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 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**

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: **797236, 797260, 797448, 797299, 79727L, AND 797290**

*(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): **7 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 15c2-12Fiscal 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_____**GINA LEW** ____________ Title___**DIRECTOR OF PUBLIC AND MEDIA AFFAIRS**
Telephone__**(619) 236-6851**___ ____________ Fax: **(619) 236-6067**____________

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

Dated September 27, 2004

NOTICE IS HEREBY GIVEN that on September 24, 2004, Moody's Investors Service announced that it had downgraded its ratings on all City of San Diego, California's general obligation bonds to 'A1', from 'Aa3'. 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 September 24, 2004. Moody's outlook on the City's ratings is revised from Stable to Negative. The attached publication, dated September 24, 2004, 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

Via DisclosureUSA:

- Bloomberg Municipal Repository
- DPC Data Inc.
- FT Interactive Data
- Standard & Poor's J. J. Kenny Repository

BNY Western Trust Company (Trustee)

Wells Fargo Bank, N.A. (Trustee)

Ambac Assurance Corporation (Insurer)

MBIA Insurance Corporation (Insurer)

Stone & Youngberg, LLC (Underwriter)

MOODY'S INVESTORS SERVICE

Rating Update: REVISED: MOODY'S DOWNGRADES CITY OF SAN DIEGO GO BONDS TO A1 FROM Aa3

Global Credit Research - 24 Sep 2004

RATING OUTLOOK NEGATIVE

Municipality
CA

Opinion

NEW YORK, Sep 24, 2004 -- Moody's Investors Service has downgraded the City of San Diego General Obligation Bonds to A1 from Aa3. The ratings on the city's other general fund obligations have been correspondingly downgraded as listed below. Our outlook on the city's ratings is now negative. The downgrade reflects new information that has come to light since our prior rating action. This information has led us to conclude that the city's finances were far less conservatively and carefully managed than we had previously believed. In addition, heightened public scrutiny and an uncertain political environment are continuing to narrow the city's options for responding to a difficult long-term problem. Notwithstanding the city's financial and management challenges, its ratings remain strong reflecting its healthy local economy, moderate debt profile, and narrow but adequate reserves. Moody's notes that the city's liquidity is also satisfactory, although less robust than we had previously believed. The negative outlook on the city's ratings reflects the likelihood that the city will feel heightened pressure to absorb significant expenditure increases into its general fund budget in coming years. The city has yet to evaluate the financial implications of the recently released reports, and uncertainty remains with respect to the pending release of its fiscal 2003 audit report, which we now believe may also contain recommendations with financial implications. The outstanding SEC and US Attorney's office investigations, about which little is known, contribute to the uncertainty. This report focuses on rating factors that have arisen in recent weeks; for a complete discussion of the factors affecting the City's ratings please consult Moody's Ratings Update published August 10, 2004.

MANAGEMENT PRACTICE OF DIVERTING PENSION SYSTEM EARNINGS AGGRAVATED UNDERFUNDING RESULTING FROM ANNUAL CONTRIBUTIONS BELOW ACTUARIAL REQUIREMENT

By agreement with its retirement system's Board, since 1996 the city has been making less than actuarially required contributions (ARC) to its pension system. Two recently released reports revealed management practices which compound the problem caused by this underpayment. The recently released Report on Investigations undertaken by Vinson & Elkins L.L.P. and the Final Report of the city of San Diego's Pension Reform Committee (PRC) both made clear that the city has been diverting "surplus earnings" of the system to payment of contingent benefits. These benefits include amounts due pursuant to a legal settlement (the Corbett settlement) which requires that if earnings are not available in a given year, the amount payable will be accrued. The cost of this benefit is approximately $5.5 million per year. Other benefits funded by system earnings include an annual lump-sum payment to retirees known as the "13th check," a Cost of Living Adjustment, and retiree health benefits.

These contingent benefits have not been factored into the calculation of the pension system's unfunded liability. If the contingent benefits continue to divert "surplus earnings" from the system, even a return to payment at the ARC level by the city would not be sufficient to fully restore the system's funding status. Our diminished view of the city's management reflects the fact that management engaged in this practice seemingly without recognizing and certainly without addressing the long-term stress that diversion of system earnings would place on the pension system, and ultimately on the General Fund.

MANAGEMENT ERRORS CONTRIBUTED TO LESSENED FINANCIAL FLEXIBILITY

The recently released reports reveal a pattern of mostly minor errors made by management. The Report on Investigations, like the ongoing audit of the city's fiscal 2003 financial report, was triggered by errors found in the footnotes of the city's 2002 audit. The Report on Investigations, however, also identified a significant error pertaining to pension system funding: management failed to make a necessary change in the city's charter to accommodate the underpayment of ARC which commenced in 1996. This failure later resulted in a lawsuit, the settlement of which established the terms under which the city will make its pension contributions through fiscal 2008. The city is still in the process of addressing the challenges posed by this settlement.

CITY'S LIQUIDITY REMAINS ADEQUATE THOUGH WEAKER THAN PREVIOUSLY THOUGHT; FINANCIAL CHALLENGES PERTAIN TO LONG-TERM LIABILITIES

As evident from the city's current ratings, Moody's does not believe that the city is in danger of declaring bankruptcy, as has been suggested in recent news reports. The city's liquidity, though narrow, is adequate and its underfunding of its pension system is fundamentally a manageable, long-term problem. Ending cash balances in the General Fund for fiscal 2004 represented 4.7% of receipts, down from 5.7% in fiscal 2003 but still sufficient to have addressed likely contingencies. In lieu of issuing a TRAN this year, as it has in prior years, the city entered into a Note Purchase Agreement with the Bank of America which allows for cash-flow borrowing of up to $129 million. The city's cash flow projections, which in recent years have generally proven accurate, only indicate a need for $114 million. Current projections show cash balances at the end of fiscal 2005 representing 7.3% of receipts.

The downgrade of the city's long-term ratings incorporates the fact that the overall liquidity of the General Fund is narrower than we had previously been led to believe. Our recent conversations with the city have indicated that the General Fund's ability to borrow from the treasury pool is significantly limited. The city's charter limits the amount that the General Fund may borrow to the amount of property taxes then receivable; the city has not developed a clear legal definition of this limit as no such loan has ever seriously been contemplated. Clearly, however, the amount that may be borrowed would diminish over the course of the year, providing little additional liquidity toward the end of the fiscal year.

Moody's long-term ratings on the City's various obligations remain strong, reflecting favorable fundamental credit factors. While audited figures are not yet available, and may not be for a while longer, draft audited results indicate that the city's financial position in fiscal 2003 is in line with previous expectations. No significant change is suggested either by budget basis results for fiscal 2004 or by results to date for fiscal 2005. The city is faced with the multi-year challenge of improving the funded status of its pension system within a structurally balanced budget. In the past the city has not been able to make the decisions necessary to arrive at this position; while perhaps limiting the options available to the city, public scrutiny also may increase the pressure upon the city to make those decisions.

Outlook

The negative outlook on the city's ratings is based upon the facts that additional financial challenges may result from the resolution of a number of outstanding issues, and that the city's options for addressing these is increasingly limited. The city is currently evaluating the financial implications, for the current and future years, of the Report on Investigations and the Final Report of the PRC. The Report on Investigations, coupled with conversations with city staff, suggest that the KPMG audit also may include specific recommendations; these too may have financial implications. Finally, investigations by the Securities and Exchange Commission and the U.S. Attorney's Office are still outstanding. The negative outlook reflects the fact that the city's actions with respect to any recommendations likely will be subject to heightened public scrutiny and potentially may generate controversy, which at the very least will lengthen the amount of time it takes for the city to adopt and implement a financial plan.

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 2004:

General Obligation Bonds (downgraded to A1 from Aa3):

1994 - Open Space Park Refunding Bonds ($31.4 million)

1991 - Public Safety Communications Bonds ($14.4 million)

Certificates of Participation and Lease Revenue Bonds (downgraded to A3 from A2):

2003 - 1993 Balboa Park/Mission Bay Park Refunding ($16.9 million)

2003 - 1993 City/MTDB Lease Revenue Refunding Bonds ($15.0 million)

2002B - Fire and Life Safety Facilities Project ($24.7 million)

1998A - Convention Center Expansion ($192.5 million)

1996 A and B - Balboa Park/Mission Bay Park Capital Improvements and Refunding ($30.4 million)

1994 - City/MTDB Lease Revenue Refunding Bonds ($21.8 million)

Certificates of Participation and Lease Revenue Bonds (downgraded to Baa1 from A3):

1996A (Taxable) - Jack Murphy Stadium ($62.9 million)

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