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

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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):

THE CITY OF SAN DIEGO, CALIFORNIA (OBLIGOR, PURSUANT TO CERTIFICATES OF PARTICIPATION);

Certificates of Participation (Balboa Park and Mission Bay Park Capital Improvements Program) Series 1996A

Refunding Certificates of Participation (Balboa Park and Mission Bay Park Capital Improvements Program, Series 1991) Series 1996B

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

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

Taxable Lease Revenue Bonds, Series 1996A (San Diego Jack Murphy Stadium)

Lease Revenue Bonds, Series 2002B (Fire and Life Safety Facilities Project)

CONVENTION CENTER EXPANSION FINANCING AUTHORITY (STATE: CALIFORNIA)

Lease Revenue Bonds, Series 1998A (City of San Diego, California, as Lessee)

CITY OF SAN DIEGO/MTDB AUTHORITY (STATE: CALIFORNIA);

2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding)

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:

CITY OF SAN DIEGO, CALIFORNIA related CUSIP: 797260

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO related CUSIP: 797299

CONVENTION CENTER EXPANSION FINANCING AUTHORITY related CUSIP: 79727L

CITY OF SAN DIEGO/MTDB AUTHORITY related CUSIP: 797448

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

TYPE OF FILING:

[X] Electronic __8___ pages

Paper (no. of pages attached) _______

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

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 15c2-12Fiscal Period Covered:

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

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

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 MOODY'S INVESTORS SERVICE RATINGS DOWNGRADE

Dated August 3, 2005

NOTICE IS HEREBY GIVEN that on August 2, 2005, Moody's Investors Service announced that it had downgraded its ratings on all City of San Diego, California's general obligation bonds to 'A3', from 'A1'. The ratings on the City's other general fund obligations have been correspondingly downgraded as listed in the attached Moody's Investors Service publication dated August 2, 2005. Moody's also continued a Negative outlook on all the affected issuances. The attached publication, dated August 2, 2005, provides additional information regarding this action.

CITY OF SAN DIEGO

By: ______________________
P. LAMONT EWELL
City Manager

MATERIAL EVENT NOTICE PURSUANT TO S.E.C. RULE 15c2-12(b)(5)(i)(C)
OF MOODY'S INVESTORS SERVICE RATINGS DOWNGRADE

Distribution:

Municipal Securities Rulemaking Board

Via DisclosureUSA:

- Bloomberg Municipal Repository
- DPC Data Inc.
- FT Interactive Data
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BNY Western Trust Company (Trustee)

Wells Fargo Bank, N.A. (Trustee)

Ambac Assurance Corporation (Insurer)

MBIA Insurance Corporation (Insurer)

Stone & Youngberg, LLC (Underwriter)

Rating Update: San Diego (City of) CA

MOODY'S DOWNGRADES CITY OF SAN DIEGO GO BONDS TO A3 FROM A1; LEASE RATINGS CORRESPONDINGLY DOWNGRADED

RATING OUTLOOK REMAINS NEGATIVE

Municipality
CA

Opinion

NEW YORK, Aug 2, 2005 -- Moody's Investors Service has downgraded the City of San Diego's General Obligation Bonds to A3 from A1. The ratings on the city's other general fund obligations have been correspondingly downgraded, as listed below. Our outlook on the city's ratings remains negative. The downgrade reflects the continuing uncertainty regarding the City's financial position due to the lack of audited financial statements since fiscal 2002, recent budget actions by the city council that suggest a "go slow" approach to improving the city's fiscal health, and a projected significant narrowing of the city's available liquidity measures in the current fiscal year. Uncertainty is compounded by the city's fluid political environment and ongoing investigations, which suggest that resolution of the city's long-term financial challenges is not imminent. The ratings continue to reflect the fundamental strength of the city's large, diverse and growing economy.

LACK OF AUDITED INFORMATION SINCE 2002, UNAUDITED FIGURES SHOW MODEST DECLINE IN GENERAL FUND BALANCE; PROJECTED DECREASE IN AVAILABLE LIQUIDITY IN CURRENT FISCAL YEAR

The city's financial position appears to be narrowing somewhat. As of the last available audit, fiscal 2002, the city's fund balances in its General Fund represented 9.7% of General Fund revenues in fiscal 2002, and unreserved fund balances totaled 6.1% of revenues. These figures represented a decline from 10.9% and 7.8% total and unreserved fund balances respectively in fiscal 2001. Audited results for more recent years are not available. The city has presented unaudited figures showing a modest additional decline in fund balances in fiscal 2003. City figures also suggest that the decline has halted and perhaps reversed in fiscal 2004 and 2005. Throughout this period the city has presented as available for general fund use those fund balances held in special revenue funds that had been funded from general purpose revenues; in four of the five years between fiscal 2000 and 2004 (the latter two years unaudited) those fund balances reportedly were larger than the unreserved fund balance within the general fund itself. Moody's notes both the solvency attested to by these presentations, as well as the uncertainty inherent in the unaudited figures.

A significant factor in the downgrade of the city's ratings is the fact that liquidity appears to be narrowing to very thin levels. Ending cash balances for fiscal 2006 are projected at a very low 1.7% of receipts, well below the prior year levels of 5.7% (fiscal 2003), 4.7% (fiscal 2004), and 5.4% (projected fiscal 2005). Moody's notes that while the fiscal 2005 figure is an improvement over the prior year, it is nearly 2% below the level projected at the beginning of that fiscal year. With cash balances as low as those projected for fiscal 2006, there is currently little room for such variance. As in fiscal 2005, the has city entered into a Note Purchase Agreement with the Bank of America for fiscal 2006 which allows for cash-flow borrowing of up to $155 million (up from $129 million in fiscal 2005). The city's cash flow needs are anticipated to be $145 million (as compared with $114 million last year). The General Fund's ability to borrow from the treasury pool is significantly limited, as by charter it may only borrow up to the amount of property taxes then receivable.

MODEST STEPS TAKEN TOWARDS REBUILDING FISCAL STRENGTH

In adopting its budget for fiscal 2006 the city's council adhered to its policy with respect to budgeted reserves, but did not appear to be prioritizing structural balance. The budget for fiscal 2006 includes significant expenditure reductions in part to offset a previously agreed increase in the city's pension contributions (see additional discussion below). Nonetheless, the city council restored 42 positions to the total 279 which the city manager had proposed eliminating. The city council increased the budget proposed by the city manager by approximately $7 million, which expenditures were funded primarily with one-time revenues. The council did fully fund an appropriation to reserves pursuant to its policy. The policy applies to unappropriated reserves, which are the component of undesignated fund balance that excludes carryover. This figure has been rising from under 3% in fiscal 2002 to a budgeted 4.02% in fiscal 2005 and 4.16% in fiscal 2006. Moody's notes, however, that the goal of the policy is a 5% reserve, which is not very robust at half the level recommended by a Blue Ribbon Panel and which is only required to be attained over a ten year period.

As evident from the city's current ratings, and despite discussions of the subject by prominent local figures, Moody's does not believe that the city is in imminent danger of declaring bankruptcy. While the city's financial position may be narrow, its resources appear more than sufficient to meet its current obligations. Included among those who have raised the specter of bankruptcy is the City Attorney. The City Attorney's view currently is that bankruptcy is a tool, but one of last resort to be explored after all other initiatives have been exhausted. It is also notable that the council is not currently considering bankruptcy, and under federal law only they can initiate such an action.

CITY FACES SIGNIFICANT MEDIUM AND LONG-TERM CHALLENGES

The city's financial challenges are increasing and could prove daunting in the medium and long term. Specifically, the city is faced with the multi-year challenge of improving the funded status of its pension system within a structurally balanced budget.

In 1996 the city entered into an agreement with its Pension Board, and in 2002 the agreement was modified, in both cases to allow the city to contribute less than the full actuarially determined annual required contributions (ARC) to its pension system. (These agreements have been challenged as illegal, both in a past lawsuit and currently by the City Attorney and others, because management failed to make a necessary change in the city's charter to accommodate the underpayment.) Over that period the city, like many others in California, also granted improved pension benefits. Nearly half of the city's cumulative increased unfunded actuarial accrued liability between 1997 and 2002 resulted from the city's decisions to underfund the system and from increased benefits. The pension system's fiscal 2004 actuarial valuation showed an unfunded actuarial accrued liability (UAAL) of $1.37 billion which resulted in a funding ratio of 65.8%. Moody's notes that this funding ratio, while low and arguably calculated with less conservative assumptions than others, is not an extraordinary outlier by comparison with other public sector pension systems.

The city's contributions to the pension system for the next three years have been mandated pursuant to the "Gleason Settlement," which settled a lawsuit pertaining to underpayment of the ARC. The settlement specified a payment in fiscal 2005 that was less than the actuarially determined amount, and mandated full payment in fiscal 2006, 2007 and 2008 using a 30-year amortization period. The required payment has been included in the city's fiscal 2006 budget. In November 2004 the voters approved Proposition G, a charter amendment requiring that the city amortize the UAAL over no longer than 15 years, effective July 1, 2008. (The charter amendment does recognize, however, the Pension Board's constitutionally established authority and fiduciary responsibility which grants it ultimate control over the amortization period.) Excluding the effects of negotiated labor agreements that help mitigate the problem, the city estimates that in fiscal 2009 its contribution will grow to $165 million from $123 million the prior year. Should the city desire to address its pension costs over a longer period than fifteen years, pursuant to the charter it now will be required to issue Pension Obligation Bonds to do so.

With regard to retiree health care benefits the city has made significant strides. In previous years the city had used pension fund earnings to cover the cost of these benefits. Beginning in fiscal 2005, these benefits were no longer funded from this source. For fiscal 2006 these costs total approximately $16.5 million, of which $10 million is being contributed by the General Fund with the remainder covered by other Funds. A preliminary estimate of the UAAL for the city's post-retirement health care benefit was actuarially determined at between $445 and $675 million based upon inflation estimates of 4% and 6% respectively. The city has begun to contain this liability, as retiree health care benefits for employees hired beginning in the current fiscal year will be on a defined contribution rather than a defined benefit basis. Other retiree benefits funded by system earnings, which include an annual lump-sum payment to retirees known as the "13th check" and a Cost of Living Adjustment, remain to be addressed.

UNCERTAINTY REMAINS REGARDING MANAGEMENT, INVESTIGATIONS, RELEASE OF AUDITED FINANCIALS

Uncertainty surrounds management and governance at the city as various important transitions are taking place. The council currently has only six of the total nine required members, as the Mayor had resigned and two councilmen were convicted in a Federal corruption trial. A mayoral run-off and election of two council-people will take place in November. In December the city manager is scheduled to depart as the city adopts a strong mayor form of government, in accordance with a ballot measure passed by voters in November 2004, for a trial period beginning in January, 2006 and lasting through calendar 2010. Under these circumstances, Moody's believes it unlikely that significant strides will be made towards solving the city's long-term fiscal problems in the near term.

Numerous investigations are continuing, and timing for the release of the fiscal 2003 and 2004 audited financial reports is dependent upon the outcome of some. KPMG, the city's auditor for fiscal 2003, is requiring further investigation into whether illegal acts occurred and if so, whether appropriate remedies have been implemented. Until those investigations are completed KPMG will be unable to provide an opinion on the 2003 audit. At this time it is presumed that the fiscal 2004 audit can not be released prior to the fiscal 2003.

Vinson & Elkins, the firm that initially reviewed and reported on the City's disclosure practices, is now conducting additional investigations in response to KPMG's concerns. An audit committee has been formed to advise on any legal issues arising in connection with the investigation, and ultimately to make the determination as to whether the investigation has met KPMG's requirements. The committee is comprised of a former Chief Accountant of the Securities and Exchange Commission (SEC), a former Chairman of the SEC, and a Managing Director of the forensic and litigation practice group of Kroll Associates, a risk consulting company.

The US Attorney's Office, which is investigating certain bond offerings by the city, has requested that the pension system's Board waive any attorney-client privilege regarding certain documents. The Board has refused to comply with that request. The Audit Committee has indicated that the investigation can not be completed without the Board's compliance. Felony conflict of interest charges have been filed against one current and five former Board members of the pension system, all of whom are past or current city employees. The Council has hired a law firm to advise them on the option of putting the system into receivership.

The SEC also is investigating certain bond offerings of the city; no information is available about that investigation.

TAX BASE CONTINUES TO GROW AS ECONOMY REMAINS STRONG

The city's economy and tax base have exhibited strong and steady growth since the late-1990's. Real estate prices in the city continue to rise, and assessed value (AV) has increased at a healthy rate. In six out of the seven years between fiscal 1999 and 2006 AV increased approximately 8.5%, with the seventh year rising at 10.8%. Growth in fiscal 2005 was the slowest over that period, as AV rose by 8.1% to $117.7 billion. Preliminary indications are that growth in fiscal 2006 may be slowing to more sustainable rates.

The local economy is characterized by high technology industries including telecommunications, software development, biotechnology and electronics, as well as manufacturing, professional services and international trade. Tourism also is a major contributor to the local economy. The local economy performed well even through the last recession, maintaining positive employment growth. The unemployment rate has declined from a high of 5.7% in July 2003 (still low by comparison with the statewide rate of 6.9%) to 4.4% in June 2005 which is well below the 5.4% rate for the state as a whole. Tourism, which remained strong in 2004 by comparison with the nation and the state, is expected to remain stable in 2005. The military historically has been an important presence in the local economy, but the recent Base Realignment and Closure recommendations include a direct loss of 1,205 positions, which would also have a multiplier effect on non-military jobs. Nonetheless, in the context of total employment in the city this loss is not likely to have a material effect on the economy overall. Given the city's location on the U.S.-Mexican border, the local economy is expected to benefit significantly from the recently passed Central America Free Trade Agreement (CAFTA).

Outlook

The negative rating outlook on the city's G.O. bonds and related General Fund obligations reflects the major financial challenges facing the City over the next months and years, and the significant uncertainty as to when and how these will be addressed. In addition, we note that further rating action is possible should it be warranted by the results of the various investigations currently underway.

OBLIGATIONS AFFECTED BY THE CURRENT RATING ACTION

The following are the city obligations carrying unenhanced or underlying ratings that are affected by this rating action, and the amount of debt outstanding as of fiscal year end 2005:

GENERAL OBLIGATION BONDS (DOWNGRADED TO A3 FROM A1):

1994 - Open Space Park Refunding Bonds ($1.5 million)

1991 - Public Safety Communications Bonds ($13.0 million)

CERTIFICATES OF PARTICIPATION AND LEASE REVENUE BONDS (DOWNGRADED TO Baa2 FROM A3):

2003 - 1993 Balboa Park/Mission Bay Park Refunding ($15.7 million)

2003 - 1993 City/MTDB Lease Revenue Refunding Bonds ($14.7 million)

2002B - Fire and Life Safety Facilities Project ($24.2 million)

1998A - Convention Center Expansion ($188.0 million)

1996 A and B - Balboa Park/Mission Bay Park Capital Improvements and Refunding ($27.6 million)

1994 - City/MTDB Lease Revenue Refunding Bonds ($14.9 million)

CERTIFICATES OF PARTICIPATION AND LEASE REVENUE BONDS (DOWNGRADED TO Baa3 FROM Baa1):

1996A (Taxable) - Jack Murphy Stadium ($61.7 million)

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