenue Funding Corporation (TSRFC). The TSRFC was established for the purpose of acquiring the Tobacco Settlement Revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's special revenue fund is used to account for the expenditures incurred for administrative services provided by the City of San Diego.

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
COMBINING BALANCE SHEET  
JUNE 30, 2010  
(In Thousands)**

	<u>City of San Diego</u>	<u>Centre City Development Corporation</u>
<b>ASSETS</b>		
Cash and Investments.....	\$ 261,556	\$ 927
Receivables:		
Taxes - Net of Allowance for Uncollectibles (City of San Diego \$348).....	29,169	-
Accounts - Net of Allowance for Uncollectibles (City of San Diego \$20,375) .....	10,902	-
Claims.....	8	-
Special Assessments.....	587	-
Notes.....	3,611	-
Accrued Interest.....	409	-
Grants.....	22,056	-
From Other Funds.....	-	685
From Other Agencies.....	2	-
Advances to Other Funds.....	6,837	-
Advances to Other Agencies.....	3,076	-
Land Held for Resale.....	-	-
Prepaid Items.....	133	2
<b>TOTAL ASSETS.....</b>	<u>\$ 338,346</u>	<u>\$ 1,614</u>
<b>LIABILITIES</b>		
Accounts Payable.....	\$ 33,861	\$ 1
Accrued Wages and Benefits.....	1,056	-
Other Accrued Liabilities.....	649	133
Due to Other Funds.....	5,385	-
Due to Other Agencies.....	3,639	-
Unearned Revenue.....	14,139	-
Deferred Revenue.....	25,178	-
Sundry Trust Liabilities.....	-	-
Advances from Other Funds.....	-	-
Interfund Loan Payable.....	-	-
Contract Deposits.....	3	-
<b>TOTAL LIABILITIES.....</b>	<u>83,910</u>	<u>134</u>
<b>FUND EQUITY</b>		
Fund Balances:		
Reserved for Land Held for Resale.....	-	-
Reserved for Notes Receivable.....	-	-
Reserved for Encumbrances.....	24,607	-
Reserved for Advances and Deposits.....	9,820	-
Reserved for Low and Moderate Income Housing.....	-	-
Reserved for Permanent Endowments.....	800	-
Unreserved:		
Designated for Unrealized Gains.....	934	-
Designated for Subsequent Years' Expenditures.....	96,703	-
Undesignated .....	121,572	1,480
<b>TOTAL FUND EQUITY.....</b>	<u>254,436</u>	<u>1,480</u>
<b>TOTAL LIABILITIES AND FUND EQUITY.....</b>	<u>\$ 338,346</u>	<u>\$ 1,614</u>

<b>Redevelopment Agency</b>	<b>San Diego Industrial Development Authority</b>	<b>Southeastern Economic Development Corporation</b>	<b>Tobacco Settlement Revenue Funding Corporation</b>	<b>Total</b>
\$ 159,870	\$ 65	\$ 88	\$ 180	\$ 422,686
1,757	-	-	-	30,926
436	-	-	-	11,338
-	-	-	-	8
-	-	-	-	587
149,710	-	-	-	153,321
241	-	-	-	650
-	-	-	-	22,056
-	-	180	-	865
-	-	-	-	2
-	-	-	-	6,837
-	-	-	-	3,076
8,400	-	-	-	8,400
-	-	-	9	144
<u>\$ 320,414</u>	<u>\$ 65</u>	<u>\$ 268</u>	<u>\$ 189</u>	<u>\$ 660,896</u>
\$ 939	\$ -	\$ 5	\$ -	\$ 34,806
-	-	35	-	1,091
-	-	-	-	782
-	-	-	-	5,385
-	-	-	-	3,639
-	-	-	-	14,139
1,548	-	-	-	26,726
636	-	-	-	636
1,767	-	-	-	1,767
4,273	-	-	-	4,273
-	-	-	-	3
<u>9,163</u>	<u>-</u>	<u>40</u>	<u>-</u>	<u>93,247</u>
8,400	-	-	-	8,400
149,710	-	-	-	149,710
93,800	-	-	-	118,407
-	-	-	-	9,820
61,118	-	-	-	61,118
-	-	-	-	800
-	-	-	-	934
-	15	-	-	96,718
(1,777)	50	228	189	121,742
<u>311,251</u>	<u>65</u>	<u>228</u>	<u>189</u>	<u>567,649</u>
<u>\$ 320,414</u>	<u>\$ 65</u>	<u>\$ 268</u>	<u>\$ 189</u>	<u>\$ 660,896</u>

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2010**  
**(In Thousands)**

	<b>City of San Diego</b>	<b>Centre City Development Corporation</b>
<b>REVENUES</b>		
Property Taxes.....	\$ 9,619	\$ -
Special Assessments.....	45,606	-
Transient Occupancy Taxes.....	58,657	-
Other Local Taxes.....	110,434	-
Licenses and Permits.....	553	-
Fines, Forfeitures and Penalties.....	1,657	-
Revenue from Use of Money and Property.....	28,045	-
Revenue from Federal Agencies.....	47,886	-
Revenue from Other Agencies.....	13,846	-
Revenue from Private Sources.....	1,146	-
Charges for Current Services.....	55,513	6,838
Other Revenue.....	13,881	32
<b>TOTAL REVENUES.....</b>	<b>386,843</b>	<b>6,870</b>
<b>EXPENDITURES</b>		
Current:		
General Government and Support.....	45,174	6,801
Public Safety - Police.....	21,866	-
Public Safety - Fire and Life Safety and Homeland Security.....	25,006	-
Parks, Recreation, Culture and Leisure.....	105,822	-
Transportation.....	38,328	-
Sanitation and Health.....	4,873	-
Neighborhood Services.....	41,008	-
Capital Projects.....	16,231	-
Debt Service:		
Principal Retirement.....	8,282	-
Interest on Long-Term Debt.....	2,746	-
<b>TOTAL EXPENDITURES.....</b>	<b>309,336</b>	<b>6,801</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>77,507</b>	<b>69</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from Proprietary Funds.....	1,839	-
Transfers from Other Funds.....	50,330	-
Transfers to Proprietary Funds.....	(352)	-
Transfers to Other Funds.....	(153,756)	(69)
Proceeds from the Sale of Capital Assets.....	2	-
Capital Leases.....	141	-
Loans Issued.....	-	-
Section 108 Loans Issued.....	454	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(101,342)</b>	<b>(69)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(23,835)</b>	<b>-</b>
Fund Balances at Beginning of Year, as Restated.....	278,271	1,480
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 254,436</b>	<b>\$ 1,480</b>

<u>Redevelopment Agency</u>	<u>San Diego Industrial Development Authority</u>	<u>Southeastern Economic Development Corporation</u>	<u>Tobacco Settlement Revenue Funding Corporation</u>	<u>Total</u>
\$ 36,202	\$ -	\$ -	\$ -	\$ 45,821
-	-	-	-	45,606
-	-	-	-	58,657
-	-	-	-	110,434
-	-	-	-	553
-	-	-	-	1,657
2,953	1	-	-	30,999
-	-	-	-	47,886
-	-	-	-	13,846
95	-	-	-	1,241
-	-	1,797	-	64,148
1,306	-	-	-	15,219
<u>40,556</u>	<u>1</u>	<u>1,797</u>	<u>-</u>	<u>436,067</u>
84,968	-	1,845	61	138,849
-	-	-	-	21,866
-	-	-	-	25,006
-	-	-	-	105,822
-	-	-	-	38,328
-	-	-	-	4,873
11,841	-	-	-	52,849
-	-	-	-	16,231
110	-	-	-	8,392
4	-	-	-	2,750
<u>96,923</u>	<u>-</u>	<u>1,845</u>	<u>61</u>	<u>414,966</u>
<u>(56,367)</u>	<u>1</u>	<u>(48)</u>	<u>(61)</u>	<u>21,101</u>
-	-	-	-	1,839
103,392	-	-	60	153,782
-	-	-	-	(352)
(38,147)	-	(62)	-	(192,034)
-	-	-	-	2
-	-	-	-	141
13,749	-	-	-	13,749
-	-	-	-	454
<u>78,994</u>	<u>-</u>	<u>(62)</u>	<u>60</u>	<u>(22,419)</u>
22,627	1	(110)	(1)	(1,318)
<u>288,624</u>	<u>64</u>	<u>338</u>	<u>190</u>	<u>568,967</u>
<u>\$ 311,251</u>	<u>\$ 65</u>	<u>\$ 228</u>	<u>\$ 189</u>	<u>\$ 567,649</u>

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2010**  
**(In Thousands)**

	City of San Diego	
	Actual on Budgetary Basis	Final Budget
<b>REVENUES</b>		
Property Taxes.....	\$ 9,575	\$ 9,680
Special Assessments.....	45,607	47,309
Sales Taxes.....	-	-
Transient Occupancy Taxes.....	58,657	69,007
Other Local Taxes.....	110,434	103,118
Licenses and Permits.....	553	1,208
Fines, Forfeitures and Penalties.....	1,015	1,165
Revenue from Use of Money and Property.....	14,899	13,766
Revenue from Federal Agencies.....	1,553	11,780
Revenue from Other Agencies.....	6,989	5,027
Revenue from Private Sources.....	881	1,043
Charges for Current Services.....	43,202	44,005
Other Revenue.....	765	1,802
<b>TOTAL REVENUES.....</b>	<b>294,131</b>	<b>308,910</b>
<b>EXPENDITURES</b>		
Current:		
General Government and Support.....	22,202	27,252
Public Safety - Police.....	9,062	10,918
Public Safety - Fire and Life Safety and Homeland Security.....	7,932	8,921
Parks, Recreation, Culture and Leisure.....	104,884	145,763
Transportation.....	41,761	41,003
Sanitation and Health.....	3,644	11,368
Neighborhood Services.....	13,751	11,646
Capital Projects.....	8,192	89
Debt Service:		
Principal Retirement.....	5,179	5,731
Interest on Long-Term Debt.....	1,056	609
<b>TOTAL EXPENDITURES.....</b>	<b>217,663</b>	<b>263,300</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>76,468</b>	<b>45,609</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from Proprietary Funds.....	1,003	21
Transfers from Other Funds.....	38,407	28,539
Transfers to Proprietary Funds.....	(12)	(12)
Transfers to Other Funds.....	(128,219)	(157,075)
Proceeds from the Sale of Capital Assets.....	2	-
Capital Leases.....	141	141
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(88,678)</b>	<b>(128,386)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(12,211)</b>	<b>(82,776)</b>
Fund Balances Undesignated at July 1, 2009.....	81,397	81,397
Reserved for Encumbrances at July 1, 2009.....	24,321	24,321
Designated for Subsequent Years' Expenditures at July 1, 2009, as Restated .....	28,090	28,090
Designated for Subsequent Years' Expenditures at June 30, 2010, as Restated .....	(52,962)	-
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2010.....</b>	<b>\$ 68,636</b>	<b>\$ 51,031</b>

Centre City Development Corporation		Southeastern Economic Development Corporation		Total		Variance with Final Budget Positive (Negative)
Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	
\$ -	\$ -	\$ -	\$ -	\$ 9,575	\$ 9,680	\$ (105)
-	-	-	-	45,607	47,309	(1,702)
-	-	-	-	-	-	-
-	-	-	-	58,657	69,007	(10,350)
-	-	-	-	110,434	103,118	7,316
-	-	-	-	553	1,208	(655)
-	-	-	-	1,015	1,165	(150)
-	-	-	-	14,899	13,766	1,133
-	-	-	-	1,553	11,780	(10,227)
-	-	-	-	6,989	5,027	1,962
-	-	-	-	881	1,043	(162)
6,838	8,900	1,797	2,346	51,837	55,251	(3,414)
32	-	-	-	797	1,802	(1,005)
<u>6,870</u>	<u>8,900</u>	<u>1,797</u>	<u>2,346</u>	<u>302,798</u>	<u>320,155</u>	<u>(17,357)</u>
6,801	8,900	1,845	2,346	30,848	38,498	(7,650)
-	-	-	-	9,062	10,918	(1,857)
-	-	-	-	7,932	8,921	(989)
-	-	-	-	104,884	145,763	(40,879)
-	-	-	-	41,761	41,003	758
-	-	-	-	3,644	11,368	(7,723)
-	-	-	-	13,751	11,646	2,106
-	-	-	-	8,192	89	8,104
-	-	-	-	5,179	5,731	(551)
-	-	-	-	1,056	609	448
<u>6,801</u>	<u>8,900</u>	<u>1,845</u>	<u>2,346</u>	<u>226,310</u>	<u>274,545</u>	<u>(48,235)</u>
<u>69</u>	<u>-</u>	<u>(48)</u>	<u>-</u>	<u>76,487</u>	<u>45,609</u>	<u>30,878</u>
-	-	-	-	1,003	21	982
-	-	-	-	38,407	28,539	9,867
-	-	-	-	(12)	(12)	-
(69)	-	(62)	-	(128,350)	(157,075)	28,725
-	-	-	-	2	-	2
-	-	-	-	141	141	-
<u>(69)</u>	<u>-</u>	<u>(62)</u>	<u>-</u>	<u>(88,809)</u>	<u>(128,386)</u>	<u>39,577</u>
-	-	(110)	-	(12,322)	(82,776)	70,455
1,480	1,480	338	338	83,215	83,215	-
-	-	-	-	24,321	24,321	-
-	-	-	-	28,090	28,090	-
-	-	-	-	(52,962)	-	(52,962)
<u>\$ 1,480</u>	<u>\$ 1,480</u>	<u>\$ 228</u>	<u>\$ 338</u>	<u>\$ 70,342</u>	<u>\$ 52,850</u>	<u>\$ 17,492</u>

**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
COMBINING BALANCE SHEET  
JUNE 30, 2010  
(In Thousands)**

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Police Decentralization	Public Transportation	Qualcomm Stadium Operations
<b>ASSETS</b>					
Cash and Investments.....	\$ 32,673	\$ 683	\$ 2,314	\$ 1,096	\$ 5,840
Receivables:					
Taxes - Net of Allowance for Uncollectibles (Zoological Exhibits \$348)....	3,734	3,175	-	-	-
Accounts - Net of Allowance for Uncollectibles (Qualcomm \$303, TOT \$18,661, Other-Unbudgeted \$1,411) .....	706	-	-	-	237
Claims.....	-	-	-	-	-
Special Assessments.....	587	-	-	-	-
Notes.....	-	-	-	-	-
Accrued Interest.....	57	17	-	3	9
Grants.....	-	-	-	-	-
From Other Agencies.....	-	-	-	-	-
Advances to Other Funds.....	-	-	-	-	-
Advances to Other Agencies.....	2,885	-	-	-	-
Prepaid Items.....	-	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 40,642</b>	<b>\$ 3,875</b>	<b>\$ 2,314</b>	<b>\$ 1,099</b>	<b>\$ 6,086</b>
<b>LIABILITIES</b>					
Accounts Payable.....	\$ 6,442	\$ 38	\$ 361	\$ -	\$ 2,704
Accrued Wages and Benefits.....	153	-	-	-	109
Other Accrued Liabilities.....	-	-	-	-	-
Due to Other Funds.....	-	-	-	-	-
Due to Other Agencies.....	-	-	-	-	-
Unearned Revenue.....	-	-	-	-	-
Deferred Revenue.....	1,165	-	-	-	275
Contract Deposits.....	-	-	-	-	3
<b>TOTAL LIABILITIES.....</b>	<b>7,760</b>	<b>38</b>	<b>361</b>	<b>-</b>	<b>3,091</b>
<b>FUND EQUITY</b>					
Fund Balances:					
Reserved for Encumbrances.....	2,875	505	-	-	330
Reserved for Advances and Deposits.....	2,885	-	-	-	-
Reserved for Permanent Endowments.....	-	-	-	-	-
Unreserved:					
Designated for Unrealized Gains.....	178	3	-	6	29
Designated for Subsequent Years' Expenditures.....	3,004	1,444	-	-	-
Undesignated.....	23,940	1,885	1,953	1,093	2,636
<b>TOTAL FUND EQUITY.....</b>	<b>32,882</b>	<b>3,837</b>	<b>1,953</b>	<b>1,099</b>	<b>2,995</b>
<b>TOTAL LIABILITIES AND FUND EQUITY.....</b>	<b>\$ 40,642</b>	<b>\$ 3,875</b>	<b>\$ 2,314</b>	<b>\$ 1,099</b>	<b>\$ 6,086</b>



Special Gas Tax Street Improvement	Street Division Operations	Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Unbudgeted		Total
						Grants	Other Special Revenue	
\$ 165	\$ 350	\$ 4,528	\$ 46,151	\$ 5,906	\$ 32,983	\$ 2,567	\$ 126,300	\$ 261,556
-	-	5,821	12,589	399	3,446	-	5	29,169
51	-	6,198	-	-	2,951	3	756	10,902
8	-	-	-	-	-	-	-	8
-	-	-	-	-	-	-	-	587
-	-	-	-	-	-	-	3,611	3,611
4	-	10	82	-	52	30	145	409
-	-	-	-	-	-	22,056	-	22,056
-	-	-	-	-	-	2	-	2
-	-	-	-	-	-	-	6,837	6,837
-	-	-	-	-	-	95	96	3,076
-	-	117	-	-	-	16	-	133
<u>\$ 228</u>	<u>\$ 350</u>	<u>\$ 16,674</u>	<u>\$ 58,822</u>	<u>\$ 6,305</u>	<u>\$ 39,432</u>	<u>\$ 24,769</u>	<u>\$ 137,750</u>	<u>\$ 338,346</u>
\$ -	\$ -	\$ 2,663	\$ 7,330	\$ 5,863	\$ 1,662	\$ 5,463	\$ 1,335	\$ 33,861
5	-	42	22	-	662	-	63	1,056
-	-	-	-	-	649	-	-	649
-	-	-	-	-	-	-	5,385	5,385
-	-	-	-	-	-	3,639	-	3,639
-	-	-	-	-	-	4,086	10,053	14,139
59	-	6,063	-	348	1,335	11,596	4,337	25,178
-	-	-	-	-	-	-	-	3
<u>64</u>	<u>-</u>	<u>8,768</u>	<u>7,352</u>	<u>6,211</u>	<u>4,308</u>	<u>24,784</u>	<u>21,173</u>	<u>83,910</u>
-	9	2,425	2,696	-	3,890	-	11,877	24,607
-	-	-	-	-	-	2	6,933	9,820
-	-	-	-	-	-	-	800	800
1	-	23	250	-	172	9	263	934
-	318	85	33,814	-	14,297	-	43,741	96,703
<u>163</u>	<u>23</u>	<u>5,373</u>	<u>14,710</u>	<u>94</u>	<u>16,765</u>	<u>(26)</u>	<u>52,963</u>	<u>121,572</u>
<u>164</u>	<u>350</u>	<u>7,906</u>	<u>51,470</u>	<u>94</u>	<u>35,124</u>	<u>(15)</u>	<u>116,577</u>	<u>254,436</u>
<u>\$ 228</u>	<u>\$ 350</u>	<u>\$ 16,674</u>	<u>\$ 58,822</u>	<u>\$ 6,305</u>	<u>\$ 39,432</u>	<u>\$ 24,769</u>	<u>\$ 137,750</u>	<u>\$ 338,346</u>

CITY OF SAN DIEGO  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2010**  
(In Thousands)

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Police Decentralization	Public Transportation	Qualcomm Stadium Operations
<b>REVENUES</b>					
Property Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments.....	45,606	-	-	-	-
Transient Occupancy Taxes.....	-	-	-	-	-
Other Local Taxes.....	-	12,490	-	-	-
Licenses and Permits.....	-	-	-	-	7
Fines, Forfeitures and Penalties.....	-	-	-	-	-
Revenue from Use of Money and Property.....	551	58	79	77	8,127
Revenue from Federal Agencies.....	-	-	-	-	-
Revenue from Other Agencies.....	-	-	-	-	-
Revenue from Private Sources.....	32	-	-	-	-
Charges for Current Services.....	3,566	-	-	-	94
Other Revenue.....	349	-	-	-	122
<b>TOTAL REVENUES.....</b>	<b>50,104</b>	<b>12,548</b>	<b>79</b>	<b>77</b>	<b>8,350</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support.....	1,353	-	-	-	-
Public Safety - Police.....	-	-	6,510	-	-
Public Safety - Fire and Life Safety and Homeland Security.....	-	-	-	-	-
Parks, Recreation, Culture and Leisure.....	50,629	3,115	-	-	14,376
Transportation.....	-	-	-	27	-
Sanitation and Health.....	-	-	-	-	-
Neighborhood Services.....	10,355	-	-	-	-
Capital Projects.....	153	163	-	-	7
Debt Service:					
Principal Retirement.....	-	-	-	-	-
Interest on Long-Term Debt.....	-	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>62,490</b>	<b>3,278</b>	<b>6,510</b>	<b>27</b>	<b>14,383</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITUR</b>	<b>(12,386)</b>	<b>9,270</b>	<b>(6,431)</b>	<b>50</b>	<b>(6,033)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds.....	15	-	-	-	4
Transfers from Other Funds.....	2,850	-	7,825	942	11,764
Transfers to Proprietary Funds.....	(3)	-	-	-	-
Transfers to Other Funds.....	(4)	(9,341)	(79)	(5,674)	(5,826)
Proceeds from the Sale of Capital Assets.....	-	-	-	-	2
Capital Leases.....	-	-	-	-	-
Section 108 Loans Issued.....	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>2,858</b>	<b>(9,341)</b>	<b>7,746</b>	<b>(4,732)</b>	<b>5,944</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(9,528)</b>	<b>(71)</b>	<b>1,315</b>	<b>(4,682)</b>	<b>(89)</b>
Fund Balances at Beginning of Year, as Restated.....	42,410	3,908	638	5,781	3,084
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 32,882</b>	<b>\$ 3,837</b>	<b>\$ 1,953</b>	<b>\$ 1,099</b>	<b>\$ 2,995</b>

Special Gas Tax Street Improvement	Street Division Operations	Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Unbudgeted		Total
						Grants	Other Special Revenue	
\$ -	\$ -	\$ -	\$ -	\$ 9,575	\$ -	\$ -	\$ 44	\$ 9,619
-	-	-	-	-	-	-	-	45,606
-	-	58,657	-	-	-	-	-	58,657
21,895	-	-	63,749	-	12,300	-	-	110,434
-	-	50	-	-	496	-	-	553
-	-	-	-	-	1,015	-	642	1,657
162	11	972	791	62	4,001	97	13,057	28,045
-	-	-	-	-	1,553	46,432	(99)	47,886
-	-	4,500	-	-	2,489	6,199	658	13,846
-	-	849	-	-	-	-	265	1,146
-	-	61	53	-	39,428	-	12,311	55,513
14	-	-	2	-	278	347	12,769	13,881
<u>22,071</u>	<u>11</u>	<u>65,089</u>	<u>64,595</u>	<u>9,637</u>	<u>61,560</u>	<u>53,075</u>	<u>39,647</u>	<u>386,843</u>
73	-	-	1,742	-	18,780	2,793	20,433	45,174
-	-	-	-	-	2,552	12,707	97	21,866
-	-	-	-	-	6,587	17,231	1,188	25,006
-	-	23,438	-	9,768	188	366	3,942	105,822
-	-	-	34,403	-	2,584	590	724	38,328
-	-	-	-	-	3,394	1,465	14	4,873
-	-	-	-	-	3,380	16,921	10,352	41,008
-	10	4	4,548	-	3,306	2,511	5,529	16,231
-	-	-	-	-	5,179	2,075	1,028	8,282
-	-	-	-	-	1,056	1,286	404	2,746
<u>73</u>	<u>10</u>	<u>23,442</u>	<u>40,693</u>	<u>9,768</u>	<u>47,006</u>	<u>57,945</u>	<u>43,711</u>	<u>309,336</u>
21,998	1	41,647	23,902	(131)	14,554	(4,870)	(4,064)	77,507
-	-	-	-	-	984	-	836	1,839
-	-	11,869	26	75	2,955	143	11,881	50,330
-	-	-	-	-	(9)	(138)	(202)	(352)
(22,640)	(432)	(70,894)	(6)	(62)	(13,160)	(1,235)	(24,403)	(153,756)
-	-	-	-	-	-	-	-	2
-	-	-	-	-	141	-	-	141
-	-	-	-	-	-	-	454	454
<u>(22,640)</u>	<u>(432)</u>	<u>(59,025)</u>	<u>20</u>	<u>13</u>	<u>(9,089)</u>	<u>(1,230)</u>	<u>(11,434)</u>	<u>(101,342)</u>
(642)	(431)	(17,378)	23,922	(118)	5,465	(6,100)	(15,498)	(23,835)
<u>806</u>	<u>781</u>	<u>25,284</u>	<u>27,548</u>	<u>212</u>	<u>29,659</u>	<u>6,085</u>	<u>132,075</u>	<u>278,271</u>
\$ 164	\$ 350	\$ 7,906	\$ 51,470	\$ 94	\$ 35,124	\$ (15)	\$ 116,577	\$ 254,436

CITY OF SAN DIEGO  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2010**  
(In Thousands)

	Acquisition, Improvement and Operations				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>REVENUES</b>					
Property Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments.....	45,606	-	45,606	47,309	(1,703)
Transient Occupancy Taxes.....	-	-	-	-	-
Other Local Taxes.....	-	-	-	-	-
Licenses and Permits.....	-	-	-	590	(590)
Fines, Forfeitures and Penalties.....	-	-	-	-	-
Revenue from Use of Money and Property.....	551	21	572	446	126
Revenue from Federal Agencies.....	-	-	-	-	-
Revenue from Other Agencies.....	-	-	-	-	-
Revenue from Private Sources.....	32	-	32	-	32
Charges for Current Services.....	3,566	-	3,566	731	2,835
Other Revenue.....	349	-	349	1,567	(1,218)
<b>TOTAL REVENUES.....</b>	<b>50,104</b>	<b>21</b>	<b>50,125</b>	<b>50,643</b>	<b>(518)</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support.....	1,353	2	1,355	6,903	5,548
Public Safety - Police.....	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security.....	-	-	-	-	-
Parks, Recreation, Culture and Leisure.....	50,629	111	50,740	64,463	13,723
Transportation.....	-	-	-	-	-
Sanitation and Health.....	-	-	-	-	-
Neighborhood Services.....	10,355	16	10,371	8,036	(2,335)
Capital Projects.....	153	1	154	-	(154)
Debt Service:					
Principal Retirement.....	-	-	-	-	-
Interest on Long-Term Debt.....	-	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>62,490</b>	<b>130</b>	<b>62,620</b>	<b>79,402</b>	<b>16,782</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(12,386)</b>	<b>(109)</b>	<b>(12,495)</b>	<b>(28,759)</b>	<b>16,264</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds.....	15	-	15	-	15
Transfers from Other Funds.....	2,850	-	2,850	1,251	1,599
Transfers to Proprietary Funds.....	(3)	-	(3)	(3)	-
Transfers to Other Funds.....	(4)	-	(4)	(1,740)	1,736
Proceeds from the Sale of Capital Assets.....	-	-	-	-	-
Capital Leases.....	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>2,858</b>	<b>-</b>	<b>2,858</b>	<b>(492)</b>	<b>3,350</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>\$ (9,528)</b>	<b>\$ (109)</b>	<b>(9,637)</b>	<b>(29,251)</b>	<b>19,614</b>
Fund Balances Undesignated at July 1, 2009.....			33,887	33,887	-
Reserved for Encumbrances at July 1, 2009, as Restated .....			2,180	2,180	-
Designated for Subsequent Years' Expenditures at July 1, 2009, as Restated ...			514	514	-
Designated for Subsequent Years' Expenditures at June 30, 2010.....			(3,004)	-	(3,004)
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2010.....</b>			<b>\$ 23,940</b>	<b>\$ 7,330</b>	<b>\$ 16,610</b>

Environmental Growth					Police Decentralization				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
12,490	-	12,490	13,804	(1,314)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
58	2	60	107	(47)	79	-	79	-	79
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>12,548</u>	<u>2</u>	<u>12,550</u>	<u>13,911</u>	<u>(1,361)</u>	<u>79</u>	<u>-</u>	<u>79</u>	<u>-</u>	<u>79</u>
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	6,510	-	6,510	7,825	1,315
-	-	-	-	-	-	-	-	-	-
3,116	505	3,621	16,851	13,230	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
163	-	163	-	(163)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>3,279</u>	<u>505</u>	<u>3,784</u>	<u>16,851</u>	<u>13,067</u>	<u>6,510</u>	<u>-</u>	<u>6,510</u>	<u>7,825</u>	<u>1,315</u>
9,269	(503)	8,766	(2,940)	11,706	(6,431)	-	(6,431)	(7,825)	1,394
-	-	-	-	-	-	-	-	-	-
100	-	100	-	100	7,825	-	7,825	7,825	-
-	-	-	-	-	-	-	-	-	-
(9,441)	-	(9,441)	(12,383)	2,942	(79)	-	(79)	-	(79)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>(9,341)</u>	<u>-</u>	<u>(9,341)</u>	<u>(12,383)</u>	<u>3,042</u>	<u>7,746</u>	<u>-</u>	<u>7,746</u>	<u>7,825</u>	<u>(79)</u>
<u>\$ (72)</u>	<u>\$ (503)</u>	<u>(575)</u>	<u>(15,323)</u>	<u>14,748</u>	<u>\$ 1,315</u>	<u>\$ -</u>	<u>1,315</u>	<u>-</u>	<u>1,315</u>
		834	834	-			638	638	-
		809	809	-			-	-	-
		2,261	2,261	-			-	-	-
		<u>(1,444)</u>	<u>-</u>	<u>(1,444)</u>			<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 1,885</u>	<u>\$ (11,419)</u>	<u>\$ 13,304</u>			<u>\$ 1,953</u>	<u>\$ 638</u>	<u>\$ 1,315</u>

Continued on Next Page

CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 YEAR ENDED JUNE 30, 2010  
 (In Thousands)

	Public Transportation				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>REVENUES</b>					
Property Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments.....	-	-	-	-	-
Transient Occupancy Taxes.....	-	-	-	-	-
Other Local Taxes.....	-	-	-	-	-
Licenses and Permits.....	-	-	-	-	-
Fines, Forfeitures and Penalties.....	-	-	-	-	-
Revenue from Use of Money and Property.....	77	25	102	-	102
Revenue from Federal Agencies.....	-	-	-	-	-
Revenue from Other Agencies.....	-	-	-	-	-
Revenue from Private Sources.....	-	-	-	-	-
Charges for Current Services.....	-	-	-	-	-
Other Revenue.....	-	-	-	-	-
<b>TOTAL REVENUES.....</b>	<b>77</b>	<b>25</b>	<b>102</b>	<b>-</b>	<b>102</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support.....	-	-	-	-	-
Public Safety - Police.....	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security.....	-	-	-	-	-
Parks, Recreation, Culture and Leisure.....	-	-	-	-	-
Transportation.....	27	-	27	31	4
Sanitation and Health.....	-	-	-	-	-
Neighborhood Services.....	-	-	-	-	-
Capital Projects.....	-	-	-	-	-
Debt Service:					
Principal Retirement.....	-	-	-	-	-
Interest on Long-Term Debt.....	-	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>27</b>	<b>-</b>	<b>27</b>	<b>31</b>	<b>4</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>50</b>	<b>25</b>	<b>75</b>	<b>(31)</b>	<b>106</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds.....	-	-	-	-	-
Transfers from Other Funds.....	942	-	942	942	-
Transfers to Proprietary Funds.....	-	-	-	-	-
Transfers to Other Funds.....	(5,674)	-	(5,674)	(6,043)	369
Proceeds from the Sale of Capital Assets.....	-	-	-	-	-
Capital Leases.....	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(4,732)</b>	<b>-</b>	<b>(4,732)</b>	<b>(5,101)</b>	<b>369</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>\$ (4,682)</b>	<b>\$ 25</b>	<b>(4,657)</b>	<b>(5,132)</b>	<b>475</b>
Fund Balances Undesignated at July 1, 2009.....			5,750	5,750	-
Reserved for Encumbrances at July 1, 2009.....			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2009.....			-	-	-
Designated for Subsequent Years' Expenditures at June 30, 2010.....			-	-	-
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2010.....</b>			<b>\$ 1,093</b>	<b>\$ 618</b>	<b>\$ 475</b>

Qualcomm Stadium Operations					Special Gas Tax Street Improvement				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	21,895	-	21,895	24,296	(2,401)
7	-	7	4	3	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
8,127	(5)	8,122	6,620	1,502	162	3	165	349	(184)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
94	-	94	1,758	(1,664)	-	-	-	-	-
122	-	122	47	75	14	-	14	-	14
8,350	(5)	8,345	8,429	(84)	22,071	3	22,074	24,645	(2,571)
-	-	-	-	-	73	-	73	73	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
14,376	330	14,706	15,453	747	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
7	-	7	-	(7)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
14,383	330	14,713	15,453	740	73	-	73	73	-
(6,033)	(335)	(6,368)	(7,024)	656	21,998	3	22,001	24,572	(2,571)
4	-	4	-	4	-	-	-	-	-
11,764	-	11,764	11,677	87	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(5,826)	-	(5,826)	(5,835)	9	(22,640)	-	(22,640)	(24,572)	1,932
2	-	2	-	2	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
5,944	-	5,944	5,842	102	(22,640)	-	(22,640)	(24,572)	1,932
\$ (89)	\$ (335)	(424)	(1,182)	758	\$ (642)	\$ 3	(639)	-	(639)
		1,709	1,709	-			802	802	-
		1,351	1,351	-			-	-	-
		-	-	-			-	-	-
		-	-	-			-	-	-
		\$ 2,636	\$ 1,878	\$ 758			\$ 163	\$ 802	\$ (639)

Continued on Next Page

CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 YEAR ENDED JUNE 30, 2010  
 (In Thousands)

	Street Division Operations				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>REVENUES</b>					
Property Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments.....	-	-	-	-	-
Transient Occupancy Taxes.....	-	-	-	-	-
Other Local Taxes.....	-	-	-	-	-
Licenses and Permits.....	-	-	-	-	-
Fines, Forfeitures and Penalties.....	-	-	-	-	-
Revenue from Use of Money and Property.....	11	2	13	-	13
Revenue from Federal Agencies.....	-	-	-	-	-
Revenue from Other Agencies.....	-	-	-	-	-
Revenue from Private Sources.....	-	-	-	-	-
Charges for Current Services.....	-	-	-	-	-
Other Revenue.....	-	-	-	-	-
<b>TOTAL REVENUES.....</b>	<b>11</b>	<b>2</b>	<b>13</b>	<b>-</b>	<b>13</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support.....	-	-	-	-	-
Public Safety - Police.....	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security.....	-	-	-	-	-
Parks, Recreation, Culture and Leisure.....	-	-	-	-	-
Transportation.....	-	9	9	337	328
Sanitation and Health.....	-	-	-	-	-
Neighborhood Services.....	-	-	-	-	-
Capital Projects.....	10	-	10	-	(10)
Debt Service:					
Principal Retirement.....	-	-	-	-	-
Interest on Long-Term Debt.....	-	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>10</b>	<b>9</b>	<b>19</b>	<b>337</b>	<b>318</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>1</b>	<b>(7)</b>	<b>(6)</b>	<b>(337)</b>	<b>331</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds.....	-	-	-	-	-
Transfers from Other Funds.....	-	-	-	-	-
Transfers to Proprietary Funds.....	-	-	-	-	-
Transfers to Other Funds.....	(432)	-	(432)	(417)	(15)
Proceeds from the Sale of Capital Assets.....	-	-	-	-	-
Capital Leases.....	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(432)</b>	<b>-</b>	<b>(432)</b>	<b>(417)</b>	<b>(15)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>\$ (431)</b>	<b>\$ (7)</b>	<b>(438)</b>	<b>(754)</b>	<b>316</b>
Fund Balances Undesignated at July 1, 2009.....			25	25	-
Reserved for Encumbrances at July 1, 2009.....			426	426	-
Designated for Subsequent Years' Expenditures at July 1, 2009.....			328	328	-
Designated for Subsequent Years' Expenditures at June 30, 2010.....			(318)	-	(318)
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2010.....</b>			<b>\$ 23</b>	<b>\$ 25</b>	<b>\$ (2)</b>



Transient Occupancy Tax					Underground Surcharge				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
58,657	-	58,657	69,007	(10,350)	-	-	-	-	-
-	-	-	-	-	63,749	-	63,749	49,482	14,267
50	-	50	50	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
972	70	1,042	2,357	(1,315)	791	(63)	728	450	278
-	-	-	10,780	(10,780)	-	-	-	-	-
4,500	-	4,500	4,500	-	-	-	-	-	-
849	-	849	1,043	(194)	-	-	-	-	-
61	-	61	100	(39)	53	-	53	2,502	(2,449)
-	-	-	-	-	2	-	2	-	2
<u>65,089</u>	<u>70</u>	<u>65,159</u>	<u>87,837</u>	<u>(22,678)</u>	<u>64,595</u>	<u>(63)</u>	<u>64,532</u>	<u>52,434</u>	<u>12,098</u>
-	-	-	-	-	1,742	-	1,742	-	(1,742)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
23,438	2,425	25,863	39,032	13,169	-	-	-	-	-
-	-	-	-	-	34,403	2,696	37,099	19,573	(17,526)
-	-	-	-	-	-	-	-	-	-
4	-	4	89	85	4,548	-	4,548	-	(4,548)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>23,442</u>	<u>2,425</u>	<u>25,867</u>	<u>39,121</u>	<u>13,254</u>	<u>40,693</u>	<u>2,696</u>	<u>43,389</u>	<u>19,573</u>	<u>(23,816)</u>
<u>41,647</u>	<u>(2,355)</u>	<u>39,292</u>	<u>48,716</u>	<u>(9,424)</u>	<u>23,902</u>	<u>(2,759)</u>	<u>21,143</u>	<u>32,861</u>	<u>(11,718)</u>
-	-	-	-	-	-	-	-	-	-
11,869	-	11,869	541	11,328	26	-	26	-	26
-	-	-	-	-	-	-	-	-	-
(70,894)	-	(70,894)	(71,025)	131	(6)	-	(6)	(6)	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>(59,025)</u>	<u>-</u>	<u>(59,025)</u>	<u>(70,484)</u>	<u>11,459</u>	<u>20</u>	<u>-</u>	<u>20</u>	<u>(6)</u>	<u>26</u>
<u>\$ (17,378)</u>	<u>\$ (2,355)</u>	<u>(19,733)</u>	<u>(21,768)</u>	<u>2,035</u>	<u>\$ 23,922</u>	<u>\$ (2,759)</u>	<u>21,163</u>	<u>32,855</u>	<u>(11,692)</u>
		20,362	20,362	-			2,431	2,431	-
		4,740	4,740	-			4,457	4,457	-
		89	89	-			20,473	20,473	-
		<u>(85)</u>	<u>-</u>	<u>(85)</u>			<u>(33,814)</u>	<u>-</u>	<u>(33,814)</u>
		<u>\$ 5,373</u>	<u>\$ 3,423</u>	<u>\$ 1,950</u>			<u>\$ 14,710</u>	<u>\$ 60,216</u>	<u>\$ (45,506)</u>

Continued on Next Page

CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 YEAR ENDED JUNE 30, 2010  
 (In Thousands)

	Zoological Exhibits				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>REVENUES</b>					
Property Taxes.....	\$ 9,575	\$ -	\$ 9,575	\$ 9,680	\$ (105)
Special Assessments.....	-	-	-	-	-
Transient Occupancy Taxes.....	-	-	-	-	-
Other Local Taxes.....	-	-	-	-	-
Licenses and Permits.....	-	-	-	-	-
Fines, Forfeitures and Penalties.....	-	-	-	-	-
Revenue from Use of Money and Property.....	62	-	62	-	62
Revenue from Federal Agencies.....	-	-	-	-	-
Revenue from Other Agencies.....	-	-	-	-	-
Revenue from Private Sources.....	-	-	-	-	-
Charges for Current Services.....	-	-	-	-	-
Other Revenue.....	-	-	-	-	-
<b>TOTAL REVENUES.....</b>	<b>9,637</b>	<b>-</b>	<b>9,637</b>	<b>9,680</b>	<b>(43)</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support.....	-	-	-	-	-
Public Safety - Police.....	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security.....	-	-	-	-	-
Parks, Recreation, Culture and Leisure.....	9,768	-	9,768	9,769	1
Transportation.....	-	-	-	-	-
Sanitation and Health.....	-	-	-	-	-
Neighborhood Services.....	-	-	-	-	-
Capital Projects.....	-	-	-	-	-
Debt Service:					
Principal Retirement.....	-	-	-	-	-
Interest on Long-Term Debt.....	-	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>9,768</b>	<b>-</b>	<b>9,768</b>	<b>9,769</b>	<b>1</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(131)</b>	<b>-</b>	<b>(131)</b>	<b>(89)</b>	<b>(42)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Proprietary Funds.....	-	-	-	-	-
Transfers from Other Funds.....	75	-	75	-	75
Transfers to Proprietary Funds.....	-	-	-	-	-
Transfers to Other Funds.....	(62)	-	(62)	-	(62)
Proceeds from the Sale of Capital Assets.....	-	-	-	-	-
Capital Leases.....	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>13</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>13</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>\$ (118)</b>	<b>\$ -</b>	<b>(118)</b>	<b>(89)</b>	<b>(29)</b>
Fund Balances Undesignated at July 1, 2009.....			212	212	-
Reserved for Encumbrances at July 1, 2009.....			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2009.....			-	-	-
Designated for Subsequent Years' Expenditures at June 30, 2010.....			-	-	-
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2010.....</b>			<b>\$ 94</b>	<b>\$ 123</b>	<b>\$ (29)</b>

Other Special Revenue					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,575	\$ -	\$ 9,575	\$ 9,680	\$ (105)
-	-	-	-	-	45,606	-	45,606	47,309	(1,703)
-	-	-	-	-	58,657	-	58,657	69,007	(10,350)
12,300	-	12,300	15,536	(3,236)	110,434	-	110,434	103,118	7,316
496	-	496	564	(68)	553	-	553	1,208	(655)
1,015	-	1,015	1,165	(150)	1,015	-	1,015	1,165	(150)
4,001	(44)	3,957	3,436	521	14,891	11	14,902	13,766	1,137
1,553	-	1,553	1,000	553	1,553	-	1,553	11,780	(10,227)
2,489	-	2,489	527	1,962	6,989	-	6,989	5,027	1,962
-	-	-	-	-	881	-	881	1,043	(162)
39,428	-	39,428	38,914	514	43,202	-	43,202	44,005	(803)
278	-	278	188	90	765	-	765	1,802	(1,037)
<u>61,560</u>	<u>(44)</u>	<u>61,516</u>	<u>61,330</u>	<u>186</u>	<u>294,121</u>	<u>11</u>	<u>294,132</u>	<u>308,910</u>	<u>(14,777)</u>
18,780	252	19,032	20,276	1,244	21,948	254	22,202	27,252	5,050
2,552	-	2,552	3,093	541	9,062	-	9,062	10,918	1,856
6,587	1,345	7,932	8,921	989	6,587	1,345	7,932	8,921	989
188	-	188	195	7	101,515	3,371	104,886	145,763	40,877
2,584	2,042	4,626	21,062	16,436	37,014	4,747	41,761	41,003	(758)
3,394	250	3,644	11,368	7,724	3,394	250	3,644	11,368	7,724
3,380	-	3,380	3,610	231	13,735	15	13,751	11,646	(2,104)
3,306	-	3,306	-	(3,306)	8,191	1	8,192	89	(8,103)
5,179	-	5,179	5,731	552	5,179	-	5,179	5,731	552
1,056	-	1,056	609	(447)	1,056	-	1,056	609	(447)
<u>47,006</u>	<u>3,889</u>	<u>50,894</u>	<u>74,865</u>	<u>23,970</u>	<u>207,681</u>	<u>9,983</u>	<u>217,665</u>	<u>263,300</u>	<u>45,635</u>
<u>14,554</u>	<u>(3,933)</u>	<u>10,622</u>	<u>(13,535)</u>	<u>24,157</u>	<u>86,440</u>	<u>(9,972)</u>	<u>76,467</u>	<u>45,610</u>	<u>30,858</u>
984	-	984	21	963	1,003	-	1,003	21	982
2,955	-	2,955	6,303	(3,348)	38,407	-	38,407	28,539	9,867
(9)	-	(9)	(9)	-	(12)	-	(12)	(12)	-
(13,160)	-	(13,160)	(35,054)	21,893	(128,219)	-	(128,219)	(157,075)	28,856
-	-	-	-	-	2	-	2	-	2
141	-	141	141	-	141	-	141	141	-
<u>(9,089)</u>	<u>-</u>	<u>(9,089)</u>	<u>(28,598)</u>	<u>19,508</u>	<u>(88,678)</u>	<u>-</u>	<u>(88,678)</u>	<u>(128,386)</u>	<u>39,707</u>
<u>\$ 5,465</u>	<u>\$ (3,933)</u>	1,533	(42,133)	43,664	<u>\$ (2,238)</u>	<u>\$ (9,972)</u>	(12,210)	(82,776)	70,565
		14,747	14,747	-			81,397	81,397	-
		10,358	10,358	-			24,321	24,321	-
		4,425	4,425	-			28,090	28,090	-
		<u>(14,297)</u>	<u>-</u>	<u>(14,297)</u>			<u>(52,962)</u>	<u>-</u>	<u>(52,962)</u>
		<u>\$ 16,765</u>	<u>\$ (12,603)</u>	<u>\$ 29,368</u>			<u>\$ 68,636</u>	<u>\$ 51,032</u>	<u>\$ 17,603</u>

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CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 ENVIRONMENTAL GROWTH FUND  
 COMBINING BALANCE SHEET  
 JUNE 30, 2010  
 (In Thousands)

	Two-Thirds Requirement	One-Third Requirement	Total
<b>ASSETS</b>			
Cash and Investments.....	\$ 25	\$ 658	\$ 683
Receivables:			
Taxes - Net.....	2,117	1,058	3,175
Accrued Interest.....	12	5	17
<b>TOTAL ASSETS.....</b>	<b>\$ 2,154</b>	<b>\$ 1,721</b>	<b>\$ 3,875</b>
<b>LIABILITIES</b>			
Accounts Payable.....	\$ 12	\$ 26	\$ 38
<b>FUND EQUITY</b>			
Fund Balances:			
Reserved for Encumbrances.....	323	182	505
Unreserved:			
Designated for Unrealized Gains.....	-	3	3
Designated for Subsequent Years' Expenditures.....	1,103	341	1,444
Undesignated.....	716	1,169	1,885
<b>TOTAL FUND EQUITY.....</b>	<b>2,142</b>	<b>1,695</b>	<b>3,837</b>
<b>TOTAL LIABILITIES AND FUND EQUITY.....</b>	<b>\$ 2,154</b>	<b>\$ 1,721</b>	<b>\$ 3,875</b>

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 Year Ended June 30, 2010  
 (In Thousands)

	Two-Thirds Requirement	One-Third Requirement	Total
<b>REVENUES</b>			
Other Local Taxes.....	\$ 8,327	\$ 4,163	\$ 12,490
Revenue from Use of Money and Property.....	40	18	58
<b>TOTAL REVENUES.....</b>	<b>8,367</b>	<b>4,181</b>	<b>12,548</b>
<b>EXPENDITURES</b>			
Current:			
Parks, Recreation, Culture and Leisure.....	945	2,170	3,115
Capital Projects.....	102	61	163
<b>TOTAL EXPENDITURES.....</b>	<b>1,047</b>	<b>2,231</b>	<b>3,278</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>7,320</b>	<b>1,950</b>	<b>9,270</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to Other Funds.....	(7,512)	(1,829)	(9,341)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(7,512)</b>	<b>(1,829)</b>	<b>(9,341)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(192)</b>	<b>121</b>	<b>(71)</b>
Fund Balances at Beginning of Year.....	2,334	1,574	3,908
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 2,142</b>	<b>\$ 1,695</b>	<b>\$ 3,837</b>

CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 ENVIRONMENTAL GROWTH FUND  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 YEAR ENDED JUNE 30, 2010  
 (In Thousands)

	Two-Thirds Requirement				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>REVENUES</b>					
Other Local Taxes.....	\$ 8,327	\$ -	\$ 8,327	\$ 9,202	\$ (875)
Revenue from Use of Money and Property.....	40	2	42	54	(12)
<b>TOTAL REVENUES.....</b>	<b>8,367</b>	<b>2</b>	<b>8,369</b>	<b>9,256</b>	<b>(887)</b>
<b>EXPENDITURES</b>					
Current:					
Parks, Recreation, Culture and Leisure.....	945	324	1,269	10,562	9,293
Capital Projects.....	102	-	102	-	(102)
<b>TOTAL EXPENDITURES.....</b>	<b>1,047</b>	<b>324</b>	<b>1,371</b>	<b>10,562</b>	<b>9,191</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>7,320</b>	<b>(322)</b>	<b>6,998</b>	<b>(1,306)</b>	<b>8,304</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Other Funds.....	-	-	-	-	-
Transfers to Other Funds.....	(7,512)	-	(7,512)	(8,897)	1,385
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(7,512)</b>	<b>-</b>	<b>(7,512)</b>	<b>(8,897)</b>	<b>1,385</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>\$ (192)</b>	<b>\$ (322)</b>	<b>(514)</b>	<b>(10,203)</b>	<b>9,689</b>
Fund Balances Undesignated at July 1, 2009.....			-	-	-
Reserved for Encumbrances at July 1, 2009.....			484	484	-
Designated for Subsequent Years' Expenditures at July 1, 2009.....			1,849	1,849	-
Designated for Subsequent Years' Expenditures at June 30, 2010.....			(1,103)	-	(1,103)
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2010.....</b>			<b>\$ 716</b>	<b>\$ (7,870)</b>	<b>\$ 8,586</b>

One-Third Requirement					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ 4,163	\$ -	\$ 4,163	\$ 4,601	\$ (438)	\$ 12,490	\$ -	\$ 12,490	\$ 13,803	\$ (1,313)
18	-	18	54	(36)	58	2	60	108	(48)
4,181	-	4,181	4,655	(474)	12,548	2	12,550	13,911	(1,361)
2,170	182	2,352	6,289	3,937	3,115	506	3,621	16,851	13,230
61	-	61	-	(61)	163	-	163	-	(163)
2,231	182	2,413	6,289	3,876	3,278	506	3,784	16,851	13,067
1,950	(182)	1,768	(1,634)	3,402	9,270	(504)	8,766	(2,940)	11,706
100	-	100	-	100	100	-	100	-	100
(1,929)	-	(1,929)	(3,486)	1,557	(9,441)	-	(9,441)	(12,383)	2,942
(1,829)	-	(1,829)	(3,486)	1,657	(9,341)	-	(9,341)	(12,383)	3,042
\$ 121	\$ (182)	(61)	(5,120)	5,059	\$ (71)	\$ (504)	(575)	(15,323)	14,748
		834	834	-			834	834	-
		325	325	-			809	809	-
		412	412	-			2,261	2,261	-
		(341)	-	(341)			(1,444)	-	(1,444)
		\$ 1,169	\$ (3,549)	\$ 4,718			\$ 1,885	\$ (11,419)	\$ 13,304

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NON MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE



## DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

### CITY OF SAN DIEGO

#### PUBLIC SAFETY COMMUNICATIONS PROJECT

This fund was established to account for the payment of principal and interest on general obligation bonds issued in 1991. These bonds are serviced by property taxes.

#### MCGUIGAN LOAN FUND

This fund was established to account for the initial receipt and principal and interest payments related to a loan from Bank of America; the proceeds of which were used to satisfy the outstanding obligation of the McGuigan Settlement. This loan is serviced by contributions from various operating departments within the City.

### BLENDED COMPONENT UNITS

#### CITY OF SAN DIEGO METROPOLITAN TRANSIT DEVELOPMENT BOARD (MTDB) AUTHORITY

This fund was established to account for the debt service activities of the City of San Diego Metropolitan Transit Development Board Authority (MTDB). MTDB was created to acquire and construct mass public transit guideways, systems and related facilities. MTDB's debt service fund is used to account for the payment of long-term debt principal and interest. This fund is serviced by investment income, lease payments from the City of San Diego, and proceeds from lease revenue bonds and certificates of participation.

#### CONVENTION CENTER EXPANSION FINANCING AUTHORITY

This fund was established to account for the debt service activities of the Convention Center Expansion Financing Authority (CCEFA). CCEFA, created by the City of San Diego and the Port of San Diego, facilitates the financing, acquisition and construction of an expansion to the existing convention center. CCEFA's debt service fund is used to account for the payment of long-term debt principal and interest.

#### PUBLIC FACILITIES FINANCING AUTHORITY

This fund was established to account for the debt service activities of the Public Facilities Financing Authority (PFFA). PFFA, which was created by the City of San Diego and RDA, facilitates the financing, acquisition and construction of public capital facility improvements of RDA or the City. PFFA's debt service fund is used to account for the payment of long-term debt principal and interest.

#### REDEVELOPMENT AGENCY

This fund was established to account for the debt service activities of the Redevelopment Agency of the City of San Diego (RDA). RDA was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. This fund is serviced by property tax increments, sale of real estate, and investment income.

#### SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION

This fund was established to account for the debt service activities of the San Diego Facilities and Equipment Leasing Corporation (SDFELC). SDFELC was established to acquire and lease to the City of San Diego real and personal property to be used in the municipal operations of the City. The City makes lease payments from annual appropriations payable out of any source of legally available funds.

## TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION

This fund was established to account for the debt service activities of the Tobacco Settlement Revenue Funding Corporation (TSRFC). The TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's debt service fund is used to account for the payment of long-term debt principal and interest.

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**NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2010**  
(In Thousands)

	City of San Diego	City of San Diego/MTDB Authority	Convention Center Expansion Financing Authority
<b>ASSETS</b>			
Receivables:			
Taxes.....	\$ 13	\$ -	\$ -
Accounts - Net of Allowance for Uncollectibles.....	-	-	-
Accrued Interest.....	4	-	-
Interfund Loan Receivable.....	-	-	-
Restricted Cash and Investments.....	2,611	20	-
<b>TOTAL ASSETS.....</b>	<b>\$ 2,628</b>	<b>\$ 20</b>	<b>\$ -</b>
<b>LIABILITIES</b>			
Deferred Revenue.....	\$ -	\$ -	\$ -
Interfund Loan Payable.....	-	-	-
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND EQUITY</b>			
Fund Balances:			
Reserved for Debt Service.....	2,614	20	-
Unreserved:			
Designated for Unrealized Gains.....	14	-	-
Designated for Debt Service.....	-	-	-
<b>TOTAL FUND EQUITY.....</b>	<b>2,628</b>	<b>20</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND EQUITY.....</b>	<b>\$ 2,628</b>	<b>\$ 20</b>	<b>\$ -</b>

<u>Public Facilities Financing Authority</u>	<u>Redevelopment Agency</u>	<u>San Diego Facilities and Equipment Leasing Corporation</u>	<u>Tobacco Settlement Revenue Funding Corporation</u>	<u>Total</u>
\$ -	\$ 7,029	\$ -	\$ -	\$ 7,042
-	-	-	5,050	5,050
6	941	-	-	951
32,780	-	-	-	32,780
<u>12,288</u>	<u>266,602</u>	<u>189</u>	<u>12,516</u>	<u>294,226</u>
<u>\$ 45,074</u>	<u>\$ 274,572</u>	<u>\$ 189</u>	<u>\$ 17,566</u>	<u>\$ 340,049</u>
\$ -	\$ 4,449	\$ -	\$ 5,050	\$ 9,499
-	11,414	-	-	11,414
-	15,863	-	5,050	20,913
45,064	98,996	189	12,516	159,399
10	-	-	-	24
-	159,713	-	-	159,713
<u>45,074</u>	<u>258,709</u>	<u>189</u>	<u>12,516</u>	<u>319,136</u>
<u>\$ 45,074</u>	<u>\$ 274,572</u>	<u>\$ 189</u>	<u>\$ 17,566</u>	<u>\$ 340,049</u>

**NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Year Ended June 30, 2010  
(In Thousands)

	City of San Diego	City of San Diego/MTDB Authority	Convention Center Expansion Financing Authority
<b>REVENUES</b>			
Property Taxes.....	\$ 2,330	\$ -	\$ -
Revenue from Use of Money and Property.....	22	-	-
Revenue from Other Agencies.....	-	-	-
<b>TOTAL REVENUES.....</b>	<b>2,352</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>			
Current:			
General Government and Support.....	1	-	-
Neighborhood Services.....	-	-	-
Debt Service:			
Principal Retirement.....	1,975	3,445	5,520
Cost of Issuance.....	-	-	-
Interest on Long-Term Debt.....	353	554	8,181
Refunding Escrow.....	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>2,329</b>	<b>3,999</b>	<b>13,701</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES....</b>	<b>23</b>	<b>(3,999)</b>	<b>(13,701)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Proprietary Funds.....	-	-	-
Transfers from Other Funds.....	-	783	13,701
Transfers to Proprietary Funds.....	(2,935)	-	-
Transfers to Other Funds.....	(29,827)	-	-
Transfers to Escrow Agent.....	-	-	-
Loans Issued.....	32,762	-	-
Special Tax Bonds Issued.....	-	-	-
Revenue Bonds Issued.....	-	-	-
Discount on Bonds Issued.....	-	-	-
Premium on Bonds Issued.....	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>783</b>	<b>13,701</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>23</b>	<b>(3,216)</b>	<b>-</b>
Fund Balances at Beginning of Year, as Restated.....	2,605	3,236	-
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 2,628</b>	<b>\$ 20</b>	<b>\$ -</b>



Public Facilities Financing Authority	Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	Tobacco Settlement Revenue Funding Corporation	Total
\$ -	\$ 144,809	\$ -	\$ -	\$ 147,139
42	5,957	-	491	6,512
-	-	-	9,530	9,530
42	150,766	-	10,021	163,181
-	91	-	-	92
-	3,633	-	-	3,633
6,385	30,259	4,135	3,030	54,749
1,635	239	-	-	1,874
21,361	30,835	1,039	6,796	69,119
4,172	-	-	-	4,172
33,553	65,057	5,174	9,826	133,639
(33,511)	85,709	(5,174)	195	29,542
80	-	-	-	80
25,377	24,756	12,966	-	77,583
-	-	-	-	(2,935)
(7,825)	(213,819)	-	(60)	(251,531)
(153,498)	-	(7,696)	-	(161,194)
-	-	-	-	32,762
-	13,930	-	-	13,930
167,635	-	-	-	167,635
-	(92)	-	-	(92)
1,923	-	-	-	1,923
33,692	(175,225)	5,270	(60)	(121,839)
181	(89,516)	96	135	(92,297)
44,893	348,225	93	12,381	411,433
\$ 45,074	\$ 258,709	\$ 189	\$ 12,516	\$ 319,136

**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE  
COMBINING BALANCE SHEET  
JUNE 30, 2010  
(In Thousands)**

	<u>Budgeted</u>	<u>Unbudgeted</u>	
	<u>Public Safety Communications Project</u>	<u>McGuigan Loan Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Receivables:			
Taxes.....	\$ 13	\$ -	\$ 13
Accrued Interest.....	4	-	4
Restricted Cash and Investments.....	2,611	-	2,611
<b>TOTAL ASSETS.....</b>	<u>\$ 2,628</u>	<u>\$ -</u>	<u>\$ 2,628</u>
<b>FUND EQUITY</b>			
Fund Balances:			
Reserved for Debt Service.....	2,614	-	2,614
Unreserved:			
Designated for Unrealized Gains.....	14	-	14
<b>TOTAL FUND EQUITY.....</b>	<u>2,628</u>	<u>-</u>	<u>2,628</u>
<b>TOTAL LIABILITIES AND FUND EQUITY.....</b>	<u>\$ 2,628</u>	<u>\$ -</u>	<u>\$ 2,628</u>

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2010  
(In Thousands)**

	<u>Budgeted</u>	<u>Unbudgeted</u>	
	<u>Public Safety Communications Project</u>	<u>McGuigan Loan Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Property Taxes.....	\$ 2,330	\$ -	\$ 2,330
Revenue from Use of Money and Property.....	22	-	22
<b>TOTAL REVENUES.....</b>	<u>2,352</u>	<u>-</u>	<u>2,352</u>
<b>EXPENDITURES</b>			
Current:			
General Government and Support.....	1	-	1
Debt Service:			
Principal Retirement.....	1,975	-	1,975
Interest on Long-Term Debt.....	353	-	353
<b>TOTAL EXPENDITURES.....</b>	<u>2,329</u>	<u>-</u>	<u>2,329</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES.....</b>	<u>23</u>	<u>-</u>	<u>23</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to Proprietary Funds.....	-	(2,935)	(2,935)
Transfers to Other Funds.....	-	(29,827)	(29,827)
Loans Issued.....	-	32,762	32,762
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES.....</b>	<u>23</u>	<u>-</u>	<u>23</u>
Fund Balances at Beginning of Year, as Restated.....	2,605	-	2,605
<b>FUND BALANCES AT END OF YEAR.....</b>	<u>\$ 2,628</u>	<u>\$ -</u>	<u>\$ 2,628</u>

CITY OF SAN DIEGO  
**NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2010**  
(In Thousands)

	Public Safety Communications Project				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>					
Property Taxes.....	\$ 2,330	\$ -	\$ 2,330	\$ 2,297	\$ 33
Revenue from Use of Money and Property.....	22	-	22	54	(32)
<b>TOTAL REVENUES.....</b>	<b>2,352</b>	<b>-</b>	<b>2,352</b>	<b>2,351</b>	<b>1</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support.....	1	-	1	-	1
Debt Service:					
Principal Retirement.....	1,975	-	1,975	1,975	-
Interest on Long-Term Debt.....	353	-	353	353	-
<b>TOTAL EXPENDITURES.....</b>	<b>2,329</b>	<b>-</b>	<b>2,329</b>	<b>2,328</b>	<b>1</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES.....</b>	<b>23</b>	<b>-</b>	<b>23</b>	<b>23</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>\$ 23</b>	<b>\$ -</b>	<b>23</b>	<b>23</b>	<b>-</b>
Reserved for Debt Service at July 1, 2009.....			2,591	2,591	-
Reserved for Debt Service at July 1, 2010.....			(2,614)	(2,614)	-
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2010.....</b>			<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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NON MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS



## CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and fiduciary funds).

### CITY OF SAN DIEGO

#### CAPITAL OUTLAY

This fund was established per Section 77 of the City Charter to account for the acquisition, construction and completion of permanent public improvements and real property. Capital outlay fund revenues are derived from the sale of City-owned real property supplemented by sales tax revenue.

#### PARK & RECREATION DISTRICTS

This fund was established to account for park fees collected at the time of subdivision or permit issuance and is mandated per the City of San Diego Municipal Code. Fee assessments are only to be used for park purposes within a Community Park Service District to purchase land, facilities, or reimburse those who have donated more than their proportionate responsibilities.

#### FACILITIES BENEFIT ASSESSMENTS

This fund was established to account for building permit fees collected at the time of permit issuance and is mandated by the City Charter. Fee assessments are only to be used in the community the assessments are collected and are the primary source of project funding, excluding maintenance costs.

#### IMPACT FEES

This fund was established to account for building permit fees collected at the time of permit issuance and has specific State reporting requirements. Fee assessments are only to be used in the community the assessments are collected and are not the primary source of project funding and exclude maintenance costs.

#### SPECIAL ASSESSMENT/SPECIAL TAX BONDS

This fund was established to account for Community Facilities Districts and Special Assessment Districts, which under various sections of State law, issues limited obligation bonds to finance infrastructure facilities and other public improvements necessary to facilitate development of the properties within each district. The bonds are secured solely by the properties within each district, and are repaid through revenues generated by the annual levy of special taxes or special assessments on the benefiting properties.

#### TRANSNET

This fund was established to account for transportation improvements funded by a local sales tax approved by voters in the County of San Diego. Funds are to help relieve traffic congestion, increase safety, and improve air quality by performing repairs, restorations, and construction of needed facilities within the public rights-of-way.

#### OTHER CONSTRUCTION

This fund was established to account for a variety of capital projects such as park and street improvements and construction of public facilities in new development areas. Revenues in this fund are derived from such sources as contributions from developers, grants from Federal, State and other governmental agencies, special assessments, special taxes, fees, and interest derived there from.

## **BLENDED COMPONENT UNITS**

### **PUBLIC FACILITIES FINANCING AUTHORITY**

This fund was established to account for the capital improvement acquisition and construction activities of the Public Facilities Financing Authority (PFFA). PFFA, which was created by the City of San Diego and RDA, facilitates the financing and construction of public capital improvements of the City or RDA. Revenues are derived from the issuance of bonds and interest earnings on investments.

### **REDEVELOPMENT AGENCY**

This fund was established to account for the capital improvement activities of the Redevelopment Agency of the City of San Diego (RDA). RDA was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. Funds are derived from the City of San Diego, from the issuance of bonds for specific redevelopment projects, sale of real estate and investment income.



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**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
COMBINING BALANCE SHEET  
JUNE 30, 2010  
(In Thousands)**

	City of San Diego	Public Facilities Financing Authority	Redevelopment Agency	Total
<b>ASSETS</b>				
Cash and Investments.....	\$ 299,445	\$ 97,908	\$ 270,102	\$ 667,455
Receivables:				
Accounts - Net of Allowance for Uncollectibles.....	51,767	-	16	51,783
Special Assessments.....	5	-	-	5
Notes.....	-	-	4,782	4,782
Accrued Interest.....	436	75	166	677
Grants.....	26,225	-	-	26,225
Advances to Other Funds.....	600	-	-	600
Land Held for Resale.....	-	-	27,746	27,746
<b>TOTAL ASSETS.....</b>	<b>\$ 378,478</b>	<b>\$ 97,983</b>	<b>\$ 302,812</b>	<b>\$ 779,273</b>
<b>LIABILITIES</b>				
Accounts Payable.....	\$ 14,701	\$ 3,157	\$ 4,969	\$ 22,827
Due to Other Funds.....	-	-	865	865
Due to Other Agencies.....	51	-	-	51
Unearned Revenue.....	26,931	-	-	26,931
Deferred Revenue.....	77,118	-	-	77,118
Sundry Trust Liabilities.....	-	-	4,415	4,415
Advances from Other Funds.....	600	-	5,070	5,670
Interfund Loan Payable.....	3,487	-	17,093	20,580
<b>TOTAL LIABILITIES.....</b>	<b>122,888</b>	<b>3,157</b>	<b>32,412</b>	<b>158,457</b>
<b>FUND EQUITY</b>				
Fund Balances:				
Reserved for Land Held for Resale.....	-	-	27,746	27,746
Reserved for Notes Receivable.....	-	-	4,782	4,782
Reserved for Encumbrances.....	47,671	18,080	153,077	218,828
Reserved for Advances and Deposits.....	600	-	-	600
Unreserved:				
Designated for Unrealized Gains.....	1,274	131	1,182	2,587
Designated for Subsequent Years' Expenditures.....	182,378	75,533	83,613	341,524
Undesignated.....	23,667	1,082	-	24,749
<b>TOTAL FUND EQUITY.....</b>	<b>255,590</b>	<b>94,826</b>	<b>270,400</b>	<b>620,816</b>
<b>TOTAL LIABILITIES AND FUND EQUITY.....</b>	<b>\$ 378,478</b>	<b>\$ 97,983</b>	<b>\$ 302,812</b>	<b>\$ 779,273</b>

**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2010**  
**(In Thousands)**

	City of San Diego	Public Facilities Financing Authority	Redevelopment Agency	Total
<b>REVENUES</b>				
Sales Taxes.....	\$ 15	\$ -	\$ -	\$ 15
Other Local Taxes.....	2	-	-	2
Licenses and Permits.....	4,511	-	-	4,511
Revenue from Use of Money and Property.....	6,728	531	4,812	12,071
Revenue from Federal Agencies.....	3,311	-	-	3,311
Revenue from Other Agencies.....	24,385	-	2,368	26,753
Revenue from Private Sources.....	17,085	-	2,870	19,955
Other Revenue.....	(67)	-	176	109
<b>TOTAL REVENUES.....</b>	<b>55,970</b>	<b>531</b>	<b>10,226</b>	<b>66,727</b>
<b>EXPENDITURES</b>				
Current:				
General Government and Support.....	3,051	-	19,418	22,469
Public Safety - Police.....	2	-	-	2
Public Safety - Fire and Life Safety and Homeland Security.....	55	240	-	295
Parks, Recreation, Culture and Leisure.....	855	174	-	1,029
Transportation.....	16,324	9	-	16,333
Sanitation and Health.....	17	-	-	17
Neighborhood Services.....	348	-	3,097	3,445
Capital Projects.....	81,830	10,857	25,508	118,195
Debt Service:				
Principal Retirement.....	147	-	-	147
Cost of Issuance.....	-	-	7	7
Interest on Long-Term Debt.....	68	-	-	68
<b>TOTAL EXPENDITURES.....</b>	<b>102,697</b>	<b>11,280</b>	<b>48,030</b>	<b>162,007</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES.....</b>	<b>(46,727)</b>	<b>(10,749)</b>	<b>(37,804)</b>	<b>(95,280)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Proprietary Funds.....	64	-	-	64
Transfers from Other Funds.....	7,152	129	126,537	133,818
Transfers to Other Funds.....	(17,121)	-	(16,120)	(33,241)
Proceeds from the Sale of Capital Assets.....	5,104	-	-	5,104
Capital Leases.....	10,073	-	-	10,073
Loans Issued.....	634	-	1,111	1,745
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>5,906</b>	<b>129</b>	<b>111,528</b>	<b>117,563</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(40,821)</b>	<b>(10,620)</b>	<b>73,724</b>	<b>22,283</b>
Fund Balances at Beginning of Year.....	296,411	105,446	196,676	598,533
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 255,590</b>	<b>\$ 94,826</b>	<b>\$ 270,400</b>	<b>\$ 620,816</b>

CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
COMBINING BALANCE SHEET  
JUNE 30, 2010  
(In Thousands)

	Capital Outlay	Parks & Recreation Districts
<b>ASSETS</b>		
Cash and Investments.....	\$ 29,024	\$ 6,410
Receivables:		
Accounts - Net of Allowance for Uncollectibles.....	423	-
Special Assessments.....	-	-
Accrued Interest.....	33	11
Grants.....	26,210	-
Advances to Other Funds.....	600	-
<b>TOTAL ASSETS.....</b>	<b>\$ 56,290</b>	<b>\$ 6,421</b>
<b>LIABILITIES</b>		
Accounts Payable.....	\$ 2,722	\$ -
Due to Other Agencies.....	22	-
Unearned Revenue.....	25,761	-
Deferred Revenue.....	23,955	-
Advances from Other Funds.....	-	-
Interfund Loan Payable.....	-	-
<b>TOTAL LIABILITIES.....</b>	<b>52,460</b>	<b>-</b>
<b>FUND EQUITY</b>		
Fund Balances:		
Reserved for Encumbrances.....	3,289	485
Reserved for Advances and Deposits.....	600	-
Unreserved:		
Designated for Unrealized Gains.....	15	35
Designated for Subsequent Years' Expenditures.....	16,516	2,574
Undesignated.....	(16,590)	3,327
<b>TOTAL FUND EQUITY.....</b>	<b>3,830</b>	<b>6,421</b>
<b>TOTAL LIABILITIES AND FUND EQUITY.....</b>	<b>\$ 56,290</b>	<b>\$ 6,421</b>

Facilities Benefit Assesments	Impact Fees	Special Assesment/ Special Tax Bonds	TransNet	Other Construction	Total
\$ 138,454	\$ 50,210	\$ 9,459	\$ 8,669	\$ 57,219	\$ 299,445
-	-	-	49,919	1,425	51,767
-	-	5	-	-	5
233	85	14	18	42	436
-	-	-	-	15	26,225
-	-	-	-	-	600
<u>\$ 138,687</u>	<u>\$ 50,295</u>	<u>\$ 9,478</u>	<u>\$ 58,606</u>	<u>\$ 58,701</u>	<u>\$ 378,478</u>
\$ 9,268	\$ 352	\$ -	\$ 1,119	\$ 1,240	\$ 14,701
-	-	-	-	29	51
-	-	-	-	1,170	26,931
-	-	-	51,741	1,422	77,118
-	-	-	-	600	600
3,487	-	-	-	-	3,487
<u>12,755</u>	<u>352</u>	<u>-</u>	<u>52,860</u>	<u>4,461</u>	<u>122,888</u>
32,369	2,304	96	5,785	3,343	47,671
-	-	-	-	-	600
751	272	25	47	129	1,274
77,239	14,248	72	40,242	31,487	182,378
15,573	33,119	9,285	(40,328)	19,281	23,667
<u>125,932</u>	<u>49,943</u>	<u>9,478</u>	<u>5,746</u>	<u>54,240</u>	<u>255,590</u>
<u>\$ 138,687</u>	<u>\$ 50,295</u>	<u>\$ 9,478</u>	<u>\$ 58,606</u>	<u>\$ 58,701</u>	<u>\$ 378,478</u>

CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 Year Ended June 30, 2010  
 (In Thousands)

	Capital Outlay	Parks & Recreation Districts
<b>REVENUES</b>		
Sales Taxes.....	\$ -	\$ -
Other Local Taxes.....	2	-
Licenses and Permits.....	-	-
Revenue from Use of Money and Property.....	1,022	(17)
Revenue from Federal Agencies.....	3,311	-
Revenue from Other Agencies.....	23,846	-
Revenue from Private Sources.....	-	-
Other Revenue.....	-	(711)
<b>TOTAL REVENUES.....</b>	<b>28,181</b>	<b>(728)</b>
<b>EXPENDITURES</b>		
Current:		
General Government and Support.....	265	-
Public Safety - Police.....	-	-
Public Safety - Fire and Life Safety and Homeland Security.....	1	-
Parks, Recreation, Culture and Leisure.....	674	-
Transportation.....	410	-
Sanitation and Health.....	-	-
Neighborhood Services.....	232	-
Capital Projects.....	40,402	2
Debt Service:		
Principal Retirement.....	-	-
Interest on Long-Term Debt.....	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>41,984</b>	<b>2</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(13,803)</b>	<b>(730)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from Proprietary Funds.....	3	-
Transfers from Other Funds.....	1,449	-
Transfers to Other Funds.....	(3,440)	-
Proceeds from the Sale of Capital Assets.....	5,104	-
Capital Leases.....	10,073	-
Loans Issued.....	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>13,189</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(614)</b>	<b>(730)</b>
Fund Balances at Beginning of Year.....	4,444	7,151
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 3,830</b>	<b>\$ 6,421</b>

<u>Facilities Benefit Assesments</u>	<u>Impact Fees</u>	<u>Special Assesment/ Special Tax Bonds</u>	<u>TransNet</u>	<u>Other Construction</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 15	\$ -	\$ 15
-	-	-	-	-	2
65	3,583	-	863	-	4,511
2,611	1,113	93	297	1,609	6,728
-	-	-	-	-	3,311
-	-	-	-	539	24,385
15,974	-	111	-	1,000	17,085
-	-	-	-	644	(67)
<u>18,650</u>	<u>4,696</u>	<u>204</u>	<u>1,175</u>	<u>3,792</u>	<u>55,970</u>
1,928	747	-	69	42	3,051
-	-	-	-	2	2
-	-	-	-	54	55
1	1	-	-	179	855
4,327	-	9,030	1,531	1,026	16,324
-	-	-	-	17	17
25	-	-	-	91	348
15,599	2,831	-	17,550	5,446	81,830
-	-	-	-	147	147
-	-	-	-	68	68
<u>21,880</u>	<u>3,579</u>	<u>9,030</u>	<u>19,150</u>	<u>7,072</u>	<u>102,697</u>
<u>(3,230)</u>	<u>1,117</u>	<u>(8,826)</u>	<u>(17,975)</u>	<u>(3,280)</u>	<u>(46,727)</u>
-	-	-	-	61	64
-	-	-	-	5,703	7,152
(616)	-	-	(6,626)	(6,439)	(17,121)
-	-	-	-	-	5,104
-	-	-	-	-	10,073
-	-	-	-	634	634
<u>(616)</u>	<u>-</u>	<u>-</u>	<u>(6,626)</u>	<u>(41)</u>	<u>5,906</u>
<u>(3,846)</u>	<u>1,117</u>	<u>(8,826)</u>	<u>(24,601)</u>	<u>(3,321)</u>	<u>(40,821)</u>
<u>129,778</u>	<u>48,826</u>	<u>18,304</u>	<u>30,347</u>	<u>57,561</u>	<u>296,411</u>
<u>\$ 125,932</u>	<u>\$ 49,943</u>	<u>\$ 9,478</u>	<u>\$ 5,746</u>	<u>\$ 54,240</u>	<u>\$ 255,590</u>

CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 YEAR ENDED JUNE 30, 2010  
 (In Thousands)

	TransNet				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
<b>REVENUES</b>					
Sales Taxes.....	\$ 15	\$ -	\$ 15	\$ 26,300	\$ (26,285)
Licenses and Permits.....	863	-	863	-	863
Revenue from Use of Money and Property.....	297	122	419	-	419
<b>TOTAL REVENUES.....</b>	<u>1,175</u>	<u>122</u>	<u>1,297</u>	<u>26,300</u>	<u>(25,003)</u>
<b>EXPENDITURES</b>					
Current:					
General Government and Support.....	69	249	318	2,891	2,573
Parks, Recreation, Culture and Leisure.....	-	-	-	411	411
Transportation.....	1,531	5,536	7,067	69,647	62,580
Capital Projects.....	17,550	-	17,550	-	(17,550)
<b>TOTAL EXPENDITURES.....</b>	<u>19,150</u>	<u>5,785</u>	<u>24,935</u>	<u>72,948</u>	<u>48,013</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES.....</b>	<u>(17,975)</u>	<u>(5,663)</u>	<u>(23,638)</u>	<u>(46,649)</u>	<u>23,011</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers to Other Funds.....	(6,626)	-	(6,626)	(10,074)	3,448
<b>NET CHANGE IN FUND BALANCES.....</b>	<u>\$ (24,601)</u>	<u>\$ (5,663)</u>	<u>(30,264)</u>	<u>(56,723)</u>	<u>26,459</u>
Fund Balances Undesignated at July 1, 2009.....			569	569	-
Reserved for Encumbrances at July 1, 2009.....			5,884	5,884	-
Designated for Subsequent Years' Expenditures at July 1, 2009.....			23,725	23,725	-
Designated for Subsequent Years' Expenditures at June 30, 2010.....			<u>(40,242)</u>	<u>-</u>	<u>(40,242)</u>
<b>FUND BALANCES UNDESIGNATED AT JUNE 30, 2010.....</b>			<u>\$ (40,328)</u>	<u>\$ (26,545)</u>	<u>\$ (13,783)</u>



NON MAJOR GOVERNMENTAL FUNDS - PERMANENT



## PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs (i.e., for the benefit of the City or its citizens).

### CARMEL VALLEY SEWER MAINTENANCE

This fund was established to fund the City's share of maintenance costs for a private sewer system in the Carmel Valley community. The original contribution was received from a developer and interest earnings derived there from will finance a fifty-year maintenance period.

### CEMETERY PERPETUITY

This fund was established to account for the Mt. Hope Cemetery endowment. Investment earnings derived from the endowment supplement grave sales revenues in order to finance cemetery operations.

### EFFIE SERGEANT

This fund was established to account for a donation to benefit the North Park Branch Library. Investment earnings are used to finance library services and programs.

### FIGG ESTATE ENDOWMENT

This fund was established to account for a donation received for the planting and maintenance of jacaranda trees in the public rights of way throughout the City of San Diego. Investment earnings are used for planting and maintenance as well.

### GLADYS EDNA PETERS

This fund was established to account for a donation to benefit the Rancho Bernardo Branch Library. Investment earnings are used to procure and maintain a collection of large print books and periodicals.

### JANE CAMERON ESTATE

This fund was established to account for a donation to benefit the La Jolla/Riford Branch Library. Investment earnings are used to finance library services and programs.

### LOS PENASQUITOS CANYON

This fund was established to account for the Los Penasquitos Canyon Preserve Trust Fund. Investment earnings are used to finance operations, land acquisitions, historical restoration, and maintenance of the Penasquitos Preserve Park.

### SOUTHCREST PARK ESTATES II

This fund was established to finance the City's landscape maintenance costs for the Southcrest Park Estates II, a residential development within the Southcrest Redevelopment project area. The original contribution was received from a developer, and investment earnings derived there from will finance the permanent maintenance costs.

### SYCAMORE ESTATES

This fund was established to account for an endowment agreement between the City and Sycamore Estates, LLC. Investment earnings from the endowment shall be used exclusively for the long-term maintenance of conserved property within Sycamore Estates.

#### ZOOLOGICAL SOCIETY – MISSION TRAILS

This fund was established to account for the Fortuna Mountain Conservation Bank endowment. Investment earnings derived from the endowment shall be used to fund the permanent management of the Fortuna Mountain Conservation Bank within Mission Trails Regional Park.

#### THE ENVIRONMENTAL TRUST BANKRUPTCY ENDOWMENT

This fund was established to account for funds received to manage nine properties accepted by the City in The Environmental Trust Bankruptcy. The City Parks and Recreation Department Open Space Division is responsible for administering the management, maintenance and monitoring of the nine properties.

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**CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT  
COMBINING BALANCE SHEET  
JUNE 30, 2010  
(In Thousands)**

	<b>Carmel Valley Sewer Maintenance</b>	<b>Cemetery Perpetuity</b>	<b>Effie Sergeant</b>	<b>Figg Estate Endowment</b>
<b>ASSETS</b>				
Receivables:				
Accounts - Net of Allowance for Uncollectibles.....	\$ -	\$ 16	\$ -	\$ -
Accrued Interest.....	-	12	-	-
Restricted Cash and Investments.....	50	9,698	492	322
<b>TOTAL ASSETS.....</b>	<b>\$ 50</b>	<b>\$ 9,726</b>	<b>\$ 492</b>	<b>\$ 322</b>
<b>LIABILITIES</b>				
Accounts Payable.....	\$ -	\$ -	\$ -	\$ -
<b>FUND EQUITY</b>				
Fund Balances:				
Reserved for Permanent Endowments.....	50	9,726	492	322
Unreserved:				
Designated for Unrealized Gains.....	-	-	-	-
<b>TOTAL FUND EQUITY.....</b>	<b>50</b>	<b>9,726</b>	<b>492</b>	<b>322</b>
<b>TOTAL LIABILITIES AND FUND EQUITY.....</b>	<b>\$ 50</b>	<b>\$ 9,726</b>	<b>\$ 492</b>	<b>\$ 322</b>

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2010  
(In Thousands)**

	<b>Carmel Valley Sewer Maintenance</b>	<b>Cemetery Perpetuity</b>	<b>Effie Sergeant</b>	<b>Figg Estate Endowment</b>
<b>REVENUES</b>				
Revenue from Use of Money and Property.....	\$ 1	\$ 612	\$ 53	\$ 7
Revenue from Private Sources.....	-	-	-	-
Charges for Current Services.....	-	85	-	-
<b>TOTAL REVENUES.....</b>	<b>1</b>	<b>697</b>	<b>53</b>	<b>7</b>
<b>EXPENDITURES</b>				
Current:				
Parks, Recreation, Culture and Leisure.....	-	3	2	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES...</b>	<b>1</b>	<b>694</b>	<b>51</b>	<b>7</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to Other Funds.....	-	(424)	-	(7)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>(424)</b>	<b>-</b>	<b>(7)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>1</b>	<b>270</b>	<b>51</b>	<b>-</b>
Fund Balances at Beginning of Year.....	49	9,456	441	322
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 50</b>	<b>\$ 9,726</b>	<b>\$ 492</b>	<b>\$ 322</b>

<u>Gladys Edna Peters</u>	<u>Jane Cameron Estate</u>	<u>Los Penasquitos Canyon</u>	<u>Southcrest Park Estates II</u>	<u>Sycamore Estates</u>	<u>Zoological Society- Mission Trails</u>	<u>Environmental Trust Bankruptcy Endowment</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16
-	-	-	-	-	-	1	13
<u>319</u>	<u>2,758</u>	<u>2,383</u>	<u>14</u>	<u>250</u>	<u>69</u>	<u>335</u>	<u>16,690</u>
<u>\$ 319</u>	<u>\$ 2,758</u>	<u>\$ 2,383</u>	<u>\$ 14</u>	<u>\$ 250</u>	<u>\$ 69</u>	<u>\$ 336</u>	<u>\$ 16,719</u>
\$ 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3
316	2,758	2,383	14	250	69	334	16,714
-	-	-	-	-	-	2	2
<u>316</u>	<u>2,758</u>	<u>2,383</u>	<u>14</u>	<u>250</u>	<u>69</u>	<u>336</u>	<u>16,716</u>
<u>\$ 319</u>	<u>\$ 2,758</u>	<u>\$ 2,383</u>	<u>\$ 14</u>	<u>\$ 250</u>	<u>\$ 69</u>	<u>\$ 336</u>	<u>\$ 16,719</u>

<u>Gladys Edna Peters</u>	<u>Jane Cameron Estate</u>	<u>Los Penasquitos Canyon</u>	<u>Southcrest Park Estates II</u>	<u>Sycamore Estates</u>	<u>Zoological Society- Mission Trails</u>	<u>Environmental Trust Bankruptcy Endowment</u>	<u>Total</u>
\$ 37	\$ 20	\$ 289	\$ 1	\$ 5	\$ 1	\$ 4	\$ 1,030
-	147	-	-	-	-	332	479
-	-	-	-	-	-	-	85
<u>37</u>	<u>167</u>	<u>289</u>	<u>1</u>	<u>5</u>	<u>1</u>	<u>336</u>	<u>1,594</u>
19	207	6	-	-	-	-	237
<u>18</u>	<u>(40)</u>	<u>283</u>	<u>1</u>	<u>5</u>	<u>1</u>	<u>336</u>	<u>1,357</u>
-	-	(109)	-	(5)	(1)	-	(546)
-	-	(109)	-	(5)	(1)	-	(546)
18	(40)	174	1	-	-	336	811
<u>298</u>	<u>2,798</u>	<u>2,209</u>	<u>13</u>	<u>250</u>	<u>69</u>	<u>-</u>	<u>15,905</u>
<u>\$ 316</u>	<u>\$ 2,758</u>	<u>\$ 2,383</u>	<u>\$ 14</u>	<u>\$ 250</u>	<u>\$ 69</u>	<u>\$ 336</u>	<u>\$ 16,716</u>

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NON MAJOR BUSINESS-TYPE FUNDS - ENTERPRISE



## ENTERPRISE FUNDS

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. These funds use full accrual accounting.

### CITY OF SAN DIEGO

#### AIRPORTS

This fund was established to account for the operation, maintenance and development of both City-owned airports--Montgomery and Brown Fields. Airports fund revenues are derived from such sources as rent/lease revenue, usage fees, earnings on investments and aid from other governmental agencies.

#### DEVELOPMENT SERVICES

This fund was established to account for construction management, development project review, permitting, and inspection services for the City.

#### ENVIRONMENTAL SERVICES

This fund was established to account for refuse disposal, collection, energy conservation, resource management, and other environmental programs.

#### GOLF COURSE

This fund was established to operate, maintain, and improve physical conditions and initiate capital improvement programs for Torrey Pines, Mission Bay, and Balboa golf courses. Revenues are derived from green fees and leases.

#### RECYCLING

This fund was established to account for the planning, implementation, operation and management of City recycling and waste diversion programs. Revenues are derived from the recycling fee on all waste generated in the City or disposed of at the City landfill.

**NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE  
COMBINING STATEMENT OF NET ASSETS  
June 30, 2010  
( In Thousands )**

	Airports	Development Services
<b>ASSETS</b>		
Cash and Investments .....	\$ 13,200	\$ 8,114
Receivables:		
Accounts - Net of Allowance for Uncollectibles (Airports \$447) .....	184	14
Accrued Interest .....	20	29
Grants .....	490	-
From Other Funds .....	-	5,385
Inventories .....	-	-
Restricted Cash and Investments .....	-	-
Capital Assets - Non-Depreciable .....	2,166	177
Capital Assets - Depreciable .....	11,268	959
<b>TOTAL ASSETS</b> .....	27,328	14,678
<b>LIABILITIES</b>		
Accounts Payable .....	393	279
Accrued Wages and Benefits .....	55	976
Long Term Debt Due Within One Year .....	49	843
Due to Other Funds .....	-	-
Unearned Revenue .....	-	3,107
Contract Deposits .....	-	-
Deposits/Advances from Others .....	72	6,600
Compensated Absences .....	64	1,101
Estimated Landfill Closure and Postclosure Care .....	-	-
Net Other Post Employment Benefits Obligation .....	238	4,697
Net Pension Obligation .....	148	5,015
<b>TOTAL LIABILITIES</b> .....	1,019	22,618
<b>NET ASSETS (DEFICIT)</b>		
Invested in Capital Assets, Net of Related Debt .....	13,434	1,136
Restricted for Closure/Postclosure maintenance .....	-	-
Unrestricted (Deficit) .....	12,875	(9,076)
<b>TOTAL NET ASSETS (DEFICIT)</b> .....	\$ 26,309	\$ (7,940)

<u>Environmental Services</u>	<u>Golf Course</u>	<u>Recycling</u>	<u>Total</u>
\$ 52,090	\$ 23,012	\$ 10,019	\$ 106,435
95	14	196	503
169	39	23	280
-	-	255	745
-	-	-	5,385
-	3	-	3
43,675	-	4,754	48,429
16,077	1,211	-	19,631
<u>34,281</u>	<u>15,936</u>	<u>702</u>	<u>63,146</u>
<u>146,387</u>	<u>40,215</u>	<u>15,949</u>	<u>244,557</u>
1,480	755	255	3,162
551	224	377	2,183
496	136	159	1,683
29	-	-	29
-	-	-	3,107
-	8	415	423
-	-	4,754	11,426
647	177	208	2,197
20,126	-	-	20,126
2,250	1,316	1,693	10,194
<u>1,675</u>	<u>355</u>	<u>990</u>	<u>8,183</u>
<u>27,254</u>	<u>2,971</u>	<u>8,851</u>	<u>62,713</u>
50,358	17,147	702	82,777
43,747	-	-	43,747
<u>25,028</u>	<u>20,097</u>	<u>6,396</u>	<u>55,320</u>
<u>\$ 119,133</u>	<u>\$ 37,244</u>	<u>\$ 7,098</u>	<u>\$ 181,844</u>

**NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**Year Ended June 30, 2010**  
**(In Thousands)**

	Airports	Development Services
<b>OPERATING REVENUES</b>		
Charges for Services .....	\$ 119	\$ 36,037
Usage Fees .....	4,660	-
Other .....	70	1,301
<b>TOTAL OPERATING REVENUES .....</b>	<b>4,849</b>	<b>37,338</b>
<b>OPERATING EXPENSES</b>		
Maintenance and Operations .....	3,900	25,089
Administration .....	917	12,496
Depreciation .....	544	123
<b>TOTAL OPERATING EXPENSES .....</b>	<b>5,361</b>	<b>37,708</b>
<b>OPERATING INCOME (LOSS) .....</b>	<b>(512)</b>	<b>(370)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Earnings on Investments .....	210	40
Other Agency Grant Assistance .....	477	-
Gain (Loss) on Sale/Retirement of Capital Assets .....	(559)	-
Debt Service Interest Expense .....	-	-
Other .....	-	5
<b>TOTAL NONOPERATING REVENUES (EXPENSES) .....</b>	<b>128</b>	<b>45</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS .....</b>	<b>(384)</b>	<b>(325)</b>
Capital Contributions .....	460	-
Transfers from Other Funds .....	5	60
Transfers from Governmental Funds.....	48	1,261
Transfers to Other Funds .....	-	(30)
Transfers to Governmental Funds .....	(1)	(121)
<b>CHANGE IN NET ASSETS .....</b>	<b>128</b>	<b>845</b>
Net Assets (Deficit) at Beginning of Year .....	26,181	(8,785)
<b>NET ASSETS (DEFICIT) AT END OF YEAR .....</b>	<b>\$ 26,309</b>	<b>\$ (7,940)</b>

<u>Environmental Services</u>	<u>Golf Course</u>	<u>Recycling</u>	<u>Total</u>
\$ 672	\$ 14,185	\$ 4,997	\$ 56,010
25,206	1,486	11,891	43,243
<u>464</u>	<u>-</u>	<u>58</u>	<u>1,893</u>
<u>26,342</u>	<u>15,671</u>	<u>16,946</u>	<u>101,146</u>
24,137	12,005	9,781	74,912
6,490	1,629	8,830	30,362
<u>3,280</u>	<u>954</u>	<u>810</u>	<u>5,711</u>
<u>33,907</u>	<u>14,588</u>	<u>19,421</u>	<u>110,985</u>
<u>(7,565)</u>	<u>1,083</u>	<u>(2,475)</u>	<u>(9,839)</u>
1,885	451	220	2,806
-	-	1,256	1,733
(5)	(24)	-	(588)
-	-	1	1
<u>733</u>	<u>57</u>	<u>967</u>	<u>1,762</u>
<u>2,613</u>	<u>484</u>	<u>2,444</u>	<u>5,714</u>
(4,952)	1,567	(31)	(4,125)
-	-	-	460
121	19	47	252
398	190	315	2,212
(65)	-	-	(95)
<u>(225)</u>	<u>-</u>	<u>(86)</u>	<u>(433)</u>
(4,723)	1,776	245	(1,729)
<u>123,856</u>	<u>35,468</u>	<u>6,853</u>	<u>183,573</u>
<u>\$ 119,133</u>	<u>\$ 37,244</u>	<u>\$ 7,098</u>	<u>\$ 181,844</u>

**NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE  
COMBINING STATEMENT OF CASH FLOWS  
Year Ended June 30, 2010  
( In Thousands )**

	<u>Airports</u>	<u>Development Services</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users .....	\$ 5,055	\$ 21,486
Receipts from Interfund Services Provided .....	3	10,801
Payments to Suppliers .....	(2,851)	(8,925)
Payments to Employees .....	(1,442)	(27,929)
Payments for Interfund Services Used.....	(563)	(474)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>202</b>	<b>(5,041)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers In .....	5	60
Transfers from Governmental Funds .....	48	1,261
Transfers Out .....	-	(30)
Transfers to Governmental Funds .....	(1)	(121)
Operating Grants Received .....	477	-
Proceeds from Advances and Deposits .....	72	6,600
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>601</b>	<b>7,770</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Capital Contributions .....	1,530	-
Acquisition of Capital Assets .....	(1,231)	-
Proceeds from the Sale of Capital Assets .....	-	-
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>299</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and Dividends Received on Investments .....	232	63
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES .....</b>	<b>232</b>	<b>63</b>
Net Increase (Decrease) in Cash and Cash Equivalents .....	1,334	2,792
Cash and Cash Equivalents at Beginning of Year .....	11,866	5,322
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<b>\$ 13,200</b>	<b>\$ 8,114</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>		
Operating Income (Loss) .....	\$ (512)	\$ (370)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation .....	544	123
Other Nonoperating Revenue (Expenses) .....	-	5
(Increase) Decrease in Assets:		
Accounts Receivable - Net .....	209	71
Claims Receivable - Net .....	-	-
Due From Other Funds .....	-	(1,781)
Inventories .....	-	-
Prepaid Expenses .....	2	-
Increase (Decrease) in Liabilities:		
Accounts Payable .....	(85)	232
Accrued Wages and Benefits .....	11	(215)
Due to Other Funds .....	(2)	(58)
Unearned Revenue .....	-	(3,346)
Contract Deposits .....	-	-
Compensated Absences .....	(23)	(110)
Estimated Landfill Closure and Postclosure Care .....	-	-
Net OPEB Obligation .....	107	1,485
Net Pension Obligation .....	(49)	(1,077)
Total Adjustments .....	714	(4,671)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>\$ 202</b>	<b>\$ (5,041)</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>		
Increase (Decrease) in Capital Assets related Accounts Payable .....	\$ (13)	\$ -
Noncash Retirement of Capital Assets .....	(559)	-



Environmental Services	Golf Course	Recycling	Total
\$ 26,521	\$ 15,743	\$ 17,090	\$ 85,895
572	1	679	12,056
(14,965)	(6,437)	(9,212)	(42,390)
(13,092)	(5,987)	(8,619)	(57,069)
(106)	(379)	(163)	(1,685)
(1,070)	2,941	(225)	(3,193)
121	19	47	252
398	190	315	2,212
(65)	-	-	(95)
(225)	-	(86)	(433)
-	-	1,225	1,702
-	-	2,185	8,857
229	209	3,686	12,495
-	-	-	1,530
(1,399)	(1,064)	(52)	(3,746)
-	6	-	6
(1,399)	(1,058)	(52)	(2,210)
2,012	481	248	3,036
2,012	481	248	3,036
(228)	2,573	3,657	10,128
95,993	20,439	11,116	144,736
\$ 95,765	\$ 23,012	\$ 14,773	\$ 154,864
\$ (7,566)	\$ 1,084	\$ (2,475)	\$ (9,839)
3,280	954	810	5,711
734	56	967	1,762
17	1	2	300
-	2	-	2
-	5	-	(1,776)
-	(1)	-	(1)
-	-	-	2
847	433	232	1,659
86	42	83	7
(31)	-	(27)	(118)
-	-	(224)	(3,570)
-	9	78	87
114	(34)	(48)	(101)
790	-	-	790
1,051	582	696	3,921
(392)	(192)	(319)	(2,029)
6,496	1,857	2,250	6,646
\$ (1,070)	\$ 2,941	\$ (225)	\$ (3,193)
\$ (51)	\$ (5)	\$ -	\$ (69)
(5)	(30)	-	(594)

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## INTERNAL SERVICE FUNDS



## INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units and/or funds.

### CITY OF SAN DIEGO

#### FLEET SERVICES

This fund was established to account for the acquisition, replacement, maintenance and fueling of the City's motive equipment.

#### CENTRAL STORES

This fund was established to provide centralized storeroom services to all City departments.

#### PUBLISHING SERVICES

This fund was established to provide printing and reproduction services to all City departments.

#### SELF INSURANCE

This fund was established to account for self insurance activities, including worker's compensation and long-term disability programs for employees. Revenues are derived from rates charged to departments as a percentage of payroll. This fund also accounts for the public liability reserve, which was established for the purpose of paying claims in excess of annual appropriations.

#### MISCELLANEOUS INTERNAL SERVICE

This fund accounts for various administrative activities including risk management administration, administration and operation of various employee related programs such as unused compensatory time, unused sick leave and unemployment insurance, and citywide training. Revenues are derived from rates or fees charged to the departments for specific services rendered.

### BLENDED COMPONENT UNIT

#### SAN DIEGO DATA PROCESSING CORPORATION

This fund accounts for the operations of the San Diego Data Processing Corporation, Inc. (SDDPC). SDDPC was formed for the purpose of providing data processing services to public agencies, primarily the City of San Diego, which is the sole member of SDDPC. SDDPC also provides telecommunication services to the City. Rates are charged for the various services provided as per operating agreements and are subject to change each year.

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2010  
( In Thousands )**

	City of San Diego	
	Fleet Services	Central Stores
<b>ASSETS</b>		
Cash and Investments .....	\$ 84,483	\$ 2,715
Receivables:		
Accounts - Net of Allowance for Uncollectibles (Self Insurance \$896) .....	421	2
Claims .....	-	-
Accrued Interest .....	-	-
From Other Funds .....	-	372
Inventories .....	-	2,551
Prepaid Expenses .....	-	-
Capital Assets - Non-Depreciable .....	5,636	-
Capital Assets - Depreciable .....	104,045	64
<b>TOTAL ASSETS</b> .....	<b>194,585</b>	<b>5,704</b>
<b>LIABILITIES</b>		
Accounts Payable .....	4,082	4,782
Accrued Wages and Benefits .....	953	52
Interest Accrued on Long-Term Debt .....	92	-
Long-Term Debt Due Within One Year .....	7,069	24
Due to Other Funds .....	-	-
Unearned Revenue .....	-	-
Compensated Absences .....	872	39
Liability Claims .....	-	-
Capital Lease Obligations .....	15,503	-
Net Other Post Employment Benefits Obligation .....	3,550	303
Net Pension Obligation.....	934	160
<b>TOTAL LIABILITIES</b> .....	<b>33,055</b>	<b>5,360</b>
<b>NET ASSETS (DEFICIT)</b>		
Invested in Capital Assets, Net of Related Debt .....	87,660	64
Unrestricted .....	73,870	280
<b>TOTAL NET ASSETS (DEFICIT)</b> .....	<b>\$ 161,530</b>	<b>\$ 344</b>

<u>Publishing Services</u>	<u>Self Insurance</u>	<u>Miscellaneous Internal Service</u>	<u>San Diego Data Processing Corporation</u>	<u>Total</u>
\$ 1,307	\$ 65,335	\$ 5,940	\$ 1,228	\$ 161,008
9	383	2	7,287	8,104
-	27	-	-	27
-	-	8	-	8
-	-	-	-	372
-	-	-	-	2,551
-	-	-	1,540	1,540
-	-	-	1,984	7,620
133	-	-	8,702	112,944
<u>1,449</u>	<u>65,745</u>	<u>5,950</u>	<u>20,741</u>	<u>294,174</u>
675	323	619	7,255	17,736
47	16	237	794	2,099
-	-	-	-	92
37	36,131	1,894	1,071	46,226
1,000	-	-	-	1,000
-	-	-	2	2
58	-	2,992	226	4,187
-	170,834	-	-	170,834
-	-	-	-	15,503
257	-	1,125	-	5,235
244	-	643	-	1,981
<u>2,318</u>	<u>207,304</u>	<u>7,510</u>	<u>9,348</u>	<u>264,895</u>
133	-	-	10,686	98,543
<u>(1,002)</u>	<u>(141,559)</u>	<u>(1,560)</u>	<u>707</u>	<u>(69,264)</u>
<u>\$ (869)</u>	<u>\$ (141,559)</u>	<u>\$ (1,560)</u>	<u>\$ 11,393</u>	<u>\$ 29,279</u>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**YEAR ENDED JUNE 30, 2010**  
**( In Thousands )**

	<b>City of San Diego</b>	
	<b>Fleet Services</b>	<b>Central Stores</b>
<b>OPERATING REVENUES</b>		
Charges for Services .....	\$ 2,088	\$ 31,128
Usage Fees .....	74,287	-
Other .....	861	310
<b>TOTAL OPERATING REVENUES .....</b>	<b>77,236</b>	<b>31,438</b>
<b>OPERATING EXPENSES</b>		
Benefit and Claim Payments .....	-	-
Maintenance and Operations .....	45,594	1,426
Cost of Materials Issued .....	-	31,491
Administration .....	4,824	-
Depreciation .....	24,317	15
<b>TOTAL OPERATING EXPENSES .....</b>	<b>74,735</b>	<b>32,932</b>
<b>OPERATING INCOME (LOSS) .....</b>	<b>2,501</b>	<b>(1,494)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Earnings on Investments .....	1,603	(77)
Other Agency Grant Assistance .....	11	-
Gain on Sale/Retirement of Capital Assets .....	1,310	-
Debt Service Interest Expense .....	(726)	-
Other .....	79	43
<b>TOTAL NONOPERATING REVENUES (EXPENSES) .....</b>	<b>2,277</b>	<b>(34)</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS .....</b>	<b>4,778</b>	<b>(1,528)</b>
Capital Contributions .....	6	-
Transfers from Other Funds .....	220	1
Transfers from Governmental Funds .....	3,446	119
Transfers to Other Funds .....	(505)	-
Transfers to Governmental Funds .....	(1,949)	-
<b>CHANGE IN NET ASSETS .....</b>	<b>5,996</b>	<b>(1,408)</b>
Net Assets (Deficit) at Beginning of Year .....	155,534	1,752
<b>NET ASSETS (DEFICIT) AT END OF YEAR .....</b>	<b>\$ 161,530</b>	<b>\$ 344</b>



<u>Publishing Services</u>	<u>Self Insurance</u>	<u>Miscellaneous Internal Service</u>	<u>San Diego Data Processing Corporation</u>	<u>Total</u>
\$ 5,502	\$ 46,921	\$ 13,407	\$ 45,032	\$ 144,078
-	-	-	-	74,287
-	293	275	-	1,739
<u>5,502</u>	<u>47,214</u>	<u>13,682</u>	<u>45,032</u>	<u>220,104</u>
-	30,222	7,397	-	37,619
3,274	-	-	-	50,294
-	-	-	-	31,491
2,386	-	9,669	43,072	59,951
<u>74</u>	<u>-</u>	<u>-</u>	<u>4,393</u>	<u>28,799</u>
<u>5,734</u>	<u>30,222</u>	<u>17,066</u>	<u>47,465</u>	<u>208,154</u>
<u>(232)</u>	<u>16,992</u>	<u>(3,384)</u>	<u>(2,433)</u>	<u>11,950</u>
(5)	1,381	181	3	3,086
-	-	-	-	11
-	-	-	125	1,435
-	-	-	-	(726)
<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>123</u>
<u>(5)</u>	<u>1,381</u>	<u>181</u>	<u>129</u>	<u>3,929</u>
(237)	18,373	(3,203)	(2,304)	15,879
-	-	-	-	6
1	-	-	-	222
46	7,071	213	-	10,895
-	-	(314)	-	(819)
<u>(5)</u>	<u>(2,631)</u>	<u>(1,193)</u>	<u>-</u>	<u>(5,778)</u>
(195)	22,813	(4,497)	(2,304)	20,405
<u>(674)</u>	<u>(164,372)</u>	<u>2,937</u>	<u>13,697</u>	<u>8,874</u>
<u>\$ (869)</u>	<u>\$ (141,559)</u>	<u>\$ (1,560)</u>	<u>\$ 11,393</u>	<u>\$ 29,279</u>

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2010  
( In Thousands )**

	<u>City of San Diego</u>	
	<u>Fleet Services</u>	<u>Central Stores</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users .....	\$ -	\$ -
Receipts from Interfund Services Provided .....	76,992	31,264
Payments to Suppliers .....	(24,582)	(28,144)
Payments to Employees .....	(19,984)	(1,252)
Payments for Interfund Services Used.....	(709)	(53)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>31,717</b>	<b>1,815</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers In .....	220	1
Transfers from Governmental Funds .....	3,446	119
Transfers Out .....	(505)	-
Transfers to Governmental Funds .....	(1,949)	-
Operating Grants Received .....	11	-
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>1,223</b>	<b>120</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Contracts, Notes, and Loans .....	900	-
Acquisition of Capital Assets .....	(21,574)	-
Proceeds from the Sale of Capital Assets .....	2,336	-
Principal Payments on Capital Leases .....	(7,639)	-
Interest Paid on Long-Term Debt .....	(903)	-
<b>NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>(26,880)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and Dividends Received on Investments .....	1,604	(77)
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES .....</b>	<b>1,604</b>	<b>(77)</b>
Net Increase (Decrease) in Cash and Cash Equivalents .....	7,664	1,858
Cash and Cash Equivalents at Beginning of Year .....	76,819	857
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<b>\$ 84,483</b>	<b>\$ 2,715</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>		
Operating Income (Loss) .....	\$ 2,501	\$ (1,494)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation .....	24,317	15
Other Nonoperating Revenue (Expenses) .....	79	44
(Increase) Decrease in Assets:		
Accounts Receivable - Net .....	(324)	154
Claims Receivable - Net .....	1	-
Contributions Receivable .....	-	-
Due from Other Funds.....	-	(372)
Inventories .....	-	(520)
Prepaid Expenses.....	931	1
Increase (Decrease) in Liabilities:		
Accounts Payable .....	3,254	3,877
Accrued Wages and Benefits .....	148	13
Due to Other Funds .....	(91)	(4)
Unearned Revenue .....	-	-
Compensated Absences .....	5	16
Liability Claims .....	-	-
Net OPEB Obligation .....	1,541	128
Net Pension Obligation .....	(645)	(43)
Total Adjustments .....	29,216	3,309
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>\$ 31,717</b>	<b>\$ 1,815</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>		
Capital Leases.....	\$ 900	\$ -
Developer Contributed Assets .....	6	-
Noncash Retirement of Capital Assets .....	(1,026)	-

<u>Publishing Services</u>	<u>Self Insurance</u>	<u>Miscellaneous Internal Service</u>	<u>San Diego Data Processing Corporation</u>	<u>Total</u>
\$ -	\$ -	\$ 1,184	\$ 44,258	\$ 45,442
5,503	47,115	12,858	-	173,732
(4,201)	(22,337)	-	(14,322)	(93,586)
(1,307)	(22,902)	(17,381)	(27,080)	(89,906)
(46)	-	-	-	(808)
<u>(51)</u>	<u>1,876</u>	<u>(3,339)</u>	<u>2,856</u>	<u>34,874</u>
1	-	-	-	222
46	7,071	213	-	10,895
-	-	(314)	-	(819)
(5)	(2,631)	(1,193)	-	(5,778)
-	-	-	-	11
<u>42</u>	<u>4,440</u>	<u>(1,294)</u>	<u>-</u>	<u>4,531</u>
-	-	-	-	900
-	-	-	(2,854)	(24,428)
-	-	-	125	2,461
-	-	-	-	(7,639)
-	-	-	-	(903)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,729)</u>	<u>(29,609)</u>
<u>(5)</u>	<u>1,381</u>	<u>190</u>	<u>3</u>	<u>3,096</u>
<u>(5)</u>	<u>1,381</u>	<u>190</u>	<u>3</u>	<u>3,096</u>
(14)	7,697	(4,443)	130	12,892
<u>1,321</u>	<u>57,638</u>	<u>10,383</u>	<u>1,098</u>	<u>148,116</u>
<u>\$ 1,307</u>	<u>\$ 65,335</u>	<u>\$ 5,940</u>	<u>\$ 1,228</u>	<u>\$ 161,008</u>
<u>\$ (232)</u>	<u>\$ 16,992</u>	<u>\$ (3,384)</u>	<u>\$ (2,433)</u>	<u>\$ 11,950</u>
74	-	-	4,393	28,799
-	-	-	1	124
1	(80)	-	(699)	(948)
-	(19)	-	-	(18)
-	-	360	-	360
-	-	-	-	(372)
-	-	-	2	(518)
1	-	39	564	1,536
536	(118)	548	1,096	9,193
12	(75)	(1,070)	204	(768)
(521)	-	(165)	-	(781)
-	-	-	(75)	(75)
(1)	-	79	(197)	(98)
-	(14,824)	-	-	(14,824)
120	-	469	-	2,258
(41)	-	(215)	-	(944)
<u>181</u>	<u>(15,116)</u>	<u>45</u>	<u>5,289</u>	<u>22,924</u>
<u>\$ (51)</u>	<u>\$ 1,876</u>	<u>\$ (3,339)</u>	<u>\$ 2,856</u>	<u>\$ 34,874</u>
\$ -	\$ -	\$ -	\$ -	\$ 900
-	-	-	-	6
-	-	-	-	(1,026)

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## FIDUCIARY FUNDS



## FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government.

The resources of fiduciary funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

### CITY OF SAN DIEGO

#### PENSION AND EMPLOYEE SAVINGS TRUST FUNDS

##### PRESERVATION OF BENEFITS PLAN

The Preservation of Benefits Plan is a qualified governmental excess benefit plan under Internal Revenue Code (IRC) section 415(m), which was created by Congress to allow for the payment of promised pension benefits that exceed the IRC section 415(b) limits (and therefore can't be paid from the City's Pension and Employee Savings Trust Fund). This fund is maintained by the Retirement Board of Administration to reflect all amounts the City contributes for payment of pension benefits that exceed IRC section 415(b) limits.

##### POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN

Retiree Health Insurance Trust fund is a separate trust fund used solely for providing retiree health benefits. It is maintained by the Retirement Board of Administration to reflect all amounts the City and retirees contribute to pay retiree health benefits.

##### SUPPLEMENTAL PENSION SAVINGS PLAN

The Supplemental Pension Savings Plan Fund is a defined contribution plan, where benefits depend solely on amounts contributed to the plan by both the City and employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

##### 401(a) PLAN

The City's 401(a) Plan Fund is a defined contribution plan, where benefits depend solely on amounts contributed to the plan by the City, employees and investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

##### 401(k) PLAN

The City's 401(k) Plan Fund is a defined contribution plan, where benefits depend solely on amounts contributed to the plan by City employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

#### AGENCY FUNDS

These funds were established to account for assets held by the City as an agent for individuals, private organizations, other governments and/or funds, including federal and state income taxes withheld from employees, parking citation revenues, employee benefit plans and special assessments.

### BLENDED COMPONENT UNIT

#### PENSION AND EMPLOYEE SAVINGS TRUST FUNDS

##### CITY EMPLOYEES' RETIREMENT SYSTEM

The San Diego City Employees' Retirement System ("CERS") provides retirement, health insurance, disability, and death benefits. SDCERS is a defined benefit plan, whereby funds are accumulated from City and employee contributions, plus earnings from fund investments. Currently SDCERS also administers the Port of San Diego and the San Diego County Regional Airport Authority defined benefit plans.

**FIDUCIARY FUNDS**  
**PENSION AND EMPLOYEE SAVINGS TRUST FUNDS**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2010**  
**(In Thousands)**

	<u>City Employees' Retirement System</u>		
	<u>City of San Diego</u>	<u>Unified Port District</u>	<u>Airport Authority</u>
<b>ASSETS</b>			
Cash or Equity in Pooled Cash and Investments .....	\$ 325	\$ 18	\$ 5
Cash with Custodian/Fiscal Agent .....	377,470	20,465	6,230
Investments at Fair Value:			
Short Term Investments .....	34,037	1,845	562
Domestic Fixed Income Securities (Bonds) .....	771,345	41,819	12,731
International Fixed Income Securities (Bonds) .....	142,968	7,751	2,360
Domestic Equity Securities (Stocks) .....	1,649,100	89,407	27,219
International Equity Securities (Stocks) .....	612,149	33,188	10,104
Real Estate Equity and Real Estate Securities .....	337,146	18,279	5,565
Equity Mutual Funds .....	-	-	-
Fixed Income Mutual Funds .....	-	-	-
Private Equity .....	35,326	1,915	583
Receivables:			
Contributions .....	12,123	1,008	590
Accrued Interest .....	11,833	642	195
Loans .....	-	-	-
Securities Sold .....	54,764	2,969	904
Prepaid Expenses .....	339	18	6
Securities Lending Collateral .....	459,663	24,921	7,587
Capital Assets - Depreciable .....	1,179	64	19
<b>TOTAL ASSETS</b> .....	<u>4,499,767</u>	<u>244,309</u>	<u>74,660</u>
<b>LIABILITIES</b>			
Accounts Payable .....	9,842	533	163
Accrued Wages and Benefits .....	751	41	12
DROP Liability .....	382,002	8,417	864
Net Other Post Employment Benefit Obligation .....	961	-	-
Net Pension Obligation .....	625	-	-
Securities Lending Obligations .....	459,663	24,921	7,587
Securities Purchased .....	127,385	6,906	2,103
<b>TOTAL LIABILITIES</b> .....	<u>981,229</u>	<u>40,818</u>	<u>10,729</u>
<b>NET ASSETS</b>			
Held in Trust for Pension Benefits and Other Purposes .....	<u>\$ 3,518,538</u>	<u>\$ 203,491</u>	<u>\$ 63,931</u>



Preservation of Benefits Plan	Post-Employment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(a) Plan	401(k) Plan	Total
\$ 244	\$ 33	\$ 472	\$ 54	\$ 728	\$ 1,879
14	-	-	-	-	404,179
-	-	-	-	-	36,444
-	-	-	-	-	825,895
-	-	-	-	-	153,079
-	-	-	-	-	1,765,726
-	-	-	-	-	655,441
-	-	-	-	-	360,990
-	-	210,046	81	119,696	329,823
-	-	281,459	10	111,264	392,733
-	-	-	-	-	37,824
-	420	1	-	-	14,142
-	1	(2)	-	1	12,670
-	-	24,488	-	10,978	35,466
-	-	-	-	-	58,637
-	15	-	-	-	378
-	-	-	-	-	492,171
-	-	-	-	-	1,262
<u>258</u>	<u>469</u>	<u>516,464</u>	<u>145</u>	<u>242,667</u>	<u>5,578,739</u>
-	-	-	-	-	10,538
-	-	-	-	-	804
-	-	-	-	-	391,283
-	-	-	-	-	961
-	-	-	-	-	625
-	-	-	-	-	492,171
-	-	-	-	-	136,394
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,032,776</u>
<u>\$ 258</u>	<u>\$ 469</u>	<u>\$ 516,464</u>	<u>\$ 145</u>	<u>\$ 242,667</u>	<u>\$ 4,545,963</u>

**FIDUCIARY FUNDS  
PENSION AND EMPLOYEE SAVINGS TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
June 30, 2010  
(In Thousands)**

	<u>City Employees' Retirement System</u>		
	<u>City of San Diego</u>	<u>Unified Port District</u>	<u>Airport Authority</u>
<b>ADDITIONS</b>			
Employer Contributions .....	\$ 192,533	\$ 7,201	\$ 7,600
Employee Contributions .....	65,096	4,477	3,016
Retiree Contributions .....	-	-	-
Earnings on Investments:			
Investment Income .....	479,907	26,648	6,179
Investment Expense .....	<u>(21,311)</u>	<u>(1,150)</u>	<u>(244)</u>
Net Investment Income .....	<u>458,596</u>	<u>25,498</u>	<u>5,935</u>
Securities Lending:			
Gross Earnings .....	2,849	157	42
Borrower Rebates .....	<u>(1,190)</u>	<u>(66)</u>	<u>(18)</u>
Net Securities Lending Income .....	<u>1,659</u>	<u>91</u>	<u>24</u>
Other Income .....	<u>274</u>	<u>15</u>	<u>4</u>
<b>TOTAL OPERATING ADDITIONS .....</b>	<b><u>718,158</u></b>	<b><u>37,282</u></b>	<b><u>16,579</u></b>
<b>DEDUCTIONS</b>			
DROP Interest Expense .....	24,884	458	33
Benefit and Claim Payments .....	286,945	12,139	948
Administration .....	<u>13,921</u>	<u>758</u>	<u>289</u>
<b>TOTAL OPERATING DEDUCTIONS .....</b>	<b><u>325,750</u></b>	<b><u>13,355</u></b>	<b><u>1,270</u></b>
<b>CHANGE IN NET ASSETS .....</b>	<b>392,408</b>	<b>23,927</b>	<b>15,309</b>
Net Assets at Beginning of Year.....	<u>3,126,130</u>	<u>179,564</u>	<u>48,622</u>
<b>NET ASSETS AT END OF YEAR .....</b>	<b><u>\$ 3,518,538</u></b>	<b><u>\$ 203,491</u></b>	<b><u>\$ 63,931</u></b>

Preservation of Benefits Plan	Post-Employment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(a) Plan	401(k) Plan	Total
\$ 1,604	\$ 31,689	\$ 16,581	\$ 43	\$ -	\$ 257,251
-	-	18,798	106	18,310	109,803
-	7,569	-	-	-	7,569
1	52	42,985	(3)	22,366	578,135
-	-	-	-	-	(22,705)
<u>1</u>	<u>52</u>	<u>42,985</u>	<u>(3)</u>	<u>22,366</u>	<u>555,430</u>
-	-	-	-	-	3,048
-	-	-	-	-	(1,274)
-	-	-	-	-	1,774
-	-	814	-	-	1,107
<u>1,605</u>	<u>39,310</u>	<u>79,178</u>	<u>146</u>	<u>40,676</u>	<u>932,934</u>
-	-	-	-	-	25,375
1,370	38,515	52,058	1	18,031	410,007
7	336	-	-	-	15,311
<u>1,377</u>	<u>38,851</u>	<u>52,058</u>	<u>1</u>	<u>18,031</u>	<u>450,693</u>
228	459	27,120	145	22,645	482,241
30	10	489,344	-	220,022	4,063,722
<u>\$ 258</u>	<u>\$ 469</u>	<u>\$ 516,464</u>	<u>\$ 145</u>	<u>\$ 242,667</u>	<u>\$ 4,545,963</u>

**FIDUCIARY FUNDS  
AGENCY FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2010  
(In Thousands)**

	<u>Employee Benefits</u>	<u>Other Miscellaneous Agency</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Investments .....	\$ 6,399	\$ 6,612	\$ 13,011
Receivables:			
Accounts - Net .....	130	1,464	1,594
Special Assessments .....	-	1,132	1,132
Accrued Interest .....	-	18	18
Restricted Cash and Investments .....	-	44,019	44,019
<b>TOTAL ASSETS .....</b>	<b><u>\$ 6,529</u></b>	<b><u>\$ 53,245</u></b>	<b><u>\$ 59,774</u></b>
<b>LIABILITIES</b>			
Accounts Payable .....	\$ -	\$ 732	\$ 732
Deposits/Advances from Others .....	-	676	676
Sundry Agency Liabilities .....	6,529	17,530	24,059
Due to Bondholders .....	-	34,307	34,307
<b>TOTAL LIABILITIES .....</b>	<b><u>\$ 6,529</u></b>	<b><u>\$ 53,245</u></b>	<b><u>\$ 59,774</u></b>

**FIDUCIARY FUNDS**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**YEAR ENDED JUNE 30, 2010**  
**(In Thousands)**

	Beginning Balance, as Restated	Additions	Deductions	Ending Balance
<b>Employee Benefits</b>				
<b>ASSETS</b>				
Cash or Equity in Pooled Cash and Investments .....	\$ 10,189	\$ 81,988	\$ 85,778	\$ 6,399
Receivables:				
Accounts - Net .....	118	1,976	1,964	130
Accrued Interest .....	5	4	9	-
<b>TOTAL ASSETS .....</b>	<b>\$ 10,312</b>	<b>\$ 83,968</b>	<b>\$ 87,751</b>	<b>\$ 6,529</b>
<b>LIABILITIES</b>				
Sundry Agency Liabilities .....	\$ 10,312	\$ 80,016	\$ 83,799	\$ 6,529
<b>TOTAL LIABILITIES .....</b>	<b>\$ 10,312</b>	<b>\$ 80,016</b>	<b>\$ 83,799</b>	<b>\$ 6,529</b>
<b>Other Miscellaneous Agency</b>				
<b>ASSETS</b>				
Cash and Investments .....	\$ 22,414	\$ 372,124	\$ 387,926	\$ 6,612
Receivables:				
Accounts - Net .....	2,144	18,446	19,126	1,464
Special Assessments .....	1,322	1,136	1,326	1,132
Accrued Interest .....	27	18	27	18
Restricted Cash and Investments .....	41,576	79,046	76,603	44,019
<b>TOTAL ASSETS .....</b>	<b>\$ 67,483</b>	<b>\$ 470,770</b>	<b>\$ 485,008</b>	<b>\$ 53,245</b>
<b>LIABILITIES</b>				
Accounts Payable .....	\$ 5,213	\$ 6,059	\$ 10,540	\$ 732
Deposits/Advances from Others .....	10,977	4,077	14,378	676
Sundry Agency Liabilities .....	18,582	401,446	402,498	17,530
Due to Bondholders .....	32,711	28,405	26,809	34,307
<b>TOTAL LIABILITIES .....</b>	<b>\$ 67,483</b>	<b>\$ 439,987</b>	<b>\$ 454,225</b>	<b>\$ 53,245</b>
<b>TOTAL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Investments .....	\$ 32,603	\$ 454,112	\$ 473,704	\$ 13,011
Receivables:				
Accounts - Net .....	2,262	20,422	21,090	1,594
Special Assessments .....	1,322	1,136	1,326	1,132
Accrued Interest .....	32	22	36	18
Restricted Cash and Investments .....	41,576	79,046	76,603	44,019
<b>TOTAL ASSETS .....</b>	<b>\$ 77,795</b>	<b>\$ 554,738</b>	<b>\$ 572,759</b>	<b>\$ 59,774</b>
<b>LIABILITIES</b>				
Accounts Payable .....	\$ 5,213	\$ 6,059	\$ 10,540	\$ 732
Deposits/Advances from Others .....	10,977	4,077	14,378	676
Sundry Agency Liabilities .....	28,894	481,462	486,297	24,059
Due to Bondholders .....	32,711	28,405	26,809	34,307
<b>TOTAL LIABILITIES .....</b>	<b>\$ 77,795</b>	<b>\$ 520,003</b>	<b>\$ 538,024</b>	<b>\$ 59,774</b>

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STATISTICAL SECTION [UNAUDITED]





## STATISTICAL SECTION

The Statistical Section presents information as required by Government Accounting Standards Board (GASB) Statement 44. In addition to utilizing the basic financial statements, notes to the financial statements, and required supplementary information, the statistical data presented in this section helps users assess the City's economic condition. Ten-year trend information has been provided when available. The statistical tables are footnoted to indicate sources and when accounting data or other information is unavailable.

### CONTENTS

#### FINANCIAL TRENDS

Tables 1 through 4 contain information to help the reader understand how the City's financial performance and well-being have changed over time.

#### REVENUE CAPACITY

Tables 5 through 8 contain information to help the reader assess the City's ability to generate its most significant local revenue source, property tax.

#### DEBT CAPACITY

Tables 9 through 14 present information to help the reader assess the affordability of the City's current levels of certain outstanding debt categories.

#### DEMOGRAPHIC AND ECONOMIC INFORMATION

Tables 15 through 16 offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to provide comparisons over time with other governments.

#### OPERATING INFORMATION

Tables 17 through 19 contain information about the City's resources and operations to help the reader understand how the City's financial report relates to the services provided and activities performed by the City.

\*Additional financial information (audited and statistical) on the Sewer and Water Utilities can be obtained in the Annual Report Disclosure filings submitted to the Municipal Securities Rulemaking Board, <http://emma.msrb.org>, and the City's Investor Webpage, <http://www.sandiego.gov/investorinformation>.

City of San Diego  
 Net Assets by Category (Unaudited)  
 Last Nine Fiscal Years (In Thousands)  
 (As of 12/31/05)

	Fiscal Year			
	2002 (restated)	2003	2004	2005
<b>Governmental Activities</b>				
Invested in Capital Assets, Net of Related Debt	\$ 3,013,292	\$ 3,106,168	\$ 3,200,262	\$ 3,600,989
Restricted for:				
Capital Projects	231,964	250,452	274,664	90,390
Debt Service	70,029	154,926	74,268	37,522
Low-Moderate Income Housing	-	-	-	-
Permanent	15,860	11,857	13,104	13,908
Other	137,071	78,743	129,686	104,488
Unrestricted	5,450	(53,988)	(146,793)	(215,719)
Total Governmental Activities Net Assets	3,473,666	3,548,158	3,545,191	3,631,578
<b>Business-type Activities</b>				
Invested in Capital Assets, Net of Related Debt	2,348,754	2,624,846	2,818,690	2,863,136
Restricted for:				
Debt Service	70,011	72,567	3,674	3,517
Other	24,385	25,275	26,735	29,412
Unrestricted	616,624	373,143	317,358	271,943
Total Business-type Activities Net Assets	3,059,774	3,095,831	3,166,457	3,168,008
<b>Primary Government</b>				
Invested in Capital Assets, Net of Related Debt	5,362,046	5,731,014	6,018,952	6,464,125
Restricted for:				
Capital Projects	231,964	250,452	274,664	90,390
Debt Service	140,040	227,493	77,942	41,039
Low-Moderate Income Housing	-	-	-	-
Permanent	15,860	11,857	13,104	13,908
Other	161,456	104,018	156,421	133,900
Unrestricted	622,074	319,155	170,565	56,224
Total Primary Government Net Assets	\$ 6,533,440	\$ 6,643,989	\$ 6,711,648	\$ 6,799,586

Table 1

		Fiscal Year							
		2006	2007	2008	2009	2010			
\$	3,472,531	\$	3,461,127	\$	3,518,704	\$	3,530,937	\$	3,780,474
	273,575		300,288		314,931		293,284		260,754
	-		-		-		-		-
	64,493		81,739		108,026		135,581		162,514
	14,568		16,509		16,757		13,280		17,514
	96,537		100,159		124,328		122,460		131,600
	(140,126)		(19,999)		70,635		162,661		2,189
	<u>3,781,578</u>		<u>3,939,823</u>		<u>4,153,381</u>		<u>4,258,203</u>		<u>4,355,045</u>
	2,867,469		2,998,848		2,933,012		2,970,351		3,035,924
	2,970		2,977		2,660		4,372		8,443
	32,115		34,732		36,776		38,113		43,747
	<u>308,575</u>		<u>343,280</u>		<u>517,261</u>		<u>587,443</u>		<u>643,275</u>
	<u>3,211,129</u>		<u>3,379,837</u>		<u>3,489,709</u>		<u>3,600,279</u>		<u>3,731,389</u>
	6,340,000		6,459,975		6,451,716		6,501,288		6,816,398
	273,575		300,288		314,931		293,284		260,754
	2,970		2,977		2,660		4,372		8,443
	64,493		81,739		108,026		135,581		162,514
	14,568		16,509		16,757		13,280		17,514
	128,652		134,891		161,104		160,573		175,347
	<u>168,449</u>		<u>323,281</u>		<u>587,896</u>		<u>750,104</u>		<u>645,464</u>
\$	<u>6,992,707</u>	\$	<u>7,319,660</u>	\$	<u>7,643,090</u>	\$	<u>7,858,482</u>	\$	<u>8,086,434</u>

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	Fiscal Year								
	2002 (restated)	2003	2004	2005	2006	2007	2008	2009	2010
<b>E</b>									
<b>Governmental Activities</b>									
General Government and Support	\$ 181,722	\$ 204,072	\$ 221,752	\$ 247,038	\$ 252,295	\$ 270,190	\$ 322,157	\$ 303,581	\$ 395,344
Public Safety - Police	298,176	334,461	361,501	372,230	370,990	376,581	382,907	418,549	402,222
Public Safety - Fire and Life Safety and Homeland Security	139,699	147,897	173,311	186,203	194,074	209,902	204,822	220,787	214,975
Parks, Recreation, Culture and Leisure	181,762	202,567	204,736	218,601	229,500	237,375	231,955	258,038	266,343
Transportation	153,002	154,603	197,152	220,095	200,883	272,780	212,255	239,305	190,054
Sanitation and Health	57,227	37,615	44,925	45,088	48,774	43,780	51,772	77,447	78,171
Neighborhood Services	116,397	95,267	100,568	89,162	111,886	99,870	91,110	116,735	137,971
Debt Service:									
Interest	59,952	68,410	71,588	73,381	71,109	84,920	82,211	84,070	72,672
<b>Total Governmental Activities Expenses</b>	<b>1,187,937</b>	<b>1,244,892</b>	<b>1,375,533</b>	<b>1,451,798</b>	<b>1,487,386</b>	<b>1,587,523</b>	<b>1,579,189</b>	<b>1,718,512</b>	<b>1,757,752</b>
<b>Business-type Activities</b>									
Airports	3,085	4,281	7,384	3,196	4,100	3,755	4,109	5,140	5,671
City Store	731	731	858	808	810	843	788	321	-
Development Services	46,920	47,278	52,970	60,240	57,893	53,924	51,461	47,260	36,640
Environmental Services	35,684	40,306	40,602	43,711	44,493	40,138	37,279	35,718	33,955
Golf Course	6,433	6,963	7,572	8,585	9,563	10,690	11,142	11,864	14,618
Recycling	16,161	19,141	19,497	21,426	21,853	19,754	20,511	20,067	19,265
Sewer Utility	277,833	352,075	312,929	348,327	319,274	313,716	322,552	314,125	338,688
Water Utility	255,160	267,855	270,940	300,665	302,996	313,256	321,123	329,748	365,683
<b>Total Business-type Activities Expenses</b>	<b>642,007</b>	<b>738,630</b>	<b>712,752</b>	<b>786,958</b>	<b>760,982</b>	<b>756,076</b>	<b>768,965</b>	<b>764,243</b>	<b>814,520</b>
<b>Total Primary Government Expenses</b>	<b>1,829,944</b>	<b>1,983,522</b>	<b>2,088,285</b>	<b>2,238,756</b>	<b>2,248,368</b>	<b>2,343,599</b>	<b>2,348,154</b>	<b>2,482,755</b>	<b>2,572,272</b>
<b>P R</b>									
<b>Governmental Activities</b>									
Charges for Services:									
General Government and Support	72,067	80,782	81,167	100,887	96,345	107,257	111,714	152,630	179,461
Public Safety - Police	18,812	21,498	23,699	23,496	24,256	27,960	40,628	42,178	39,636
Public Safety - Fire and Life Safety and Homeland Security	16,492	21,014	19,940	21,381	18,572	16,548	19,156	20,449	19,916
Parks, Recreation, Culture and Leisure	20,136	9,187	12,466	35,314	51,196	52,656	64,030	80,795	61,495
Transportation	35,673	44,020	47,709	30,625	52,375	49,809	21,877	18,360	31,485
Sanitation and Health	7,571	9,009	9,087	8,651	10,697	10,224	9,832	9,306	11,788
Neighborhood Services	21,801	17,748	20,033	48,623	25,440	39,412	22,748	21,814	25,959
Operating Grants and Contributions	99,541	95,882	95,202	109,268	101,723	84,745	75,126	93,244	71,829
Capital Grants and Contributions	136,461	115,748	91,981	134,702	100,564	81,169	78,347	110,802	60,139
<b>Total Governmental Activities Program Revenues</b>	<b>428,554</b>	<b>414,888</b>	<b>401,284</b>	<b>512,947</b>	<b>481,168</b>	<b>469,780</b>	<b>443,458</b>	<b>549,578</b>	<b>501,708</b>
<b>Business-type Activities</b>									
Charges for Services:									
Airports	3,346	3,461	3,827	4,151	4,385	5,635	5,140	4,929	4,849
City Store	694	771	852	807	837	827	744	242	-
Development Services	46,860	46,656	58,412	61,299	55,011	48,746	45,945	37,310	37,338
Environmental Services	33,315	36,889	38,377	41,944	39,850	36,143	35,485	31,726	26,342
Golf Course	10,143	10,311	11,911	12,625	13,119	15,772	15,153	16,201	15,671
Recycling	15,870	17,640	16,169	19,883	21,345	20,476	23,390	16,027	16,946
Sewer Utility	233,980	256,947	267,294	288,972	290,568	304,749	328,119	322,571	382,125
Water Utility	213,577	222,462	239,533	267,649	280,567	310,292	318,626	342,719	376,461
Operating Grants and Contributions	5,981	3,616	1,483	2,028	1,909	1,203	2,312	1,739	3,289
Capital Grants and Contributions	170,943	143,444	133,586	63,830	77,602	141,419	58,400	60,863	45,738
<b>Total Business-type Activities Program Revenues</b>	<b>734,709</b>	<b>742,197</b>	<b>771,444</b>	<b>763,188</b>	<b>785,193</b>	<b>885,262</b>	<b>833,314</b>	<b>834,327</b>	<b>908,759</b>
<b>Total Primary Government Program Revenues</b>	<b>1,163,263</b>	<b>1,157,085</b>	<b>1,172,728</b>	<b>1,276,135</b>	<b>1,266,361</b>	<b>1,355,042</b>	<b>1,276,772</b>	<b>1,383,905</b>	<b>1,410,467</b>
<b>N t (E )/R</b>									
Governmental Activities	(759,383)	(830,004)	(974,249)	(938,851)	(1,006,218)	(1,117,743)	(1,135,731)	(1,168,934)	(1,256,044)
Business-type Activities	92,702	3,567	58,692	(23,770)	24,211	129,186	64,349	70,084	94,239
<b>Total Primary Government Net Expense</b>	<b>(666,681)</b>	<b>(826,437)</b>	<b>(915,557)</b>	<b>(962,621)</b>	<b>(982,007)</b>	<b>(988,557)</b>	<b>(1,071,382)</b>	<b>(1,098,850)</b>	<b>(1,161,805)</b>

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	Fiscal Year								
	2002 (restated)	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Revenues and</b>									
<b>Oth Ch i N t A t</b>									
<b>Governmental Activities</b>									
Property Taxes	\$ 222,778	\$ 248,659	\$ 278,804	\$ 329,659	\$ 459,777	\$ 526,722	\$ 576,605	\$ 607,857	\$ 579,410
Transient Occupancy Taxes	50,495	105,263	113,209	120,792	136,803	154,810	159,348	140,657	123,332
Sales Taxes	233,864	223,594	238,616	197,198	227,017	263,399	269,757	229,651	244,406
Other Local Taxes	151,403	98,783	139,748	152,577	148,001	157,941	151,267	161,485	183,694
Developer Contributions and Fees	36,879	39,577	33,363	47,063	53,502	62,693	38,331	16,148	21,022
Grants and Contributions not Restricted to Specific Programs	93,824	91,556	101,086	141,934	64,039	5,339	6,251	8,488	18,065
Investment Income	90,073	84,448	57,537	29,473	40,108	76,292	96,725	75,245	30,472
Gain on Sale of Capital Assets	480	92	467	684	1,214	6,546	17,884	1,922	1,854
Special and Extraordinary Items	280	870	250	-	-	-	-	-	-
Miscellaneous	6,983	6,243	4,396	5,232	21,227	25,671	29,570	33,528	20,458
Transfers	47,953	5,411	3,806	626	4,530	(3,425)	3,551	(1,225)	(1,218)
<b>Total Governmental Activities General Revenues, Contributions, and Transfers</b>	<b>935,012</b>	<b>904,496</b>	<b>971,282</b>	<b>1,025,238</b>	<b>1,156,218</b>	<b>1,275,988</b>	<b>1,349,289</b>	<b>1,273,756</b>	<b>1,221,495</b>
<b>Business-type Activities</b>									
Investment Income	34,918	31,760	10,289	17,132	16,938	30,713	41,224	31,004	22,332
Gain/(Loss) on Sale of Capital Assets	-	(1,761)	8	-	-	-	-	-	-
Miscellaneous	(1,036)	7,902	5,443	8,815	6,502	5,384	7,850	8,257	13,321
Transfers	(47,953)	(5,411)	(3,806)	(626)	(4,530)	3,425	(3,551)	1,225	1,218
<b>Total Business-type Activities General Revenues and Transfers</b>	<b>(14,071)</b>	<b>32,490</b>	<b>11,934</b>	<b>25,321</b>	<b>18,910</b>	<b>39,522</b>	<b>45,523</b>	<b>40,486</b>	<b>36,871</b>
<b>Total Primary Government General Revenues, Permanent Fund Contributions, and Transfers</b>	<b>920,941</b>	<b>936,986</b>	<b>983,216</b>	<b>1,050,559</b>	<b>1,175,128</b>	<b>1,315,510</b>	<b>1,394,812</b>	<b>1,314,242</b>	<b>1,258,366</b>
<b>Ch i N t A t</b>									
Governmental Activities	175,629	74,492	(2,967)	86,387	150,001	158,245	213,558	104,822	(34,549)
Business-type Activities	78,631	36,057	70,626	1,551	43,121	168,708	109,872	110,570	131,110
<b>Total Primary Government Change in Net Assets</b>	<b>\$ 254,260</b>	<b>\$ 110,549</b>	<b>\$ 67,659</b>	<b>\$ 87,938</b>	<b>\$ 193,122</b>	<b>\$ 326,953</b>	<b>\$ 323,430</b>	<b>\$ 215,392</b>	<b>\$ 96,561</b>

City of San Diego  
Fund Balances of Governmental Funds (Unaudited)  
Last Ten Fiscal Years (In Thousands)  
*( Modified Audit )*

	Fiscal Year			
	2001 <sup>1</sup>	2002 <sup>1</sup>	2003	2004
General Fund:				
Reserved	\$ 22,128	\$ 26,298	\$ 21,482	\$ 18,550
Unreserved	55,579	43,705	45,570	42,672
Total General Fund	<u>\$ 77,707</u>	<u>\$ 70,003</u>	<u>\$ 67,052</u>	<u>\$ 61,222</u>
All Other Governmental Funds:				
Reserved	\$ 445,752	\$ 574,974	\$ 386,652	\$ 277,968
Unreserved, reported in:				
Special Revenue Funds	137,040	202,651	185,219	305,909
Debt Service Funds	1,194	3,740	864	1,650
Capital Projects Funds	320,563	283,250	275,591	287,259
Permanent Funds	-	-	461	879
Total All Other Governmental Funds	<u>\$ 904,549</u>	<u>\$ 1,064,615</u>	<u>\$ 848,787</u>	<u>\$ 873,665</u>

Footnote:

<sup>1</sup> Amounts have been subsequently restated in future periods.

Table 3

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 17,501	\$ 21,288	\$ 35,858	\$ 45,843	\$ 33,895	\$ 7,996
43,547	40,353	96,190	78,938	80,497	107,027
<u>\$ 61,048</u>	<u>\$ 61,641</u>	<u>\$ 132,048</u>	<u>\$ 124,781</u>	<u>\$ 114,392</u>	<u>\$ 115,023</u>
\$ 372,806	\$ 401,019	\$ 504,693	\$ 652,222	\$ 706,971	\$ 776,324
284,818	267,576	350,096	233,388	221,089	219,394
13	217	29	221,814	265,236	159,737
279,866	406,130	377,648	358,550	430,479	368,860
1,063	656	1,249	549	2,625	2
<u>\$ 938,566</u>	<u>\$ 1,075,598</u>	<u>\$ 1,233,715</u>	<u>\$ 1,466,523</u>	<u>\$ 1,626,400</u>	<u>\$ 1,524,317</u>

City of San Diego  
 Changes in Fund Balances of Governmental Funds (Unaudited)  
 Last Ten Fiscal Years (In Thousands)  
 (M d i f A I B i f A t i )

	Fiscal Year			
	2001	2002	2003	2004
<b>Revenues:</b>				
Property Taxes	\$ 201,801	\$ 223,100	\$ 248,276	\$ 279,090
Special Assessments	18,775	22,491	25,748	26,816
Sales Taxes	221,724	221,383	223,023	238,430
In-Lieu Sales Taxes <sup>(1)</sup>	-	-	-	-
Transient Occupancy Taxes <sup>(2)</sup>	-	-	-	113,209
Other Local Taxes	193,177	202,364	203,493	140,016
Licenses and Permits	34,803	25,194	29,268	30,592
Fines, Forfeitures and Penalties	32,902	25,854	26,679	33,870
Revenue from Use of Money and Property	108,345	97,213	86,789	63,268
Revenue from Federal Agencies	40,136	42,635	56,851	50,493
Revenue from Other Agencies	222,868	171,681	136,359	154,559
Revenue from Private Sources	77,583	140,841	82,410	62,143
Charges for Current Services	101,781	110,418	123,461	129,350
Other Revenue	11,544	10,074	10,594	10,462
Total Revenues	1,265,439	1,293,248	1,252,951	1,332,298
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	95,992	189,128	193,980	198,826
Community and Economic Development <sup>(4)</sup>	27,830	-	-	-
Public Safety - Police <sup>(3)</sup>	406,580	288,809	301,839	313,387
Public Safety - Fire and Life Safety and Homeland Security	-	131,974	141,967	152,073
Libraries <sup>(5)</sup>	31,364	-	-	-
Parks, Recreation, Culture and Leisure	116,195	174,485	177,584	170,163
Public Works <sup>(6)</sup>	152,557	-	-	-
Housing and Community Development <sup>(7)</sup>	13,641	-	-	-
Public Transportation <sup>(4)</sup>	8	91,746	89,653	117,619
Sanitation and Health <sup>(4)</sup>	-	36,851	38,031	42,184
Neighborhood Services <sup>(4)</sup>	-	72,087	98,050	104,205
Employee Relations and Special Projects	8,426	-	-	-
Miscellaneous and Unallocated	1,371	-	-	-
Cost of Issuance, Bonds and Notes	4,054	-	-	-
Capital Projects	467,769	208,083	229,496	174,346
<b>Debt Service:</b>				
Principal Retirement	54,233	39,831	49,858	49,118
Cost of Issuance	-	-	-	-
Interest	125,330	49,140	65,216	68,800
Arbitrage Rebate	-	-	-	421
Refunding Escrow	-	-	-	-
Total Expenditures	1,505,350	1,282,134	1,385,674	1,391,142
Excess (Deficiency) of Revenues Over Expenditures	(239,911)	11,114	(132,723)	(58,844)
<b>Other Financing Sources (Uses):</b>				
Transfers In	7,130	6,338	11,660	7,373
Transfers Out	(28,013)	(16,749)	(8,676)	(16,474)
Transfer to Escrow Agent	-	-	(53,974)	(10,132)
Contracts, Notes, and Loans Issued	222	-	3,891	27,507
Bonds Issued	117,229	253,181	89,340	66,168
Other Income	-	2,622	8,237	3,450
Restatements	-	(104,144)	(136,534)	-
Total Other Financing Sources (Uses)	96,568	141,248	(86,056)	77,892
Net Change in Fund Balances	\$ (143,343)	\$ 152,362	\$ (218,779)	\$ 19,048
Debt Service as a Percentage of Noncapital Expenditures	17.3%	8.3%	10.0%	9.7%

**Footnotes:**

- (1) The City began reporting In-Lieu Sales Taxes separate from Sales Taxes beginning with the fiscal year ended June 30, 2005.  
 (2) The City began reporting Transient Occupancy Taxes separate from Other Local Taxes beginning with the fiscal year ended June 30, 2004.  
 (3) Amounts reported as Public Safety - Police prior to the fiscal year ended June 30, 2002 includes Public Safety - Fire & Life Safety.  
 (4)-(7) Multiple classification adjustments were imposed as a result of implementation of GASB Statement No. 34.



Table 4

		Fiscal Year									
		2005	2006	2007	2008	2009	2010				
\$	325,857	\$	457,908	\$	521,734	\$	573,311	\$	603,574	\$	584,342
	30,263		36,699		36,585		50,274		63,500		45,606
	197,198		227,017		264,587		270,791		233,140		192,665
	48,220		45,433		-		-		-		-
	121,612		136,801		153,574		159,348		140,657		123,879
	152,576		148,001		158,046		146,899		171,192		183,696
	40,724		42,117		41,425		50,693		39,349		33,088
	33,906		35,441		42,932		32,785		34,406		31,836
	77,514		89,438		117,552		129,582		107,784		91,227
	66,283		43,570		79,735		40,413		70,386		54,056
	143,639		58,289		61,977		53,370		52,456		56,136
	91,354		91,287		59,549		23,013		21,593		21,689
	138,794		127,121		159,877		165,910		203,432		191,769
	11,518		25,923		31,027		30,824		25,711		23,187
	<u>1,479,458</u>		<u>1,565,045</u>		<u>1,728,600</u>		<u>1,727,213</u>		<u>1,767,180</u>		<u>1,633,176</u>
	236,706		290,550		267,461		310,814		344,930		391,680
	-		-		-		-		-		-
	347,359		408,474		376,762		388,729		406,657		399,914
	178,553		212,069		202,031		205,660		225,696		210,730
	-		-		-		-		-		-
	180,327		216,038		182,197		195,808		211,759		228,357
	-		-		-		-		-		-
	-		-		-		-		-		-
	140,604		147,977		139,349		135,404		162,969		117,545
	44,327		49,094		44,729		53,957		78,260		78,351
	102,235		112,080		85,544		88,242		73,785		75,772
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		-		-		-
	175,493		126,583		106,518		132,432		138,634		134,426
	77,952		53,293		68,160		59,228		57,209		65,928
	-		-		5,145		3,618		1,001		1,881
	68,201		68,732		82,928		78,133		78,659		74,825
	-		-		-		-		-		-
	-		-		-		-		-		4,172
	<u>1,551,757</u>		<u>1,684,890</u>		<u>1,560,824</u>		<u>1,652,025</u>		<u>1,779,559</u>		<u>1,783,581</u>
	<u>(72,299)</u>		<u>(119,845)</u>		<u>167,776</u>		<u>75,188</u>		<u>(12,379)</u>		<u>(150,405)</u>
	10,634		6,975		9,509		10,373		8,246		7,706
	(2,366)		(1,784)		(3,546)		(9,756)		(6,590)		(13,444)
	(32,011)		-		(159,690)		(10,676)		-		(161,194)
	5,435		13,873		13,003		16,063		12,583		48,710
	152,056		217,797		182,328		108,121		115,236		183,396
	3,278		20,609		19,144		36,228		32,392		15,341
	-		-		-		-		-		-
	<u>137,026</u>		<u>257,470</u>		<u>60,748</u>		<u>150,353</u>		<u>161,867</u>		<u>80,515</u>
\$	<u>64,727</u>	\$	<u>137,625</u>	\$	<u>228,524</u>	\$	<u>225,541</u>	\$	<u>149,488</u>	\$	<u>(69,890)</u>
	10.6%		7.8%		10.7%		9.3%		8.3%		8.6%

City of San Diego  
 Assessed Value and Estimated Value of Taxable Property (Unaudited)  
 Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	City			
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value
2001	\$ 82,311,127	\$ 6,120,888	\$ (4,364,856)	\$ 84,067,159
2002	89,480,010	6,747,650	(4,712,944)	91,514,716
2003	96,751,483	6,838,410	(4,336,637)	99,253,256
2004	105,730,848	7,167,011	(5,171,957)	107,725,902
2005	115,305,637	6,724,787	(4,872,423)	117,158,001
2006	128,935,155	7,067,580	(5,684,279)	130,318,456
2007	142,036,802	7,629,006	(5,867,546)	143,798,262
2008	154,653,913	7,410,589	(6,329,714)	155,734,788
2009	162,580,727	7,880,341	(6,795,274)	163,665,794
2010	161,637,831	8,164,394	(7,157,357)	162,644,868

Source: San Diego County Assessor Data, MuniServices, LLC

Table 5

Redevelopment Agency				
Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
\$ 2,597,540	\$ 441,523	\$ (396,866)	\$ 2,642,197	0.233%
3,375,962	468,609	(387,226)	3,457,345	0.235%
4,241,487	514,366	(430,325)	4,325,528	0.240%
5,590,446	579,229	(477,318)	5,692,357	0.246%
7,516,745	560,474	(562,460)	7,514,759	0.261%
10,237,395	628,841	(685,305)	10,180,931	0.326%
13,029,366	892,425	(924,626)	12,997,165	0.333%
15,955,610	889,754	(1,064,583)	15,780,781	0.334%
17,769,284	918,239	(1,139,942)	17,547,581	0.333%
17,353,633	912,524	(1,289,122)	16,977,035	0.325%

City of San Diego  
 Direct and Overlapping Property Tax Rates (Unaudited)  
 (\$1 Per \$100 of Assessed Value)  
 Last Ten Fiscal Years

Table 6

Fiscal Year Ended June 30	Direct Rate	Overlapping		Total
	Basic County/ City Rate	City of San Diego	Education	
2001	1.00000%	0.00740%	0.09580%	1.10320%
2002	1.00000%	0.00730%	0.09580%	1.10310%
2003	1.00000%	0.00710%	0.09580%	1.10290%
2004	1.00000%	0.00680%	0.00000%	1.00680%
2005	1.00000%	0.00670%	0.00000%	1.00670%
2006	1.00000%	0.01165%	0.10085%	1.11250%
2007	1.00000%	0.01094%	0.08931%	1.10025%
2008	1.00000%	0.01069%	0.08747%	1.09816%
2009	1.00000%	0.01038%	0.07396%	1.08434%
2010	1.00000%	0.01043%	0.09152%	1.10195%

Sources: MuniServices, LLC and County of San Diego

City of San Diego  
Principal Property Tax Payers (Unaudited)  
Current Year and Nine Years Ago (In Thousands)

Table 7

Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
<b><u>For the Fiscal Year Ended June 30 2010</u></b>		
Irvine Co.	\$ 1,719,809	0.96%
Kilroy Realty, LP	1,424,156	0.79%
Qualcomm, Inc.	1,349,687	0.75%
Arden Realty Ltd. Partnership	789,658	0.44%
San Diego Family Housing, LLC	686,255	0.38%
One Park Boulevard, LLC	532,398	0.30%
Pfizer, Inc.	487,054	0.27%
Fashion Valley Mall, LLC	455,175	0.25%
O C S D Holdings, LLC	439,169	0.24%
Sea World, Inc.	421,064	0.23%
<b><u>For the Fiscal Year Ended June 30 2001</u></b>		
Qualcomm, Inc.	\$ 435,799	0.48%
Equitable Life Assurance	351,261	0.38%
Kilroy Realty, LP	330,059	0.36%
Sea World, Inc.	265,000	0.29%
Pacific Gateway, Ltd	245,411	0.26%
Sony Corp of America	227,386	0.24%
University Towne Center, LLC	220,291	0.23%
Solar Turbines	211,069	0.24%
Horton Plaza, LLC	188,312	0.20%
Pardee Construction	133,376	0.14%

Sources: 2009-10 MuniServices, LLC and Comprehensive Annual Financial Reports

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City of San Diego  
 Property Tax Levies and Collections <sup>1</sup> (Unaudited)  
 Last Ten Fiscal Years (In Thousands)

Table 8

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2001	\$ 155,060	\$ 148,862	96.00%	\$ 5,664	\$ 154,526	99.66%
2002	167,077	160,992	96.36%	4,451	165,443	99.02%
2003	181,687	175,943	96.84%	4,093	180,036	99.09%
2004	199,630	191,224	95.79%	6,484	197,708	99.04%
2005	227,422	213,173	93.73%	7,953	221,126	97.23%
2006	255,211	240,895	94.39%	8,152	249,047	97.58%
2007	272,983	257,034	94.16%	9,138	266,172	97.50%
2008	289,235	271,657	93.92%	10,185	281,842	97.44%
2009	299,935	284,212	94.76%	14,988	299,200	99.75%
2010	297,208	284,600	95.76%	13,938	298,538	100.45%

Footnote:

<sup>1</sup> Property Tax Levies and Collections for the General Fund and Zoological Exhibits Fund

Source: County of San Diego

City of San Diego  
Ratios of Outstanding Debt by Type (Unaudited)  
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Governmental Activities					
	Arbitrage Liability	Capital Lease Obligations	Contracts Payable	Notes Payable	Loans	General Obligation Bonds
2001	\$ -	\$ 13,233	\$ 3,848	\$ 37,962	\$ 3,250	\$ 63,595
2002	-	38,345	3,597	15,521	28,255	58,095
2003	363	37,701	1,882	8,416	46,117	52,165
2004	262	30,619	1,715	5,998	69,084	45,775
2005	-	30,647	1,715	7,924	62,024	14,530
2006	-	40,541	2,615	7,294	64,199	12,690
2007	-	39,130	2,615	8,555	60,493	10,705
2008	-	61,262	2,615	5,662	70,763	8,580
2009	533	89,519	4,715	4,786	78,347	6,315
2010	3	84,561	1,018	3,301	110,891	4,340

Fiscal Year Ended June 30	Business-Type Activities					
	Arbitrage Liability	Capital Lease Obligations	Notes Payable	Loans Payable	Line of Credit	Revenue Bonds Payable
2001	\$ -	\$ 28,885	\$ 1,463,290	\$ 60,222	\$ 4,169	\$ -
2002*	-	7,612	63,786	-	-	1,433,465
2003	1,812	6,465	-	69,093	-	1,612,200
2004	221	5,008	-	67,054	-	1,731,825
2005	213	3,521	-	63,803	-	1,698,060
2006	193	2,051	-	91,247	-	1,662,705
2007	224	1,006	280,830	101,316	-	1,469,060
2008	586	166	430,830	95,875	-	1,425,445
2009	-	-	-	90,326	-	2,166,906
2010	-	-	-	84,673	-	2,073,075

Footnotes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

\*In fiscal year 2002, loans payable were reclassified as notes payable, and notes payable were reclassified as bond payable.

(a) Ratio is calculated using assessed property values. Personal income data is not available.

(b) Ratio is calculated using population data.

Amounts for Special Assessment/Special Tax Bonds have been removed to reflect restatement per Note 23.

Source: Comprehensive Annual Financial Reports



Table 9

Governmental Activities				
Pooled Financing Bonds	Revenue Bonds/ Lease Revenue Bonds/ Certificates of Participation	Tax Allocation Bonds	Tobacco Settlement Asset-Backed Bonds	Total Governmental Activities
\$ -	\$ 434,365	\$ 222,751	\$ -	\$ 779,004
-	609,235	275,471	-	1,028,519
-	609,785	283,310	-	1,039,739
-	591,620	314,333	-	1,059,406
-	571,285	415,778	-	1,103,903
-	549,850	514,845	105,400	1,297,434
-	521,210	502,804	102,700	1,248,212
34,115	498,950	548,643	99,370	1,329,960
33,460	579,500	534,547	95,380	1,427,102
32,780	547,260	529,423	92,350	1,405,927

Business-Type Activities			
Total Business-Type Activities	Total Primary Government	Percentage of Assessed Value (a)	Debt Per Capita (b)
\$ 1,556,566	\$ 2,335,570	2.52%	\$ 1.87
1,504,863	2,533,382	2.53%	2.02
1,689,570	2,729,309	2.51%	2.14
1,804,108	2,863,514	2.43%	2.21
1,765,597	2,869,500	2.19%	2.20
1,756,196	3,053,630	2.42%	2.33
1,852,436	3,100,648	2.23%	2.35
1,952,902	3,282,862	2.17%	2.46
2,257,232	3,684,334	2.25%	2.72
2,157,748	3,563,675	2.19%	2.59

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City of San Diego  
 Ratios of General Bonded Debt Outstanding (Unaudited)  
 Last Ten Fiscal Years

Table 10

Fiscal Year Ended June 30	General Obligation Bonds (Thousands)	Assessed Valuation (Thousands)	Percentage of Assessed Value (a)	Population	Debt Per Capita (b)
2001	\$ 63,595	\$ 91,142,819	0.070%	1,250,700	\$ 50.85
2002	58,095	98,917,185	0.059%	1,255,742	46.26
2003	52,165	107,418,219	0.049%	1,275,112	40.91
2004	45,775	116,268,372	0.039%	1,294,000	35.37
2005	14,530	129,836,535	0.011%	1,306,000	11.13
2006	12,690	125,983,315 (c)	0.010%	1,311,162	9.68
2007	10,705	139,151,323	0.008%	1,316,837	8.13
2008	8,580	151,083,767	0.006%	1,336,865	6.42
2009	6,315	163,665,794	0.004%	1,353,993	4.66
2010	4,340	162,644,868	0.003%	1,376,173	3.15

Footnotes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) Ratio is calculated using assessed property values. Personal income data is not available.

(b) Ratio is calculated using population data.

(c) The City recognized a fluctuation in Taxable Assessed Value in fiscal year 2006 due to a change in the allocation method between the City & the Redevelopment Agency. This methodology change resulted from Management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB 44.

Source: Comprehensive Annual Financial Reports

City of San Diego  
Direct and Overlapping Debt (Unaudited)  
June 30 2010 (In Thousands)

Table 11

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/10	% Applicable (1)	City's Share of Debt, 6/30/10
Metropolitan Water District	\$ 264,220	9.011%	\$ 23,809
Palomar Community College District	149,845	26.111%	39,126
San Diego Community College District	623,391	99.923%	622,911
Poway Unified School District School Facilities Improvement District No. 2002-1 & 2007-1	276,831	67.752-68.491%	188,290
San Diego Unified School District	1,527,458	99.926%	1,526,328
Sweetwater Union High School District	343,709	20.702%	71,155
San Ysidro School District	87,392	84.442%	73,796
Other School, High School and Community College Districts	1,026,172	Various	58,174
Grossmont Healthcare District	85,627	8.251%	7,065
Palomar Pomerado Hospital District	417,623	32.014%	133,698
City of San Diego	4,340	100.000%	4,340
City of San Diego Special Assessment/Special Tax Bonds (4)	161,461	100.000%	161,461
Del Mar Unified School District Community Facilities District No. 99-1 & 95-1	29,115	100.000%	29,115
North City West School District Community Facilities District	90,693	100.000%	90,693
Poway Unified School District Community Facilities Districts	305,946	99.609-100.000%	305,770
San Dieguito Union High School District Community Facilities Districts	48,084	39.731-81.063%	32,106
Sweetwater Union High School District Community Facilities Districts	42,631	8.935-100.000%	23,223
Other Special District 1915 Act Bonds	18,331	Various	1,788
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>3,392,848</u>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	415,240	46.840%	194,498
San Diego County Pension Obligations	853,515	46.840%	399,786
San Diego Superintendent of Schools Certificates of Participation	21,188	46.840%	9,924
Palomar Community College District General Fund Obligations	6,890	26.111%	1,799
Poway Unified School District Certificates of Participation	127,465	71.391%	90,999
Sweetwater Union High School District Certificates of Participation	10,480	20.702%	2,170
Chula Vista School District General Fund Obligations	143,025	4.914%	7,028
San Ysidro School District Certificates of Participation	37,025	84.442%	31,265
Other School, High School and Community College District Certificates of Participation	87,712	Various	6,489
City of San Diego Revenue Bonds, Leased Revenue Bonds, and Certificates of Participation (3)	547,260	100.000%	547,260
Otay Municipal Water District Certificates of Participation	61,890	8.183%	5,064
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>1,296,282</u>
Less: Otay Municipal Water District Certificates of Participation			<u>5,064</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>1,291,218</u>
GROSS COMBINED TOTAL DEBT (2)			<u>4,689,130</u>
NET COMBINED TOTAL DEBT			<u>\$ 4,684,066</u>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations

(3) Amounts for total debt reconcile to Note 5

(4) Amounts reconcile to Note 19 total special assessment/special tax bonds

City of San Diego  
 Direct and Overlapping Debt (Unaudited)  
 June 30 2010 (In Thousands)  
 (Continued)

Table 11

Ratios to 2009-10 Assessed Valuation:

Direct Debt (\$4,340)	0.002%
Total Gross Direct and Overlapping Tax and Assessment Debt	2.61%
Total Net Direct and Overlapping Tax and Assessment Debt	2.61%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$551,600) (1)	0.34%
Gross Combined Total Debt	2.88%
Net Combined Total Debt	2.88%

(1) City of San Diego	\$ 4,340
City Authorities and Certificates of Participation	<u>547,260</u>
	\$ 551,600

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: \$0

Source: California Municipal Statistics, Inc. and Comprehensive Annual Financial Report

City of San Diego  
 Legal Debt Margin Schedule (Unaudited)  
 Last Ten Fiscal Years (In Thousands)

	Fiscal Year			
	2001	2002	2003	2004
Assessed valuation (restated) <sup>1</sup>	\$ 91,142,819	\$ 98,917,185	\$ 107,418,219	\$ 116,268,372
Conversion percentage *	25%	25%	25%	25%
Adjusted assessed valuation	22,785,705	24,729,296	26,854,555	29,067,093
Debt limit percentage **	25%	25%	25%	25%
Debt limit <sup>2</sup>	5,696,426	6,182,324	6,713,639	7,266,773
Total net debt applicable to limit: General Obligation Bonds	18,075	16,920	15,690	14,390
Legal debt margin	5,678,351	6,165,404	6,697,949	7,252,383
Total debt applicable to the limit as a percentage of the debt limit	0.32%	0.27%	0.23%	0.20%

Footnotes:

<sup>1</sup> The City recognized a fluctuation in Taxable Assessed Value in fiscal year 2006 due to a change in the allocation method between the City & the Redevelopment Agency. This methodology change resulted from Management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB 44.

<sup>2</sup> The current debt limitation for Water is 15% of the Adjusted Assessed Valuation, or \$6,099,183 and the debt limitation for other purposes is 10% of the Adjusted Assessed Valuation, or \$4,066,122.

\* The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value. The calculations shown above present a conversion of assessed valuation data for each fiscal year from the current 100% valuation to the 25% level that was in effect at the time the legal debt margin was enacted.

\*\* Section 90 of the City Charter provides that the bonded indebtedness for the development, conservation, and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation.

Source: MuniServices, LLC

Table 12

		Fiscal Year					
		2005	2006	2007	2008	2009	2010
\$	129,836,535	\$ 125,983,315	\$ 139,151,323	\$ 151,083,767	\$ 163,665,794	\$ 162,644,868	
	25%	25%	25%	25%	25%	25%	25%
	32,459,134	31,495,829	34,787,831	37,770,942	40,916,449	40,661,217	
	25%	25%	25%	25%	25%	25%	25%
	8,114,783	7,873,957	8,696,958	9,442,735	10,229,112	10,165,304	
	13,010	11,520	9,905	8,170	6,315	4,340	
	8,101,773	7,862,437	8,687,053	9,434,565	10,222,797	10,160,964	
	0.16%	0.15%	0.11%	0.09%	0.06%	0.04%	

City of San Diego  
Pledged-Revenue Coverage - Water Bonds (Unaudited)  
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Total System Revenues	Total Maintenance and Operation Costs (Excludes Depreciation)	Net System Revenues <sup>1</sup>	Less: Interest Earnings on Reserve Fund - Senior Obligations	Adjusted Net System Revenues <sup>2</sup>
2001	\$ 255,974	\$ 214,056	\$ 41,918	\$ (54)	\$ 41,864
2002	261,333	222,104	39,229	(3,444)	35,785
2003	256,968	226,058	30,910	(1,305)	29,605
2004	267,649	232,193	35,456	(1,296)	34,160
2005	294,904	234,392	60,512	(1,262)	59,250
2006	303,453	242,180	61,273	(1,228)	60,045
2007	336,599	255,486	81,113	(1,346)	79,767
2008	350,770	258,813	91,957	(1,481)	90,476
2009	364,413	263,280	101,133	(2,668)	98,465
2010	394,948	287,361	107,587	(1,977)	105,610

<sup>1</sup> Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Water System for the fiscal year.

<sup>2</sup> Adjusted Net System Revenues is the "Net System Revenues" less "an amount equal to earnings from investments in any Reserve Fund or Reserve Account" for the fiscal year.

<sup>3</sup> All Obligations include Senior, Subordinate and State Revolving Fund (SRF) Loans.

Source: Comprehensive Annual Financial Reports



Table 13

Senior Debt Service					All Obligations <sup>3</sup>			
Principal	Interest	Total	Less: Senior Interest Earnings	Adjusted Debt Service	Adjusted Debt Service Coverage	Total Debt Service	Aggregate Debt Service Coverage	
\$ -	\$ 18,730	\$ 18,730	\$ (54)	\$ 18,676	2.24	\$ 18,730	2.24	
6,780	18,594	25,374	(3,444)	21,930	1.63	25,510	1.54	
7,055	16,308	23,363	(1,305)	22,058	1.34	27,002	1.14	
7,345	14,010	21,355	(1,296)	20,059	1.70	34,861	1.02	
7,645	13,710	21,355	(1,262)	20,093	2.95	34,861	1.74	
7,965	13,390	21,355	(1,228)	20,127	2.98	35,549	1.72	
8,305	13,046	21,351	(1,346)	20,005	3.99	40,759	1.99	
8,675	12,679	21,354	(1,481)	19,873	4.55	43,082	2.13	
9,065	12,289	21,354	(2,668)	18,686	5.27	49,600	2.04	
1,035	27,268	28,303	(1,977)	26,326	4.01	56,978	1.89	

City of San Diego  
Pledged-Revenue Coverage - Sewer Bonds (Unaudited)  
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Total System Revenues <sup>1</sup>	Total Maintenance and Operation Costs (Excludes Depreciation)	Net System Revenues <sup>2</sup>	Senior Debt Service		
				Principal	Interest	Total
2001	\$ 283,228	\$ 168,853	\$ 114,375	\$ 22,150	\$ 54,905	77,055
2002	310,392	170,022	140,370	23,045	54,009	77,054
2003	334,551	241,822	92,729	24,000	53,046	77,046
2004	296,169	196,823	99,346	25,030	52,020	77,050
2005	322,542	204,163	118,379	26,120	50,935	77,055
2006	320,288	202,111	118,177	27,390	49,662	77,052
2007 <sup>4</sup>	343,921	202,632	141,289	28,760	48,291	77,051
2008	361,511	211,449	150,062	30,250	46,805	77,055
2009	353,446	197,379	156,067	31,700	45,356	77,056
2010	406,076	220,701	185,375	43,320	59,909	103,229

<sup>1</sup> Beginning in Fiscal Year 2004, the City's methodology for reporting Net System Revenues was changed to exclude interest earnings on Acquisition Bond Proceeds from Total Income. The data presented in this Table has been restated to reflect this change.

<sup>2</sup> Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Wastewater System for the fiscal year.

<sup>3</sup> All Obligations include Senior, Subordinate and State Revolving Fund (SRF) Loans.

<sup>4</sup> Senior Debt Service principal and interest amounts for FY 2007 were updated for correct amounts.

Source: Comprehensive Annual Financial Reports

Table 14

Senior Debt Service Coverage	All Obligations <sup>3</sup>	
	Total Debt Service	Aggregate Debt Service Coverage
1.48	\$ 77,688	1.47
1.82	77,888	1.80
1.20	80,995	1.14
1.29	81,516	1.22
1.54	84,789	1.40
1.53	86,802	1.36
1.83	96,408	1.47
1.95	94,555	1.59
2.03	94,305	1.65
1.80	109,288	1.70

City of San Diego  
Demographic and Economic Statistics (Unaudited)  
Last Ten Fiscal Years

Table 15

<u>Fiscal Year Ended June 30</u>	<u>Population<sup>1</sup></u>	<u>Personal Income<sup>2</sup> (Thousands \$)</u>	<u>Per Capita Personal Income (\$)</u>	<u>Unemployment Rate<sup>3</sup></u>
2001	1,250,700	N/A	N/A	2.3%
2002	1,255,742	31,859,430	25,371	3.7%
2003	1,275,112	32,794,606	25,719	4.4%
2004	1,294,000	35,896,854	27,741	5.0%
2005	1,306,000	38,523,082	29,497	4.5%
2006	1,311,162	37,749,536	28,791	4.3%
2007	1,316,837	39,302,317	29,846	4.0%
2008	1,336,865	42,678,078	31,924	4.6%
2009	1,353,993	42,857,116	31,652	6.0%
2010	1,376,173	43,522,125	31,625	9.7%

Footnotes:

<sup>1</sup> Population projections are provided by the California Department of Finance.

<sup>2</sup> Income data is provided by the United States Census Data and is adjusted for inflation.

<sup>3</sup> Unemployment data is an annual percentage provided by the EDD's Bureau of Labor Statistics Department.

Sources: 2009-10 MuniServices, LLC, and CA Dept. of Finance

City of San Diego  
Principal Employers (Unaudited)  
Fiscal Year-End 2010

Table 16

Employer	Number of Employees	Percentage of Total Employment <sup>1</sup>
United States Navy <sup>2</sup>	54,415	7.83%
University of California San Diego	20,408	2.94%
San Diego Unified School District <sup>3</sup>	17,024	2.45%
San Diego County <sup>4</sup>	15,164	2.18%
Sharp Memorial Hospital	14,700	2.11%
City of San Diego <sup>5</sup>	10,499	1.51%
Kaiser Permanente	7,028	1.01%
Qualcomm, Inc. <sup>6</sup>	6,000	0.86%
UC San Diego Medical Center	5,549	0.80%
San Diego Gas & Electric Co.	5,075	0.73%
Total Top Employers	155,862	22.42%

Footnotes:

<sup>1</sup> Percentage based on total employment of 695,200 provided by the EDD Labor Force Data.

<sup>2</sup> Employee count includes Navy personnel only (civilian/military).

<sup>3</sup> Employee count is district-wide.

<sup>4</sup> Employee count is county-wide and represented in staff years.

<sup>5</sup> Count is provided by the City of San Diego, Office of the Comptroller - Payroll Division (Table 17)

<sup>6</sup> Qualcomm's count is from the 2007-08 year's report. The current year employee count was not available.

Source: MuniServices, LLC

City of San Diego  
 Full-time and Part-time City Employees by Function (Unaudited)  
 Last Ten Fiscal Years

Table 17

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government and Support	1,864	2,015	2,039	1,990	1,944	1,816	1,870	1,979	2,248	2,217
Public Safety - Police	2,854	2,875	2,836	2,730	2,774	2,628	2,627	2,712	2,674	2,547
Public Safety - Fire and Life Safety	1,286	1,314	1,355	1,352	1,373	1,322	1,333	1,314	1,304	1,331
Parks, Recreation, Culture and Leisure	2,041	2,023	2,052	1,822	1,777	1,701	1,663	1,705	1,682	1,675
Transportation	490	517	513	501	461	447	339	326	279	282
Sanitation and Health	164	163	161	161	148	144	129	150	164	156
Neighborhood Services	267	259	260	235	234	177	148	154	145	132
Airports	19	20	21	19	17	14	14	15	16	16
Development Services	480	498	463	524	535	482	426	392	329	258
Environmental Services	209	222	225	219	219	196	188	164	168	172
Golf Course	69	70	73	82	81	88	95	88	97	93
Recycling	99	118	120	119	116	121	108	98	100	97
Sewer Utility	972	1,052	1,108	1,071	1,050	976	906	863	817	781
Water Utility	967	997	979	975	943	878	839	829	776	742
Total Employees	<u>11,781</u>	<u>12,143</u>	<u>12,205</u>	<u>11,800</u>	<u>11,672</u>	<u>10,990</u>	<u>10,685</u>	<u>10,789</u>	<u>10,799</u>	<u>10,499</u>

Source: City of San Diego, Office of the Comptroller - Payroll Division

City of San Diego  
 Operating Indicators by Function (Unaudited)  
 Last Five Fiscal Years <sup>1</sup>

Table 18

Function	Fiscal Year				
	2006	2007	2008	2009	2010
<u>Public Safety - Police</u>					
Calls for police services dispatched	626,067	623,940	631,371	668,989	653,086
Calls for 9-1-1 emergencies	471,927	518,291	526,391	506,738	501,094
<u>Public Safety - Fire and Life Safety</u>					
Fire Department:					
Emergency calls - fire	3,579	3,392	4,445	3,868	2,740
Emergency calls - medical/rescue	84,882	87,789	91,932	94,422	97,049
Emergency calls - other	12,918	13,010	13,635	13,671	14,295
Lifeguard:					
Water rescues	5,075	3,696	4,771	5,233	5,066
Other rescues	4,490	3,388	4,334	4,813	5,002
Beach attendance	21,277,945	21,253,050	20,275,495	21,166,884	25,774,465
<u>Parks, Recreation, Culture and Leisure</u>					
Parks and Recreation:					
Number of aquatic users <sup>2</sup>	333,688	293,300	325,080	311,173	303,200
Number of youth served in after school program sites <sup>2</sup>	80,837	57,111	88,032	84,140	89,790
Library:					
Circulation	7,003,040	7,167,104	7,374,378	7,651,619	7,706,431
Total attendance - all libraries	6,017,790	6,040,091	6,234,038	6,601,210	6,143,281
<u>Sewer Utility</u>					
Average daily sewage flow (millions of gallons)	180.95	175.13	175.29	170.78	166.43
Average daily peak - maximum sewage flow <sup>3</sup> (millions of gallons)	224.41	215.67	242.19	268.29	288.17
System daily capacity (millions of gallons)	255.00	255.00	255.00	255.00	255.00
<u>Water Utility</u>					
Average daily consumption (millions of gallons)	204.74	220.28	204.00	194.00	179.00
Maximum daily consumption (millions of gallons)	279.47	291.17	298.00	283.00	243.00
Total water consumption (millions of gallons)	74,730	79,606	74,430	70,893	65,644
Total water deliveries <sup>4</sup> (millions of gallons)	79,486	83,202	80,100	77,014	59,567

Footnotes:<sup>1</sup> Historical data for prior years is unavailable.<sup>2</sup> Estimated figure<sup>3</sup> The National Pollutant Discharge Elimination System (NPDES) permitted treatment capacity is the sum of the design Average Annual Daily Flows (AADF) for Point Loma Wastewater Treatment Plant (PLWTP) and South Bay Water Reclamation Plant (SBWRP). There is no permit restriction for Maximum Daily Flow at PLWTP as long as the AADF is not exceeded. The Peak Wet Weather Flow is the hydraulic capacity of the Point Loma Ocean Outfall.<sup>4</sup> Includes filtered and raw water

Source: Citywide departments

City of San Diego  
 Capital Asset Statistics by Function (Unaudited)  
 Last Ten Fiscal Years

Function	Fiscal Year			
	2001	2002	2003	2004
<u>Public Safety - Police</u>				
Stations	10	10	10	10
<u>Public Safety - Fire and Life Safety</u>				
Fire stations	43	43	43	45
<u>Parks, Recreation, Culture and Leisure</u>				
Park and recreation sites <sup>1</sup>	416	444	460	363
<u>Transportation</u>				
Miles of streets -asphalt,concrete, & dirt <sup>2</sup>	3,820	3,112	2,985	2,985
<u>Airports</u>				
Municipal airports	2	2	2	2
<u>Golf Course</u>				
Municipal golf courses <sup>3</sup>	9	9	10	10
<u>Sewer Utility</u>				
Miles of sewers	2,610	2,620	2,950	3,028
Sewer service laterals	265,212	266,342	268,372	270,365
<u>Water Utility</u>				
Miles of water distribution mains	3,139	3,157	3,280	3,317
Water meters in service	263,468	266,627	267,845	270,022
Fire hydrants	23,476	23,844	24,145	24,428

Footnotes:

<sup>1</sup> Statistics for fiscal years 2000-2003 were based on the number of parks, squares, and recreation centers. The department updated the statistics for overall park and recreation sites onward from fiscal year 2004.

<sup>2</sup> In prior years, miles of streets also included alleys and dirt streets. Since FY 2006, Transportation provided the statistic only for miles of asphalt and concrete streets.

<sup>3</sup> Includes City operated as well as leased golf courses.

Sources: Comprehensive Annual Financial Reports, Citywide departments



Table 19

Fiscal Year					
2005	2006	2007	2008	2009	2010
10	10	10	10	10	10
45	45	46	47	47	47
367	370	380	380	384	385
2,800	2,685	2,700	2,721	2,721	2,774
2	2	2	2	2	2
10	10	10	10	10	10
3,030	2,993	3,018	3,076	3,023	2,991
271,284	271,445	274,014	273,081	273,438	273,587
3,319	3,336	3,381	3,263	3,281	3,294
271,204	272,466	273,304	278,692	274,310	276,217
24,600	24,661	24,905	25,003	25,023	25,044

