

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate, dated as of June 1, 2010 (the "Disclosure Certificate"), is executed and delivered by the City of San Diego (the "City") in connection with the issuance by the Public Facilities Financing Authority of the City of San Diego (the "Authority") of \$123,075,000 Public Facilities Financing Authority of the City of San Diego Water Revenue Bonds, Refunding Series 2010A (Payable Solely From Installment Payments Secured by Net System Revenues of the Water Utility Fund) (the "2010A Bonds"). The 2010A Bonds are being issued pursuant to that certain Indenture, dated as of January 1, 2009, as amended and supplemented by the First Supplemental Indenture, dated as of June 1, 2009, and by the Second Supplemental Indenture, dated as of June 1, 2010 (collectively, the "Indenture"), each by and between the Authority and Wells Fargo Bank, National Association, as trustee. The proceeds of the 2010A Bonds are being used to (i) prepay all of the outstanding 1998 Certificates and (ii) pay costs of issuance with respect to the 2010A Bonds. In connection therewith, the City, as an "obligated person" with respect to the 2010A Bonds (within the meaning of the Rule, as defined herein), covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the 2010A Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the then-current Dissemination Agent a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

"Official Statement" shall mean the Official Statement, dated June 16, 2010, relating to the 2010A Bonds.

"Participating Underwriter" shall mean any of the original Underwriters of the 2010A Bonds required to comply with the Rule in connection with offering of the 2010A Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the Securities and Exchange Commission.

Section 3. Provision of Annual Reports.

(a) The City shall, or upon written direction shall cause the Dissemination Agent to, not later than 270 days after the end of the City's Fiscal Year (which currently ends June 30), commencing with the report for the 2010 Fiscal Year (each, a "Filing Date"), provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate for so long as the 2010A Bonds remain Outstanding. The Annual Report must be submitted in an electronic format as prescribed by the MSRB, accompanied by such identifying information as is prescribed by the MSRB. Not later than fifteen (15) Business Days prior to each Filing Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Filing Date for the filing of the Annual Report if not available by such Filing Date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c) hereof. The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB in substantially the form attached as Exhibit A. Such notice must be submitted in an electronic format as prescribed by the MSRB, accompanied by such identifying information as is prescribed by the MSRB.

(c) The Dissemination Agent shall:

(i) file the Annual Report with the MSRB; and

(ii) if the Dissemination Agent is other than the City, and such information is available to it, file a report with the City certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Certificate, and stating the date the Annual Report was so provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements for the most recently completed Fiscal Year prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, if any, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Financial information and operating data with respect to the City, as such information and data relate to the City's Public Utilities Department and the Water Utility Fund, for the most recently completed Fiscal Year of the type included in the Official Statement, in the following categories (to the extent not included in the City's audited financial statements):

- (i) An update of the information contained in Table 1 (entitled “Historical Number of Retail Connections to Water System”) of the Official Statement for the most recently completed Fiscal Year;
- (ii) An update of the information contained in Table 2 (entitled “Major Non-Governmental Retail Customers and Top Governmental Customers”) of the Official Statement for the most recently completed Fiscal Year;
- (iii) An update of the information contained in Table 6 (entitled “Projected Water Supply Sources”) of the Official Statement for the most recently completed Fiscal Year;
- (iv) An update of the information contained in Table 7 (entitled “Summary of Projected CIP Projects”) of the Official Statement as of the end of the most recently completed Fiscal Year;
- (v) An update of the information contained in Table 8 (entitled “Five-Year Water Service Charge History for Single Family Residential, Multi-Family, Commercial, Industrial, Irrigation, and Temporary Construction”) of the Official Statement for the most recently completed Fiscal Year;
- (vi) An update of the information contained in Table 11 (entitled “Recent Rate History for Water Capacity Charges”) of the Official Statement for the most recently completed Fiscal Year;
- (vii) An update of the information contained in Table 12 (entitled “Water Utility Fund Historical Capacity Charge Revenues”) of the Official Statement for the most recently completed Fiscal Year;
- (viii) An update of the information contained in Table 13 (entitled “Water Customer Accounts Receivable and Shut-Offs by Fiscal Year”) of the Official Statement for the most recently completed Fiscal Year;
- (ix) An update of the information contained in Table 14 (entitled “Historical Sources of Water Sales Revenues”) of the Official Statement for the most recently completed Fiscal Year;
- (x) An update of the information contained in Table 15 (entitled “Statements of Revenues, Expenses, and Changes in Fund Net Assets”) of the Official Statement for the most recently completed Fiscal Year;
- (xi) An update of the information contained in Table 16 (entitled “Calculation of Historic Debt Service Coverage”) of the Official Statement for the most recently completed Fiscal Year;
- (xii) An update of the information contained in Table 17 (entitled “Water Utility Cash and Cash Equivalents (Including Reserves)”) of the Official Statement for the most recently completed Fiscal Year;
- (xiii) An update of the information contained in Table 22 (entitled “City of San Diego Pooled Investment Fund”) of the Official Statement as of the most recently completed Fiscal Year;

(xiv) An update of the information contained in Table 23 (entitled “City of San Diego Schedule of Funding Progress”) of the Official Statement for the most recently completed Fiscal Year;

(xv) An update of the information contained in Table 24 (entitled “City of San Diego and Water Utility Fund Pension Contribution”) of the Official Statement for the most recently completed Fiscal Year;

(xvi) An update of the information contained in Table 25 (entitled “Water System Retiree Health Contribution”) of the Official Statement for the most recently completed Fiscal Year; and

(xvii) An update of the information contained in the Official Statement under the heading “WATER SYSTEM FINANCIAL OPERATIONS – Labor Relations” for the most recently completed Fiscal Year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, that are available to the public on the MSRB’s Internet web site or filed with the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2010A Bonds, if material:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the 2010A Bonds.
- (vii) Modifications to rights of the owners of the 2010A Bonds.
- (viii) Contingent or uncheduled 2010A Bond calls.
- (ix) Defeasances.
- (x) Release, substitution, or sale of property securing repayment of the 2010A Bonds.
- (xi) Rating changes.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable federal securities law.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities law, the City shall promptly file a notice of such occurrence with the MSRB. Such notice must be submitted in an electronic format as prescribed by the MSRB, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected 2010A Bonds pursuant to the Indenture.

(d) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the MSRB with a copy to the City. Such notice must be submitted in an electronic format as prescribed by the MSRB, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the holders of affected 2010A Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the 2010A Bonds. If such termination occurs prior to the final maturity of the 2010A Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the City. The Dissemination Agent may resign as Dissemination Agent by providing thirty (30) days written notice to the City. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the City. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the City in a timely manner and in a form suitable for filing.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived (provided no amendment that modifies or increases its duties or obligations of the Dissemination Agent shall be effective without the consent of the Dissemination Agent), provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2010A Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2010A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the 2010A Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or

(ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2010A Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of the occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter or any holder or beneficial owner of the 2010A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees, and agents harmless against any loss, expense, and liabilities that it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and shall be reimbursed for all expenses, legal fees, and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Authority, the owners of the 2010A Bonds, or any other party. Other than in the case of negligence, gross negligence, or willful misconduct of the Dissemination Agent, the Dissemination Agent shall not have any liability to the owners of the 2010A Bonds or any other party for

any monetary damages or financial liability of any kind whatsoever related to or arising from any breach of any obligation of the Dissemination Agent. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2010A Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, each Participating Underwriter, and holders and beneficial owners from time to time of the 2010A Bonds, and shall create no rights in any other person or entity.

THE CITY OF SAN DIEGO

By: Mary Hewey
Authorized Officer

Attest:

Elizabeth M. O'Connell
City Clerk

APPROVED AS TO FORM:

JAN I. GOLDSMITH, City Attorney

By: [Signature]
Name: Draatt Hill
Deputy City Attorney

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: The City of San Diego

Name of Issue: Public Facilities Financing Authority of the City of San Diego Water Revenue Bonds, Refunding Series 2010A (Payable Solely From Installment Payments Secured by Net System Revenues of the Water Utility Fund)

Date of Issuance: June 30, 2010

NOTICE IS HEREBY GIVEN that the City of San Diego (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated as of June 1, 2010, executed and delivered by the City. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

THE CITY OF SAN DIEGO

By: _____