

# Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See [www.sec.gov/info/municipal/nrmsir.htm](http://www.sec.gov/info/municipal/nrmsir.htm) for list of current NRMSIRs and SIDs

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IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT or issued under a single indenture:

Issuer's Name (please include name of state where Issuer is located):

**SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION OF THE CITY OF SAN DIEGO (STATE: CALIFORNIA)**

**Certificates of Undivided Interest in Installment Payments Payable from Net System Revenues of the Water Utility Fund of the City of San Diego, California, Series 1998**

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO (STATE: CALIFORNIA);**

**Sewer Revenue Bonds, Series 1995**

**Sewer Revenue Bonds, Series 1997A and Series 1997B**

**Sewer Revenue Bonds, Series 1999A and Series 1999B**

Other Obligated Person's Name (if any): \_\_\_\_\_  
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP\* number(s), if available, of Issuer:

**SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION OF THE CITY OF SAN DIEGO, related CUSIP: 797263**

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO related CUSIP: 79730A**

\*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

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TYPE OF FILING:

Electronic \_\_5\_\_ pages

Paper (no. of pages attached) \_\_\_\_\_

If information is also available on the Internet, give URL: **NOT AVAILABLE** \_\_\_\_\_

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**WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)**

**A. Annual Financial Information and Operating Data pursuant to Rule 15c2-12**

(Financial information and operating data should not be filed with the MSRB.)

**Fiscal Period Covered:**

**B. Audited Financial Statements or CAFR pursuant to Rule 15c2-12 Fiscal Period Covered:**

**C. Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)**

- |   |   |
|---|---|
| 1. Principal and interest payment delinquencies _____                                 | 6. Adverse tax opinions or events affecting the tax-exempt status of the security _____   |
| 2. Non-payment related defaults _____   | 7. Modifications to the rights of security holders _____                                  |
| 3. Unscheduled draws on debt service reserves reflecting financial difficulties _____ | 8. Bond calls _____   |
| 4. Unscheduled draws on credit enhancements reflecting financial difficulties _____   | 9. Defeasances _____  |
| 5. Substitution of credit or liquidity providers, or their failure to perform _____   | 10. Release, substitution, or sale of property securing repayment of the securities _____ |
|   | <b>11. Rating changes <u>X</u></b>  |

**D. Notice of Failure to Provide Annual Financial Information as Required**

**E. Other Secondary Market Information (Specify):** \_\_\_\_\_

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**I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:**

**Issuer Contact:**

Name MARY LEWIS Title CHIEF FINANCIAL OFFICER  
Employer CITY OF SAN DIEGO  
Address 202 C STREET, MAIL STATION 9A City SAN DIEGO State CA Zip Code 92101

**Dissemination Agent Contact:**

Name: MARY LEWIS Title: CHIEF FINANCIAL OFFICER  
Employer: CITY OF SAN DIEGO  
Address: 202 C STREET, MAIL STATION 9A City: SAN DIEGO State: CA Zip Code: 92101  
Relationship to Issuer: DISCLOSURE REPRESENTATIVE

**Press Contact:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Employer \_\_\_\_\_  
Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

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**Dated August 21, 2008**

NOTICE IS HEREBY GIVEN that on July 31, 2008, Fitch Ratings ("Fitch") announced that it had further downgraded ratings on FGIC Corporation and its financial guaranty insurance subsidiaries, including Financial Guaranty Insurance Company (collectively FGIC) to "CCC" from "BBB" and placed on Rating Watch Evolving. Fitch's underlying rating on the bonds identified on the cover hereof is "BBB+" with a Rating Outlook of Positive. For each of the bond issuances identified on the cover, we have attached a table setting forth the initial insured ratings from the three rating agencies prior to the downgrades, the current insured ratings and the current underlying ratings. In all cases, the underlying ratings are higher than the current FGIC insured rating.

The ratings reflect the view of the rating agencies and any desired explanation of the significance of a rating should be obtained from the respective rating agency. Such ratings are not a recommendation to buy, sell or hold any City indebtedness. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such ratings will continue for any given period or that such ratings will not be revised downward or withdrawn entirely provided, if in the view of such rating agency, circumstances warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price or marketability of the City's obligation identified on the cover page hereof.

DATED: August 20, 2008

CITY OF SAN DIEGO

By: Mary Lewis  
Mary Lewis  
Chief Financial Officer

Distribution: Nationally Recognized Municipal Securities Information Repositories  
Wells Fargo Bank, National Association

Ratings as of Aug. 21, 2008

Issuance	Insurer	Standard & Poor's			Moody's			Fitch		
		Initial Insured Rating	Current Insured Rating	Current Underlying Rating	Initial Insured Rating	Current Insured Rating	Current Underlying Rating	Initial Insured Rating	Current Insured Rating	Current Underlying Rating
San Diego Facilities and Equipment Leasing Corporation Certificates of Undivided Interest in Installment Payments Payable from Net System Revenues of the Water Utility Series 1998	FGIC	AAA	BB	AA-	Aaa	B1	A2	AAA	CCC	BBB+
Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds Series 1995	FGIC	AAA	BB	A+	Aaa	B1	A3	AAA	CCC	BBB+
Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds Series 1997A and 1997B	FGIC	AAA	BB	A+	Aaa	B1	A3	AAA	CCC	BBB+
Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds Series 1999A and 1999B	FGIC	AAA	BB	A+	Aaa	B1	A3	AAA	CCC	BBB+

## EXHIBIT A

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission:

### **Bloomberg Municipal Repository**

100 Business Park Drive

Skillman, NJ 08558

Phone: (609) 279-3225

Fax: (609) 279-5962

Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

### **Interactive Data Pricing and Reference Data, Inc.**

Attn: NRMSIR

100 William Street, 15<sup>th</sup> Floor

New York, NY 10038

Phone: (212) 771-6999

Fax: (212) 771-7390

Email: [NRMSIR@interactivedata.com](mailto:NRMSIR@interactivedata.com)

### **Standard & Poor's Securities Evaluations, Inc.**

55 Water Street, 45<sup>th</sup> Floor

New York, NY 10041

Phone: (212) 438-4595

Fax: (212) 438-3975

Email: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

### **DPC Data, Inc.**

One Executive Drive

Fort Lee, NJ 07024

Phone: (201) 346-0701

Fax: (201) 947-0107

Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)



## **Fitch Downgrades FGIC's IFS to 'CCC'; Placed on Watch Evolving** [Ratings](#)

31 Jul 2008 11:36 AM (EDT)

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Fitch Ratings-New York-31 July 2008: Fitch Ratings has downgraded the following ratings on FGIC Corporation (FGIC Corp.) and its financial guaranty insurance subsidiaries Financial Guaranty Insurance Company (FGIC) and FGIC UK Ltd. as shown below:

FGIC  
FGIC UK Ltd.  
–Insurer financial strength (IFS) to 'CCC' from 'BBB'.

Fitch has placed these ratings on Rating Watch Evolving.

FGIC Corp.  
–Long-term Issuer to 'CCC-' from 'BB';  
–\$325 million of 6% senior notes due Jan. 15, 2034 to 'CCC-' from 'BB'.

Fitch has placed these ratings on Rating Watch Negative.

Today's rating action is based on Fitch's expectation that FGIC will experience further credit deterioration on its book of business backed by residential mortgage-backed securities (RMBS). This deterioration could lead to further additions in loss reserves which will increase the possibility that FGIC could become subjected to some form of regulatory intervention.

Moreover, as of March 31, 2008 FGIC would have negative statutory capital if not for the \$600 million 'contingent gain' the company recognized related to a structured finance CDO (SF CDO) transaction, known as Havenrock II, that is currently being disputed in court. Fitch continues to monitor developments with respect to this dispute for potential implications to the financial condition of FGIC.

In the event that some form of regulatory intervention were to occur, FGIC's exposure to credit derivatives (CDS) would be subject to immediate termination with its outstanding counterparties. In this scenario, FGIC would be required to settle the CDS contracts at their current market value; a level that Fitch believes is considerably greater than the company's existing claims-paying resources.

Given the heightened risk of regulatory intervention, and FGIC's inability to date to raise additional third-party capital, either from its existing owners or externally, it is likely the company will need to pursue the commutation of some of its most capital intensive exposures, namely SF CDOs underwritten in CDS form. Such options are more likely given the precedent set by the recently announced commutation of several SF CDO contracts between Security Capital Assurance Ltd. and Merrill Lynch & Co., Inc.

The Rating Watch Evolving reflects:

- The uncertainty noted above related to the outcome of the Havenrock II dispute, and the potential for either favorable or negative outcomes;
- Fitch's expectation for higher RMBS loss reserves in the next several quarters;
- Ongoing negotiations with external reinsurance providers that could ultimately improve certain policyholder positions; and
- Rating implications tied to Fitch's ultimate viewpoint related to the nature of the negotiations surrounding probable commutations. Given FGIC's greatly weakened financial condition, Fitch would evaluate any commutation to judge whether it was 'distressed' and viewed as an economic default per Fitch's rating methodology.

The Rating Watch Negative on FGIC Corp.'s long-term issuer and senior unsecured debt ratings reflects Fitch's expectation that if FGIC's financial condition continues to deteriorate and triggers some form of regulatory intervention, regulators will likely prevent FGIC from paying dividends to FGIC Corp. in order to service its debt or other holding company operating expenses.

Fitch will comment on the impact of the downgrade of FGIC's IFS rating on the ratings of securities insured by FGIC in a separate release.

FGIC Corp. is a U.S. holding company whose primary operating financial guaranty subsidiaries are FGIC and FGIC U.K Ltd. For March 31, 2008, FGIC Corp. reported consolidated assets under Generally Accepted Accounting Principles of \$6.7 billion and shareholders' equity of approximately \$548 million. On an aggregated basis, net par outstanding for FGIC totaled \$308 billion as of March 31, 2008.

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Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.

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