

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 for list of current NRMSIRs and SIDs

IF THIS FILING RELATES TO A SINGLE BOND ISSUE:

Provide name of bond issue exactly as it appears on the cover of the Official Statement (please include name of state where issuer is located):

See Below

Provide nine-digit CUSIP* numbers if available, to which the information relates:

See Below

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): **CITY OF SAN DIEGO, CALIFORNIA, AND OTHERS AS LISTED ON THE ATTACHED MATERIAL EVENT NOTICE**

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: **797260, 797448, 797299, 79727L, 797290, 797236, 797304, 79730A, 79730C, AND 797263**

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

TYPE OF FILING:

Electronic and Facsimile (Number of pages attached): **12 PAGES (INCLUDING THIS COVER SHEET)**

If information is also available on the Internet, give URL: **N/A**

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 _____ |
| | 11. Rating changes <u>XXX</u> |

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

E. Other Secondary Market Information (Specify):

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

Issuer Contact:

Name P. LAMONT EWELL Title CITY MANAGER
Employer CITY OF SAN DIEGO
Address 202 C STREET, MAIL STATION 9A City SAN DIEGO State CA Zip Code 92101

Dissemination Agent Contact:

Name: P. LAMONT EWELL Title: CITY MANAGER
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

Obligor Contact, if any:

Name _____ Title _____
Employer _____
Address _____ City _____ State _____ Zip Code _____

Investor and Credit Relations Contact:

Name _____ Title _____
Telephone _____ Fax: _____

Press Contact:

Name P. LAMONT EWELL Title CITY MANAGER
Employer CITY OF SAN DIEGO
Address 202 C STREET, MAIL STATION 9A City SAN DIEGO State CA Zip Code 92101

**MATERIAL EVENT NOTICE PURSUANT TO S.E.C. RULE 15c2-12(b)(5)(i)(C)
OF FITCH RATINGS DOWNGRADE**

Dated February 18, 2004

NOTICE IS HEREBY GIVEN that on February 16, 2005, Fitch Ratings announced that it had downgraded the ratings on all of the City of San Diego, California's General Obligation bonds to 'A', from 'AA', and downgraded the ratings on certain outstanding certificates of participation (COP), and lease issues to 'A-' from 'AA-'. Fitch Ratings also continued a Rating Watch Negative on all the affected issuances. The following tables outline the affected issuances with respect to the change in ratings and continuing Rating Watch Negative. The attached Fitch Ratings publication dated February 16, 2005 provides additional information regarding this action.

Ratings Downgrade

Name of Issue	Issue Date	Fitch's Rating	6-Digit CUSIP Number
City of San Diego 2003 Certificates of Participation (1993 Balboa Park/Mission Bay Park Refunding) Evidencing Undivided Proportionate Interest in Lease Payments to be Made by the City of San Diego Pursuant to a Lease with the San Diego Facilities and Equipment Leasing Corporation	May 29, 2003	A- (formerly AA-)	797260
City of San Diego/MTDB Authority 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding)	April 30, 2003	A- (formerly AA-)	797448
Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds Series 2002B (Fire and Life Safety Facilities Project)	June 12, 2002	A- (formerly AA-)	797299
Convention Center Expansion Financing Authority Lease Revenue Bonds Series 1998A (City of San Diego, California, as Lessee)	September 1, 1998	A- (formerly AA-)	79727L

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Ratings Downgrade (Continued)

Name of Issue	Issue Date	Fitch's Rating	6-Digit CUSIP Number
San Diego Open Space Park Facilities District No. 1 General Obligation Bonds Refunding Series 1994	May 15, 1994	A (formerly AA)	797290
City of San Diego, California 1991 General Obligation Bonds (Public Safety Communications Project)	March 1, 1991	A (formerly AA)	797236
Public Facilities Financing Authority of the City of San Diego Subordinated Water Revenue Bonds, Series 2002 (Payable Solely from Subordinated Installment Payments Secured by Net System Revenues of the Water Utility Fund)	October 8, 2002	A- (formerly A+)	79730C
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	August 4, 1998	A (formerly AA-)	797263
Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds Series 1999 A and Series 1999 B (Payable Solely from Installment Payments Secured by Wastewater System Net Revenues)	March 2, 1999	A (formerly AA-)	79730A
Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds Series 1997 A and Series 1997 B (Payable Solely from Installment Payments Secured by Wastewater System Net Revenues)	February 26, 1997	A (formerly AA-)	79730A

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Ratings Downgrade (Continued)

Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds Series 1995 (Payable Solely from Installment Payments Secured by Wastewater System Net Revenues)	December 1, 1995	A (formerly AA-)	79730A
Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds Series 1993 (Payable Solely from Installment Payments Secured by Wastewater System Net Revenues)	September 15, 1993	A (formerly AA-)	797304

Rating Watch Negative

Name of Issue	Issue Date	6-Digit CUSIP Number
City of San Diego 2003 Certificates of Participation (1993 Balboa Park/Mission Bay Park Refunding) Evidencing Undivided Proportionate Interest in Lease Payments to be Made by the City of San Diego Pursuant to a Lease with the San Diego Facilities and Equipment Leasing Corporation	May 29, 2003	797260
City of San Diego/MTDB Authority 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding)	April 30, 2003	797448
Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds Series 2002B (Fire and Life Safety Facilities Project)	June 12, 2002	797299

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Rating Watch Negative (Continued)


Name of Issue	Issue Date	6-Digit CUSIP Number
Convention Center Expansion Financing Authority Lease Revenue Bonds Series 1998A (City of San Diego, California, as Lessee)	September 1, 1998	79727L
San Diego Open Space Park Facilities District No. 1 General Obligation Bonds Refunding Series 1994	May 15, 1994	797290
City of San Diego, California 1991 General Obligation Bonds (Public Safety Communications Project)	March 1, 1991	797236
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	August 4, 1998	797263
Public Facilities Financing Authority of the City of San Diego Subordinated Water Revenue Bonds, Series 2002 (Payable Solely from Subordinated Installment Payments Secured by Net System Revenues of the Water Utility Fund)	October 8, 2002	79730C
Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds Series 1993 (Payable Solely from Installment Payments Secured by Wastewater System Net Revenues)	September 15, 1993	797304
Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds Series 1995 (Payable Solely from Installment Payments Secured by Wastewater System Net Revenues)	December 1, 1995	79730A
Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds Series 1997 A and Series 1997 B (Payable Solely from Installment Payments Secured by Wastewater System Net Revenues)	February 26, 1997	79730A

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Rating Watch Negative (Continued)

Name of Issue	Issue Date	6-Digit CUSIP Number
Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds Series 1999 A and Series 1999 B (Payable Solely from Installment Payments Secured by Wastewater System Net Revenues)	March 2, 1999	79730A

CITY OF SAN DIEGO

By: 
P. LAMONT EWELL
City Manager

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Distribution:

Municipal Securities Rulemaking Board

Via DisclosureUSA:

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Fitch Lowers San Diego, California's \$2.71B Debt; Watch Negative

16 Feb 2005 12:42 PM (EST)

Fitch Ratings-San Francisco-February 16, 2005: Fitch Ratings downgrades San Diego, CA's approximately \$46 million in outstanding general obligation bonds to 'A' from 'AA' and approximately \$250 million in lease-backed debt to 'A-' from 'AA-'. Also, Fitch downgrades bonds secured by the city's water and sewer enterprises issued by the San Diego Public Facilities Financing Authority and the San Diego Facilities and Equipment Leasing Corporation. The authority's \$1.1 billion in sewer revenue bonds are downgraded to 'A' from 'AA-' and \$734 million in subordinate sewer revenue bonds are lowered to 'A-' from 'A+'. The corporation's \$290 million in certificates of undivided interest series 1998 (secured by a senior lien on water enterprise revenues) are lowered to 'A' from 'AA-', and \$282 million in subordinate water revenue bonds issued by the authority are lowered to 'A-' from 'A+'. The ratings are on Rating Watch Negative.

Fitch takes this rating action as a result of continued delays in the release of the city's fiscal 2003 audited financial statements, as well as ongoing political struggles that appear to hinder progress toward resolving the city's sizable financial challenges. The new ratings also reflect the city's strong economic performance and revenue sources, giving San Diego a strong ability to pay general obligation, enterprise debt, and lease obligations.

The ratings for San Diego, CA remain on Rating Watch Negative to reflect continued uncertainty, centering on rising and sizable pension system contributions and their implications for the city's ability to achieve long-term budgetary balance. Also, Fitch views the city's current financial strains as exacerbated by the costs of ongoing federal and internal investigations, as well as these efforts' possible implications. Fitch placed the general obligation and lease-backed ratings on Rating Watch Negative in September 2004, reflecting concern over widespread deficiencies in the San Diego City Employees Retirement Systems' (SDCERS) funding, functioning, and related disclosure.

Without audited financial statements to confirm previously reported strong financial operations and year-end balances, Fitch cannot view the city's overall financial

condition with the confidence needed to maintain higher ratings. Nonetheless, Fitch's role as a rating agency dictates the responsibility to retain ratings whenever possible and requested. Given the city's very strong reserve levels and financial operations through fiscal 2002 and the city's robust economy, Fitch expects the audited results for fiscal 2003 to be at least satisfactory. This conclusion factors in the nature of essential services provided by the city's water and sewer utilities, as well as the city's beneficial tax structure, including property, sales, hotel, franchise, and property transfer taxes, which effectively translate positive economic trends into rising revenues.

Since the September 2004 release of a report prepared by the law firm Vinson & Elkins L.L.P that detailed numerous errors, omissions, and negligence in disclosing details of the city's pension-funding obligations to investors and other interested parties, San Diego has attempted to address the information deficiencies and weaknesses and to find solutions to the pension system's dramatic underfunding (SDCERS funding ratio at June 30, 2003 was 67%, well below the national average). Discussion on ways to return SDCERS to a fiscally sound position by numerous city officials focuses on reduced pension benefits, employee contributions, and/or salary reductions, all actions that require labor group cooperation. Fitch views these crucial measures as requiring strong leadership, fiscal discipline, and political cooperation. However, Fitch sees the city's efforts, to-date, as hampered by political strain, a highly contentious mayoral election, and the high profile nature of ongoing investigations by the Securities and Exchange Commission (SEC) and the U.S. Attorney's Office, as well as the recently concluded investigation by the city attorney. While Fitch acknowledges certain internal changes made to improve coordination, communication, and establish greater oversight, political and managerial conflict continue to slow efforts addressing more of the widespread and systemic malfunctions included in the Vinson & Elkins report.

Today's downgrade reflects Fitch's emphasis on effective management as a key component of credit quality. Fitch believes that San Diego's political and management deficiencies can be remedied, although effective change will require a strong commitment to reform prior practices and coordinate decisive actions taken by the mayor, city council, city manager, SDCERS board, labor groups, and other interested and responsible parties. Evidence of significant structural change and a resulting

positive effect are crucial to Fitch's returning San Diego's ratings to higher levels. In fact, Fitch believes the city has the potential to return to a position of above-average credit quality based on its economic strength and ability to translate positive economic performance into sound financial operations through its varied tax structure.

Fitch acknowledges the city's earlier efforts toward rebuilding trust among investors and others, including the January 2004 voluntary disclosure of errors in the fiscal 2002 audit, the hiring of KPMG to audit fiscal 2003, the hiring of Vinson & Elkins to perform the pension and disclosure review, and council passage of initial reforms. However, further evidence of a widespread and united commitment to restore financial stability is needed to achieve higher ratings.

Fitch continues to await release of the city's audited financial reports for fiscal years 2003 and 2004, along with further evidence of significant structural reform.

The following ratings are downgraded and remain on Rating Watch Negative by Fitch:

City of San Diego, CA

--General obligation bonds to 'A' from 'AA';

--Certificate of participation refunding bonds, series 2003, to 'A-' from 'AA-'.

San Diego Metropolitan Transit Development Board

--Lease revenue bonds, series 2003 (San Diego Old Town Light Transit Extension Refunding) to 'A-' from 'AA-'.

Convention Center Expansion Authority

--Lease revenue bonds, series 1998A, to 'A-' from 'AA-'.

Fitch also downgrades the following ratings:

San Diego Public Facilities Financing Authority

--Lease revenue bonds, series 2002B (Fire and Life Safety Facilities Project) to 'A-' from 'AA-';

--Sewer revenue bonds to 'A' from 'AA-';

--Subordinate sewer revenue bonds to 'A-' from 'A+';

--Subordinate water revenue bonds to 'A-' from 'A+'.

San Diego Facilities and Equipment Leasing Corp.

--Certificates of undivided interest, series 1998, (water revenue) to 'A' from 'AA-'.

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