NEW ISSUE — BOOK-ENTRY-ONLY

RATINGS: Moody's: MIG-1
Standard & Poor's: SP-1
Fitch: F1+

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements, as described herein, interest on the Notes is excluded from gross income for federal income tax purposes and is not treated as a specific item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations. In the further opinion of Bond Counsel, interest on the Notes is exempt from present State of California personal income tax. See "TAX MATTERS" herein.

$18,610,000	$55,825,000	$49,635,000
CITY OF SAN DIEGO, CALIFORNIA	**CITY OF SAN DIEGO, CALIFORNIA**	**CITY OF SAN DIEGO, CALIFORNIA**
2009-10 TAX AND REVENUE ANTICIPATION NOTES, SERIES A	**2009-10 TAX AND REVENUE ANTICIPATION NOTES, SERIES B**	**2009-10 TAX AND REVENUE ANTICIPATION NOTES, SERIES C**

Dated: July 1, 2009 **Due: As shown below**

The City of San Diego, California 2009-10 Tax and Revenue Anticipation Notes, Series A, Series B and Series C (collectively, the "Notes") are being issued in three series to finance working capital needs of the City of San Diego (the "City") during the fiscal year beginning July 1, 2009 and ending June 30, 2010 ("Fiscal Year 2009-10"). The Notes are being issued in fully registered form only and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Notes. Ownership interests in the Notes may be purchased in book-entry form only in denominations of $5,000 or any integral multiple thereof. Purchasers of such beneficial interests will not receive physical delivery of the Notes. Principal of and interest on the Notes will be payable by the Paying Agent (as defined herein) to DTC. DTC will in turn remit such principal and interest to the DTC Participants (as hereinafter defined), who will in turn remit such principal and interest to the Beneficial Owners (as hereinafter defined) of the Notes. See APPENDIX D—"BOOK-ENTRY ONLY SYSTEM" hereto.

The Notes are being issued to provide moneys to help meet Fiscal Year 2009-10 City General Fund expenditures. The Notes are being issued pursuant to a resolution adopted by the City Council of the City on June 9, 2009 (the "Resolution") and the Accompanying Document entitled, "Accompanying Document Providing for the Terms and Conditions of Issuance and Sale of 2009-10 Tax and Revenue Anticipation Notes" (the "Accompanying Document") to be delivered on the date of issuance of the Notes pursuant to the Resolution. In accordance with California law, the Notes are general obligations of the City payable from certain unrestricted taxes, income, revenue, cash receipts and other moneys of the City attributable to the Fiscal Year 2009-10 and lawfully available for the payment of the Notes. The Notes and the interest thereon are secured by a pledge of the portion of these amounts comprising Pledged Moneys (as defined in the Resolution). The City is not authorized, however, to levy or collect any tax for the repayment of the Notes. See "THE NOTES—Security for the Notes" herein.

Principal of the Notes is payable in lawful money of the United States of America at the maturity thereof for each Series shown in the Maturity Schedule below. Interest on the Notes will be payable in like lawful money on the respective maturity date thereof. The Notes of each Series will bear interest at the respective rates set forth below. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months and will accrue from the date of issuance of the Notes. The Notes are not subject to redemption prior to maturity.

MATURITY SCHEDULE

Series	*Maturity Date*	*Principal Amount*	*Interest Rate*	*Yield*	*CUSIP Nos.*[†]
Series A	December 31, 2009	$18,610,000	2.00%	0.51%	797236TA4
Series B	January 29, 2010	55,825,000	2.00%	0.52%	797236TB2
Series C	April 30, 2010	49,635,000	2.00%	0.54%	797236TC0

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Notes are offered when, as and if issued subject to the legal opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel and by Jan I. Goldsmith, City Attorney and for the Underwriters by their counsel, Nixon Peabody LLP, Los Angeles, California. It is anticipated that the Notes will be available for delivery through the facilities of DTC in New York, New York on or about July 1, 2009.

Barclays Capital

Merrill Lynch & Co. **Wedbush Morgan Securities**

Dated: June 23, 2009

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations in connection with the offer or sale of the Notes other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be a contract with the purchasers or owners of the Notes. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been furnished by the City and by other sources which are believed to be reliable. Each of the Underwriters have provided the following sentence for inclusion in this Official Statement: the Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information and expression of opinion herein are subject to change without notice and neither delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described herein since the date hereof. All summaries of the notes, the Resolution or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith. This Official Statement is submitted in connection with the execution and delivery of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

The City maintains a website with investor information at http://www.sandiego.gov/investorinformation. However, the information presented there is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the Notes.

IN CONNECTION WITH OFFERING OF THE NOTES, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE NOTES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

MAYOR
Jerry Sanders

City Council

Sherri S. Lightner (District 1)	Carl DeMaio (District 5)
Kevin Faulconer (District 2)	Donna Frye (District 6)
Todd Gloria (District 3)	Marti Emerald (District 7)
Tony Young (District 4)	Ben Hueso, Council President (District 8)

CITY ATTORNEY

Jan I. Goldsmith

CITY OFFICIALS

Jay M. Goldstone, *Chief Operating Officer*
Mary Lewis, *Chief Financial Officer*
Gail R. Granewich, *City Treasurer*
Eduardo Luna, *City Auditor*
Kenton C. Whitfield, *City Comptroller*
Andrea Tevlin, *Independent Budget Analyst*
Elizabeth Maland, *City Clerk*

BOND COUNSEL/DISCLOSURE COUNSEL

STRADLING YOCCA CARLSON & RAUTH,
a Professional Corporation
Newport Beach, California

FINANCIAL ADVISOR

PUBLIC FINANCIAL MANAGEMENT, INC.
Los Angeles, California

PAYING AGENT

DEUTSCHE BANK NATIONAL TRUST COMPANY
Los Angeles, California

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OFFICIAL STATEMENT

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2009-10 TAX AND REVENUE ANTICIPATION NOTES, SERIES A	2009-10 TAX AND REVENUE ANTICIPATION NOTES, SERIES B	2009-10 TAX AND REVENUE ANTICIPATION NOTES, SERIES C

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Notes being offered, and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement, including the Appendices. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

General

The purpose of this Official Statement (the "Official Statement"), which includes the cover page and attached Appendices, is to provide certain information concerning the sale and delivery of $124,070,000 aggregate principal amount of City of San Diego, California 2009-10 Tax and Revenue Anticipation Notes in three series corresponding to different maturity dates and interest rates, designated as "Series A Notes," "Series B Notes" and "Series C Notes" herein, (each a "Series" and, collectively, the "Notes") issued by the City of San Diego (the "City").

The Notes are issued under the authority of Section 92 of the City Charter of the City, Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (collectively, the "Authorizing Law") and a resolution adopted by the City Council of the City on June 9, 2009, including the completed Accompanying Document thereto (collectively, the "Resolution"). The Notes are being issued to finance the seasonal cash flow deficits in the City's General Fund (the "General Fund") during Fiscal Year 2009-10.

Changes From Preliminary Official Statement

In addition to inserting the pricing information for the Notes, there have been certain changes made herein to information that was included in the Preliminary Official Statement as follows:

(1) On June 17, 2009, the Mayor approved the Fiscal Year 2010 Proposed Budget as it was adopted by the City Council on June 8, 2009 without exercising his line item veto. Although the Fiscal Year 2010 Proposed Budget is now enacted, the information in the tables and the text herein have not been revised to reflect a net increase of approximately $1,000,000 to the Fiscal Year 2010 Proposed Budget upon its adoption by the City Council. The projected cash flow summary on page 10 has been updated based on the actual principal and interest amounts for the Notes but not for the $1,000,000 increase to the budget. See "THE NOTES—Cash Flows."

(2) The information on Page A-2 of APPENDIX A under the caption "Employment" has been updated.

(3) Certain information has been added to the third paragraph of page B-20 and the last paragraph of page B-21 of APPENDIX B under the caption "State Budget Deficit."

(4) Certain information has been added to the third paragraph on Page B-28 of APPENDIX B under the caption "LABOR RELATIONS; SDCERS; OTHER POST-EMPLOYMENT BENEFITS."

(5) Certain information has been added to the first full paragraph on page B-30 of APPENDIX B under the caption "San Diego City Employee's Retirement System."

(6) Table B-15 in APPENDIX B has been revised.

Security and Sources for Payment of the Notes

The Notes, in accordance with California law, are general obligations of the City, payable from the unrestricted taxes, income, revenue, cash receipts and other moneys of the City attributable to the Fiscal Year 2009-10 and lawfully available therefor. The City agrees to deposit in a Repayment Fund (as defined herein) certain Pledged Moneys (as defined herein) consisting of a portion of these amounts chargeable to the City's General Fund received on and after December 10, January 1 and April 1 of Fiscal Year 2009-10, respectively, to fund amounts coming due on the Notes of each Series maturing on the next December 31, January 29 and April 30, respectively, as specified in the Resolution. See "THE NOTES—Security for the Notes." The City is not authorized, however, to levy or collect any tax for the repayment of the Notes.

The City, with a population of approximately 1.3 million, is a charter city located in the southwestern portion of the State of California (the "State") and covers 342 square miles. Certain economic and demographic data regarding the City and surrounding area is included in APPENDIX A—"DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY" and information regarding City government and finances, including property taxes and other sources of repayment of the Notes is included in APPENDIX B—"CITY GOVERNMENT AND FINANCIAL INFORMATION."

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "projected" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct in whole or in part. The City is not obligated to issue any updates or revisions to the forward-looking statements if or when expectations, or events, conditions or circumstances on which such statements are based do or do not occur.

The presentation of information in APPENDIX B—"CITY GOVERNMENT AND FINANCIAL INFORMATION," including tables of receipt of revenues, is intended to show recent historical information except for the budget for Fiscal Years 2008-09 and 2009-10, and the City disclaims any representations that any of such information may indicate future or continuing trends in the financial condition, results of operations or any other affairs of the City. No representation is made that past experience, results of operations or financial condition, as it might be shown by such financial and other information, will continue or be repeated in the future.

Continuing Disclosure

The City has agreed to provide, or cause to be provided, in accordance with Rule 15c2-12(b)(5), promulgated by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), notice of certain material events. These covenants have been made in order to assist the Underwriters in complying with the Rule. Beginning in March 2004, the City failed to comply with various filing deadlines for a number of undertakings due to the unavailability of audited financial statements for the City. Each required annual report and audited financial statement was subsequently filed. The City is current with its filings and is in compliance with its continuing disclosure obligations. See "CONTINUING DISCLOSURE" herein.

City of San Diego Short-Term Borrowing Program

The City has issued tax and revenue anticipation notes every year since the mid-1960's (except for Fiscal Year 1978-79) to meet its cash flow requirements. In Fiscal Year 2008-09, the City sold on a private placement basis a single series of tax and revenue anticipation notes in the aggregate principal amount of $135,000,000. The notes for Fiscal Year 2008-09 have been fully paid.

Recent Events Regarding the City

Investigations Regarding Misleading Disclosures

In early 2004, the City filed three voluntary disclosure filings with the Nationally Recognized Municipal Securities Information Repositories. The first two filings, on January 27, 2004, revised prior disclosure regarding the unfunded accrued actuarial liability of the City's pension system (see APPENDIX B—"CITY GOVERNMENT AND FINANCIAL INFORMATION—San Diego City Employees' Retirement System" herein), and described certain errors discovered in the comprehensive annual financial report (the "CAFR") of the City as of June 30, 2002 and the financial statements of the Metropolitan Wastewater Utility as of June 30, 2002 and 2001. A subsequent filing, on March 12, 2004, described numerous errors in the notes of the City's audited annual financial reports for Fiscal Year 2001-02 (the City's fiscal year, beginning on July 1 and ending on June 30 of the following year, is referred to herein as "Fiscal Year").

As a result of the January 27 filings, on February 13, 2004, the Securities and Exchange Commission (the "SEC") began an investigation into the City's disclosure practices relating to the funding of the San Diego City Employees' Retirement System ("SDCERS"). At the same time, the United States Attorney's office for the Southern District of California began its own investigation into the same matters. In addition, over the course of calendar years 2004 and 2005, the City hired various consultants to conduct investigative reports and to make appropriate recommendations to the City Council.

On November 14, 2006, the City entered into a cease-and-desist order (the "Order") with the SEC relating to violations of the antifraud provisions of the federal securities laws in connection with the offer and sale of municipal securities in calendar years 2002 and 2003, and other related public financial disclosures concerning its pension and retiree health care liabilities. The SEC concluded that the "City, through its officials, acted with scienter," because "City officials acted recklessly in failing to disclose material information regarding [pension and retiree health care] liabilities." The Order imposed certain remedial sanctions, including the retention of an independent consultant to review and assess the City's policies, procedures and internal controls with respect to bond offerings, including disclosures made in its financial statements. On January 16, 2007, the City retained Stanley Keller of the law firm of Edwards Angell Palmer & Dodge, LLP to serve as Independent Consultant. The Independent Consultant is required to conduct annual reviews of the City's policies, procedures and internal controls for a three year period, and provide copies of such annual reports to the SEC. The reports provided to date have included recommendations with respect to, among other things, finalizing and providing for the staffing needs attendant to the City's internal audit function, completing the formation of the City's Audit Committee, improving as necessary such committee's review of the City's CAFR, adopting an improper influence ordinance, implementing internal controls remediation and financial reporting enhancements, coordinating and integrating such efforts with the City's overall business processes, continuing to improve the quality of the City's financial disclosure and adopting any necessary modifications to the communication process and information flow between the City and representatives of the City's pension system. The Mayor and the City Council have implemented certain of the recommendations and continue to work towards establishing best practices in the City's financial reporting and disclosure.

The City established in 2004 its Disclosure Practices Working Group ("DPWG"), a collaborative, consensus-based group formed to address the City's disclosure requirements. The purpose of DPWG is to help ensure the compliance by the City (including the City Council, City officers, and staff) with federal and State securities laws and to promote the highest standards of accuracy in disclosures provided by the City relating to securities issued by the City or by its related entities. DPWG consists of five voting members (the Chief Operating Officer, the Chief Financial Officer, the City Director of Debt Management, the City Attorney and the Deputy City Attorney for Finance and Disclosure) and two non-voting members (the City's outside Disclosure Counsel and the City Auditor). The City's Independent Budget Analyst or, from time to time, that official's designee, is an ex officio participant of DPWG. The Independent Budget Analyst is appointed by majority vote of the City Council. The Office of the Independent Budget Analyst was created in 2006 to assist the City Council in the conduct of budgetary inquiries and in the making of budgetary decisions, which includes providing budget oversight on legislative initiatives that have policy and financial impacts. The Office of the Independent Budget Analyst was made a permanent component of the City's governance structure pursuant to voter-approved amendments to the City Charter in June 2008. These amendments to the City Charter also created a separate Office of the City Auditor whose purpose is to advance open and accountable government through accurate, independent, and objective audits that seek to improve the economy, efficiency, and effectiveness of City government.

The City understands that other investigations by the SEC or other government agencies may still be ongoing as to entities or individuals other than the City. On December 11, 2007, the SEC filed a settled civil fraud action against the City's former independent auditor, Thomas J. Saiz and his firm Calderon, Jaham & Osborn, in connection with the City's false and misleading financial statements in five bond offerings in calendar years 2002 and 2003. On April 7, 2008, the SEC filed securities fraud charges against five former City officials, including the former City Manager, former Auditor and Comptroller, former Assistant Auditor and Comptroller, former Deputy City Manager and former City Treasurer for allegedly giving false and misleading statements regarding City bond offerings in calendar years 2002 and 2003. On December 19, 2008, however, the SEC notified four former members of the City Council, the former Mayor and a current City Councilmember that it had concluded its investigation into their involvement in the five bond offerings in years 2002 and 2003 and did not intend to recommend charges against them.

Audited Financial Reports

As a result of the investigations into the City, the completion and release of the City's audited financial statements for the Fiscal Years ending 2003 through 2007 were substantially delayed. The Fiscal Year 2002-03 CAFR contains numerous restatements in order to correct the errors contained in the Fiscal Year 2001-2002 CAFR. The City issued the CAFRs for Fiscal Years ending 2003 through 2007 during the period from June 2007 through December 2008 and released the Fiscal Year 2008 CAFR on March 26, 2009, which was received and filed by the City Council on April 13, 2009.

City Ratings

A further consequence of the City's voluntary disclosures and the ensuing investigations was a series of actions taken by the rating agencies. Beginning in 2004, Moody's Investors Service, Inc. ("Moody's"), and Fitch Ratings ("Fitch") began to downgrade the credit ratings on the City's obligations and changed the outlook on those ratings to negative. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), placed the City's credit rating on negative outlook and subsequently suspended its credit ratings on all City obligations. The City's credit ratings were reinstated in May 2008, in connection with the release of its CAFR's for Fiscal Years ending 2003 through 2006. The City currently maintains ratings on its bond and other City debt obligations from all three rating agencies. See "RATINGS" herein for a description of the ratings assigned to the Notes.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements, as described herein, and the accuracy of certain representations and certifications made by the City described herein, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not treated as a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel is further of the opinion that interest on the Notes is exempt from State of California personal income taxes. See "TAX MATTERS" herein regarding certain other tax considerations.

Miscellaneous

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

Except as otherwise defined herein, capitalized terms used in this Official Statement without definition have the respective meanings set forth in the Resolution.

Copies of the Resolution may be obtained upon request from the Paying Agent (as defined herein) at Deutsche Bank National Trust Company, 1761 East St. Andrew Place, Santa Ana, CA 92705-4934.

THE NOTES

The Notes will be issued in three Series in the aggregate principal amount of $124,070,000. The Notes will be issued in book-entry only form and, when delivered, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchasers of the Notes will not receive certificates representing their ownership interest in the Notes purchased. See APPENDIX D—"BOOK-ENTRY ONLY SYSTEM." Beneficial ownership interests in the Notes may be transferred only in accordance with the rules and procedures of DTC.

The Notes will be dated July 1, 2009, will mature on the respective date for each Series set forth on the cover page hereof and will be issued in fully registered form. The Notes are not subject to redemption prior to maturity.

The Notes will be issued in denominations of $5,000 and any integral multiple thereof ("Authorized Denominations") and the Notes of each Series will bear interest at the respective rates set forth on the cover page hereof. Interest on the Notes will be payable at maturity and will be computed on the basis of a 360-day year comprised of twelve 30-day months. Principal and interest will be payable in immediately available funds, upon presentation and surrender of the Notes at the office of Deutsche Bank National Trust Company, Los Angeles, California serving as paying agent (the "Paying Agent") of the Notes.

Authority for Issuance

The Notes are being issued under the authority of the Authorizing Law and pursuant to the Resolution and are subject to the terms and conditions of the Accompanying Document.

Purpose of Issue

Issuance of the Notes will provide moneys to help meet Fiscal Year 2009-10 City General Fund expenditures, including current expenses, and the discharge of other obligations or indebtedness of the City. Substantially all of the proceeds of the Notes are expected to be fully expended on or about July 1, 2009.

Security for the Notes

The Notes will be issued under and pursuant to the Resolution (including the Accompanying Document). As provided in the Authorizing Law, the Notes shall be payable from the taxes, income, revenue, cash receipts and other moneys of the City attributable to the City's Fiscal Year 2009-10 and lawfully available for the payment of the Notes and interest thereon exclusive of any moneys which when received will be encumbered for a special purpose ("Unrestricted Revenues" herein). Under the Resolution, the Comptroller shall deposit in a 2009-10 TRANs Repayment Fund (the "Repayment Fund") to be held by the City the following amounts described in (a) through (c) below, inclusive, ("Pledged Moneys" herein): (a) from the first Unrestricted Revenues chargeable to the City's General Fund to be received by the City on and after December 10, 2009 $18,796,100.00 representing the principal and interest due on the Series A Notes on December 31, 2009; (b) from the first Unrestricted Revenues chargeable to the City's General Fund to be received by the City on and after January 1, 2010 $56,470,088.89 representing the principal and interest due on the Series B Notes on January 29, 2010; and (c) from the first Unrestricted Revenues chargeable to the City's General Fund to be received by the City on and after April 1, 2010 $50,459,492.50 representing the principal and interest due on the Series C Notes on April 30, 2010.

To the extent that any amounts received pursuant to clauses (a) through (c) above are less than the total dollar amount designated for such deposit in clauses (a) through (c), the Comptroller shall deposit into the Repayment Fund additional amounts from any other moneys of the City lawfully available therefor. To the extent any Notes are not paid from the Pledged Moneys, such Notes shall be paid with the interest thereon from any other moneys of the City lawfully available therefor. As provided in the Authorizing Law, the Notes and the interest thereon are a valid lien and charge against and are payable from the first moneys received by the City comprising such Pledged Moneys.

On each Maturity Date of each Series, the City shall transfer the Pledged Moneys in amounts sufficient to pay the principal and interest due on the Notes maturing on such Maturity Date to the Paying Agent for payment to the Holders in accordance with the Resolution, and such Pledged Moneys shall be used to pay the Notes, and the interest thereon when the same shall become due and payable and may not be used for any other purpose; provided, the amounts in the Repayment Fund may be invested in Permitted Investments so as to be available for disbursement and in no event for a term that exceeds the term of the Notes, and earnings on amounts in the Repayment Fund shall be deposited as and when received into the General Fund of the City. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE ACCOMPANYING DOCUMENT—Permitted Investments." Any amounts remaining in the Repayment Fund after repayment of all the Notes and the interest thereon shall be the sole and exclusive property of the City, shall not be subject to any claims by or on behalf of any holder of the Notes and shall be transferred to any account in the General Fund of the City as the Chief Financial Officer or any of his or her respective designees may direct.

Pursuant to Section 53856 of California Government Code, the Notes and the interest thereon will be a lien and charge against and will be payable from such Pledged Moneys. In addition to Pledged Moneys, pursuant to Section 53857 of California Government Code, the Notes will be general obligations of the City, and to the extent not payable from Pledged Moneys, shall be paid, with interest thereon, only from any other moneys of the City lawfully available therefor. The City is not authorized to levy or collect any tax for the repayment of the Notes.

Available Sources of Payment

The Notes, in accordance with State law, are general obligations of the City, and, to the extent not paid from the taxes, income, revenue, cash receipts and other moneys of the City pledged for the payment thereof shall be paid with interest thereon from any other moneys of the City lawfully available therefor. The City is not authorized, however, to levy or collect any tax for repayment of the Notes. Pursuant to the Authorizing Law, no obligations, including the Notes, may be issued thereunder if the principal of and interest on such obligations is in excess of eighty-five percent of the estimated amount of the then uncollected taxes, income, revenue, cash receipts and other moneys which will be available for the payment of such principal and interest, and pursuant to City Charter Section 92, the amount of the obligations may not exceed twenty-five percent of the City's budgeted appropriations for the Fiscal Year. See "THE NOTES—Security for Issue."

The City estimates as of June 1, 2009 that the total moneys to be available for payment of the principal of and interest on the Notes, including the Pledged Moneys, will be in excess of $1.129 billion; however, the Notes mature prior to the end of the Fiscal Year and Pledged Moneys will be derived from amounts received by the City prior to the respective maturity dates. See "Cash Flows" herein. Except for Pledged Moneys, these moneys will be expended during the course of the Fiscal Year, and no assurance can be given that any moneys, other than the Pledged Moneys (to the extent received), will be available to pay the Notes and the interest thereon.

The rights of the owners of the Notes are subject to the limitations on legal remedies against cities in the State, bankruptcy and other matters. See "LIMITATIONS ON REMEDIES; BANKRUPTCY" below.

The sources of funds available to the City for the repayment of the Notes, including sales taxes, transient occupancy taxes and property taxes are limited by Constitutional and other legal limitations applicable to the City. See APPENDIX B—"CITY GOVERNMENT AND FINANCIAL INFORMATION—Limitations On Taxes And Appropriations.

Certain economic and demographic data regarding the City and its surrounding area is included in APPENDIX A—"DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY" and information regarding City government and finances, including property taxes, sales taxes and other sources of repayment of the Notes is included in APPENDIX B—"CITY GOVERNMENT AND FINANCIAL INFORMATION, and APPENDIX C—"CITY OF SAN DIEGO COMPREHENSIVE ANNUAL FINANCIAL REPORT ". Each contains important information concerning the City and should be read in its entirety. Among other factors, the City experienced revenue shortfalls in Fiscal Year 2008-09 as a result of adverse economic conditions which resulted in midyear budget adjustments and expects revenues to continue to be constrained in Fiscal Year 2009-10, as reflected in the proposed budget for Fiscal Year 2009-10. See APPENDIX B—"CITY GOVERNMENT AND FINANCIAL INFORMATION".

Moreover, proposed additional cuts in tax revenues payable by the State to the City, as a result of the existing State Budget Deficit for Fiscal Year 2009-10, may necessitate significant changes to the City's Fiscal Year 2009-10 budget for the General Fund. See APPENDIX B—"CITY GOVERNMENT AND FINANCIAL INFORMATION—State Budget Deficit".

Subordinated Notes

The City agrees in the Resolution and Accompanying Document that it will not issue any obligations under the Authorizing Law payable on a parity with the Notes, however, the City reserves the right to issue notes secured by a pledge of and lien on Pledged Moneys subordinate to the Notes (such notes, the "Subordinated Notes"). Any Subordinated Notes may have a lien on all amounts legally available for payment thereof on a basis junior and subordinate in all respects to the lien of the Notes. Subordinated Notes may be subject to redemption by the City at any time; provided, that no payment or redemption on any Subordinated Note shall be made by the City on any date until all deposits scheduled to be made by the City up to and including such date with respect to the Repayment Fund for the Notes have been so deposited. The Accompanying Document also provides that if in any month the City fails to make a scheduled deposit into the Repayment Fund with respect to the Notes required pursuant to the Accompanying Document, the Paying Agent shall transfer from any account established for any Subordinated Notes to the Repayment Fund, such moneys as are necessary to effect the required deposit therein. The City presently expects it will not issue any Subordinated Notes for cash flow borrowing purposes in Fiscal Year 2009-10.

Cash Flows

The City has prepared the following cash flow statements for the General Fund showing actual Fiscal Year 2008-09 amounts through May 31, 2009, and projected amounts for each month thereafter including amounts for Fiscal Year 2009-10 based on the Fiscal Year 2009-10 Proposed Budget. Such cash flow projections could change based on the final form of the City's 2009-10 Final Budget and the City disclaims any obligation to update any of the cash flow projections herein as the result of any future circumstances or events. The aggregate amount needed to repay the Notes of all Series is $125,725,681.39. The City expects to receive in Fiscal Year 2009-10 an estimated $1,262,179,000 in unrestricted revenues for the General Fund on a cash basis, including proceeds from the sale of the Notes and excluding carryover balances.

The City has relied on internal cash resources (including intrafund borrowing of reserves in accordance with the City Charter), budget control and annual tax and revenue anticipation note borrowings to manage timing differences between the receipt of revenue and the expenditure of general funds. See APPENDIX B—"CITY GOVERNMENT AND FINANCIAL INFORMATION—Reserves." The City currently anticipates that sufficient Pledged Moneys will be available for required Repayment Fund deposits during Fiscal Year 2009-10. In the event of any cash flow shortfalls the City would expect to make budget adjustments or internal or other borrowings.

The projected Fiscal Year 2009-10 cash flow statement reflects that, without the issuance of the Notes the City will experience an estimated cash flow deficit of approximately $121,690,000 on or about November 15, 2009. The sources of Pledged Moneys for the repayment of the Notes are described in APPENDIX B—"CITY GOVERNMENT AND FINANCIAL INFORMATION." The statements in this Official Statement relating to the cash flow projections constitute "forward-looking" statements. The cash flow statements do not represent revenues and expenditures in a form matching the proposed budget as set forth in Table B-3.

The cash flow schedules for each Fiscal Year shown include amounts for certain policy funds ("Policy Funds"). These amounts represent City Funds (such as the Public Liability Fund and the Special Promotions Fund), which are separated from the General Fund for administrative purposes but which generally are not restricted by statute, City Charter or other applicable restriction. Policy Fund amounts are not part of the General Fund but may be applied to General Fund purposes by action of the City Council. Pledged Moneys do not include Policy Fund amounts.

(The Fiscal Year 2009-10 budget adopted by the City Council on June 8 and approved by the Mayor on June 17, 2009 increased the General Fund Budget by approximately $1,000,000 from the May 18 proposal that is the basis for the attached cash flow for Fiscal Year 2009-10 and the Fiscal Year 2009-10 Proposed Budget described in APPENDIX B of this Official Statement. See APPENDIX B—"CITY GOVERNMENT AND FINANCIAL INFORMATION—Operating Budget Summary". The June 8 budget changes do not affect any major revenue sources of the City and are not material to the expected General Fund cash flow for Fiscal Year 2010.)

CASH FLOW SCHEDULE
CITY OF SAN DIEGO
FISCAL YEAR 2008-09
CASH FLOW SUMMARY - ESTIMATED AFTER MAY 31, 2009
(In Thousands)

MONTH	JULY/AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTALS
General Fund Beginning Balance	$ 88,707	$ 4,337	$ (42,519)	$ (69,809)	$ (78,882)	$ (34,483)	$ 47,482	$ 7,021	$ (5,380)	$ (2,576)	$ 58,987	XXXXXXX
RECEIPTS:												
Property Tax	7,928	2,517	6,337	8,721	99,167	91,753	7,567	6,794	79,822	83,727	4,222	398,555
Triple Flip	-	-	-	-	-	27,353	-	-	-	27,353	-	54,706
Sales Tax	27,295	15,179	11,821	15,895	14,818	11,472	12,698	13,656	9,819	10,638	13,103	156,394
Safety Sales Tax	1,308	615	597	578	686	523	486	700	477	418	122	6,510
Transient Occupancy Tax	10,964	7,741	9,323	5,857	7,779	4,917	2,522	5,702	5,803	4,722	8,680	74,010
Property Transfer Tax	481	564	538	479	432	286	370	256	255	584	20	4,265
Licenses and Permits	4,725	2,195	2,870	1,447	2,036	2,773	4,619	3,831	2,198	1,938	3,810	32,442
Fines, Forfeiture and Penalties	2,619	5,712	3,794	1,194	3,848	2,710	1,096	962	5,424	1,301	2,708	31,368
Revenue from Use of Money and Property	2,215	395	1,431	1,071	716	740	1,447	335	632	617	483	10,082
Franchise Fees	15,915	23	4,193	9,785	1,985	1,978	13,156	2,110	1,816	14,065	220	65,246
Rents and Concessions	5,198	5,582	6,472	1,397	4,173	2,664	1,600	3,507	3,365	1,404	5,620	40,982
Motor Vehicle License Fees	794	1,093	109	-	-	392	390	1	455	214	438	3,886
Revenue from Other Agencies	1,546	332	383	384	167	418	240	212	759	93	5,888	10,422
Charges for Current Services	13,420	8,343	12,436	9,029	8,645	7,505	21,748	20,519	7,831	13,105	20,882	143,463
Other Financing Sources	1,600	1,001	16,786	2,000	7,032	5,666	(641)	5,243	14,161	51	21,420	74,319
Other Revenue	524	304	251	291	574	359	414	(49)	166	106	464	3,404
Bank of America Note	135,000	-	-	-	-	-	-	-	-	-	-	135,000
TOTAL RECEIPTS	231,532	51,596	77,341	58,128	152,058	161,509	67,712	63,779	132,983	160,336	88,080	1,245,054
DISBURSEMENTS:												
Salaries/Wages	82,932	40,458	59,553	39,724	39,899	39,847	38,998	39,184	39,268	58,115	39,866	517,844
Retirement Advance [1]	131,057	-	-	-	-	-	-	-	-	-	-	131,057
OPEB Advance [2]	19,380	-	-	-	-	-	-	-	-	-	-	19,380
Fringe Benefits	26,376	5,554	22,731	9,163	7,233	10,970	11,089	11,079	3,303	18,486	3,705	129,689
Services/Supplies	40,788	49,327	18,242	14,958	15,198	16,006	12,260	21,873	23,985	19,399	24,340	256,376
Data Processing	8,507	1,293	1,299	526	8,812	8,352	499	2,101	1,418	1,092	2,365	36,264
Energy	5,285	1,350	2,556	2,278	1,505	3,658	898	1,691	2,564	1,249	3,414	26,448
Capital Outlay	1,137	470	250	552	805	711	541	252	265	432	2,266	7,681
Bank of America Note Principal	-	-	-	-	33,750	-	43,200	-	58,050	-	-	135,000
Bank of America Note Interest	440	-	-	-	457	-	688	-	1,326	-	-	2,911
TOTAL DISBURSEMENTS	315,902	98,452	104,631	67,201	107,659	79,544	108,173	76,180	130,179	98,773	75,956	1,262,650
General Fund Ending Balance	$ 4,337	$ (42,519)	$ (69,809)	$ (78,882)	$ (34,483)	$ 47,482	$ 7,021	$ (5,380)	$ (2,576)	$ 58,987	$ 71,111	
Policy Fund Beginning Balance [3]	80,588	61,542	86,270	85,429	82,809	78,519	78,867	73,039	91,036	87,533	88,533	
Policy Fund Net Transactions [4]	(19,046)	24,728	(841)	(2,620)	(4,290)	348	(5,828)	17,997	(3,503)	1,000	(7,479)	
Policy Fund Ending Balance	61,542	86,270	85,429	82,809	78,519	78,867	73,039	91,036	87,533	88,533	81,054	
ENDING BALANCE	**$ 65,879**	**$ 43,751**	**$ 15,620**	**$ 3,927**	**$ 44,036**	**$ 126,349**	**$ 80,060**	**$ 85,656**	**$ 84,957**	**$ 147,520**	**$ 152,165**	
SET-ASIDE FUND												
Beginning Balance [5]	$ 116,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 116,000
Receipts	1,241	-	-	-	34,207	-	43,888	-	59,376	-	-	138,712
Disbursements	117,241	-	-	-	34,207	-	43,888	-	59,376	-	-	254,712
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

1 General Fund portion of the FY 2009 ARC payment to SDCERS. This advance includes amounts advanced on behalf of other funds which are refunded to the General Fund throughout the fiscal year, and therefore, are not fully expended in the General fund.

2 General Fund portion of the FY 2009 OPEB payment to CalPERS. This advance includes amounts advanced on behalf of other funds which are refunded to the General Fund throughout the fiscal year, and therefore, are not fully expended in the General fund.

3 Beginning Policy Funds Balance is comprised of Policy Fund cash available to the General Fund as determined by a tax analysis for the purpose of TRAN. Policy Funds include $31.0 million of Internal Service funds, $36.5 million of Capital Projects funds, $9.6 million of Public Liability funds, and and additional $3.4 million of special revenue funds.

4 Policy Fund Transactions shown as a net amount (receipts minus disbursement).

5 Set Aside Fund amounts based on FY 2008-09 Note Purchase Agreement Set Aside periods and amounts.

CASH FLOW SCHEDULE
CITY OF SAN DIEGO
FISCAL YEAR 2009-10
CASH FLOW SUMMARY - PROJECTED
(In Thousands)

Month	JULY/AUGUST	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MARCH	APRIL	MAY	JUNE	Totals
General Fund Beginning Balance	$ 71,111	$ (11,369)	$ (28,351)	$ (69,393)	$ (83,884)	$ (13,716)	$ (9,269)	$ 1,946	$ 10,987	$ 23,254	$ 55,181	XXXXXXXX
RECEIPTS:												
Property Tax	7,886	2,504	6,303	8,674	93,476	90,577	7,526	735	87,217	76,873	881	382,652
Triple Flip	-	-	-	-	-	25,436	-	-	-	25,437	-	50,873
Sales Tax	25,724	15,385	11,302	15,069	15,012	10,826	14,435	13,859	9,850	13,133	15,065	159,660
Safety Sales Tax	1,452	682	662	642	761	580	540	-	678	606	455	7,058
Transient Occupancy Tax	10,917	7,708	9,283	5,832	7,745	4,896	2,511	5,677	5,778	4,701	8,643	73,691
Property Transfer Tax	522	611	582	519	469	310	401	278	224	546	46	4,508
Licenses and Permits	5,298	2,098	2,612	1,924	1,450	2,851	4,689	4,275	3,143	2,064	1,615	32,019
Fines, Forfeiture and Penalties	4,668	3,819	3,865	1,216	3,920	2,760	1,117	2,980	5,525	1,325	759	31,954
Revenue from Use of Money	1,138	460	240	199	378	133	344	354	392	144	467	4,249
Franchise Fees	17,572	-	2,660	14,927	-	2,644	13,599	2,130	2,411	15,260	-	71,203
Rents and Concessions	7,712	3,538	5,632	2,262	3,602	2,963	1,384	2,576	4,400	2,674	4,411	41,154
Motor Vehicle License Fees	446	760	204	438	115	308	533	200	330	255	311	3,900
Revenue from Other Agencies	740	351	372	372	284	386	314	252	246	230	407	3,954
Charges for Current Services	15,781	9,811	14,624	10,618	10,166	8,825	25,575	24,129	6,708	17,910	24,554	168,701
Other Financing Sources	4,050	10,946	1,450	-	12,396	-	-	12,396	10,100	-	45,821	97,159
Other Revenue	784	263	315	193	338	404	434	601	221	483	408	4,444
TRAN Note [5]	125,000	-	-	-	-	-	-	-	-	-	-	125,000
TOTAL RECEIPTS	229,690	58,936	60,106	62,885	150,112	153,899	73,402	70,442	137,223	161,641	103,843	$ 1,262,179
DISBURSEMENTS:												
Salaries/Wages	82,410	38,654	56,901	37,950	38,120	38,070	37,280	37,431	37,508	55,530	34,782	494,636
Retirement Advance [1]	130,867	-	-	-	-	-	-	-	-	-	-	130,867
OPEB Advance [2]		-	-	-	-	17,525	-	-	-	-	-	17,525
Fringe Benefits	16,539	11,771	20,685	11,595	4,748	10,987	11,228	11,301	11,088	21,886	7,146	138,974
Services/Supplies	68,709	20,639	18,480	18,250	13,481	13,876	11,027	7,980	20,064	47,373	36,751	276,630
Data Processing	8,703	1,322	1,329	7,139	1,646	8,544	510	2,139	2,996	1,535	1,072	36,935
Energy	4,201	2,631	3,064	1,652	2,490	3,148	1,920	2,036	2,535	2,746	1,990	28,413
Capital Outlay	741	901	689	790	663	832	222	514	305	644	3,623	9,924
TRAN Note Principal [5]	-	-	-	-	18,610	55,825	-	-	49,635	-	-	124,070
TRAN Note Interest [6]	-	-	-	-	186	645	-	-	825	-	-	1,656
TOTAL DISBURSEMENTS	312,170	75,918	101,148	77,376	79,944	149,452	62,187	61,401	124,956	129,714	85,364	$ 1,259,630
General Fund Ending Balance	$ (11,369)	$ (28,351)	$ (69,393)	$ (83,884)	$ (13,716)	$ (9,269)	$ 1,946	$ 10,987	$ 23,254	$ 55,181	$ 73,660	
Policy Fund Beginning Balance [3]	$ 78,380	$ 94,030	$ 93,756	$ 86,386	$ 91,647	$ 80,583	$ 86,612	$ 88,892	$ 78,498	$ 76,749	$ 79,957	
Policy Fund Transactions [4]	15,650	(274)	(7,370)	5,261	(11,064)	6,029	2,280	(10,394)	(1,749)	3,208	(6,383)	
Policy Fund Ending Balance	94,030	93,756	86,386	91,647	80,583	86,612	88,892	78,498	76,749	79,957	73,574	
Ending Balance	**$ 82,661**	**$ 65,405**	**$ 16,993**	**$ 7,763**	**$ 66,867**	**$ 77,343**	**$ 90,838**	**$ 89,485**	**$ 100,003**	**$ 135,138**	**$ 147,234**	
SET ASIDE FUND												
Beginning Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Receipts	-	-	-	-	18,796	56,470	-	-	50,460	-	-	125,726
Set Aside Interest Earnings	-	-	-	-	-	-	-	-	-	-	-	-
Disbursements	-	-	-	-	18,796	56,470	-	-	50,460	-	-	125,726
Ending Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

2009-10 Cashflow based on Fiscal year 2009-10 Proposed Budget (as defined in APPENDIX B). Does not include any adjustment which may result from proposed State budget adjustments

1 General Fund portion of the FY 2009 ARC payment to SDCERS. This advance includes amounts advanced on behalf of other funds which are refunded to the General Fund throughout the fiscal year, and therefore, are not fully expended in the General fund.

2 General Fund portion of the FY 2009 OPEB payment to CalPERS. This advance includes amounts advanced on behalf of other funds which are refunded to the General Fund throughout the fiscal year, and therefore, are not fully expended in the General fund.

3 Policy Fund beginning balances are comprised of Policy Fund cash available to the General Fund as determined by a tax analysis for the purpose of TRAN. Policy Fund projections include $35.9 million in Internal Service funds, $14.9 million in Capital Projects funds, $18.3 million in Public Liability funds, and $9.2 million in Special Revenue funds. In addition, there were three Policy Funds in FY09 that are no longer considered available to the General Fund. And four new Policy Funds considered available to the General Fund for FY10. The net effect of the change in Policy Funds is a decrease of $2.7 million in FY10's beginning balance.

4 Policy Fund Transactions shown as a net amount (receipts minus disbursements).

5 Note Borrowing Assumptions: Par amount of $124,070,000; multiple maturities (series), with final maturity of April 30, 2010.

6 A portion of the TRAN Note Interest expense will be funded from original issue premium relating to the issuance of the TRAN Note.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE ACCOMPANYING DOCUMENT

The following is a summary of certain provisions of the Resolution, including the Accompanying Document. This summary is not to be considered a full statement of the terms of the Resolution and accordingly is qualified by reference thereto and is subject to the full text thereof.

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Notes authorized to be issued under the Resolution by those who will own the Notes from time to time, the Resolution constitutes a contract between the City and the Holders of the Notes; and the pledge made in the Resolution and the Accompanying Document and the covenants and agreements contained in the Resolution including the Accompanying Document to be performed by and on behalf of the City will be for the equal benefit, protection and security of the Holders of any and all of the Notes, all of which will be of equal rank without preference, priority, privilege or distinction of any of the Notes of any Series or otherwise over any other thereof, except as expressly provided in or permitted by the Accompanying Document.

Covenants of the City

The City covenants under the Accompanying Document that it will not issue any notes, or otherwise incur any indebtedness, pursuant to the Authorizing Law with respect to its Fiscal Year 2009-10 in an amount which, when added to the interest payable thereon, shall exceed either (i) 25 percent of the City's budgeted appropriations for Fiscal Year 2009-10 within the meaning of City Charter Section 92, or (ii) 85 percent of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts, and other moneys of the City which will be available for the payment of said notes or other indebtedness and the interest thereon; provided, however, that to the extent that any principal of or interest on such notes or other indebtedness is secured by a pledge of the amount in any inactive or term deposit of the City, the term of which will terminate during said fiscal year, such principal and interest may be disregarded in computing said limit.

In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Notes, the City covenants to comply with each applicable requirement of the Code, necessary to maintain the exclusion of interest on the Notes from gross income for federal income tax purposes. To this end, the City agrees to comply with the covenants contained in, and the instructions given pursuant to, the Tax Certificate prepared for the City by Bond Counsel, as such Tax Certificate may be amended from time to time. The City further covenants that it will make all calculations relating to any rebate of excess investment earnings on the Note proceeds due to the United States Department of the Treasury in a reasonable and prudent fashion and will segregate and set aside the amounts such calculations indicate may be required to be paid to the United States Department of the Treasury.

Notwithstanding any other provision of the Accompanying Document to the contrary, upon the City's material failure to observe, or refusal to comply with, the foregoing tax covenants, the Holders of the Notes, and any adversely affected former Holders of the Notes, will be entitled to exercise any right or remedy provided to the Holders under the Accompanying Document.

Paying Agent and Note Registrar

Deutsche Bank National Trust Company will act as Paying Agent for purposes of paying the amount due on the Notes at maturity to the Holders of the Notes and as Note Registrar for the Notes. The Paying Agent may at any time resign and be discharged of the duties and obligations created by the Accompanying Document by giving at least 60 days' written notice to the City. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by the City. In the event of the resignation or removal of a Paying Agent, the City may appoint a successor Paying Agent in accordance with the terms of the

Accompanying Document. A successor Paying Agent will be a commercial bank with trust powers or a trust company organized under the laws of any state of the United States or a national banking association, having capital and surplus aggregating at least $100,000,000. Resignation or removal of a Paying Agent will be effective upon appointment and acceptance of a successor Paying Agent. In no event shall the resignation or removal of the Paying Agent become effective prior to the assumption of such resigning or removed Paying Agent's duties and obligations by a successor Paying Agent.

Negotiability, Transfer and Exchange of the Notes

The Holders of the Notes evidenced by registered certificates may transfer or exchange such Notes upon the books maintained by the Note Registrar, in accordance with the Accompanying Document.

The City and any Paying Agent may deem and treat the Holder of any Note as the absolute owner of such Note, regardless of whether such Note is overdue, for the purpose of receiving payment thereof and for all other purposes, and all such payments so made to any such Holder or upon his or her order will satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid, and neither the City nor any Paying Agent will be affected by any notice to the contrary. Cede & Co., as nominee of DTC, or such other nominee of DTC or any successor securities depository or the nominee thereof, will be the Holder of the Notes as long as the beneficial ownership of the Notes is held in book- entry form in the records of such securities depository. See APPENDIX D—"BOOK-ENTRY ONLY SYSTEM."

Permitted Investments

Moneys on deposit in the Repayment Fund will be retained therein until applied to the payment of the principal of and interest on the Notes. Such amounts may not be used for any other purpose, although they may be invested in Permitted Investments ("Permitted Investments") having a term not longer than the term of the Notes. The Accompanying Document specifically designates the following investments as Permitted Investments, subject to certain limitations more fully described in the Accompanying Document:

(i) Federal Securities;

(ii) Commercial Paper having original maturities of not more than the final maturity of the TRANs note, payable in the United States of America and issued by corporations that are organized and operating in the United States with total assets in excess of $500 million and having an "A" or better rating for the issuer's long-term debt as provided by Moody's Investors Service ("Moody's"), Standard & Poor's Rating Services ("S&P"), or Fitch Ratings ("Fitch") and "P-1", "A-1", "F1" or better rating for the issuer's short-term debt as provided by Moody's, S&P, or Fitch, respectively.

(iii) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which have short-term obligations outstanding which are rated by two Rating Agencies in their respective highest short-term rating categories, a long-term debt rating of not less than "A" by a Rating Agency, and a maturity no later than the final maturity of the Notes.

(iv) Negotiable or non-negotiable certificates of deposit issued by a nationally- or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank, in each case which has, or which is a subsidiary of a parent company which has, obligations outstanding having a rating in the "A" category or better from S&P, Moody's, or Fitch.

(v) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association, or a state-licensed branch of a foreign bank, having a minimum permanent capital of one hundred million dollars ($100,000,000) and with short-term debt rated by two Rating Agencies in their respective three highest short-term rating categories or any government bond dealer reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clause (i) of this definition and having maturities equal to or less than 5 years from the date of delivery, which shall have a market value (valued at least monthly) not less than 102% of the principal amount of such investment.

(vi) Shares of beneficial interest issued by diversified management companies, known as money market funds which invest in securities in (i) through (v) above, registered with the SEC under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 *et seq*.) and whose fund has received the highest possible rating from S&P and at least one other Rating Agency.

(vii) Investment agreements and guaranteed investment contracts with issuers having a long-term debt rating of at least "AA" or "Aa2" by S&P or Moody's, respectively.

"Federal Securities" shall mean the following securities:

(i) United States Treasury Bills, bonds, and notes for which the full faith and credit of the United States are pledged for payment of principal and interest;

(ii) Direct obligations issued by the following agencies of the United States Government: the Federal Farm Credit Bank System, the Federal Home Loan Bank System, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Tennessee Valley Authority;

(iii) Mortgage Backed Securities (except stripped mortgage securities) issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association;

(iv) United States Treasury Obligations, State and Local Government Series; and

(v) Issues guaranteed as to timely payment of principal and interest by the full faith and credit of the Federal Deposit Insurance Corporation.

"Structured securities" (including flip notes, range notes, inverse floaters and step-ups) will not be considered Federal Securities. However, floaters (based on single, interest rate based indices) and callable securities of the above-enumerated agencies may be treated as Federal Securities.

Supplemental Resolutions and Supplemental Accompanying Documents

The Accompanying Document and certain of the rights and obligations of the City and of the Holders of the Notes may be amended or supplemented pursuant to a supplemental Accompanying Document executed by the Chief Financial Officer in accordance with the provisions of the Accompanying Document (a "Supplemental Accompanying Document"), with the written consent of the Holders of at least a majority in principal amount of the Notes outstanding at the time such consent is given; provided, however, that if such supplement or amendment will, by its terms, not take effect so long as any Notes of any particular Series remain outstanding, the consent of the Holders of such Series will not be required. No such supplement or amendment may (i) permit a change in the terms of maturity of the principal of any Notes or of the interest rate thereon or a reduction in the principal amount thereof without the consent of the Holders of such Notes, or (ii) change the dates or amounts of the pledge set forth in the Resolution or the Accompanying Document, or (iii) reduce the percentage of the Holders of the Notes required to approve such Supplemental Accompanying Document without the consent of all of the Holders of the affected Notes, or (iv) change or modify any of the rights or obligations of the Paying Agent without its written consent thereto.

Additionally, a resolution amending the Resolution (a "Supplemental Resolution") may be adopted or a Supplemental Accompanying Document may be executed, without the consent of the Holders, (i) to add covenants and agreements to be observed by the City that are not contrary to or inconsistent with the Resolution or the Accompanying Document, (ii) to add limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the Resolution or the Accompanying Document, (iii) to confirm as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Resolution or the Accompanying Document, of any moneys, securities or funds or to establish any additional funds or accounts to be held under the Resolution or the Accompanying Document, (iv) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution or the Accompanying Document, (v) to supplement or amend the Resolution or the Accompanying Document as required to maintain a rating for the Notes from any rating agency, provided that the City obtains an opinion of bond counsel to the effect that such Supplemental Resolution or Supplemental Accompanying Document does not adversely affect the interests of the Holders, or (vi) to supplement or amend the Resolution or Accompanying Document in any other respect, provided that the City obtains an opinion of bond counsel to the effect that such Supplemental Resolution or Supplemental Accompanying Document does not adversely affect the interests of the Holders.

Events of Default

Any one or more of the following will constitute an "Event of Default" under the Resolution and the Accompanying Document:

(1) default in the due and punctual payment of the principal of or interest on any Notes when and as the same become due and payable;

(2) default in the performance or observance by the City of any other of the material covenants, agreements or conditions required to be performed or observed by the City pursuant to the Accompanying Document, the Resolution or any of the Notes and the continuation of such default for a period of 60 days after written notice thereof to the City by the Holders of not less than 10 percent in aggregate principal amount of the outstanding Notes; or

(3) filing by the City of a petition for relief under the federal bankruptcy laws.

Whenever any Event of Default shall have happened and be continuing, the Holders of the Notes and any adversely affected former Holders of the Notes and their legal representatives, will be entitled to take any and all actions available at law or in equity to enforce the performance of the covenants in the Accompanying Document and in the Authorizing Law. Nothing in the Accompanying Document will preclude an individual Holder from enforcing such Holder's rights to payment of principal of and interest on such Holder's Notes.

Payment of Unclaimed Moneys to City

Anything in the Accompanying Document to the contrary notwithstanding, any moneys held in trust for the payment and discharge of any series of the Notes that remain unclaimed for a period of one year after the date when such Notes have become due and payable, if such moneys were so held at such date, or for one year after the date of deposit of such moneys if deposited after the date when such Notes became due and payable, will be repaid to the City, as its absolute property and free from trust, and the Holders may thereafter look only to the City for the payment of such Notes from legally available funds; provided, however, that before any such payment is made to the City, the City will create (and thereafter maintain until payment of all of the Notes) a record of the amount so repaid, and the City will cause to be published at least twice, at any interval of not less than seven days between publications, in *The Bond Buyer* and two other newspapers customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation, in San Diego, California and in the Borough of Manhattan, City and State of New York, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date may be not less than thirty days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the City.

BOOK-ENTRY ONLY SYSTEM

The Notes will be available in book-entry form only in the denomination of $5,000 and any integral multiple thereof. Purchasers of beneficial ownership interests in the Notes ("Beneficial Owners") will not receive Notes representing their interests in the Notes purchased. The Underwriters will confirm original issuance purchases with statements containing certain terms of the Notes purchased. See APPENDIX D—"BOOK ENTRY ONLY SYSTEM" hereto.

The information concerning DTC and DTC's book-entry system has been obtained from sources the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

LIMITATIONS ON REMEDIES; BANKRUPTCY

The rights of the owners of the Notes are subject to the limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the City, may become subject to the following: The Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose; and the limitations on remedies against cities in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Pursuant to Section 53856 of the California Government Code, the principal of and interest on the Notes are a lien and charge against the Repayment Fund and other moneys pledged therefor pursuant to the Resolution. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the City, there are no involuntary petitions in bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the owners of the Notes could be prohibited from taking certain steps to enforce their rights under the Resolution. In March 1995 a ruling of the United States Bankruptcy Court for the Central District of California, concerning Orange County notes issued in 1994 under the same statutory authority as the Notes, held that the pledge granted by Orange County pursuant to a resolution adopted by that County in connection with the issuance of tax and revenue anticipation notes ("TRANs") was not effective with respect to general revenues accruing to the County after the filing of a petition in bankruptcy. The resolution obligated Orange County to set aside a specified amount of revenues in certain months in order to secure the payment of its TRANs. On July 12, 1995, the United States District Court for the Central District of California reversed the order of the Bankruptcy Court and ordered that the obligation created under the resolution adopted by Orange County is a statutory lien which survived the filing of Orange County's bankruptcy petition.

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of *County of Orange v. Merrill Lynch* that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a County investment pool upon bankruptcy of the county, but was not required to directly address the state statute that provides for the lien in favor of holders of tax and revenue anticipation notes. The City will be in possession of the taxes and other revenues that will be set aside and pledged to repay the Notes and, prior to payment of these funds to the Paying Agent, these funds will be held and invested in the Repayment Fund.

LOSS OF TAX EXEMPTION

Bond Counsel's form of opinion regarding the exclusion from gross income for federal income tax purposes of interest on the Notes appears as APPENDIX E herein. The City has covenanted in the Resolution to comply with each applicable requirement of Code and has executed a Tax Certificate prepared by Bond Counsel and delivered by the City concurrently with the original delivery of the Notes as guidance for compliance with such provisions. The interest on the Notes could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Notes as a result of acts or omissions of the City in violation of such covenants in the Resolution. Should such an event of taxability occur, the Notes are not subject to redemption and will remain outstanding until maturity. See "TAX MATTERS" herein.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Notes is exempt from State personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Notes is not included as an adjustment in the calculation of alternative minimum taxable income.

The difference between the issue price of a Note (the first price at which a substantial amount of the Notes is to be sold to the public) and the stated redemption price at maturity with respect to such Note constitutes original issue discount. Original issue discount accrues under a constant yield method and original issue discount will accrue to a Note owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Note owner will increase the Note owner's basis in the Note. In the opinion of Bond Counsel; the amount of original issue discount that accrues to the owner of a Note is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Notes is based upon certain representations of fact and certifications made by the City and others and is subject to the condition that the City complies with all requirements of the Code, that must be satisfied subsequent to the execution and delivery of the Notes to assure that interest (and original issue discount) on the Notes will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The City has covenanted to comply with all such requirements.

The amount by which a Note owner's original basis for determining loss on sale or exchange in the applicable Note (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Note owner's basis in the applicable Note (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Note owner realizing a taxable gain when a Note is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the

Note to the owner. Purchasers of the Notes should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Notes will be selected for audit by the IRS. It is also possible that the market value of the Notes might be affected as a result of such an audit of the Notes (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or any interpretation thereof) subsequent to the issue of the Notes to the extent that it adversely affects the exclusion from gross income of interest on the Notes or their market value.

It is possible that, subsequent to the execution and delivery of the Notes, there might be federal, State or local statutory changes (or judicial or regulatory interpretations of federal, state or local law) that affect the federal, State or local tax treatment of the Notes or the market value of the Notes. No assurance can be given that subsequent to the execution and delivery of the Notes such changes or interpretations will not occur.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Note if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that the interest (and original issue discount) on the Notes is excluded from gross income for federal income tax purposes provided that the City continues to comply with certain requirements of the Code, the ownership of the Notes and the accrual or receipt of interest with respect to the Notes may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Notes, all potential purchasers should consult their tax advisors with respect to collateral tax consequences with respect to the Notes.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX E.

CERTAIN LEGAL MATTERS

The authorization and validity of the Notes and certain other matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX E attached hereto. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, Disclosure Counsel, and by Jan I. Goldsmith, City Attorney, and for the Underwriters by their counsel, Nixon Peabody LLP, Los Angeles, California. From time to time Bond Counsel represents each of the Underwriters on matters unrelated to the Notes.

LITIGATION

As of June 23, 2009 there is no controversy now pending against the City or, to the knowledge of its respective executive officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Notes or in any way contesting or affecting the validity of the Notes or any proceedings of the City taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Notes or the use of the proceeds of the Notes.

As of June 23, 2009, there is no controversy now pending against the City or, to the knowledge of its respective executive officers, threatened, which challenges the corporate existence of the City or the title of its officers to their respective offices.

To the knowledge of the City and the City Attorney, as of June 23, 2009, there are pending against the City lawsuits and claims arising in the ordinary course of the City's activities which, taken individually or in the aggregate, could materially affect the City's finances. As of June 23, 2009, the City does not expect the aggregate amount of the uninsured liabilities of the City which may result from an adverse ruling in any or all of such claims to have a material adverse effect on its ability to pay principal and interest on the Notes when due. See APPENDIX B—"CITY GOVERNMENT AND FINANCIAL INFORMATION—Risk Management and Litigation."

RATINGS

Fitch, Moody's, and S&P have assigned the Notes the rating of F1+, MIG-1 and SP-1, respectively. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York, New York 10004; Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007 and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Notes. The City undertakes no obligation to oppose any downward revision, suspension or withdrawal.

FINANCIAL ADVISOR

Public Financial Management, Inc., Los Angeles, California, served as the Financial Advisor to the City in connection with the execution and delivery of the Notes. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

UNDERWRITING

The Notes are being sold to Barclays Capital Inc., on behalf of itself and as representative of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wedbush Morgan Securities (the "Underwriters") at an aggregate purchase price of $125,115,616 (representing the principal amount of such Notes, plus premium of $1,212,995.75, less underwriters' discount including expenses of $167,379.75). The Underwriters report that the Notes were initially offered to the public at prices resulting in the reoffering yields set forth on the cover of this Official Statement. The public offering price may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Notes to certain dealers and others at prices lower or higher than the offering prices indicated herein.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Certificate of the City (the "Disclosure Certificate"), the City has agreed to provide, or cause to be provided, notice of certain material events to the Municipal Securities Rulemaking Board in the manner prescribed by the SEC.

Prior to March 2004, the City never failed to comply with its previous undertakings with regard to the Rule to provide annual reports or notices of material events. Since that date, the City failed to comply with the undertakings related to 21 bond issues for each of Fiscal Year 2002-03, Fiscal Year 2003-04, Fiscal Year 2004-05, Fiscal Year 2005-06, and Fiscal Year 2006-07 due to the unavailability of the City's audited financial statements, as described in greater detail under the caption entitled "INTRODUCTION – Recent Events Regarding the City" herein. Each required annual report and audited financial statement was subsequently filed.

On January 25, 2008 and January 28, 2008, the City filed annual reports (including audited financial statements) relating to securities issued by the City's Public Facilities Financing Authority and secured by the City's Sewer Revenue Fund for Fiscal Years ending 2003 and 2004, respectively. The annual reports for such securities for Fiscal Years ending 2005, 2006, and 2007 were filed on June 13, 2008, September 15, 2008 and December 11, 2008, respectively. On February 8, 2008, the City filed annual reports (including audited financial statements) relating to securities issued by the Public Facilities Financing Authority and secured by the Water Utility Fund for Fiscal Years 2003 and 2004 and on June 13, 2008 the City filed the annual report for such securities for Fiscal Year 2005. The annual reports for such securities for Fiscal Years 2006, 2007 and 2008 were filed on September 15, 2008, December 4, 2008 and March 27, 2009, respectively. In addition, on December 11, 2007, the City filed its annual report (including audited financial statements) relating to seven debt issues that are secured directly or indirectly by the City's General Fund for the Fiscal Years 2002-03 and Fiscal Year 2003-04. The annual reports for such securities for Fiscal Years ending 2005, 2006, and 2007 were filed on June 13, 2008, October 7, 2008 and December 5, 2008, respectively. With regard to special tax and assessment bonds, the affected districts timely filed reports, without financial statements, for Fiscal Years ending 2003, 2005, 2006 and 2007 and filed such reports late, without financial statements, for Fiscal Year 2003-04. The report for Fiscal Year 2003-04 and financial statements for Fiscal Years ending 2002-03 through the Fiscal Year 2007 were subsequently filed with the applicable repositories. The City has timely filed the annual reports and financial statements for Fiscal Year 2007-08 with respect to securities secured by the Sewer Revenue Fund, the Water Utility Fund, special taxes and assessments, and the City's General Fund.

The City's covenants in the Disclosure Certificate have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5). The City's failure to comply with any of the covenants therein shall not be deemed an event of default under the Resolution.

The form of the Disclosure Certificate is attached hereto as APPENDIX F.

FINANCIAL STATEMENTS FOR FISCAL YEAR 2007-08

Included herein in APPENDIX C is the City's CAFR for the fiscal year ended June 30, 2008, which includes the City's audited basic financial statements as of and for the year ended June 30, 2008. The City's basic financial statements as of June 30, 2008 and for the year then ended, included in APPENDIX C, have been audited by Macias Gini & O'Connell LLP ("Independent Auditor") as stated in its report appearing in APPENDIX C. The Independent Auditor has not undertaken to update the audited financial statements of the City or its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Independent Auditor with respect to any event subsequent to its report dated March 26, 2009, except for paragraphs 25 and 26 of Note 18, as to which the date is April 23, 2009; paragraph 27 of Note 18, as to which the date is May 8, 2009; and paragraphs 17 and 19 of Note 18 and paragraph 15 of Note 22, as to which the date is May 21, 2009. The Independent Auditor has agreed to the inclusion of its report included in APPENDIX C.

MISCELLANEOUS

This Official Statement has been duly approved, executed and delivered by the City.

There are appended to this Official Statement the City's CAFR, including therein the audited financial statements for Fiscal Year 2007-08, the proposed form of Continuing Disclosure Certificate, opinion of Bond Counsel, a general description of the City and financial and operating data with respect to the City, and a description of the Book-Entry Only System. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the financial condition, results of operations or any other affairs in the City since the date hereof.

CITY OF SAN DIEGO

By: /s/ Mary Lewis
Mary Lewis, Chief Financial Officer

APPENDIX A

DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY

Set forth below is certain demographic information regarding the City of San Diego (the "City") and the County of San Diego (the "County"). This information is provided for informational purposes only. In some instances, the information may be dated and not reflective of recent adverse developments in the local, state and national economies. The Notes (as defined in this Official Statement) are not a debt of the County, the State, or any of its political subdivisions other than the City, and neither the County, the State nor any of its political subdivisions is liable thereon.

INTRODUCTION

The City, with a total population of approximately 1.3 million in 2008 and a land area of approximately 342 square miles, is the eighth largest city in the nation and the second largest city in California. The City is the county seat for the County. In addition to having a favorable climate, the City offers a wide range of cultural and recreational services to both residents and visitors. Major components of the City's diversified economy include defense, tourism, biotechnology/biosciences, financial and business services, software and telecommunications.

Population

The following Table A-1 sets forth annual population figures for the City, the County and the State for calendar years 1999 through 2008. The City's population increased by approximately 6.6% between 1999 and 2008, with an average annual increase of approximately 9,176.

Table A-1
Population Growth
Calendar Years 1999 through 2008

Calendar Year[(1)]	*City of San Diego*	*Annual Growth Rate*	*County of San Diego*	*Annual Growth Rate*	*State of California*	*Annual Growth Rate*
1999	1,254,281	2.40%	2,776,342	1.86%	33,418,578	1.69%
2000	1,277,168	1.82	2,836,506	2.17	34,095,209	2.02
2001	1,250,700	-2.07	2,894,353	2.04	34,766,730	1.97
2002	1,255,742	0.40	2,952,127	2.00	35,361,187	1.71
2003	1,275,112	1.54	2,998,592	1.57	35,944,213	1.65
2004	1,294,000	1.48	3,024,492	0.86	36,454,471	1.42
2005	1,306,000	0.93	3,051,764	0.90	36,899,392	1.22
2006	1,311,162	0.40	3,076,068	0.80	37,298,417	1.08
2007	1,316,837	0.43	3,114,843	1.26	37,712,588	1.11
2008	1,336,865	1.52	3,161,477	1.50	38,148,493	1.16

(1) As of July 1 of the calendar year.

Source: City of San Diego data: Fiscal Year 2008 Comprehensive Annual Financial Report, Statistical Section (Unaudited)
County of San Diego and State of California data: State of California Department of Finance, Demographic Research Unit.

Employment

The following Table A-2 sets forth information regarding the size of the labor force, employment and unemployment rates for the City for calendar years 2004 through 2008, and for May 2009 (Preliminary).

Table A-2
Labor Force – Estimated Average Annual Employment and Unemployment of City of San Diego Civilian Labor Force[(1)]
Calendar Years 2004 through 2008, and May 2009
(Not Seasonally Adjusted)

	Calendar Year					*May*
	2004	***2005***	***2006***	***2007***	***2008***	***2009[(2)]***
Civilian Labor Force						
City of San Diego[(1)]						
Employed	631,200	639,700	647,900	652,400	657,300	631,300
Unemployed	31,400	29,000	26,800	31,100	41,900	65,600
Unemployment Rates						
City[(1)]	4.7%	4.3%	4.0%	4.6%	6.0%	9.4%
County[(1)]	4.7	4.3	4.0	4.6	6.0	9.4
California[(1)]	6.2	5.4	4.9	5.4	7.2	11.2
United States[(3)]	5.5	5.1	4.6	4.6	5.8	9.1

(1) Revised labor force data and Unemployment Rates are based on a March 2008 benchmark.
(2) Preliminary; subject to change.
(3) The United States unemployment rates for calendar year 2004-2008 were generated as of February 19, 2009.
Source: State of California Employment Development Department, Labor Market Information Division; and the U.S. Department of Labor, Bureau of Labor Statistics

The State of California Employment Development Department, Labor Market Information Division (the "EDD"), preliminarily estimates that, on a seasonally unadjusted basis, the civilian labor force in the City in May of 2009 was 696,900, of which approximately 65,600 persons were unemployed. Based on preliminary estimates of the EDD as of June 19, 2009, the City's unemployment rate in May of 2009 matched that of the County at 9.4% and was below the unemployment rate of the State, which was 11.2%. However, the City's unemployment rate slightly exceeded that of the United States, which was 9.1%.

The following Table A-3 sets forth estimates of total annual civilian nonagricultural wage and salary employment by number of employees in each major industry category in the County for calendar years 2004 through 2008. Annual industry employment information is not compiled by sector for the City.

Table A-3
County of San Diego
Wage and Salary Employment
Calendar Years 2004 through 2008[(1)]

Industry Category	*2004*	*2005*	*2006*	*2007*	*2008*
Natural Resources & Mining	**400**	**400**	**500**	**400**	**300**
Construction	**87,700**	**90,800**	**92,700**	**87,000**	**76,200**
Manufacturing	**104,300**	**104,500**	**103,900**	**102,500**	**102,300**
Nondurable Goods	26,200	25,400	25,500	25,200	24,500
Durable Goods	78,100	79,100	78,400	77,300	77,800
Transportation, Warehousing & Utilities	**28,400**	**28,400**	**28,700**	**28,800**	**29,300**
Trade	**186,800**	**191,000**	**193,400**	**193,600**	**186,700**
Wholesale	41,900	43,600	45,100	45,500	44,500
Retail	144,900	147,400	148,300	148,100	142,200
Financial Activities[(2)]	**81,900**	**83,200**	**83,700**	**80,300**	**75,800**
Services[(3)]	**556,400**	**568,700**	**580,900**	**594,000**	**603,600**
Government	**214,300**	**215,100**	**217,900**	**222,400**	**225,200**
Federal	39,700	39,700	40,400	40,900	41,700
State and Local	174,600	175,400	177,500	181,500	183,500
TOTAL NONAGRICULTURAL	**1,260,200**	**1,282,100**	**1,301,700**	**1,309,000**	**1,299,400**

(1) All figures are based on a March 2008 Benchmark.
(2) Includes finance, insurance, and real estate.
(3) Includes professional and business, information, educational and health, leisure and hospitality and other services.
Source: State of California Employment Development Department, Labor Market Information Division.

Since the industry employment data referenced above is organized by standard industrial classification codes, employment in the various high tech categories, such as telecommunications, software and biotechnology may not fall into a single employment section alone. For example, some telecommunications firms appear in Manufacturing while others appear in Services.

Taxable Sales

The following Table A-4 sets forth taxable transactions in the City for calendar years 2003 through 2007, the most recent year for which State Board of Equalization data is available. See APPENDIX B—"CITY GOVERNMENT AND FINANCIAL INFORMATION—Major Revenue Sources" for a discussion of City assumptions regarding negative trends of taxable transactions and sales tax revenues for Fiscal Year 2008-09 and Fiscal Year 2009-10.

Table A-4
City of San Diego
Taxable Transactions
Calendar Years 2003 through 2007
(In Thousands)

	2003	*2004*	*2005*	*2006*	*2007*[(1)]
Retail Stores					
Apparel	$ 732,526	$ 785,563	$ 865,833	$ 924,301	$ 959,509
General Merchandise	2,040,450	2,142,892	2,170,831	2,236,087	2,272,494
Food	696,398	741,899	801,351	843,800	881,871
Eating and Drinking	2,066,425	2,197,430	2,311,013	2,466,681	2,617,392
Home Furnishings and Appliances	690,345	728,841	747,339	706,043	655,097
Building Materials	1,248,903	1,440,726	1,396,894	1,427,987	1,098,559
Motor Vehicles and Parts	2,138,480	2,213,662	2,228,510	2,132,207	2,237,019
Service Stations	1,085,386	1,232,354	1,398,512	1,567,032	1,656,784
Other Retail Stores	2,232,817	2,375,353	2,465,882	2,527,653	2,321,276
Total Retail Stores	$ 12,931,730	$ 13,858,720	$ 14,386,165	$ 14,831,791	$ 14,700,001
All Other Outlets	4,533,632	4,679,723	5,105,581	5,227,476	5,356,105
TOTAL ALL OUTLETS	$ 17,465,362	$ 18,538,443	$ 19,491,746	$ 20,059,267	$ 20,056,106

(1) In early 2007 the California State Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change process, industry data for 2007 are not comparable with data from prior years.

Source: California State Board of Equalization.

Tourism

The tourism industry is the County's third largest industry in terms of business revenue generation, following manufacturing and the military. The following Table A-5 sets forth total visitor spending in the County for the calendar years 2004 through 2008.

Table A-5
County of San Diego
Total Visitor Spending(1)
Calendar Years 2004 through 2008
(In Millions)

Calendar Year	*Amount*
2004	$5,518
2005(2)	7,224
2006(2)	7,719
2007(2)	7,899
2008	7,916

(1) Visitor spending is an estimate of total direct and indirect visitor expenditures as derived from the Visitor Activity Model/Visitor Profile Study prepared by CIC Research, Inc. for the San Diego Convention and Visitors Bureau.
(2) Figure reflects revised estimate to include Mexican day visitors, non-resident air travelers and conference and convention planners and exhibitor companies.
Source: San Diego Convention and Visitors Bureau.

The following Table A-6 sets forth the City's transient occupancy tax revenues for Fiscal Years 2003-04 through 2007-08. See APPENDIX B—"CITY GOVERNMENT AND FINANCIAL INFORMATION—Major Revenue Sources" for a discussion of negative trends of City transient occupancy tax projected for Fiscal Year 2008-09 and Fiscal Year 2009-10.

Table A-6
City of San Diego
Transient Occupancy Tax(1)
Fiscal Years 2003-04 through 2007-08
In Thousands
(Audited)

Fiscal Year	*Amount*
2003-04	$113,209
2004-05	120,792
2005-06	136,803
2006-07	154,810
2007-08	159,348

(1) Includes both the General Fund portion of transient occupancy tax ("TOT") (5.5%of the 10.5% levy) and the balance (5% of the 10.5% levy) allocated to Special Promotional Programs. Special Promotional Programs are intended to: advance the City's economy by promoting the City as a visitor destination; develop, maintain, and enhance visitor-related facilities; and support the City's cultural amenities and natural attractions.
Source: Fiscal Year 2008 Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego

The City is the focal point for tourism in the County. Based on the San Diego County Visitor Industry Summary produced by San Diego Convention and Visitors Bureau, in calendar year 2008 an average of 69.4% of the County's hotel and motel rooms were located in the City. In addition, most of the County's major tourist attractions, including the world-renowned San Diego Zoo, the San Diego Wild Animal Park and Sea

World, are located in the City. Other attractions located in the City include the Cabrillo National Monument on Point Loma, the historic Gaslamp Quarter in the downtown area, the Old Town State Park, Balboa Park and a host of other cultural and recreational activities.

Based on the San Diego County Visitor Industry Summary, in calendar year 2008, there were 9,060,951 airport arrivals and 776,991 Amtrak arrivals in the County; City average hotel occupancy was 71.9%.

In addition to the many permanent attractions available to visitors, the City has also been host to a number of major sporting events. The City annually hosts the Buick Invitational, a Professional Golfers' Association Tour Event played at the world renowned Torrey Pines Golf Course. Torrey Pines, which is owned and operated by the City, also held the U.S. Open in 2008. In addition, the City has annually hosted a pair of post season contests of elite college football teams, the Holiday Bowl and the Poinsettia Bowl.

The San Diego Convention Center has 2.6 million total gross square feet of buildings. According to the San Diego Convention Center Corporation, since opening in 1989, the Convention Center has generated over $18.3 billion in economic benefit for the San Diego regional economy through increased visitor spending, additional hotel room nights, and new jobs.

Military

Military and related defense spending are significant factors in the County economy. Military installations include Marine Corps Base Camp Joseph H. Pendleton; the Marine Corps Recruit Depot (MCRD); Marine Corps Air Station at Miramar; Naval Air Station North Island; Naval Station San Diego; and Naval Submarine Base, San Diego.

The following Table A-7 sets forth the military and related defense expenditures and personnel in the City for the federal fiscal years ended September 30, 2007 and September 30, 2008.

Table A-7
City of San Diego(1)
Total Defense Expenditure and Personnel
Federal Fiscal Years 2007 and 2008

	Expenditures (In Thousands)		*Military & Civilian Personnel(2)*		
Fiscal Year	*Grants/ Contracts*	*Payroll Outlays(2)*	*Active Duty Military*	*Civilian*	*Total*
2006-07	$4,219,827	$4,562,391	47,198	23,113	70,311
2007-08	4,956,314	4,520,684	46,383	22,980	69,363

(1) Data includes activity and expenditures which may occur outside the City or in adjacent counties related to County-based sites.
(2) Computation for Personnel & Payroll Data includes all Commands in the following Navy Installations: Broadway Complex; Naval Base Coronado; Marine Corps Air Station, Miramar, Naval Med Center, Marine Corps Recruit Depot, Point Loma. Also included San Diego homeported US Navy Ships, other Deployable Units, and the 7,000 military, civilians and Department of Defense Contractors in Space and Naval Warfare Systems Command ("SPAWAR").
Source: Defense Manpower Data Center and Total Workforce Management System, Commander Navy Region Southwest, Regional Business Office.

International Trade

The following Table A-8 sets forth the valuation of exports originating in the San Diego Customs District for the calendar years 2004 through 2008.

Table A-8
Valuation of Exports
Originating in San Diego Customs District[1]
Calendar Years 2004 through 2008
(In Millions)

Calendar Year	*Amount*
2004	$14,049
2005	14,990
2006	15,980
2007	16,002[2]
2008	16,558

(1) The San Diego Customs District includes the ports of San Diego, Andrade, Calexico, San Ysidro, Tecate, Otay Mesa Station, and Calexico-East.
(2) Includes certain amounts attributable to calendar year 2008.
Source: RAND California, Business and Economic Statistics and US Census Bureau Foreign Trade Statistics.

Top Ten Principal Employers

The following Table A-9 sets forth the top 10 principal employers in the City of San Diego as of June 30, 2008.

Table A-9
City of San Diego
Top Ten Principal Employers
Fiscal Year-End 2008
(Unaudited)

Employer	*Number of Employees*	*Percentage of Total Employment[1]*
United States Navy[2]	45,500	6.61%
University of California San Diego	26,011	3.78%
San Diego Unified School District[3]	24,000	3.49%
San Diego County[4]	17,000	2.47%
Sharp Memorial Hospital	13,872	2.01%
Scripps Health	12,000	1.74%
City of San Diego[5]	10,789	1.57%
Kaiser Permanente	6,970	1.01%
Qualcomm, Inc.	6,000	0.87%
Sempra Energy	5,000	0.73%
Total Top Employers	**167,142**	**24.28%**

(1) Percentage based on total employment of 688,500 provided by the EDD Labor Force Data.
(2) Employee count includes only U.S. Navy branch civilian and military personnel.
(3) Employee count is district-wide; school district boundaries do not coincide with City of San Diego boundaries.
(4) Employee count is county-wide.
(5) Employee count is provided by the City of San Diego, Office of the Comptroller.
Source: Fiscal Year 2008 Comprehensive Annual Financial Report, Statistical Section (Unaudited).

Personal Income

The following Table A-10 sets forth the per capita personal income in the County and the State for calendar years 2004 through 2008.

Table A-10
Per Capita Personal Income[1]
Calendar Years 2004 through 2008

Calendar Year	*County of San Diego[2]*	*California*
2004	$ 38,536	$ 35,531
2005	40,383	37,418
2006	42,801	40,020
2007	44,832	41,805
2008	45,728	42,696

(1) Amounts for County and State may not be comparable based on different source methodology.
(2) Reflects per capita personal income for the San Diego-Carlsbad-San Marcos Metropolitan Statistical Area.
Source: County of San Diego data: Fiscal Year 2008 County Comprehensive Annual Financial Report, Statistical Section
California data: U.S. Department of Commerce, Bureau of Economic Analysis.

Property Value and Construction

The following Table A-11 sets forth total City assessed value, building permit valuations and the number of new construction permits issued in the City for Fiscal Years 2003-04 through 2007-08.

Residential construction activity has continued to decline since peaking in 2005. The subprime mortgage crisis and the resulting significant increase in the number of foreclosures have contributed to this downturn.

Table A-11
City of San Diego
Net Assessed Value and Construction Permit Valuation
Fiscal Years 2003-04 through 2007-08
($ In Thousands)

		Residential[3]		**Non-Residential[4]**		
Fiscal Year	***Net Assessed Value[1][2]***	***Dwelling Units***	***Assessed Value[5]***	***Permits***	***Assessed Value[5]***	***Total Permit Assessed Value Estimate[5]***
2003-04	$ 116,268,372	1,617[6]	$ 545,475	51	$ 296,719	$ 842,194
2004-05	129,836,535[2]	3,961	941,561	230	555,616	1,497,177
2005-06	125,983,315[2]	3,702	762,811	280	727,635	1,490,446
2006-07	139,151,323	3,540	587,520[7]	226	459,269[7]	1,046,789[7]
2007-08	151,083,767	2,228	437,934	186	520,556	958,490

(1) Excludes certain exemptions. See APPENDIX B—"CITY GOVERNMENT AND FINANCIAL INFORMATION—Table B-4" for description of methodology used to determine Net Assessed Valuation.
(2) Includes an adjustment in assessed valuation in Fiscal Year 2005-06 due to a change in the allocation method between the City and the Redevelopment Agency. This methodology change beginning in Fiscal Year 2005-06 resulted from management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB 44. Adjusting for the methodology used in Fiscal Year 2005-06, Net Assessed Valuation for Fiscal Year 2004-05 would have been $112,818,838,000 (in whole dollars).
(3) Residential includes construction of new structures.
(4) Non-residential includes construction of new structures whose intended use includes commercial, industrial, and other uses. Each permit is a separate structure.
(5) Valuation figures only include valuation of newly created structures. These figures do not include minor modification work such as interior remodels, reroofs, etc. Total permit Assessed Value is an estimate determined at time of permit issuance; actual may vary.
(6) Residential dwelling unit counts for Fiscal Year 2003-04 are probably understated. The Development Services Department implemented new automation and may not have appropriately updated dwelling unit change counts.
(7) Valuation for Fiscal Year 2006-07 is probably understated. The Development Services Department implemented a fee schedule in which fees were no longer based upon valuation and staff did not always include valuation in its records.

Source: Net Assessed Values: Fiscal Year 2008 Comprehensive Annual Financial Report Statistical Section (unaudited), Comptroller's Office, City of San Diego.
Residential and Non-residential Permit Data: Development Services Department, City of San Diego.

According to the County Assessor's Office, there has been an increase in the number of foreclosures and notices of loan default issued in the County in calendar year 2008, relative to calendar year 2007. For the three calendar years from 2004 through 2006, an average 16.2% of notices of loan defaults resulted in foreclosures. This percentage increased to 37.92% in 2007 and 57.53% in 2008. In 2007 an average of 6.31% of total deeds recorded were foreclosures. This percentage increased to 17.01% in 2008. See APPENDIX B—"CITY GOVERNMENT AND FINANCIAL INFORMATION—Major Revenue Sources" for a discussion of City assumptions regarding negative trends in property tax revenues.

The following Table A-12 sets forth foreclosure activity in the County for the calendar years 2004 through 2008.

Table A-12
County of San Diego
Foreclosure Activity
Calendar Years 2004 through 2008

Calendar Year	*Foreclosures*	*Total number of Housing Units*[(1)]	*% of Total Housing Units*
2004	553	1,093,198	0.05%
2005	559	1,107,985	0.05
2006	2,065	1,118,283	0.18
2007	8,417	1,131,749	0.74
2008	19,528	1,140,349	1.71

(1) As of January 1 of the indicated year.
Source: County of San Diego, Assessor's Records; and SANDAG.

Transportation

San Diego's transportation system provides for the movement of people and goods through a network of highways and roads, public transit, freight railroads, airports, seaports, and intermodal facilities. Local streets, paths and trails serve to provide local access and connections to the regional network. The transportation system provides travel for residents, employees, visitors, and goods movement and creates a system that supports City and regional economic needs. To accommodate the various travel needs, the City's transportation network includes numerous modes of transportation.

SANDAG is the region's transportation and planning agency. The City participates in the development and adoption of SANDAG documents and programs through the votes of elected officials serving on the SANDAG Board of Directors, staff participation on SANDAG advisory committees, and direct citizen participation in the process.

The automobile-highway system is the primary mode of travel in the region. Based on public information published by SANDAG the existing regional transportation system consists of over 300 miles of freeways and about 7,150 miles of local streets and roads. Over 68 million vehicle miles are traveled daily, with an average vehicle trip length of 5.8 miles. At present, the capacity of the auto-highway system is being exceeded in a number of corridors during the peak commute hours when most people are going to and from work. Within the San Diego region, transit services are provided by the Metropolitan Transit System ("MTS") in the southern metropolitan area (including the City) and the North County Transit District ("NCTD") in the northern part of the county (with Coaster and bus services that tie into the City of San Diego). Transit services are provided both for trips within the City and region and for trips between San Diego and adjacent areas. The current transit network includes local and express bus, light rail (trolley), and Coaster commuter rail services. The current public transit service is provided by 9 scheduled bus operations, 12 demand-responsive systems, the Coaster express rail service, and the San Diego Trolley. According to SANDAG data, the region's transit systems provide about 33 million miles of annual transit service, carrying over 70 million total annual passengers.

Ferry service (privately operated) also is available between San Diego and Coronado. In addition, there are demand-responsive transit services that provide transit service in sparsely traveled areas and for travelers with special needs that cannot be well served by fixed-route service.

The Coaster and Amtrak trains provide passenger rail service to the City along the coastal rail corridor. Passenger and freight trains also share the predominately single-track corridor. The Coaster provides commuter rail service between Oceanside and Downtown San Diego with stations in the City at Sorrento Valley, Old Town, and the Santa Fe Depot. Amtrak provides intercity passenger rail service from Downtown San Diego to Los Angeles, and north to San Luis Obispo, which is the second most heavily traveled intercity passenger rail corridor in the nation.

The City of San Diego has a developed network of designated bikeways. Many paths are located in Mission Valley, Mission Bay Park, and along the beachfronts in Pacific Beach and Mission Beach. Other facilities of significant length can be found in Carmel Valley, Rancho Peñasquitos, Mira Mesa, Rose Canyon, near the San Diego Airport, and in the Mission Trails Park.

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APPENDIX B

CITY GOVERNMENT AND FINANCIAL INFORMATION

Profile of the City of San Diego

The City of San Diego (the "City") was incorporated in 1850. The City is comprised of 342 square miles and, as of January 1, 2008, the California Department of Finance estimates the population to be 1,336,865. The City, with approximately 10,800 employees, provides a full range of governmental services which include police and fire protection, sanitation and health services, the construction and maintenance of streets and infrastructure, recreational activities and cultural events, and the maintenance and operation of the water and sewer utilities.

The General Fund is the principal operating fund of the City. Departments within the General Fund provide core community services, such as public safety (including police and fire protection), parks and recreation, library services, and refuse collection, as well as vital support functions such as finance, legal and human resources. These core services are primarily supported by major revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees. The City's total Fiscal Year 2009-10 proposed budget as of May 18, 2009 is $2.95 billion. This includes $1.13 billion for General Fund operations (described in greater detail herein) and $1.34 billion for operations of the City's Enterprise funds and other fund activities. Another $478.4 million is budgeted for capital improvement projects across the City. The City has committed Pledged Moneys, which are comprised of a portion of the moneys chargeable to the General Fund for the Fiscal Year 2009-10, to the repayment of the Notes and expects that available moneys to be used to repay the Notes will be derived from the General Fund.

Governing Structure

The City operates under and is governed by the laws of the State of California and the City Charter, as periodically amended since its adoption by the electorate in 1931. The City is currently operating under a "Strong Mayor" form of government. The departure from the City's previous Council-Manager form of government was approved by a vote of the public and became effective January 1, 2006. The Mayor is elected at large to serve a four-year term.

The Charter amendment adopting the Strong Mayor form of government is in effect for five years, and pending a voter approved extension or modification, sunsets on December 31, 2010. Under the Strong Mayor form of government, the Mayor is the Chief Executive Officer of the City and has direct oversight over all City functions and services except for the City Council, Personnel, City Clerk, Independent Budget Analyst ("IBA"), Ethics Commission, City Attorney and City Auditor's departments. Under this form of government, the Council is composed of eight members and is presided over by the Council President, who is selected by a majority vote of the Council. The Mayor presides over Council in closed session meetings of the Council. The Council retains its legislative authority; however, all City Council resolutions and ordinances are subject to a veto of the Mayor except for certain ordinances including emergency declarations and the City's annual Salary and Appropriations Ordinances. The City Council may override a Mayoral veto with five votes. The City Attorney, who is elected for a four-year term, serves as the chief legal advisor of and attorney for the City and all departments.

During the County's primary election held on June 3, 2008, voters approved Proposition B which requires the City Council to place a measure on the June 2010 ballot to allow voters to decide whether the Strong-Mayor form of government should become permanent effective January 1, 2011. Proposition B also provides for the public to decide whether the number of Council districts should increase from eight to nine, and therefore, a corresponding increase of Council votes required to override the Mayor's veto from five to six. Additionally, voters approved Proposition C which converted the office of the City Auditor-Comptroller into a separate City Auditor's Office (reporting to the Audit Committee described below) and Comptroller's Office (reporting to the Mayor) and made the Office of the IBA permanent. Under this amendment, the City Auditor serves a 10 year term and is supervised by an Audit Committee consisting of two Council members and three members of the public, with auditing expertise, who are appointed by the City Council. As of January 2009, the Audit Committee has been fully constituted. This amendment also provides that the Mayor will appoint, with Council confirmation, the Chief Financial Officer of the City. In addition, the Mayor's appointment of the City Treasurer no longer requires Council confirmation.

Accounting Practices

The City's accounting policies conform to generally accepted accounting principles applicable to governmental entities. The City's Governmental Funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when both available and measurable. Certain fines and forfeitures, however, are recorded when received, as they are not susceptible to accrual. Expenditures are recognized when the related liability is incurred except for (1) principal of and interest on general long-term debt, which are recognized when due, and (2) employee annual leave and claims and judgments for litigation and self-insurance which are recorded in the period due and payable. Proprietary and Pension Trust Funds use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred. Agency Funds described in the City's Comprehensive Annual Financial Report ("CAFR") also use the accrual basis of accounting to recognize receivables and payables.

The City prepares financial statements annually in conformity with generally accepted accounting principles for governmental entities, which are audited by an independent certified public accountant. See the section of the Official Statement entitled "INTRODUCTION—Recent Events Regarding the City." The City's most recent basic financial statements for the Fiscal Year ended June 30, 2008, were audited by Macias Gini & O'Connell LLP, CPAs. (For ease of reference, references in this APPENDIX B to any particular Fiscal Year (e.g., Fiscal Year 2008) shall mean the Fiscal Year ending June 30 of the referenced year.)

Budgetary Process

Pursuant to the City Charter, an annual budget is presented by the Mayor to the City Council for consideration. Set forth in this budget are the anticipated revenues and expenditures of the General Fund, certain special revenue funds, enterprise funds, and certain debt service funds for the ensuing fiscal year. Additionally, project-length financial plans are presented to and adopted by the City Council for the capital projects funds. Budgets are prepared on the modified accrual basis of accounting except that (1) encumbrances outstanding at year-end are considered expenditures and (2) the increase/decrease in reserve for advances and deposits to other funds and agencies are considered as additions/deductions of expenditures. The City budget is prepared excluding unrealized gains or losses resulting from the change in fair value of investments, proceeds from capital leases and net income from joint ventures. The level of budgetary control for the City's General Fund is exercised at the salaries and wages and non-personnel expenditures level. All amendments to the adopted budget require City Council approval except as delegated in the Annual Appropriation Ordinance. In addition, salaries cannot be used for any other purposes in accordance with the City Charter.

As required by the City Charter, the City Council adopts the Annual Budget by the end of June of each fiscal year. The Appropriation Ordinance that enacts the budget into law is presented to the Budget and Finance Committee for review. Thereafter, it is presented to the City Council for review and adoption in July following two noticed public hearings as required by the City Charter. All amendments to the adopted budget require City Council approval except as delegated in the annual Appropriation Ordinance.

The City Financial Management Department and Comptroller's Office monitor fund balances, as well as revenue and expenditure projections, throughout the fiscal year. Variations from budget are generally addressed in a number of ways, including expenditure reductions. If revenues decline and/or expenditures increase, various alternatives are expected to be reviewed, including alternative funding sources, budget reductions or reallocations of funds between departments to support the ongoing activities of the City. If the City is not able to use other alternatives to offset the deficit, contingency plans that utilize the City's reserves (subject to City Council approval) may be implemented to maintain the funding levels which the City believes are necessary for department operations in accordance with the City's Reserve Policy.

Fiscal Year 2009-10 Budget Development

The City's budget is developed by the Mayor in conjunction with City departments, with public input, and a proposed budget is delivered to the City Council for approval. The incremental budget process considers the fiscal and policy goals for the upcoming fiscal year, while following a timeline for budget publication codified within the City Charter.

The Fiscal Year 2010 budget development process began with the development of the Five-Year Financial Outlook for Fiscal Years 2010-2014 dated November 2008 ("Five-Year Financial Outlook"). The Five-Year Financial Outlook served as the framework for the development of the Fiscal Year 2010 Proposed Budget by incorporating a variety of economic assumptions and recently mandated expenditure requirements into the budget.

In March, 2009, the initial Fiscal Year 2009-10 proposed budget was finalized. The budget document was created from the end of March to the beginning of April, and the Mayor released the Fiscal Year 2010 proposed budget to the public and City Council on April 13, 2009 in compliance with the City Charter. On April 28, 2009 the Office of Independent Budget Analyst issued a report to the City Council of recommendations based on the Fiscal Year 2010 Proposed Budget

From the end of April through May, the City Council held a series of public budget hearings to obtain input from San Diego residents on spending priorities. Councilmembers used the information received at these hearings to develop the districts' priorities and to recommend changes to the proposed budget.

On May 18, 2009, the Mayor's May revision to the Fiscal Year 2010 proposed budget was released. In this report, the Mayor made changes to the proposed budget based on up-to-date policy-related issues and revised Fiscal Year 2009 year-end and Fiscal Year 2010 expenditure and revenue projections. On May 29, 2009 the Office of the Independent Budget Analyst issued a report to the City Council of recommendations based on the May Revision report.

Annual Budget Adoption

The City Council adopted the Fiscal Year 2010 budget on June 8, 2009 and the Mayor approved the budget on June 17, 2009 without exercising his line item veto.

The Appropriation Ordinance that enacts the budget into law is presented to the City Council for review and adoption in July as required by the City Charter.

Five Year Summary of Financial Results

Tables B-1 and B-2 present the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance of the City's General Fund for Fiscal Years ending 2004 through 2008 in the format presented in the City's CAFR for the respective Fiscal Years.

Table B-1
CITY OF SAN DIEGO
BALANCE SHEET FOR THE GENERAL FUND
As of June 30, 2004 through 2008
(in thousands)

	2004	*2005*	*2006*	*2007*	*2008*
ASSETS					
Cash or Equity in Pooled Cash & Investments[1]	$ 23,819	$ 32,966	$ 23,281	$ 97,347	$ 91,439
Receivables:					
Taxes–Net	69,275	65,056	68,568	73,296	76,527
Accounts–Net	36,709	14,823	11,239	11,103	11,195
Claims–Net	62	31	38	88	78
Accrued Interest	374	891	1,434	3,466	2,395
From Other Funds [2]	10,100	16,275	6,060	1,475	1,600
From Other Agencies	68	--	--	--	--
Investment in Joint Venture	1,522	1,542	2,063	2,097	1,981
Advances to Other Funds	1,790	300	300	300	--
Advances to Other Agencies	350	--	9	9	9
Prepaid Items	207	778	220	81	82
Restricted Cash and Investments for TRANS Repayment [3]	--	--	--	142,000	116,383
Total Assets	$ 144,276	$ 132,662	$ 113,212	$ 331,262	$ 301,689
LIABILITIES					
Accounts Payable [4]	$ 3,718	$ 5,054	$ 5,642	$ 9,112	$ 8,005
Accrued Wages and Benefits	36,456	40,960	22,332	23,881	22,265
Due to Other Funds [4]	--	--	--	--	2,479
Unearned Revenue	--	1,151	1,032	903	784
Deferred Revenue [5]	41,894	23,464	21,580	23,318	27,375
Advances from Other Funds	986	985	985	--	---
Contracts and Notes Payable [3]	--	--	--	142,000	116,000
Total Liabilities	83,054	71,614	51,571	199,214	176,908
FUND EQUITY					
Reserved:					
Reserved for Encumbrances [6]	14,888	15,659	18,916	33,452	43,853
Reserved for Advances & Deposits [7]	2,140	300	309	309	9
Reserved for Investment in Joint Venture	1,522	1,542	2,063	2,097	1,981
Unreserved:					
Designated for Unrealized Gains [8]	--	--	--	--	2,737
Designated for Subsequent Years' Expenditures	1,333	1,954	469	1,159	862
Undesignated	41,339	41,593	39,884	95,031	75,339
Total Fund Equity	61,222	61,048	61,641	132,048	124,781
Total Liabilities & Fund Equity	$ 144,276	$ 132,662	$ 113,212	$ 331,262	$ 301,689

[1] Continued expenditure savings due to vacancies and management imposed reductions in discretionary spending have resulted in an increase in cash, beginning in Fiscal Year 2007.
[2] The decrease beginning in Fiscal Year 2007 is attributable to the Grant Funds not needing interim cash from the General Fund to cover negative cash balances, due to improvements in the timing of grant invoicing.
[3] The Fiscal Year 2007 and Fiscal Year 2008 TRANs were 13 month notes, hence cash was set aside to repay principal and interest due in each of the respective subsequent fiscal years.
[4] In Fiscal Year 2008 Accounts Payable decreased while Due to Other Funds increased due to a change in the treatment of San Diego Data Processing Corporation ("SDDPC") accruals. Because SDDPC is a blended component unit of the City, the City began booking accruals between the City and SDDPC as Due To/Due From rather than as receivables/payables.
[5] In Fiscal Year 2008, Deferred Revenue increased due to increases in Property Tax Receivables from delinquencies.
[6] In Fiscal Year 2007 the Streets Division became part of the General Fund resulting in an increase in ending encumbrances. During Fiscal Year 2008 encumbrances increased due to pending Purchase Orders which were primarily associated with the Streets Division and the Storm Water Department.
[7] The Fiscal Year 2008 decrease in Reserved for Advances & Deposits is due to the fund closure of the General Fund Revolving Fund.
[8] In Fiscal Year 2008, a decrease in interest rates led to an increase in the price of fixed income securities, which resulted in unrealized gains.

Source: Fiscal Year 2004 - 2008 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego

Table B-2
CITY OF SAN DIEGO
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE FOR THE GENERAL FUND
Fiscal Years Ended June 30, 2004 through 2008 (in thousands)

	2004	*2005*	*2006*	*2007*	*2008*
REVENUES:					
Property Taxes (1)	$ 201,133	$ 223,500	$ 322,087	$ 361,062	$ 384,273
Sales Taxes (2) (3)	137,360	95,376	110,556	233,385	235,579
In-Lieu Sales Taxes (3) (4)	--	48,220	45,433	--	--
Transient Occupancy Taxes (5)	59,530	63,910	72,126	80,703	83,730
Other Local Taxes (4)	64,977	73,456	72,102	74,069	71,594
Licenses and Permits	23,699	28,459	31,913	31,475	33,815
Fines, Forfeitures and Penalties (6)	31,832	31,857	32,346	40,346	31,083
Revenues from Use of Money and Property	27,758	33,015	35,872	42,157	44,577
Revenues from Federal Agencies	4,055	6,888	3,755	5,066	4,086
Revenues from Other Agencies (1)	74,204	74,571	12,594	16,644	14,236
Charges for Current Services	98,956	105,293	91,514	85,026	87,263
Other Revenue	2,870	2,778	2,864	2,730	3,297
Total Revenues	726,374	787,323	833,162	972,663	993,533
EXPENDITURES:					
Current:					
General Government and Support(7)	134,865	164,892	183,143	189,203	225,570
Neighborhood Services	25,997	25,137	19,702	18,339	18,563
Public Safety	421,584	478,299	509,264	517,522	562,975
Parks, Recreation, Culture and Leisure	97,380	106,274	108,153	112,967	119,125
Transportation (8)	20,219	21,448	23,032	59,516	66,162
Sanitation and Health (9)	39,111	41,024	41,720	39,391	48,995
Debt Service:					
Principal Retirement	2,318	2,381	2,504	2,604	2,204
Interest	5,442	1,811	3,416	6519	5,720
Total Expenditures	746,916	841,266	890,934	946,061	1,049,314
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(20,542)	(53,943)	(57,772)	26,602	(55,781)
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	2,941	7,039	2,989	4,181	5,896
Transfers from Other Funds (10)	37,994	58,913	71,672	86,980	94,562
Transfers to Proprietary Funds	(13,707)	(1,185)	(246)	(1,373)	(5,358)
Transfers to Other Funds	(15,665)	(14,276)	(21,946)	(46,018)	(46,470)
Net Income (Loss) from Joint Venture	(485)	20	522	35	(116)
Proceeds from Capital Leases (11)	3,634	3,258	5,374	--	--
TOTAL OTHER FINANCING SOURCES (USES)	14,712	53,769	58,365	43,805	48,514
NET CHANGE IN FUND BALANCE	(5,830)	(174)	593	70,407	(7,267)
FUND BALANCE AT JULY 1	67,052	61,222	61,048	61,641	132,048
FUND BALANCE AT FOLLOWING JUNE 30	$ 61,222	$ 61,048	$ 61,641	$ 132,048	$ 124,781

(1) Beginning in Fiscal Year 2006 the Educational Revenue Augmentation Funds ("ERAF") III monies received from the State ($70,550,958) intended to replace the Motor Vehicle License Fees backfill were classified as property tax revenue. This revenue was previously classified as Motor Vehicle License Fees, under "Revenues from Other Agencies".

(2) Includes Proposition 172 Safety Sales Tax; Beginning with Fiscal Year 2007, Sales Tax revenue is recorded entirely in the General Fund and then transferred to the Sales Tax supported funds. Prior to Fiscal Year 2007, Sales Tax was allocated to the Sales Tax supported funds as Sales Tax revenue.

(3) Beginning in Fiscal Year 2007, "In-Lieu Sales Tax" is reported with Sales Tax revenue. In prior years, it was received with the Property Tax apportionments and reported separately from Sales Tax.

(4) This is the property tax reimbursement that the City receives as a result of the triple-flip (triple-flip is the shift enacted by the State in Fiscal Year 2005 whereby local governments shift ¼-cent of their Sales and Use Tax to the State in exchange for an equivalent amount of property tax). See "Major Revenue Sources—Sales Tax/Triple Flip" herein.

FOOTNOTES CONTINUE ON NEXT PAGE.

(5) Includes only the General Fund portion of transient occupancy tax (5.5% of the 10.5% levy); the balance (5.0% of the 10.5% levy) is allocated to the TOT Fund for Special Promotional Program purposes.

(6) The decrease in Fines, Forfeitures and Penalties in Fiscal Year 2008 was a result of a reduction of parking citations revenue and one-time litigation revenues received by the City in Fiscal Year 2007 which did not occur in Fiscal Year 2008.

(7) Approximately $17.0 million of the increase in General Government expenditures in Fiscal Year 2008 was attributable to the centralization of data processing costs and approximately $4.3 million was due to additional requirements from the Storm Water Pollution Prevention program for compliance with the new Municipal Storm Water Permit issued in 2007 by the San Diego Regional Water Quality Control Board.

(8) The Streets Division moved to the General Fund in Fiscal Year 2007, increasing Transportation expenditures. In Fiscal Year 2008 additional Transportation expenditures occurred for Street Division resurfacing contracts. In Fiscal Year 2007 Parking Management Division was moved out of the Transportation category and was split between the Police Department (Public Safety) and City Treasurer Department (General Government and Other Support Services).

(9) The increase, in Sanitation and Health, in Fiscal Year 2008 was due to the debris removal program associated with the October 2007 wildfires.

(10) The increase in Transfers from Other Funds in Fiscal Year 2008 resulted from an additional transfer of $15.5 million to the General Fund from the TOT Fund Special Promotional Programs (Also see footnote #5).

(11) The General Fund had no new Capital Leases to report in Fiscal Year 2007 and Fiscal Year 2008.

Source: Fiscal Year 2004 - 2008 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego

Operating Budget Summary

The City's annual operating budget for the General Fund, which is included as a separate budget in the City's Annual Budget for Fiscal Year 2009 (adopted and revised) and 2010 (proposed as of May 18, 2009) are set forth below in Table B-3, together with actual results on a budgetary basis for Fiscal Year 2008). The City's operating budgets for Fiscal Years 2009 and 2010 and actuals on a budgetary basis for Fiscal Year 2008 reflect departmental restructures as a result of operational changes due to the January 1, 2006 transition of the City from a City Manager to Strong Mayor form of government, business process reengineering and department initiated reorganizations. The Fiscal Year 2010 budget adopted by the City Council on June 8 and approved by the Mayor on June 17 increased the General Fund Budget by approximately $1,000,000 from the May 18 proposal reflected in Table B-3 and otherwise described in this Official Statement. The June 8 budget changes, do not affect any major revenue sources of the City and are not material to the expected General Fund cash flow for Fiscal Year 2010.

Table B-3
CITY OF SAN DIEGO
OPERATING BUDGET SUMMARY
Fiscal Years 2008-2010
(in thousands)

	Actuals on a Budgetary Basis	*Original Adopted Budget (July 1, 2008)*	*Revised Adopted Budget (February, 2009)*	*Proposed Budget (May 18, 2009)*
	Fiscal Year 2008	*Fiscal Year 2009*	*Fiscal Year 2009*	*Fiscal Year 2010*
REVENUE SOURCES:				
Property Tax	$384,273	$411,142	$396,620	$382,628
Sales Tax (1)	235,579	230,196	223,618	217,199
Property Transfer Tax	7,010	8,901	6,452	4,511
Transient Occupancy Tax (2)	83,730	90,629	82,189	75,907
Licenses and Permits	33,815	32,633	32,633	32,374
Fines, Forfeitures, and Penalties	31,083	34,546	34,546	32,294
Interest Earnings (3)	4,350	9,613	7,944	4,092
Franchises	64,584	69,636	68,365	73,717
Other Rents and Concessions	37,490	47,204	47,204	45,990
Motor Vehicle License Fees	5,841	6,875	6,030	3,900
Revenue from Other Agencies (4)	12,481	20,349	20,258	8,472
Charges for Current Services (5)	87,263	134,115	133,525	138,571
Transfers from Other Funds	100,458	95,943	95,826	107,463
Other Revenue	3,597	826	826	1,558
Net Income (Loss) from Joint Venture	(116)	--	--	--
Total General Fund Revenues and Transfers(6)	**$1,091,438**	**$1,192,608**	**$1,156,036**	**$1,128,676**
EXPENDITURES				
Public Safety	$567,262	$588,981	$581,401	$575,070
Parks, Recreation, Culture and Leisure	123,696	121,507	119,687	121,509
Sanitation and Health	49,519	42,045	40,528	38,754
Transportation	78,047	70,197	68,322	62,026
Neighborhood Services	20,832	21,062	19,668	19,220
General Government and Support (7)	245,887	278,063	259,172	239,865
Debt Service (8)(9)	7,924	8,344	4,744	11,553
Transfers (10)	51,828	62,410	62,515	60,679
Total General Fund Expenditures and Transfers(6)(11)	**$1,144,995**	**$1,192,609**	**$1,156,037**	**$1,128,676**

(1) Includes Proposition 172 Safety Sales Tax and "triple flip" amounts. See "Major Revenue Sources—Sales Tax/Triple Flip" herein.
(2) Includes only the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy); the balance (5.0% of the 10.5% levy) is allocated to Special Promotional Programs.
(3) Fiscal Year 2009 Adopted and Revised Adopted Budgets do not include interest earnings from the Tax and Revenue Anticipation Notes Fund, which relates to the Fiscal Year 2008 TRAN borrowing which matured on August 1, 2008.
(4) Fiscal Year 2009 Original Adopted Budget: Revenue from Other Agencies had a net increase of approximately $9.4 million. This was primarily due to a reduction of $5 million in State Grants and Allocations, an increase in revenue from Proposition 1B funding ($5.8 million), and FEMA reimbursement related to the October 2007 wildfires & State Agency reimbursements related to the Mt. Soledad landslide ($7.9 million).
(5) Fiscal Year 2009 Original Adopted and Revised Adopted Budgets: Reflects business process reengineering in Fiscal Year 2009 that resulted in positions being transferred from Enterprise and Internal Service Funds to the General Fund. Engineering and Capital Projects Department services to Enterprise Funds, will be charged to the Enterprise Funds, and the associated revenue is budgeted under Charges for Current Services.
(6) Line items may not add to totals due to independent rounding.
(7) Fiscal Year 2009 Original Adopted and Revised Adopted Budgets includes the addition of 273.42 positions resulting from the Engineering & Capital Projects Department and Trench Restoration function restructures (Also see footnote #5).
(8) Fiscal Year 2009 Original Adopted and Revised Adopted Budgets include only the General Fund portion of debt service interest expenses transferred to the Tax and Revenue Anticipation Notes Fund.
(9) Debt Service was reduced by $3.6 million in the Fiscal Year 2009 Revised Adopted Budget because a planned General Fund financing was delayed and no interest payments were anticipated to come due during Fiscal Year 2009.
(10) Fiscal Year 2009 Original Adopted and Revised Adopted Budgets include an additional transfer of $10.0 million to the Public Liability Fund.
(11) Fiscal Year 2009 Revised Adopted Budget does not include $10.0 million General Fund Appropriated Reserve. An Appropriated Reserve may be maintained for the purpose of paying for unanticipated operational needs that arise during the fiscal year, but which were not anticipated during the budget process. The Appropriation Ordinance authorized and directed that the expenditure appropriations of the General Fund Appropriated Reserve be increased by $10.0 million from the General Fund Unappropriated Reserve.

Source: Fiscal Year 2008: Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego
Fiscal Year 2009 Annual Budget, Financial Management, City of San Diego
Fiscal Year 2009 Revised Adopted Budget, Financial Management, City of San Diego
Fiscal Year 2010 Proposed Budget, Financial Management, City of San Diego.

Fiscal Year 2008 (Actuals on a Budgetary Basis)

The actual total General Fund revenues and transfers as shown in Table B-3 and presented in a budget format equivalent to Table B-3, for Fiscal Year 2008 equaled $1.091 billion, which represents an increase of $28 million or 2.6% more than the actual results for Fiscal Year 2007 and a decrease of $18 million or 1.6% less than the original adopted budget for Fiscal Year 2008.

Property tax, sales tax (including Proposition 172 safety sales tax), transient occupancy tax and franchise fees comprise a significant proportion of General Fund revenues of the City, accounting for approximately 70.4% of such revenues in Fiscal Year 2008 (declining to an estimated 66.8% in Fiscal Year 2009 and projected 66.4% in Fiscal Year 2010). See "Major Revenues" below for a further discussion of these revenue sources. The following table shows the change in actual major revenue sources for Fiscal Year 2008 over Fiscal Year 2007.

Change in City-Wide Major Revenue Sources
Actual Results Fiscal Year 2008 over Fiscal Year 2007(1)

Property Tax	9.9%
Sales Tax(2)	2.3%
Transient Occupancy Tax	3.8%
Franchise Fees	-0.3%

(1) The above percentages reflect overall City-wide growth in these revenue sources; such revenues are not allocated entirely to the General Fund.
(2) Includes Proposition 172 Safety Sales Tax and "triple flip" amounts. See "Major Revenue Sources—Sales Tax/Triple Flip" herein.
Source: City of San Diego, Comptroller's Office.

Actual total General Fund expenditures and transfers, presented in a budget format equivalent to Table B-3, for Fiscal Year 2008 equaled $1.145 billion, an increase of $118 million or 11.5% more than the actual results for Fiscal Year 2007 and a decrease of $4 million or 0.3% less than the original adopted budget for Fiscal Year 2008.

Fiscal Year 2009 (Original Adopted Budget)

Under the Fiscal Year 2009 Original Adopted Budget, General Fund budgeted revenues totaled $1.192 billion, an increase of $101.2 million or 9.3% from the Fiscal Year 2008 Actuals on a Budgetary Basis, and assumed a modest economic growth in San Diego in Fiscal Year 2009. The Fiscal Year 2009 Original Adopted Budget included 7,545.22 full-time equivalent ("FTE") positions. Nearly 287 positions were added to the General Fund. This net increase in the number of positions was made up of approximately 273 positions transferred from other funds, 121 new City positions to support new mandates and initiatives, and the elimination of 107 positions from the budget. Citywide a total of 58 FTE positions were eliminated. The net increase in positions in the General Fund was due to the restructuring of the Engineering and Capital Projects Department where positions were transferred from Enterprise and Internal Service Funds to the General Fund. Staff and reimbursable revenue that was budgeted in these non-general funds were budgeted in the General Fund, resulting in a net-zero effect on the City's overall budget but added some additional expenses to the General Fund since not all of these positions were fully cost recoverable. In addition, included in the General Fund budget was the addition of positions for mandated programs, new facilities and for facilities that received partial staffing in the previous fiscal year and the elimination of positions to balance the budget.

Fiscal Year 2009 (Revised Adopted Budget)

In response to a prolonged economic downturn, the City reduced its General Fund revenue projections that were the basis for the Fiscal Year 2009 Original Adopted Budget and restricted departmental spending.

Upon review of preliminary first quarter data, the City forecasted a General Fund budget deficit of approximately $43 million for Fiscal Year 2009. To balance the Budget, the Mayor presented a revised Fiscal Year 2009 budget proposal to the City Council on November 12, 2008 to reduce expenditure appropriations by $41.2 million and appropriate new revenues of $2 million. City Council adopted a Fiscal Year 2009 revised budget on December 9, 2008 that balanced the General Fund by including most of the proposed expenditure reductions totaling $36.6 million. City Council added back $4.2 million in expenditures and funded these costs with one-time revenues in Fiscal Year 2009. On February 3, 2009, City Council added back $.2 million in expenditures using one-time revenues. As so revised in December and February (the "Fiscal Year 2009 Revised Adopted Budget"), the Fiscal Year 2009 Revised Adopted Budget totaled $1.156 billion. These Fiscal Year 2009 budget adjustments were carried forward into the Fiscal Year 2010 Proposed Budget.

In addition to a mid-year budget report, on May 1, 2009, the City issued its Fiscal Year 2009 Year-End Budget Monitoring Report (the "Fiscal Year 2009 Year End Monitoring Report"). The General Fund is expected to end the year with $1.4 million of revenue in excess of expenditures. Revenues are projected to be $17.1 million below the Fiscal Year 2009 Revised Adopted Budget of $1.156 billion. This represents a one percent variance from the Revised Adopted Budget. Similarly, expenditures are projected to end the year $18.6 million, or two percent, below the revised budget. The continued decline in revenues from the budgetary revisions made mid-year is primarily due to the continued slowdown in the economy. The City Council adopted the recommendations of the Fiscal Year 2009 Year End Monitoring Report on June 2, 2009. The references herein to the Fiscal Year 2009 Revised Adopted Budget do not reflect changes made pursuant to the recommendations.

Presented below are budgeted growth (or decline) rates in Fiscal Year 2009 for the major revenues based on the Fiscal Year 2009 Year End Monitoring Report.

Projected Changes in City-Wide Major Revenue Source
Fiscal Year 2009 Year End Monitoring Report Projection Over Fiscal Year 2008 Actuals[(1)]

Property Tax	3.0%
Sales Tax[(2)]	-6.5%
Transient Occupancy Tax	-6.1%
Franchise Fees	2.9%

(1) The above percentages reflect City-wide year over year percent changes in these revenue sources; such revenues are not allocated entirely to the General Fund.
(2) Includes Proposition 172 Safety Sales Tax and "triple flip" amounts. See "Major Revenue Sources—Sales Tax/Triple Flip" herein.
Source: City of San Diego, Financial Management Department.

Fiscal Year 2010 (Proposed Budget)

The City's Fiscal Year 2010 Proposed Budget for the General Fund submitted by the Mayor pursuant to a May 18 revision (the "Fiscal Year 2010 Proposed Budget") totals $1.129 billion, a net decrease of $63.9 million or 5.36% from the Fiscal Year 2009 Original Adopted Budget and a decrease of $27.4 million from the Fiscal Year 2009 Revised Adopted Budget. Major General Fund revenues (i.e., property tax, sales tax (including Proposition 172 safety sales tax), transient occupancy tax ("TOT"), and franchise fees) account for approximately $749.5 million or 66.4 percent of the total General Fund revenues. The decline in major revenues in the Fiscal Year 2010 Proposed Budget accounts for approximately $52.2 million or 81.7 percent of the total General Fund decline of $63.9 million compared to the Fiscal Year 2009 Original Adopted Budget. Property tax is budgeted in Fiscal Year 2010 at $382.6 million, down $28.5 million or 6.9 percent from the Fiscal Year 2009 Original Adopted Budget due primarily to the decline in the housing market, including the drop in the median price of homes in San Diego. Sales tax revenue budgeted in the Fiscal Year 2010 Proposed Budget is $217.2 million, which represents a decline of $13.0 million or 5.6 percent from the Fiscal Year 2009 Original Adopted Budget due to the decline in per capita income and consumer spending and increased unemployment rates in the City. The TOT allocated to the General Fund is budgeted at $75.9 million, down $14.7 million or 16.2 percent less than the Fiscal Year 2009 Original Adopted Budget due to the expected decline in hotel stays. Franchise fees are budgeted at $73.7 million, up $4.1 million or 5.9 percent from the Fiscal Year 2009 Original Adopted Budget. Franchise fee revenue includes $1.7 million from an anticipated rate increase in Refuse Collection franchise fees and $2.6 million from facility franchise fees.

Presented below are estimated growth or decline rates for the major revenues over Fiscal Year 2009 Year End Monitoring Report projections.

Projected Changes in City-Wide Major Revenue Sources
Fiscal Year 2010 Proposed Budget over Fiscal Year 2009 Year End Monitoring Report Projections[(1)]

Property Tax	-3.3%
Sales Tax[(2)]	-1.4%
Transient Occupancy Tax	-3.4%
Franchise Fees	11.1%

(1) The above percentages reflect overall City-wide changes in these revenue sources; such revenues are not allocated entirely to the General Fund. There can be no assurance that the estimated growth or decline in rates for any or all of the major revenue sources above will not be materially different from those projected.
(2) Includes Proposition 172 Safety Sales Tax and "triple flip" amounts. See "Major Revenue Sources—Sales Tax/Triple Flip" herein.
Source: City of San Diego, Financial Management Department.

The Fiscal Year 2010 Proposed Budget General Fund expenditures total $1.129 billion, a decrease of $63.9 million from the Fiscal Year 2009 Original Adopted Budget. The decrease is largely due to a combination of savings from projected concessions from labor negotiations of approximately $33 million, and reductions carried forward from the Fiscal Year 2009 Revised Adopted Budget of approximately $30 million.

The Fiscal Year 2010 Proposed Budget includes 7,394.42 budgeted full-time equivalent ("FTE") positions, a decrease of 150.8 FTE positions over the General Fund portion of the Fiscal Year 2009 Original Adopted Budget. The net decrease in General Fund positions is primarily due to the elimination of 146.95 FTE positions carried forward from the Fiscal Year 2009 Revised Adopted Budget. The Fiscal Year 2010 Proposed Budget also includes the addition of positions for new facilities and for facilities that received partial staffing last fiscal year, and other priority staff, and the removal of positions resulting from labor concessions.

In Fiscal Year 2010, the City intends to continue to pursue fiscal recovery while managing the sharp decline in major City revenues. In keeping with the City's goal of reducing structural General Fund budget gaps in coming years, the proposed budget incorporates $33 million in ongoing expenditure savings from projected concessions from labor negotiations and an increase in revenue of $10.7 million from user fees and franchise fees. In addition, the Fiscal Year 2010 Proposed Budget includes the expected release of $17.8 million in internal stabilization reserves and $4.3 million in fund balance from the Library Systems Improvement Fund. These one-time revenues are intended to be used primarily to fund one-time expenditures budgeted in the General Fund. In addition, the Fiscal Year 2010 Proposed Budget reduces stormwater contracts by $6.4 million. The City can give no assurance of when the national and global economy and financial markets might stabilize or the degree, if any, that the City's general economy will continue to experience further contraction in Fiscal Year 2010 and beyond.

State Budget Impacts. In the event further reductions to the Fiscal Year 2010 adopted budget are necessitated by the State's response to its budget deficit, the City would look at various measures to achieve a balanced budget, including expenditure reductions to bring them into line with any revenue reductions. See "State Budget Deficit" below. Specifically, with respect to gas tax or gasoline excise tax reductions proposed by the Governor with respect to the proposed revisions to the Fiscal Year 2009-10 State Budget, the City would consider significant reductions in street maintenance and related expenditures, including substantial elimination of street and median maintenance, sidewalk repair, curb/gutter improvements and street/median maintenance and pothole repair. Reductions in other funding protected under Proposition 1A, to the extent not mitigated through a borrowing program proposed in the Governor's budget, would be addressed through personnel and service reductions which would be expected to be implemented on a fairly broad basis. However, any such reductions or other responses to changes in State funded revenue sources would be subject to the City's budget revision process, and the ultimate approval of the City Council.

The City cannot predict the extent of any additional fiscal problems that will be encountered in this or in any future Fiscal Years, and, it is not clear what measures will be taken by the State or federal government to address the continuing nationwide fiscal crisis. Accordingly, the City cannot predict the final outcome of future State or federal actions or the impact that such actions will have on the City's finances and operations. See "State Budget Deficit" herein.

Major Revenue Sources

Property Taxes. Property tax revenue is the City's largest revenue source, representing 33.9% of the total General Fund revenue estimated for Fiscal Year 2010. The County assesses property and collects secured and unsecured property taxes for the cities, school districts, and special districts within the County, including the City. The delinquency dates for property tax payment are December 10 for the first installment and April 10 for the second installment. Once the property taxes are collected, the County conducts its internal reconciliation for accounting purposes and distributes the City's share of such taxes to the City, periodically and typically pursuant to a published schedule. Prior to distribution, the moneys are deposited in an account established on behalf of the City in the County Treasurer's Investment Pool (the "Pool"). If the County and/or the Pool were at any time to become subject to bankruptcy proceedings, it is possible that City property taxes held in the Pool, if any, could be temporarily unavailable to the City. In the event of such an occurrence, the City believes that General Fund revenue requirements could be met through the use of other City funds. Ad valorem taxes are subject to constitutional limits as discussed under the section "LIMITATIONS ON TAXES AND APPROPRIATIONS."

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the City as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing the taxes on which there is a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. If not paid, the property is subject to default. Such property may be redeemed by payment of the delinquent taxes and the delinquent penalty, plus a redemption penalty of 1.5% per month from July 1 of the following year to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due following the January 1 lien date and become delinquent, if unpaid, on August 31 of the fiscal year. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year. The taxing authority has four ways of collecting unsecured personal property taxes: (a) a civil action against the taxpayer; (b) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (c) filing a certificate of delinquency for record in the County Recorder's Office, in order to obtain a lien on certain property of the taxpayer; and (d) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

A supplemental assessment occurs upon a change of ownership of existing property and for new construction upon completion. A supplemental tax bill is issued for the difference in property value resulting from the increase or decrease in assessed value prorated for the remainder of the year.

Effective July 1, 1988, Assembly Bill 454, Chapter 921, eliminated the reporting of the unitary valuations pertaining to public utilities such as San Diego Gas and Electric. In lieu of the property tax on these previously included assessed valuations, the City now receives from the State (through the County) an amount of unitary revenue based upon the unitary property tax received in the prior year.

Property taxes allocated to the City include an amount to compensate cities for the loss of motor vehicle license fees. Motor Vehicle License Fees ("MVLF") are levied as a percentage of an automobile's purchase price, subject to depreciation, and are paid annually to the California Department of Motor Vehicles at the time of registration. The fees are then forwarded to the State Controller's Office, which allocates the funds to local governments per capita on a monthly basis.

Beginning in 1999, the MVLF underwent a series of offsets, first initiated by the State legislature as part of the 1998-1999 Budget agreement. These offsets ultimately resulted in a 67.0 percent reduction in the effective MVLF rate, from 2.0 percent of a vehicle's value to 0.65 percent. To compensate cities and counties for the tax offset, the State began providing State General Fund revenue to cities and counties on a dollar-for-dollar basis, otherwise known as the MVLF backfill. As part of the 2004-2005 Budget agreement, the MVLF rate was statutorily reduced to 0.65 percent, thereby eliminating the MVLF backfill. Cities were compensated for the loss in MVLF revenue with increased property tax revenues. Although the MVLF rate has increased, the City does not share in this increase.

Fiscal Year 2010 Property Tax Proposed Budget. The fiscal year 2010 property tax budget is based on the assumption that the regional housing market's low prices will persist into Fiscal Year 2010. The local housing market has experienced a significant price correction since the median housing price highs of 2005, but is assumed to experience stabilization in prices over Fiscal Year 2010. While the City expects stabilization to occur in Fiscal Year 2010, assessed values are expected to continue to be affected by slow growth in home sales. The projected property tax budget of $382.6 million represents a $13 million or 3.3 percent decrease from the Fiscal Year 2009 Year End Monitoring Report projection. The $382.6 million consists of an estimated $277.6 million in base property tax (Proposition 13) and an estimated "in-lieu of MVLF" payment of $105 million.

In projecting property tax revenues for the Fiscal Year 2009-10 Proposed Budget the City has taken into account the County's projection of a 1.5% decline in assessed value of taxable property in the City, as well as declining median home prices, declining supplemental assessment tax receipts, current foreclosure trends and other factors. For example, according to data obtained from DataQuick Information Systems the median price of a home in San Diego has dropped over 31.5 percent from February 2008 to January 2009. (The actual property tax receipts do not reflect the full impact of this drop due to Proposition 13. Homeowners who have owned the same property for an extended period of time may continue to pay higher property taxes (capped at a 2 percent annual rate under the restrictions of Proposition 13). However, a decline in property tax receipts is still forecasted as the number of foreclosures increases (delaying property tax receipts and reducing existing home values), petitions for a reassessment based on current market conditions have doubled from 2006 levels, and more homes are sold for less than their assessed value.) Supplemental assessments, where State law requires the County Assessor to reappraise property and issue a supplemental assessment based on a new sale or purchase of a home, have been significantly reduced as more properties are sold for less than their original assessment due to the estimated 45 percent decline in housing prices since the 2005 high levels. This has resulted in supplemental property tax revenue decreasing from a high of $22.6 million in Fiscal Year 2006 to a Fiscal Year 2010 supplemental property tax projection of $5.9 million. Property taxes in the Fiscal Year 2010 Proposed Budget do not include amounts payable to the City by the State from property taxes in reimbursement of lost sales tax revenue. See "Major Revenue Sources—Sales Tax/Triple Flip" herein.

Foreclosures in the County of San Diego have remained at a historically high level for the past year, with the exception of September through December, 2008. During this time, the State issued new guidelines for loan modifications and contact with the property owner that delayed foreclosures for ninety days. These foreclosures are affecting property values because of their lower price when sold in addition to increasing available residential properties on the market. The number of foreclosed properties available on the market would need to decline to help stabilize the overall residential real estate market.

Table B-4 presents the assessed valuation within the City for each of the last ten Fiscal Years.

Table B-4
ASSESSED VALUATION[1][2]
Fiscal Years Ended June 30, 2000 through 2009
(in thousands except for percentages)

Fiscal Year Ending June 30	*Secured Property*	*Unsecured Property*	*Gross Total*	*Less Exemptions[3]*	*Net Assessed Valuations [4] [5]*	*Annual Assessed Valuation % Change*
2000	$ 82,195,239	$ 6,347,101	$ 88,542,340	$ 4,606,047	$ 83,936,293	8.57
2001	89,259,317	6,838,926	96,098,243	4,955,424	91,142,819	8.59
2002	96,534,652	6,959,602	103,494,254	4,577,069	98,917,185	8.53
2003	105,602,893	7,230,861	112,833,754	5,415,535	107,418,219	8.59
2004	115,116,772	6,842,254	121,959,026	5,690,654	116,268,372	8.24
2005	128,611,940	7,191,819	135,803,759	5,967,224	129,836,535[6]	11.67
2006	124,598,322	7,063,201	131,661,523	5,678,208	125,983,315[6]	(2.97)
2007	137,387,588	7,625,115	145,012,703	5,861,380	139,151,323	10.45
2008	150,001,428	7,405,798	157,407,226	6,323,459	151,083,767	8.57
2009	157,927,906	7,873,733	165,801,639	6,788,981	159,012,658	5.25

(1) The official date of assessment is the first day of January preceding the Fiscal Year during which taxes are levied. For example, January 1, 2008 is the official assessment date for property taxes due during Fiscal Year 2009. The City receives preliminary estimates from the County Assessor in March and final assessment estimates in late June, or early July.
(2) Includes both locally assessed and State assessed utility property.
(3) Represents homeowners' exemptions reflecting the portions of assessed values exempt from taxation..
(4) Net assessed valuation for tax rate purposes.
(5) The City recognized a fluctuation in assessed valuation in Fiscal Year 2006 due to a change in the allocation method between the City and the Redevelopment Agency. This methodology change resulted from management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB 44.
(6) Based on the methodology used in Fiscal Year 2006, Net Assessed Valuation for Fiscal Year 2005 would have been $112,818,838,000 (in whole dollars). This would have resulted in a growth rate of 11.67% in Fiscal Year 2006 compared to Fiscal Year 2005.

Source: Fiscal Years 2000 – 2008: Fiscal Year 2008 Comprehensive Annual Financial Report Statistical Section (unaudited), Comptroller's Office, City of San Diego.
Fiscal Year 2009: MuniServices, LLC

Table B-5 shows the City's secured tax collections for each of the ten Fiscal Years shown.

Table B-5
SECURED TAX LEVIES AND COLLECTIONS
Fiscal Years Ended June 30, 1999 through 2008
(in thousands except for percentages)

Fiscal Year Ending June 30	*Tax Levy*	*Current Year Collections*	*Current Year Collections as Percentage of Current Tax Levy*	*Total Tax Collections[1]*	*Total Collections as Percentage of Current Tax Levy*
1999	$127,846	$124,267	97.20	$126,923	99.28
2000	141,963	137,859	97.11	140,225	98.78
2001	155,060	150,900	97.32	153,406	98.93
2002	167,077	163,357	97.77	165,446	99.02
2003	181,687	175,943	96.84	178,341	98.16
2004	199,630	191,224	95.79	194,399	97.38
2005	227,422	213,173	93.73	216,325	95.12
2006	255,211	240,895	94.39	245,458	96.18
2007	272,983	257,034	94.16	262,899	96.31
2008	289,235	271,657	93.92	279,759	96.72

(1) Total Collections include unpaid taxes from previous years' tax levies collected in the current Fiscal Year.

Source: Fiscal Year 2008 Comprehensive Annual Financial Report Statistical Section (unaudited), Comptroller's Office, City of San Diego.

Table B-6 indicates the ten largest secured and unsecured property taxpayers in the City.

Table B-6
PRINCIPAL PROPERTY TAXPAYERS IN CITY OF SAN DIEGO[(1)(2)]
Tax Roll for Fiscal Year 2008-2009
(in thousands, except for percentages)

Taxpayers	*Type of Business*	*Assessed Valuation[(3)]*	*Percentage of Net Assessed Valuation[(4)]*	*Amount of Tax*
Irvine Co. [(5)]	Real Estate	$ 1,718,022	0.95%	$ 18,629
Qualcomm, Inc. [(6)]	Electronics	1,329,978	0.73	14,421
Kilroy Realty, LP [(7)]	Real Estate	1,088,952	0.60	11,808
Arden Realty Ltd. Partnership [(8)]	Real Estate	642,724	0.35	6,969
OCSD Holdings	Real Estate	520,855	0.29	5,648
Pfizer, Inc.	Pharmaceuticals	477,578	0.26	5,179
Fashion Valley Mall, LLC [(9)]	Developer	447,698	0.25	4,854
San Diego Family Housing, LLC [(10)]	Real Estate	444,676	0.25	4,822
Sea World, Inc.	Entertainment	395,532	0.22	4,289
Host San Diego Hotel, LLC [(11)]	Hotel Management	391,680	0.22	4,247
TOTAL		$ 7,457,695	4.12%	$ 80,866

(1) Utility Companies excluded.
(2) Includes redevelopment areas (base plus incremental value).
(3) Total assessed valuation includes both secured and unsecured property; does not include supplemental assessments.
(4) Using total Net Assessed Valuation of $181,213,374,209 (in whole dollars) for Fiscal Year 2008-09.
(5) Based on information provided by MuniServices LLC, this assessee has filed applications for assessment appeals on August 6, 2008 and September 16, 2008 for tax roll of 2009 (July 2008-June 2009). These claims are still pending. Applicant is appealing assessed value to be lowered by $25,089,725 (in whole dollars). No assurance can be given of the outcome of the appeal.
(6) Based on information provided by MuniServices LLC, this assessee has filed an application for assessment appeal on November 29, 2007 for tax roll of 2008 (July 2007-June 2008). The claim is still pending. Applicant is appealing assessed value to be lowered by $219,157,559 (in whole dollars). No assurance can be given of the outcome of the appeal.
(7) Based on information provided by MuniServices LLC, this assessee has filed applications for assessment appeals on July 9, 2008 and August 19, 2008 for tax roll of 2009 (July 2008-June 2009). These claims are still pending. Applicant is appealing assessed value to be lowered by $7,890,000 (in whole dollars). No assurance can be given of the outcome of the appeal.
(8) Based on information provided by MuniServices LLC, this assessee has filed applications for assessment appeals on September 19, 2007, April 1, 2008, May 2, 2008, and May 13, 2008 for tax roll of 2008 (July 2007-June 2008) and September 15, 2008 for tax roll of 2009 (July 2008-June 2009). These claims are still pending. Applicant is appealing assessed value (including supplemental assessments) to be lowered by $344,359,000 (in whole dollars) for the tax roll of 2008, and $226,060,710 (in whole dollars) for tax roll of 2009. No assurance can be given of the outcome of the appeal.
(9) Based on information provided by MuniServices LLC, this assessee has filed applications for assessment appeals on November 27, 2006 for tax roll of 2007 (July 2006-June 2007) and December 3, 2007 for tax roll of 2008 (July 2007-June 2008). These claims are still pending. Applicant is appealing assessed value to be lowered by $12,237,440 (in whole dollars) for tax roll of 2007, and $10,724,660 (in whole dollars) for tax roll of 2008. No assurance can be given of the outcome of the appeal.
(10) Based on information provided by MuniServices LLC, this assessee has filed applications for assessment appeals on September 23, 2004 for tax roll of 2005 (July 2004-June 2005). These claims are still pending. Applicant is appealing assessed value to be lowered by $680,000 (in whole dollars). No assurance can be given of the outcome of the appeal.
(11) Based on information provided by MuniServices LLC, this assessee has filed applications for assessment appeals on July 26, 2007, August 23, 2007, November 20, 2007, and December 3, 2007 for tax roll of 2008 (July 2007-June 2008). These claims are still pending. Applicant is appealing assessed value (including supplemental assessments) to be lowered by $411,459,816 (in whole dollars). No assurance can be given of the outcome of the appeal.

Source: MuniServices, LLC.

Total issued building permits and permit valuation (residential and non-residential) are used as indicators of overall construction activity. As of April 30, 2009, the City estimates residential building permits valuation has declined by 56% in Fiscal Year 2009 compared to Fiscal Year 2008. During the same period non-residential building permits valuation decreased by 64%. At the same time, residential foreclosure activity has increased. These negative economic trends are reflected in the proposed Fiscal Year 2010 budget. Tables A-11 and A-12 in APPENDIX A—"DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY" set forth certain historic permit and residential foreclosure data, respectively.

Sales/Triple Flip Tax. Sales tax is collected and distributed by the State Board of Equalization. The sales tax rate is established by the State Legislature. Sales tax is the City's second largest revenue source, representing 19.2 percent of the total projected General Fund revenue in Fiscal Year 2010. The City's sales tax revenues shown in Table B-3 and utilized for purposes of the Fiscal Year 2010 Proposed Budget include a reimbursement from property taxes that the City will receive as a result of the "triple flip". Triple flip is the shift enacted by the State in fiscal year 2005 whereby local governments shift one-quarter of a cent of their Bradley-Burns Sales and Use Tax to the State in exchange for an equivalent amount of property tax.

Collected at the point of sale, sales tax receipts are remitted to the State Board of Equalization, which allocates tax revenue owed to the City in the form of monthly payments. According to the Bradley-Burns Sales and Use Tax law, cities are to receive one cent of the total 7.25 cent statewide sales tax levied on each dollar of taxable sales. In addition to the Bradley-Burns sales tax, San Diego County voters approved a half-cent supplemental sales tax in 1987 to fund the San Diego Transportation Improvement Program ("TransNet"), resulting in a total countywide sales tax of 7.75 percent. The TransNet sales tax was renewed in 2008 for an additional 40-year term. Sales tax also includes a half-cent tax approved by California voters in 1993 for the purpose of funding local public safety expenditures. The revenue from this half-cent sales tax, known as the Proposition 172 safety sales tax, is discussed below.

Consumer and business spending within the City determines sales tax receipts and the Fiscal Year 2010 Proposed Budget reflects anticipated declines in such spending as a result of declining per capita income, home equity, increased savings rates and other factors. The projected sales tax revenue for the Fiscal Year 2010 Proposed Budget is $217.2 million, a decline of $3.1 million or 1.4 percent less than the projection in the Fiscal Year 2009 Year End Monitoring Report projection. The State of California Board of Equalization, which controls the distribution of sales tax to individual jurisdictions, issues guidance on growth in statewide taxable sales. The quarterly average growth estimate in fiscal year 2010 for the State of California as issued by the Board of Equalization projects a decline in revenue of 5.1 percent for the first quarter, 2.7 percent in the second quarter, a near flat rate of minus 0.1 percent in the third quarter, and an improvement in the last quarter of the fiscal year with 3.1 percent estimated growth. For budgetary purposes, the City estimates its sales tax receipts will decline 5.0 percent in the first quarter, 3.0 percent for the second quarter, and then remain flat for the third and fourth quarters of Fiscal Year 2010. The City can provide no assurance that actual sales tax receipts will not be materially less than projected.

Once the State's Economic Recovery Bonds are paid off (estimated in fiscal year 2011 – 2012 by the California Department of Finance), local governments will no longer receive the property tax reimbursement, but will instead regain the one-quarter-cent sales tax that was diverted to the State by the triple-flip. This shift is different from the MVLF property tax swap which is considered to be a permanent shift of revenues from MVLF to property tax.

The Fiscal Year 2009 Revised Adopted Budget and the Fiscal Year 2010 Proposed Budget assume receipt from the State under the sales tax category of $159.3 million and $50.9 million in triple flip reimbursements. The estimates of sales tax revenue in the Fiscal Year 2010 Proposed Budget also includes $7.1 million in Proposition 172 safety sales tax revenue derived from a half-cent sales tax resulting from the passage statewide of Proposition 172 in November 1993. These revenues must be used solely for local public safety purposes. See Official Statement, APPENDIX A—"DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY—Table A-4" for historic taxable transactions in the City.

Transient Occupancy Tax. The City's transient occupancy tax ("TOT") is levied at 10.5 cents per dollar of the daily room price in hotels and motels used by visitors staying in San Diego for less than 30 consecutive days. The allocation of TOT directed pursuant to the City Municipal Code, with guidelines provided by the City Council Policy 100-3. Of the 10.5 cents of collected TOT, 4.0 cents shall be applied toward promoting the City as a tourist destination, 5.5 cents shall be applied toward general government purposes and the remaining 1.0 cent to be allocated for any purposes approved by the City Council.

San Diego's local attractions, natural amenities, and proximity to other popular tourist sites continue to make the area a top destination. According to estimates from the San Diego Convention and Visitors Bureau, total visitors to San Diego in 2008 totaled 31.0 million, compared to 2007 totals of 31.6 million visitors and the historical high point of 2006, where there was a total of 32.2 million visitors. Although the region remains a popular vacation spot, the economic recession has had a negative effect on tourism over the last two years, and the City can provide no assurance that the continued economic recession will not have an adverse impact on tourism in San Diego during the next Fiscal Year or for any longer period.

The Fiscal Year 2010 Proposed Budget assumes continued decline in San Diego's visitor industry in calendar year 2009, with improvement in demand from recreational tourists, business travelers, and conventions not expected until calendar year 2010. The negative trend is based on City projections of declines in average occupancy and average daily room rates over the period.

Total TOT revenue in Fiscal Year 2010 is projected at $144.9 million, of which $75.9 million will be allocated to the General Fund, $55.2 million allocated to the Special Promotional Programs, and $13.8 million to be allocated for any purposes approved by the City Council. See APPENDIX A—"DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY—Table A-6" for historical transient occupancy tax data.

Franchise Fees. Franchise fees revenue results from agreements with private utility companies in exchange for the City's rights-of-way. Currently, San Diego Gas and Electric ("SDG&E"), Cox Communications, Time Warner Cable, and AT&T are the primary sources of franchise revenue to the City. In addition, the City collects franchise fees from private refuse haulers that conduct business within its borders. The revenue received from the above agreements is based on a percentage of gross sales.

SDG&E, the single largest contributor of franchise fee revenue, is charged 3.0 percent of the gross sales of gas and electricity within the City. In addition, the City receives a 3.5 percent surcharge on SDG&E's electricity sales for the undergrounding of electric utility lines that was approved by the California Public Utilities Commission in December 2002. The City also generates revenue by collecting 5.0 percent of gross revenues from Cox Communications, Time Warner Cable, and AT&T. Refuse hauler fees are imposed on private refuse haulers depending on tonnage per year: Class I haulers (less than 75,000 tons per year) or Class II haulers (more than 75,000 tons per year).

San Diego Gas & Electric. The projected budgeted revenue for fiscal year 2010 from SDG&E franchise fees is $55.2 million, reflecting 2.8 percent growth over the Fiscal Year 2009 Year End Monitoring Report projections. In accordance with the City Charter, 25.0 percent of revenue received from SDG&E, or $13.8 million, is to be deposited into the Environmental Growth Fund ("EGF"). Pursuant to the City Charter and City Council policy one-third of the EGF is used to finance the maintenance of parks, the remaining two-thirds are used for the annual interest payments for debt service on open space acquisition bonds, if any, and parkland maintenance. The remaining revenue balance of approximately $41.4 million received from SDG&E franchise fees is allocated to the General Fund.

Cable Companies. The projected revenue for fiscal year 2010 from cable franchise fees is $18.1 million. This figure reflects a $738,000 or 4.3 percent growth rate over the Fiscal Year 2009 Year End Monitoring Report projections. The majority of cable franchise fees are from Cox Communications and Time Warner Cable. Franchise fee revenue from AT&T, which the City began receiving in FY 2008 when the company started providing services, has grown steadily for the past two years and is expected to grow as the company continues to expand in the San Diego market.

Refuse Haulers and Other Franchises. Revenue from private refuse haulers is based on the total amount of refuse hauled annually. The City projects Fiscal Year 2010 revenue at $11.3 million, a $2.2 million increase or 24.5 percent from the Fiscal Year 2009 Year End Monitoring Report projections. The large increase in projected revenues from the Fiscal Year 2009 Year End Monitoring Report is due to a proposed fee increase of $4 per ton increase in the City's Non-Exclusive Solid Waste Collection Franchise Fee for class I and II refuse haulers.

Reserves

City Charter Section 91 titled "General Reserve Fund" was approved by the voters on November 6, 1962. This section requires City Council to create and maintain a General Reserve Fund for the purpose of keeping the payment of running expenses of the City on a cash basis. Section 91 requires that the reserve be maintained in an amount sufficient to meet all legal demands against the City Treasury for the first four months or other necessary period of each fiscal year prior to the collection of taxes. This fund may be expended only in the event of a public emergency by the affirmative vote of two-thirds of the City Council.

The City Council approved a "City Reserve Policy" on July 29, 2008 which defined the General Fund Reserve. The General Fund Reserve includes the Emergency Reserve, Appropriated Reserve and Unappropriated Reserve described as follows.

The Emergency Reserve shall contain an amount no less than five percent of annual General Fund revenues. Emergency Reserve funds are only to be used in the case of a natural disaster or unforeseen catastrophic event caused by human activity, such as a terrorist attack. The Emergency Reserve should not be accessed to meet operating shortfalls or to fund new programs or personnel; although, Emergency Reserve funds in excess of the reserve level may be re-appropriated by Council action. This reserve may be expended only in the event of a public emergency, as determined by a two-thirds vote of the Council, when such expenditures are necessary in order to ensure the safety, lives, and property of the City or its inhabitants.

The funds dedicated to the Appropriated Reserve will be appropriated to a single account within the General Fund annual budget and will conform to no maximum or minimum amount in any given fiscal year. Funds left unexpended in a given fiscal year will return to the General Fund's Unappropriated Reserve balance and may then be re-appropriated in the subsequent fiscal year.

An Unappropriated Reserve is maintained to support General Fund operations in the event of unanticipated requirement for additional appropriations where the use of the Emergency Reserves would not be appropriate. Should the funds in the Appropriated Reserve be exhausted in a fiscal year, the Unappropriated Reserve may be used. Recommendations to appropriate these funds would be brought forward by the Mayor or the City Council and would require approval by a majority of the City Council.

The City's Reserve Policy defines a goal of having a minimum of 8% of annual General Fund revenues held in General Fund reserves no later than Fiscal Year 2012. For Fiscal Year 2010 the Reserve Policy calls for 7% of General Fund revenues to be held in the General Fund Reserve at the end of the Fiscal Year.

The City's Five-Year Financial Outlook addresses reserves for other funds, such as the Public Liability Fund. See "Public Liability Insurance and Reserves" below.

State Budget Deficit

The State of California is experiencing significant financial and budgetary stress. State budgets are affected by national and state economic conditions and other factors over which the City has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. The State's 2008-09 and 2009-10 budgets contain a number of measures which impact the City's finances.

The State Budget Act for Fiscal Year 2008-09 was signed by the Governor on September 23, 2008—the latest in state history. Thereafter, on-going weak economic conditions resulted in significant revenue shortfalls and the Governor declared a fiscal emergency and called special sessions of the Legislature to consider budget actions to address the problems. The Governor's proposed budget for Fiscal Year 2009-10, released December 31, 2008, estimated there would be a budget gap of more than $40 billion for the 18-month period ending June 30, 2010. Following lengthy budget negotiations, on February 19, 2009, the State Legislature passed revisions to the State Budget Act for the remainder of Fiscal Year 2008-09, as well as the State Budget Act for Fiscal Year 2009-10 and related legislation, which the Governor signed on February 20, 2009 after making additional line-item vetoes.

The State Budget Acts rely upon a combination of temporary and permanent measures, totaling $41.6 billion for the remainder of FY 2008-09 and FY 2009-10. The main elements of the budget compromise are about $14.9 billion in expenditure reductions, $12.5 billion in revenue adjustments (primarily tax increases), $7.9 billion in new funding for the State to be received as a result of enactment of the federal American Recovery and Reinvestment Act ("ARRA"), and $5.4 billion in borrowing. Approximately $5 billion of the proposed borrowing would be derived from securitization of future State Lottery revenues if changes to the State Lottery law are approved by the voters in a special state-wide election to be held on May 19, 2009. The Governor vetoed an additional $957 million of expenditures from the FY 2009-10 Budget Bill voted by the Legislature, leaving an estimated budget reserve of $2 billion at June 30, 2010. As part of the legislative package that included the State Budget Acts, a proposal to establish a new State spending cap was placed on the May 19 special election ballot together with other political and budgetary measures.

On May 14, 2009, Governor Schwarzenegger released his May revision to the State budget (the "May Budget Revise"). The Governor made two proposals, contingent on the outcome of the May 19 special election, in which six measures affecting the State's fiscal crisis were presented to the voters.

The first proposal in the May Budget Revise assumes that the voters approved the six measures and assumes a $15.4 billion deficit. The second proposal assumes those measures were rejected, in which case the deficit swells to $21.3 billion. Under the second proposal, the Governor proposes to borrow $2 billion in local property taxes under Proposition 1A to help close the deficit. Five of the six measures failed at the May special election. The measure which passed does not have a direct effect on State revenues or expenditures.

Under the first proposal, the projected $15.4 billion State budget deficit would be resolved through a variety of cuts, program consolidation and borrowing but without specific cuts to City revenue sources. Among other items, the May Budget Revise includes an additional $6 billion in borrowing from State-issued revenue anticipation warrants, a $3 billion reduction in funding to K-14 schools during Fiscal Year 2009 and Fiscal Year 2010, and a $1 billion reduction in funding to the State colleges and University of California.

Under the second proposal the projected $21.3 billion State budget deficit would be resolved through additional measures, including an additional $2.3 billion reduction in funding for K-14 school programs. Programs with City impact include $1.982 billion in borrowing of property taxes from local government under Proposition 1A of 2004. (see "LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A" below. The proposed budget would allow use of a joint powers agency to allow local agencies to borrow as a group against the State's repayment obligation. If implemented, this borrowing could significantly mitigate the impact of the $1.982 billion diversion. In addition, the Governor's budget would adversely affect local government under a proposed $76 million surcharge on insurance policies to partially fund CAL Fire and local response agencies.

Governor's Update to the May Revision to the 2009-10 State Budget. On May 26, 2009 and on May 29, 2009, the Governor released updates to the May Revised Budget (collectively, the "May Revision Update"). The May Revision Update projects a budget gap of $3.10 billion through the remainder of Fiscal Year 2008-09 due to shortfalls in revenue collections and increased costs and the failure of five of the six budget-related propositions included in the May Special Election. The May Revision Update estimates Fiscal Year 2008-09 revenues and transfers of $85.95 billion, total expenditures of $91.35 billion and a year-end deficit of $3.10 billion, which includes a $2.31 billion prior-year State General Fund balance and an allocation of $1.08 billion to the reserve for the liquidation of encumbrances. The May Revision Update projects Fiscal Year 2009-10 revenues and transfers of $92.22 billion, total expenditures of $83.52 billion and a year-end surplus of $5.60 billion (net of the $3.10 billion deficit from Fiscal Year 2008-09), of which $1.08 billion will be reserved for the liquidation of encumbrances and $4.52 billion will be deposited in a special fund for economic uncertainties. The May Revised Budget and the May Revision Update, collectively, include proposals to reduce State General Fund spending in the amount of $3.12 billion during the remainder of Fiscal Year 2008-09 and $20.85 billion during Fiscal Year 2009-10 in order to eliminate the State's projected $21.3 billion deficit through such period.

Although the May Revised Budget initially included a State borrowing of $5.6 billion through the issuance of revenue anticipation warrants, which would be repayable in Fiscal Year 2010-2011, the May Revision Update eliminates such borrowing, and instead proposes additional cuts of approximately $5.6 billion, including elimination of the CalWorks program ($1.3 billion spending reduction), reduction in prison population and contract and other costs relating to the Department of Corrections and Rehabilitation of approximately $0.9 billion, and significant reductions in certain gas tax payments to local governments. Under the May Revision Update, the local share of the gasoline tax would be reduced from $1.05 billion to $300 million and the State would apply the $750 million difference to pay current and prior year debt service on highway bonds.

The State has also stated that it requires significant cash flow borrowings (in excess of $10 billion) in order to have sufficient resources to pay its obligations as they become due. The State has requested that the federal government provide loan guarantees or other assistance with respect to such borrowing but to date the federal government has not agreed to provide such assistance. As described herein, for several weeks in February 2009, the State Controller deferred payments, including payments to the City. On June 24, 2009 the State Controller announced that he will begin issuing registered warrants, also known as IOU's, unless budget and cash solutions are not quickly adopted by the Governor and Legislature. The Controller's announcement recites that "[t]he State's $2.8 billion cash shortage in July grows to $6.2 billion in September", and worsens thererafter. If these IOU's were issued with respect to certain General Fund revenue sources, General Fund cash flow would be affected. There can be no assurances that the State's financial difficulties will not result in deferrals in Fiscal Year 2009-10, or will not otherwise materially adversely affect the financial condition of the City and its General Fund.

LAO Report. On May 21, 2009, the Legislative Analyst's Office issued a report entitled "Overview of the 2009-10 May Revision" (the "LAO Report"). The following excerpt is from the LAO Report:

"The Governor's estimate of the budget problem that now needs to be addressed is reasonable. Our updated estimates of General Fund revenues and expenditures differ somewhat from the administration's, indicating that the problem may be larger by about $3 billion….Our rough estimate is that even with adoption of all the Governor's proposals, the state would still have an imbalance between General Fund resources and expenditures of greater than $15 billion in 2010-11, with even higher annual operating shortfalls in the subsequent three years."

The LAO Report also stated that:

"……. [S]everal billion dollars of the Governor's 2009-10 May Revision budget proposals are high-risk. It is very unlikely, for example, that parts of the State Compensation Insurance Fund (SCIF)—the publicly run workers' compensation insurer—can be sold during 2009-10 for $1 billion. In addition, it is uncertain whether the Medi-Cal savings proposal requiring federal government approval would actually save $750 million. Other proposals present similar concerns."

"California, the United States, and much of the rest of the world remain in a deep economic recession—the longest since World War II. As we discussed in our earlier report on the February budget package, significant negative developments in the economy occurred after the Legislature and the Governor reached agreement on the budget measures. Unemployment increased, steep declines in gross domestic product were reported, and stock market prices remained much depressed from levels of just one year ago. Housing prices also remain low, compared to prior years. California's tax system is very sensitive to changes in the state and national economies, and as a result of these recessionary impacts, state revenue collections lagged expectations through April 2009. The administration's revenue forecast reflects the state's weak collections since February 2009, as well as a lowered forecast for revenues for the rest of 2008-09 and 2009-10."

"California's cities, counties, and special districts also have been experiencing fiscal stress due to the economic downturn. Some of the Governor's budget solutions would exacerbate this stress because they (1) decrease local revenues (particularly the property tax) or (2) indirectly increase demand for local programs (such as county jails and indigent health programs). Any budget package that the Legislature adopts is likely to negatively affect local governments in some way—whether by budgetary cuts or payment delays."

The LAO Report and other information concerning the state budget are available on the LAO's website at www.lao.ca.gov.

The Governor's May Budget Revise reflects the Governor's proposals as of their respective dates of release and the Legislature may not agree with many of the proposals. The Legislature will advance other proposals which could be beneficial or harmful to local governments, including the City. In any case, the State faces a major cash flow crisis in the summer of 2009 and the May Budget Revise is silent on infrastructure bond allocation, economic stimulus and other matters. It is likely, therefore, that additional proposals to address the State budget situation will emerge.

Additional information concerning State budget matters and the State's financial condition may be found on the website of the State of California Department of Finance at http://www.dof.ca.gov.

None of the information on the websites listed above is a part of this Official Statement or incorporated herein and the City takes no responsibility for the accuracy of such information.

City Impact. While the City's Fiscal Year 2010 Proposed Budget assumes the City will not receive its share of certain State bond proceeds for discretionary street improvement projects, it does assume that sales tax and property tax revenues and other receipts including certain gas tax transfers will not be disrupted by the State's fiscal crisis. Implementation of the provisions of Proposition 1A (as described below), would reduce City General Fund property tax revenues by approximately $36 million. Other potential revenue reductions set forth in the Governor's May Revised Budget include the suspension of the distribution of gasoline excise taxes (potential $24 million reduction), and diversion of the local portion of Proposition 42 gas taxes (potential $15.5 million reduction). Certain MVLF, safety sales tax and other revenues of the General Fund reflecting less than $13 million of the Fiscal Year 2009-10 Proposed Budget are also dependent on State budgeting action. It is possible that payments of certain of these amounts will be delayed or deferred if not taken altogether, whether pursuant to the Controller's issuance of IOU's or otherwise. These reductions are not reflected in the Fiscal Year 2010 Proposed Budget. See "Fiscal Year 2010 (Proposed Budget)" above.

The City cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the State's current and future budget deficits. Future State budgets could be affected by national economic conditions and the factors over which the City will have no control. To the extent that the State budget process results in reduced revenues or increased expenses to the City, the City will be required to make adjustments to its budget.

LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

Section 1(a) of Article XIIIA of the California Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIIIA), to be collected by each county and apportioned among the county and other public agencies and funds according to law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (a) indebtedness approved by the voters prior to July 1, 1978, or (b) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of' the votes cast by the voters voting on the proposition. Section 2 of Article III A defines "full cash value" to mean "the County Assessor's valuation of real property as shown on the 1975/76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year or to reflect a reduction in the consumer price index or comparable data for the area under the taxing jurisdiction, or reduced in the event of declining property values caused by substantial damage, destruction, or other factors. Legislation enacted by the State Legislature to implement Article XIIIA provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

In addition, legislation enacted by the California Legislature to implement Article XIIIA provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value.

On June 3, 1986, California voters approved an amendment to Article XIIIA, which added an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property. Later amendments allow for property tax increases to pay for certain school district general obligation bonds approved by 55% of those voting in a local election.

In the June 1990 election, the voters of the State approved amendments to Article XIIIA permitting the State Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for a replacement dwelling purchase or newly constructed on or after June 5, 1990, and to exclude from the definition of "new construction" triggering reassessment improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 1990 election, the voters of the State approved an amendment of Article XIIIA to permit the State Legislature to exclude from the definition of "new construction" seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990. Since 1990, the voters have approved several other minor exemptions from the reassessment provisions of Article XIIIA.

Article XIIIB of the California Constitution

Article XIIIB of the California Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population, and services for which the fiscal responsibility is shifted to or from the governmental entity. The "base year" for establishing this appropriations limit is Fiscal Year 1979 and the limit is adjusted annually to reflect changes in population, consumer prices and certain increases or decreases in the cost of services provided by these public agencies.

Appropriations of an entity of local government subject to Article XIIIB generally include any authorizations to expend during a fiscal year the proceeds of taxes levied by or for the entity, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of Taxes" include, but are not limited to, all tax revenues, most State subventions and the proceeds to the local government entity from (a) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost reasonably borne by such entity) and (b) the investment of tax revenues. Article XIIIB provides that if a governmental entity's revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two years.

Article XIIIB does not limit the appropriation of money to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose.

In the June 1990 election, the voters of the State approved Proposition 111, which amended the method of calculating State and local appropriations limits. Proposition 111 made several changes to Article XIIIB, three of which are reflected in the City's annual computation of its appropriation limit. First, the term "change in the cost of living" was redefined as the change in the California per capita personal income ("CPCPI") from the preceding year. Previously the lower of the CPCPI or the United States Consumer Price Index was used. Second, the appropriations limit for the fiscal year was recomputed by adjusting the Fiscal Year 1987 limit by the CPCPI for the three subsequent years. Third, Proposition 111 excluded appropriation for "all qualified capital outlay projects, as defined by the Legislature" from the definition of "appropriations subject to limitation."

Article XIIIB allows voters to approve a temporary waiver of a government's Article XIIIB limit. Such a waiver is often referred to as a "Gann limit waiver." The length of any such waiver is limited to four years. San Diego voters have approved two four year term limit waivers in the past, the last expiring in 1999. The City's appropriations limit for Fiscal Year 2009 is established at $1,181,182,812. It is estimated that the City will be under the Gann Limit by approximately $343.1 million. The impact of the appropriations limit on the City's financial needs in the future is unknown but the City does not expect its appropriations limit for Fiscal Year 2010 to operate to limit its appropriations subject to limitation for such year.

Articles XIIIC and XIIID (Proposition 218) of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIIIC and XIIID to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIIIC. Section 1 of Article XIIIC requires majority voter approval for the imposition, extension or increase of general taxes and Section 2 thereof requires two thirds voter approval for the imposition, extension or increase of special taxes. These voter approval requirements of Article XIIIC reduce the flexibility of the City to raise revenues by the levy of general or special taxes and, given such voter approval requirements, no assurance can be given that the City will be able to enact, impose, extend or increase any such taxes in the future to meet increased expenditure requirements.

Although a portion of the City's General Fund revenues are derived from general taxes purported to be governed by Proposition 218, all of such taxes were either imposed, extended or increased prior to the effective date of Proposition 218 or in accordance with the requirements of Proposition 218. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges, such as the transient occupancy tax, Proposition 172, stormwater fees which support the City's General Fund. TOT, and other local taxes, assessments, fees and charges, could be subject to reduction or repeal by initiative under Proposition 218.

Section 3 of Article XIIIC expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIIIC to fees imposed after November 6, 1996, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments or fees and charges imposed prior to November 6, 1996.

"Fees" and "charges" are not expressly defined in Article XIIIC or in SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIIIC and Article XIIID ("SB 919"). However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil (Kelley)* (the *"Bighorn Decision"*) that charges for ongoing water delivery are property-related fees and charges within the meaning of Article XIIID and are also fees or charges within the meaning of Section 3 of Article XIIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIIC.

In the *Bighorn Decision*, the Supreme Court did state that nothing in Section 3 of Article XIIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the *Bighorn Decision* that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water and wastewater service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution.

Article XIIIC also removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. "Assessments," "fees" and "charges" are not defined in Article XIIIC, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIIIC as for Article XIIID described above. If not, the scope of the initiative power under Article XIIIC potentially could include any General Fund local tax, assessment, or fee not received from or imposed by the federal or State government or derived from investment income.

If the City is unable to continue to collect assessment revenues for a particular program, the program might have to be curtailed and/or funded by the City's General Fund. Given the approval requirements imposed by Article XIIID, the City is unable to predict whether it will be able to continue to collect assessment revenues for these programs. If the City chose to fund any such programs from the General Fund instead, the General Fund budget would be affected.

Article XIIID. Article XIIID defines a "fee" or "charge" as any levy other than an ad valorem tax, special tax, or assessment imposed upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A "property-related service" is defined as "a public service having a direct relationship to a property ownership" herein. In the Bighorn Decision, the California Supreme Court held that a public water agency's charges for ongoing water delivery are fees and charges within the meaning of Article XIIID. Article XIIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, the local government's ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIIID also includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Depending on the interpretation of what constitutes a "property related fee" under Article XIIID, there could be future restrictions on the ability of the City's General Fund to charge its enterprise funds for various services provided. In the event that fees and charges of enterprise funds cannot be appropriately increased or are reduced pursuant to exercise of the initiative power, the City may have to decide whether to support any deficiencies in these enterprise funds with moneys from the General Fund or to curtail service, or both.

The City believes its current water and wastewater rates materially comply with the notice and substantive provisions of Article XIIID.

The interpretation and application of Proposition 218 will ultimately be determined by the courts or through implementing legislation with respect to a number of the matters described above, and it is not possible at this time to predict with certainty the outcome of such determination or the nature or scope of any such legislation.

In addition to the enterprise funds discussed above, the City's stormwater program currently is funded partially with fees, but primarily from the General Fund. The City is a co-permittee under a National Pollution Discharge Elimination System Permit ("NPDES Permit") for its stormwater program. Pursuant to the NPDES Permit, the City is obligated to undertake substantial capital improvements and implement new operations and maintenance procedures for its stormwater program ("NPDES Permit Requirements"). If the City is not able to or chooses not to increase its stormwater fees to pay for the NPDES Permit Requirements, or if such fees are reduced pursuant to the exercise of the initiative power of Article XIIIC, the City will have to identify a plan of finance for same. Such plan of finance may include General Fund moneys not previously identified. Compliance with the NPDES Permit has created a significant impact on the City's General Fund budget, management of which is a budget priority under the City's Five Year Financial Outlook. Functions include stormwater pollution prevention, street sweeping, and storm drains. In Fiscal Year 2010 the City will continue to comply with the permit regulations by including $38.7 million in the Fiscal Year 2010 Proposed Budget.

Both Articles XIIIA and XIIIB, as well as Articles XIIIC and XIIID described above, were adopted as measures that qualified for the ballot pursuant to California's constitutional initiative process. From time to time other initiative measures could be adopted, affecting the ability of the City to increase revenues and to increase appropriations.

Statutory Spending Limitations

A statutory initiative ("Proposition 62") was adopted by the voters of the State at the November 4, 1986, General Election which, among other things (a) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity, and (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within the jurisdiction.

In *Santa Clara County Local Transportation Authority v. Guardino,* 11 Cal. 4th 220 (1995) (the "*Santa Clara* decision"), the California Supreme Court upheld a Court of Appeal decision invalidating a one-half cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote for the levy of a "special tax" as required by Proposition 62. The *Santa Clara* decision did not address the question of whether it should be applied retroactively. In *McBrearty v City of Brawley* 59 Cal. App. 4th 1441 (1997), the Fourth District Court of Appeal concluded that the *Santa Clara* decision is to be applied retroactively to require voter approval of taxes enacted after the adoption of Proposition 62 but before the *Santa Clara* decision.

The *Santa Clara* decision also did not decide, and the California Supreme Court has not otherwise decided, whether Proposition 62 applies to charter cities. The City is a charter city. Cases decided by the California Court of Appeals have held that the voter approval requirements of Proposition 62 do not apply to certain taxes imposed by charter cities. See, *Fielder v City of Los Angeles* 14 Cal. 4th 137 (1993) and *Fisher v County of Alameda* 20 Cal. App. 4th 120 (1993).

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. Since it is a statute, it is subordinate to the authority of charter cities, derived from the State Constitution, to impose taxes. Proposition 218 (discussed above), however, incorporates the voter approval requirements initially imposed by Proposition 62 into the State Constitution.

While, as of the date of the Official Statement, the City Attorney believes that the provisions of Proposition 62 do not apply to charter cities, this position may be the subject of future litigation and the City Attorney can give no assurance that this position will be upheld if properly challenged. If ultimately found valid and applicable to charter cities, Proposition 62 could adversely affect the ability of the City to continue the imposition of certain taxes, such as its transient occupancy taxes, and may further restrict the City's ability to raise revenue and the impact on future budgets could be material.

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature, or (iv) decrease Vehicle License Fees revenues without providing local governments with equal replacement funding. Beginning in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the

State, and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Given the magnitude of the State's budgetary deficit, it is possible that the Governor will from time to time proclaim that a shift of additional local property tax revenue, including tax revenue of the City, is needed due to severe financial hardship. See "State Budget Deficit" above for the Governor's May Budget Revise proposal for Fiscal Year 2010.

Proposition 1A may in some circumstances, result in decreased resources being available for State programs. The decreased resources in turn, could affect actions taken by the State to resolve budget difficulties. Such actions have recently included increasing State taxes, and could include decreasing spending on other state programs or other actions, some of which could be adverse to the City. While Proposition 1A provides some protection to the City from the State taking of property tax, sales tax and vehicle license fees, there are certain significant issues that relate to sources of funds not covered by Proposition 1A and to the statutory relationships between the State and San Diego County. Impacts to the City's budget that are controlled by the State and County include property tax administration fees, booking fees and the SB 172 allocation.

Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Propositions 62 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State and the City to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues.

LABOR RELATIONS; SDCERS; OTHER POSTEMPLOYMENT BENEFITS

Labor Relations

Most City employees are represented by one of five labor organizations. As of February 6, 2009, the American Federation of State and County Municipal Employees Local 127 ("AFSCME Local 127") represented approximately 1,887 employees; the Municipal Employees Association ("MEA") represented approximately 5,406 employees; the Police Officers Association ("POA") represented approximately 1,957 employees; the International Association of Firefighters Local 145 ("IAFF Local 145") represented approximately 922 employees; and the Deputy City Attorneys' Association ("DCAA") represented approximately 134 employees.

Fiscal Year 2009 Labor Agreements. The City currently has one-year contracts with the Police and Fire bargaining units for July 1, 2008 through June 30, 2009. Pursuant to the labor agreements, POA received a salary increase of 3% on July 1, 2008, and an additional 3% increase on December 27, 2008. The two year net impact of the negotiated salary increase to the pension system is estimated to be a $900,000 increase to the annual required contribution and a $7.3 million increase in the unfunded actuarial accrued liability. Members of Local 145 received an increase of 3% on July 1, 2008, and an additional 2% increase on September 1, 2008. The two year net impact of the negotiated salary increase to the pension system is estimated to have an impact of $60,000 on the annual required contribution and an estimated $490,000 impact on the unfunded actuarial accrued liability.

For employees represented by MEA, AFSCME Local 127 and the DCAA, the City was not able to reach agreement on a Fiscal Year 2009 contract; therefore, the previous terms and conditions of the prior agreements were carried forward, with no salary increase. Additionally, in Fiscal Year 2009, for employees represented by AFSCME Local 127, the salary reduction of 1.9% (from the July 1, 2005 labor agreement) ended and the 1.9% of salary was reinstated as a result of contract language contained in the labor agreement.

MEA and Local 127 reached a settlement with the City with respect to the use of negotiated employee pension contribution increases pursuant to their respective labor agreements. The MEA settlement was paid on November 14, 2008 and it totaled approximately $6.1 million Citywide. The Local 127 settlement was paid on December 26, 2008 for a total of approximately $4.7 million Citywide.

Fiscal Year 2010 Labor Agreements. On April 14, 2009, the City Council unanimously approved the terms of the labor agreements for the MEA, the IAFF Local 145 and the DCAA. The City reached two-year agreements for July 1, 2009 through June 30, 2011 with MEA, IAFF Local 145, and DCAA. Negotiations with the remaining two bargaining units, the AFSCME Local 127 and the POA, did not end in agreement. The City Council imposed terms and conditions of employment contained in the Mayor's last, best and final offer on AFSCME Local 127 and POA for Fiscal Year 2010.

Pursuant to the labor agreements for the bargaining units and the terms and conditions approved for AFSCME Local 127 and POA, all five bargaining units and the City's unclassified and unrepresented employees will be held to a general salary freeze and subject to a 6% reduction in overall compensation which may be effected through salary reductions, decreases in the City-paid allotment of the employee share for employee health care, retirement and other employment benefits, fewer paid holidays and mandatory furloughs. Each bargaining unit reached the 6 percent target through a different combination of these measures. The compensation reductions also will apply to management and unrepresented City employees, including the Mayor, his staff, and some independent departments. Service departments not under mayoral control including some City Council offices may not participate in some or all of the compensation reductions.

On April 24, 2009, AFSCME Local 127 filed a complaint with the State Public Employment Relations Board ("PERB") alleging, among other things, that the City did not negotiate in good faith during the labor negotiations for Fiscal Years 2009-10 and 2010-11 and that the terms and conditions imposed upon AFSCME Local 127 should be rescinded. AFSCME Local 127 had previously filed an unrelated complaint with PERB, on March 30, 2009, alleging that the City had unilaterally contracted out work which would otherwise have been performed by members of AFSCME Local 127. These complaints are currently pending before PERB. In the event of adverse rulings on these matters, terms and conditions of employment for represented members would need to be negotiated further; the City expects that any resulting budget impacts for Fiscal Year 2010 would be addressed through adjustments in other expenditures or the taking of other measures to bring the budget into balance. The cost to the General Fund if the terms and conditions imposed upon AFSCME Local 127 were rescinded and rolled back to the Fiscal Year 2009 terms and conditions would be approximately $2.2 million. If the City were to revive negotiations with POA, and if the terms and conditions imposed upon POA were rolled back to the Fiscal Year 2009 terms and conditions, the cost to the General Fund would be approximately $11.7 million.

Pension Benefit Agreement

On July 28, 2008, City Council ratified an agreement regarding the creation of new pension benefits for non-safety City employees with MEA, Local 127 and DCAA (the "New Pension Plan"). The City expects to save on the costs of its pension plan over time as new hires are included under the New Pension Plan. The New Pension Plan becomes effective on July 1, 2009 and applies to non-safety employees hired on or after the effective date. Firefighters, police officers and lifeguards are exempt. The New Pension Plan lowers the defined benefit factor at age 55 and 60 from 2.50% to 1.00% and from 2.55% to 2.00%, respectively, and modifies the benefit formula (which currently permits retirees to receive up to 90.00% of their highest one year salary) by limiting compensation available under the pension plan to 80.00% of the highest three years average of compensation. In addition, the New Pension Plan establishes a retiree medical trust to which both the City and employees will equally contribute .25% of pay and establishes a new defined contribution component in addition to the defined benefit component. The New Pension Plan includes mandatory employee contributions of 1% of salary, with a City match component. Also, refer to Note 12 to the City's audited financial statements for Fiscal Year 2008 attached as APPENDIX C for additional information on the new pension benefits.

San Diego City Employees' Retirement System

The City faces significant financial challenges in addressing an unfunded pension liability to the San Diego City Employees' Retirement System ("SDCERS") which, as of June 30, 2008, was approximately $1.3 billion. This liability was the product of a number of factors, including (i) improvements in benefits to members without corresponding funding, (ii) the use of pension funds to pay non-pension benefits, including contingent benefits and certain healthcare costs, rather than retaining such earnings in the Pension System (herein described), (iii) funding by the City at lower than actuarially required levels, (iv) use of realized earnings in excess of the assumed actuarial rate of return to make supplemental or contingent payments, and (v) investment returns lower than the actuarially assumed rate of return. Factors (i) through (iv) were corrected over the last few years through changes to the City's and SDCERS' policies and practices; factor (v) is the result of market conditions and may recur in the future. The challenges posed by the unfunded pension liability are significant and, together with significant costs related to postemployment healthcare benefits, pose a threat to the future fiscal health of the City. The City fully funded its annual required contribution ("ARC") to the Pension System in Fiscal Years 2005-06 through 2007-08 and has contributed approximately 98.2% of its ARC in Fiscal Year 2008-09. The City did not fully fund the ARC in Fiscal Year 2008-09 because of the liability to the Preservation of Benefits Plan (as defined herein) which, per Internal Revenue Service guidelines, cannot be pre-funded. See Note 12 to the City's Fiscal Year 2007-08 audited financial report attached hereto as APPENDIX C for more information regarding the Preservation of Benefits Plan.

The amounts and percentages set forth under this caption relating to the City's Pension System, including, for example, actuarial accrued liabilities and funded ratios, are based upon numerous demographic and economic assumptions, including investment return rates, inflation rates, salary increase rates, cost of living adjustments, postemployment mortality, active member mortality, and rates of retirement. The prospective purchasers of the Notes are cautioned to review, and carefully assess the reasonableness of the assumptions set forth in the documents that are cited as the sources for the information under this caption. In addition, the prospective purchasers of the Notes are cautioned that such sources and the underlying assumptions speak as of their respective dates, and are subject to change, any one of which could cause a significant change in the UAAL (as defined below).

The City is authorized by the City Charter to establish a pension system for its employees, and the City did so by an ordinance adopted in 1926, which was replaced by a new ordinance in 1962 (the "Pension System"). City employees participate with the full-time employees of the San Diego County Regional Airport Authority ("Airport Authority") and the San Diego Unified Port District ("Port District") in the SDCERS. The information below relates solely to the City's participation in SDCERS and not to the participation of the Airport Authority or the Port District. The plan assets of the City, the Airport Authority and the Port District were previously commingled, but separate cost calculations and actuarial valuation reports were completed annually for each employer. Since Fiscal Year 2008, the respective pension plan assets of each of the City, the Airport Authority and the Port District have been administered by SDCERS as separate independent, qualified single employer governmental defined benefit plans and trusts, the assets of which are pooled in a group trust.

SDCERS is considered part of the City's financial reporting entity and is included in the City's basic financial statements as a pension system trust fund. SDCERS does prepare its own CAFR, the most recent of which is for Fiscal Year 2008.

UAAL and its Calculation. According to the City's June 30, 2008 Annual Actuarial Valuation of SDCERS, prepared by Cheiron, Inc. ("Cheiron") dated as of December 2008 (as adjusted in February 2009 to reflect the correct apportionment of asset balances among the City, the Airport Authority and the Port District) (the "2008 Valuation"), the funded ratio (the actuarial value of assets available for benefits to total actuarial accrued liability) of the City's SDCERS fund as of June 30, 2008 was 78.15%, and the City's SDCERS fund had an unfunded actuarial accrued liability (the "UAAL") of $1.303 billion as of June 30, 2008. Thus, for every dollar of benefits due (all vested liabilities), if all vested benefits were due on June 30, 2008, SDCERS had $0.781 in assets available for payment. The UAAL is the difference between total actuarially accrued liabilities (the “AAL”) ($5.964 billion as of June 30, 2008) and actuarially calculated assets allocated to funding ($4.660 billion as of June 30, 2008).

Although there has been a recent stabilizing of the global financial markets, these markets experienced significant volatility during the first nine months of the fiscal year, with a significant decline in market value occurring between September 2008 and early March 2009. This volatility has had a negative impact on SDCERS’ portfolio. Although the impact on the *actuarial* value of SDCERS’ plan assets cannot be determined without an official actuarial valuation, which occurs as of June 30 each year, SDCERS is currently providing to the City the unaudited *market* values of plan assets and the recalculated pro forma actuarial value of plan assets as of the end of each month. The market value represents, as of the date specified, the value of the plan assets if they were to be liquidated on that date. Unlike the market value, the actuarial value of plan assets is used to smooth the impact of annual investment return performance over multiple years, thereby reducing the impact of annual investment volatility on the City’s ARC. Investment earnings are one component that impacts the ARC each year. Because the actuarial value as of June 30, 2009 will be used in determining the City’s ARC for Fiscal Year 2011, the intervening market values are not determinative to that calculation. Nevertheless, the City believes that it may be useful to the investment community to be apprised of the monthly market values during this period of market instability. According to the City’s June 30, 2007 Annual Actuarial Valuation (the “2007 Valuation”) and the 2008 Valuation, the actuarial value of assets (City’s portion) as of June 30, 2007 and June 30, 2008 were, respectively, $4.413 billion and $4.660 billion. Based on the market value of assets as of May 31, 2009, as set forth in the following sentence, an assumed actuarial value of assets as of May 31, 2009 was $4.195 billion. The market value of assets (City’s portion) as of June 30, 2007 and June 30, 2008, as reported in the 2007 Valuation and the 2008 Valuation, respectively, were $4.641 billion and $4.409 billion. According to SDCERS, the market value of assets (City’s portion) as of May 31, 2009 was $3.496 billion. A decline in the actuarial value of assets over time is expected to result in an increased ARC to the City from that estimated in the Five-Year Financial Outlook.

Deferred Retirement Option Plan. The City and the San Diego Police Officers’ Association (“POA”) are currently in litigation over the question of whether the Deferred Retirement Option Plan (“DROP”) is a vested pension benefit. POA claims that DROP is a pension benefit, and therefore, it need not negotiate any changes and/or elimination of DROP with the City in labor negotiations. The City contends that DROP is an employment benefit and the proper subject of labor negotiations. A motion to enjoin the City from making changes to DROP has been filed by the POA. On June 25, 2009, the Superior Court ordered that the POA must negotiate the alteration and/or elimination of DROP with the City as DROP is an employment benefit. Additionally, during the pendency of this action, on June 1, 2009, the City Attorney issued a memorandum stating that the ordinance creating the Deferred Retirement Option Plan (“DROP”) for existing City employees never took effect under the City Charter or its own terms because it was not approved by a majority of all the participants of the pension system as required by the City Charter. SDCERS has questioned that position, citing a prior City Attorney memorandum. The cost impact of DROP is currently reflected in the City’s AAL and to date the DROP liability has been fully funded. See Note 12 to the City’s Fiscal Year 2007-08 audited financial report attached hereto as APPENDIX C. The DROP program was part of a negotiated pension benefit package and it is unclear what the financial impact would be, or the impact on the other negotiated benefits, if the City Attorney’s position were upheld.

Actuarial Assumptions. The following are the principal actuarial assumptions used by SDCERS’ actuary in preparing the valuation as of June 30, 2008 (as modified to reflect the adoption by the SDCERS Board of Administration (the “SDCERS Board of Administration”) of new actuarial assumptions effective June 30, 2008 based upon recommendations set forth in the report by SDCERS’ actuary dated July 18, 2008 entitled “Experience Study Results and Recommendations for the Period Covering July 1, 2004 – June 30, 2007):

1. *Investment Return Rate*: 7.75% a year, net of administrative expenses, compounded annually.
2. *Inflation Rate*: 4.00% a year, compounded annually.
3. *Interest Credited to Member Contributions*: 7.75% compounded annually.

4. *Salary Increase Rates*: Comprised of a 4.00% inflation rate and a 0.5% to 8.0% merit component.
5. *Annual Cost-of-Living Adjustments*: 2.00% per year, compounded annually.
6. *Additional Assumptions*: Additional assumptions were used regarding rates of separation from active membership, post-retirement mortality, active member mortality and rates of retirement.

"Smoothing" Methodology. In determining the actuarial value of its assets, SDCERS, as permitted by applicable actuarial guidelines, uses an expected value of assets "smoothing" methodology to reduce the impact of market volatility on plan assets. The market value of assets represents, as of the valuation date, the value of the assets as if they were liquidated on that date. The actuarial value of assets is a value that attempts to smooth annual investment return performance over multiple years to reduce annual investment volatility. The actuarial value of assets is what is used to determine SDCERS' contribution rates for the City. As of June 30, 2008, the market value of plan assets was \$4.409 billion and the actuarial value was \$4.660 billion. By the smoothing method used in the 2008 Valuation, the calculation of the actuarial value of assets at June 30, 2008 started with the actuarial value of assets at June 30, 2007, added to that 100% of the actuarially assumed rate of return, plus the contribution towards plan assets, less payments out from plan assets, plus 25% of the difference between the expected actuarial value of assets at June 30, 2008 (using the above calculation) and the actual market value of assets at June 30, 2008. The impact of this smoothing methodology will vary each year depending upon the year's actual market value compared to the expected value of assets, either as a net gain or a net loss. The City expects SDCERS to employ the smoothing method used in the 2008 Valuation to valuations for future fiscal years.

City Contributions to SDCERS. The City's ARC consists of: (i) the "normal cost," being the present value of the benefits that SDCERS expects to become payable in the future attributable to a current year's employment, and (ii) payments made to amortize the UAAL. SDCERS currently amortizes the UAAL over several different periods: the amortization of changes in the UAAL due to assumption changes is over 30 years, the amortization of changes in the UAAL due to benefit changes is over five years, annual experience gain or loss (beginning with the experience loss for Fiscal Year 2008) is amortized over 15 years and the outstanding balance of the Fiscal Year 2007 UAAL is amortized over 20 years (such that, as of Fiscal Year 2008, 19 years of amortization remain), all as approved by the SDCERS Board of Administration in its administrative capacity pursuant to its plenary authority over the Pension System. There is also an additional UAAL cost component to ensure that there is no negative amortization in any year. See Note 12 to the City's audited financial statements attached hereto as APPENDIX C for a description of the shorter amortization period prescribed by the City Charter. For several years, the City was paying less than the full ARC. The reasons for this are numerous, including prior agreements between the City and SDCERS, earnings on pension assets at greater than the actuarially assumed rate of 8% being credited against contributions, payments pursuant to litigation settlements that were mistakenly characterized as "contingent" and therefore not made in certain years, and other reasons explained in detail in Note 12 to the City's audited financial statements. See APPENDIX C—" CITY OF SAN DIEGO COMPREHENSIVE ANNUAL FINANCIAL REPORT" attached hereto.

The City paid 67.4% of its ARC for Fiscal Year 2004-05, approximately \$108.3 million in excess of its ARC as calculated by SDCERS' actuary for Fiscal Year 2006, approximately \$7.1 million in excess of the ARC in Fiscal Year 2007, and approximately \$27.9 million in excess of the ARC in Fiscal Year 2008[1]. However, the calculation of the ARC by SDCERS' actuary prior to Fiscal Year 2005-06 did not include certain benefit payments that the SDCERS Board of Administration views as having been contingent. Subsequent to those payments, SDCERS and its actuary determined that the liabilities were not contingent and the ARC for

[1] *The ARCs used to calculate the amount of the ARC that was over/under contributed in Fiscal Years 2005 through 2008 are actuarially determined, and therefore do not include liabilities related to the Employee Offset Liability (Fiscal Years 2005 through 2007), the Corbett Settlement (Fiscal Years 2005 through 2007), or the Preservation of Benefits Plan (Fiscal Year 2008). However, the City has elected to include these liabilities in addition to the actuarially determined ARC in the CAFR.*

financial reporting was restated from the original ARC. Accordingly, the City Net Pension Obligation ("NPO") has been increased by such amounts. NPO is the cumulative difference between the annual pension cost (the "Annual Pension Cost") of the City to the Pension System and the actual contribution in a particular year. Annual Pension Cost is equal to (i) the ARC, (ii) one year's interest on the NPO and (iii) an adjustment to the ARC to offset, approximately, the amount included in item (i) for amortization of the past contribution deficiencies. The City has taken various actions to reduce the NPO and the related UAAL, including contributions of $143.2 million in addition to the ARC through the securitization of future tobacco settlement revenue, transfers of actual tobacco settlement revenue receipts, and additional employee "pick up" savings

In Fiscal Year 2008, the City's total pension payment, including its ARC for pension and its contribution for the Preservation of Benefits Plan referenced in the CAFR for Fiscal Year 2008 (the "Preservation of Benefits Plan"), was $166.6 million. The City's NPO at the end of Fiscal Year 2008 was $173.9 million. The City's pension payment for Fiscal Year 2009 is $161.7 million and has been paid in full. The City has contributed $1.1 million for the Preservation of Benefits Plan for Fiscal Year 2009. The Fiscal Year 2010 Proposed Budget estimates a pension payment of $155.7 million inclusive of the contribution for the Preservation of Benefits Plan, of which $126.7 million is budgeted in the General Fund.

Table B-7 below sets forth the City's portion of SDCERS historical funding progress for Fiscal Years 2004 through 2008.

TABLE B-7
CITY OF SAN DIEGO
Schedule of Funding Progress
Fiscal Years 2004 through 2008
($ in Thousands)
(Unaudited)

Valuation Date (June 30)	*Valuation Assets*	*AAL*	*Funded Ratio*	*UAAL*
2004[1][2]	$ 2,628,680	$ 4,077,833	64.46%	$ 1,449,153
2005[1][2]	2,983,080	4,436,017	67.25	1,452,937
2006[1]	3,981,932	4,982,700	79.92	1,000,768
2007[3]	4,413,411	5,597,653	78.84	1,184,242
2008[3]	4,660,346	5,963,550	78.15	1,303,204

(1) Projected Unit Cost method used for determining actuarial accrued liability.
(2) For Fiscal Years 2004 and 2005, the actuarial accrued liability, the UAAL and the funded ratio have been adjusted to reflect the impact of the Corbett settlement contingent benefit. The actuarial valuation provided by the actuary for Fiscal Years 2004 and 2005 do not include this contingent benefit in the funded ratio. However, the valuations prepared by the actuary for Fiscal Years 2006 through 2008 do include the impact of the Corbett settlement contingent benefit. See Note 12 of the Fiscal Year 2008 CAFR attached hereto as APPENDIX C.
(3) Reflects revised actuarial methodologies. The actuarial accrued liability was calculated using the Entry Age Normal method beginning in Fiscal Year 2007. Prior to Fiscal Year 2007, the Projected Unit Cost method was used.
Source: City of San Diego Comprehensive Annual Financial Report with respect to data for Fiscal Years 2004 through 2008.

Table B-8 sets forth the City's pension payments for Fiscal Years 2008 and 2009 and estimated pension payments for Fiscal Years 2010 and 2011, together with the ARC and Normal Cost amounts for the same period. Amounts funded from the General Fund will be less.

TABLE B-8
CITY OF SAN DIEGO
Pension Contribution
Fiscal Years 2007-08 through 2010-11
(In Millions)

Fiscal Year	*Normal Cost*	*UAAL Amortization*	*ARC (sum of Normal Cost and UAAL Amortization)*	*City Pension Payment*
2007-08	$80.5	$59.6	$140.1	$166.6[(1)]
2008-09	69.5	96.2	165.7	162.8[(2)]
2009-10	61.1	94.1	155.2	155.7[(3)]
2010-11	n/a	n/a	n/a	236.0[(4)]

(1) Audited.
(2) Reflects actual pension payment of $161.7 million and a contribution of $1.1 million for the Preservation of Benefits Plan. The City did not fully fund ARC for Fiscal Year 2009 due to the liability of the POB Plan which, per IRS guidelines cannot be pre-funded.
(3) Reflects the projected City pension payment included in the City's proposed budget as of May 2009 and an anticipated contribution of $1.5 million for the POB.
(4) Projected City pension payment based on Scenario Two as set forth in the City's Five-Year Financial Outlook which were based on market values as of October 31, 2008. Assumes an increase to the ARC of $70.0 million in Fiscal Year 2011 (to an assumed City Pension Payment of $166.0 million for Fiscal Year 2010 in the City's Five-Year Financial Outlook) with increases of an additional $15.0 to $20.0 million a year and a future return equal to the 7.75% assumed rate of return by SDCERS in fiscal years 2011 through 2014. Excludes any offsetting effects to mitigate current investment losses and any actuarial gains from lower than expected salary increases and a reduction in the number of City employees. Excludes any contribution for the Preservation of Benefits Plan, which cannot be reliably projected at this time and the impact of market declines since October 31, 2008.

Source: The City of San Diego Comprehensive Annual Financial Statement for the Fiscal Year ending June 30, 2008; City of San Diego, Financial Management Department. See "UAAL and its Calculation herein"

Postemployment Healthcare Benefits

The City is authorized pursuant to the City Municipal Code to provide certain healthcare benefits to certain retired employees through SDCERS. Expenses for postemployment healthcare benefits were paid for on a pay-as-you-go basis through Fiscal Year 2007 solely from City contributions, retiree contributions and amounts from the 401(k) Plan established by the City in 1985. In Fiscal Years 2006 and 2007, the annualized cost of retiree health benefits was approximately $24.1 million and $27.1 million, respectively. The City's portion of such cost was $17.7 million and $20.4 million, respectively, for such fiscal years. The remainder was paid from retiree contributions. In Fiscal Year 2008, in addition to contributing $23.4 million to the pay-as-you-go portion of postemployment healthcare benefits the City began to pre-fund future expenses related to postemployment healthcare benefits through CERBT (defined herein), as further described below. The City has budgeted $26.1 million for the pay-as-you-go portion of its postemployment healthcare benefits in Fiscal Year 2009 and $32.1 million in the proposed budget for Fiscal Year 2010.

As described below, the City has a significant unfunded accrued actuarial liability ("UAAL") related to postemployment healthcare benefits and as described below, the City is taking certain steps to fund a portion of this UAAL annually.

The City has entered into an agreement with California Public Employees' Retirement System ("CalPERS") on January 18, 2008 as a participating employer in the CalPERS Employers Retirement Benefits Trust ("CERBT") to pre-fund future expenses related to other postemployment benefits ("OPEB") and contributed approximately $30.1 million to CERBT in Fiscal Year 2008. Additionally, the City made a contribution in Fiscal Year 2009 of $23.9 million for OPEB liabilities. As of the date of this Official Statement, the City has not fully funded its ARC for OPEB (i.e., the sum of the normal cost of the postemployment benefits plus the amortization of the OPEB UAAL). The City has not determined the amounts necessary to fully fund its ARC with respect to OPEB liabilities beyond the projected amounts set forth in its Five-Year Financial Outlook. The City expects to re-evaluate its contributions towards its ARC for OPEB liabilities as outlined in the Five-Year Financial Outlook. All future contributions for postemployment healthcare benefits will be credited toward the City's ARC for retiree healthcare liabilities in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" ("GASB 43"), and GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" ("GASB 45"). See Note 13 to the Fiscal Year 2008 audited financial statements attached hereto in APPENDIX C.

In connection with compliance with GASB 43 and GASB 45, the City has calculated its net OPEB obligation ("NOPEBO") as of June 30, 2008 to be approximately $37.8 million. The NOPEBO is the cumulative difference between the City's annual OPEB cost and City's contributions to OPEB in a particular year, including the OPEB liability or asset at transition, if any. Annual OPEB cost is equal to (i) the ARC for OPEB, (b) one year's interest on the NOPEBO from prior years (which the City determined to be zero at the beginning of Fiscal Year 2008, the transition year, in accordance with GASB 45), and (c) an adjustment to the ARC for OPEB to offset the effect of actuarial amortization of past under- or over-contributions. The City intends to pre-fund the CERBT with approximately $25 million on an annual basis, as described in Note 13 to the Fiscal Year 2008 audited financial statements attached hereto in APPENDIX C.

An actuarial valuation of the City's postemployment healthcare benefit program as of June 30, 2008 (the "2008 OPEB Valuation") was performed by Buck Consultants for the purpose of determining the City's annual cost in accordance with GASB 45. The valuation, dated December 10, 2008, reflected a discount rate of 6.69% based on the City's actual and expected contributions to the CERBT, inflation factors for increases in healthcare costs and premium costs, and a 30-year amortization period (open basis). According to the 2008 OPEB Valuation, using the assumptions described above and consistent with GASB 45, the UAAL for OPEB for all retirees, deferred retirement participants, vested terminated and active members as of June 30, 2008 was $1.21 billion and the ARC for OPEB will be $113.43 million for Fiscal Year 2010 (as reported in the actuarial valuation dated June 30, 2008).

Table B-9 sets forth the retiree health contribution for Fiscal Years 2008 and 2009 and the estimated contributions for Fiscal Years 2010 and 2011, together with the ARC and the "Normal Cost" for the corresponding period. Normal Cost is defined as the portion of the expected postretirement benefit obligation attributed to employee service during a period. This, when added to the unfunded liability of prior years, which is usually amortized over a pre-determined period, would represent the amount that the City would owe to cover all obligations as of a date certain. Amounts funded from the General Fund will be less.

TABLE B-9
RETIREE HEALTH CONTRIBUTION
Fiscal Years 2007-08 through 2010-11
(In Millions)

	ARC		
Fiscal Year	***Normal Cost***	***UAAL Amortization***	***Actual/Budgeted/Estimated***[1]
2007-08	$25.0	$66.6	$53.6
2008-09	26.8	77.7	50.0[2]
2009-10	21.9	91.5	57.1[3]
2010-11	n/a	n/a	64.5[4]

(1) Consists of pay-as-you-go postemployment healthcare benefits and contributions to pre-fund benefits through CERBT.
(2) Final budgeted.
(3) Proposed budget.
(4) Estimated, as set forth in the City's Five-Year Financial Outlook. Excludes impact of market declines since September 2008.
Source: City of San Diego, Financial Management Department.

RISK MANAGEMENT AND LITIGATION

Workers' Compensation And Long-Term Disability

The City is self-insured for workers' compensation and long-term disability ("LTD"). All operating funds of the City participate in both these programs and make payments to the Self Insurance Fund. Each fund contributes an amount equal to a specified rate multiplied by the gross salaries of the fund. These payments are treated as operating expenditures in the contributing funds and operating revenues in the Self Insurance Fund.

The City's Five Year Financial Outlook includes (among eight funding priorities) increasing funding for Worker's Compensation Fund Reserves from which are funded expenses and liabilities related to the fund. The Fiscal Year 2010 Proposed Budget includes an annual contribution of $20.6 million of pay-as-you-go payment for Worker's Compensation claims, as well as a $5.0 million contribution to achieve the 22 percent goal of value of outstanding claims as specified in the City's Reserve Policy. The $5.0 million contribution to the Worker's Compensation Reserve will increase the reserve level to $34.3 million.

Employee Group Health Insurance

The City offers a cafeteria-style flexible benefits plan. For all employees, this plan requires employees to choose a health and life insurance plan and also gives employees the option of obtaining dental insurance, vision insurance, or catastrophic care insurance. For Municipal Employees' Association (MEA) and Local-127 represented employees, this plan requires employees to choose a life insurance plan for their flex benefit credit. For all other employees, $50,000 of City-paid life insurance is automatically provided outside of the flexible benefit credit. Employees can place remaining flexible benefit dollars into IRS qualified dental/medical/vision and childcare reimbursement accounts, into their 401(k), and/or take as cash.

Public Liability Insurance and Reserves

The City maintains excess liability insurance policies in collaboration with a statewide joint powers authority risk pool, the California State Association of Counties-Excess Insurance Authority (CSAC-EIA) for amounts up to $50,000,000 per occurrence. The City's self-insured retention is $5,000,000 per occurrence.

Public liability, workers' compensation, and long-term disability estimated liabilities as of June 30, 2008 are determined based on results of independent actuarial evaluations and include amounts for claims Incurred But Not Reported and the Loss Adjustment Expenses. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Estimated liabilities for public liability claims have been recorded in the Self Insurance Fund, Sewer Utility Fund, and Water Utility Fund. Table B-10 presents the liability expense of the City for all three funds for the years presented, and the liability premium payments. Amounts charged to the General Fund for claims and premiums vary from year to year based on a variety of factors including distribution of claims among responsible funds.

Table B-10
CITY OF SAN DIEGO
LIABILITY CLAIMS[(1)] AND PREMIUMS
Fiscal Years ended June 30, 2004 through 2008

Fiscal Year	*Liability Claims Payments and Settlement Costs*	*Liability Premium Payments*
2004	$12,267,000	$2,778,324
2005	24,508,000	2,928,104
2006	28,563,000	3,541,053
2007	31,832,000	5,725,972
2008	28,043,000	4,487,500

(1) The City's portion of settlement and investigation expenses for third party public liability claims, and other litigation expenses.

Source: Information under tabular heading "Liability Claims Payments and Settlement costs" — Fiscal Year 2004 - Fiscal Year 2008: Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego
Information under tabular heading "Liability Premium Payments" - Risk Management Department, City of San Diego

During Fiscal Year 2008 and to date in Fiscal Year 2009, there were no significant reductions in insurance coverage from the prior year. For each of the past three full fiscal years, the settlements have not exceeded insurance coverage. The City can give no assurance that particular losses will be covered or that providers will be able to pay covered losses.

The City's Five Year Financial Outlook includes increasing funding for Public Liability Fund Reserves which are necessary to fund self-insured retention expenses related to the fund. The Fiscal Year 2010 Proposed Budget includes $7.1 million to build the Public Liability Fund Reserve, an amount that is in addition to the annual pay-as-you-go allocation of $18.0 million, for a total budgeted amount of $25.1 million. The Fiscal Year 2010 goal for the Public Liability Reserve is 15.0 percent of outstanding claims value according to the City's Reserve Policy. The $7.1 million contribution to the Public Liability Reserve will increase the reserve level to $17.1 million.

Property Insurance

The City participates in the joint purchase of property insurance and flood insurance through the CSAC-EIA pool which includes flood and earthquake coverage for scheduled locations. This joint purchase of the City's "all risk" property insurance, insuring approximately $2.73 billion of City property, provides coverage for loss to City property under the primary policy up to approximately $25 million per occurrence, with a $25,000 deductible. This limit of insurance includes coverage for rental interruption for designated lease financed locations. There is no sharing of limits among the City and member counties of the CSAC-EIA pool, unless the City and member counties are mutually subject to the same loss. Limits and coverage may be adjusted periodically in response to requirements of bond financed projects and in response to changes in the insurance marketplace and the City can give no assurance that any future losses will be covered or that its insurance provider will be able to cover any such losses.

The City's "all risk" property insurance policy effective March 31, 2009 through March 31, 2010 will cost approximately $5.37 million. This represents an increase of .025% from the prior year.

Earthquake Insurance

Earthquake coverage is provided for designated buildings/structures and certain designated City lease financed locations in the amount of $60 million, including coverage for rental interruption caused by Earthquake at certain designated locations. Earthquake coverage is subject to the greater of a 5% or $100,000 per unit deductible, effective through March 31, 2010. The City's earthquake coverage is purchased jointly and shared with the member counties in the CSAC-EIA pool. Due to the potential for geographically concentrated earthquake losses, the CSAC-EIA pool is geographically diverse to minimize any potential sharing of coverage in the case of an earthquake. Depending upon the availability and affordability of such earthquake insurance, the City may elect not to purchase such coverage in the future, or the City may elect to increase the deductible or reduce the coverage from present levels. The City can give no assurance that any future losses will be covered by its insurance or that its insurance will be able to pay any covered losses.

Employee Dishonesty and Faithful Performance Insurance

The City is a public agency subject to liability for the dishonest acts, and negligent acts or omissions of its officers and employees acting within the scope of their duty ("employee dishonesty" and "faithful performance"). The City participates in the joint purchase of insurance covering employee dishonesty and faithful performance through the CSAC-EIA pool. Coverage is provided in the amount of $10 million per occurrence subject to a $25,000 deductible.

LITIGATION POTENTIALLY ADVERSELY AFFECTING THE GENERAL FUND AND OTHER OPERATING FUNDS OF THE CITY

No Pending Litigation Regarding the Notes

As of June 23, 2009, there is no litigation against the City pending or, to the knowledge of the executive officers of the City, threatened, in any court or other tribunal of competent jurisdiction, state or federal, in any way (i) restraining or enjoining the issuance, sale or delivery of any of the Notes; (ii) questioning or affecting the validity of the Notes; or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Notes. To the knowledge of the City and the City Attorney, as of June 23, 2009, there are pending against the City lawsuits and claims arising in the ordinary course of the City's activities which, taken individually or in the aggregate, could materially affect the City's finances. As of June 23, 2009, the City does not expect that the aggregate amount of the uninsured liabilities of the City which may result from adverse rulings on any or all of such pending lawsuits and claims to have a material adverse effect on its ability to repay the Notes when due.

Litigation and Regulatory Actions

As of June 23, 2009, the City is a defendant in lawsuits pertaining to various matters, including claims asserted which are incidental to performing routine governmental and other functions. This litigation includes but is not limited to: actions commenced and claims asserted against the City arising out of alleged torts;

alleged breaches of contracts; alleged violations of law; and condemnation proceedings. The City received approximately 2,300 notices of claims in fiscal year 2008. The City does not expect the aggregate amount of the uninsured liabilities of the City which may result from an adverse ruling in any or all of such claims to have a material adverse effect on its ability to pay principal and interest on the Notes when due.

The estimate of the aggregate liability for unsettled claims as of June 30, 2008 that are not otherwise reported in Note 18, is accrued in the City's audited financial statements for the Fiscal Year ended June 30, 2008 and attached hereto as APPENDIX C—"CITY OF SAN DIEGO COMPREHENSIVE ANNUAL FINANCIAL REPORT" under the Government-Wide Statement of Net Assets and the Proprietary Funds financial statements. This liability was estimated by categorizing the various claims and was supplemented by information provided by the City Attorney with respect to the merit of certain individual claims and proceedings for which estimated exposure to the City in the event of an adverse ruling was $2 million or more ("Potentially Significant Litigation").

Potentially Significant Litigation involving individual lawsuits that are not accrued as noted above are reported in the 2008 audited financial statements under either Note 18 (Contingencies) or Note 22 (Subsequent Events). All of the estimates of any potential losses in the event of an adverse ruling set forth therein are as of June 23, 2009 are subject to change without notice, and the City disclaims any undertaking to update the lists described above of pending litigation or asserted claims for matters which may thereafter be brought to the attention of the City. See APPENDIX C—"CITY OF SAN DIEGO COMPREHENSIVE ANNUAL FINANCIAL REPORT".

INVESTMENT OF FUNDS

Investment of Funds

Amounts in the funds and accounts of the General Fund are invested by the City Treasurer in the Treasurer's Pooled Investment Fund (the "City Pool") described below and the City accounts for such amounts separately from other funds of the City.

City Pool. In accordance with the City Charter and authority granted by the City Council, the City Treasurer is responsible for investing the unexpended cash in the City Pool. Responsibility for the daily investment of funds in the City Pool is delegated to the City's Chief Investment Officer. The City and certain related entities are the only participants in the City Pool; there are no other City Pool participants either voluntary or involuntary in the City Pool. The investment objectives of the City Pool are preservation of capital, liquidity and return.

Oversight and Reporting Requirements. The City Treasurer provides an investment report on a monthly basis to the Chief Financial Officer, the City Comptroller and the City Council and annually presents the City's Investment Policy (the "Investment Policy") to the Chief Financial Officer, the Investment Advisory Committee and the City Council. The Investment Advisory Committee is comprised of two City employees, currently the Chief Financial Officer and the Director of Debt Management, and three investment professionals from the private sector and is charged with overseeing the review of the City's Investment Policy and practices of the City Treasurer and recommending changes thereto. Investments in the City Pool are audited annually by an independent firm of certified public accountants as part of the overall audit of the City's financial statements.

The City's investments division uses outside services to provide investment portfolio valuations and accounting and reporting services. These services provide monthly portfolio valuation, investment performance statistics, and other portfolio reports that are distributed to the Office of the City Treasurer accounting section and the Office of the Comptroller of the City for review and reconciliation. The Office of the City Treasurer's accounting section prepares a series of monthly reports, including the portfolio market valuation, and distributes these to the Mayor, City Council, Chief Financial Officer, and other officials.

Authorized Investments. Investments in the City Pool are governed by State law and further restricted by the City's Investment Policy. The Investment Policy is prepared with safety of principal being the foremost objective. Permitted investments include U.S. Treasury securities, U.S. Agency securities, U.S. Agency mortgage backed securities, corporate medium term notes, money market instruments, non-negotiable FDIC-insured certificates of deposit and the Local Agency Investment Fund ("California State Pool"). Reverse repurchase agreements are restricted to 20% of the base value of the portfolio and are governed by various maturity restrictions as well. The main operating funds of the City are managed in two separate portfolios. In its management of the "Liquidity" portfolio, comprising about 35% of total funds, the City invests in a variety of debt securities with maturities ranging from one day to one year. The remaining 65% of funds are managed in a separate "Core" portfolio that consists of a variety of debt securities ranging from one day to five years; performance is measured against the Merrill Lynch one- to three-year U.S. Treasury Index. Safety of principal and liquidity are paramount considerations in the management of both portfolios.

Pool Liquidity and Other Characteristics. The City Pool (including both the "Liquidity" and the "Core" portfolios) is highly liquid. Based on preliminary and unaudited month-end data as of April 30, 2009, approximately 14% of the pool investments mature within 62 days, 18% within 92 days and 28% within 184 days, 42% within 1 year, 80% within 2 years, 99% within 3 years, and 100% within 5 years (on a cumulative basis). As of April 30, 2009, the Pool had a weighted average maturity of 1.31 years (477 days) and its weighted average yield was 1.71%. For purposes of calculating weighted average maturity, the City Treasurer treats investments in the State-wide Local Agency Investment Fund (California State Pool) as maturing within one day. The Liquidity portfolio had a duration of 0.34 years and the Core portfolio had a duration of 1.78 years as of April 30, 2009. Duration is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. Accordingly, the Liquidity portfolio should decrease in market value by 0.34% for every 1% increase in market interest rates while the Core portfolio should decrease in market value by 1.78% for every 1% increase in market interest rates. The City Pool's composition is designed with a goal of having sufficient liquid funds available to meet disbursement requirements. The composition and value of investments under management in the City Pool will vary from time to time depending on cash flow needs of the City, maturity or sale of investments, purchase of new securities, and fluctuations in interest rates.

Table B-11 below sets forth the City Pool results at April 30, 2009.

TABLE B-11
CITY OF SAN DIEGO POOLED INVESTMENT FUND
At April 30, 2009
($ in Thousands)
(Unaudited)

Investment Instrument	Book Value	Fair Value	Percent of Total [1]
U.S. Treasury Bills and Notes	$1,061,816	$1,071,350	50.97%
Federal Agency Securities [2]	739,156	747,070	35.49
Medium Term Notes (Corporate) [3]	109,765	110,234	5.27
Money Market Instruments [4]	132,654	132,671	6.37
Local Agency Investment Fund	39,667	39,667	1.90
TOTAL INVESTMENTS	$2,083,058	$2,100,992	100.00%

(1) Based on book value.
(2) Federal National Mortgage Association ("Fannie Mae") securities and Federal Home Loan Mortgage Corporation ("Freddie Mac") securities represent 31.05% and 29.60%, respectively, of total Federal Agency Securities, which is approximately 11.02% and 10.50%, respectively, of the City Pool.
(3) These notes consist of both fixed and floating interest rate securities. The notes with floating interest rates are reset at intervals ranging from one day to three months. 74.66% of these notes were issued under the Temporary Liquidity Guarantee Program and are backed by the full faith and credit of the FDIC.
(4) These securities consist of commercial paper, negotiable certificates of deposit, Certificate of Deposit Account Registry Service certificate of deposit, term and overnight repurchase agreements, banker's acceptances, bank notes and/or thrift notes.

Source: City of San Diego, Office of the City Treasurer

BONDED AND OTHER INDEBTEDNESS

Long-Term Obligations

As of June 30, 2008, the City had $8,580,000 aggregate principal amount of long-term general obligation bonded indebtedness outstanding and $453,560,000 aggregate principal amount of long-term general fund lease obligations outstanding.

Table B-12 provides a schedule, by years, of principal and interest payments required to be made by the City or its oversight entities with respect to future obligations, as of June 30, 2008.

Table B-12
CITY OF SAN DIEGO
GENERAL OBLIGATION AND GENERAL FUND LEASE OBLIGATIONS [1]
As of June 30, 2008
(in thousands)

Fiscal Year Ending June 30	*General Obligation Bonds*	*General Fund Lease Obligations*	*Total Principal and Interest Payable*
2009	$ 2,767	$ 42,957	$ 45,725
2010	2,328	41,583	43,911
2011	2,319	38,740	41,059
2012	2,314	35,215	37,530
2013	0	35,210	35,210
Thereafter	0	560,392	560,392
Subtotal	$ 9,728	$ 754,099	$ 763,827
Less Interest Portion	(1,148)	(300,539)	(301,687)
Total Principal Portion	$ 8,580	$ 453,560	$ 462,140

[1] In March 2009 the City sold, via a private placement, its $103.0 million Public Facilities Financing Authority of the City of San Diego, Lease Revenue Bonds, Series 2009A (Various Capital Improvement Projects).
Source: City of San Diego, Debt Management Department

The following provides a summary list of outstanding general obligation bonds and General Fund lease commitments as of June 30, 2008.

	Principal Outstanding (in thousands)
General Obligation Bonds	
1991 - Public Safety Communications	$ 8,170
1994 - Open Space Park Facility District Refunding [(1)]	410
Total Principal of General Obligation Bonds	$ 8,580
General Fund Lease Commitments	
Certificates of Participation	
1996A - Balboa Park/Mission Bay Park Capital Improvements	9,760
1996B - Balboa Park/Mission Bay Park Capital Improvements Refunding	8,445
2003 - Balboa Park/Mission Bay Park Capital Improvements Refunding	10,490
Lease Revenue Bonds[(2)]	
1994 - City/MTDB Authority Refunding - Police CIP and Bayside Extension	$ 5,390
1996 - San Diego Jack Murphy Stadium	57,775
1998 - Convention Center Expansion Financing Authority	173,355
2002 - Fire and Life Safety Facilities Project	22,805
2003 - City/MTDB Authority for Old Town Trolley Extension Refunding	12,775
2007 - Ballpark Project	152,765
Total Principal of General Fund Lease Commitments	$ 453,560

(1) Secured by the two-thirds portion of the City's Environmental Growth Fund. In the event that moneys pledged by the City are not sufficient to make debt service payments, the City can levy on the next tax roll a property tax on behalf of the District to cover the amount of the shortfall. Bonds matured on January 1, 2009.

(2) In March 2009 the City sold, via a private placement, its $103.0 million Public Facilities Financing Authority of the City of San Diego, Lease Revenue Bonds, Series 2009A (Various Capital Improvement Projects).

Source: City of San Diego, Debt Management Department

Recent General Fund Financings

In March 2009, the Public Facilities Financing Authority of the City of San Diego sold $103.0 million in Lease Revenue Bonds, on a private placement basis and with a 10 year term, to finance various capital improvement projects, including deferred maintenance projects for streets, sidewalks, and storm drains.

Proposed Additional General Fund Lease Commitments

From time to time, the City issues debt to fund various capital improvements and projects. The City's Five-Year Financial Outlook, describes the City's General Fund deferred maintenance needs. Deferred maintenance capital improvements include needed repairs to City facilities, including roof replacement, heating and cooling system upgrades, painting, structural repairs, as well as repairs and improvements to storm drains and streets. The City estimates that its deferred maintenance capital needs, excluding those related to water and wastewater enterprises, may be at least $800 million to $900 million. The City currently intends to issue approximately $108 million in General Fund supported obligations to fund capital projects to address deferred maintenance needs in each of the Fiscal Years 2011 and 2013. As the economy improves and the City's revenues increase, it is expected that additional deferred maintenance capital project financings as well as cash supported projects will be planned.

As described above, in March 2009, the Public Facilities Financing Authority of the City of San Diego sold $103 million of Lease Revenue Bonds for deferred maintenance capital projects on a private placement basis and with a 10 year term. When the bonds were sold, it was contemplated that the bonds would be refunded in two years with a 30-year traditional public offering. The City also monitors its outstanding bond issuances for refunding opportunities, and, depending on market conditions, the City may issue refunding bonds where economically advantageous to the City.

Short-Term Borrowings

The City has issued tax anticipation notes since the mid-1960's (except for Fiscal Year 1979) in anticipation of receipt of taxes and other General Fund revenues. The following Table B-13 presents a 10-year history of the City's short-term borrowings:

Table B-13
CITY OF SAN DIEGO
SHORT-TERM BORROWINGS
For Fiscal Years Ended June 30, 2000 through 2009
(in thousands)

Fiscal Year Ended June 30	*Principal Amount*[(1)]
2000	$ 99,500
2001	77,000
2002	73,000
2003	93,200
2004	110,900
2005	114,000[(2)]
2006	145,000[(2)]
2007	142,000[(2)]
2008	116,000[(2)]
2009	135,000[(2)]

(1) Par amounts issued pursuant to Charter Section 92 and State law.
(2) Borrowed through a private placement.
Source: City of San Diego, Debt Management Department

Operating Lease Commitments

The City has entered into various General Fund lease arrangements under which the City must make annual payments to occupy facilities necessary for City operations. The table below is a schedule by years of future minimum rental payments required under such leases entered into by the City that have initial or remaining noncancellable lease terms in excess of one year, as of June 30, 2008.

Table B-14
CITY OF SAN DIEGO
FUTURE MINIMUM RENTAL PAYMENTS
GENERAL FUND OPERATING LEASE COMMITMENTS[(1)]
(in thousands)
As of June 30, 2008

Fiscal Year Ending June 30	*Rent Payable*
2009	$ 7,629
2010	7,118
2011	6,406
2012	6,410
2013	6,412
2014	5,478
2015	53
2016	49
2017	49
2018	49
Thereafter	293
Total	$ 39,946

(1) Table describes commercial rent payable by the City of San Diego.
Source: City of San Diego, Real Estate Assets Department

Overlapping Debt and Debt Ratios

Table B- 15 presents a statement of direct and overlapping bonded debt of the City as of June 30, 2008. The City has issued bonds or certificates of participation secured by and payable out of loans and installment sale contracts, in order to provide conduit financing for single and multi-family housing, industrial development, and 501 (c) (3) non-profit corporations. These bonds and certificates of participation are not secured by City general funds or revenues.

The City contains numerous school districts and special purpose districts, such as for water and sanitation, many of which have issued general obligation bonds. Some of the issues may be payable from self-supporting enterprises or revenue sources other than property taxation.

The City periodically issues Special Assessment or Community Facilities District (Mello-Roos) bonds on behalf of petitioning developers or citizens when the City determines that the public facilities to be financed are of a defined extraordinary benefit to the City. These bonds are secured by property owner assessments or special taxes. As of December 31, 2008, there were two 1915 Act Assessment District and two Reassessment District bond issues with aggregate outstanding principal of $27,751,937, and eight Community Facilities District bond issues with outstanding principal of $141,500,000.

The reserve funds for each of the City's outstanding Assessment District and Community Facilities District bond issues were fully funded as of December 31, 2008. The City is not in any way obligated to make debt service payments for either Assessment or Community Facilities District bond issues. Based on the City's current Debt Policy, if a short-fall in assessments or special tax receipts needed to make debt service payments occurred as a result of delinquencies, the City does not expect to cover such shortfalls using its general revenues.

Table B-15
CITY OF SAN DIEGO
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT AS OF MARCH 31, 2009
(UNAUDITED)
CORRECTED AS OF June 18, 2009
($ in thousands)

2008-09 Assessed Valuation:	$182,688,507,274
Redevelopment Incremental Valuation:	18,558,958,132
Adjusted Assessed Valuation:	$164,129,549,142

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 3/31/09	% Applicable (1)	City's Share of Debt 3/31/09
Metropolitan Water District	$ 293,425,000	8.897%	$ 26,106,022
Palomar Community College District	158,000,000	25.401	40,133,580
San Diego Community College District	498,687,880	99.910	498,239,061
Poway Unified School District School Facilities Improvement Districts	253,318,254	65.485	169,437,774
San Diego Unified School District	1,380,177,067	99.913	1,378,976,313
Sweetwater Union High School District	347,829,415	20.255	70,452,848
San Ysidro School District	88,702,104	88.473	78,477,412
Other School, High School and Community College Districts	820,708,639	Various	40,773,591
Grossmont Healthcare District	85,627,076	8.030	6,875,854
Palomar Pomerado Health System	418,568,319	30.881	129,258,083
City of San Diego	**6,315,000**	**100.**	**6,315,000**
City of San Diego Community Facilities District No. 1	39,650,000	100.	39,650,000
City of San Diego Community Facilities District No. 2, Improvement Area Nos. 1, 3 and 4	69,970,000	100.	69,970,000
City of San Diego Community Facilities District No. 3	19,515,000	100.	19,515,000
City of San Diego Community Facilities District No. 4	12,365,000	100.	12,365,000
City of San Diego 1915 Act Bonds	27,751,937	100.	27,751,937
Del Mar Unified School District Community Facilities District No. 99-1	29,650,000	100.	29,650,000
North City West School District Community Facilities District	94,132,921	100.	94,132,921
Poway Unified School District Community Facilities Districts	303,193,555	99.609-100.	303,000,088
San Dieguito Union High School District Community Facilities Districts	64,833,686	39.731-81.063	32,534,910
Sweetwater Union High School District Community Facilities Districts	44,236,606	8.935-100.	23,852,584
California Statewide Community Development Authority – San Diego County, Venture Commerce Center 1915 Act Bonds	1,131,772	100.	1,131,772
Casa La Playa Geologic Hazard Abatement Assessment District No. 97	415,000	100.	415,000
Olivenhain Municipal Water District Reassessment District No. 96-1	17,450,000	1.709	298,221
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			$3,099,312,971
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	$ 471,810,000	45.938%	$ 216,740,078
San Diego County Pension Obligations	986,677,916	45.938	453,260,101
San Diego Superintendent of Schools Certificates of Participation	16,395,000	45.938	7,531,535
Palomar Community College District General Fund Obligations	15,035,000	Various	3,008,391
Poway Unified School District Certificates of Participation	127,465,490	71.261	90,833,183
Sweetwater Union High School District Certificates of Participation	26,070,000	Various	3,013,451
Chula Vista School District General Fund Obligations	128,975,000	4.967	6,406,188
San Ysidro School District Certificates of Participation	37,455,000	88.473	33,137,562
Other School District Certificates of Participation	63,009,849	Various	1,082,043
City of San Diego General Fund Obligations and MTDB Authority	**440,760,000**	**100.**	**440,760,000**
Otay Municipal Water District Certificates of Participation	63,635,000	6.761	4,302,362
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			$1,260,074,894
Less: Otay Municipal Water District Certificates of Participation			4,302,362
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			$1,255,772,532
GROSS COMBINED TOTAL DEBT			$4,359,387,865 (2)
NET COMBINED TOTAL DEBT			$4,355,085,503

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2008-09 Assessed Valuation:
Direct Debt ($6,315,000)..0.003%
Total Direct and Overlapping Tax and Assessment Debt............................1.70%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($447,075,000)..0.27%
Gross Combined Total Debt..2.66%
Net Combined Total Debt...2.65%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: $0

Source: California Municipal Statistics, Inc

Other Material Information

The City or City employees have been the subject of securities law enforcement and related civil and criminal enforcement actions in recent years related to bond offerings in 2002 and 2003 and financial statements related thereof. See the section in the Official Statement under the heading "INTRODUCTION—Recent Events Regarding the City."

APPENDIX C

CITY OF SAN DIEGO
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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City of San Diego
State of California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2008

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CITY OF SAN DIEGO
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Prepared Under the Supervision of
Tracy McCraner
Interim Comptroller

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For the Fiscal Year Ended June 30, 2008

Introductory Section

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THE CITY OF SAN DIEGO

March 26, 2009

Citizens and Interested Parties,

The City of San Diego has faced significant financial challenges over the last several years and has made a determined effort to improve its overall financial condition, as well as the quality of its financial disclosures, including its financial statements, its internal controls and its disclosure controls and procedures. A few of the City's achievements include (1) the release of audited financial statements for fiscal years 2003-2008 within the last two years; (2) the implementation of an annual five-year financial outlook as a prudent planning tool; (3) the strengthening of the City's General Fund reserves; (4) fully funding the Annual Required Contribution (ARC) to the City's pension system; (5) negotiating a new pension plan for non-public safety employees hired on or after July 1, 2009; (6) participation in a California Public Employees' Retirement System (CALPERs) trust for pre-funding of post-retirement healthcare benefits for retired City employees and (7) rating upgrades from the national rating agencies, including, in the case of one agency, the reinstatement of the City's credit rating.

City management and the City's Independent Budget Analyst have identified structural budget deficits for the foreseeable future. These deficits, coupled with the deteriorating local and national economy, have affected the City's revenues, placing strain on the City's ability to fund all of its spending priorities. Areas of funding priorities include deferred maintenance, retiree healthcare costs, self insurance claims, and various state and federal regulatory requirements.

At the present time, the City is experiencing, as are other state and local governments across the country, extraordinary conditions in both the equity and debt markets and responding to revised negative economic forecasts for the local, national and world economies. The City reviewed preliminary first quarter data and forecasted a General Fund budget deficit of approximately $43 million for fiscal year 2009. The Mayor addressed the projected deficit by presenting to City Council on November 12, 2008 a revised fiscal year 2009 budget proposal that reduced expenditures by $40.8 million and increased the revenue budget for new revenues by $2.6 million. City Council adopted a Fiscal Year 2009 revised budget on December 9, 2008 that balanced the General Fund by including most of the proposed expenditure reductions totaling $36.9 million. City Council added back $4.2 million in expenditures and funded these costs with one time revenues in Fiscal Year 2009. The projected deficit was primarily the result of reduced revenues in the areas of sales tax, property tax, transient occupancy tax, franchise fees, and interest earnings, as well as higher expenditures in booking fees and property tax administrative fees paid to the County. It also reflected approximately $8 million of projected expenditures in excess of the adopted budget. The $43 million deficit represents roughly 3% of the General Fund. Management continues to monitor the City's revenues. Major revenues are trending lower since the budget revision in December 2008. Management will report on the expected year end expenditures and revenues, and if needed, will report any necessary adjustments and propose a revised fiscal year 2009 budget adjustment to City Council to maintain a balanced budget in fiscal year 2009.

San Diego has no variable rate or auction rate debt outstanding. The City does not foresee the need to issue additional debt or revenue anticipation notes to meet any General Fund liquidity needs in fiscal year 2009. The City treasury holds approximately $2 billion that is invested primarily in US Treasuries and agencies, and consistent with the City's investment policy, has sufficient liquidity to meet all currently foreseeable cash demands. The General Fund reserves are currently approximately $71.5 million, which includes $55 million set aside in an Emergency Reserve Fund that can be accessed by a two-thirds vote of City Council.

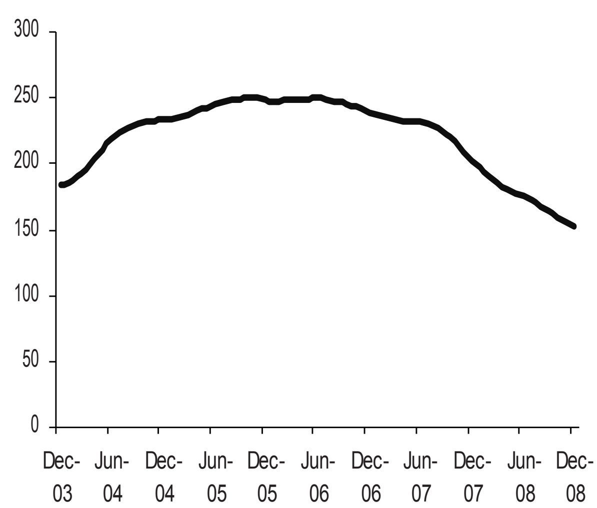
Readers of these financial statements should pay particular attention to Notes 12, 13, 18, and 22, concerning Pension Plans, Other Post Employment Benefits, Contingencies, and Subsequent Events, respectively. The notes, along with the other financial and operational data included in the City's CAFR, must be read in their entirety to obtain a complete understanding of the City's financial position as of June 30, 2008.

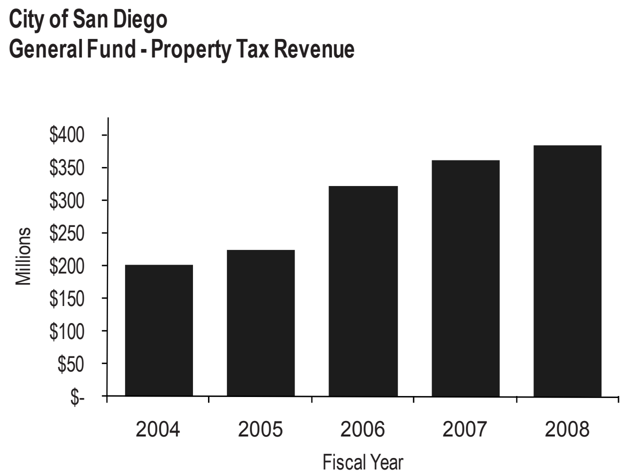
Our Underlying Fundamentals

The City has a diversified economy, with the principal employers being government, high-tech industries, particularly biotech and telecommunications, and the tourism industry. The City's economic base is also anchored by higher education and major scientific research institutions, including the University of California, San Diego, San Diego State University, Scripps Research Institute, the Salk Institute for Biological Studies, and the San Diego Supercomputer Center.

The San Diego area real estate market has been one of the hardest hit during the recent national decline in home prices. The Case-Shiller Home Price Index for December 2008 shows the County of San Diego (County) median home price is down 39.2% from its peak in November 2005. There were 19,577 foreclosures in San Diego County during calendar year 2008. This is a 133% increase over calendar 2007 foreclosures totaling 8,417, which was a significant increase when compared to 2,065 foreclosures in 2006 and 559 in 2005. The total number of housing units through December 2008 was 1,140,349, which means foreclosures represent approximately 1.72% of total units, as compared to a .75% foreclosure rate in 2007.

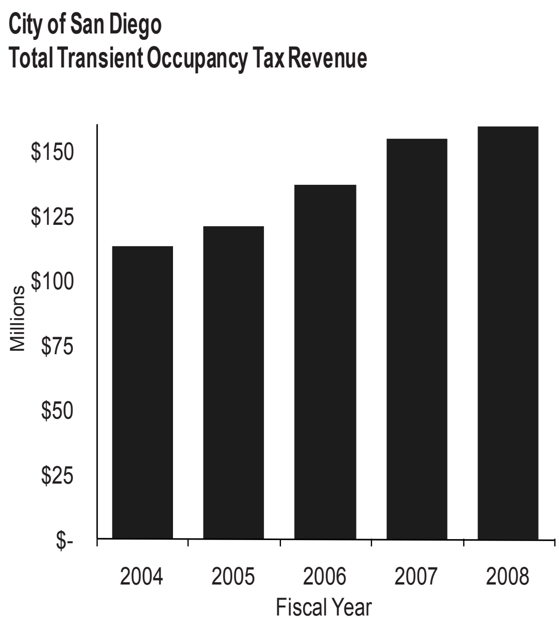
Case - Shiller Home Price Index for the County of San Diego





The City's property tax revenue has continued to grow over the last five years, although at a decreasing rate. In Fiscal Year 2008 General Fund property tax revenues were $384.3 million compared to $361.1 million in Fiscal Year 2007, representing a 6.4% growth. However, due to the continued decline in the housing market, the City has reduced property tax growth projections in the General Fund from 5.75% to 3.2% in the Fiscal Year 2009 Revised Budget to account for these economic conditions, resulting in a revised budget of $396.6 million.

The impact of the deteriorating housing market is widespread, affecting the construction sector, consumer spending on retail goods and automobiles, home improvement purchases, and furnishings. Similarly, the City's projected growth in sales tax revenue has been reduced from .75% to -5.2%. The City has budgeted $216.2 million in General Fund sales tax revenue in fiscal year 2009 compared to $235.6 million in actual sales tax revenue received into the General Fund during fiscal year 2008.



San Diego remains a top tourist destination due to the region's natural attractions; however, the tourism industry did not escape the impact of the deteriorating economy. The City is projecting a decline in hotel tax receipts ("Transient Occupancy Tax" or "TOT"). The City's TOT rate is currently 10.5% and is allocated according to the Municipal Code. As such, the General Fund receives 52% of these revenues to be used for general governmental purposes, and the TOT fund receives the remaining 48% for the purpose of promoting the City as a tourism destination. The General Fund portion of TOT represents approximately 8% of General Fund revenue. The fiscal year 2009 TOT revised budget is $156.9 million, which represents an approximate 1.5% decline from fiscal year 2008 actual revenues of $159.3 million. In calendar year 2008, San Diego had a 5.1% increase in TOT revenue over calendar year 2007. According to the San Diego Convention & Visitors Bureau, in calendar year 2008, a total of 31 million visitors spent approximately $7.9 billion in San Diego.

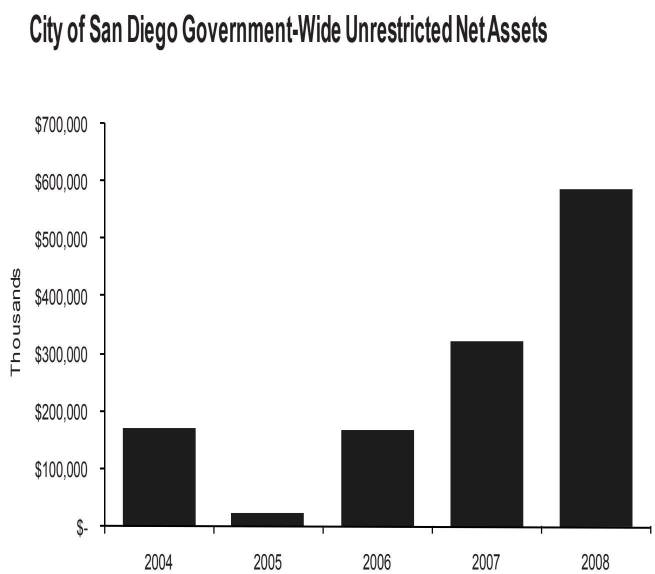
Below is a chart of the unemployment rates for the past five years showing how the City has historically compared to the County, State and the nation.

	Annual Averaged rates					January
Unemployment Rates	2004	2005	2006	2007	2008	2009
City	4.7%	4.3%	4.0%	4.6%	6.0%	8.6%
County	4.7%	4.3%	4.0%	4.6%	6.0%	8.6%
California	6.2%	5.4%	4.9%	5.4%	7.2%	10.6%
United States	5.5%	5.1%	4.6%	4.6%	5.8%	8.5%

Source: State of California Employment Development Department

Financial Health

The City's total government-wide revenues, which are generated through a combination of governmental and business-type activities, have increased over the past five years by approximately 24%. This increase was primarily driven by the consistent growth, from $2.156 billion to $2.672 billion, of general revenues such as property taxes and transient occupancy taxes. The growth of these general revenues has declined recently and is not projected to be as significant in Fiscal Year 2009. Over the last five years, the City's expenditures have grown approximately 12%. These expenditures supported public services and the significant fiscal obligations of the City, including funding of the City's pension system, post-employment healthcare benefits, and deferred maintenance.



Government-wide revenues have consistently exceeded expenditures over the past five years and this has had a positive impact on the City's Total Net Assets, which have increased by approximately $931 million since fiscal year 2004. Total Net Assets (assets minus liabilities) are presented in three separate components: (1) Net Assets Invested in Capital Assets, net of Related Debt, (2) Restricted Net Assets, and (3) Unrestricted Net Assets. The increase has been almost entirely in the Invested in Capital Assets category; however, because the City was not able to access the public bond markets between 2004 and 2008, a large part of the City's capital improvements have been funded from cash. This resulted in a deficit in Governmental Activities' Unrestricted Net Assets from fiscal year 2004 through fiscal year 2007. The City has been able to improve the Governmental Activities' Unrestricted Net Asset balances from a negative $20 million in fiscal year 2007 to a positive $71 million in fiscal year 2008, primarily due to reserve increases in the Redevelopment project area funds and additional governmental land sales.

Public safety is a primary government responsibility and the provision of public safety services is the largest component of governmental expenses. During 2008, approximately 37% of total governmental activities expenses were for Public Safety. Spending on the remaining functions is as follows: General Government and Support expenses were 20%; Parks, Recreation, Culture and Leisure were 15%; Transportation expenses were 14%; Neighborhood Services expenses were 6%; Debt Service Interest expense was 5%; and lastly, Sanitation and Health expenses represented 3% of total governmental activities expenses in fiscal year 2008.

Pension Funding Progress (Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	UAAL	Funded Ratio
6/30/2005	$ 2,983,080	$ 1,452,937	67.25%
6/30/2006	3,981,932	1,000,768	79.92%
6/30/2007	4,413,411	1,184,242	78.84%
6/30/2008	4,660,346	1,303,204	78.15%

The City's unfunded pension liability remains a significant obligation of the City. The City has aggressively confronted this deficit, fully funding the City's ARC beginning in fiscal year 2006, as well as making significant additional payments in excess of the ARC into the pension fund. The June 30, 2008 valuation calculated the unfunded pension liability to be approximately $1.303 billion and the City's net pension obligation has been reduced to $174 million from a high of $290 million (fiscal year 2005) on a government-wide basis.

Presently, the global financial markets are experiencing significant declines. The effects of the market declines have been wide ranging and impact even the most diversified investment portfolios. The San Diego City Employee Retirement System (SDCERS) investment portfolio is no exception. At the request of the City, SDCERS has undertaken to report monthly an estimated approximate actuarial value of plan assets. As of February 28, 2009 the portfolio had an estimated approximate actuarial asset value of $3.71 billion (unaudited). Additionally, SDCERS has cautioned against directly comparing these monthly estimates to the June 30, 2007 or June 30, 2008 asset valuations. Due to plan sponsor contributions and benefit payments there are significant cash flows into and out of the fund, the monthly valuations may not accurately reflect the performance of the portfolio. However, for the benefit of the reader, SDCERS reported an actuarial valuation of assets of $4.41 billion for fiscal year ended June 30, 2007 and $4.66 billion for June 30, 2008.

SDCERS employs a long-term investment strategy. The City's ARC is determined using an asset smoothing methodology and the actuarial asset values dampen the volatility in market asset values that can occur due to fluctuations in market conditions. The ARC payment for fiscal year 2010 has been determined by the SDCERS actuary to be $154.2 million. A decline in the fair value of SDCERS' plan assets by June 30, 2009 (the date of the actuarial valuation which will determine the ARC payment for fiscal year 2011) will have the effect of increasing the ARC using the assumptions employed by SDCERS. The City has been monitoring the decline in the market value of the pension assets and its projected effect on the future ARC and the funding ratio of the pension system. As of the issuance of this report, management is posting information on the City's investor website that includes a monthly market value of plan assets, and in addition, makes several assumptions to gauge the potential effect on the ARC and the funded ratio. This information can be viewed at http://www.sandiego.gov/investorinformation.

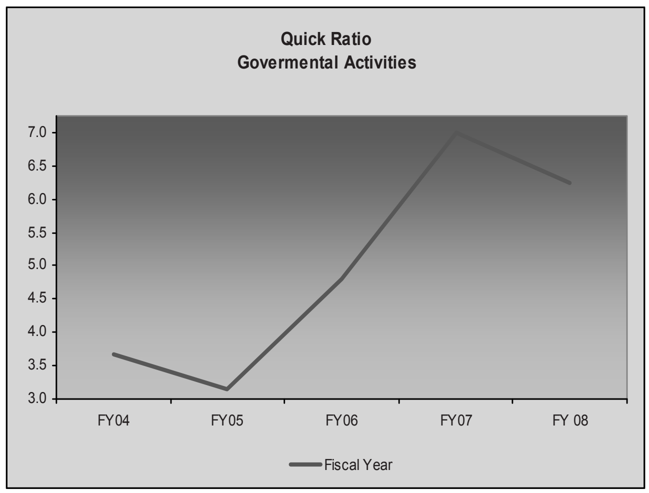
Retiree Healthcare Liabilities (Thousands)

Valuation fiscal year ended 6/30/2008	Full Funding Method (7.75% Earnings Assumption)	Partial Funding (blended)
Actuarial Accrued Liability	$ 1,061,171	$ 1,235,707
Annual Required Contribution	98,568	113,426

In fiscal year 2008, Governmental Accounting Standards Board Statement 45 ("GASB 45"), went into effect requiring all municipal governments to report on Other Post Employment Benefits (retiree healthcare costs) in a manner similar to reporting on pension benefits. The City's actuarial valuation for retiree healthcare costs estimated an unfunded actuarial accrued liability of $1.206 billion as of June 30, 2008. The City is participating in a trust administered by CalPERS to begin advance-funding this liability and, to date, has contributed $54 million to the CalPERS trust. The fair value of these assets as of December 31, 2008 was $39 million. The City is not currently fully funding the ARC for retiree healthcare, which is estimated to be $113 million for fiscal year 2010. The amount projected to be budgeted for fiscal year 2010 is $57.1 million, of which $32.1 million will fund the pay-go portion and $25 million will be transferred to the CalPERS trust.

Governmental Funds
(Tax Supported Operations)

The City established a Reserve Policy in November 2007 to improve the condition of the City's cash reserves. Due to higher than expected revenue and curbed expenditures, the City's liquidity position has improved since 2004. However, the City's liquid assets (cash + investments + receivables), relative to its current liabilities (governmental quick ratio) has decreased from a ratio of 7.1 in 2007 to 6.0 at the end of fiscal year 2008. This is a result of reduced revenue.



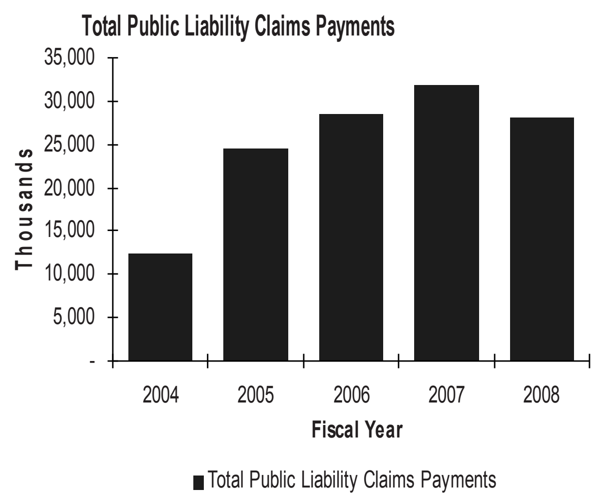
The City's General Fund finished fiscal year 2008 with unrestricted cash and investments of approximately $91 million. During fiscal year 2008, the City established an emergency reserve fund and set aside $55 million from the General Fund to protect the City against natural disasters or unforeseen events. The General Fund Reserve Policy set a funding goal of 6% of General Fund revenue by the end of fiscal year 2008. The General Fund reserve was actually 7.6% of General Fund revenue at June 30, 2008, resulting in a total reserve balance of $75.3 million, this balance is reported within the General Fund Balance Sheet as Undesignated Fund Balance. As of the issuance of this report, the total reserve balance is $71.5 million, comprised of $55 million in the emergency reserve, $10 million in the appropriated reserve and the remaining balance in unallocated fund balance. The emergency reserve can only be accessed for qualifying emergencies as declared by the Mayor and/or City Council and ultimately approved by at least a 2/3 vote of the City Council. The reserves are currently cash funded within the City Treasury's pooled cash portfolio. The goal is to establish General Fund reserves at 8% of revenues by fiscal year 2012.

The Fiscal Year 2009 Budget adopted in June 2008 reflected a reduction of personnel expense growth by eliminating budgeted positions and reducing program expenditures. Due to a projected decline in the City's major revenues, management addressed the City's projected budgetary imbalance by proposing, and City Council then adopting, a Fiscal Year 2009 Revised Budget that reduced spending on current services while also attempting to mitigate service level reductions. Council adopted a revised Fiscal Year 2009 Budget in December 2008 that balanced estimated revenues to expenditures. However, the decline in revenues will test the City's ability to maintain a balanced budget. Due to the limited opportunities to increase revenues because of legal requirements to obtain voter approval, additional budget revisions may be needed. Certain service level reductions may be unavoidable absent increased revenues or significant efficiency gains.

During fiscal year 2008, total liabilities of the City's governmental activities increased by $130 million. This was primarily the result of new Redevelopment Agency debt issued for the Centre City project area of $69 million, and the new Net Other Post Employment Benefit Obligation (NOPEBO) liability required from GASB Statement 45 of $29 million for governmental activities (total City NOPEBO is $38 million). Overall, our annual interest costs for governmental activities were approximately $82 million in fiscal year 2008, which represents approximately 5% of our total governmental activities expenses (including transfers).

The City's capital assets are essential to providing services to its residents and maintaining the quality of its environment. During fiscal year 2008, total capital assets for governmental activities increased by $71 million. This was funded by a combination of developer contributions, grant monies, and city-funded capital improvement programs.

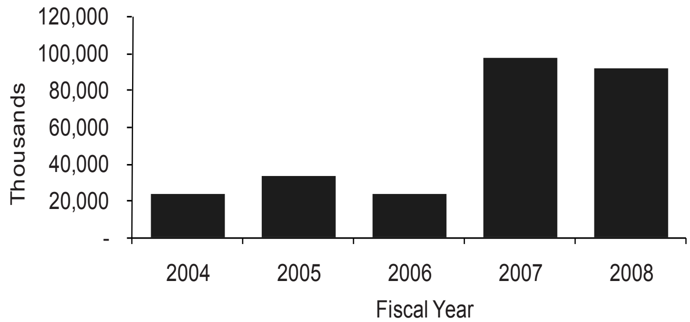
The City's deferred maintenance backlog is estimated to be approximately $800 to $900 million, according to the most recent Five Year Financial Outlook. This includes the cost of repairs to City streets, sidewalks, and facilities that have been deferred because the City does not have necessary funding resources. An assessment of facilities maintenance needs is still ongoing and the results may increase the estimated backlog. That assessment is scheduled to be completed by June 2009.



The City's Public Liability Fund, which accounts for all governmental activity-related claims, has a deficit of approximately $41 million as of June 30, 2008. This fund has seen significantly higher claims since fiscal year 2005, largely as a result of the legal claims and investigations stemming from the pension fund underpayment and related financial disclosure issues. The Workers' Compensation Fund, which accounts for both governmental and business-type claims, has a deficit of $126 million as of June 30, 2008. This is primarily the result of increased healthcare costs. Per the City Reserve Policy, the City has budgeted funds annually to establish dedicated cash reserves in both funds equal to 50% of the outstanding claims in each fund. While the City is committed to funding reserves in the Worker's Compensation and Public Liability funds, the goal of funding 50% of outstanding claims in both funds by 2014 is being reassessed given the economic downturn and continued decline in General Fund revenues.

Governmental Activities Key Indicators

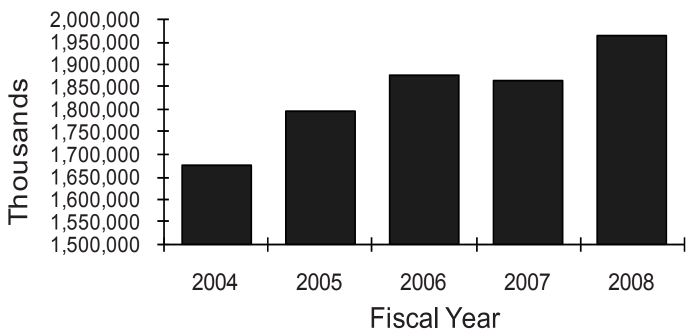
General Fund Cash and Investments



General Fund Cash

Continued expenditure savings due to vacancies and management imposed reductions in discretionary spending have helped the City to maintain an improved liquidity position in the General Fund.

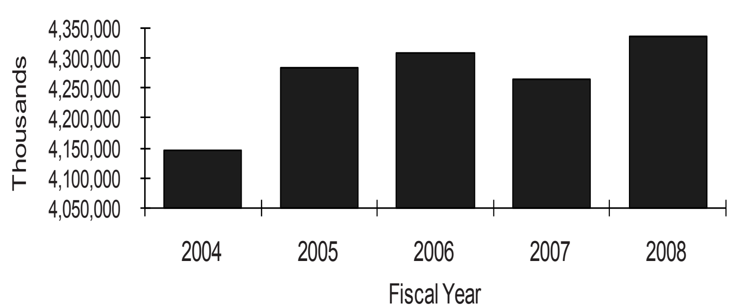
Total Governmental Activities Long-Term Liabilities



Long-term Liabilities

The City issued Redevelopment Agency debt, and had to report, for the first time, its Net Other Post Employment Benefit Obligation (NOPEBO) in accordance with GASB Statement 45. These items were the primary factors which resulted in the 5.5% increase in total governmental long-term liabilities.

Governmental Activities Capital Assets



Capital Assets

Capital asset balances increased in Fiscal Year 2008 by approximately $71 million. This increase is primarily attributed to equipment purchases by Fleet Services for refuse haulers and police and fire vehicles as well as many capital improvements (for example Soledad Mt. Road repair, Balboa Theatre improvements, and various developer contributed community improvements).

Business-Type Activities
The majority of the City's business-type activities are related to utilities that provide water and wastewater services. Both the Water and Sewer Utility Departments serve several regional agencies outside of the City's boundaries.

The operations of both utilities are mainly supported by fees charged to customers. In 2007, the San Diego County Superior Court approved the settlement of a class action lawsuit affecting sewer rates for the City. The lawsuit alleged that the City had overcharged single family residential customers, while undercharging other customers, for sewer service up until rates were revised in October 2004. A new rate structure was put into place in November 2007 to satisfy the terms of the settlement, with rate reversals and credits to eligible residential customers to correct past overcharges. Once the settlement amount has been raised and distributed (anticipated to be in the fall of 2011) the rate increases due to the settlement, the rate reversals and the monthly credits will cease. Additionally, an independent committee of stakeholders (the Independent Rate Oversight Committee) was created to monitor utility rates and expenditures on behalf of the ratepayers.

The City's Water Utility Fund issued $157 million of Water Revenue Refunding Bonds, Series 2009A to pay outstanding principal of $57 million of Subordinated Water Revenue Notes, Series 2007A and refund $94 million of Certificates of Undivided Interest, Series 1998 on January 29, 2009. The publicly offered Water 2009A Revenue Refunding Bonds are secured by and payable solely from net system revenues of the Water Utility Fund.

For the year ended June 30, 2008, the City's business-type activities closed with restricted and unrestricted cash and investment balances totaling $891 million. The City's fiscal year 2008 ratio of liquid assets to current liabilities for business-type activities is 1.55, a decrease over the fiscal year 2007 ratio of 3.61. This decrease is the result of all Water and Wastewater notes payable, totaling $281 million and including the $57 million Water Revenue Notes referenced above, becoming due within one year at fiscal year ended June 30, 2008. The City plans to issue long term bonds to refund additional outstanding Water and Wastewater notes during fiscal year 2009 which would reclassify this debt to long-term.

The City's liabilities for business-type activities have increased by $105 million since fiscal year 2007. This increase is related to the issuance of notes payable, offset partially by a decrease in outstanding revenue bonds. On June 30, 2008 the City's business-type activities reported total liabilities of $2.18 billion. While the City's capital assets for business-type activities have continued to increase in value, deferred maintenance remains a challenge, as does compliance with environmental regulations.

Engineering standards have changed over time and part of the City's water distribution system consists of outdated cast iron pipes. Aging water pipes can lead to infrastructure failures, and the City has addressed this challenge by replacing water pipes funded through a variety of methods including private placement debt and loans from state and federal agencies. Future infrastructure projects are expected to be funded by a combination of financing and cash funding.

Compliance with environmental regulations generally requires infrastructure construction, including the replacement of water distribution systems, the replacement of wastewater collection systems, and improving sewage treatment capacity. The City has agreed to significant infrastructure upgrades and continues to work with regulatory authorities. This includes a December 2007 waiver application to the Environmental Protection Agency (EPA) to renew a modified permit for the Point Loma Wastewater Treatment Plant. A tentative decision to approve the permit was issued by the EPA in December 2008. The EPA and Regional Water Quality Control Board are currently considering and responding to comments received on the tentative decision. A final decision is anticipated by the summer of 2009.

The City is also facing challenges to the future of its water supplies. A persistent regional drought and judicial decisions regarding management of the State Water Project has put significant pressure on San Diego's regional water supplies. The City of San Diego imports as much as 90% of its water supply. That supply may be reduced in the near future as the impact of court decisions, the diminishing availability of stored water, and dwindling supplies of new water are addressed by the City's water wholesalers.

The availability of water has legal implications and could potentially affect City Council findings regarding state mandated water supply assessments for future development. These assessments must demonstrate the long-term availability of water for large projects before those projects can be approved by local jurisdictions. At this time, it is unclear what effect limitations to water supplies would have on the City's economy and its revenues.

In an effort to address concerns regarding the City's water supplies, the City has taken a leadership position in advocating water conservation, general water awareness, and efforts to develop a bond measure necessary to fund improvements to the State's water infrastructure. To that extent, the Mayor declared a local water emergency and implemented a Stage 1 Water Watch for the City. The Water Watch is the first formal step under the City's Municipal Code and may lead to increasingly stringent controls on water use in San Diego. Also, at the direction of the City Council, the City is exploring water recycling systems that may reduce the City's reliance on imported water.

Focus on Governance

In November 2006, the City entered a cease and desist order with the SEC, settling all claims by that agency against the City. Since then, the City has released audited financial statements for fiscal years 2003-2008 and implemented a number of reforms regarding disclosure and internal controls and governance with the intent of establishing best practices in these areas. Internal controls requiring improvement were identified in early reports from the City and in management letters received from its independent auditors. Additionally, various consultants hired to investigate the City's financial reporting and sewer rate setting practices recommended actions to ensure greater accuracy in financial reporting. As of December 31, 2008, the City had implemented approximately 82%, by number, of the recommendations contained in various investigative reports and had established a plan to address the remainder.

The plan to improve the City's internal controls over financial reporting includes the implementation of an enterprise resource planning (ERP) system during fiscal year 2010 to improve the way the City manages finances and the processes and internal controls involved in the City's accounting, financial reporting, and human resources functions. At this time, implementation of the internal controls over financial reporting efforts is approximately 4% complete, with much of the balance tied to the implementation of the ERP system. The City has extended the implementation date, initially from November 2008 to April 2009 and most recently to July 1, 2009 for financials and logistics, October 1, 2009 for payroll and December 31, 2009 for accounts receivable. The ERP system effort is expected to cost $10.5 million more than the original budget; however, the increased cost includes enhancements and additional post implementation support.

In 2005, voters approved a change to the City's governance structure to a Strong-Mayor form of government. Under this structure, the Mayor has executive and administrative responsibility for the City's day to day operations, and the City Council, as the legislative body of the City, sets policy including approving the City's budget. Voters also created the Office of the Independent Budget Analyst (IBA), whose role is to provide policy and budget analysis and advice to the City Council and the public regarding legislative initiatives that have policy and financial impacts.

In June 2008, voters approved Proposition C amending the City Charter to make permanent the Office of the IBA and changing the City's financial management structure to enhance accountability. The position of Chief Financial Officer was created and placed in charge of all City financial operations. The City Charter was amended to split the Office of the Auditor and Comptroller, effective July 2008. The City Comptroller now reports to the Chief Financial Officer and a newly-created position of City Auditor reports to a new, independent Audit Committee composed of two City Council members and three outside members with expertise in audit and accounting practices. The City Comptroller is responsible for financial reporting, and the City Auditor oversees the City's internal audit function with the oversight and direction of the new Audit Committee.

A Financial Vision for the Future

In November 2008, the City released an updated Five-Year Financial Outlook (the Outlook) for fiscal years 2010 through 2014. This document is an examination of the City's long range fiscal condition and financial challenges. The City intends to update the Outlook periodically to account for changed circumstances. In addition to other issues, the financial outlook concentrates on eight significant areas that must be addressed in order to restore and preserve the fiscal integrity and/or meet the legal obligations of the City. These eight significant areas are discussed below.

Funding for Eight Areas of Focus

(Thousands)

	2009*	2010	2011	2012	2013	2014
Pension Plan: Annual Required Contribution 1	$ 161,700	$ 166,000	$ 236,000	$256,000	$ 276,000	$291,000
Reserve Contributions	-	5,200	7,700	8,600	3,000	2,900
Deferred Maintenance 2	28,000	3,600	3,600	7,200	7,200	10,800
Post Employment Retiree Health	50,000	57,100	64,500	72,400	80,700	90,000
Storm Water Compliance	27,500	27,500	27,500	27,500	27,500	27,500
ADA Compliance	10,000	10,000	10,000	10,000	10,000	10,000
Workers' Compensation Fund	4,000	-	5,000	5,000	5,000	5,000
Public Liability Fund	10,000	5,000	5,000	5,000	5,000	5,000
Subtotals	$ 291,200	$ 274,400	$ 359,300	$391,700	$ 414,400	$442,200
Deferred Maintenance Capital Projects 3	77,500	-	108,000	-	108,000	-
TOTALS	$ 368,700	$ 274,400	$ 467,300	$391,700	$ 522,400	$442,200

* FY 2009 reflects the revised budget; FY 2010-2014 reflect the five year outlook projections as of November, 2008.

1 The Annual Required Contribution assumes a 20 year time horizon to eliminate the unfunded pension liability with no negative amortization. Also, the outlook presents two scenarios that project the effect of declining asset values on future ARC payments, the scenario shown in this table uses the larger ARC projection.

2 In FY 2009, the cash contribution to deferred maintenance was budgeted as follows: $5.8 million in the General Fund, and the remaining $22.2 million in the Capital Improvements Program Budget.

3 The deferred maintenance for capital projects is projected to be 100% financed in the amount of $108.0 million for fiscal years FY 2011 and FY 2013.

Pension Plan

In 2005, the City only funded 68% of its annual required contribution (ARC). Commencing in fiscal year 2006, the City has funded 100% of the ARC and its financial forecast assumes the full funding of the ARC into the future. For fiscal year 2009, the City's annual required contribution is $161.7 million. Current projections indicate that in fiscal year 2014 the annual required contribution could reach approximately $291 million.

General Fund Reserves
The establishment of reserves is essential to minimize service level impacts as a result of emergencies and changes in the local economy. It is the City's goal to achieve a General Fund reserve of 8% of budgeted General Fund revenues by fiscal year 2012.

Deferred Maintenance Backlog
As previously discussed, the City's deferred maintenance/capital needs are approximately $800 to $900 million excluding those related to the City's Water and Sewer Utilities. Since that estimate was produced, the State passed a bond initiative to fund street and road improvements, which has aided the City's efforts to improve infrastructure. However, the City's goal is to supplement this funding by contributing $321.5 million in funding for deferred maintenance over the five-year period ending in fiscal year 2014 through a combination of financing and cash funding.

Post Employment Retiree Health
In 2008, the City contracted with the CalPERS Employer Trust Fund to pre-fund the retiree health liability and has contributed approximately $54 million to date toward advance funding of the benefits. In addition, the City covered the annual (cash basis) cost out of the City's treasury. The City's actuarial accrued liability for retiree health is estimated to be $1.24 billion in fiscal year 2008. The City's intent is to pay approximately 50% of the ARC over the next five years and to fully fund the ARC thereafter. (See page 21, "Future Challenges".) The June 30, 2008 valuation estimates the ARC to be $113 million for the fiscal year ending June 30, 2010.

Obligations Related to Storm Water Runoff Permits
Efforts to comply with storm water runoff regulations, including public education, maintenance, and monitoring, has had a significant impact on the City's budget. In fiscal year 2009, $27.5 million was budgeted. The Outlook includes $27.5 million for fiscal year 2010 and $27.5 million annually for fiscal years 2011-2013 for street sweeping, public education, and monitoring requirements.

Americans with Disabilities Act (ADA) Obligations
The Americans with Disabilities Act (ADA) requires public agencies and private companies to make facilities and infrastructure accessible. In fiscal year 2008, a total of $2.3 million in Community Development Block Grant (CDBG) funds were allocated for ADA improvements and the total citywide allocation for ADA-related purposes was $12.3 million. The Outlook includes $10 million dollars in ADA improvements annually.

Workers' Compensation Fund
The City had approximately $156.1 million in outstanding workers' compensation claims and $30.7 million in cash reserves at June 30, 2008. The City's Reserve Policy targets a reserve that is 50% of the value of outstanding claims by fiscal year 2014. While the fiscal year 2009 Annual Budget included $26.1 million to cover the regular projected annual cash payments, the City has allocated an additional $4 million for the General Fund portion of the reserve in the fiscal year 2009 budget. In order to build reserves, the City plans to contribute $5 million in fiscal year 2011 and for each year thereafter, in addition to the expected annual cash payments. While the City is committed to funding reserves in the Worker's Compensation Fund, the goal of funding 50% of claims by 2014 is being reassessed given the economic downturn and continued decline in General Fund revenues.

Public Liability Fund
The City had approximately $48.9 million in outstanding public liability claims and $10 million in cash reserves at June 30, 2008 (these amounts do not include enterprise fund nor Redevelopment Agency claims). Similar to the Workers' Compensation Fund reserve, the

City's new Reserve Policy targets a reserve equivalent to 50% of the value of outstanding claims by fiscal year 2014. $10 million has been allocated to this reserve in fiscal year 2009. Beginning in fiscal year 2010, the City's plan is to budget annual allocations of $5 million per year through the forecast period. All amounts referenced are in addition to the annual budgeted amount to cover the projected annual claims. While the City is committed to funding reserves in the Public Liability Fund, the goal of funding 50% of claims by 2014 is being reassessed given the economic downturn and continued decline in General Fund revenues.

Future Challenges

These are difficult economic times, and the City has set challenging goals for its future. The City believes these goals are achievable with continued fiscal discipline and greater government efficiency. San Diego has relatively low taxes and fees compared to most other large municipalities in the United States. The necessity of correcting past decisions and creating a more fiscally sound city may require tradeoffs. When balanced against our expectations of future revenues and expenses, the Outlook currently projects annual budget deficits that range from $80 million to $100 million over the next five years, and accordingly, the Mayor and City Council will need to work together to balance the budget each year. The projections in the Outlook are based on certain assumptions about the downturn in the national and regional economies and the effect on the City's General Fund Revenues. In addition, assumptions were made about the increase in expenditures over a five-year period including the ARC payment. Employees' salary increases are not assumed in the Outlook and raises could occur that would result in increased expenditures. The estimated deficits for the next five years are based on these assumptions and others that may or may not come to pass and the results may be better or worse.

Purpose, Background, and Scope of this Report

San Diego City Charter § 111 requires the City to submit an annual report, including a Statement of Net Assets, and requires that all accounts of the City be audited by an independent auditor. Pursuant to this requirement, the Comprehensive Annual Financial Report ("CAFR") of the City of San Diego ("City") for the fiscal year ended June 30, 2008, is hereby submitted. The audit firm of Macias Gini & O'Connell LLP has issued an unqualified opinion on the City of San Diego's financial statements. The independent auditor's report is located at the front of the financial section of this report.

The CAFR has been prepared in conformance with the principles and standards for reporting as set forth by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City and its related agencies. The City's objective is to provide you with reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Additionally, the City continues to construct and improve a comprehensive internal control framework in order to ensure acceptable management of taxpayer funds.

To the best of our knowledge and belief, the data as presented, is accurate in all material respects; it is presented in a manner designed to present fairly the financial position and results of operations of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining funds of the City and its related agencies; and all disclosures necessary to enable the reader to gain an understanding of the City's, as well as its related agencies', financial activities have been included.

A narrative introduction, overview, and analysis of the financial statements can be found in Management's Discussion and Analysis (MD&A), which immediately follows the independent auditor's report. The MD&A complements this letter of transmittal and should be read in conjunction with it. The CAFR is organized into three sections:

- The introductory section includes information about the organizational structure of the City, the City's economy, and selected other financial information.

- The financial section is prepared in accordance with governmental accounting standards. It includes the MD&A (unaudited), the independent auditor's report, the audited basic financial statements, notes to the basic financial statements, required supplementary information (unaudited), and supplementary information (unaudited).

- The statistical section contains historical statistical data on the City's financial data and debt statistics, as well as miscellaneous physical, demographic, economic, and social data of the City. This section of the CAFR is unaudited.

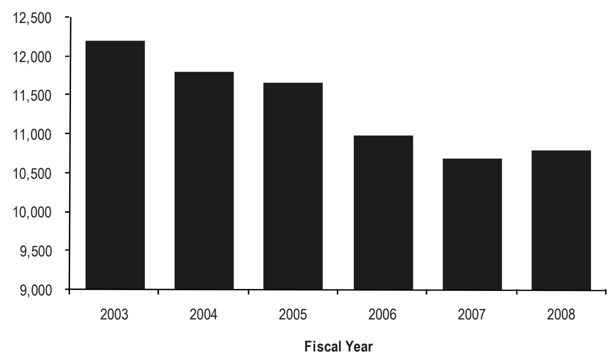
Profile of the City of San Diego

The City of San Diego was incorporated in 1850. The City comprises 342 square miles and, as of January 1, 2008, the California Department of Finance estimates the population to be 1,336,865. The City, with approximately 10,800 employees, provides a full range of governmental services including police and fire protection, sanitation and health services, the construction and maintenance of streets and infrastructure, recreational activities and cultural events, and the maintenance and operation of the water and sewer utilities.

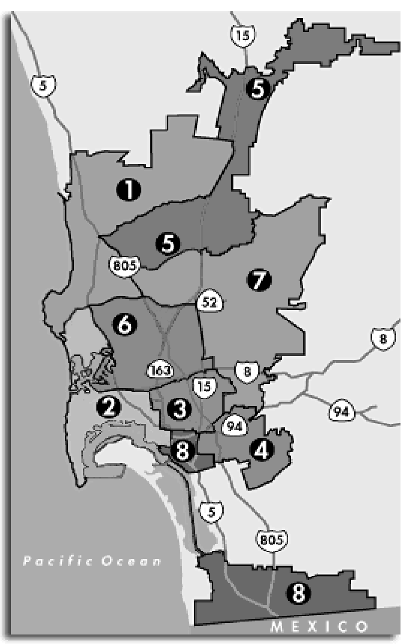
Governing Structure

The City operates under and is governed by the laws of the State of California and its own Charter, as periodically amended since its adoption by the electorate in 1931. The City is currently operating under a Strong-Mayor form of government. The departure from the City's previous Council-Manager form of government was approved by a vote of the public and became effective January 1, 2006. The Mayor is elected at large to serve a four-year term.

City of San Diego
Full-Time and Part-Time Employees



City of San Diego Council District Map



The charter amendment adopting the Strong-Mayor form of government is in effect for five years, and pending a voter approved extension or modification, sunsets on December 31, 2010. Under the Strong-Mayor form of government, the Mayor is the Chief Executive Officer of the City and has direct oversight over all City functions and services except for the City Council, Personnel, City Clerk, Independent Budget Analyst (IBA), City Attorney, and City Auditor's departments. Under this form of government, the City Council is composed of eight members and is presided over by the Council President, who is selected by a majority vote of the City Council. The Mayor presides over City Council in closed session meetings of the Council. The Council retains its legislative authority; however, all City Council resolutions and ordinances are subject to a veto of the Mayor except for certain ordinances including emergency declarations and the City's annual Salary and Appropriations Ordinances. The City Council may override a Mayoral veto with five votes. The City Attorney, who is elected for a four-year term, serves as the chief legal advisor of and attorney for the City and all departments.

During the County's primary election held on June 3, 2008, voters approved Proposition B which requires City Council to place a measure on the June 2010 ballot to allow voters to decide whether the Strong-Mayor form of government should become permanent effective January 1, 2011. Additionally, Proposition B provides for the public to decide whether the number of City Council districts should increase from eight to nine, and therefore, a corresponding increase of City Council votes required to override the Mayor's veto from five to six. Additionally, voters approved Proposition C which separated the City Auditor's Office from the Comptroller's Office and made the Office of the IBA permanent. Under this amendment, the City Auditor serves a ten-year term and is supervised by an Audit Committee consisting of two Councilmembers and three members of the public, with auditing expertise who are appointed by the City Council. This amendment also provides that the Mayor will appoint, with City Council confirmation, the Chief Financial Officer. In addition, the Mayor's appointment of the City Treasurer no longer requires City Council confirmation.

Current Elected Officials
(As of the issuance of this report)

Mayor Jerry Sanders

District 1
Councilmember Sherri Lightner

District 5
Councilmember Carl DeMaio

District 2
Council President Pro Tem
Kevin Faulconer

District 6
Councilmember Donna Frye

District 3
Councilmember Todd Gloria

District 7
Councilmember Marti Emerald

District 4
Councilmember Tony Young

District 8
Council President Ben Hueso

City Attorney
Jan Goldsmith

Other City Officials

Jay M. Goldstone, Chief Operating Officer

Mary Lewis, Chief Financial Officer

Tracy McCraner, Interim Comptroller

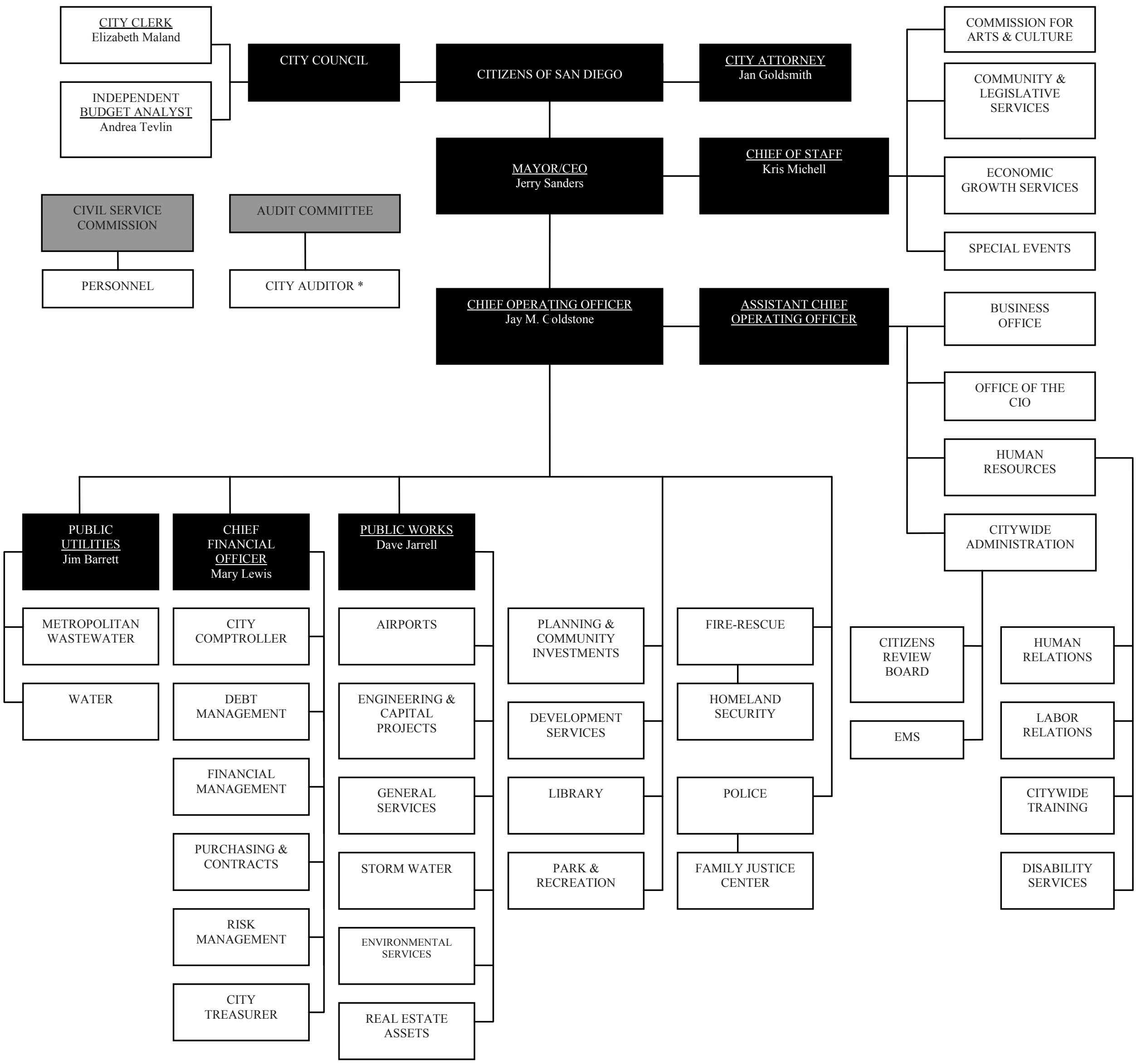
Gail R. Granewich, City Treasurer

Elizabeth Maland, City Clerk

Andrea Tevlin, Independent Budget Analyst

Eduardo Luna, Internal Auditor

City of San Diego Organization Chart
(As of the issuance of this Report)



* Proposition C, passed in June 2008, provides that the City Auditor shall report to and be accountable to the Audit Committee. To complete the enacting measure for Proposition C, the City Auditor must be appointed by the City Manager (Mayor), in consultation with the Audit Committee, and confirmed by the City Council. This organization chart reflects the reporting structure called for in Proposition C, which will be in effect following that Council action.

Financial Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement 14, the following component units are incorporated into the accompanying financial statements:

- Centre City Development Corporation (CCDC)
- City of San Diego Metropolitan Transit Development Board Authority (MTDB)
- Redevelopment Agency of the City of San Diego (RDA)
- San Diego Data Processing Corporation (SDDPC)
- San Diego Housing Commission (SDHC)
- San Diego Open Space Park Facilities District #1
- Community Facilities and Other Special Assessment Districts
- Tourism Marketing District
- Convention Center Expansion Financing Authority (CCEFA)
- San Diego City Employees' Retirement System (SDCERS)
- Public Facilities Financing Authority (PFFA)
- San Diego Convention Center Corporation (SDCCC)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Industrial Development Authority (SDIDA)
- Southeastern Economic Development Corporation (SEDC)
- Tobacco Settlement Revenue Funding Corporation (TSRFC)

Additionally, the City participates in a joint venture operation with a private company to provide for emergency medical and medical transportation services. This joint venture is a limited liability company named San Diego Medical Services Enterprise, LLC. The financial impact of the joint venture is displayed in the General Fund within the governmental funds statement of revenues, expenditures and changes in fund balance and in the government-wide statement of activities.

Budgetary Process

Pursuant to the City Charter, an annual budget is presented by the Mayor to the City Council for consideration. Set forth in this budget are the anticipated revenues and expenditures of the General Fund, certain special revenue funds, enterprise funds, and certain debt service funds for the ensuing fiscal year. Additionally, project-length financial plans are presented to and adopted by the City Council for the capital projects funds. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the fund, department, and object class level. Object classes are defined as salaries and non–personnel expense (including employee benefits). Copies of the City's budgets are available at the Financial Management Office located at 202 C Street, MS8A, San Diego, CA 92101.

The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts are reported as reservations of fund balances since the commitments are expected to be honored in subsequent periods.

The City continues to look for ways to improve the effectiveness and efficiency of its operations. The focus now is on crafting policy that will ensure a continued commitment to strong financial stewardship.

Sincerely,

Jerry Sanders
Mayor

Jay M. Goldstone
Chief Operating Officer

Mary Lewis
Chief Financial Officer

Tracy McCraner
Interim Comptroller

Financial Section

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MGO

MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

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San Diego, CA 92101
619.573.1112

SACRAMENTO

OAKLAND

WALNUT CREEK

LOS ANGELES

NEWPORT BEACH

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
of the City of San Diego, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Diego, California (City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Diego Housing Commission, a discretely presented component unit, which statements reflect 90%, 94% and 83% of total assets, total net assets and total revenues, respectively, of the aggregate discretely presented component unit totals. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the San Diego Housing Commission, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and No. 50, *Pension Disclosures*.

The management's discussion and analysis, schedules of funding progress, schedules of contributions from employer and other contributing entities and general fund budgetary information on pages 33 through 46, 168 and 172 through 174, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, except for the budgetary schedules on pages 216 through 223, 226 through 227, 236 through 237 and 239, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Gini & O'Connell LLP

Certified Public Accountants

San Diego, California
March 26, 2009, except for paragraphs 25 and 26 of
Note 18, as to which the date is April 23, 2009;
paragraph 27 of Note 18, as to which the date is May 8, 2009;
and paragraphs 17 and 19 of Note 18 and paragraph 15
of Note 22, as to which the date May 21, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
(In Thousands)
June 30, 2008

As management of the City of San Diego (City), we offer readers of the City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The focus of the government-wide financial statements is on reporting on the operating results and financial position of the government as an economic entity. These statements are intended to report the entity's operational accountability to its readers, giving information about the probable medium and long-term effects of past decisions on the government's financial position.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing changes in the City's net assets during the fiscal year 2008. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The focus is on both gross and net costs of City functions, which are supported by general revenues. This Statement also distinguishes functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include: General Government and Support; Public Safety - Police; Public Safety - Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; and Neighborhood Services. The business-type activities of the City include: Airports; City Store; Development Services; Environmental Services; Golf Course; Recycling; Sewer Utility; and Water Utility.

The government-wide financial statements include the City (known as the primary government) and the following legally separate, discretely presented component units: San Diego Convention Center Corporation (SDCCC); and San Diego Housing Commission (SDHC). Financial information for these component units is reported separately from the financial information presented for the primary government. Blended component units, also legally separate entities, are a part of the government's operations and are combined with the primary government.

Included within the primary government as blended component units:

- Centre City Development Corporation (CCDC)
- City of San Diego Metropolitan Transit Development Board Authority (MTDB Authority)
- City of San Diego Tobacco Settlement Revenue Funding Corporation (TSRFC)
- Community Facilities and Other Special Assessment Districts
- Convention Center Expansion Financing Authority (CCEFA)
- Public Facilities Financing Authority (PFFA)
- Redevelopment Agency of the City of San Diego (RDA)
- San Diego City Employees' Retirement System (SDCERS)
- San Diego Data Processing Corporation (SDDPC)

- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Industrial Development Authority (SDIDA)
- San Diego Open Space Park Facilities District #1
- Southeastern Economic Development Corporation (SEDC)
- Tourism Marketing District (TMD)

The government-wide financial statements can be found beginning on page 50 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both of the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, which is a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the Supplementary Information section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget and is presented as required supplementary information.

The basic governmental funds financial statements can be found beginning on page 54 of this report.

PROPRIETARY FUNDS

The City maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for its various business-type activities, such as Sewer and Water Utilities. Internal Service funds, such as Fleet Services, Central Stores, Publishing Services, and Self Insurance, are used to report activities that provide centralized supplies and/or services to the City. All internal service funds, except for the Special Engineering Fund, have been included within governmental activities in the government-wide financial statements since they predominantly benefit governmental functions. The Special Engineering Fund, which services exclusively Sewer and Water activities, has been included within business-type activities in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Sewer and Water funds, which are considered to be major funds of the City. Data for the nonmajor proprietary funds are combined into a single, aggregated presentation, and the internal service funds are combined into a single, aggregated presentation as well. Included in the Supplementary Information section of this report are individual fund data for the nonmajor proprietary funds and the internal service funds. The basic proprietary funds financial statements can be found beginning on page 58 of this report.

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found beginning on page 61 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 63 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 168 of this report.

The individual fund data referred to earlier in connection with nonmajor governmental funds, nonmajor proprietary funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions and the General Fund budgetary comparison statement, beginning on page 197 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

CITY OF SAN DIEGO'S SUMMARY OF NET ASSETS
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Capital Assets	$ 4,335,317	$ 4,264,170	$ 4,634,918	$ 4,605,284	$ 8,970,235	$ 8,869,454
Other Assets	2,096,751	1,824,547	1,031,815	846,103	3,128,566	2,670,650
Total Assets	6,432,068	6,088,717	5,666,733	5,451,387	12,098,801	11,540,104
Net Long-Term Liabilities	1,965,991	1,863,185	2,068,569	1,967,826	4,034,560	3,831,011
Other Liabilities	312,696	285,709	108,455	103,724	421,151	389,433
Total Liabilities	2,278,687	2,148,894	2,177,024	2,071,550	4,455,711	4,220,444
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	3,518,704	3,461,127	2,933,012	2,998,848	6,451,716	6,459,975
Restricted	564,042	498,695	39,436	37,709	603,478	536,404
Unrestricted	70,635	(19,999)	517,261	343,280	587,896	323,281
Total Net Assets	$ 4,153,381	$ 3,939,823	$ 3,489,709	$ 3,379,837	$ 7,643,090	$ 7,319,660

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $7,643,090 at June 30, 2008, an increase of $323,430 over fiscal year 2007.

$6,451,716, or approximately 84%, of total Net Assets represent the City's investment in capital assets (e.g., land, structures and improvements, equipment, distribution and collections systems, infrastructure, and construction-in-progress), less any outstanding debt used to acquire these assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally are not used to liquidate these liabilities.

$603,478, or approximately 8%, of total Net Assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of $587,896, or approximately 8%, is available to finance ongoing services and obligations to the City's citizens and creditors.

Restricted Net Assets increased by $67,074, or approximately 13% primarily due to a $30,000 increase in low-moderate income housing funds, a $20,000 increase in the Underground Surcharge Fund for undergrounding utilities throughout San Diego, $10,000 of increased assessments collected in the Maintenance Assessment Districts and the new Tourism Marketing District funds, and the remainder was due to various capital project fund increases attributed to impact fees, private contributions and other capital projects restricted revenues.

Unrestricted Net Assets increased by $264,615, or approximately 82%. Approximately $174,000 of this increase was in the Business-type Activities, primarily as a result of Council approved rate increases, increased sales of water, and higher earnings on investments. Governmental Activities increased by approximately $91,000 as the result of a $50,000 increase in an internally designated debt service reserve within the Redevelopment Agency, funded by increased property tax revenue; an increase in notes receivable of $25,000, predominantly in the Centre City Redevelopment area; and increased land sales of $15,000.

CITY OF SAN DIEGO'S SUMMARY OF CHANGES IN NET ASSETS
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues						
Charges for Current Services	$ 289,985	$ 303,866	$ 772,602	$ 742,640	$ 1,062,587	$ 1,046,506
Operating Grants and Contributions	75,126	84,745	2,312	1,203	77,438	85,948
Capital Grants and Contributions	78,347	81,169	58,400	141,419	136,747	222,588
General Revenues						
Property Taxes	576,605	526,722	-	-	576,605	526,722
Transient Occupancy Taxes	159,348	154,810	-	-	159,348	154,810
Other Local Taxes	151,267	157,941	-	-	151,267	157,941
Grants and Contributions not Restricted to						
Specific Programs	6,251	5,339	-	-	6,251	5,339
Sales Taxes	269,757	263,399	-	-	269,757	263,399
Investment Income	96,725	76,292	41,224	30,713	137,949	107,005
Other	85,785	94,910	7,850	5,384	93,635	100,294
Total Revenues	1,789,196	1,749,193	882,388	921,359	2,671,584	2,670,552
Expenses:						
General Government and Support	322,157	270,190	-	-	322,157	270,190
Public Safety-Police	382,907	376,581	-	-	382,907	376,581
Public Safety-Fire, Life Safety, Homeland Security	204,822	209,902	-	-	204,822	209,902
Parks, Recreation, Culture and Leisure	231,955	229,500	-	-	231,955	229,500
Transportation	212,255	272,780	-	-	212,255	272,780
Sanitation and Health	51,772	43,780	-	-	51,772	43,780
Neighborhood Services	91,110	99,870	-	-	91,110	99,870
Debt Service:						
Interest on Long-Term Debt	82,211	84,920	-	-	82,211	84,920
Airports	-	-	4,109	3,755	4,109	3,755
City Store	-	-	788	843	788	843
Development Services	-	-	51,461	53,924	51,461	53,924
Environmental Services	-	-	37,279	40,138	37,279	40,138
Golf Course	-	-	11,142	10,690	11,142	10,690
Recycling	-	-	20,511	19,754	20,511	19,754
Sewer Utility	-	-	322,552	313,716	322,552	313,716
Water Utility	-	-	321,123	313,256	321,123	313,256
Total Expenses	1,579,189	1,587,523	768,965	756,076	2,348,154	2,343,599
Change in Net Assets Before Transfers:	210,007	161,670	113,423	165,283	323,430	326,953
Transfers	3,551	(3,425)	(3,551)	3,425	-	-
Net Change in Net Assets	213,558	158,245	109,872	168,708	323,430	326,953
Net Assets - July 1	3,939,823	3,781,578	3,379,837	3,211,129	7,319,660	6,992,707
Net Assets - June 30	$ 4,153,381	$ 3,939,823	$ 3,489,709	$ 3,379,837	$ 7,643,090	$ 7,319,660

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net assets by $213,558 during fiscal year 2008. Variances from fiscal year 2007 of more than 10% are discussed below.

- Operating Grants and Contributions decreased by $9,619, or approximately 11%, primarily due to the restructuring of the Community Development Block Grant (CDBG) program. The CDBG administration instituted a $25,000 minimum for certain projects, and several projects were cancelled. In addition, several Urban Areas Securities Initiative (UASI) grants for homeland security were closed out, nearing the end of their two year term. Finally, the transfer of the "6 to 6" Extended School Day program's administration to the San Diego Unified School District in January 2007 resulted in additional decreases as the City's grants for this program are being closed out.

- Investment Income increased by $20,433, or approximately 27%, primarily attributed to increases in market values for the City's investment pool, as well as an increase in the overall size of the investment pool from fiscal year 2007 to 2008.

- Other Revenue decreased by $9,125, or approximately 10% primarily due to a decrease in developer contributions of approximately $18,900, which was mainly in the Pacific Highlands Ranch, Otay Mesa West, and Torrey Hills development areas. This decrease was partially offset by an increase in proceeds from land sales of $9,300. This is the result of Real Estate Assets department's continued review of the City's property inventory to determine which properties are no longer needed and may be designated for disposition, as part of the portfolio management plan for the City.

- General Government and Support expense increased by $51,967, or approximately 19%. Approximately $16,900 of this increase was due to the centralization of data processing costs in the Office of the CIO. Approximately $7,000 was due to new capital leases for the Public Safety Communications Project, paid for by the Information Technology & Communications (IT&C) Fund. Several vacant positions were filled throughout various General Government departments, which resulted in increased salary and fringe expenses of approximately $8,200. The Storm Water department had an increase in contractual services of $4,300, public liability claim expenses increased by $3,100, and the City Elections program experienced increased expenses of $2,000, related to the fiscal year 2008 elections.

- Transportation expense decreased by $60,525, or approximately 22%, which was caused by several factors. During fiscal year 2007 the adjustment for completed capital improvement projects funded by Facilities Benefit Assessment (FBA) credits in prior years resulted in approximately $41,000 in transportation expenses, which did not recur in fiscal year 2008. Additionally, there was a $15,000 expense in fiscal year 2007 as a result of current year FBA additions being reclassified as revenue, rather than a reduction of expenses, which also did not recur in fiscal year 2008.

- Sanitation and Health expense increased by $7,992, or approximately 18%, primarily due to increased expenditures for the Environmental Services department's debris removal program, related to the October 2007 wildfires.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net assets by $109,872 during fiscal year 2008. Variances from fiscal year 2007 of more than 10% are discussed below.

- Operating Grants and Contributions increased by $1,109, or approximately 92%, primarily due to increased grant revenues received by the Water Utility department, related to the seismic retrofit of water pipelines, water desalination studies, and disaster assistance recoveries.

- Capital Grants and Contributions decreased by $83,019, or approximately 59%, primarily due to the installation of water and sewer mains by developers during fiscal year 2007.

- Investment Income increased by $10,511, or approximately 34%, primarily attributed to changes in market values for the City's investment pool, as well as an increase in the overall size of the investment pool from fiscal year 2007 to 2008.

- Other revenues increased by $2,466, or approximately 46%, primarily due to an insurance reimbursement for the Water Utility department and increased receipts of permit and fee revenues for the Sewer Utility department.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2008, the City's governmental funds reported combined ending fund balances of $1,591,304, an increase of $225,541 from fiscal year 2007. Approximately $893,239 constitutes unreserved fund balance, which is available for spending at the government's direction. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the period, (2) to pay debt service, (3) to generate income to pay for the perpetual funding of various programs, or (4) for a variety of other purposes.

The General Fund is the principal operating fund of the City. At the end of fiscal year 2008, undesignated fund balance of the General Fund was $75,339, while total fund balance was $124,781. This represents a $7,267 decrease from the fiscal year 2007 total fund balance.

PROPRIETARY FUNDS

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

As of the end of fiscal year 2008, Unrestricted Net Assets of the Sewer Utility Fund are $243,717. Unrestricted Net Assets increased approximately $91,657, or approximately 60%, mainly due to Council approved rate increases and higher earnings on investments, combined with overall increases in cash positions and reductions in debt related liabilities.

As of the end of fiscal year 2008, Unrestricted Net Assets of the Water Utility Fund are $211,845. Unrestricted Net Assets increased by $74,141, or approximately 54%, mainly due to Council approved rate increases and higher earnings on investments.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget for expenditures and transfers out was $20,047 lower than the final budget due to increases (decreases) in appropriations primarily attributed to the following:

- ($4,818) for General Government. Approximately $2,600 of this decrease was attributed to several vacant positions in the Storm Water Department. In addition, prior year purchase orders and their corresponding budgets were cleaned up citywide, which resulted in an overall budget decrease of $2,300.

- ($2,096) for Public Safety-Police. A portion of the Police department's appropriations were reallocated to cover over budget personnel expenses in Fire and Life Safety, due to the October 2007 wildfires.

- $9,757 for Public Safety-Fire and Life Safety and Homeland Security. This increase was necessary to cover over budget expenses associated with the October 2007 wildfires. The increase was allocated to cover Salary and fringe expenses of $6,682, and related equipment, energy, and outlay costs of $2,670.

- ($2,376) for Transportation. This decrease was mainly caused by the reallocation of appropriations from Streets Department to other departments within the General Fund such as General Services-Administration and General Services-Contracting.

- $7,571 for Sanitation and Health. This increase was largely due to emergency debris removal related to the October 2007 wildfires.

- $2,661 for Neighborhood Services. This increase was mainly due to the completion of the Otay Mesa Community Plan Update and the preparation of the Master Plan for the Grantville Redevelopment Project Area per Council actions in the Planning Department.

- $2,204 for Principal Retirement. This increase was due to capital lease payments for Police and Parking Enforcement vehicles, as well as equipment, vehicles, and helicopters for the Fire and Life Safety department.

- $781 for Interest Expense. This increase was due to the fact that interest expense for the Fiscal Year 2008 Tax Revenue Anticipation Notes was higher than anticipated.

- $7,221 for Transfers to Other Funds. This increase is primarily due to the establishment of a $7,000 Appropriated Reserve.

Actual revenues received for the General Fund were $35,751 less than budgeted. Sales Taxes were under budget by $11,079, which was a result of slower than anticipated growth in local retail sales. Property Taxes and Transient Occupancy Taxes were both under budget by $2,139 and $1,455, respectively, as a result of less than anticipated growth. Other Local Taxes were under budget by $5,563, primarily due to shortfalls in SDG&E franchise fees of $3,900 and Refuse Collection franchise fees of $1,100, in addition to Property Transfer Taxes being under budget by $500 as a result of a downturn in the real estate market. Revenue from Use of Money and Property came in $7,952 under budget. This was primarily due to slower than anticipated growth in Mission Bay rents and concessions in the amount of $2,163, and Investment Earnings were under budget due to the transfer of interest earnings to the TRAN fund to pay debt service on the Fiscal Year 2008 TRAN. Revenue from Other Agencies came in $6,696 under budget. This was primarily due to the City not receiving Booking Fee relief of $5,222 from the State, and increased DMV administration costs and MVL fees charged by the state of $2,097. Charges for Current Services were also under budget by $2,453, mainly due to a reduction of Service Level Agreements for General Government and Support services between funds.

Actual expenditures for the General Fund were $24,047 less than budgeted. $11,503 was attributed primarily to personnel savings in the General Government and Support departments and the general fund reserve contribution. The Police department had personnel savings of $6,708, and the additional savings of $5,836 was spread relatively evenly between Parks and Recreation, Transportation, Sanitation and Health, and Neighborhood Services non-personnel costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

CITY OF SAN DIEGO'S CAPITAL ASSETS
(Net of Accumulated Depreciation)
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Land, Easements, Rights of Way	$ 1,755,956	$ 1,731,003	$ 89,988	$ 90,011	$ 1,845,944	$ 1,821,014
Construction-in-Progress	165,880	210,084	174,065	290,161	339,945	500,245
Structures and Improvements	827,912	781,799	1,422,839	1,332,843	2,250,751	2,114,642
Equipment	133,317	106,132	102,069	103,807	235,386	209,939
Distribution and Collection Systems	-	-	2,845,957	2,788,462	2,845,957	2,788,462
Infrastructure	1,452,252	1,435,152	-	-	1,452,252	1,435,152
Totals	$ 4,335,317	$ 4,264,170	$ 4,634,918	$ 4,605,284	$ 8,970,235	$ 8,869,454

CAPITAL ASSETS

In accordance with GASB Statement No. 34, all major infrastructure assets (such as streets, signals, bridges, and drains) are capitalized by the City in the government-wide statements. While capital assets of both governmental and proprietary funds are capitalized at the government-wide level, only proprietary assets are reported at the fund level. Governmental funds are reported on a modified accrual basis at the fund level. Differences between reporting at the fund level and government-wide level for these governmental assets will be explained in both the reconciliation and the accompanying notes to the financial statements.

The City’s investment in capital assets (including infrastructure) for governmental and business-type activities as of June 30, 2008 was $8,970,235 (net of accumulated depreciation). There was an overall increase in the City’s investment in capital assets over fiscal year 2007 of approximately $100,781.

HIGHLIGHTS OF FISCAL YEAR 2008 CAPITAL IMPROVEMENT ACTIVITIES

Governmental Activities

- Planning and acquisition began on the Enterprise Resource Planning (ERP) System Core Project to provide a replacement of the legacy software currently used by the Offices of the Chief Financial Officer (CFO) and Business and Support Services. As identified in the Kroll report, the current system no longer meets the City’s requirement for responsible financial management, efficient human resources management, or IT operational efficiency. The project is being funded through a lease purchase agreement with IBM Credit LLC. The City’s fiscal year 2008 capital expenditures for this project were $9,645.

- Construction began on the reconstruction of Soledad Mountain Road following the October 2007 landslide that destroyed a large section of the 5700 block of Soledad Mountain Road and Desert View Drive Alley. The project is funded by TransNet, as well as state and federal grants. The City’s fiscal year 2008 capital expenditures for this project were $7,170.

- Construction began on the Bird Rock Coastal Traffic Flow Improvements. This project provides traffic calming measures to reduce speed and improve safety and walkability on La Jolla Boulevard. The project provides three modern roundabouts on La Jolla Boulevard, as well as three mini roundabouts on connecting residential streets. La Jolla Boulevard will also be reduced from four to two lanes. The project is funded by SANDAG, TransNet, Developer Impact Fees, and federal and state grants. The City's fiscal year 2008 capital expenditures for this project were $4,169.

- Construction began on the widening of Genesee Avenue from Interstate 5 to Campus Point Drive. This project provides for the widening of 2,500 feet of Genesee Avenue to a modified six-lane primary arterial including Class II bicycle lanes. The project is funded by Facility Benefit Assessments. The City's fiscal year 2008 capital expenditures for this project were $3,773.

- Construction began on the Balboa Park Museum of Art front façade improvements. This project provides for the restoration of the Museum of Art front façade as recommended in the Balboa Park Master Plan. This project is funded by various State grants. The City's fiscal year 2008 capital expenditures for this project were $2,169.

- Construction began on Phase II of the Logan Heights Branch Library. This project provides for a new 25,000 square foot library at 28th Street and Ocean Boulevard to serve the Logan Heights Community. The project is funded by various grants and the Library System Improvement Fund. The City's fiscal year 2008 capital expenditures for this project were $2,238.

- Construction began, and was completed, on the Lifeguard Headquarters Boating Safety Unit Dock. This project provided for the construction of the Boating Safety Unit Dock at 2581 Quivera Court to replace the dock that was constructed in 1956 and incurred substantial damage during the January 2005 storms. The project was funded primarily by lease revenue bonds. The City's fiscal year 2008 capital expenditures for this project were $2,019.

- Construction continued on the Pacific Highlands Ranch Fire Station #47. This project will provide for a new 10,500 square foot fire station to serve the Pacific Highlands Ranch community. The project is part of the Pacific Highlands Ranch Facilities Financing Plan. The City's fiscal year 2008 capital expenditures for this project were $3,433.

- Construction continued on the Del Mar Heights Road east of Old Carmel Valley Road. The project provides for construction of Del Mar Heights Road from Old Carmel Valley Road to the new alignment of Carmel Valley Road as a modified five lane roadway within a 122 foot right-of-way for a future six lane facility. The project is funded by Facilities Benefit Assessments. The City's fiscal year 2008 capital expenditures for this project were $3,620.

Business-Type Activities

During fiscal year 2008, the Water Utility Fund added approximately $58,700 in capital improvement projects (CIP). Upgrades and expansion of the Miramar Water Treatment Plant and the Rancho Bernardo Reservoir continued, along with water main replacements. Capital asset write-offs for fiscal year 2008 were approximately $4,100, and were primarily related to losses on abandoned projects, and retirements of developer contributed assets.

During fiscal year 2008, the Sewer Utility Fund added approximately $26,500 in CIP, of which the Metropolitan system CIP increased approximately $2,300. Municipal system CIP increased approximately $24,200 and included the following major projects: Caltrans/SR–905 Otay Mesa Trunk Sewer, Pipeline Rehabilitation Phase C-1, and the continued replacement of sewer mains and upgrades to the sewer infrastructure. Capital asset write-offs for fiscal year 2008 were approximately $2,100, and were primarily related to losses on abandoned projects, and retirements of developer contributed assets.

HIGHLIGHTS OF APPROVED FISCAL YEAR 2009 CAPITAL IMPROVEMENT PROJECTS (CIP) BUDGET

The Annual Approved Capital Improvements Budget for Fiscal Year 2009 is $574,000 which constitutes an increase of $82,300, or approximately 16.7% over the fiscal year 2008 budget of $491,600. The increase in the Fiscal Year 2008 budget is primarily due to an increase in funding for capital projects addressing deferred maintenance needs. Water and Sewer projects comprise over 46% of the total CIP budget. Engineering & Capital Projects and General Services projects comprise 26%, and 15% of the total CIP budget, respectively. Funding for governmental projects include TransNet funds, Facilities Benefit Assessments, Developer Impact Fees, developer contributions, and Federal, State, local, and private contributions. Highlights of the key budgets by department are as follows:

Governmental Activities

- Engineering and Capital Projects: $151,600 (26% of total CIP budget). Key projects include the undergrounding of City utilities to augment the California Public Utilities Commission (CPUC) Rule 20A funds. Funding is also allocated for conversion of City-owned street lighting and resurfacing of roadways associated with the undergrounding of utilities. The $60,000 annual allocation for these projects is entirely funded by the Underground Surcharge Fund. Other significant projects include: $10,300 for ADA improvements, $7,400 for 43rd Street and Logan/National Ave Intersection, $5,000 for State Route 163 and Friars Road, and $2,400 for Phase III of the Otay Truck Route Widening.

- General Services: $84,800 (15% of total CIP budget). Key budgets include: $45,400 for Street Resurfacing, $31,800 for City facility improvements including roof replacements and heating and air conditioning upgrades and replacements; and $7,500 for sidewalk replacement and reconstruction.

- Parks and Recreation: $35,200 (6% of total CIP budget). Planned project types for fiscal year 2008 include play area upgrades, joint use fields, roof reconstruction, accessibility improvements, comfort stations, picnic shelters, sports field and security lighting, and new park development.

- City Comptroller: $6,800 (1% of total CIP budget). This includes $6,800 for the Enterprise Resource Planning (ERP) System.

- Office of the CIO: $3,300 (1% of total CIP budget). This includes $3,300 for the ongoing master lease payments for the Public Safety Communications Project.

Business-Type Activities

The fiscal year 2009 Water Utility CIP budget is $177,900. There are no phase funded projects budgeted for fiscal year 2009. Significant projects include: $44,000 for the Miramar Water Treatment Plant – Upgrade and Expansion; $41,600 for water main replacements; $36,900 for the Alvarado Water Treatment Plant – Upgrade and Expansion; $9,300 for the Otay Water Treatment Plant – Upgrade and Expansion: and 8,600 for Otay Second Pipeline Improvements.

The fiscal year 2009 Sewer Utility CIP budget is $103,100. There are no phase funded projects budgeted for fiscal year 2009. Significant projects include: $59,100 for pipeline repair, replacement, and rehabilitation; $19,500 for repair and upgrade of pump stations; $12,800 for replacement of trunk sewers; and $8,100 for repair and upgrade of treatment plants.

CITY OF SAN DIEGO'S OUTSTANDING DEBT
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Capital Lease Obligations	$ 61,262	$ 39,130	$ 166	$ 1,006	$ 61,428	$ 40,136
Contracts Payable	2,615	2,615	-	-	2,615	2,615
Notes Payable	5,662	8,555	430,830	280,830	436,492	289,385
Loans Payable	34,777	18,775	95,875	101,316	130,652	120,091
Section 108 Loans	35,896	39,431	-	-	35,896	39,431
SANDAG Loans	-	2,287	-	-	-	2,287
General Obligation Bonds	8,580	10,705	-	-	8,580	10,705
Revenue Bonds/COP's/ Lease Revenue Bonds	498,950	521,210	1,425,445	1,469,060	1,924,395	1,990,270
Special Assessment/ Special Tax Bonds	144,805	145,625	-	-	144,805	145,625
Tax Allocation Bonds	548,643	502,804	-	-	548,643	502,804
Tobacco Settlement Asset-Backed Bonds	99,370	102,700	-	-	99,370	102,700
Pooled Financing Bonds	34,115	-	-	-	34,115	-
Totals	$ 1,474,675	$ 1,393,837	$ 1,952,316	$ 1,852,212	$ 3,426,991	$ 3,246,049

LONG-TERM DEBT

At the end of fiscal year 2008, the City, including blended component units, had total debt outstanding of approximately $3,426,991. Of this amount, $8,580 is comprised of debt backed by the full faith and credit of the City. The remainder of the City's debt represents revenue bonds, lease revenue bonds, certificates of participation (COPs), special assessment bonds, tax allocation bonds, tobacco settlement asset-backed bonds, pooled financing bonds, contracts payable, notes payable, loans payable, Section 108 loans, SRF loans, and capital lease obligations.

<u>Governmental Activities</u>

- The City (PFFA) issued $17,230 of taxable pooled financing bonds, Series 2007 A and $17,755 of tax-exempt pooled financing bonds Series 2007 B. The Series 2007 A and B bonds were issued to make loans to the Redevelopment Agency for financing and refinancing redevelopment activities in Southcrest, Central Imperial and Mount Hope Redevelopment Project areas.

- The City (RDA) executed six non-revolving lines of credit with San Diego National Bank for an aggregate total amount available of $70,000. Four lines of credit are for affordable housing in North Park, City Heights, North Bay and Naval Training Center (NTC) Redevelopment Project Areas, and the two remaining lines of credit are for non-housing or general purposes for City Heights and Naval Training Center (NTC) Redevelopment Project Areas. As of June 30, 2008 the amount actually drawn on the lines of credit totaled $16,063.

- The City issued $3,950 of Community Facilities District No. 3 (Liberty Station) Special Tax Bonds, Series 2008 A, to finance public improvements required in connection with the district. The 2008 A bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are limited obligations of the district.

- The City (RDA) issued $69,000 of Housing Tax Allocation Bonds to finance certain improvements relating to, or increasing the supply of, low and moderate income housing in the Centre City Redevelopment Project and such other areas as authorized by Redevelopment Law. The 2008 A bonds are payable from, secured equally and are on parity with outstanding Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2004 C and 2004 D and 2006 B bonds, by a charge and lien on the pledged housing tax revenues derived by RDA from the Redevelopment Project.

- Total principal payments for long-term debt were $74,841. $56,516 of this amount was for outstanding bonds, including $10,145 for the amount of outstanding Mount Hope Series 1995B, Southcrest 1995, Southcrest 2000 and Central Imperial 2000 bonds refunded by the PFFA pooled financing bonds series 2007 A and B. Payments on loans payable were $5,883, payments on notes payable were $2,893, and payments on capital leases were $9,549.

Business-Type Activities

- The City (PFFA) sold, on a private placement basis, $150,000 of Subordinated Water Revenue Notes, Series 2008A to finance the acquisition and construction of the City's water system and to reimburse for costs previously incurred. The Series 2008A Notes are secured by and payable solely from net system revenues of the Water Utility Fund and the final maturity date is August 28, 2009. The 2008A Notes carried a one year call provision with no prepayment penalty after the call date and had no provisions for an extension beyond the final maturity date.

- Total principal payments for long-term debt were $49,896 which includes $43,615 for outstanding bonds, $5,441 for loans payable and $840 for capital leases.

As of the issuance of this report, the credit ratings on the City of San Diego's outstanding General Obligation Bonds, Revenue Bonds, Lease Revenue Bonds, and COPs are as follows:

	Moody's Investors Service	**Fitch Ratings**	**Standard & Poor's**
General Obligation Bonds	A2	A+	A
General Fund Backed Lease			
Revenue Bonds	Baa1/Baa2	A	A-
Outlook	Stable	Stable	Positive
Wastewater System Bonds	A3	BBB+	A+
Outlook	Negative	Positive	Stable
Water System Bonds	A1/A2	AA-/A+	AA-/A+
Outlook	Stable	Stable	Stable

Section 90 of the City Charter provides that the general obligation bonded indebtedness for the development, conservation and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation. The City's current outstanding general obligation balances as of June 30, 2008 are significantly less than the current debt limitations for water and other purposes, which are $5,665,641 and $3,777,094, respectively (see Statistical Section, Table 12).

It has been the City's practice, as provided for in Section 90.1 of the City Charter, to issue revenue bonds for the purpose of constructing water facilities. Per Section 90.1, revenue bonds do not constitute an indebtedness of the City, but an obligation payable from the revenues received by the utility. Section 90.2 authorizes the issuance of Revenue Bonds for the purpose of constructing improvements to the City's sewer system.

Additional information on the City's long-term debt can be found in the accompanying notes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Comptroller, 202 C Street, San Diego, California 92101, or e-mailed to comptroller@sandiego.gov. This financial report is also available on the City's website at www.sandiego.gov, under the Office of the City Comptroller. Additional information intended for the investor community is available on the Investor Information web page also located on the City's website listed above.

Basic Financial Statements

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STATEMENT OF NET ASSETS
June 30, 2008
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
ASSETS					
Cash and Investments	$ 1,271,327	$ 612,890	$ 1,884,217	$ 20,975	$ 88,047
Receivables:					
Taxes - Net	87,129	-	87,129	-	-
Accounts - Net of Allowance for Uncollectibles (Governmental $8,659, Business-Type $2,211)	36,409	82,345	118,754	3,707	8,240
Claims - Net	117	-	117	-	-
Contributions	398	-	398	-	-
Special Assessments - Net	1,764	-	1,764	-	-
Notes	97,788	-	97,788	-	155,396
Accrued Interest	8,888	4,745	13,633	-	16,332
Grants	40,715	2,451	43,166	-	-
Investment in Joint Venture	1,981	-	1,981	-	-
Advances to Other Agencies	4,640	-	4,640	-	-
Internal Balances	(1,649)	1,649	-	-	-
Inventories of Water in Storage	-	36,593	36,593	-	-
Inventories	2,105	541	2,646	19	59
Land Held for Resale	38,267	-	38,267	-	-
Prepaid Expenses	3,012	467	3,479	971	136
Restricted Cash and Investments	483,985	279,666	763,651	-	656
Deferred Charges	19,875	10,468	30,343	-	-
Capital Assets - Non-Depreciable	1,921,836	264,053	2,185,889	-	41,264
Capital Assets - Depreciable	2,413,481	4,370,865	6,784,346	17,177	58,169
TOTAL ASSETS	6,432,068	5,666,733	12,098,801	42,849	368,299

STATEMENT OF NET ASSETS
June 30, 2008
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
LIABILITIES					
Accounts Payable	$ 79,265	$ 47,194	$ 126,459	$ 2,798	$ 3,097
Accrued Wages and Benefits	25,677	13,963	39,640	-	391
Other Accrued Liabilities	175	-	175	1,877	1,664
Interest Accrued on Long-Term Debt	22,660	20,924	43,584	-	161
Long-Term Liabilities Due Within One Year	143,343	344,138	487,481	3,028	1,621
Due to Other Agencies	576	5,468	6,044	-	-
Unearned Revenue	62,785	8,192	70,977	9,601	1,419
Contract Deposits	-	8,108	8,108	-	-
Sundry Trust Liabilities	5,558	-	5,558	-	-
Short-Term Notes Payable	116,000	-	116,000	-	-
Customer Deposits Payable	-	4,331	4,331	-	-
Deposits/Advances from Others	-	275	275	-	1,049
Long-Term Liabilities Due After One Year:					
Arbitrage Liability	-	586	586	-	-
Compensated Absences	42,910	6,698	49,608	-	-
Liability Claims	191,145	44,326	235,471	-	-
Capital Lease Obligations	49,356	-	49,356	1,394	-
Contracts Payable	2,615	-	2,615	-	-
Notes Payable	5,662	150,000	155,662	1,500	29,383
Loans Payable	26,078	90,328	116,406	-	-
Section 108 Loans Payable	33,532	-	33,532	-	-
Net Bonds Payable	1,300,744	1,373,801	2,674,545	-	-
Estimated Landfill Closure and Postclosure Care	-	18,429	18,429	-	-
Net Other Post Employment Benefit Obligation	28,872	8,921	37,793	-	-
Net Pension Obligation	141,734	31,342	173,076	-	-
TOTAL LIABILITIES	2,278,687	2,177,024	4,455,711	20,198	38,785
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	3,518,704	2,933,012	6,451,716	12,476	68,982
Restricted for:					
Capital Projects	314,931	-	314,931	1,625	-
Debt Service	-	2,660	2,660	-	-
Low-Moderate Income Housing	108,026	-	108,026	-	-
Nonexpendable Permanent Endowments	16,757	-	16,757	-	-
Other	124,328	36,776	161,104	-	122,521
Unrestricted	70,635	517,261	587,896	8,550	138,011
TOTAL NET ASSETS	$ 4,153,381	$ 3,489,709	$ 7,643,090	$ 22,651	$ 329,514

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008
(In Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental Activities:				
General Government and Support	$ 322,157	$ 111,714	$ 10,509	$ 957
Public Safety - Police	382,907	40,628	14,269	-
Public Safety - Fire and Life Safety and Homeland Security	204,822	19,156	18,694	-
Parks, Recreation, Culture and Leisure	231,955	64,030	2,659	15,499
Transportation	212,255	21,877	4	45,737
Sanitation and Health	51,772	9,832	7,400	-
Neighborhood Services	91,110	22,748	21,591	16,154
Debt Service:				
Interest	82,211	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	1,579,189	289,985	75,126	78,347
Business-Type Activities:				
Airports	4,109	5,140	-	1,376
City Store	788	744	-	-
Development Services	51,461	45,945	-	-
Environmental Services	37,279	35,485	17	-
Golf Course	11,142	15,153	-	139
Recycling	20,511	23,390	462	-
Sewer Utility	322,552	328,119	134	25,359
Water Utility	321,123	318,626	1,699	31,526
TOTAL BUSINESS-TYPE ACTIVITIES	768,965	772,602	2,312	58,400
TOTAL PRIMARY GOVERNMENT	$ 2,348,154	$ 1,062,587	$ 77,438	$ 136,747
Component Units:				
San Diego Convention Center Corporation	$ 36,331	$ 33,930	$ 4,387	$ 213
San Diego Housing Commission	168,487	20,323	172,109	1,219
TOTAL COMPONENT UNITS	$ 204,818	$ 54,253	$ 176,496	$ 1,432

General Revenues:
Property Taxes
Transient Occupancy Taxes
Other Local Taxes
Developer Contributions and Fees
Grants and Contributions not Restricted to Specific Programs
Sales Taxes
Investment Income
Gain on Sale of Capital Assets
Miscellaneous
Transfers

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET ASSETS

Net Assets at Beginning of Year

NET ASSETS AT END OF YEAR

Net Revenue/(Expense) and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
$ (198,977)	$ -	$ (198,977)	$ -	$ -
(328,010)	-	(328,010)	-	-
(166,972)	-	(166,972)	-	-
(149,767)	-	(149,767)	-	-
(144,637)	-	(144,637)	-	-
(34,540)	-	(34,540)	-	-
(30,617)	-	(30,617)	-	-
(82,211)	-	(82,211)	-	-
(1,135,731)	-	(1,135,731)	-	-
-	2,407	2,407	-	-
-	(44)	(44)	-	-
-	(5,516)	(5,516)	-	-
-	(1,777)	(1,777)	-	-
-	4,150	4,150	-	-
-	3,341	3,341	-	-
-	31,060	31,060	-	-
-	30,728	30,728	-	-
-	64,349	64,349	-	-
(1,135,731)	64,349	(1,071,382)	-	-
-	-	-	2,199	-
-	-	-	-	25,164
-	-	-	2,199	25,164
576,605	-	576,605	-	-
159,348	-	159,348	-	-
151,267	-	151,267	-	-
38,331	-	38,331	-	-
6,251	-	6,251	-	-
269,757	-	269,757	-	-
96,725	41,224	137,949	709	6,858
17,884	-	17,884	-	-
29,570	7,850	37,420	742	-
3,551	(3,551)	-	-	-
1,349,289	45,523	1,394,812	1,451	6,858
213,558	109,872	323,430	3,650	32,022
3,939,823	3,379,837	7,319,660	19,001	297,492
$ 4,153,381	$ 3,489,709	$ 7,643,090	$ 22,651	$ 329,514

The accompanying notes are an integral part of the financial statements.

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	$ 91,439	$ 1,046,844	$ 1,138,283
Receivables:			
Taxes - Net	76,527	10,602	87,129
Accounts - Net of Allowance for Uncollectibles (General Fund $6,656, Other Governmental $993)	11,195	24,799	35,994
Claims - Net	78	28	106
Special Assessments - Net	-	1,764	1,764
Notes	-	97,788	97,788
Accrued Interest	2,395	6,454	8,849
Grants	-	40,715	40,715
From Other Funds	1,600	7,349	8,949
Interfund Loan Receivable	-	34,115	34,115
Advances to Other Funds	-	8,333	8,333
Advances to Other Agencies	9	4,631	4,640
Land Held for Resale	-	38,267	38,267
Prepaid Items	82	565	647
Investment in Joint Venture	1,981	-	1,981
Restricted Cash and Investments	116,383	367,602	483,985
TOTAL ASSETS	$ 301,689	$ 1,689,856	$ 1,991,545
LIABILITIES			
Accounts Payable	$ 8,005	$ 49,720	$ 57,725
Accrued Wages and Benefits	22,265	608	22,873
Other Accrued Liabilities	-	175	175
Due to Other Funds	2,479	11,227	13,706
Due to Other Agencies	-	576	576
Unearned Revenue	784	61,874	62,658
Deferred Revenue	27,375	47,660	75,035
Sundry Trust Liabilities	-	5,558	5,558
Advances from Other Funds	-	8,333	8,333
Interfund Loan Payable	-	37,602	37,602
Short-Term Notes Payable	116,000	-	116,000
TOTAL LIABILITIES	176,908	223,333	400,241

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
FUND EQUITY:			
Fund Balances:			
Reserved for Land Held for Resale	-	38,267	38,267
Reserved for Notes Receivable	-	94,681	94,681
Reserved for Encumbrances	43,853	257,239	301,092
Reserved for Advances	9	12,964	12,973
Reserved for Low and Moderate Income Housing	-	76,285	76,285
Reserved for Permanent Endowments	-	16,757	16,757
Reserved for Debt Service	-	156,029	156,029
Reserved for Minority Interest in Joint Venture	1,981	-	1,981
Unreserved, Reported in General Fund:			
Designated for Unrealized Gains	2,737	-	2,737
Designated for Subsequent Years' Expenditures	862	-	862
Undesignated	75,339	-	75,339
Unreserved, Reported in:			
Special Revenue Funds	-	233,388	233,388
Debt Service Funds	-	221,814	221,814
Capital Projects Funds	-	358,550	358,550
Permanent Funds	-	549	549
TOTAL FUND EQUITY	124,781	1,466,523	1,591,304
TOTAL LIABILITIES AND FUND EQUITY	$ 301,689	$ 1,689,856	

Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	4,225,527
Other assets and liabilities used in governmental activities are not financial resources, and therefore, are either deferred or not reported in the funds.	94,910
Internal Service funds are used by management to charge the costs of activities such as Fleet Services, Print Shop, Self Insurance, and Central Stores to individual funds. The assets and liabilities of certain Internal Service Funds are included in governmental activities in the Statement of Net Assets.	(27,156)
Certain liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	(1,731,204)
Net Assets of governmental activities	$ 4,153,381

The accompanying notes are an integral part of the financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property Taxes	$ 384,273	$ 189,038	$ 573,311
Special Assessments	-	50,274	50,274
Sales Taxes	235,579	35,212	270,791
Transient Occupancy Taxes	83,730	75,618	159,348
Other Local Taxes	71,594	75,305	146,899
Licenses and Permits	33,815	16,878	50,693
Fines, Forfeitures and Penalties	31,083	1,702	32,785
Revenue from Use of Money and Property	44,577	85,005	129,582
Revenue from Federal Agencies	4,086	36,327	40,413
Revenue from Other Agencies	14,236	39,134	53,370
Revenue from Private Sources	-	23,013	23,013
Charges for Current Services	87,263	78,647	165,910
Other Revenue	3,297	27,527	30,824
TOTAL REVENUES	993,533	733,680	1,727,213
EXPENDITURES			
Current:			
General Government and Support	225,570	85,244	310,814
Public Safety - Police	376,050	12,679	388,729
Public Safety - Fire and Life Safety and Homeland Security	186,925	18,735	205,660
Parks, Recreation, Culture and Leisure	119,125	76,683	195,808
Transportation	66,162	69,242	135,404
Sanitation and Health	48,995	4,962	53,957
Neighborhood Services	18,563	69,679	88,242
Capital Projects	-	132,432	132,432
Debt Service:			
Principal Retirement	2,204	57,024	59,228
Interest	5,720	72,413	78,133
Cost of Issuance	-	3,618	3,618
TOTAL EXPENDITURES	1,049,314	602,711	1,652,025
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(55,781)	130,969	75,188
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	5,896	4,477	10,373
Transfers from Other Funds	94,562	359,128	453,690
Transfers to Proprietary Funds	(5,358)	(4,398)	(9,756)
Transfers to Other Funds	(46,470)	(407,220)	(453,690)
Transfers to Escrow Agent	-	(10,676)	(10,676)
Net Loss from Joint Venture	(116)	-	(116)
Proceeds from the Sale of Capital Assets	-	21,783	21,783
Capital Leases	-	14,561	14,561
Loans Issued	-	16,063	16,063
Special Tax Bonds Issued	-	3,950	3,950
Tax Allocation Bonds Issued	-	69,000	69,000
Pooled Financing Bonds Issued	-	34,985	34,985
Premium on Bonds Issued	-	389	389
Discount on Bonds Issued	-	(203)	(203)
TOTAL OTHER FINANCING SOURCES (USES)	48,514	101,839	150,353
NET CHANGE IN FUND BALANCES	(7,267)	232,808	225,541
Fund Balances at Beginning of Year	132,048	1,233,715	1,365,763
FUND BALANCES AT END OF YEAR	$ 124,781	$ 1,466,523	$ 1,591,304

The accompanying notes are an integral part of the financial statements.

City of San Diego
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2008
(In Thousands)

Net change in fund balances - total governmental funds (page 56)	$ 225,541
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	59,360
The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to decrease net assets.	(30,736)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	7,750
The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(62,922)
Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absenses, net pension obligation), and therefore are not accrued as expenses in governmental funds.	(13,282)
Internal Service funds are used by management to charge the costs of activities such as Fleet Services, Publishing Services, Central Stores, Self Insurance, and others to individual funds. The net revenue of certain internal service activities is reported with governmental activities.	27,847
Change in net assets of governmental activities (page 53)	$ 213,558

The accompanying notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2008
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current Assets:					
Cash and Investments	$ 291,240	$ 212,932	$ 107,658	$ 611,830	$ 134,104
Receivables:					
Accounts - Net of Allowance for Uncollectibles (Sewer $970, Water $990, Other Enterprise $251, Internal Service $1,010)	37,627	43,854	864	82,345	415
Claims - Net	-	-	-	-	11
Contributions	-	-	-	-	398
Accrued Interest	1,637	2,040	1,068	4,745	39
Grants	-	1,572	879	2,451	-
From Other Funds	-	-	4,073	4,073	6,710
Inventories of Water in Storage	-	36,593	-	36,593	-
Inventories	-	463	78	541	2,105
Prepaid Expenses	8	446	12	466	2,366
Total Current Assets	330,512	297,900	114,632	743,044	146,148
Non-Current Assets:					
Restricted Cash and Investments	46,839	196,304	36,523	279,666	-
Deferred Charges	5,953	4,515	-	10,468	-
Interfund Loan Receivable	3,487	-	-	3,487	-
Capital Assets - Non-Depreciable	107,309	134,738	22,006	264,053	1,984
Capital Assets - Depreciable	2,722,478	1,584,365	63,814	4,370,657	108,014
Total Non-Current Assets	2,886,066	1,919,922	122,343	4,928,331	109,998
TOTAL ASSETS	3,216,578	2,217,822	236,975	5,671,375	256,146
LIABILITIES					
Current Liabilities:					
Accounts Payable	7,650	37,556	1,944	47,150	21,584
Accrued Wages and Benefits	9,734	1,817	1,983	13,534	3,233
Interest Accrued on Long-Term Debt	7,679	13,236	9	20,924	344
Long-Term Debt Due Within One Year	264,772	76,962	2,404	344,138	51,866
Due to Other Funds	1,206	1,242	281	2,729	3,297
Due to Other Agencies	2,897	2,571	-	5,468	-
Unearned Revenue	-	1,143	7,049	8,192	127
Contract Deposits	3,314	4,519	275	8,108	-
Current Liabilities Payable from Restricted Assets:					
Customer Deposits Payable	-	4,331	-	4,331	-
Total Current Liabilities	297,252	143,377	13,945	454,574	80,451
Non-Current Liabilities:					
Deposits/Advances from Others	250	-	25	275	-
Arbitrage Liability	157	429	-	586	-
Compensated Absences	2,422	2,027	2,249	6,698	4,270
Liability Claims	38,792	5,534	-	44,326	178,155
Capital Lease Obligations	-	-	-	-	18,842
Loans Payable	71,838	18,490	-	90,328	-
Notes Payable	-	150,000	-	150,000	-
Net Revenue Bonds Payable	852,291	521,510	-	1,373,801	-
Estimated Landfill Closure and Postclosure Care	-	-	18,429	18,429	-
Net Other Post Employment Benefit Obligation	3,038	2,659	2,621	8,318	1,741
Net Pension Obligation	10,559	8,276	10,014	28,849	5,325
Total Non-Current Liabilities	979,347	708,925	33,338	1,721,610	208,333
TOTAL LIABILITIES	1,276,599	852,302	47,283	2,176,184	288,784
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,695,766	1,151,511	85,527	2,932,804	84,545
Restricted for Debt Service	496	2,164	-	2,660	-
Restricted for Closure/Postclosure Maintenance	-	-	36,776	36,776	-
Unrestricted	243,717	211,845	67,389	522,951	(117,183)
TOTAL NET ASSETS	$ 1,939,979	$ 1,365,520	$ 189,692	3,495,191	$ (32,638)
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				(5,482)	
Net assets of Business-Type activities				$ 3,489,709	

The accompanying notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES					
Sales of Water	$ -	$ 297,225	$ -	$ 297,225	$ -
Charges for Services	325,048	33	68,856	393,937	181,516
Revenue from Use of Property	-	6,115	-	6,115	-
Usage Fees	-	1,235	54,758	55,993	74,772
Other	3,071	14,018	2,243	19,332	1,462
TOTAL OPERATING REVENUES	328,119	318,626	125,857	772,602	257,750
OPERATING EXPENSES					
Benefit and Claim Payments	-	-	-	-	67,085
Maintenance and Operations	110,492	100,360	86,679	297,531	64,247
Cost of Materials Issued	-	-	295	295	32,453
Cost of Purchased Water Used	-	121,186	-	121,186	-
Taxes	-	162	-	162	-
Administration	91,158	36,722	33,974	161,854	65,492
Depreciation	71,138	29,870	5,471	106,479	16,685
TOTAL OPERATING EXPENSES	272,788	288,300	126,419	687,507	245,962
OPERATING INCOME (LOSS)	55,331	30,326	(562)	85,095	11,788
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments	17,757	15,536	7,915	41,208	6,367
Federal Grant Assistance	134	1,427	-	1,561	-
Other Agency Grant Assistance	-	272	479	751	-
Loss on Sale/Retirement of Capital Assets	(2,057)	(3,494)	(121)	(5,672)	(3,933)
Debt Service Interest Expense	(48,571)	(29,919)	(30)	(78,520)	(884)
Other	4,524	980	2,342	7,846	45
TOTAL NONOPERATING REVENUES (EXPENSES)	(28,213)	(15,198)	10,585	(32,826)	1,595
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	27,118	15,128	10,023	52,269	13,383
Capital Contributions	25,359	31,526	1,515	58,400	161
Transfers from Other Funds	714	578	349	1,641	1,364
Transfers from Governmental Funds	9	3,867	1,377	5,253	28,895
Transfers to Other Funds	(1,214)	(93)	(237)	(1,544)	(1,461)
Transfers to Governmental Funds	(5,585)	(834)	(2,309)	(8,728)	(11,914)
CHANGE IN NET ASSETS	46,401	50,172	10,718	107,291	30,428
Net Assets at Beginning of Year	1,893,578	1,315,348	178,974		(63,066)
NET ASSETS AT END OF YEAR	$ 1,939,979	$ 1,365,520	$ 189,692		$ (32,638)
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				2,581	
Change in net assets of Business-Type activities				$ 109,872	

The accompanying notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	$ 325,929	$ 245,713	$ 106,944	$ 678,586	$ 231,971
Receipts from Interfund Services Provided	4,319	71,825	21,403	97,547	22,309
Payments to Suppliers	(122,083)	(241,216)	(39,744)	(403,043)	(109,153)
Payments to Employees	(62,202)	(4,205)	(70,793)	(137,200)	(105,554)
Payments for Interfund Services Used	(16,948)	(13,779)	(7,749)	(38,476)	(1,403)
NET CASH PROVIDED BY OPERATING ACTIVITIES	129,015	58,338	10,061	197,414	38,170
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	714	398	349	1,461	1,304
Transfers from Governmental Funds	7	716	1,368	2,091	7,664
Transfers to Other Funds	(1,034)	(93)	(237)	(1,364)	(1,401)
Transfers to Governmental Funds	(1,746)	(833)	(2,144)	(4,723)	(11,915)
Operating Grants Received	160	1,329	366	1,855	-
Proceeds from Advances and Deposits	250	67	-	317	-
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(1,649)	1,584	(298)	(363)	(4,348)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Contracts, Notes and Loans	-	149,726	-	149,726	23,385
Proceeds from Capital Contributions	11,861	12,372	1,465	25,698	-
Acquisition of Capital Assets	(43,278)	(60,959)	(9,325)	(113,562)	(38,225)
Proceeds from the Sale of Capital Assets	-	585	-	585	2,591
Principal Payments on Capital Leases	-	-	(840)	(840)	(5,467)
Principal Payments on Contracts, Notes and Loans	(4,569)	(831)	-	(5,400)	-
Principal Payments on Revenue Bonds	(30,250)	(13,365)	-	(43,615)	-
Interest Paid on Long-Term Debt	(48,302)	(28,097)	(39)	(76,438)	(624)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(114,538)	59,431	(8,739)	(63,846)	(18,340)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales of Investments	549,686	925,754	-	1,475,440	-
Purchases of Investments	(495,356)	(1,045,017)	-	(1,540,373)	-
Interest Received on Investments	18,853	15,787	8,371	43,011	6,403
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	73,183	(103,476)	8,371	(21,922)	6,403
Net Increase in Cash and Cash Equivalents	86,011	15,877	9,395	111,283	21,885
Cash and Cash Equivalents at Beginning of Year	205,229	225,338	134,786	565,353	112,219
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 291,240	$ 241,215	$ 144,181	$ 676,636	$ 134,104
Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Assets:					
Cash and Investments	$ 291,240	$ 212,932	$ 107,658	$ 611,830	$ 134,104
Restricted Cash & Investments	46,839	196,304	36,523	279,666	-
Less Investments not meeting the definition of cash equivalents	(46,839)	(168,021)	-	(214,860)	-
Total Cash and Cash Equivalents at End of Year	$ 291,240	$ 241,215	$ 144,181	$ 676,636	$ 134,104
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:					
Operating Income (Loss)	$ 55,331	$ 30,326	$ (562)	$ 85,095	$ 11,788
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:					
Depreciation	71,138	29,870	5,471	106,479	16,685
Changes in Assets and Liabilities:					
(Increase) Decrease in Receivables:					
Accounts - Net	(1,881)	(1,157)	24	(3,014)	(391)
Claims - Net	-	-	-	-	(1)
Contributions	-	-	-	-	(148)
From Other Funds	-	-	(747)	(747)	-
(Increase) Decrease in Inventories	-	(9,086)	35	(9,051)	(24)
(Increase) Decrease in Prepaid Expenses	(7)	291	1	285	230
Increase (Decrease) in Accounts Payable	(725)	6,788	298	6,361	2,741
Increase (Decrease) in Accrued Wages and Benefits	5,633	(108)	(215)	5,310	949
Increase (Decrease) in Due to Other Funds	1,206	1,242	(362)	2,086	464
Increase (Decrease) in Due to Other Agencies	(2,614)	(1,931)	-	(4,545)	-
Increase (Decrease) in Unearned Revenue	-	139	281	420	44
Increase (Decrease) in Contract Deposits	(514)	(1,050)	749	(815)	-
Increase (Decrease) in Arbitrage Liability	126	236	-	362	-
Increase (Decrease) in Compensated Absences	(333)	(210)	122	(421)	(933)
Increase (Decrease) in Liability Claims	(4,178)	862	-	(3,316)	5,961
Increase (Decrease) in Estimated Landfill Closure and Postclosure Care	-	-	1,494	1,494	-
Increase (Decrease) in Net OPEB Obligation	3,038	2,659	2,621	8,318	1,741
Increase (Decrease) in Net Pension Obligation	(1,729)	(1,513)	(1,491)	(4,733)	(981)
Other Nonoperating Revenue (Expenses)	4,524	980	2,342	7,846	45
Total Adjustments	73,684	28,012	10,623	112,319	26,382
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 129,015	$ 58,338	$ 10,061	$ 197,414	$ 38,170
Noncash Investing, Capital, and Financing Activites:					
Developer Contributed Assets	$ 13,498	$ 19,154	$ -	$ 32,652	$ -
Increase (Decrease) in Capital Assets related Accounts Payable	(2,425)	642	(1,190)	(2,973)	6,086
Noncash Retirement of Capital Assets	(2,057)	(4,079)	(121)	(6,257)	(3,942)
Contributions of Capital Assets from Governmental Activities	2	3,151	9	3,162	21,231

The accompanying notes are an integral part of the financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2008
(In Thousands)

	Pension & Employee Savings Trust	Investment Trust	Agency
ASSETS			
Cash or Equity in Pooled Cash and Investments	$ 6,145	$ 4,404	$ 28,904
Cash with Custodian/Fiscal Agent	501,511	-	-
Investments at Fair Value:			
Short Term Investments	42,268	-	-
Domestic Fixed Income Securities (Bonds)	998,630	-	-
International Fixed Income Securities (Bonds)	183,122	-	-
Domestic Equity Securities (Stocks)	1,780,841	-	-
International Equity Securities (Stocks)	819,511	-	-
Real Estate Equity and Real Estate Securities	487,530	-	-
Defined Contribution Investments	735,099	-	-
Receivables:			
Accounts - Net	-	-	91
Contributions	19,657	-	-
Accrued Interest	16,812	22	19
Loans	31,900	-	-
Securities Sold	100,068	-	-
Prepaid Expenses	16	-	-
Securities Lending Collateral	674,085	-	-
Restricted Cash and Investments	-	-	3,287
Capital Assets - Depreciable	523	-	-
TOTAL ASSETS	6,397,718	4,426	$ 32,301
LIABILITIES			
Accounts Payable	6,057	-	$ 647
Accrued Wages and Benefits	705	-	-
Deposits/Advances from Others	-	-	12,730
Sundry Trust Liabilities	-	-	18,924
DROP Liability	311,756	-	-
Net Pension Obligation	776	-	-
Securities Lending Obligations	674,085	-	-
Securities Purchased	249,510	-	-
TOTAL LIABILITIES	1,242,889	-	$ 32,301
NET ASSETS			
Held in Trust for Pension Benefits and Other Purposes	$ 5,154,829	$ 4,426	

The accompanying notes are an integral part of the financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2008
(In Thousands)

	Pension & Employee Savings Trust	Investment Trust	Total
ADDITIONS			
Employer Contributions	$ 237,840	$ -	$ 237,840
Employee Contributions	104,495	-	104,495
Retiree Contributions	6,661	-	6,661
Contributions to Pooled Investments	-	7,184	7,184
Earnings on Investments:			
Investment Income (Loss)	(242,094)	129	(241,965)
Investment Expense	(23,975)	-	(23,975)
Net Investment Income	(266,069)	129	(265,940)
Securities Lending Income:			
Gross Earnings	37,350	-	37,350
Borrower Rebates	(30,130)	-	(30,130)
Administrative Expenses (Lending Agent)	(1,895)	-	(1,895)
Net Securities Lending Income	5,325	-	5,325
Other Income:			
Litigation Proceeds	335	-	335
TOTAL OPERATING ADDITIONS	88,587	7,313	95,900
DEDUCTIONS			
DROP Interest Expense	23,050	-	23,050
Benefit and Claim Payments	359,356	-	359,356
Distributions from Pooled Investments	-	5,249	5,249
Administration	15,788	-	15,788
TOTAL OPERATING DEDUCTIONS	398,194	5,249	403,443
CHANGE IN NET ASSETS	(309,607)	2,064	(307,543)
Net Assets at Beginning of Year	5,464,436	2,362	5,466,798
NET ASSETS AT END OF YEAR	$ 5,154,829	$ 4,426	$ 5,159,255

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (In Thousands)

The City of San Diego (the "City") adopted its current charter on April 7, 1931 and operates as a municipality in accordance with State laws. Since adoption, the City Charter has been amended several times. The most recent amendments were added with voter approval of Propositions A, B and C during the June 3, 2008 election and Propositions C and D in the November 4, 2008 election. Some of the amendments, which were effective as of the issuance of this report, include a more clear separation of the City's internal auditing function from supervision of the Manager (Mayor) by creating the new office of the City Auditor, which is supervised by a restructured Audit Committee. The Audit Committee consists of two Councilmembers, one being chair, and three public members. The public members must have at least 10 years of professional auditing or accounting experience, and are appointed by the Council. Prop C (June 3, 2008 election) also provides that the Manager (Mayor) will appoint, with Council confirmation, the CFO who will assume the City's accounting responsibilities and oversee the City Treasurer. The measure also made the Office of the IBA permanent, which would otherwise have expired if the strong-mayor form of government does not get approved permanently in the year 2010.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The following is a summary of the City's significant accounting policies:

a. Financial Reporting Entity

As required by GAAP, these financial statements present the primary government and its component units, entities for which the primary government is considered to be financially accountable.

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and as a result, data from these units are combined with data of the primary government (references within this document to "the City" are referring to the primary government). Component units should be included in the reporting entity financial statements using the blending method if either of the following criteria is met:

i. The component unit's governing body is substantively the same as the governing body of the primary government (the City).

ii. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it.

Included within the reporting entity as blended component units are the following:

- Centre City Development Corporation
- City of San Diego/Metropolitan Transit Development Board Authority
- Community Facilities and Other Special Assessment Districts
- Convention Center Expansion Financing Authority
- Public Facilities Financing Authority
- Redevelopment Agency of the City of San Diego
- San Diego Data Processing Corporation
- San Diego Facilities and Equipment Leasing Corporation
- San Diego Industrial Development Authority

- San Diego Open Space Park Facilities District #1
- Southeastern Economic Development Corporation
- San Diego City Employees' Retirement System
- Tobacco Settlement Revenue Funding Corporation
- Tourism Marketing District

A brief description of each blended component unit follows:

- Centre City Development Corporation, Inc. (CCDC) is a not-for-profit public benefit corporation established in 1975 to administer certain redevelopment projects in downtown San Diego and to provide redevelopment advisory services to the Redevelopment Agency of the City of San Diego. CCDC's budget and governing board are approved by the City Council and services are provided exclusively to the primary government. CCDC is reported as a governmental fund. Financial statements can be requested from Centre City Development Corporation, 225 Broadway, Suite 1100, San Diego, California 92101.

- The City of San Diego/Metropolitan Transit Development Board Authority (MTDB Authority) is a financing authority which was established in 1988 and acquires and constructs mass transit guide ways, public transit systems, and related transportation facilities primarily benefiting the residents of the City of San Diego. The City appoints two Council members to the governing board and the MTDB appoints one. The MTDB Authority primarily provides services to the primary government. The MTDB Authority is reported as a governmental fund. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.

- The City maintains various Community Facilities, Maintenance Assessment and Business Improvement Districts to pay for the construction, maintenance and improvement of community facilities and infrastructure. The governing body of Special Assessment Districts and Community Facilities Districts (special districts) is the City Council. Among its duties, it approves the budgets of special districts, parcel fees, special assessments, and special taxes. The special districts are reported in governmental fund types.

- The Convention Center Expansion Financing Authority (CCEFA) was established in 1996 to acquire and construct the expansion to the existing convention center. During the period reported, the governing board was administered by the Mayor, the Port of San Diego Director, and a member of the Board of Commissioners for the Port of San Diego. The CCEFA provides services which primarily benefit the primary government. CCEFA is reported as a governmental fund. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.

- The Public Facilities Financing Authority (PFFA) was established in 1991 and currently acquires and constructs public capital improvements. PFFA is governed by a five member board appointed by the primary government. PFFA provides services exclusively to the primary government. Financing for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.

- The Redevelopment Agency of the City of San Diego (RDA) was established in 1958 in order to provide a method for revitalizing deteriorating and blighted areas of the City and began functioning in 1969 under the authority granted by the community redevelopment law. The City Council is the governing board and the RDA is reported as a governmental fund. Complete stand-alone financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.

- San Diego Data Processing Corporation (SDDPC) was formed in 1979 as a not-for-profit public benefit corporation for the purpose of providing data processing services. SDDPC's budget and governing board are approved by the City Council. SDDPC provides services almost exclusively to the primary government. SDDPC is reported as an Internal Service Fund. Financial statements can be requested from San Diego Data Processing Corporation, 5975 Santa Fe Street, San Diego, California 92109.

- The San Diego Facilities and Equipment Leasing Corporation (SDFELC) is a not-for-profit public benefit corporation established in 1987 for the purpose of acquiring and leasing to the City real and personal property to be used in the municipal operations of the City. The City Council appoints two of the three members of the governing board and services are exclusively to the primary government. Financing for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.

- The San Diego Industrial Development Authority (SDIDA) was established in 1983 by the City for the purpose of providing an alternate method of financing to participating parties for economic development purposes. The City Council is the governing board. SDIDA is reported as a governmental fund. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.

- The San Diego Open Space Park Facilities District #1 (SDOSPFD) was established in 1978 by the City for the purpose of acquiring open space properties to implement the Open Space Element of the City's General Plan. The boundaries are contiguous with those of the City. The City Council is the governing board. SDOSPFD is reported as a governmental fund. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California 92101.

- Southeastern Economic Development Corporation (SEDC) is a not-for-profit public benefit corporation organized in 1980 by the City to administer certain redevelopment projects in southeast San Diego and to provide redevelopment advisory services to RDA. SEDC's budget and governing board are approved by the City Council and services are provided either to the City or on behalf of the City. SEDC is reported as a governmental fund. Financial statements can be requested from the Southeastern Economic Development Corporation, 995 Gateway Center Way, Suite 300, San Diego, California 92102.

- San Diego City Employees' Retirement System (SDCERS) was established in 1927 by the City and administers retirement, post employment healthcare, disability, and death benefits. Currently, SDCERS also administers the Port of San Diego and the San Diego County Regional Airport Authority defined benefit plans.

  SDCERS is a legally separate, blended component unit of the City of San Diego. It is managed by a Board of Administration, the majority of which is appointed by the City of San Diego, and a Pension Administrator who does not report to, or work under the direction of the elected officials or appointed managers of the City of San Diego. SDCERS provides services almost exclusively to the primary government. Additionally, during the period reported, SDCERS utilized legal counsel independent of the City of San Diego. As such, the City does not maintain direct operational oversight of SDCERS or its financial reports.

  SDCERS is reported as a pension and employee savings trust fund. Complete stand-alone financial statements can be requested from the San Diego City Employees' Retirement System, 401 West A Street, Suite 400, San Diego, California 92101.

- The Tobacco Settlement Revenue Funding Corporation (TSRFC) is a not-for-profit public benefit corporation established in 2006 for the purpose of acquiring the Tobacco Settlement Revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. TSRFC is governed by the Board of Directors which consists of two officials of the City and one independent director. The independent director shall be appointed by the Mayor or the remaining directors. TSRFC is reported as a governmental fund. Financial statements can be requested from the Office of the City Comptroller, 202 C Street, San Diego, California, 92101.

- The Tourism Marketing District (TMD) is an assessment district created, in fiscal year 2008, by the City on behalf of larger hotel and motel operators within the City. The TMD provides for tourism development, including coordinated joint marketing and promotion of San Diego, in order to maintain and expand the tourism industry. The TMD procedural ordinance establishes a method by which benefited businesses may be assessed for the cost of activities associated with tourism development within their respective area. The governing body of the TMD is the City Council. Among its duties, it will initiate proceedings to establish a district upon submission of a written petition, signed by the business owners in the proposed district who will pay more than 50 percent of the assessments proposed to be levied, and will approve the district management plan which includes an annual budget, frequency for levying assessments, and number of years assessments will be levied. The TMD is reported as a governmental fund.

Discretely presented component units, which are also legally separate entities, have financial data reported in a separate column from the financial data of the primary government to demonstrate they are financially and legally separate from the primary government.

There are two entities which are discretely presented component units:

- San Diego Convention Center Corporation (SDCCC)

  SDCCC is a not-for-profit public benefit corporation originally organized to market, operate and maintain the San Diego Convention Center. On August 1, 1993, SDCCC assumed similar responsibility for the Civic Theatre. The City is the sole member of SDCCC and acts through the San Diego City Council in accordance with the City Charter and the City's Municipal Code. The City appoints seven voting members out of the nine-member Board of Directors of SDCCC. The City is liable for any operating deficits and would be secondarily liable for any debt issuances of SDCCC. SDCCC is discretely presented because it provides services directly to the citizens. Complete stand-alone financial statements can be requested from San Diego Convention Center Corporation, 111 West Harbor Drive, San Diego, California 92101.

- San Diego Housing Commission (SDHC)

  SDHC is a government agency which was formed by the City under Ordinance No. 2515 on December 5, 1978 in accordance with the Housing Authority Law of the State of California. SDHC primarily serves low-income families by providing rental assistance payments, rental housing, loans and grants to individuals and not-for-profit organizations and other services. Members of the Board of Commissioners are appointed by the Mayor and confirmed by the City Council. SDHC is discretely presented because it provides services directly to the citizens. Complete stand-alone financial statements can be requested from San Diego Housing Commission, 1122 Broadway, Suite 300, San Diego, California 92101.

Each blended and discretely presented component unit has a June 30 fiscal year-end.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported discretely from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable as to a specific function or segment. Direct expenses reported include administrative and overhead charges. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues and contributions.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, the latter of which are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The business-type activities and proprietary funds financial statements apply all effective pronouncements of the Governmental Accounting Standards Board (“GASB”). In addition, these statements apply all Accounting Principles Board Opinions (“APBO”) and Financial Accounting Standards Board (“FASB”) Statements and Interpretations issued on or before November 30, 1989, except those that conflict with GASB pronouncements. The City has elected not to apply all FASB Statements and Interpretations issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government’s water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

All internal service funds, except for the Special Engineering Fund, have been included within governmental activities in the government-wide financial statements since they predominantly benefit governmental functions. The Special Engineering Fund, which services exclusively water and sewer activities, has been included within business-type activities in the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. General revenues include all taxes and investment income.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Revenues which are considered susceptible to accrual include: real and personal property taxes; other local taxes; franchise fees; fines, forfeitures and penalties; motor vehicle license fees; rents and concessions; interest; and state and federal grants and subventions, provided they are received within 60 days from the end of the fiscal year.

Licenses and permits, including parking citations and miscellaneous revenues are recorded as revenues when received in cash because they generally are not measurable until actually received.

Expenditures are recognized when the related fund liability is incurred except for (1) principal and interest of general long-term debt which are recognized when due; and (2) employee annual leave and claims and judgments from litigation which are recorded in the period due and payable since such amounts will not currently be liquidated with expendable available financial resources.

The governmental funds financial statements do not present long-term debt, but the related debt is shown in the reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets. Bond premiums, discounts and issuance costs are recognized during the current period.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units, and include pension and employee savings trust, investment trust, and agency funds. Pension and Employee Savings Trust Funds are reported using the same measurement focus and basis of accounting as Proprietary Funds. Agency funds are reported using the accrual basis of accounting.

The following is the City's major governmental fund:

General Fund - The General Fund is the principal operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The following are the City's major Enterprise Funds:

Sewer Utility Fund - The sewer utility fund is used to account for the operation, maintenance and development of the City's sewer system. The City's sewer utility fund includes activities related to the performance of services for Participating Agencies.

Water Utility Fund - The water utility fund is used to account for operating and maintenance costs, replacements, betterments, expansion of facilities, and payments necessary in obtaining water from the Colorado River and the State Water Project.

The following are the City's other fund types:

Internal Service Funds - These funds account for vehicle and transportation, printing, engineering, data processing, and storeroom services provided to City departments on a cost-reimbursement basis. Internal service funds also account for self-insurance activities, including workers' compensation and long-term disability programs, which derive revenues from rates charged to benefiting departments. This fund type also accounts for the public liability reserve, which was established for the purpose of paying liability claims.

Pension and Employee Savings Trust Funds - These funds account for the San Diego City Employees' Retirement System, the Supplemental Pension Savings Plan (SPSP), and the 401(k) Plan.

Investment Trust Fund - This fund was established to account for equity that legally separate entities have in the City Treasurer's investment pool. The Automated Regional Justice Information System (ARJIS), the San Diego Graphic Information Source (SanGIS), and the Abandoned Vehicle Abatement (AVA) are all legally separate entities which have cash invested in the City Treasurer's investment pool.

Agency Funds - These funds account for assets held by the City as an agent for individuals, private organizations, and other governments, including federal and state income taxes withheld from employees, parking citation revenues, and certain employee benefit plans.

d. Property Taxes

The County of San Diego (the "County") assesses, bills, and collects property taxes on behalf of numerous special districts and incorporated cities, including the City of San Diego. The City's collections of the current year's taxes are received through periodic apportionments from the County.

The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Since the passage of California's Proposition 13, beginning with fiscal year ended 1979, general property taxes are based either on a flat 1% rate applied to the 1975-76 full value of the property or on 1% of the sales price of any property sold or of the cost of any new construction after the 1975-76 valuation. Taxable values of properties (exclusive of increases related to sales and new construction) can increase by a maximum of 2% per year. The Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13).

At the government-wide level, property tax revenue is recognized in the fiscal year for which the taxes have been levied. Property taxes received after the fiscal year in which they were levied are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are recorded as deferred revenue in the governmental funds. The City provides an allowance for uncollected property taxes of 3% of the outstanding balance which reflects historical collections.

Property owners can appeal the assessment value of their property to the County Assessment Appeals Board. If successful, the County Assessor may reduce the taxable value of a property and/or provide a refund to affected property owners. Reductions of taxable property value within the City of San Diego will have a negative impact on future tax collections until assessed valuations increase.

e. Cash and Investments

The City's cash and cash equivalents for Statement of Cash Flows purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held by the City Treasurer in a cash management investment pool and reported at market value. Cash equivalents reported in the Statement of Cash Flows for the Water and Sewer Utilities do not include restricted investments represented as Restricted Cash and Investments with a maturity date greater than ninety days.

The City's cash resources are combined to form a cash and investment pool managed by the City Treasurer (the pool). The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it a 2a7–like pool. The investment activities of the Treasurer in managing the pool are governed by California Government Code § 53601 and the City's Investment Policy, which is reviewed by the Investment Advisory Committee and approved annually by the City Council. Interest earned on pooled investments is allocated to participating funds and entities based upon their average daily cash balance during the allocation month. Fair market value adjustments to the pool are recorded annually; however, the City Treasury reports on market values monthly. The value of the shares in the pool approximates the fair market value of the pool.

The pool participates in the California State Treasurer's Local Agency Investment Fund (LAIF). Investments in LAIF are governed by State statutes and overseen by a five member Local Investment Advisory Board. The fair value of the City's position in LAIF may be greater or less than the value of the shares. Investments in LAIF are valued in these financial statements using a fair value factor provided by LAIF applied to the value of the City's shares in the investment pool.

It has been the City's policy to allow the General Fund to receive interest earned by certain governmental funds, internal service funds and agency funds, unless otherwise expressly stated in the resolutions creating individual funds. During the fiscal year ended June 30, 2008, approximately $9,236 interest was assigned from various funds to the General Fund. These transactions caused an increase to the "transfers from other funds" amount for the General Fund and caused a like increase to the "transfer to other funds" amount for the fund disbursing the interest. In the case of negative interest, these transactions caused an increase to the "transfers from other funds" amount for the fund transferring the negative interest and caused a like increase to the "transfer to other funds" amount for the General Fund.

Certain governmental funds maintain investments outside of the City's investment pool. These funds are supervised and controlled by a five member Funds Commission which is appointed by the Mayor and confirmed by the City Council. The Funds Commission engages money managers to direct the investments of these funds. Additionally, the City and its component units maintain individual accounts pursuant to bond issuances and major construction contracts which may or may not be related to debt issuances. The investment of these funds is governed by the policies set forth in individual indenture and trustee agreements. Certain component units of the City also participate in LAIF separately from the City Treasurer's investment pool.

All City investments are reported at fair value in accordance with the GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools.* Note 3 of the notes to the financial statements contain additional information on permissible investments per the City investment policy and other policies applicable to the cash and investments reported herein.

The discharge of fiduciary duties by SDCERS' Board is governed by Section 144 of the City Charter and Article XVI, Section 17 of the California State Constitution. Investment decisions are made on a risk versus return basis in a total portfolio context. SDCERS' Board has the authority to delegate investment management duties to outside advisors, to seek the advice of outside investment counsel, and to provide oversight and monitoring of the investment managers it hires. Furthermore, under the California State Constitution and other relevant authorities, SDCERS' Board may, at its discretion, and when prudent in the informed opinion of the Board, invest funds in any form or type of investment, financial instrument, or financial transaction, unless otherwise limited by the San Diego City Council. SDCERS' agents, in SDCERS' name, manage all investments.

SDCERS' investments are reported at fair value in the accompanying Statement of Fiduciary Net Assets. SDCERS' custodian, State Street Bank & Trust Company, provides the market values of exchange traded assets. In the case of debt securities acquired through private placements, SDCERS' contract investment advisors compute fair value based on market yields and average maturity dates of comparable quoted securities. Short-term investments are reported at cost or amortized cost, which approximates fair value. Real estate equity investment fair values are based on either annual valuation estimates provided by SDCERS' contract real estate advisors or by independent certified appraisers. Fair value of investments in commingled funds of publicly traded securities are based on the funds' underlying asset values determined from published market prices and quotations from major investment firms.

f. Inventories

Inventories reported in the government-wide financial statements and the proprietary funds financial statements, which consist of water in storage and supplies, are valued at the lower of cost or market. Such inventories are expensed when consumed using primarily the first-in, first-out (FIFO) and weighted-average methods, respectively. Inventory supplies of governmental funds are recorded as expenditures when purchased.

g. Land Held for Resale

Land Held for Resale, purchased by RDA, is reported in the government-wide and fund financial statements at the lower of cost or net realizable value.

h. Deferred Charges

In the government-wide and proprietary funds financial statements, Deferred Charges represent the unamortized portion of bond issuance costs. These costs will be amortized over the life of the related bonds using a method which approximates the effective yield method.

i. Capital Assets

Non-depreciable Capital Assets, which include land and construction-in-progress, are reported in the applicable governmental or business-type activities column in the government-wide financial statements, as well as in the Proprietary Fund's financial statements.

Depreciable Capital Assets, which include structures and improvements, equipment, distribution and collection systems, and infrastructure, are reported net of accumulated depreciation in the applicable governmental or business-type activities column in the government-wide financial statements, as well as in the Proprietary Fund's financial statements. To meet the criteria for capitalization, an asset must have a useful life in excess of one year and in the case of equipment outlay, must equal or exceed a capitalization threshold of five thousand dollars. All other capital assets such as land, structures, infrastructure, and distribution and collection systems are capitalized regardless of cost. Subsequent improvements are capitalized to the extent that they extend the initial estimated useful life of the capitalized asset, or improve the efficiency or capacity of that asset. Costs for routine maintenance are expensed as incurred. Interest expense incurred during the construction phase of business-type capital assets are reflected in the capitalized value of the asset constructed. During fiscal year 2008, $12,955 of interest expense incurred was capitalized, which is calculated net of related interest revenue of $3,504.

Capital assets, when purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value on the date of donation. Depreciation of capital assets is computed using the straight-line method over the estimated useful life of the asset as follows:

Assets	Years
Structures and Improvements	
Buildings	40 - 50
Building Improvements	15 - 40
Equipment	
Automobiles and Light Trucks	5 - 10
Construction and Maintenance Vehicles	5 - 20
General Machinery and Office Equipment	3 - 30
Distribution and Collection Systems	
Sewer Pipes and Water Mains	15 - 150
Reservoirs	100 - 150
Infrastructure	
Pavement and Traffic Signals	12 - 50
Bridges	75
Hardscape	20 - 50
Flood Control Assets	40 - 75

j. Disposition and Development Agreements

RDA and McMillin-NTC, LLC entered into a Disposition and Development Agreement (DDA), dated June 26, 2000, and a Third Implementation Agreement, dated May 6, 2003, which were executed for the purpose of effectuating the Redevelopment Plan at the Naval Training Center Redevelopment Project, in addition to constructing and installing additional infrastructure improvements as required by the City. The developer has agreed to advance the funds needed to pay for infrastructure costs. RDA has consistently reimbursed McMillin-NTC, LLC for eligible costs as they are billed, therefore, this agreement is not treated as a loan, and instead expenditures are recognized as payments are made to the developer and a corresponding capital asset is recorded in the government-wide financial statements.

On March 30, 2004 RDA entered into a DDA with Western Pacific Housing for a condominium development project in the North Park Redevelopment Project Area. Under the agreement, RDA promised to pay the maximum aggregate principal amount of $3,000, of which $2,100 represents the Affordability component of RDA's Payment Obligation, and $900 represents the Public Improvement component. The Affordability component is subject to an adjustment based on the actual project sales revenue proceeds received by the Developer. This adjustment amount cannot be computed until all 45 affordable units are sold. The principal amount outstanding bears simple interest at a rate equal to 5% per annum. Solely for the purposes of calculating the amount of interest payable, the developer shall be deemed to have paid an amount equal to 25% of RDA's Payment Obligation as of the date which is 195 days after closing of escrow, 50% as of the date which is 390 days after closing of escrow, 75% as of the date which is 585 days after closing of escrow, and 100% at the completion date, which is the date on which the release of construction covenants under the agreement have been recorded in the official records of the San Diego County. For purposes of calculating the amount of interest payable, the principal amounts stated above will be reduced by a 10% per annum applied on a pro rata basis for the period of time the Developer is not in compliance with the schedule of performance dates stated in the agreement for commencement and completion of construction. All payments shall be made from the site-generated property tax increment. To date, only the $900, representing the Public Improvement component of RDA's Payment Obligation, has been recognized as a liability since the remaining $2,100, representing the Affordability component of RDA's Payment Obligation, is subject to adjustment upon final sales of all 45 affordable units. As of the issuance of this report, there are two remaining units to be sold.

On April 4, 2004, RDA approved a DDA for the development and construction of a 12-story, mixed-use commercial building. RDA was responsible for the purchase of a 5,000 square feet parcel for the proposed site. The developer paid a purchase price for the acquisition parcel equal to the sum of all acquisition and relocation costs. The property was conveyed to the developer in the current fiscal year. Because the developer advances were recognized as revenue at the time the property was acquired in prior fiscal years, no additional revenue was recognized for the disposition of the property, resulting in a loss to RDA equal to the book value of the land in the current fiscal year.

On July 21, 2003, RDA entered into a DDA with Citymark Farenheit LLC ("Developer"). Pursuant to the DDA, RDA sold a property to the developer for a purchase price of $3,500 and a contingent portion for the sale of each of the for-sale market-rate residential units developed on the property. Proceeds from the sale of the property resulted in a gain which was recognized at the time RDA conveyed the property to the developer. Revenue from the sale of each unit is recognized at the time the unit is sold and the revenue is received by RDA.

k. Unearned/Deferred Revenue

In the government-wide and all fund level financial statements, unearned revenue represents amounts received which have not been earned. The government-wide financial statements include revenues earned from developer credits, which are not reported in governmental funds because they are non-monetary transactions. In the governmental funds financial statements, deferred revenue represents revenues which have been earned but have not met the recognition criteria based on the modified accrual basis of accounting.

l. Interfund Transactions

The City has the following types of interfund transactions:

Loans – amounts provided with a requirement for repayment. Interfund loans are normally reported as interfund receivables (i.e. Due from Other Funds) in lender funds and interfund payables (i.e. Due to Other Funds) in borrower funds. The non-current portions of long-term interfund loans receivable are reported as advances. There is one interfund loan between the Facilities Benefit Assessments (FBA) Fund and the Sewer Utility Fund, for developer fees owed for the Carmel Valley Trunk sewer project, which is reported as an Interfund Loan Receivable/Payable at the fund level and included with Internal Balances on the government-wide Statement of Net Assets.

Services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursement is reported as expenditures or expenses in the reimbursing fund and a reduction of expenditures or expenses in the paying fund.

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return, and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.

m. Long-Term Liabilities

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statements of net assets. Capital appreciation bond accretion, bond premiums and discounts, and bond refunding gains and losses are amortized over the life of the bonds using a method which approximates the effective yield method. Net bonds payable reflects amortized bond accretion and unamortized bond discounts, premiums and refunding gains and losses.

n. Sundry Trust Liabilities

Under approval of certain agreements, developers submit to RDA an initial deposit to ensure the developer proceeds diligently and in good faith to negotiate and perform all of the obligations under the agreement. These deposits can normally be used for administrative costs of RDA. In the government-wide financial statements and in the fund financial statements, the unspent portion of these deposits, called Sundry Trust Liabilities, are reported as liabilities of RDA.

o. Compensated Absences

The City provides combined annual leave to cover both vacation and sick leave. It is the City's policy to permit employees to accumulate between 8.75 weeks and 17.5 weeks of earned but unused annual leave, depending on hire date. Accumulation of these earnings will be paid to employees upon separation from service.

The liability for compensated absences reported in the government-wide, proprietary and fiduciary fund financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g. Social Security and Medicare Tax). A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

p. Claims and Judgments

The costs of claims and judgments are accrued when incurred and measurable in the government-wide financial statements and both proprietary and fiduciary funds financial statements. In governmental funds, the costs of claims and judgments are recorded as expenditures when payments are due and payable.

q. Non-Monetary Transactions

The City, as part of approving new development in the community planning process, requires that certain public facilities be constructed per the provisions of community financing plans. Historically, the City has agreed to pay a pro rata share of these assets. In lieu of providing direct funding for these assets, the City often provides developers with credits (also referred to as FBA credits) for future permit fees. These credits are earned by the developer upon successful completion of construction phases and when City engineers have accepted the work. The credits are recognized as permit revenue upon issuance and a corresponding capital asset is recorded in the government-wide financial statements.

r. Net Assets

In the government-wide and proprietary fund financial statements, net assets are categorized as follows:

- Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition of these assets.

- Restricted Net Assets consist of assets with restrictions imposed on them by external creditors, grantors, contributors, laws and regulations of other governments, or law through constitutional provisions or enabling legislation. It is the City's policy to first apply restricted resources when an expense is incurred for purposes which both restricted and unrestricted net assets are available. As of June 30, 2008, the amount of restricted net assets due to enabling legislation was approximately $281,562.
- Unrestricted Net Assets consist of net assets that do not meet the definition of Invested in Capital Assets, Net of Related Debt or Restricted Net Assets.

s. Fund Balance

In the fund financial statements, portions of fund equity of governmental funds have been reserved for specific purposes. Reservations are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated, or (2) identify the portion of the fund balance that is not appropriable for future expenditures.

Designated fund balance indicates that portion of fund equity for which the City has made tentative plans.

Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods.

t. Reserves

City Charter Section 91 titled "General Reserve Fund" was approved by the voters on November 6, 1962. This section requires the City Council to create and maintain a General Reserve Fund for the purpose of keeping the payment of running expenses of the City on a cash basis. Section 91 requires the reserve be maintained in an amount sufficient to meet all legal demands against the City Treasury for the first four months or other necessary period of each fiscal year prior to the collection of taxes. This fund may be expended only in the event of a public emergency by the affirmative vote of two-thirds of the City Council. The argument for this charter section given by the Citizens Charter Review Committee, commissioned in 1962, was to "strengthen the financial position of the City through the more efficient utilization of tax monies by reducing the amount of taxes collected and lying idle during a great part of the year, and through focusing responsibility for fiscal policies on the elected City Council."

On February 28, 1984, the City Attorney's Office issued Opinion No. 84-3 which addresses issues in regards to the City's compliance with the funding requirements of Charter Section 91. Such opinion stated, "To the extent that the legislative body approves the issuance of short term notes, commonly referred to as Tax or Revenue Anticipation Notes, pursuant to Section 92 titled "Borrowing Money on Short Term Notes"; or authorizes temporary loans to any tax-supported fund from any other funds in the treasury pursuant to Section 93 titled "Loans and Advances", the General Reserve Fund required under section 91 can be reduced." Therefore, the funding requirements of Charter Section 91 have been satisfied through a combination of the General Fund reserve of $75,339 reported within the General Fund column of the Governmental Funds Balance Sheet in Undesignated Fund Balance, and the provisions set forth in Charter Sections 92 and 93 for the fiscal year ended June 30, 2008.

In September 2007, the City Attorney's Office issued a new opinion that supersedes, in part, the opinion issued on February 28, 1984. The revised opinion states that the Charter Section 91 General Reserve must be a separate, legal fund. This fund, separate from the General Fund, must be funded if not at a "four month operating expenditure" level then at a level of such "other necessary funding." The City Attorney's Opinion referenced the guidance of the Government Finance Officer's Association, which recommends a level between 5% and 15% of operating expenditures as the benchmark for interpreting the required funding level that meets the intent of the City's voters. Per the City Attorney's opinion, the City has created a separate General Reserve in fiscal year 2008, and the General Fund reserve monies were transferred to that separate reserve and reported therein in all future financial statements. The City Council also approved the Mayor's "City Reserve Policy" with Ordinance 19679 on November 13, 2007. This is a formal fiscal reserve policy that establishes a General Fund Reserve that will be set at a minimum of 8% of annual General Fund Revenues. The policy provides that the City shall reach this level of funding no later than fiscal year 2012.

The City also has an internal reserve policy in relation to certain governmental long term liabilities which are repaid with Transient Occupancy Tax revenues. When the liabilities are incurred by the City, the City creates policy reserves equal to one half of the annually required lease payments in the form of a rate stabilization reserve for each liability. The purpose of the internal reserve is to make the lease payments when they are due; even if there are unanticipated fluctuations in the Transient Occupancy Tax receipts that could potentially impact the timely payment of lease payments for such liabilities. In addition to the internal rate stabilization reserve, the City may also maintain cash funded debt service reserve funds or surety guarantees with trustees in accordance with the bond indentures that exist for these liabilities.

As of June 30, 2008, the following is a schedule of all such internal stabilization reserves (in whole dollars) by fund:

Internal Stabilization Reserve	CAFR Section	CAFR Column	Amount	
Convention Center Expansion	Special Revenue	Transient Occupancy Tax	$	6,850,531
Petco Park (PFFA-Ballpark)	Special Revenue	Transient Occupancy Tax		5,700,000
Balboa Park (SDFELC)	Special Revenue	Transient Occupancy Tax		3,286,878
Trolley (MTDB)	Special Revenue	Public Transportation		2,043,591
			$	17,881,000

u. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosure of contingent assets and liabilities, and the related amounts of revenues and expenses. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

v. New Governmental Accounting Standards

The requirements for the following accounting standards are effective for the purpose of implementation, for the City, for fiscal year ended June 30, 2008.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from the pension plan. These benefits are commonly referred to as postemployment benefits, or OPEB. The Statement generally requires that employers account for and report on the annual cost of OPEB and the outstanding obligations related to OPEB in the same manner as they do pensions. Annual OPEB cost will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This Statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. This Statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. [Refer to Note 13, Other Postemployment Benefits, for details.]

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenue.* Governments sometimes exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments-generally, a single lump sum. The financial reporting addressed by this Statement is whether that transaction should be regarded as a sale or as a collateralized borrowing resulting in a liability. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. The disclosures pertaining to future revenues that have been pledged or sold are intended to provide financial statement users with information about which revenues will be unavailable for other purposes and how long they will continue to be so. [Refer to Note 5, Governmental Activities Long-Term Liabilities, and Note 6, Business-Type Activities Long-Term Liabilities, for details.]

In May 2007, GASB issued Statement No. 50, *Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27*. This Statement amends GASB Statement 25 Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans (GASB Statement 25) and GASB Statement 27 Accounting for Pensions by State and Local Governmental Employers GASB Statement 27) to require defined benefit pension plans to present notes to financial statements that disclose the funded status of the plan as of the most recent actuarial valuation date. Defined benefit pension plans also should disclose actuarial methods and significant assumptions used in the most recent actuarial valuation in notes to financial statements instead of in notes to required supplementary information (RSI). [Refer to Note 12, Pension Plans and Note 13, Other Postemployment Benefits for details.]

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (In Thousands)

Certain adjustments are necessary to reconcile governmental funds to governmental activities (which includes all internal service funds except the Special Engineering Fund). The reconciliation of these adjustments is as follows:

a. Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Assets:

The Governmental Funds Balance Sheet includes a reconciliation between “Total Fund Balances-Governmental Funds” and “Total Net Assets-Governmental Activities” as reported in the Government-wide Statement of Net Assets. One element of the reconciliation states, “Other assets and liabilities used in governmental activities are not financial resources (uses), and therefore, are either deferred or not reported in the funds.” The details of this $94,910 difference are as follows:

Deferred Charges, net, July 1, 2007	$ 17,296
Issuance Costs	3,618
Amortization Expense	(1,039)
Deferred Charges, net, June 30, 2008	19,875
Deferred Revenue:	
Taxes Receivable	20,682
Sales Taxes Receivable	3,489
Notes Receivable	3,107
Motor Vehicle License Receivable	318
Special Assessments Receivable	2,061
Grants and Other Receivables	45,378
Deferred Revenue, net, June 30, 2008	75,035
Net Adjustment to increase "Total Fund Balances-Governmental Funds" to arrive at "Total Net Assets-Governmental Activities"	$ 94,910

Another element of the reconciliation states, “Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this ($1,731,204) difference are as follows:

Interest Accrued on Long-Term Debt	$ (22,316)
Compensated Absenses	(66,601)
Liability Claims	(12,990)
Capital Leases Payable	(35,811)
Contracts Payable	(2,615)
Notes Payable	(5,662)
Loans Payable	(34,777)
Section 108 Loans Payable	(35,896)
Net Bonds Payable	(1,335,063)
Accretion of Interest on Capital Appreciation Bonds	(12,837)
Net Pension Obligation	(138,902)
Net OPEB Obligation	(27,734)
Net adjustment to decrease "Total Fund Balances-Governmental Funds" to arrive at "Total Net Assets-Governmental Activities"	$ (1,731,204)

Another element of the reconciliation states, “Internal Service Funds are used by management to charge the costs of activities such as Fleet Services, Print Shop, Self Insurance, and Central Stores to individual funds. The assets and liabilities of certain Internal Service Funds are included in the governmental activities in the Statement of Net Assets. The details of this ($27,156) difference are as follows:

Assets:	
Capital Assets - Non Depreciable	$ 1,984
Capital Assets - Depreciable	107,806
Internal Balances	3,031
Other Assets	145,087
Liabilities:	
Compensated Absences	(8,224)
Liability Claims	(219,458)
Capital Lease Obligations	(25,451)
Net Other Post Employment Benefits Obligation	(1,138)
Net Pension Obligation	(2,832)
Other Liabilities	(27,961)
Net adjustment to decrease "Total Fund Balances-Governmental Funds" to arrive at "Total Net Assets-Governmental Activities"	$ (27,156)

b. Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities:

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between “Net Change in Fund Balances-Total Governmental Funds” and “Changes in Net Assets of Governmental Activities” as reported in the Government-wide Statement of Activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this $59,360 difference are as follows:

Capital Projects	$ 132,432
Other Capital Activities	46,762
Depreciation Expense	(119,834)
Net Adjustment to increase "Net Changes in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	$ 59,360

Another element of the reconciliation states "The net effect of various miscellaneous transactions involving capital assets (i.e., donations, retirements, and transfers) is to decrease net assets." The details of this ($30,736) are as follows:

In the Statement of Activities, only the net gain on the sale of land is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the net book value of the capital assets sold/retired.	$ (214)
Transfers of capital assets to Business-Type activities decrease net assets in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.	(20,387)
The Statement of Activities reports losses arising from the retirement of existing depreciable capital assets. Conversely, governmental funds do not report any gain or loss on retirements of capital assets.	(10,135)
Net adjustment to decrease "Net Change in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	$ (30,736)

Another element of the reconciliation states, "Internal Service Funds are used by management to charge the costs of activities such as Fleet Services, Publishing Services, Central Stores, Self Insurance, and others to individual funds." The net expense of certain Internal Service activities is reported with governmental activities. The details of this $27,847 are as follows:

Allocated Operating Profit	$ 9,020
Nonoperating Revenues (Expenses):	
Loss on Sale/Retirement of Capital Assets	(3,899)
Other Nonoperating Revenues	5,508
Transfers	17,057
Capital Contributions	161
Net adjustment to increase "Net Changes in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	$ 27,847

Another element of the reconciliation states "The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this ($62,922) difference are as follows:

Debt Issued or Incurred:		
Capital Leases	$	(14,561)
Loans Payable		(16,063)
Special Tax Bonds		(3,950)
Tax Allocation Bonds		(69,000)
Pooled Financing Bonds		(34,985)
Principal Repayments:		
Capital Leases		4,081
Contracts/Notes Payable		2,893
Loans Payable		61
Section 108 Loans		3,535
SANDAG Loans		2,287
G.O. Bonds		2,125
Revenue Bonds		22,260
Special Assessment Bonds/Special Tax Bonds		4,770
Tax Allocation Bonds		13,016
Tobacco Settlement Asset-Backed Bonds		3,330
Pooled Financing Bonds		870
Transfer of Capital Lease to Business-Type Activities		6,264
Refundings:		
Tax Allocation Bonds		10,145
Net adjustment to decrease "Net Changes in Fund Balances-Total Governmental Funds" to arrive at "Changes in Net Assets of Governmental Activities"	$	(62,922)

Another element of the reconciliation states that "Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension obligation) and therefore are not accrued as expenses in governmental funds." The details of this ($13,282) difference are as follows:

Compensated Absences	$	(1,059)
Net Pension Obligation/Net OPEB Obligation		(11,954)
Accrued Interest		(1,060)
Current Year Premiums/Discounts and Interest Accretion Less Amortization of Bond Premiums		(1,788)
Issuance Costs Less Current Year Amortization		2,579
Net adjustment to decrease Net Changes in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	$	(13,282)

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3. CASH AND INVESTMENTS (In Thousands)

The following is a summary of the carrying amount of cash and investments:

	Governmental Activities	Business-Type Activities	Fiduciary Statement of Net Assets other than SDCERS	Subtotal	SDCERS Fiduciary Statement of Net Assets	Grand Total
Cash and Cash or Equity in						
Pooled Cash and Investments	$ 1,358,621	$ 654,233	$ 37,618	$ 2,050,472	$ 5,122	$ 2,055,594
Cash and Investments with Fiscal Agent	147,556	71,181	111	218,848	501,400	720,248
Investments at Fair Value	249,135	167,142	735,099	1,151,376	4,311,902	5,463,278
Securities Lending Collateral	-	-	-	-	674,085	674,085
TOTAL	$ 1,755,312	$ 892,556	$ 772,828	$ 3,420,696	$ 5,492,509	$ 8,913,205

a. Cash and Cash or Equity in Pooled Cash and Investments

Cash and Cash or Equity in Pooled Cash and Investments represents petty cash, cash at the bank in demand deposit and/or savings accounts, and cash in escrow for contract retention payables. Furthermore, it represents equity in pooled cash and investments, which is discussed in further detail below.

As provided for by California Government Code, the cash balances of substantially all funds and certain outside entities are pooled and invested by the City Treasurer for the purpose of increasing interest earnings through investment activities. The respective funds' shares of the total pooled cash and investments are included in the table above, under the caption Cash and Cash or Equity in Pooled Cash and Investments.

The following represents a summary of the items included in the Cash and Cash or Equity in Pooled Cash and Investments line item:

Cash on Hand - Petty Cash	$ 204
Deposits - Held in Escrow Accounts	3,287
Deposits - Cash and Cash Equivalents (Not Pooled)	1,310
Deposits - Cash and Cash Equivalents (Pooled)	4,414
Pooled Investments in the City Treasury	2,046,379
Total Cash and Cash or Equity in Pooled Cash and Investments	$ 2,055,594

A summary of the investments held by the City Treasurer's investment pool as of June 30, 2008 is presented in the table below:

Investment	Fair Value	Book Value	Interest Rate % Range		Maturity Range
U.S. Treasury Bills	$ 19,931	$ 19,876	1.27%	*	9/11/2008
U.S. Treasury Notes & Bonds	749,162	742,093	1.75-4.88%		5/15/2009-1/15/2011
U.S. Agency Discount Notes	417,503	414,992	2.02-3.88%	*	7/3/2008-3/27/2009
U.S. Agency Notes & Bonds	511,841	510,705	2.43-5.88%		9/17/2008-1/9/2012
Commercial Paper	153,677	152,999	2.16-3.41%	*	7/1/2008-1/23/2009
Corporate Notes & Bonds	82,076	81,556	3.13-6.88%		12/15/2008-10/27/2009
Local Agency Investment Fund (LAIF)	24,040	24,041	4.18%	**	1/29/2009
Repurchase Agreement	83,149	83,149	2.35%		7/1/2008
Certificates of Deposit (CDARS)	5,000	5,000	3.78%		3/20/2009
	$ 2,046,379	$ 2,034,411			

* Discount Rates

** LAIF - Fair Value is adjusted to account for LAIF factor. Maturity range is based on weighted average maturity of 212 days.

The following represents a condensed statement of net assets and changes in net assets for the City Treasurer's cash and investment pool as of June 30, 2008:

Statement of Net Assets	
Deposit - Cash and Cash Equivalents (Pooled)	$ 4,414
Investments of Pool Participants	2,046,379
Accrued Interest Receivable of Internal Pool Participants	13,086
Accrued Interest Receivable of External Pool Participants	22
Total Cash, Investments, and Interest Receivable	$ 2,063,901
Equity of Internal Pool Participants	$ 2,059,475
Equity of External Pool Participants (SanGIS, ARJIS & AVA) **	4,426
Total Equity	$ 2,063,901

**Voluntary Participation

Statement of Changes in Net Assets	
Net Assets Held for Pool Participants at July 1, 2007	$ 1,824,425
Net Change in Investments by Pool Participants	239,476
Total Net Assets Held for Pool Participants at June 30, 2008	$ 2,063,901

b. Cash and Investments with Fiscal Agents

Cash and Investments with Fiscal Agents represents cash and investments held by fiscal agents resulting from bond issuances. More specifically, these funds represent reserves held by fiscal agents or trustees as legally required by bond issuances and liquid investments held by fiscal agents or trustees which are used to pay debt service. Under the Fiduciary Statement of Net Assets, Cash and Investments with Fiscal Agent represents the City's balance for the Preservation of Benefit Plan (POB Plan). The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under Internal Revenue Code (IRC) section 415(m) and is discussed in further detail in Note 12.

The San Diego City Employees' Retirement System (SDCERS) portion of Cash and Investments with Fiscal Agents represents funds held as cash collateral from market neutral portfolios (domestic fixed income investment strategy). Furthermore, it represents transaction settlements, held in each investment manager's portfolio, which are invested overnight by SDCERS' custodial bank.

c. Investments at Fair Value

Investments at Fair Value represents investments of the City's Supplemental Pension Savings Plan, 401(k) Plan, San Diego City Employees' Retirement System (SDCERS), investments managed by the City Treasurer (which are not part of the pool), investments reported by San Diego Data Processing Corporation (SDDPC), and investments managed by the Funds Commission (e.g. Cemetery Perpetuity, Effie Sergeant, Gladys Edna Peters, Los Penasquitos Canyon, and the Edwin A. Benjamin Library Fund).

d. Investment Policy

In accordance with City Charter Section 45 and under authority annually approved by the City Council, the City Treasurer is responsible for the safekeeping and investment of the unexpended cash in the City Treasury according to the City Treasurer's Investment Policy (the "Policy"). This Policy applies to all of the investment activities of the City except for the pension trust funds, the proceeds of certain debt issues, which are managed and invested at the direction of the City Treasurer in accordance with the applicable indenture or by Trustees appointed under indenture agreements or by fiscal agents, and the assets of trust funds, which are placed in the custody of the Funds Commission by Council ordinance.

City staff reviews the Policy annually and may make revisions based upon changes to the California Government Code and the investment environment. These suggested revisions are presented to the Investment Advisory Committee (IAC) for review and comments. The IAC consists of two City representatives and three outside financial professionals with market and portfolio expertise not working for the City of San Diego. The City Council reviews the Policy and considers approval on an annual basis.

The IAC evaluates the horizon returns, risk parameters, security selection, and market assumptions the City's investment staff is using when explaining the City's investment returns. The IAC also meets semi-annually to review the previous two quarters' investment returns and make recommendations to the City Treasurer on proposals presented to the IAC by the Treasurer's staff.

The Policy is governed by the California Government Code (CGC), Sections 53600 et seq. The following table presents the authorized investments, requirements, and restrictions per the CGC and the City Policy:

Investment Type	Maximum Maturity (1)		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating	
	CGC	City Policy	CGC	City Policy	CGC	City Policy	CGC	City Policy
U.S. Treasury Obligations (bills, bonds, or notes)	5 years	5 years	None	None	None	None	None	None
U.S. Agencies	5 years	5 years	None	(2)	None	(2)	None	None
Bankers' Acceptances (6)	180 days	180 days	40%	40%	30%	10%	None	(3)
Commercial Paper (6)	270 days	270 days	25%	25%	10%	10%	P1	P1
Negotiable Certificates (6)	5 years	5 years	30%	30%	None	10%	None	(3)
Repurchase Agreements	1 year	1 year	None	None	None	None	None	None
Reverse Repurchase Agreements (4)	92 days	92 days	20%	20%	None	None	None	None
Local Agency Investment Fund	N/A	N/A	None	None	None	None	None	None
Non-Negotiable Time Deposits (6)	5 years	5 years	None	25%	None	10%	None	(3)
Medium Term Notes/Bonds (6)	5 years	5 years	30%	30%	None	10%	A	A
Municipal Securities of California Local Agencies (6)	5 years	5 years	None	20%	None	10%	None	A
Mutual Funds	N/A	N/A	20%	5%	10%	None	AAA	AAA
Notes, Bonds, or Other Obligations	5 years	5 years	None	None	None	None	None	AA
Mortgage Pass-Through Securities	5 years	5 years	20%	20%	None	None	AA	AAA
Financial Futures (5)	N/A	None	None	None	None	None	None	None

Footnotes:

(1) In the absence of a specified maximum, the maximum is 5 years.

(2) No more than one-third of the cost value of the total portfolio at time of purchase can be invested in the unsecured debt of any one agency.

(3) Credit and maturity criteria must be in accordance per Section X of the City's Investment Policy.

(4) Maximum % of portfolio for Reverse Repurchase Agreements is 20% of base value.

(5) Financial futures transactions would be purchased only to hedge against changes in market conditions for the reinvestment of bond proceeds.

(6) Investment types with a 10% maximum with one issuer are further restricted per the City's Investment Policy: 5% per issuer and an additional 5% with authorization by City Treasurer.

According to the Policy, the City may enter into repurchase and reverse repurchase agreements only with primary dealers of the Federal Reserve Bank of New York with which the City has entered into a master repurchase agreement.

Additionally, the Policy authorizes investment in other specific types of securities. The City may invest in floating rate notes with coupon resets based upon a single fixed income index (which would be representative of an eligible investment), provided that security is not leveraged. Structured notes issued by U.S. government agencies that contain imbedded calls or options are authorized as long as those securities are not inverse floaters, range notes, or interest only strips derived from a pool of mortgages. A maximum of 8% of the "cost value" of the pooled portfolio may be invested in structured notes.

In fiscal year 2008, the City deposited $5 million with Neighborhood National Bank to be invested as part of the Certificate of Deposit Account Registry Service (CDARS). Under the City Treasurer's Investment Policy, this type of investment is subject to a 1% limit of total portfolio value for the City's pooled investments. The CDARS investment program is permissible per the California Government Code (CGC), Section 53601.8, and is subject to a 30% limit of total portfolio value.

Ineligible investments prohibited from use in the portfolio include, but are not limited to, common stocks and long-term corporate notes/bonds. A copy of the City Treasurer's Investment Policy can be requested from the City Treasurer, 1200 3rd Avenue, Suite 1624, San Diego, CA 92101.

Other Investment Policies

The City currently has a Funds Commission whose role is to supervise and control all trust, perpetuity, and investment funds of the City and such pension funds as shall be placed in its custody. The statutory authority for the Funds Commission is created in the City Charter Article V, Section 41(a). While the duties described in the creation document form broad authority for the Funds Commission, in practice, the Funds Commission only oversees investments related to a small number of permanent endowments. The allowable investments for these funds are different than those as prescribed in the City Treasurer's Investment Policy. Each permanent endowment fund has its own separate investment policy. Copies of the individual investment policies can be requested from the City Treasurer, 1200 3rd Avenue, Suite 1624, San Diego, CA 92101. Additionally, the City and its component units have funds invested in accordance with various bond indenture and trustee agreements.

City of San Diego – Disclosures for Specific Risks

e. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Market or interest-rate risk for the City's pooled investments is intended to be mitigated by establishing two portfolios, a liquidity portfolio and a core portfolio. Target durations are based upon the expected short and long-term cash needs of the City. The liquidity portfolio is structured with an adequate mix of highly liquid securities and maturities to meet major cash outflow requirements for at least six months (per CGC Section 53646). The liquidity portfolio uses the Merrill Lynch 3-6 month Treasury Index as a benchmark with a duration of plus or minus 40% of the duration of that benchmark.

The core portfolio uses the Merrill Lynch 1-3 year Treasury Index as a benchmark with a duration of plus or minus 20% of the duration of that benchmark. It consists of high quality liquid securities with a maximum maturity of 5 years and is structured to meet the longer-term cash needs of the City. Information about the sensitivity of the fair value of the City's investments to market interest rate fluctuations is presented in the table on the next page.

As of June 30, 2008, the City's investments (in thousands) by maturity are as follows:

	Years				Fair Value
Pooled Investments with City Treasurer:	Under 1	1-3	3-5	Over 5	(In Thousands)
U.S. Treasury Bills	$ 19,931	$ -	$ -	$ -	$ 19,931
U.S. Treasury Notes	51,100	698,062	-	-	749,162
U.S. Agencies - Federal Farm Credit Bank	25,133	40,056	-	-	65,189
U.S. Agencies - Federal Home Loan Bank	175,217	90,241	-	-	265,458
U.S. Agencies - Federal Home Loan Mortgage Corporation	243,749	75,833	10,097	-	329,679
U.S. Agencies - Federal National Mortgage Association	150,816	118,202	-	-	269,018
Commercial Paper	153,677	-	-	-	153,677
Corporate Notes	56,357	25,719	-	-	82,076
Non-Negoitable Certificate of Deposit (CDARS deposit)	5,000	-	-	-	5,000
Repurchase Agreement	83,149	-	-	-	83,149
State Local Agency Investment Fund	24,040	-	-	-	24,040
	988,169	1,048,113	10,097	-	2,046,379
Non-Pooled Investments with City Treasurer:					
U.S. Treasury Bills	14,282	-	-	-	14,282
U.S. Treasury Notes	43,664	-	-	-	43,664
U.S. Agencies - Federal Farm Credit Bank	28,689	-	-	-	28,689
U.S. Agencies - Federal Home Loan Bank	27,380	-	-	-	27,380
U.S. Agencies - Federal Home Loan Mortgage Corporation	64,859	-	-	-	64,859
U.S. Agencies - Federal National Mortgage Association	110,733	-	-	-	110,733
Commerical Paper	100,698	-	-	-	100,698
Repurchase Agreements	9,351	-	-	-	9,351
	399,656	-	-	-	399,656
Investments with Fiscal Agents, Funds Commission, and Blended Component Units:					
U.S. Treasury Bills	15,125	-	-	-	15,125
U.S. Treasury Bonds and Notes	40,502	69	-	416	40,987
U.S. Agencies - Federal Home Loan Bank	40,447	-	-	-	40,447
U.S. Agencies - Federal Home Loan Mortgage Corporation	14,102	-	-	302	14,404
U.S. Agencies - Federal National Mortgage Association	17,083	85	-	-	17,168
Commercial Paper	10,856	-	-	-	10,856
Common Stock	3,254	-	-	-	3,254
Corporate Bonds and Notes	201	500	882	2,641	4,224
Guaranteed Investment Contracts	20,507	-	-	13,716	34,223
Money Market Mutual Funds	47,252	-	-	-	47,252
Mortgage Backed Securities - Commercial	-	-	-	95	95
Mortgage Backed Securities - Government	-	-	-	37	37
Mutual Funds - Equity	368,637	-	-	-	368,637
Mutual Funds - Fixed Income	12,866	-	356,270	1,563	370,699
Repurchase Agreements	3,000	-	-	-	3,000
Cash (with Fiscal Agents)	160	-	-	-	160
	593,992	654	357,152	18,770	970,568
Total Investments	$ 1,981,817	$ 1,048,767	$ 367,249	$ 18,770	3,416,603
Total Deposits					9,011
Total Cash on Hand					204
Total Investments, Deposits, and Cash on Hand (Includes SDCERS Pooled Cash and Investments with the City - $5,122)					$ 3,425,818

f. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2008, the City's investments and corresponding credit ratings are as follows:

Pooled Investments with City Treasurer:	Moody's	S&P	Fair Value	Percentage
U.S. Treasury Bills	Exempt	Exempt	$ 19,931	0.97%
U.S. Treasury Notes	Exempt	Exempt	749,162	36.62%
U.S. Agencies - Federal Farm Credit Bank	Aaa	N/A	65,189	3.19%
U.S. Agencies - Federal Home Loan Bank [1]	Aaa	N/A	130,775	6.39%
U.S. Agencies - Federal Home Loan Bank [1]	P-1	N/A	134,683	6.58%
U.S. Agencies - Federal Home Loan Mortgage Corporation [1]	Aaa	N/A	156,891	7.67%
U.S. Agencies - Federal Home Loan Mortgage Corporation [1]	Aa2	N/A	15,792	0.77%
U.S. Agencies - Federal Home Loan Mortgage Corporation [1]	P-1	N/A	156,996	7.67%
U.S. Agencies - Federal National Mortgage Association [1]	Aaa	N/A	118,202	5.78%
U.S. Agencies - Federal National Mortgage Association [1]	P-1	N/A	150,816	7.37%
Commercial Paper	P-1	N/A	153,677	7.51%
Corporate Notes	Aaa	N/A	10,168	0.50%
Corporate Notes	Aa1	N/A	19,940	0.97%
Corporate Notes	Aa2	N/A	15,551	0.76%
Corporate Notes	Aa3	N/A	29,378	1.44%
Corporate Notes	A1	N/A	7,039	0.34%
Non-Negotiable Certificate of Deposit (CDARS deposit)	Not Rated	Not Rated	5,000	0.24%
Repurchase Agreements	Not Rated	Not Rated	83,149	4.06%
State Local Agency Investment Fund	Not Rated	Not Rated	24,040	1.17%
Subtotal - Pooled Investments			2,046,379	100.00%
Non-Pooled Investments with City Treasurer:				
U.S. Treasury Bills	Exempt	Exempt	14,282	3.57%
U.S. Treasury Notes	Exempt	Exempt	43,664	10.93%
U.S. Agencies - Federal Farm Credit Bank [1]	P-1	N/A	23,667	5.92%
U.S. Agencies - Federal Farm Credit Bank [1]	Aaa	N/A	5,022	1.26%
U.S. Agencies - Federal Home Loan Bank [1]	P-1	N/A	26,844	6.72%
U.S. Agencies - Federal Home Loan Bank [1]	Not Available	AAA	536	0.13%
U.S. Agencies - Federal Home Loan Mortgage Corporation [1]	P-1	N/A	64,859	16.24%
U.S. Agencies - Federal National Mortgage Association [1]	P-1	N/A	96,197	24.06%
U.S. Agencies - Federal National Mortgage Association [1]	Aaa	N/A	14,536	3.64%
Commerical Paper	P-1	A-1+	100,698	25.19%
Repurchase Agreements	Not Rated	Not Rated	9,351	2.34%
Subtotal - Non-Pooled Investments			399,656	100.00%

"Exempt" - Per GASB 40, U.S. Treasury Obligations do not require disclosure of credit quality.

"N/A" - S&P rating not applicable, Moody's rating provided.

"Not Available" - Bloomberg credit history did not have Moody's ratings, only S&P ratings.

[1] More than 5% of total investments are with U.S. Agencies whose debt is backed by full faith and credit of the U.S. Government, as of September 2008.

(continued on next page)

Investments with Fiscal Agents, Funds Commission, and Blended Component Units:	Moody's	S&P	Fair Value	Percentage
U.S. Treasury Bills	Exempt	Exempt	$ 15,125	1.56%
U.S. Treasury Bonds and Notes	Exempt	Exempt	40,987	4.22%
U.S. Agencies - Federal Home Loan Bank [1]	Aaa	N/A	6,057	0.62%
U.S. Agencies - Federal Home Loan Bank [1]	Not Available	AAA	2,598	0.27%
U.S. Agencies - Federal Home Loan Bank [1]	Not Available	A-1+	31,792	3.28%
U.S. Agencies - Federal Home Loan Mortgage Corporation [1]	Aaa	N/A	302	0.03%
U.S. Agencies - Federal Home Loan Mortgage Corporation [1]	P-1	N/A	12,776	1.33%
U.S. Agencies - Federal Home Loan Mortgage Corporation [1]	Not Available	A-1+	1,326	0.14%
U.S. Agencies - Federal National Mortgage Association [1]	Aaa	N/A	85	0.01%
U.S. Agencies - Federal National Mortgage Association [1]	P-1	N/A	11,000	1.13%
U.S. Agencies - Federal National Mortgage Association [1]	Not Available	AAA	6,083	0.63%
Commercial Paper	Not Available	A-1+	10,856	1.12%
Common Stock	Not Rated	Not Rated	3,254	0.34%
Corporate Bonds and Notes	Aa1	N/A	100	0.01%
Corporate Bonds and Notes	Aa2	N/A	833	0.09%
Corporate Bonds and Notes	Aa3	N/A	469	0.05%
Corporate Bonds and Notes	A1	N/A	1,031	0.10%
Corporate Bonds and Notes	A2	N/A	1,520	0.16%
Corporate Bonds and Notes	A3	N/A	101	0.01%
Corporate Bonds and Notes	Baa1	N/A	170	0.02%
Guaranteed Investment Contracts	Not Rated	Not Rated	34,223	3.53%
Money Market Mutual Funds	Aaa	N/A	47,252	4.87%
Mortgage Backed Securities - Commercial	Aaa	N/A	95	0.01%
Mortgage Backed Securities - Government	Not Rated	Not Rated	37	0.01%
Repurchase Agreements	Not Rated	AAA	3,000	0.31%
Mutual Funds - Equity	Not Rated	Not Rated	368,637	37.98%
Mutual Funds - Fixed Income	Not Rated	Not Rated	370,699	38.14%
Cash (with Fiscal Agents)	Not Rated	Not Rated	160	0.03%
Subtotal - Other Investments			970,568	100.00%
Total Investments			3,416,603	
Total Deposits			9,011	
Total Cash on Hand			204	
Total Investments, Deposits, and Cash on Hand*			$ 3,425,818	

*(includes SDCERS Pooled Cash and Investments with the City - $5,122)

"Exempt" - Per GASB 40, US Treasury Obligations do not require disclosure of credit quality.

"N/A" - S&P rating not applicable, Moody's rating provided.

"Not Available" - Bloomberg credit history did not have Moody's ratings, only S&P ratings.

[1] More than 5% of total investments are with U.S. Agencies whose debt is backed by full faith and credit of the U.S. Government, as of September 2008.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. As of June 30, 2008, the City exceeded the 5% limit of total investments for issuers of various U.S. Agencies. Investments exceeding the 5% limit are referenced in the credit ratings table above. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are exempt.

g. Custodial Credit Risk

Deposits

At June 30, 2008, the carrying amount of the City's cash deposits was approximately $5,724, and the bank balance was approximately $28,915, the difference of which is substantially due to outstanding checks. For the balance of cash deposits in financial institutions, approximately $5,480 was covered by federal depository insurance and approximately $23,435 was uninsured. Pursuant to the California Government Code, California banks and savings and loan associations are required to secure the City's deposits not covered by federal depository insurance by pledging government securities as collateral. As such, $20,810 of the City's deposits are pledged at 110% and held by a bank acting as the City's agent, in the City's name. The City is exposed to custodial credit risk for the remaining $2,625, which is uninsured and uncollateralized. The amount subject to custodial credit risk includes approximately $2,574 in deposits relating to San Diego Data Processing Corporation and $51 in deposits relating to Southeastern Economic Development Corporation, Inc.

The City also has deposits held in escrow accounts with a carrying amount and bank balance of approximately $3,287. For the balance of deposits in escrow accounts, approximately $963 was covered by federal depository insurance. The remaining balance of $2,324 was uninsured. Pursuant to the California Government Code, California banks and savings and loans associations are required to secure the City's deposits in excess of insurance by pledging government securities as collateral. As such, $2,324 of the City's deposits in escrow accounts are collateralized and pledged at 110%.

Investments

The City's investments at June 30, 2008 are categorized as described below:

Category 1: Insured or registered, with securities held by the City or its agent in the City's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

Non–Categorized: Includes investments made directly with another party, real estate, direct investments in mortgages and other loans, open-end mutual funds, pools managed by other governments, annuity contracts, and guaranteed investment contracts.

At June 30, 2008, the City had investments exposed to custodial credit risk. Investments within the Cemetery Perpetuity Fund's portfolio were held by Northern Trust Bank, and were not in the City's name. The following summarizes the investment types and amounts that are exposed to custodial credit risk and are classified Category 3:

Investment Type	Fair Value
U.S. Treasury Bonds and Notes	$ 788
U.S. Agencies	388
Corporate Bonds and Notes	4,224
Mortgage Backed Securities - Commercial	95
Mortgage Backed Securities - Government	37
Common Stock	3,254
Total	$ 8,786

h. Restricted Cash and Investments

Cash and investments at June 30, 2008 that are restricted by legal or contractual requirements are comprised of the following:

General Fund	
TRANS Repayment	$ 116,383
Nonmajor Governmental Funds	
Reserved for Debt Service	350,348
Permanent Endowments	17,254
Total Nonmajor Governmental Funds	367,602
Environmental Services Enterprise Fund	
Funds set aside for landfill site closure and maintenance costs	36,523
Water Utility Enterprise Fund	
Customer deposits	4,855
Interest and redemption funds	191,449
Total Water Utility Enterprise Fund	196,304
Sewer Utility Enterprise Fund	
Interest and redemption funds	46,839
Miscellaneous Agency Funds	
Retention held in escrow	3,287
Total Restricted Cash and Investments	$ 766,938

Summary of Total Cash and Investments
(In Thousands)

Total Unrestricted Cash and Investments	$ 8,146,267
Total Restricted Cash and Investments	766,938
Total Cash and Investments	$ 8,913,205
Total Governmental Activities	$ 1,755,312
Total Business-Type Activities	892,556
Total Fiduciary Activities	6,265,337
Total Cash and Investments	$ 8,913,205

San Diego City Employees' Retirement System (SDCERS) – Disclosures for Policy and Specific Risks

Summary of Cash and Investments – San Diego City Employees' Retirement System

Cash or Equity in Pooled Cash and Investments with the City of San Diego	$ 5,122
Cash and Cash Equivalents on Deposit with Custodial Bank and Fiscal Agents	501,400
Investments at Fair Value:	
Short-Term Investments	42,268
Domestic Fixed Income Securities	998,630
International Fixed Income Securities	183,122
Domestic Equity Securities	1,780,841
International Equity Securities	819,511
Directly Owned Real Estate Assets and Real Estate Equity Securities	487,530
Securities Lending Collateral	674,085
Total Cash and Investments for SDCERS	$ 5,492,509

Narratives and tables presented in the following sections (i. through r.) are taken directly from the comprehensive annual financial report of the San Diego City Employees' Retirement System, as of June 30, 2008, issued December 15, 2008.

i. Investment Policy

Investments for the pension trust fund are authorized to be made by the Board of Administration of the SDCERS (Board) in accordance with Section 144 of the City Charter and the California State Constitution Article XVI, Section 17. The Board is authorized to invest in any securities that are allowed by general law for savings banks. The Board may also invest in additional investments as approved by resolution of the San Diego City Council. These investments include, but are not limited to, bonds, notes and other obligations, real estate investments, common stock, preferred stock, and pooled vehicles. Additionally, investment policies permit SDCERS' Board to invest in financial futures contracts provided the contracts do not leverage SDCERS' Trust Fund portfolio. Financial futures contracts are recorded at fair value each day and must be settled at expiration date. Changes in the fair value of the contracts will result in the recognition of a gain or loss under GASB Statement No. 25.

Investment earnings from the pension trust fund are accounted for in accordance with GASB Statement No. 25. Net investment income includes the net appreciation/depreciation in the fair value of investments, interest income, dividend income, and other income not included in the change in the fair value of investments, less total investment expenses (including investment management/custodial fees and all other significant investment-related costs). SDCERS had realized gains (income earnings and net gains) that totaled $294,974 for the year ended June 30, 2008. Pursuant to the San Diego Municipal Code, realized gains and losses determine whether contingent benefits will be paid each fiscal year.

SDCERS' investments include fixed income strategies to diversify the investment portfolio. The percentage allocated to these strategies is based on efficient model portfolios developed from an annual asset allocation study. SDCERS' target asset allocation policy is reviewed annually to reflect changes in capital market assumptions. As of June 30, 2008, SDCERS' target allocation to fixed income strategies was 34%. The fixed income allocation is externally managed and is comprised as follows: 18% to core-plus domestic fixed income, 9% to an unsecuritized market neutral strategy, 4% to non-U.S. fixed income, and 3% to convertible bond securities.

The market neutral and convertible bond strategies do not exhibit interest rate risk, and duration is not relevant in structuring these portfolios. Both strategies have a low correlation to fixed income assets and provide additional diversification to the portfolio's fixed income allocation. The balance of SDCERS' fixed income portfolio (22% target of total invested assets) is sensitive to interest rate risk and credit risk. SDCERS employs two core-plus managers for its domestic income strategy. One of SDCERS' fixed income managers has tactical discretion to invest in non-U.S. fixed income securities while the other domestic core-plus manager is limited to U.S. fixed income investments only.

A copy of the SDCERS investment policy and additional details on the results of the system's investment activities are available at 401 West A Street, Suite 400, San Diego, CA 92101.

j. Interest Rate Risk

SDCERS uses duration to measure how changes in interest rates will affect the value of its fixed income portfolios. Convertible bonds are typically not subject to interest rate risk because convertible bonds are usually positively correlated to interest rate movements compared to other fixed income securities. As of June 30, 2008, SDCERS' domestic convertible bond portfolio had nine securities which had interest rate sensitivity. These securities, convertible bonds and preferred stock, have been included in the presentation of interest rate risk exposure.

The following table displays the durations for SDCERS' domestic and international fixed income strategies based on portfolio holdings as of June 30, 2008.

Fixed Income Portfolios (Domestic and International)
Portfolio Duration Analysis as of June 30, 2008

Type of Security	Effective Duration (in years)	Fair Value [1] (in thousands)
Collateralized Mortgage Obligations		
Collateralized Mortgage Obligations	4.24	$ 149,907
Corporates		
Convertible Bonds	10.30	125,573
Corporate Bonds	4.22	289,591
Preferred Stock	7.43	19,498
Government & Agency Obligations		
FHLMC	4.80	38,025
FNMA	4.62	329,492
GNMA I	4.56	5,271
GNMAII	1.45	1,077
Government Issues	5.24	226,936
Municipals	8.20	7,982
Asset-Backed Securities		
Asset-Backed Securities	2.91	30,964
Short-Term/Other		
Short-Term	0.25	21,023
Options-Futures	0.00	(69)
Total		$ 1,245,270

[1] Fair Value is different from Plan Net Asset investments by $21,251, as the Fair Value includes preferred stock holdings that have a duration, and it excludes credit default swaps, mutual funds, and short-term investment funds for which duration cannot be calculated.

Source: SDCERS' CAFR as of June 30, 2008

k. Investments Highly Sensitive to Interest Rate Changes

SDCERS has investments that contain terms that increase the sensitivity of their fair values to increasing interest rates. The total value of securities that are more highly sensitive to interest rate changes in the portfolio as of June 30, 2008 are presented in the table below.

	Fair Value (in thousands)	Percent of Fixed Income Portfolio
Asset Backed Securities	$ 3,826	0.313%
Interest Only Strips	1,442	0.118
Inverse Floating Rate Notes	3,774	0.308
Holdings with Greater 10 Years Duration	63,873	5.218

Source: SDCERS' CAFR as of June 30, 2008

Although SDCERS holds such investments, this risk is mitigated by diversification of issuer, credit quality, maturity, and security selection.

l. Credit Risk

SDCERS' fixed income portfolios are sensitive to credit risk. Unless information is available to the contrary, obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. "NR" represents those securities that are not rated and "NA" represents those securities that are not applicable to the rating disclosure requirements. The tables on the following pages identify the credit quality for SDCERS' domestic and international fixed income strategies, based on portfolio holdings as of June 30, 2008.

Credit Quality of SDCERS'
Fixed Income Strategies (Domestic and International)
As of June 30, 2008

S&P Quality Rating	Moody's Quality Rating	Total Fair Value (in thousands)	Collateralized Mortgage Obligations	Corporates[1]	U.S. Government & Agency Obligations2	Asset-Backed Securities	Short-Term/ Other	International Corporates	International Government Obligations	International Asset-Backed Securities
U.S. Treasury	U.S. Treasury	$ 73,528	$ -	$ -	$ 73,528	$ -	$ -	$ -	$ -	$ -
AAA	Aaa	482,318	68,496	5,774	261,769	6,981	8,221	22,271	108,806	-
AAA	Aa1	984	-	-	984	-	-	-	-	-
AAA	NR	72,565	71,553	-	-	1,012	-	-	-	-
AA+	Aaa	3,067	-	1,986	-	-	-	1,081	-	-
AA	Aaa	30,221	-	844	-	-	-	9,603	19,774	-
AA+	Aa1	8,210	-	8,210	-	-	-	-	-	-
AA+	Aa3	566	-	-	566	-	-	-	-	-
AA+	A3	436	-	-	-	436	-	-	-	-
AA	Aa1	16,655	-	14,280	574	-	-	1,801	-	-
AA	Aa2	4,412	-	4,019	393	-	-	-	-	-
AA	Aa3	1,377	-	398	-	979	-	-	-	-
AA	NR	1,097	-	1,097	-	-	-	-	-	-
AA-	Aaa	443	-	-	443	-	-	-	-	-
AA-	Aa1	4,018	-	3,077	-	-	-	941	-	-
AA-	Aa2	4,653	-	4,223	-	-	-	430	-	-
AA-	Aa3	37,264	-	36,376	-	-	-	888	-	-
AA-	A1	614	-	614	-	-	-	-	-	-
AA-	Baa1	1,516	-	1,516	-	-	-	-	-	-
A+	Aa2	6,409	-	6,409	-	-	-	-	-	-
A+	Aa3	14,592	-	13,320	-	-	-	1,272	-	-
A+	A1	16,325	-	16,325	-	-	-	-	-	-
A+	Baa1	4,647		4,647	-	-	-	-	-	-
A	Aaa	1,867	-	-	-	1,867	-	-	-	-
A	Aa2	278	-	-	-	278	-	-	-	-
A	Aa3	2,113	-	2,113	-	-	-	-	-	-
A	A1	17,230	-	17,230	-	-	-	-	-	-
A	A2	22,192	-	19,943	-	-	-	2,249	-	-
A	Baa3	781	-	781	-	-	-	-	-	-
A	NR	765	-	765	-	-	-	-	-	-
A-	Aa3	1,077	-	1,077	-	-	-	-	-	-
A-	A2	5,032	-	4,117	-	-	-	915	-	-
A-	A3	4,903	-	4,903	-	-	-	-	-	-
A-	Baa1	7,626	-	7,626	-	-	-	-	-	-
A-	Baa2	294	-	-	-	294	-	-	-	-

Credit Quality of SDCERS'
Fixed Income Strategies (Domestic and International)
As of June 30, 2008

S&P Quality Rating	Moody's Quality Rating	Total Fair Value (in thousands)	Collateralized Mortgage Obligations	Corporates[1]	U.S. Government & Agency Obligations[2]	Asset-Backed Securities	Short-Term/ Other	International Corporates	International Government Obligations	International Asset-Backed Securities
BBB+	Baa1	$ 4,625	$ -	$ 3,604	$ -	$ -	$ -	$ 1,021	$ -	$ -
BBB+	Baa2	8,126	-	7,418	-	708	-	-	-	-
BBB+	Baa3	4,731	-	4,731	-	-	-	-	-	-
BBB+	NR	1,766	-	1,459	-	-	-	307	-	-
BBB	A2	172	-	172	-	-	-	-	-	-
BBB	A3	2,953	-	2,488	-	-	-	465	-	-
BBB	Baa1	1,560	-	1,492	-	68	-	-	-	-
BBB	Baa2	4,480	-	3,905	-	575	-	-	-	-
BBB	Baa3	4,010	-	1,027	2,983	-	-	-	-	-
BBB-	Baa2	3,012	-	-	-	3,012	-	-	-	-
BBB-	Ba1	2,259	-	2,259	-	-	-	-	-	-
BBB-	Baa3	1,285	-	1,285	-	-	-	-	-	-
BBB-	NR	4,438	-	460	-	3,978	-	-	-	-
BB+	Ba1	28	-	28	-	-	-	-	-	-
BB+	Ba2	481	-	-	-	-	-	-	481	-
BB+	Ba3	1,397	-	1,397	-	-	-	-	-	-
BB+	Baa3	9,044	-	6,873	-	2,171	-	-	-	-
BB	Ba1	2,017	-	2,017	-	-	-	-	-	-
BB	Baa3	1,018	-	-	-	1,018	-	-	-	-
BB-	B3	342	-	-	-	342	-	-	-	-
BB-	Ba2	180	180	-	-	-	-	-	-	-
BB-	Ba3	1,637	-	1,637	-	-	-	-	-	-
B+	B1	11	-	11	-	-	-	-	-	-
B+	B2	2,207	-	2,207	-	-	-	-	-	-
B	B1	4,582	-	4,582	-	-	-	-	-	-
B	B3	2,164	-	2,164	-	-	-	-	-	-
NR	A1	5,757	-	5,757	-	-	-	-	-	-
NR	A2	177	-	-	-	-	-	177	-	-
NR	Aaa	18,237	9,099	-	-	1,564	-	7,574	-	-
NR	Aa2	1,976	-	-	-	-	-	1,976	-	-
NR	Baa2	111	-	-	-	-	-	-	-	111
NR	NR	279,161	579	123,557	138,481	5,571	10,973	-	-	-
Totals		$ 1,224,019	$ 149,907	$ 362,200	$ 479,721	$ 30,854	$ 19,194	$ 52,971	$ 129,061	$ 111

[1] Corporates include convertible bonds from SDCERS' convertible bond manager.

[2] Includes municipal holdings as well.

Source: SCDERS' CAFR as of June 30, 2008

m. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. As of June 30, 2008, no single issuer exceeded 5% of SDCERS' total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded. With respect to the concentration of credit risk, specific investment guidelines with each manager place limitations on the maximum holdings in any one issuer.

n. Custodial Credit Risk

Custodial credit risk is the risk that if a financial institution or counterparty fails, SDCERS would not be able to recover the value of its deposits, investments, or securities. SDCERS' exposure to custodial credit risk is further discussed in the following paragraphs.

Deposits

SDCERS' is exposed to custodial credit risk for uncollateralized cash and cash equivalents that are not covered by federal depository insurance. At June 30, 2008, the amount of cash and cash equivalents on deposit with SDCERS' custodial bank totaled $ 69,033.

Investments

As of June 30, 2008, 100% of SDCERS' investments were held in SDCERS' name. SDCERS is not exposed to custodial credit risk related to these investments.

Securities Lending Collateral

SDCERS is exposed to custodial credit risk for the securities lending collateral such that certain collateral is received in the form of letters of credit, tri-party collateral or securities collateral. The fair value of securities on loan collateralized by these non-cash vehicles totaled $118,694 as of June 30, 2008 and are at risk as the collateral for these loaned securities is not held in SDCERS' name and cannot be sold without a borrower default. The cash collateral held by SDCERS' custodian in conjunction with the securities lending program, which totaled $674,085 as of June 30, 2008, is also at risk as it is invested in a pooled vehicle managed by the custodian.

o. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The following table represents SDCERS' securities (in thousands) held in a foreign currency as of June 30, 2008.

Foreign Currency Risk [1]
As of June 30, 2008
(All values are in U.S. Dollars)

Local Currency Name	Cash	Equity	Fixed income	Total
Australian Dollar	$ 845	$ 18,804	$ 13,162	$ 32,811
Canadian Dollar	174	17,329	2,845	20,348
Swiss Franc	196	55,033	-	55,229
Czech Koruna	-	5,527	-	5,527
Danish Krone	2	7,381	4,454	11,837
Euro Currency	1,545	213,331	81,007	295,883
UK Pound	1,026	146,673	11,070	158,769
Hong Kong Dollar	580	29,469	-	30,049
Indonesian Rupiah	-	4,563	-	4,563
Japanese Yen	2,303	138,107	52,193	192,603
South Korean Won	1	3,927	-	3,928
Norwegian Krone	444	1,086	-	1,530
New Zealand Dollar	-	907	-	907
Swedish Krona	15	8,005	18,741	26,761
Singapore Dollar	238	3,546	-	3,784
South African Rand	-	4,916	-	4,916
Totals	$ 7,369	$ 658,604	$ 183,472	$ 849,445

[1] The foreign exchange exposure in SDCERS' international equity small cap value portfolio (an institutional mutual fund investment) is not included in this disclosure.

Source: SCDERS' CAFR as of June 30, 2008

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is not held by SDCERS as an investment. Foreign currency is held temporarily in foreign accounts until it is able to be repatriated or expended to settle trades. A significant component of the diversification benefit of non-domestic investments comes from foreign currency exposure. As such, SDCERS does not have a policy to hedge against fluctuations in foreign exchange rates. SDCERS' investment managers may hedge currencies at their discretion pursuant to specific guidelines included in their investment management agreements.

p. Derivative Instruments

SDCERS' investment managers, as permitted by specific investment guidelines, may enter into transactions involving derivative financial instruments, consistent with the objectives established by the Board's Investment Policy Statement. These instruments include futures, options and swaps. By Board policy these investment vehicles may not be used to leverage SDCERS' portfolio. These instruments are used primarily to enhance a portfolio's performance and to reduce its risk or volatility. The notional or contractual amount (in thousands) of futures contracts as of June 30, 2008 was $417,354. The fair value (in thousands) of options and swaps included in the short-term investments line on the SDCERS Statement of Plan Net Assets was ($1,636) as of June 30, 2008.

Futures contracts are contracts in which the buyer agrees to purchase and the seller agrees to make delivery on a specific financial instrument on a predetermined date and price. Gains and losses on futures contracts are settled daily based on a notional principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that counterparty will not pay and generally requires margin payments to minimize such risk.

Option contracts provide the option purchaser with the right, but not the obligation, to buy or sell the underlying security at a set price during a period or at a specified date. The option writer is obligated to buy or sell the underlying security if the option purchaser chooses to exercise the option. SDCERS uses exchange-traded and over-the-counter options. Options are sold and proceeds are received to enhance fixed income portfolio performance. Option contracts sold were predominantly on money market and short-term instruments of less than one-year to maturity. In call option contracts, if interest rates remained steady or declined during the option contract periods, the contracts would expire unexercised. By contrast, in put option contracts, if interest rates rose sufficiently to result in the purchase of the securities on or before the end of the option periods, this would occur at prices attractive to the portfolio manager.

Swap agreements are used to modify investment returns or interest rates on investments. Swap transactions involve the exchange of investment returns or interest rate payments without the exchange of the underlying principal amounts. These swaps could expose investors entering into these types of arrangements to credit risk in the event of non-performance by counterparties.

q. Real Estate

SDCERS' target allocation to real estate is 11%. The real estate investment program is structured with a target allocation of approximately 30% in stable core real estate and approximately 70% to enhanced, high return and opportunistic real estate opportunities. The 70% target is divided between REIT securities (25%) and limited partnership investments in commingled real estate funds (45%). No more than 40% of SDCERS' real estate portfolio is allocated to non-U.S. real estate investment opportunities pursuant to a policy adopted by the Board in FY 2007. As SDCERS adds non-U.S. investments to its real estate portfolio, new capital commitments will be made to pool funds that target enhanced and high return strategies. As of June 30, 2008, unfunded capital commitments totaled \$156,889 and real estate investments totaled \$487,530.

r. Securities Lending Collateral

SDCERS has entered into an agreement with its custodial bank, State Street Bank & Trust Company, to lend domestic and international equity and fixed income securities to broker-dealers and banks in exchange for pledged collateral. A simultaneous agreement is entered into by which State Street agrees to return the collateral plus a fee to the borrower in the future for return of the same securities originally lent. All securities loans can be terminated on demand by either the lender or the borrower.

State Street manages the securities lending program and receives cash (United States and foreign currency), securities issued or guaranteed by the United States government, sovereign debt rated "A" or better, Canadian provincial debt, convertible bonds, and irrevocable letters of credit as collateral. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers are required to deliver collateral for each loan equal to: (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 102% of the market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

SDCERS had no credit risk exposure to borrowers because the amounts provided to State Street on behalf of SDCERS, in the form of collateral plus accrued interest, exceeded the amounts broker-dealers and banks owed to the State Street on behalf of SDCERS for securities borrowed. State Street has indemnified SDCERS by agreeing to purchase replacement securities or return cash collateral in the event a borrower fails to return or pay distributions on a loaned security. Non-cash collateral (securities and letters of credit) cannot be pledged or sold without a borrower default and are therefore not reported as an asset of SDCERS for financial reporting purposes.

The SDCERS securities lending transactions, collateralized by cash as of June 30, 2008 had a fair value of $652,974 and a collateral value of $674,085, which were reported in the assets and liabilities in the accompanying Statements of Plan Net Assets for the Group Trust in accordance with GASB Statement No. 28. As of June 30, 2008, the securities lending transactions collateralized by securities, irrevocable letters of credit, or tri-party collateral had a fair value of $118,694 and a collateral value of $123,658, which were not reported in the assets or liabilities in the accompanying Statements of Plan Net Assets for the Group Trust per GASB Statement No. 28. The total collateral pledged to SDCERS at fiscal year end for its securities lending activities was $797,743.

The cash collateral received on lent securities was invested by State Street, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. Because the securities loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. As of June 30, 2008, the investment pool had an average duration of 41.84 days and an average weighted maturity of 395.61 days for U.S. Dollar (USD) denominated collateral. Beginning in fiscal year 2007, the securities lending program was expanded to allow the acceptance of Euro (EUR) denominated collateral. As of June 30, 2008, the Euro collateral pool had an average duration of 37 days and an average weighted maturity of 603 days.

Despite lending securities on a fully collateralized basis, SDCERS may encounter various risks related to securities lending agreements. These risks include operational risk, borrower or counterparty default risk, and collateral reinvestment risk. However, State Street is required to maintain its securities lending program in compliance with applicable laws of the United States and all countries in which lending activities take place, and all rules, regulations, and exemptions from time to time promulgated and issued under the authority of those laws.

Discretely Presented Component Units – Disclosures for Policy and Specific Risks

Narratives and tables presented in the following sections (s. through t.) are taken directly from the comprehensive annual financial reports of the San Diego Convention Center Corporation and the San Diego Housing Commission, as of June 30, 2008.

s. San Diego Convention Center Corporation

Cash deposits and investments for SDCCC were categorized as follows at June 30, 2008:

Cash on hand	$ 77
Deposits	902
Money market mutual funds	18,714
Certificates of deposit	1,282
Total cash and investments	$ 20,975

Deposits (In Thousands)

On June 30, 2008, the carrying amount of the San Diego Convention Center Corporation's (SDCCC) cash on hand and deposits was $979 and the bank balance was $1,180. Of the bank balance, $362 was covered by federal depository insurance. The remaining balance was either collateralized with the collateral held by an affiliate of the counterparty's financial institution or is uncollateralized, and therefore exposed to custodial credit risk. SDCCC does not have a formal deposit and investment policy that addresses custodial credit risk.

Investments (In Thousands)

At June 30, 2008, SDCCC had a total investment balance of $19,996. The total investment balance includes $18,714 in several money market mutual funds and $1,282 maintained in two certificates of deposit, which bear an interest rate of 2.1% and 1.9%, and have maturities of less than one year. Neither the money market mutual funds nor the certificates of deposit are rated by credit rating agencies. SDCCC does not have a formal deposit and investment policy that addresses credit quality risk.

t. San Diego Housing Commission

Cash, cash equivalents, and investments at June 30, 2008 consisted of the following:

Deposits	$ 770
Petty cash	5
Certificates of deposit	34,267
Repurchase Agreements	5,300
Agency Bonds	7,825
Local agency investment fund	39,880
Total cash and investments	88,047
Restricted cash and cash equivalents	656
Total	$ 88,703

Deposits (In Thousands)

The carrying amount of the San Diego Housing Commission's (SDHC) deposits and petty cash was $775 and the bank balance was $1,566 at June 30, 2008. The bank balances were fully insured and/or collateralized with securities held by the pledging financial institutions in SDHC's name. The California Government Code requires California banks and savings and loan associations to secure SDHC's deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in SDHC's name.

At June 30, 2008, SDHC had a carrying amount and bank balance of $34,267 in non-negotiable certificates of deposit. The certificates of deposit were not covered by insurance and were collateralized 100% with securities held by pledging financial institutions.

Investments (In Thousands)

As of June 30, 2008, SDHC's investments included repurchase agreements, agency bonds, and California Local Agency Investment Fund (LAIF). SDHC had $5,300 in repurchase agreements, with $4,300 maturing on July 1, 2008. The remaining balance of $1,000 in repurchase agreements was open and callable at any time by SDHC.

Agency bonds represent the SDHC's investment in Government-Sponsored Enterprises (GSE) Senior Debt bonds traded on a national exchange. Senior Debt of GSE's currently hold a AAA rating. The following table shows the detail of SDHC's investment in agency bonds as of June 30, 2008.

Issuer	Coupon	Maturity	Fair Value
FNMA	4.00%	6/25/2010	$ 1,003
FHLMC	3.55%	12/2/2010	1,802
FHLMC	4.25%	12/17/2010	2,011
FNMA	3.75%	3/23/2011	1,000
FNMA	4.00%	6/24/2011	2,009
		Total	$ 7,825

SDHC participates in the Local Agency Investment Fund (LAIF). As of June 30, 2008, SDHC had $39,880 invested with LAIF. The investment in LAIF represents SDHC's equity in the pooled investments of that fund. LAIF had 14.72% of the pool investment funds in structured notes and asset-backed securities.

Policy

In accordance with state statutes and HUD regulations, SDHC has authorized the CFO or their designee to invest in obligations of the U.S. Treasury, U.S. Government agencies or other investments as outlined in the Commission Investment Policy. An Investment Committee, consisting of two Commission Board members, monitors the management of funds and compliance with the Commission Investment Policy. There are many factors that can affect the value of investments. Some factors, such as credit risk, custodial risk, concentration of credit risk, and interest rate risk, may affect both equity and fixed income securities. It is the investment policy of SDHC to invest substantially all of its funds in fixed income securities which limits SDHC's exposure to most types of risk.

Interest Rate Risk

In accordance with its investment policy, SDHC manages its interest rate risk by limiting the weighted average maturity of its investment portfolio. This is accomplished by matching portfolio maturities to projected liabilities and by continuously investing a portion of the portfolio in readily available funds to ensure that appropriate liquidity is maintained in order to meet ongoing operations. At June 30, 2008, SDHC does not have any debt investments that are highly sensitive to changes in the market.

Credit Risk

SDHC will minimize credit risk by limiting investments to those listed in the investment policy. In addition, SDHC will pre-qualify the financial institutions, broker/dealers, intermediaries, and advisors with which SDHC will do business in accordance with the investment policy. SDHC will diversify the portion of the investment portfolio not invested in U.S. Treasury Bills, Notes, Bonds, and Collateralized Certificates of Deposit to minimize potential losses from any one type of security or issuer.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers. Investments issued or guaranteed by the U.S. government and investments in external investment pools such as LAIF are not considered subject to concentration of credit risk. SDHC may choose to maintain 100% of its investment portfolio in U.S. Treasury Bills, Notes, Bonds, and Collateralized Certificates of Deposit.

Custodial Credit Risk

At June 30, 2008, SDHC did not have any investments exposed to custodial risk. Bonds are purchased through a Merrill Lynch account in SDHC's name. All securities are held in safekeeping by Merrill Lynch and are covered by Securities Investor Protection Corporation (SIPC) and a separate Lloyd's of London policy for a combined aggregate limit of $600 million.

4. CAPITAL ASSETS (In Thousands)

Capital asset activity for the year ended June 30, 2008 was as follows:

	Primary Government				
	Beginning Balance	Increases	Decreases/ Adjustments	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Non-Depreciable Capital Assets:					
Land, Easements, Rights of Way	$ 1,731,003	$ 20,403	$ (214)	$ 4,764	$ 1,755,956
Construction in Progress	210,084	103,277	(2,486)	(144,995)	165,880
Total Non-Depreciable Capital Assets	1,941,087	123,680	(2,700)	(140,231)	1,921,836
Depreciable Capital Assets:					
Structures and Improvements	1,072,023	9,935	(46)	61,471	1,143,383
Equipment	382,641	60,127	(77,780)	2,016	367,004
Infrastructure	2,906,517	29,880	(8,019)	79,407	3,007,785
Total Depreciable Capital Assets	4,361,181	99,942	(85,845)	142,894	4,518,172
Less Accumulated Depreciation For:					
Structures and Improvements	(290,224)	(25,293)	46	-	(315,471)
Equipment	(276,509)	(25,298)	69,940	(1,820)	(233,687)
Infrastructure	(1,471,365)	(85,892)	1,724	-	(1,555,533)
Total Accumulated Depreciation	(2,038,098)	(136,483)	71,710	(1,820)	(2,104,691)
Total Depreciable Capital Assets - Net of Depreciation	2,323,083	(36,541)	(14,135)	141,074	2,413,481
Governmental Activities Capital Assets, Net	$ 4,264,170	$ 87,139	$ (16,835)	$ 843	$ 4,335,317
BUSINESS-TYPE ACTIVITIES:					
Non-Depreciable Capital Assets:					
Land, Easements, Rights of Way	$ 90,011	$ -	$ (23)	$ -	$ 89,988
Construction in Progress	290,161	91,619	(3,694)	(204,021)	174,065
Total Non-Depreciable Capital Assets	380,172	91,619	(3,717)	(204,021)	264,053
Depreciable Capital Assets:					
Structures and Improvements	1,662,564	5,606	(296)	117,839	1,785,713
Equipment	326,600	3,368	(4,596)	17,202	342,574
Distribution & Collection Systems and Other Infrastructure	3,380,321	42,690	(7,927)	66,317	3,481,401
Total Depreciable Capital Assets	5,369,485	51,664	(12,819)	201,358	5,609,688
Less Accumulated Depreciation For:					
Structures and Improvements	(329,721)	(33,961)	1,375	(567)	(362,874)
Equipment	(222,793)	(24,985)	4,466	2,807	(240,505)
Distribution & Collection Systems and Other Infrastructure	(591,859)	(47,569)	4,404	(420)	(635,444)
Total Accumulated Depreciation	(1,144,373)	(106,515)	10,245	1,820	(1,238,823)
Total Depreciable Capital Assets - Net of Depreciation	4,225,112	(54,851)	(2,574)	203,178	4,370,865
Business-Type Activities Capital Assets, Net	$ 4,605,284	$ 36,768	$ (6,291)	$ (843)	$ 4,634,918

Governmental Activities capital assets net of accumulated depreciation at June 30, 2008 are comprised of the following:

General Capital Assets, Net	$	4,225,527
Internal Service Funds Capital Assets, Net		109,790
Total	$	4,335,317

Business-Type Activities capital assets net of accumulated depreciation at June 30, 2008 are comprised of the following:

Enterprise Funds Capital Assets, Net	$	4,634,710
Internal Service Funds Capital Assets, Net		208
Total	$	4,634,918

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government and Support	$	1,802
Public Safety - Police		7,105
Public Safety - Fire and Life Safety		3,861
Parks, Recreation, Culture and Leisure		30,340
Transportation		73,537
Sanitation and Health		643
Neighborhood Services		2,546
Subtotal		119,834
Internal Service (Except Special Engineering)		16,649
Total Depreciation Expense	$	136,483

Business-Type Activities:

Airports	$	495
City Store		1
Development Services		175
Environmental Services		3,171
Golf Course		572
Recycling		1,057
Sewer Utility		71,138
Water Utility		29,870
Subtotal		106,479
Internal Service (Special Engineering)		36
Total Depreciation Expense	$	106,515

Discretely Presented Component Units

Capital asset activities for the City's Discretely Presented Component Units for the year ended June 30, 2008 are as follows:

	Discretely Presented Component Unit - San Diego Convention Center Corp.				
	Beginning Balance	Increases	Decreases/ Adjustments	Transfers	Ending Balance
Depreciable Capital Assets:					
Structures and Improvements	$ 23,741	$ 1,614	$ (26)	$ -	$ 25,329
Equipment	8,137	1,421	(241)	-	9,317
Total Depreciable Capital Assets	31,878	3,035	(267)	-	34,646
Less Accumulated Depreciation For:					
Structures and Improvements	(8,517)	(1,583)	13	(539)	(10,626)
Equipment	(6,802)	(820)	240	539	(6,843)
Total Accumulated Depreciation	(15,319)	(2,403)	253	-	(17,469)
Capital Assets, Net	$ 16,559	$ 632	$ (14)	$ -	$ 17,177

	Discretely Presented Component Unit - San Diego Housing Commission				
	Beginning Balance	Increases	Decreases/ Adjustments	Transfers	Ending Balance
Non-Depreciable Capital Assets:					
Land, Easements, Rights of Way	$ 29,436	$ 21,017	$ (21,017)	$ 108	$ 29,544
Construction in Progress	10,608	1,220	-	(108)	11,720
Total Non-Depreciable Capital Assets	40,044	22,237	(21,017)	-	41,264
Depreciable Capital Assets:					
Structures and Improvements	104,062	29,673	(69,462)	-	64,273
Equipment	3,282	186	(1,005)	-	2,463
Total Depreciable Capital Assets	107,344	29,859	(70,467)	-	66,736
Less Accumulated Depreciation For:					
Structures and Improvements	(45,152)	(2,499)	40,023	-	(7,628)
Equipment	(1,129)	(482)	672	-	(939)
Total Accumulated Depreciation	(46,281)	(2,981)	40,695	-	(8,567)
Total Depreciable Capital Assets - Net of Depreciation	61,063	26,878	(29,772)	-	58,169
Capital Assets, Net	$ 101,107	$ 49,115	$ (50,789)	$ -	$ 99,433

5. GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES (IN THOUSANDS)

a. Long-Term Liabilities

Governmental long-term liabilities as of June 30, 2008 are comprised of the following:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2008
Compensated Absences				$ 74,825
Liability Claims				232,448
Capital Lease Obligations				61,262
Contracts Payable:				
Contract Payable to SDSU Foundation, dated December 1991	variable*	---	$ 1,598	1,598
Amendment to Contract Payable to SDSU Foundation, dated January 1995	variable*	---	117	117
Contract Payable to Western Pacific Housing, Inc., dated April 2004	5.0%	---	900	900
Total Contracts Payable				2,615
Notes Payable:				
Note Payable to Price Charities, dated April 2001	5.0	2032	5,115	3,382
Note Payable to Price Charities, dated May 2005	8.0	2025	2,100	2,100
Amendment to Note Payable to Price Charities, dated February 2006	8.0	2025	180	180
Total Notes Payable				5,662
Loans Payable:				
International Gateway Associates, LLC, dated October 2001	10.0	2032	1,876	1,806
PCCP/SB Las America, LLC, dated August 2005	10.0	2036	1,247	1,231
Centerpoint, LLC, dated April 2006	7.0	2021	5,246	5,246
Bank of America, N.A. Line of Credit, dated October 2006	4.25 - 6.57	2009	8,530	8,530
California Energy Resources Conservation and Development Commission, dated March 2007	3.95	2019	2,154	1,901
San Diego National Bank, Line of Credit, dated July 2007 City Heights Housing Area	4.05	2011	1,298	1,298
San Diego National Bank, Line of Credit, dated July 2007 City Heights Non-Housing Area	6.42	2011	2,011	2,011
San Diego National Bank, Line of Credit, dated July 2007 Naval Training Center Non-Housing Area	3.57 - 5.49	2011	6,804	6,804
San Diego National Bank, Line of Credit, dated July 2007 North Bay Housing Area	4.05	2011	2,255	2,255
San Diego National Bank, Line of Credit, dated July 2007 North Park Non-Housing Area	3.69 - 4.05	2011	3,695	3,695
Total Loans Payable				34,777
Section 108 Loans Payable				35,896
General Obligation Bonds:				
Public Safety Communications Project, Series 1991	5.0 - 8.0**	2012	25,500	8,170
Open Space Park Refunding Bonds, Series 1994	5.0 - 6.0**	2009	64,260	410
Total General Obligation Bonds				8,580

(continued on next page)

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2008
Revenue Bonds / Lease Revenue Bonds / COPs:				
MTDB Authority Lease Revenue Refunding Bonds, Series 1994	4.25 - 5.625**	2010	$ 66,570	$ 5,390
Public Facilities Financing Authority Stadium Lease Revenue Bonds, Series 1996 A	6.2 - 7.45**	2027	68,425	57,775
San Diego Facilities and Equipment Leasing Corp. Certificates of Participation, Series 1996 A	4.0 - 5.6**	2011	33,430	9,760
San Diego Facilities and Equipment Leasing Corp. Certificates of Participation Refunding, Series 1996 B	4.0 - 6.0**	2022	11,720	8,445
Convention Center Expansion Financing Authority Lease Revenue Bonds, Series 1998 A	3.8 - 5.25**	2028	205,000	173,355
Centre City Parking Revenue Bonds, Series 1999 A	4.5 - 6.49**	2026	12,105	10,195
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 A	2.75 - 4.75**	2018	30,515	13,625
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 B	3.5 - 5.10**	2018	7,630	3,375
Public Facilities Financing Authority Fire and Life Safety Lease Revenue Bonds, Series 2002 B	3.55 - 7.0**	2032	25,070	22,805
Centre City Parking Revenue Bonds, Series 2003 B	3.0 - 5.30**	2027	20,515	18,195
MTDB Authority Lease Revenue Refunding Bonds, Series 2003	2.0 - 4.375**	2023	15,255	12,775
San Diego Facilities Equipment Leasing Corp. Certificates of Participation Refunding, Series 2003	1.0 - 4.0**	2024	17,425	10,490
Public Facilities Financing Authority Ballpark Lease Revenue Refunding Bonds, Series 2007A	5.0 - 5.25**	2032	156,560	152,765
Total Revenue Bonds / Lease Revenue Bonds / COPs				498,950
Special Assessment / Special Tax Bonds:				
Otay Mesa Industrial Park Limited Obligation Improvement Bonds, Issued May 1992	5.5 - 7.95**	2013	2,235	300
Miramar Ranch North Special Tax Refunding Bonds, Series 1998	3.75 - 5.375**	2021	59,465	42,065
Santaluz Special Tax Bonds, Improvement Area No.1, Series 2000 A	4.75 - 6.375**	2031	56,020	53,055
Santaluz Special Tax Bonds, Improvement Area No.3, Series 2000 B	4.5 - 6.2**	2031	4,350	4,090
City of San Diego Reassessment District No. 2003-1 Limited Obligation Refunding Bonds	4.25 - 5.8**	2018	8,850	6,825
Piper Ranch Limited Obligation Improvement Bonds, Issued January 2004	2.5 - 6.2**	2034	5,430	4,400
Santaluz Special Tax Bonds, Improvement Area No.1, Series 2004 A	1.7 - 5.5**	2031	5,000	4,645
Santaluz Special Tax Bonds, Improvement Area No.4, Series 2004 A	1.65 - 5.5**	2034	9,965	9,585
Liberty Station Special Tax Bonds, Series 2006A	5.0 - 5.75**	2037	16,000	15,890
Liberty Station Special Tax Bonds, Series 2008A	3.74 - 6.3**	2037	3,950	3,950
Total Special Assessment / Special Tax Bonds				144,805

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2008
Tax Allocation Bonds:				
Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995	7.8 - 9.75**	2014	$ 1,400	$ 665
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	4.4 - 6.0**	2020	1,200	795
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	3.8 - 6.0**	2016	12,970	7,070
Centre City Redevelopment Tax Allocation Bonds, Series 1999 A	3.0 - 5.125**	2019	25,680	25,245
Centre City Redevelopment Tax Allocation Bonds, Series 1999 B	6.25**	2014	11,360	11,360
Centre City Redevelopment Tax Allocation Bonds, Series 1999 C	3.1 - 4.75**	2025	13,610	11,945
City Heights Redevelopment Tax Allocation Bonds, Series 1999 A	4.5 - 5.8**	2029	5,690	5,200
City Heights Redevelopment Tax Allocation Bonds, Series 1999 B	5.75 - 6.4***	2029	10,141	9,318
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	4.0 - 5.6**	2025	6,100	4,995
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	3.95 - 5.35**	2025	21,390	18,705
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.8**	2022	15,025	13,715
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	4.25 - 5.875**	2031	13,000	11,450
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	4.1 - 5.9**	2031	7,000	6,170
Centre City Redevelopment Tax Allocation Bonds, Series 2001 A	4.93 - 5.55****	2027	58,425	56,270
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A	5.0**	2027	3,055	3,055
Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A	2.5 - 5.0**	2029	31,000	15,320
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A	5.875 - 6.5**	2034	4,955	4,955
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 B	2.5 - 4.25**	2014	865	485
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	1.5 - 6.125**	2028	7,145	6,240
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B	4.75 - 5.0**	2034	5,360	5,360
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A	4.65 - 5.1**	2022	6,325	6,325
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B	3.25 - 5.45**	2022	4,530	4,410
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	3.49 - 7.74**	2022	8,000	6,875
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A	3.5 - 5.25**	2030	101,180	95,575
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 B	2.26 - 4.58**	2011	9,855	4,830
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C	2.26 - 6.18**	2030	27,785	25,790

(continued on next page)

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2008
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D	2.26 - 6.28**	2030	$ 8,905	$ 8,275
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A	4.25 - 5.25**	2033	76,225	75,725
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 B	5.66 - 6.2**	2032	33,760	33,520
Centre City Redevelopment Project Tax Allocation Bonds, Series 2008 A	3.74 - 6.3**	2021	69,000	69,000
Total Tax Allocation Bonds				548,643
Tobacco Settlement Asset-Backed Bonds:				
Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006	7.125**	2023	105,400	99,370
Pooled Financing Bonds:				
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007A	5.95 - 6.65**	2038	17,230	16,690
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007B	4.0 - 5.25**	2038	17,755	17,425
Total Pooled Financing Bonds				34,115
Total Bonds Payable				1,334,463
Net Other Postemployment Benefits Obligation				28,872
Net Pension Obligation				141,734
Total Governmental Activities Long-Term Liabilities				$ 1,952,554

* Additional information on the variable rate contracts payable with the SDSU Foundation and loans payable with SANDAG are discussed further on the following page.

** Interest rates are fixed, and reflect the range of rates for various maturities from the date of issuance to maturity.

*** The City Heights Redevelopment Tax Allocation Bonds, Series 1999 B, are capital appreciation bonds, which mature from fiscal year 2011 through 2029. The balance outstanding at June 30, 2008 does not include accreted interest of $6,942.

**** The Centre City Redevelopment Tax Allocation Bonds, Series 2001 A, partially include capital appreciation bonds, which mature from fiscal year 2015 through 2027. The balance outstanding at June 30, 2008 does not include accreted interest of $5,895.

Liability claims are primarily liquidated by the Self Insurance Fund and Enterprise Funds. Compensated absences are paid out of the operating funds and certain internal service funds. Pension liabilities are paid out of the operating funds based on a percentage of payroll.

Public safety general obligation bonds are secured by a pledge of the full faith and credit of the City or by a pledge of the City to levy ad valorem property taxes without limitation. Open space general obligation bonds are backed by Environmental Growth Fund 2/3 franchise fees.

Revenue bonds are secured by a pledge of specific revenue generally derived from fees or service charges related to the operation of the project being financed. Certificates of Participation (COPs) and lease revenue bonds provide long-term financing through a lease agreement, installment sales agreement, or loan agreement that does not constitute indebtedness under the state constitutional debt limitation and is not subject to other statutory requirements applicable to bonds.

Special assessment/special tax bonds are issued by the City to provide funds for public improvements in/and or serving special assessment and Mello-Roos districts created by the City. The bonds are secured by assessments and special taxes levied on the properties located within the assessment districts and the community facilities districts, and are payable solely from the assessments and special taxes collected. The assessments and the special taxes, and any bonds payable from them, are secured by a lien on the properties upon which the assessments and the special taxes are levied. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds.

Section 108 loans are the loan guarantee provisions of the Community Development Block Grant (CDBG) program. Section 108 loans provide the community with a source of financing for economic development, housing rehabilitation, public facilities, and capital improvement and infrastructure projects.

SANDAG loans are comprised of two components: repayment of debt service on bonds, and repayment of proceeds from commercial paper. The City receives distributions of SANDAG bond proceeds, based on the City's agreement with SANDAG. The annual debt service payments related to these bond issuances are recovered by SANDAG through reductions in TransNet allocations that would otherwise be available for payment to the City. TransNet-Proposition A, was passed in 1987 to enact a ½ percent sales tax increase to fund regional transportation projects. All expenses must first be approved by SANDAG and be included on the Regional Transportation Plan (RTP). The City recognizes repayment of the principal and interest on bonds as an increase in TransNet revenues and an offsetting debt service expenditure. In addition to financing from bond issuances, financing for TransNet related projects is available through the issuance of commercial paper notes by SANDAG, at the request of the City. Repayment of proceeds related to the commercial paper is collected in future periods through reductions in TransNet allocations, similar to the repayment of the debt service on bonds. All outstanding SANDAG loan balances were paid in full as of June 30, 2008.

San Diego State University Foundation executed an Agreement for Processing a Redevelopment Plan and Land Use Entitlements with RDA which allows for reimbursement of expenses incurred by the Foundation, in assisting in the preparation and processing of the Redevelopment Plan and Land Use Entitlements in the College Area. The agreement is a variable rate obligation of RDA. The unpaid principal bears interest at the prime rate and is fixed on a quarterly basis, using the prime rate established on the first banking day of each calendar quarter. Interest calculations are made on the quarterly weighted average of the principal balance and are made at the end of the quarter based upon the rate fixed for that quarter. The effective interest rate as of June 30, 2008 is 5.25 percent.

Loans Payable includes a line of credit executed by RDA with Bank of America, N.A. on October 31, 2006. The line of credit is to be used to refinance the North Park Theatre, to pay sums of settlement of eminent domain actions relating to the North Park Redevelopment Area and for other redevelopment activities in the North Park Redevelopment Area. The tax-exempt portion of the line of credit has an effective interest rate of 3.80 percent and the taxable portion has an effective interest rate of 5.85 percent as of June 30, 2008 and the effective interest rate will reset on October 31, annually.

Loans Payable also includes six separate non-revolving secured three-year term lines of credit executed by RDA with San Diego National Bank dated July 26, 2007. Four lines of credit are for affordable housing in North Park, City Heights, North Bay and Naval Training Center (NTC) Redevelopment Project Areas. Two lines of credit are for non-housing or general purposes for City Heights and NTC Redevelopment Project Areas.

Tobacco Settlement Asset-Backed Bonds are limited obligations of the Tobacco Settlement Revenue Funding Corporation, which is a separate legal California nonprofit public benefit corporation established by the City of San Diego. The Corporation purchased from the City the rights to receive future tobacco settlement revenues due to the City. The Tobacco Settlement Asset-Backed Bonds are payable from and secured solely by pledged tobacco settlement revenues.

b. Amortization Requirements

The annual requirements to amortize such long-term debt outstanding as of June 30, 2008, including interest payments to maturity, are as follows:

Year Ended June 30,	Capital Lease Obligations		Contracts Payable		Notes Payable		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 11,906	$ 2,417	$ -	$ -	$ -	$ -	$ 8,699	$ 1,495
2010	11,466	1,930	-	-	-	-	177	1,368
2011	10,358	1,470	-	-	-	-	16,249	374
2012	10,456	1,031	-	-	-	-	195	351
2013	8,856	586	-	-	-	-	205	341
2014-2018	8,220	344	-	-	-	-	1,199	1,532
2019-2023	-	-	-	-	-	-	645	1,226
2024-2028	-	-	-	-	-	-	702	954
2029-2033	-	-	-	-	-	-	1,131	525
2034-2038	-	-	-	-	-	-	329	68
Unscheduled*	-	-	2,615	1,868	5,662	2,500	5,246	-
Total	$ 61,262	$ 7,778	$ 2,615	$ 1,868	$ 5,662	$ 2,500	$ 34,777	$ 8,234

** The contracts payable to SDSU Foundation in the amount of $1,715, the contract payable to Western Pacific Housing, Inc. in the amount of $900, the notes payable to Price Charities of $5,662, and the loan payable to Centerpoint, LLC in the amount of $5,246 do not have annual repayment schedules. Annual payments on the San Diego State University debt is based on the availability of tax increment, net of the low-moderate and taxing agency set-asides, as well as project area administration costs. Annual payments to the Western Pacific Housing, Inc., and Price Charities debt are based on available tax increment. Annual payments to the Centerpoint, LLC debt are based upon future receipts of unallocated tax increment or other available sources.*

Year Ended June 30,	Section 108 Loans Principal	Section 108 Loans Interest	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Bonds / COPs Principal	Revenue Bonds / COPs Interest	Special Assessment / Special Tax Bonds Principal	Special Assessment / Special Tax Bonds Interest
2009	$ 2,364	$ 2,046	$ 2,265	$ 502	$ 22,315	$ 25,904	$ 4,610	$ 7,953
2010	2,457	1,920	1,975	353	21,970	24,865	4,935	7,750
2011	2,595	1,783	2,100	219	20,040	23,854	5,275	7,500
2012	2,724	1,633	2,240	74	17,460	22,918	5,640	7,226
2013	2,863	1,471	-	-	18,355	22,026	5,935	6,925
2014-2018	14,179	4,639	-	-	99,415	95,193	34,500	29,420
2019-2023	7,043	1,425	-	-	120,380	67,033	30,580	20,006
2024-2028	1,671	91	-	-	133,230	32,666	24,770	12,576
2029-2033	-	-	-	-	45,785	6,125	22,655	4,384
2034-2038	-	-	-	-	-	-	5,905	619
Total	$ 35,896	$ 15,008	$ 8,580	$ 1,148	$ 498,950	$ 320,584	$ 144,805	$ 104,359

Year Ended June 30,	Tax Allocation Bonds Principal	Tax Allocation Bonds Unaccreted Appreciation	Tax Allocation Bonds Interest	Tobacco Asset-Backed Bonds Principal	Tobacco Asset-Backed Bonds Interest	Pooled Financing Bonds Principal	Pooled Financing Bonds Interest
2009	$ 14,096	$ 2,081	$ 26,339	$ 3,600	$ 7,080	$ 655	$ 1,917
2010	19,054	2,163	26,620	3,800	6,826	680	1,883
2011	19,948	2,243	25,727	4,000	6,555	770	1,846
2012	20,884	2,317	24,749	4,400	6,270	825	1,805
2013	24,143	2,388	23,612	4,600	5,956	860	1,762
2014-2018	138,792	12,144	97,827	28,900	24,310	5,005	8,089
2019-2023	142,776	9,837	59,645	50,070	12,455	5,745	6,576
2024-2028	113,226	3,474	28,220	-	-	6,495	4,864
2029-2033	54,069	20	7,029	-	-	8,650	2,644
2034-2038	1,655	-	44	-	-	4,430	684
Subtotal	548,643	36,667	319,812	99,370	69,452	34,115	32,070
Add:							
Accreted Appreciation							
through June 30, 2008	12,837	-	-	-	-	-	-
Total	$ 561,480	$ 36,667	$ 319,812	$ 99,370	$ 69,452	$ 34,115	$ 32,070

c. Change in Long-Term Liabilities

Additions to governmental activities long-term debt for contracts, notes and loans payable may differ from proceeds reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, due to funding received in prior fiscal years being converted from short-term to long-term debt as a result of developers extending the terms of the obligation.

The following is a summary of changes in governmental activities long-term liabilities for the year ended June 30, 2008. The effect of bond accretion, bond premiums, discounts, and deferred amounts on bond refunds are amortized as adjustments to long-term liabilities.

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	$ 73,050	$ 54,792	$ (53,017)	$ 74,825	$ 31,915
Liability Claims	226,487	53,083	(47,122)	232,448	41,303
Capital Lease Obligations	39,130	31,681	(9,549)	61,262	11,906
Contracts Payable	2,615	-	-	2,615	-
Notes Payable	8,555	-	(2,893)	5,662	-
Loans Payable	18,775	16,063	(61)	34,777	8,699
SANDAG Loans Payable	2,287	-	(2,287)	-	-
Section 108 Loans Payable	39,431	-	(3,535)	35,896	2,364
General Obligation Bonds	10,705	-	(2,125)	8,580	2,265
Revenue Bonds / COPs	521,210	-	(22,260)	498,950	22,315
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(4,438)	-	203	(4,235)	(203)
Net Revenue Bonds/COP's	516,772	-	(22,057)	494,715	22,112
Special Assessment / Special Tax Bonds	145,625	3,950	(4,770)	144,805	4,610
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(556)	(27)	49	(534)	(49)
Net Special Assessment Bonds	145,069	3,923	(4,721)	144,271	4,561
Tax Allocation Bonds	502,804	69,000	(23,161)	548,643	14,096
Interest Accretion	11,015	1,996	(174)	12,837	-
Balance with Accretion	513,819	70,996	(23,335)	561,480	14,096
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	5,628	(176)	42	5,494	(116)
Net Tax Allocation Bonds	519,447	70,820	(23,293)	566,974	13,980
Tobacco Settlement Asset-Backed Bonds	102,700	-	(3,330)	99,370	3,600
Pooled Financing Bonds	-	34,985	(870)	34,115	655
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	-	(142)	17	(125)	(17)
Net Pooled Financing Bonds	-	34,843	(853)	33,990	638
Net Other Postemployment Benefits Obligation	-	28,872	-	28,872	-
Net Pension Obligation	158,162	-	(16,428)	141,734	-
Total	$ 1,863,185	$ 294,077	$ (191,271)	$ 1,965,991	$ 143,343

d. Defeasance and Redemption of Debt

PFFA issued Pooled Financing Bonds, Series 2007 A in the amount of $17,230 and Series B in the amount of $17,755. The bond proceeds were used to make loans to RDA for the purpose of refunding outstanding Southcrest 1995, Mount Hope 1995B, Southcrest 2000, and Central Imperial 2000 Bonds. The current refunding of the Southcrest 1995 bonds resulted in a total economic gain of approximately $186 and a cash flow savings of approximately $235. The current refunding of the Mount Hope 1995B bonds resulted in a total economic gain of approximately $262 and a cash flow savings of approximately $381. These refunded bonds were fully redeemed at a call date prior to the end of the fiscal year, and accordingly, there was no balance outstanding as of June 30, 2008. The Southcrest 2000 and Central Imperial 2000 bonds were advance refunded and resulted in an economic gain of approximately $95 and cash flow savings of approximately $143, and an economic gain of approximately $242, and a cash flow savings of approximately $400, respectively. The balance of these defeased bonds are listed below.

As of June 30, 2008, principal amounts payable from escrow funds established for defeased bonds are as follows:

Defeased Bonds	Amount
Central Imperial Redevelopment Project Tax Allocation Bonds, Series 2000	$ 3,040
Southcrest Redevelopment Project Tax Allocation Bonds, Series 2000	1,570
Total Defeased Bonds Outstanding	$ 4,610

e. Long-Term Pledged Liabilities

Governmental long-term pledged liabilities as of June 30, 2008 are comprised of the following:

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Pledged CDBG Revenue:				
Section 108 Loans Payable		$ 39,386	$ 4,935	$ 4,935
Total Pledged CDBG Revenue		39,386	4,935	4,935
Pledged Developer Revenue:				
Regional Transportation Center Redevelopment Project (Section 108)	2021	2,947	293	293
Total Pledged Developer Revenue		2,947	293	293
Pledged Net Operating Revenue (Parking):				
Centre City Parking Revenue Bonds, Series 1999 A	2026	17,022	955	966
Centre City Parking Revenue Bonds, Series 2003 B	2027	28,387	1,508	1,450
Total Pledged Net Operating Revenue (Parking)		45,409	2,463	2,416
Pledged Special Assessment / Special Tax Revenue:				
Otay Mesa Industrial Park Limited Obligation Improvement Bonds, Issued May 1992	2013	364	76	75
Miramar Ranch North Special Tax Refunding Bonds, Series 1998	2021	56,488	4,373	4,184
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 A	2018	15,997	2,518	1,962
Public Facilities Financing Authority Reassessment District Refunding Revenue Bonds, Series 1999 B	2018	4,029	640	490
Santaluz Special Tax Bonds, Improvement Area No.1, Series 2000 A	2031	100,864	4,132	4,338
Santaluz Special Tax Bonds, Improvement Area No.3, Series 2000 B	2031	7,641	314	327
City of San Diego Reassessment District No. 2003-1 Limited Obligation Refunding Bonds	2018	8,883	896	956
Piper Ranch Limited Obligation Improvement Bonds, Issued January 2004	2034	8,656	1,005	943
Santaluz Special Tax Bonds, Improvement Area No.1, Series 2004 A	2031	8,020	351	377
Santaluz Special Tax Bonds, Improvement Area No.4, Series 2004 A	2034	17,846	613	679
Liberty Station Special Tax Bonds, Series 2006A	2037	32,379	1,008	1,590
Liberty Station Special Tax Bonds, Series 2008A	2037	8,024	-	-
Total Pledged Special Assessment / Special Tax Revenue		269,191	15,926	15,921

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Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Pledged Tax Increment Revenue:				
Contracts				
Contract Payable to SDSU Foundation, dated December 1991	---	$ 3,035	$ 356	$ 356
Amendment to Contract Payable to SDSU Foundation, dated January 1995	---	222	26	26
Contract Payable to Western Pacific Housing, Inc., dated April 2004	---	1,226	-	-
Notes				
Note Payable to Price Charities, dated April 2001	2032	5,882	927	927
Note Payable to Price Charities, dated May 2005	2025	2,100	-	-
Amendment to Note Payable to Price Charities, dated February 2006	2025	180	-	-
Loans				
International Gateway Associates, LLC, dated October 2001	2032	4,975	199	199
PCCP/SB Las America, LLC, dated August 2005	2036	3,703	132	132
Centerpoint, LLC, dated April 2006	2021	5,246	-	-
Bank of America, N.A. Line of Credit, dated October 2006	2009	8,648	381	381
San Diego National Bank, Line of Credit, dated July 2007 City Heights Housing Area	2011	1,489	64	64
San Diego National Bank, Line of Credit, dated July 2007 City Heights Non-Housing Area	2011	2,428	196	196
San Diego National Bank, Line of Credit, dated July 2007 Naval Training Center Housing Area	2011	61	30	30
San Diego National Bank, Line of Credit, dated July 2007 Naval Training Center Non-Housing Area	2011	7,587	344	344
San Diego National Bank, Line of Credit, dated July 2007 North Bay Housing Area	2011	2,499	67	67
San Diego National Bank, Line of Credit, dated July 2007 North Park Non-Housing Area	2011	4,011	68	68
Naval Training Center Civic, Arts, and Cultural Center (Section 108)	2025	8,571	510	510

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Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Bonds				
Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995	2014	$ 877	$ 148	$ 180
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	2020	1,108	93	90
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	2016	8,894	1,120	1,091
Centre City Redevelopment Tax Allocation Bonds, Series 1999 A	2019	34,263	1,273	1,214
Centre City Redevelopment Tax Allocation Bonds, Series 1999 B	2014	13,864	710	676
Centre City Redevelopment Tax Allocation Bonds, Series 1999 C	2025	17,973	799	768
City Heights Redevelopment Tax Allocation Bonds, Series 1999 A	2029	8,928	427	420
City Heights Redevelopment Tax Allocation Bonds, Series 1999 B	2029	31,702	460	429
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	2025	7,660	448	405
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	2025	28,834	1,455	1,394
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	2022	20,159	1,351	1,319
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	2031	20,697	895	835
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	2031	11,156	480	448
Centre City Redevelopment Tax Allocation Bonds, Series 2001 A	2027	111,729	2,568	2,458
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A	2027	5,508	153	153
Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A	2029	25,078	3,973	3,713
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A	2034	10,687	316	316
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 B	2014	544	89	88
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	2028	10,522	544	524
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B	2034	11,448	259	240

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Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A	2022	$ 9,797	$ 310	$ 271
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B	2022	6,463	341	287
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	2022	11,050	802	700
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A	2030	152,941	6,855	6,245
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 B	2011	5,120	1,972	1,879
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C	2030	44,121	2,233	2,246
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D	2030	14,294	722	726
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A	2033	129,832	4,181	4,712
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 B	2032	64,034	2,266	2,855
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007A	2038	33,908	1,316	1,316
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007B	2038	32,277	956	956
Centre City Redevelopment Project Tax Allocation Bonds, Series 2008 A	2021	98,677	-	-
Total Pledged Tax Increment Revenue		1,046,008	42,815	42,254
Pledged Tobacco Settlement Revenue:				
Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006	2023	$ 168,822	$ 10,640	$ 10,100
Total Pledged Tobacco Settlement Revenue		168,822	10,640	10,100
Total Pledged Revenue		$ 1,571,763	$ 77,072	$ 75,919

6. BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES (In Thousands)

a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2008 are comprised of the following:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2008
Arbitrage Liability				$ 586
Compensated Absences				13,355
Liability Claims				50,239
Capital Lease Obligations				166
Revenue Notes Payable:				
Subordinated Sewer Revenue Notes, Series 2007	5.0*	2009	223,830	223,830
Subordinated Water Revenue Notes, Series 2007A	4.06*	2009	57,000	57,000
Subordinated Water Revenue Notes, Series 2008A	3.28*	2010	150,000	150,000
Total Revenue Notes Payable				430,830
Loans Payable:				
Loans Payable to San Diego County Water Authority	-	-	100	100
Loans Payable to State Water Resources Control Board, issued February 9, 2000	1.80%**	2020	10,606	6,815
Loans Payable to State Water Resources Control Board, issued February 9, 2000	1.80**	2022	6,684	4,925
Loans Payable to State Water Resources Control Board, issued March 30, 2001	1.80**	2022	33,720	24,841
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80**	2022	7,742	5,702
Loans Payable to State Water Resources Control Board, issued May 17, 2001	1.80**	2021	860	594
Loans Payable to State Water Resources Control Board, issued June 11, 2001	1.80**	2021	2,525	1,743
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.99**	2020	3,767	2,657
Loans Payable to State Water Resources Control Board, issued October 3, 2002	1.80**	2023	8,068	6,312
Loans Payable to State Water Resources Control Board, issued December 14, 2005	1.89**	2024	10,093	8,729
Loans Payable to Department of Health Services, issued July 6, 2005	2.51**	2026	21,525	19,385
Loans Payable to State Water Resources Control Board, issued October 15, 2006	1.99**	2024	3,858	3,494
Loans Payable to State Water Resources Control Board, issued February 28, 2007	1.89**	2026	11,068	10,578
Total Loans Payable				95,875

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2008
Bonds Payable:				
Sewer Revenue Bonds, Series 1993	2.8 - 5.25*	2023	$ 250,000	$ 167,955
Sewer Revenue Bonds, Series 1995	3.9 - 6.0*	2025	350,000	265,540
Sewer Revenue Bonds, Series 1997 A	3.7 - 5.375*	2027	183,000	144,060
Sewer Revenue Bonds, Series 1997 B	3.7 - 5.375*	2027	67,000	52,740
Water Certificate of Undivided Interest, Series 1998	4.0 - 5.375*	2029	385,000	254,075
Sewer Revenue Bonds, Series 1999 A	3.5 - 5.125*	2029	203,350	169,665
Sewer Revenue Bonds, Series 1999 B	3.5 - 5.125*	2029	112,060	93,735
Subordinated Water Revenue Bonds, Series 2002	2.0 - 5.0*	2033	286,945	277,675
Total Bonds Payable				1,425,445
Estimated Landfill Closure and Postclosure Care				18,429
Net Other Postemployment Benefits Obligation				8,921
Net Pension Obligation				31,342
Total Business-Type Activities Long-Term Liabilities				$ 2,075,188

** Interest rates are fixed, and reflect the range of rates for various maturities from the date of issuance to maturity.*

*** Effective rate*

b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2008, including interest payments to maturity, are as follows:

Year Ended June 30	Capital Lease Obligations Principal	Capital Lease Obligations Interest	Revenue Notes Payable Principal	Revenue Notes Payable Interest	Loans Payable Principal	Loans Payable Interest	Revenue Bonds Payable Principal	Revenue Bonds Payable Interest
2009	$ 166	$ 4	$ 280,830	$ 18,050	$ 5,547	$ 1,889	$ 45,595	$ 70,851
2010	-	-	150,000	2,829	5,655	1,780	47,585	68,850
2011	-	-	-	-	5,765	1,670	49,810	66,620
2012	-	-	-	-	5,878	1,557	52,315	64,120
2013	-	-	-	-	5,992	1,443	54,965	61,473
2014-2018	-	-	-	-	31,763	5,413	319,755	262,369
2019-2023	-	-	-	-	28,962	2,253	408,335	172,430
2024-2028	-	-	-	-	6,213	218	341,990	69,803
2029-2033	-	-	-	-	-	-	105,095	9,466
2034-2038	-	-	-	-	-	-	-	-
Unscheduled *	-	-	-	-	100	-	-	-
Total	$ 166	$ 4	$ 430,830	$ 20,879	$ 95,875	$ 16,223	$ 1,425,445	$ 845,982

** The loan payable to the San Diego County Water Authority in the amount of $100 does not have an annual repayment schedule. The payment is due if funding for the projects for which the loan was received becomes available from other sources.*

c. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2008. The effect of bond premiums, discounts and deferred amounts on refunding are reflected as adjustments to long-term liabilities.

	Business-Type Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Arbitrage Liability	$ 224	$ 368	$ (6)	$ 586	$ -
Compensated Absences	15,154	11,472	(13,271)	13,355	6,657
Liability Claims	53,555	(14)	(3,302)	50,239	5,913
Capital Lease Obligations	1,006	-	(840)	166	166
Revenue Notes Payable	280,830	150,000	-	430,830	280,830
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	517	-	(517)	-	-
Net Revenue Notes Payable	281,347	150,000	(517)	430,830	280,830
Loans Payable	101,316	-	(5,441)	95,875	5,547
Revenue Bonds Payable	1,469,060	-	(43,615)	1,425,445	45,595
Unamortized Bond Premiums, Discounts and Deferred Amounts on Refunding	(7,189)	-	570	(6,619)	(570)
Net Revenue Bonds Payable	1,461,871	-	(43,045)	1,418,826	45,025
Estimated Landfill Closure and Postclosure Care	16,935	1,494	-	18,429	-
Net Other Postemployment Benefits Obligation	-	8,921	-	8,921	-
Net Pension Obligation	36,418	-	(5,076)	31,342	-
Totals	$ 1,967,826	$ 172,241	$ (71,498)	$ 2,068,569	$ 344,138

d. Defeasance of Debt

As of June 30, 2008, principal amounts payable from escrow funds established for defeased bonds are as follows:

Defeased Bonds	Balance
Water Certificate of Undivided Interest, Series 1998	$ 77,155
Total Defeased Bonds Outstanding	$ 77,155

e. Long-Term Pledged Liabilities

Business-type activities long-term pledged liabilities as of June 30, 2008 are comprised of the following:

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Pledged Net Sewer Systems Revenue:				
Loans				
Loans Payable to State Water Resources Control Board, issued February 9, 2000	2020	$ 7,641	$ 637	$ 637
Loans Payable to State Water Resources Control Board, issued February 9, 2000	2022	5,617	401	401
Loans Payable to State Water Resources Control Board, issued March 30, 2001	2022	28,346	2,025	2,025
Loans Payable to State Water Resources Control Board, issued May 17, 2001	2022	6,503	464	464
Loans Payable to State Water Resources Control Board, issued May 17, 2001	2021	671	52	52
Loans Payable to State Water Resources Control Board, issued June 11, 2001	2021	1,970	152	152
Loans Payable to State Water Resources Control Board, issued October 3, 2002	2020	3,014	251	251
Loans Payable to State Water Resources Control Board, issued October 3, 2002	2023	7,261	484	484
Loans Payable to State Water Resources Control Board, issued December 14, 2005	2024	10,199	637	637
Loans Payable to State Water Resources Control Board, issued October 15, 2006	2024	4,115	257	257
Loans Payable to State Water Resources Control Board, issued February 28, 2007	2026	12,582	699	699

(continued on next page)

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Bonds and Notes				
Sewer Revenue Bonds, Series 1993	2023	$ 244,779	$ 16,319	$ 16,310
Sewer Revenue Bonds, Series 1995	2025	400,912	23,586	23,574
Sewer Revenue Bonds, Series 1997 A	2027	231,386	12,178	12,171
Sewer Revenue Bonds, Series 1997 B	2027	84,710	4,458	4,457
Sewer Revenue Bonds, Series 1999 A	2029	277,294	13,206	12,329
Sewer Revenue Bonds, Series 1999 B	2029	153,433	7,309	7,118
Subordinated Sewer Revenue Notes, Series 2007	2009	235,021	11,440	11,439
Total Pledged Net Sewer Systems Revenue		1,715,454	94,555	93,457
Pledged Net Water Systems Revenue:				
Loans				
Loans Payable to Department of Health Services, issued July 6, 2005	2026	24,079	1,376	1,376
Bonds and Notes				
Water Certificate of Undivided Interest, Series 1998	2029	436,677	21,354	19,984
Subordinated Water Revenue Bonds, Series 2002	2033	442,236	18,031	16,967
Subordinated Water Revenue Notes, Series 2007A	2009	59,308	2,321	2,320
Subordinated Water Revenue Notes, Series 2008A	2010	157,380	-	-
Total Pledged Net Water Systems Revenue		1,119,680	43,082	40,647
Total Pledged Revenues		$ 2,835,134	$ 137,637	$ 134,104

7. DISCRETELY PRESENTED COMPONENT UNITS LONG-TERM DEBT (In Thousands)

Discretely presented component units long-term debt as of June 30, 2008 is comprised as follows:

San Diego Convention Center Corporation

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2008	Due Within One Year
Compensated Absences				$ 1,221	$ 1,221
Capital Leases			$ 3,942	2,201	807
Note Payable to San Diego Unified Port District, dated 1999	0.00%	2011	10,000	2,500	1,000
Total Long-Term Liabilities				$ 5,922	$ 3,028

Annual requirements to amortize long-term debt as of June 30, 2008, are as follows:

Capital Lease		Note Payable	
Fiscal Year	Amount	Fiscal Year	Amount
2009	$ 931	2009	$ 1,000
2010	931	2010	1,000
2011	543	2011	500
Total minimum lease payments	2,405	Total	$ 2,500
Less: amount representing interest	(204)		
Present value of minimum lease payments	$ 2,201		

San Diego Housing Commission

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2008	Due Within One Year
Compensated Absences				$ 1,249	$ 1,249
Note Payable to Washington Mutual, dated June 1995	Variable*	2012	$ 4,725	3,427	149
Note Payable to State of California (RHCP)	0.0	2013	1,405	1,405	-
Note Payable to State of California (RHCP)	0.0	2015	3,149	3,149	-
Note Payable to State of California (CalHELP)	3.0	2013	704	2,306	-
Note Payable to US Bank, dated November 2006	Variable*	2012	20,550	19,468	223
Total Notes Payable				29,755	372
Total Long-Term Liabilities				$ 31,004	$ 1,621

* The effective interest rate as of June 30, 2008 was 3.79% for the Washington Mutual Note Payable and 7.54% for the US Bank Note Payable.

Annual requirements to amortize such long-term debt as of June 30, 2008 to maturity are as follows:

Year Ending June 30	Principal	Interest
2009	$ 372	$ 1,674
2010	396	1,654
2011	421	1,629
2012	21,707	557
2013	-	69
2014-2018	6,859	67
Total	$ 29,755	$ 5,650

8. SHORT-TERM NOTES PAYABLE (In Thousands)

The City issues Tax and Revenue Anticipation Notes (TRANs) in advance of property tax collections, depositing the proceeds into the General Fund. These notes are necessary to meet the cash requirements of the City prior to the receipt of property taxes.

Short-term debt activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax and Revenue Anticipation Notes	$ 142,000	$ 116,000	$ (142,000)	$ 116,000

The $142,000 (FY07) TRANs issue, which was a 13 month note obligation, had an interest rate of 4.18% and was repaid on August 3, 2007.

The $116,000 (FY08) TRANs issue, which was a 13 month note obligation, had an interest rate of 3.90% and was repaid on August 1, 2008.

9. JOINT VENTURE and JOINTLY GOVERNED ORGANIZATIONS (In Thousands)

San Diego Medical Services Enterprise, LLC

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. San Diego Medical Services Enterprise, LLC (SDMSE) is a joint venture that is reported within the General Fund.

SDMSE was organized on May 2, 1997 to provide emergency medical services and medical transportation services to the citizens of San Diego. Operations began July 1, 1997 under an initial 5 year agreement that was extended on July 1, 2002 and again on July 1, 2005 for an additional three year period. On July 1, 2008 operations were extended until December 31, 2008 under a separate extension agreement, and will continue to be extended during the competitive bidding process which is currently taking place.

The SDMSE partners are the City of San Diego and Rural Metro of San Diego, Inc., a wholly owned subsidiary of Rural Metro Corporation (a publicly traded corporation). The SDMSE governing board is comprised of five members, three of whom are appointed by the City. In accordance with GASB 14, the financial impacts of the joint venture are reported in the General Fund.

The maximum funds which the City is required to contribute to the costs of SDMSE operations are limited to an aggregate of $8,450 during the term of the third amended agreement. This aggregate includes a $650 annual subsidy and any other amounts to be paid to the City since 1997 under the original contract, and any losses the City is required to cover under the extended contract, excluding any amount the City contributes for Medicare fee reimbursements. Cumulatively, the City has paid annual subsidies totaling $5,700 as of June 30, 2008. Effective in fiscal year 2006, the City is no longer required to pay the $650 annual subsidy and the Medicare fee reimbursements shall not exceed $250 per fiscal year. Net assets of SDMSE are pro-rated to each partner based on a 50/50 split. In accordance with the operating agreement, profit and loss for each fiscal year is allocated equally to the members, subject to an aggregate limitation on loss to the City of $8,450 (equal to the amount of subsidies discussed above). For the fiscal year ended June 30, 2008, SDMSE reported a net income of $1,667, a member distribution of $1,900, and ending net assets of $3,962.

Under the terms of an operating agreement between Rural/Metro of San Diego, Inc. and SDMSE, Rural/Metro of San Diego, Inc. has made available a line-of-credit in the initial amount of $3,500 bearing an interest rate of 9.5%. SDMSE did not have an outstanding balance, nor did it borrow on the line-of-credit at June 30, 2008.

Complete financial statements can be requested from San Diego Medical Services Enterprise, LLC, 8401 East Indian School Rd., Scottsdale, Arizona 85251.

San Diego Workforce Partnership

The City of San Diego and the County of San Diego jointly govern the San Diego Workforce Partnership (Consortium). The Consortium's Board of Directors consists of two members of the City Council, two members from the County Board of Supervisors, and one member of a charitable organization. The purpose of the Consortium is to provide regional employment and training services in order to develop and create job opportunities throughout San Diego County. The Consortium is empowered to make applications for and receive grants from governmental or private sources. The City does not appoint a majority of the Board, is not able to impose its will on the Consortium, and the Consortium is not fiscally dependent on the City. Therefore, it is the City's conclusion that the Consortium is a Governmental Organization with a jointly appointed board and not a component unit of the City.

Complete financial statements can be requested from San Diego Workforce Partnership, Inc. 3910 University Avenue, Suite 400, San Diego, CA 92105.

San Diego Geographic Information Source (SanGIS)

SanGIS was created in July 1997 as a joint powers agreement between the City of San Diego and the County of San Diego. SanGIS objectives are to create and maintain a geographic information system, marketing and licensing compiled digital geographic data and software, providing technical services and publishing geographical and land-related information.

Complete financial statements can be requested from SanGIS, 5469 Kearney Villa Road, Suite 102, San Diego, CA 92123.

10. LEASE COMMITMENTS (In Thousands)

The City leases various properties and equipment. Leased property having elements of ownership are recorded as capital leases and reported as capital assets in the government-wide financial statements, along with a corresponding capital lease obligation. Leased property that does not have elements of ownership is reported as an operating lease and is expensed when paid.

Operating Leases

The City's operating leases consist primarily of rental property occupied by City departments. The following is a schedule of future minimum rental payments required under operating leases entered into by the City for property that has initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2008:

Year Ended June 30	Amount
2009	$ 12,746
2010	12,429
2011	11,892
2012	12,061
2013	11,904
2014-2018	12,017
2019-2023	245
2024-2028	49
Total	$ 73,343

Rent expense as related to operating leases was $11,657 for the year ended June 30, 2008.

Capital Leases

The City has entered into various capital leases for equipment, vehicles and property. These capital leases have maturity dates ranging from September 1, 2007 through July 1, 2015, and interest rates ranging from 2.59% to 7.94%. A schedule of future minimum lease payments under capital leases as of June 30, 2008 is provided in Notes 5 and 6. The value of all capital leased assets as of June 30, 2008 for governmental assets is $50,359, net of accumulated depreciation of $85,211, and business-type assets of $2,504, net of accumulated depreciation of $8,810.

Lease Revenues

The City has operating leases for certain land, buildings, and facilities with tenants and concessionaires. Leased capital asset carrying values of approximately $64,591, as well as depreciation, are reported in Note 4 and are consolidated with non-leased assets. Minimum annual lease revenues are reported in the following schedule:

Year Ended June 30	Amount
2009	$ 33,205
2010	32,093
2011	31,533
2012	30,926
2013	30,178
2014-2018	139,448
2019-2023	124,287
2024-2028	119,135
2029-2033	111,976
2034-2038	101,650
2039-2043	97,038
2044-2048	77,903
2049-2053	15,205
2054-2058	6,160
2059-2063	1,650
Total	$ 952,387

This amount does not include contingent rentals, which may be received under certain leases of property on the basis of percentage returns. Rental income as related to operating leases was $82,954 for the year ended June 30, 2008, which includes contingent rentals of $49,981.

11. DEFERRED COMPENSATION PLAN (In Thousands)

The City, San Diego Convention Center Corporation (SDCCC), San Diego Data Processing Corporation (SDDPC), and San Diego Housing Commission (SDHC) each offer their employees a deferred compensation plan, created in accordance with Internal Revenue Service Code Section 457, State and Local Government Deferred Compensation Plans. These plans, available to eligible employees, permit them to defer, pre-tax, a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, disability, or an unforeseeable emergency. All assets and income of the deferred compensation plan are held in trust for the exclusive benefit of plan participants and their beneficiaries. The deferred compensation plans are not considered part of the City of San Diego's financial reporting entity.

12. PENSION PLANS (In Thousands)

The City has a defined benefit pension plan and various defined contribution pension plans covering substantially all of its employees.

DEFINED BENEFIT PLAN

a. **Plan Description**

San Diego City Employees' Retirement System ("SDCERS"), as authorized by Article IX of the City Charter, is a public employee retirement system established in fiscal year 1927 by the City. SDCERS administers independent, qualified, single employer governmental defined benefit plans and trusts for the City, the Port of San Diego (the "Port"), and the San Diego County Regional Airport Authority (the "Airport"). As of July 1, 2007, the assets of the three separate plans and trusts are pooled in the SDCERS Group Trust. These plans are administered by the SDCERS Board (the "Board") to provide retirement, disability, death and survivor benefits for its members. Amendments to the City's benefit provisions require City Council approval as well as a majority vote by members. As of January 1, 2007, benefit increases also require a majority vote of the public. All approved benefit changes are codified in the City's Municipal Code.

The plans cover all eligible employees of the City, the Port, and the Airport. All City employees working half-time or greater and full-time employees of the Port and the Airport are eligible for membership and are required to join SDCERS. The Port and Airport are not component units of the City CAFR per GASB 14; however, the financial statements of SDCERS Pension trust do include the Port and Airport activity and are reported in the trust and agency section of the CAFR. The information disclosed in this note however, relates solely to the City's participation in SDCERS. City employment classes participating in the Plan are elected officers, general and safety (including police, fire and lifeguard members). These classes are represented by various unions depending on the type and nature of work performed, except for elected officials, unclassified and unrepresented employees.

City of San Diego Plan Membership as of June 30, 2008 (actual member count)

	General	Safety	Total by Classification
Active Members	5,980	2,507	8,487
Terminated Members	2,255	488	2,743
Retirees, Disabled and Beneficiaries	4,169	2,771	6,940
Total Members, as of June 30, 2008	12,404	5,766	18,170

Source: SDCERS-City of San Diego Actuarial Valuation as of June 30, 2008

As a defined benefit Plan, retirement benefits are determined primarily by a member's class, age at retirement, number of years of creditable service, and the member's final compensation based on the highest salary earned over a consecutive one-year period. The Plan provides cost of living adjustments of 2% to retirees, which is factored into the actuarial assumptions. Increases in retirement benefits due to cost of living adjustments do not require voter approval. The Plan requires ten years of service at age 62, or 20 years of service at age 55 for general members (50 for safety members), which could include certain service purchased or service earned at a reciprocating government entity, to vest for a benefit. Typically, retirement benefits are awarded at a rate of 2.5%

of the employee's one-year high annual salary per year of service at age 55 for general members, and 3% for Safety members starting at the age of 50. The actual percentage of final average salary per year served component of the calculation rises as the employee's retirement age increases and depends on the retirement option selected by the employee. General Plan percentage of final average salary per year served is a maximum of 2.8% for general members and 3% for safety members.

On July 28, 2008, the City Council approved R-303977 which presents modified defined contribution and defined benefit Plans for all non-safety City employees hired on or after July 1, 2009. The new defined benefit Plan includes modified percentages used to determine annual retirement allowance (depending on employees' age at retirement), a pensionable salary calculation used to determine retirement allowances based on a 3-year average, and a maximum annual retiree benefit of 80% of employees' pensionable salary. Additionally, the new defined contribution Plan includes mandatory employee contributions to SPSP (as well as City match) of 1% and the introduction of mandatory employee contribution to a retiree medical trust Plan (as well as City match) of 0.25%. The modified Plans were drafted and agreed upon by the Mayor's Office and related labor unions representing non-safety City employees.

Deferred Retirement Option Program (DROP)

The City also has a Deferred Retirement Option Program (DROP) where participants continue to work for the City and receive a regular paycheck. SDCERS' members electing to participate in DROP must agree to participate in the program for a specific period, up to a maximum of five years. A DROP participant must agree to end employment with the City on or before the end of the selected DROP participation period. A SDCERS member's decision to enter DROP is irrevocable.

Upon entering the program, the DROP participant stops making contributions to SDCERS and stops earning creditable service. Instead, amounts equivalent to the participant's retirement benefit plus earnings and additional contributions are credited to an interest bearing individual account held in the participant's name. On November 21, 2008, the SDCERS Board changed the DROP interest credit rate to 7.75% from 8% to mirror the newly adopted investment return assumption adopted by the Board on September 19, 2008. On February 20, 2009 the Board changed the DROP interest rate again. Effective July 1, 2009, DROP participation interest will be 3.54% and DROP annuity interest will be 5.0%. The DROP benefit is the value of a DROP participant's account at the end of the DROP participation period. Participants select the form of the distribution of the DROP account when they leave employment and begin retirement. The distribution is made as a single lump sum or in 240 equal monthly payments, or as otherwise allowed by applicable provisions of the Internal Revenue Code. Outstanding liabilities for DROP are shown on the Statement of Fiduciary Net Assets in the basic financial statements. During the period of participation, the participant continues to receive most of the employer offered benefits available to regular employees with exception to earning creditable service, as previously discussed.

SDCERS' members who were hired on or after July 1, 2005 are ineligible to participate in the DROP program due to the benefit changes negotiated with the July 1, 2005 Memoranda of Understanding (MOU). However, SDCERS has asserted that due to delays in codification of benefit changes into the Municipal Code, the effective cut off date would instead be February 16, 2007, which is when the Ordinance O-19567 was officially codified in the Municipal Code. As of the issuance of this report, there has been no change in the status of this case [refer to Note 18 for additional information]. Notwithstanding amendments to the municipal code, SDCERS' members who were hired prior to July 1, 2005 are eligible to participate in DROP when they are eligible for a service retirement.

Purchase of Service Credits

Article 4 Division 13 of the City's Municipal Code allows Plan members to purchase years of Creditable Service for use in determining retirement allowances. To purchase Creditable Service, a Member must elect to pay and thereafter pay, in accordance with such election before retirement, into the Retirement Fund an amount, including interest, determined by the Board. No Member will receive Creditable Service under this Division for any service for which payment has not been completed pursuant to this Division before the effective date of the Member's retirement. After review of the purchase of service program, SDCERS' actuary concluded that the service credit pricing structure that was in place prior to November 2003 did not reflect the full cost in the price then charged to SDCERS members. The pricing shortfall of approximately $146,000, which is included in the Unfunded Actuarial Accrued Liability (UAAL), is reported in this note for the current year and in the RSI of these financial statements for the prior two years. On November 13, 2008, a court ruling stated that the Board's decision to amortize the underpaid purchase of service credits, for certain employees who had yet to retire as of November 20, 2007, through the City's existing unfunded actuarial liability is unlawful and contrary to the Municipal Code and City Charter. Judgment was entered in favor of the City on December 12, 2008 which finalized the November 13, 2008 ruling. The amount of the potential benefit to the City is not known as of the issuance of this report. Additionally, the service credit pricing structure used after November 2003 does cover the full projected cost to the System when members purchased the service credits.

SDCERS' members who were hired on or after July 1, 2005 are ineligible to participate in the Purchase of Service Credit program due to the benefit changes negotiated with the July 1, 2005 MOU. However, SDCERS has asserted that due to delays in codification of benefit changes into the municipal code, the effective cut off date would instead be February 16, 2007, which is when the Ordinance O-19567 was officially codified in the Municipal Code. As of the issuance of this report, there has been no change in the status of this case [refer to Note 18 for additional information]. Notwithstanding amendments to the municipal code, SDCERS' members who were hired prior to July 1, 2005 are eligible to participate the Purchase of Service Credit Program at the full cost to the participant.

Corbett Settlement Benefits and Retirement Factors

In 1998, a lawsuit was filed by retired employees who alleged that the City's definition of compensation subject to the computation of retirement benefits improperly excluded the value of certain earnings. The City and SDCERS settled in May of 2000, which is known as the Corbett Settlement. This settlement provided for a flat increase of 7% in benefits payable to eligible members who retired prior to July 1, 2000, payable annually. The settlement also provided a 10% benefit increase and allows for two options in calculating the service retirement allowance for employees active at the time of the settlement and who joined the Retirement System before July 1, 2000 and who retired after July 1, 2000.

The options for calculating the service retirement allowance are outlined in the San Diego Municipal Code sections 24.0402 and 24.0403 which can be obtained at City of San Diego City Clerks Office 202 C Street, San Diego, CA 92101 or online at www.sandiego.gov.

On July 1, 2002, the City Council increased the retirement factors used for calculating retirement allowances; this action was related to MP-2 (as discussed later in this note). As a result of the Corbett Settlement and other benefit actions taken by the City Council, the service retirement factors for general members (non-safety and non-legislative) range from 2.0% at age 55 to 2.8% at age 65. The service retirement factors for Safety Members (Fire, Police and Lifeguard) range from 2.2% at age 50 to 3.0% at age 50 depending on the Corbett Settlement option selected. Finally, the City also maintains an Elected Officer's Retirement Plan where members are eligible to receive 3.5% of their final average salary per year of creditable service. Depending on the number of years of service, participants of the Elected Officer's Retirement Plan can retire earlier than the age of 55; however, their retirement allowance is reduced by 2.0% for each year under the age of 55.

Preservation of Benefit Plan

On March 19, 2001, the City Council adopted Ordinance O-18930, adding SDMC sections 24.1601 through 24.1608, establishing the Preservation of Benefit Plan (POB Plan). The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under Internal Revenue Code (IRC) section 415(m), which was created by Congress to allow the payment of promised pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). On October 28, 2008, the IRS issued a private letter ruling to SDCERS approving the qualified status of the QEBA. As provided in SDMC section 24.1606 and required by federal tax law, the POB Plan is unfunded within the meaning of the federal tax laws. The City may not pre-fund the POB Plan to cover future liabilities beyond the current year as it can with an IRC section 401(a) pension plan. SDCERS has established procedures to pay for these benefits on a pay-as-you-go basis. As of issuance of this report, actuarial liabilities related to retired member benefits that exceeded §415 limits are included in the RSI for the City's core pension Plan for valuation years up to and including fiscal year 2005. In the fiscal year 2006 actuarial valuation, the estimated actuarial accrued liability related to excess benefits for eligible active members of the system, amounting to approximately $22,800, was removed from the Plan's Actuarial Liabilities (this liability is estimated to be approximately $30,400 in the fiscal year 2007 actuarial valuation). Additionally, the liability for retired members of the POB Plan, amounting to approximately $6,400, has been excluded from the fiscal year 2007 actuarial valuation. Estimates related to the actuarial liability for benefits that exceed IRS §415 limits were calculated using actuarial assumptions consistent with those used to perform actuarial valuations for the City's core pension Plan and also pursuant to the Compliance Statement, dated December 20, 2007, and Tax Determination Letter provided by the IRS during Voluntary Correction Program discussions.

The most current estimates related to the POB are that approximately 58 beneficiaries have received benefits of approximately $2,900 in excess of IRC §415 limits through June 30, 2006; an additional approximate $900 in benefits were paid in the fiscal year ended June 30, 2007, and approximately $870 in benefits were paid in the fiscal year ended June 30, 2008 for an estimated cumulative overpayment of $4,670. No additional Plan payments or repayments are required as a result of the Compliance Statement. The number of Plan participants in any given year for the POB Plan is determined by the number of Plan participants who exceed the current year's IRS §415(b) limitations as calculated by SDCERS' actuary. The maximum annual payment for the calendar year 2008 was $185 and is adjusted downward depending on the age of the participant when benefits began. Beginning in fiscal year 2008, the City's actuary performed a valuation of the POB Plan which resulted in an ARC of approximately $2,407. However, expenditures related to the POB Plan in fiscal year 2008 were approximately $1,000, and therefore, the remaining $1,407, which represents future Plan liabilities, is included in the City's Net Pension Obligation (NPO). Additionally, financial statements for the Preservation of Benefits Plan are included in the Trust & Agency section of this report.

Charter Amendments

In November 2004, voters changed the City Charter and the mix of Board members requiring that a majority of the Board be independent of the City. Also, the Charter now requires that a 15-year amortization period be used for the UAAL beginning in fiscal year 2009; however, the SDCERS Board, in conjunction with the actuary, is using a 20-year amortization period with no negative amortization and has taken the position that the Board is legally responsible for establishing the valuation parameters, including the amortization period.

On November 7, 2006, the citizens approved an amendment to Article 9, Section 143 of the City's Charter, requiring voter approval of certain increases in retirement system benefits for public employees. Specifically, this amendment requires a majority approval of the public of any ordinance that amends the City's retirement system by increasing the benefits of any employee.

Additional details of retirement benefits can be obtained from SDCERS. SDCERS is considered part of the City of San Diego's financial reporting entity and is reported as a pension and employee savings trust fund. SDCERS issues stand-alone financial statements which are available at its office located at 401 West A Street, Suite 400, San Diego, California 92101 or at www.sdcers.org.

b. **Summary of Significant Accounting Policies – Pension**

Basis of Accounting - The pension trust fund uses the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized as additions in the period in which the contributions are due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the Plan.

Method Used to Value Investments - SDCERS investments are stated at fair value. The SDCERS custodial agent provides market values of invested assets with the exception of the fair value of directly owned real estate assets which are provided by the responsible investment manager and independent third party appraisal firms. Investment income is recognized in accordance with GASB 25 and is stated net of investment management fees and related expenses.

c. **Contributions and Reserves - Disclosure Related to Long - Term Contracts and Other Agreements**

Funding Contracts: Union Agreements

The City has historically picked up a portion of the employee's retirement contributions. The fiscal year 2006 MOUs and the changes to current and future employee benefits therein were introduced to the City Council in June 2005, and the changes in benefit eligibility were approved by Council Resolution 300600.

The agreement in the MOUs (agreements with the police union were not reached) was to reduce the amount of individual employees' pension contributions which are paid for by the City, effective fiscal year 2006. The agreements with labor unions resulted in the reduction of City offset of the employee pension contribution by 3% for the Municipal Employees' Association (MEA), the International Association of Fire Fighters Local 145, and the Deputy City Attorney Association (DCAA) and a unilaterally imposed reduction of 3.2% for the San Diego Police Officers Association (POA). In addition, the American Federation of State and County Municipal Employees (AFSCME) Local 127 negotiated a 1.9% salary reduction in lieu of a City "pick up" contribution reduction and a benefit freeze.

The agreements with the bargaining units explicitly indicate that savings to the City must be used to help address its UAAL within the timeframe of the respective contracts. The labor contract with Local 127 states that "By June 30, 2008, if the City has not dedicated a total of $600,000,000 or more to the UAAL reduction, including the amount received by leveraging employee salary reduction and pension contribution monies, the AFSCME salary reduction monies with interest will revert to SDCERS Employee Contribution Rate Reserve for benefit of Local 127 unit members to defray employee pension contributions."

In June 2006, the City leveraged a portion of the employee pick up savings by contributing $90,800 from securitization of future tobacco settlement revenues, $9,200 of current tobacco settlement revenues, and $8,300 from the remaining balance in the employee "pick-up" amount as part of meeting its negotiated commitment. The $100,000 payment in excess of the ARC from tobacco settlement revenues is 100% backed by general fund revenues, and therefore was directly allocated to reduce the Net Pension Obligation of the general fund only. The additional contribution of $8,300 in excess of the ARC, however, was allocated Citywide as a reduction to the NPO. In June 2007, the City contributed approximately $7,000 in addition to the ARC from the savings of the employee "pick-up" reduction, and in July 2007 the City contributed approximately $27,300 in addition to the ARC. Upon the conclusion of the fiscal year ended June 30, 2008, the City was not able to meet the outstanding commitment in its entirety. As such, the City reached agreements with both MEA and Local 127. The MEA settlement required the City to return prior year savings to MEA members and eliminated 2% of the employee pick-up. The Local 127 settlement required the City to return prior year savings to Local 127 members as well as eliminate the 1.9% salary reduction.

Funding Commitments Related to Legal Settlements

The City employer contributions for fiscal years 1996 – 2003 were not based on the full actuarial rates. Instead, employer contributions were less than the full actuarial rates in accordance with agreements between the City and SDCERS, commonly referred to as Manager's Proposal 1 (MP-1) and Manager's Proposal 2 (MP-2). Subsequent to the adoption of MP-2, the City settled a class action lawsuit regarding alleged breaches of fiduciary duty and law regarding the City's underfunding of the pension system resulting from the adoption of MP-1 and MP-2. The Gleason Settlement Agreement addressed the issues raised regarding the City's underfunding of the pension system by imposing specific requirements on the City for fiscal years 2005 through 2008 including requirements to contribute $130,000 in fiscal year 2005, pay its full ARC beginning in fiscal year 2006, repeal Municipal Code Sections that legitimized the City's contribution obligations related to MP-2, and provide a total of $375,000 of real property as collateral for payments required under the Gleason Settlement Agreement. The Gleason Settlement also stipulated that certain actuarial assumptions be fixed, notably, that the amortization period be reset to a 29-year closed period commencing with the June 30, 2004 Annual Actuarial Valuation. These assumptions were to remain in place for the duration of the settlement.

On July 1, 2004, the City made the Gleason Settlement-required contribution of $130,000 for fiscal year 2005 in addition to providing real property totaling $375,000 as collateral to be returned in annual installments of $125,000. On July 1, 2005, the City made the annually required contribution of $163,000 for fiscal year 2006. Additionally, the City made a contribution in excess of the ARC in the amount of $108,300 on June 30, 2006. On July 3, 2006 the City made its full annually required contribution of $162,000 as well as an additional $7,000 contribution in excess of the ARC for fiscal year 2007 and on July 2, 2007, the City made its full annually required contribution of $137,700 as well as an additional $27, 900 contribution in excess of the ARC for fiscal year 2008. The final installment of $125,000 of real property collateral was returned to the City on November 9, 2007.

The annual required contributions for fiscal years 2005, 2006, and 2007 did not include the effects of the Corbett Settlement because the SDCERS' Board viewed those benefits as contingent (see section a. for a description of the Corbett Settlement). Subsequent to those payments, the City determined that the Corbett Settlement liabilities are not contingent. As a result, the ARC for financial reporting was restated from the original ARC calculated by SDCERS' actuary to include Corbett Settlement liabilities. As a result, the City's NPO includes the effects of the Corbett Settlement.

In September 2006, the City entered into a settlement of McGuigan v. City of San Diego (the "McGuigan Settlement") related to the underfunding by the City of the pension system. Under the McGuigan Settlement, the City is obligated to pay into SDCERS $173,000 no later than June 8, 2011. An additional requirement of the

McGuigan Settlement is that the City provides SDCERS real property collateral totaling $100,000 (Non-Depreciable Capital Assets – Land). These amounts are in addition to those required by the Gleason Settlement and are to be returned upon the full payment of the settlement. The City provided the real property collateral at the time of the settlement; subsequently, the City provided a cumulative amount of approximately $143,200 of additional payments to SDCERS in an attempt to meet the terms of the McGuigan Settlement. This leaves an outstanding obligation resulting from the McGuigan Settlement of approximately $35,000, including interest. The McGuigan Settlement was partially funded through the securitization of future tobacco revenue, transfers of actual tobacco revenue receipts, additional employee "pick up" savings, and City contributions made in addition to the ARC. This contribution is further discussed in the Funding Contracts: Union Agreements section above.

d. **<u>Funding Policy and Contribution Rates</u>**

City Charter Article IX Section 143 requires employees and employers to contribute to the retirement Plan. The Charter section, which was amended in fiscal year 2005, stipulates that funding obligations of the City shall be determined by the Board of SDCERS and are not subject to modification by the City. The section also stipulates that under no circumstances may the City and Board enter into any multi-year funding agreements that delay full funding of the retirement Plan. The Charter requires that employer contributions be substantially equal to employee contributions (SDCERS' legal counsel has opined that this requirement applies to the normal cost contribution only). Pursuant to the Charter, City employer contribution rates, adjusted for payment at the beginning of the year, are actuarially determined rates and are expressed as a fixed annual required contribution as well as percentages of annual covered payroll. The entire expense of SDCERS' administration is charged against the earnings and Plan assets of SDCERS.

The following table shows the City's contribution rates (weighted average of each employee group) for fiscal year 2008, based on the valuation ended June 30, 2006, expressed as percentages of active payroll:

	Employer Contribution Rates	
	General Members	Safety Members
Normal Cost*	11.42%	19.92%
Amortization Payment*	8.07%	15.19%
Normal Cost Adjusted for Amortization Payment*	19.49%	35.11%
City Contribution Rates Adjusted for Payment at the Beginning of the Year	18.77%	33.78%

** Rates assume that contributions are made uniformly during the Plan year.*

Normal Cost = The actuarial present value of pension plan benefits allocated to the current year by the actuarial cost method.

Amortization Payment = That portion of the pension plan contribution which is designed to pay interest on and to amortize the unfunded actuarial accrued liability.

Members are required to contribute a percentage of their annual salary to the Plan on a biweekly basis. Rates vary according to entry age. For fiscal year 2008, the City employee contribution rates as a percentage of annual covered payroll averaged 9.87% for general members and 11.87% for safety members. A portion of the employee's share, depending on the employee's member class, is paid by the City (commonly referred to as the Employee Offset). In fiscal year 2008, the amount paid by the City ranges from 1.4% to 5.89% of covered payroll for general members and the rate for safety Plan members ranges from 2.4% to 4.3%. Employee contributions paid by the City, amounting to approximately $16,570 in fiscal year 2008, are made from the City's operating budget. The amount paid on behalf of the employees has been renegotiated through the meet and confer process which ultimately reduced the amount of the employee contribution paid by the City.

On September 2, 2008, Council approved O-19781 which amended Chapter 2, Article 4, Division 15 of the San Diego Municipal Code. The intent of the amendment was to eliminate the concept of "Surplus Earnings" (earnings in excess of those earned using the assumed actuarial rate of return) which was the historical term for the funds used to pay for supplemental and contingent benefits. In accordance with these revised SDMC sections, annual distributions of these benefits are paid from Plan assets and take place in priority order. The Plan assets are distributed to various SDCERS system reserves, SDCERS budget, and contingent benefits. The order of distribution and a more detailed discussion of each distribution follows: First, Plan assets are used to credit interest, at a rate determined by the SDCERS Board, which is currently 7.75%, to the Employer and Employee Contribution Reserves and DROP member accounts. Second, Plan assets are used to fund the SDCERS Annual Budget. Third, Plan assets are distributed for supplemental or contingent payments or transfers to reserves. These items include in a priority order: 1) Annual Supplement Benefit Payment ("13th Check") paid to retirees generally equal to approximately $30 (whole dollars) times the number of years of employment. 2) Corbett Settlement Payment paid to retirees who terminated employment prior to July 1, 2000 (Corbett Settlement payments not paid in any one year accrue to the next year and remain an obligation of SDCERS until paid). 3) Crediting interest to the Reserve for Supplemental Cost of Living Adjustment ("COLA").

e. **Funded Status and Funding Progress**

The following table summarizes the Plan's funding status as of the most recent valuation date (unaudited):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	UAAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a)/c)
6/30/2008	$ 4,660,346	$ 5,963,550	$ 1,303,204	78.15%	$ 535,774	243.24%

The actuarial assumptions used for the fiscal year 2008 valuation include an Entry Age Normal actuarial funding method, an Expected Value of Assets smoothing method, a 20-year closed amortization schedule (with no negative amortization), a 7.75% earnings assumption and a 4% inflation rate. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

f. **Annual Pension Cost and Net Pension Obligation**

Annual Pension Costs

The normal cost (i.e. the actuarial present value of pension Plan benefits allocated to the current year) and the UAAL amortization cost (i.e. the portion of the pension Plan payment designed to amortize the UAAL) were determined using the Projected Unit Credit (PUC) actuarial cost method. The following are the principal actuarial assumptions used for the fiscal year 2006 valuation (additional assumptions were used regarding a variety of other factors):

a) An 8.0% investment rate of return, net of administrative expenses.**

b) Projected salary increases of at least 4.25% per year.**

c) An assumed annual cost-of-living adjustment that is generally 2% per annum and compounded. In addition, there is a closed group of special safety officers whose annual adjustment is equal to inflation (4.25% per year).

**Both (a) and (b) included an inflation rate of 4.25%.

The actuarial value of assets was determined using a methodology that smoothes the effects of short-term volatility in the market value of investments over a five-year period. In fiscal year 2007, the SDCERS Board approved a different asset smoothing method by marking the actuarial value of assets to market value in the fiscal year 2006 actuarial valuation, the result of which caused the UAAL to decrease by approximately $183,800. The method used by the actuary in fiscal year 2005 was not a commonly used method. The expected actuarial value asset smoothing method commenced with the fiscal year 2007 valuation. The UAAL for funding purposes, pursuant to the Gleason Settlement, is being amortized over a fixed 30-year closed period for the fiscal years 2006, 2007, and 2008. As of June 30, 2006, the valuation year used to compute the fiscal year 2008 annually required contribution, there were 27 years remaining in the amortization period. For valuations effective June 30 2007, SDCERS' Board of Administration decided to use a 20-year closed amortization schedule with no negative amortization. Beginning with the valuation dated June 30, 2007, the normal cost and UAAL amortization cost will be determined using the Entry Age Normal actuarial method, the result of which will cause the UAAL used in the determination of the fiscal year 2009 ARC to increase by approximately $252,200.

The following table shows the City's annual pension cost ("APC") and the percentage of APC contributed for the fiscal year ended June 30, 2008 and two preceding years (in thousands):

Fiscal Year Ended June 30	APC	Percentage Contributed	Net Pension Obligation
2006	$ 175,879	154.28%	$ 194,720
2007	169,762	99.63%	195,356
2008	145,077	114.82%	173,852

Net Pension Obligation

Net Pension Obligation (NPO) is the cumulative difference, since the effective date of GASB 27 (fiscal year 1998, with a 10-year look back), between the annual pension cost and the employer's contributions to the Plan. This includes the pension liability at transition (beginning pension liability) and excludes short term differences and unpaid contributions that have been converted to pension-related debt. As of June 30, 2008, the City's NPO is approximately $173,852 and is reported in accordance with GASB 27. See table above.

The change to NPO is derived by first calculating the City's Annual Required Contribution ("ARC"). The ARC is calculated by actuarially determining the cost of pension benefits accrued during the year (normal cost) and adding to that the annual amount needed to amortize the UAAL (amortization cost) as reported by the actuary, in accordance with the amortization period and method selected. The ARC is then increased by interest accruing on any outstanding NPO (NPO Interest) and then reduced by the amortization of the UAAL that is related to the NPO (ARC Adjustment).

The following shows the calculation for NPO based on the actuarial information provided to the City (in thousands):

ARC [Fiscal Year 2008]	$	140,107
Interest on NPO		15,644
ARC Adjustment		(10,674)
Annual Pension Cost		145,077
Contributions [Fiscal Year 2008]		(166,581)
Change in NPO		(21,504)
NPO Beginning of Year [July 1, 2007]		195,356
NPO End of Year [June 30, 2008]	$	173,852

Components of the NPO and actions taken to address the Pension Liability

Multiple components have contributed to the City's NPO dating back to fiscal year 1988, including the use of pension assets to pay for costs related to retiree healthcare and employee contribution offset liabilities. Additionally, benefit increases resulting from the Corbett Settlement, which were initially considered contingent, were excluded from the actuarially determined ARC and the City's contributions for the fiscal years 1996-2003 were less than the ARC as a result of MP-1 and MP-2.

As part of the agreements with the labor unions, several benefits were altered or eliminated for all employees hired on or after July 1, 2005, including the Deferred Retirement Option Plan (DROP), the 13th Check, the option to purchase years of service credits ("air-time"), and retiree healthcare benefits; however, the retirement formula generally remains 2.5% at 55 for general members and 3.0% at 50 for safety members. Additionally, the City has contributed approximately $143, 200[1] in excess of the ARC for the fiscal years 2006 through 2008.

DEFINED CONTRIBUTION PLANS

a. **Supplemental Pension Savings Plan - City**

Pursuant to the City's withdrawal from the Federal Social Security System effective January 8, 1982, the City established the Supplemental Pension Savings Plan ("SPSP"). Pursuant to the Federal Government's mandate of a Social Security Medicare tax for all employees not covered by Social Security hired on or after April 1, 1986, the City established the Supplemental Pension Savings Plan-Medicare ("SPSP-M"). The SPSP and SPSP-M Plans were merged into a single plan ("SPSP") on November 12, 2004 for administrative simplification, without a change in benefits. Pursuant to the requirements of the Omnibus Budget Reconciliation Act of 1990 ("OBRA-90") requiring employee coverage under a retirement system in lieu of coverage under the Federal Insurance Contributions Act ("FICA") effective July 1, 1991, the City established the Supplemental Pension Savings Plan-Hourly ("SPSP-H"). These supplemental plans are defined contribution plans administered by Wachovia Corporation to provide pension benefits for eligible employees. There are no plan members who belong to an entity other than the City. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings, less investment losses. The City's general retirement members and lifeguard members

[1] The ARCs used to calculate the additional payment of $143,200 are actuarially determined, and therefore, do not include liabilities related to the Employee Offset Liability (fiscal years 2006 & 2007), the Corbett Settlement (fiscal years 2006 & 2007) or the Preservation of Benefits Plan (fiscal year 2008). However, the City has elected to include these liabilities in addition to the actuarially determined ARC when calculating the NPO. Liabilities excluded from the actuarial ARC but included in the City's NPO calculation amount to approximately $11,545.

of the City's safety retirement members participate in the plan. Eligible employees may participate from the date of employment.

The following table details plan participation as of June 30, 2008:

Plan	Participants
SPSP	8,359
SPSP – H	4,355

The SPSP Plan requires that both the employee and the City contribute an amount equal to 3% of the employee's total salary each pay period. Participants in the Plan hired before July 1, 1986 may voluntarily contribute up to an additional 4.5% and participants hired on or after July 1, 1986 may voluntarily contribute up to an additional 3.05% of total salary, with the City matching each. Hourly employees contribute 3.75% on a mandatory basis which is also matched by City contributions.

Under the SPSP Plan, the City's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service at a rate of 20% for each year of service. Hourly employees are immediately 100% vested. The unvested portion of City contributions and interest forfeited by employees who leave employment before five years of service are used to reduce the City's cost.

In fiscal year 2008, the City and the covered employees contributed approximately $23,254 and $23,258, respectively. As of June 30, 2008, the fair value of plan assets totaled approximately $531,876. SPSP is considered part of the City of San Diego's financial reporting entity and is reported as a pension and employee savings trust fund.

b. **401(k) Plan - City**

The City established a 401(k) Plan effective July 1, 1985. The 401(k) Plan is a defined contribution plan administered by Wachovia Corporation to provide pension benefits for eligible employees. Employees are eligible to participate from date of employment. Employees make contributions to their 401(k) Plan accounts through payroll deductions, and may also elect to contribute to their 401(k) account through the City's Employees' Flexible Benefits Program.

The employees' 401(k) contributions are based on IRS calendar year limits. Employees contributed approximately $25,666 during the fiscal year ended June 30, 2008. There is no City contribution towards the 401(k) Plan.

As of June 30, 2008, the fair value of plan assets totaled approximately $237,887. The 401(k) Plan is considered part of the City's financial reporting entity and is reported as a pension and employee savings trust fund.

c. **Pension Plan - Centre City Development Corporation (CCDC)**

CCDC has a Money Purchase Pension Plan covering all full-time permanent employees (the "CCDC Plan"). The CCDC Plan is a defined contribution plan under which benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During each year, CCDC contributes semi-monthly an amount equal to 8% of the total quarterly compensation for all employees. CCDC's contributions for each employee are fully vested after six years of continuous service. CCDC's total payroll in fiscal year 2008 was approximately $4,105. CCDC contributions were calculated using the base salary amount of approximately $3,754. CCDC made the required 8% contribution amounting to approximately $288 (net of forfeitures) for fiscal year 2008.

In addition, CCDC has a Tax Deferred Annuity Plan covering all full-time permanent employees. The CCDC Plan is a defined contribution plan under which benefits depend solely on amounts contributed to the plan by the employer and the employees, plus investment earnings. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During each plan year, CCDC contributes semi-monthly an amount equal to 16% of the total semi-monthly compensation for eligible employees. CCDC's contributions for each employee are fully vested at time of contribution. The Tax Deferred Annuity Plan includes amounts deposited by employees prior to CCDC becoming a contributor to the CCDC Plan. CCDC made the required 16% contribution amounting to approximately $588 for fiscal year 2008.

The fiduciary responsibilities of CCDC consist of making contributions and remitting deposits collected. The City does not hold these assets in a trustee or agency capacity for CCDC; therefore, these assets are not reported within the City's basic financial statements.

d. **Pension Plan - San Diego Convention Center Corporation (SDCCC)**

SDCCC's Money Purchase Pension Plan (the "SDCCC Plan") became effective January 1, 1986. The SDCCC Plan is a qualified defined contribution plan and as such, benefits depend on amounts contributed to the SDCCC Plan plus investment earnings less allowable plan expenses. The SDCCC Plan covers employees not otherwise entitled to a retirement/pension plan provided through a collective bargaining unit agreement. Employees are eligible at the earlier of the date on which they complete six months of continuous full-time service, or the twelve-month period beginning on the hire date (or any subsequent Plan year) during which they complete 1,000 hours of service.

A plan year is defined as a calendar year. SDCCC's balance for each eligible employee is vested gradually over five years of continuing service with an eligible employee becoming fully vested after five years. Forfeitures and SDCCC Plan expenses are allocated in accordance with Plan provisions. A trustee bank holds the SDCCC Plan assets. The City does not act in a trustee or agency capacity for the SDCCC plan; therefore, these assets are not reported within the City's basic financial statements.

For the year ended June 30, 2008, pension expenditures for the SDCCC Plan amounted to $1,222. SDCCC records pension expenditures during the fiscal year based upon estimated covered compensation.

e. **Pension Plan - San Diego Data Processing Corporation (SDDPC)**

SDDPC has accrued and set aside funds in a money market account to provide employees who transferred from the City to SDDPC with retirement benefits approximately equal to those under the City's retirement plan. As of June 30, 2008, the balance in the account was $0.

The balance at June 30, 2008 consisted of the total estimated liability plus interest earned on the account since its establishment in fiscal year 1991.

In addition, SDDPC has in effect a Money Purchase Pension Plan (the "SDDPC Plan") covering substantially all employees. The SDDPC Plan is a defined contribution plan, wherein benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. During each plan year, SDDPC contributes monthly an amount equal to 20% of the total monthly compensation for all employees. SDDPC contributions for each employee are fully vested after four years of continuing service. The City does not act in a trustee or agency capacity for the SDDPC Plan; therefore, these assets are not reported within the City's basic financial statements. In fiscal year 2008, SDDPC made the required 20% contribution, amounting to approximately $3,694.

SDDPC also administers a Tax Sheltered Annuity Plan, a voluntary defined contribution plan covering all employees of SDDPC who are eligible for membership as defined by the plan document. There are no employer contributions to this plan.

f. **Pension Plan - San Diego Housing Commission (SDHC)**

SDHC provides pension benefits for all its full-time employees through a defined contribution plan (the "SDHC Plan"). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the first day of their employment. SDHC's contributions for each employee (and interest allocated to the employee's account) are fully vested after four years of continuous service. SDHC's contributions for, and interest forfeited by, employees who leave employment before four years of service are used to reduce the SDHC's current-period contribution requirement. SDHC's covered payroll in fiscal year 2008 was approximately $11,507. SDHC made the required 14% contribution, amounting to approximately $1,611 for fiscal year 2008. The City does not act in a trustee or agency capacity for the SDHC Plan; therefore, these assets are not reported within the City's basic financial statements.

g. **Pension Plan - Southeastern Economic Development Corporation (SEDC)**

SEDC has a 403(b) Tax Sheltered Annuity Plan covering all full-time permanent employees (the "SEDC Plan"). The SEDC Plan is a defined contribution plan administered by James Kerr & Associates, Inc and Morgan Stanley Dean Witter is the investment advisor. Per provision 210(6) of the SEDC Employee Handbook, employees are eligible to participate six months after their date of employment, and SEDC contributes a monthly amount equal to 12% of the employees' base salary, or 15% of management employees' base salary. Such contributions are fully vested upon contribution. SEDC's total payroll in fiscal year 2008 was approximately $1,170. SEDC contributions were calculated using the eligible salary amount of approximately $1,033. SEDC made the required contribution, amounting to approximately $136 for fiscal year 2008. SEDC Plan members contributed an additional $4.

13. OTHER POSTEMPLOYMENT BENEFITS (In Thousands)

a. Plan Description

The City provides postemployment healthcare benefits to qualifying general, safety and legislative members, as provided for in San Diego Municipal Code (SDMC) Sections 24.1201 through 24.1204. The Other Postemployment Benefit Plan (the "OPEB Plan") is a single-employer plan, administered by SDCERS, and includes approximately 4,700[1] retirees, 9,300[1] active employees and 600[1] terminated vested members as of June 30, 2008. Postemployment healthcare benefits are primarily for health eligible retirees who were actively employed on or after October 5, 1980 and were otherwise entitled to retirement allowances. Health eligible retirees can obtain health insurance coverage with the plan of their choice, including any City sponsored, union sponsored, or privately secured health plan. In fiscal year 2008, health eligible retirees who were also eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, limited to approximately $7.8 per year, in addition to reimbursement/payment for Medicare Part B premiums, limited to approximately $1.1 per year. Health eligible retirees who are not eligible for Medicare are entitled to receive reimbursement/payment of healthcare premiums, limited to approximately $8.3 per year. Reimbursements for health eligible retirees are adjusted annually based upon the projected increase for National Health Expenditures by the Centers for Medicare and Medicaid Services. Annual adjustments may not exceed 10% for any plan year. Non-health eligible employees who retired or terminated prior to October 6, 1980 and who are otherwise eligible for retirement allowances are also eligible for reimbursement/payment of healthcare benefits limited to a total of $1.2 per year. Reimbursements for non-health eligible retirees are not subject to annual adjustments.

As of July 1, 2005, the City's postemployment healthcare benefit plan is closed to new entrants. However, SDCERS has asserted that due to delays in codification of benefit changes into the Municipal Code, the effective cut off date would instead be February 16, 2007, which is when the Ordinance O-19567 was officially codified in the Municipal Code. As of the issuance of this report, there has been no change in the status of this case [refer to Note 18 for additional information].

Effective July 1, 2009, the City has agreed to establish a trust vehicle for a defined contribution plan to fund retiree medical benefits for employees who are excluded from the current plan. This defined contribution plan requires a mandatory employee contribution of 0.25% of gross salary with a corresponding 0.25% match by the City. Legislative and Safety members are ineligible for this plan. Additionally, as part of the agreements with the labor unions, the new definition of "health-eligible retiree" states that employees must have 10 years of service with the City to receive 100% of the retiree health benefit and five years of service to receive 50% of the retiree health benefit.

b. Summary of Significant Accounting Policies

Basis of Accounting - The postemployment healthcare trust funds use the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized as additions in the period in which the contributions are due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the OPEB Plan.

Method Used to Value Investments – CalPERS investments are stated at fair value. Certain construction projects and alternative investments are reported at cost, which approximates market value. Mortgages are valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments, principally rental property subject to long-term net leases, is estimated based on independent appraisals.

[1] Reported as a whole number.

c. Contributions and Reserves

In accordance with SDMC Section 24.1204, postemployment healthcare benefits are to be paid by the City, directly, from any source available to it other than the Pension Plan. Members of the OPEB Plan do not have contribution requirements related to their own coverage; however, retirees are required to pay for the benefits of their beneficiaries (amounts vary based on coverage elections). In fiscal year 2008, the City contributed $18,369 to the Post-Employment Healthcare Benefit Plan, which is administered by SDCERS, and used approximately $5,055 of contributions from prior years to fund the pay-as-you-go expenses for postemployment health benefits.

In addition to current retirees and beneficiaries, the OPEB Plan includes active and terminated vested members, and therefore, the City also pre-funds future expenses related to postemployment healthcare benefits through an investment trust administered by CalPERS. The CalPERS Employers Retirement Benefits Trust (CERBT) requires the City to pre-fund in an amount not less than $5 annually. An ARC for the OPEB Plan is calculated by the City's actuary on an annual basis. City management plans to continue funding current year postemployment healthcare benefits from the pay-as-you-go trust established with SDCERS until the City is able to pay the ARC in full. Additionally, City management intends to pre-fund the CERBT with approximately $25,000 on an annual basis, which is also outlined in the City's Five Year Financial Outlook. All contributions to the CERBT become trust assets.

The City contributed approximately $30,129 and $23,911 to the CERBT for fiscal years 2008 and 2009, respectively. As of December 31, 2008, the balance in the CERBT was approximately $39,658. This balance is inclusive of the contributions for fiscal years 2008 and 2009 as well as of investment losses amounting to approximately $14,366 and administrative expenses of approximately $16.

d. Funded Status and Funding Progress

The following table summarizes the OPEB Plan's funding status as of the most recent valuation date:

Schedule of Funded Status

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/08	$ 29,637	$ 1,235,707	$ 1,206,070	2.40%	$ 556,857	216.59%

The schedules presented as required supplementary information following the notes to the financial statements present information regarding the funding status and employer contributions as of the end of the transition year (multi-year trend information will be included with the basic financial statements following the year of implementation). The Schedule of Funding Progress is intended to present information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The Schedule of Employer Contributions is intended to present trend information about the amounts contributed to the OPEB Plan by employers in comparison to the ARC determined in accordance with the parameters of GASB 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation. Additionally, actuarial calculations reflect a long-term perspective and include methods and assumptions that are designed to reduce short-term volatility of actuarial accrued liabilities and the actuarial value of assets. The following table summarizes the more significant actuarial methods and assumptions used to calculate the ARC for the fiscal year 2006, 2007 and 2008 valuations:

Description	Method/Assumption
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	30 years, open
Actuarial Asset Valuation Method	Fair Value
Discount Rate	6.68 % - 6.69%*
Inflation Rate	N/A**
Projected Payroll Increases	N/A**
Health Care Cost Trend Rate	10% grading down 0.5% each year to 5%

** Determined as a blended rate based on the City's partial contributions to the Plan.*

*** Postemployment healthcare benefits are not based on inflation or payroll, but rather are determined based on the Health Care Cost Trend Rate.*

Source: Buck Consultants

e. Other Postemployment Benefit Cost and Net OPEB Obligation (NOPEBO)

The following table presents the annual OPEB cost, the percentage of annual OPEB cost contributed during the fiscal year, and the net OPEB obligation at the end of the transition year:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
06/30/08	$ 91,346	58.63%	$ 37,793

As the administrator of the OPEB Plan, the City implemented GASB Statements 43 and 45 in fiscal year 2008 and elected to report a zero net OPEB obligation at the beginning of the transition year. The following table shows the calculation of the City's net OPEB obligation of the OPEB Plan for the fiscal year ended June 30, 2008 (based on the valuation ended June 30, 2006):

ARC [Fiscal Year 2008]	$ 91,645
Interest on NOPEBO	-
Other Adjustments	(299) [1]
Annual OPEB Cost	91,346
Contributions [Fiscal Year 2008]	(53,553)
Change in NOPEBO	37,793
NOPEBO Beginning of Year [July 1, 2007]	-
NOPEBO End of Year [June 30, 2008]	$ 37,793

[1] Other adjustment represents the Net OPEB Obligation that was not reported in SDCERS' financial statements in fiscal year 2008. This amount, however, will be included in SDCERS' financial statements in fiscal year 2009.

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14. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (In Thousands)

Interfund Working Capital Advance (WCA) balances are the result of loans between funds that are expected to be repaid in excess of one year. The majority of the advances, approximately $7,733, are advances from the Housing and Urban Development (HUD) Section 108 and Naval Training Center Section 108 grant funds to RDA. Interfund WCA balances at June 30, 2008 are as follows:

Contributing Fund (Receivable)	Benefitting Fund (Payable) NonMajor Governmental
NonMajor Governmental	$ 8,333

Interfund receivable and payable balances are the result of loans between funds that are expected to be repaid during the next fiscal year. $6,710 represents amounts owed to SDDPC for data processing services provided to the City but not paid for until July 2008, and $6,000 represents a loan from the Main Library Fund to the 6 to 6 grant fund, in order to fund the after school program. Interfund receivable/payable balances at June 30, 2008 are as follows:

	Benefitting Fund (Payable)						
Contributing Fund (Receivable)	General Fund	NonMajor Governmental	Internal Service	Sewer Utility	Water Utility	Nonmajor Enterprise	Total
General Fund	$ -	$ -	$ 1,600	$ -	$ -	$ -	$ 1,600
Nonmajor Governmental	-	5,963	1,386	-	-	-	7,349
Nonmajor Enterprise	-	4,073	-	-	-	-	4,073
Internal Service	2,479	1,191	311	1,206	1,242	281	6,710
Total	$ 2,479	$ 11,227	$ 3,297	$ 1,206	$ 1,242	$ 281	$ 19,732

The Sewer Utility Fund has an interfund loan receivable of $3,487, and the Black Mountain Ranch FBA Fund, a capital projects fund, has a corresponding interfund payable of $3,487 for advanced FBA project funding. The Sewer Fund agreed to finance the Carmel Valley Trunk Sewer project to facilitate earlier construction, of which a portion was deemed the responsibility of the Carmel Valley area developers and is intended to be reimbursed in fiscal year 2010 from FBA Fund assessment revenue.

PFFA issued pooled financing bonds, Series 2007 A and B for the purpose of making loans to RDA to be used for financing and refinancing redevelopment activities in the Southcrest, Central Imperial, and Mount Hope Redevelopment Project Areas. The PFFA debt service fund has an interfund loan receivable of $34,115 and the Redevelopment Agency Fund has an aggregate interfund loan payable of $34,115. Since these loans are between governmental funds, the interfund receivable and payable are eliminated through the government-wide conversion.

Interfund transfers result from the transfer of assets without the expectation of repayment. Transfers are most commonly used to (1) move revenues from the fund in which it is legally required to collect them into the fund which is legally required to expend them, including TOT, Storm Drain, and TransNet funds collected in said funds but legally spent within the General Fund, (2) utilize unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, in accordance with budgetary authorizations, and (3) move tax revenues collected in the special revenue funds to capital projects and debt service funds to pay for the capital projects and debt service needs during the fiscal year.

During fiscal year 2008 there was a transfer of leased vehicles from the General Fund to Fleet Services (Internal Service). This was the result of a Business Process Reengineering which consolidated the City Fleet for Police and Fire with non-safety. $21,230 in capital assets was transferred from the General Fund to Fleet Services, as well as $6,264 in outstanding debt related to the leased assets.

Interfund transfer balances at June 30, 2008 are as follows:

	Benefiting Fund							
Contributing Fund	General Fund	Nonmajor Governmental	Sewer Utility	Water Utility	Nonmajor Enterprise	Internal Service	Governmental Capital Asset/ Capital Lease Transfers	Total
General Fund	$ -	$ 46,470	$ -	$ -	$ 188	$ 5,170	$ -	$ 51,828
Nonmajor Governmental	94,562	312,658	7	716	1,180	2,495	-	411,618
Sewer Utility	-	1,745	-	180	-	1,034	3,840	6,799
Water Utility	-	834	-	-	-	93	-	927
Nonmajor Enterprise	1,604	540	-	-	-	237	165	2,546
Internal Service	4,292	1,358	714	398	349	-	6,264	13,375
Governmental Capital Asset/ Capital Lease Transfers	-	-	2	3,151	9	21,230	-	24,392
Total	$ 100,458	$ 363,605	$ 723	$ 4,445	$ 1,726	$ 30,259	$ 10,269	$ 511,485

15. RISK MANAGEMENT (In Thousands)

The City is exposed to various risks of loss related to torts, including theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has established various self-insurance programs and maintains contracts with various insurance companies to manage excessive risks.

The City maintains an excess liability insurance policy in collaboration with a statewide joint powers authority risk pool, the California State Association of Counties-Excess Insurance Authority (CSAC-EIA) for amounts up to $50,000. The City's self-insurance retention amount is $5,000.

The City offers a cafeteria-style flexible benefits plan. For Municipal Employees' Association (MEA) and Local-127 represented employees, this plan requires employees to choose a health and life insurance plan and also gives employees the option of obtaining dental insurance, vision insurance, or catastrophic care insurance. For all other employees, $50 of City-paid life insurance is automatically provided outside of the flexible benefit credit. Employees can place remaining flexible benefit dollars into IRS qualified dental/medical/vision and childcare reimbursement accounts, into their 401(k), and/or take as cash.

The City is self-insured for workers' compensation and long-term disability (LTD). All operating funds of the City participate in both these programs and make payments to the Self Insurance Fund. Each fund contributes an amount equal to a specified rate multiplied by the gross salaries of the fund. These payments are treated as operating expenditures in the contributing funds and operating revenues in the Self Insurance Fund.

Public liability, workers' compensation, and long-term disability estimated liabilities as of June 30, 2008 are determined based on results of independent actuarial evaluations and include amounts for claims incurred but not reported and adjustment expenses. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Estimated liabilities for public liability claims have been recorded in the Self Insurance Fund, Sewer Utility Fund, and Water Utility Fund.

A reconciliation of total liability claims, for all three funds, showing current and prior year activity is presented below:

	Public Liability	Workers' Comp & Long-Term Disability	Total
Balance, July 1, 2006	$ 85,409	$ 167,452	$ 252,861
Claims and Changes in Estimates	50,667	31,753	82,420
Claim Payments	(31,832)	(23,407)	(55,239)
Balance, June 30, 2007	104,244	175,798	280,042
Claims and Changes in Estimates	35,902	17,167	53,069
Claim Payments	(28,043)	(22,381)	(50,424)
Balance, June 30, 2008	$ 112,103	$ 170,584	$ 282,687

The City, in collaboration with CSAC-EIA, maintains an "All Risk" policy which includes flood and earthquake coverage for scheduled locations for amounts up to $25,000 per occurrence under the primary policy, with a $25 deductible. Limits include coverage for business interruption losses for designated lease-financed locations. There is no sharing of limits among the City and member counties of the CSAC-EIA pool, unless the City and member are mutually subject to the same loss. Limits and coverage may be adjusted periodically in response to the requirements of bond financed projects, acquisitions, and in response to changes in the insurance marketplace.

Earthquake coverage is provided for designated buildings/structures and certain designated City lease-financed locations in the amount of $60,000, including coverage for business interruption caused by earthquake at certain designated locations. Earthquake coverage is subject to a deductible of 5% of total values per unit per occurrence, subject to a $100 minimum. The City's earthquake coverage is purchased jointly and shared with the member counties in the CSAC-EIA pool. Due to the potential for geographically concentrated earthquake losses, the CSAC-EIA pool is geographically diverse to minimize any potential sharing of coverage in the case of an individual earthquake occurrence. Depending upon the availability and affordability of such earthquake insurance, the City may elect not to purchase such coverage in the future, or the City may elect to increase the deductible or reduce the coverage from present levels.

The City is a public agency subject to liability for the dishonest and negligent acts or omissions of its officers and employees acting within the scope of their duty ("employee dishonesty" and "faithful performance"). The City participates in the joint purchase of insurance covering employee dishonesty and faithful performance through the CSAC-EIA pool. Coverage is provided in the amount of $10,000 per occurrence, subject to a $25 deductible.

During fiscal year 2008, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, the settlements have not exceeded insurance coverage.

See Contingencies, Note 18, for additional information.

16. FUND BALANCE / NET ASSETS (DEFICIT) (In Thousands)

The Grants Fund (Special Revenue) has a net deficit of approximately ($5,024), due to the large number of reimbursement grants accounted for within this fund. With reimbursement grants, the resources remain the property of the grantor until allowable costs are incurred. The grants revenues are recognized as soon as all eligibility criteria have been met and the amounts become available. This results in a deficit fund balance in these funds.

Development Services (Enterprise) has a net deficit of approximately ($836), due to a decline in permit revenue as a result of the deteriorating economy and also because of a waiver for wildfire victims allowing them to pull permits without cost. The waiver impact will be reimbursed to Development Services by the General fund in fiscal year 2009.

The Self Insurance Fund (Internal Service) has a net deficit of approximately ($176,851), which represents unfunded estimated claims and claim settlements related to Public Liability, Workers' Compensation, and Long-Term Disability. It is anticipated that individual claim settlements will be funded through future user charges subsequent to the filing of a claim and prior to its settlement. In addition to user charges, in January 2008 the Mayor's office presented a five-year financial outlook to the City Council that outlines a proposal to fund the Self Insurance Fund by contributing an additional $5,000 to the Public Liability Reserves in fiscal year 2008, $10,000 in fiscal year 2009, and an additional $5,000 to workers compensation in fiscal year 2009. On November 13, 2007, the City Council also approved the formal City Reserve Policy. This policy contains a "Risk Management Reserve Policy" for the self insurance funds. Both the Public Liability and Worker's Compensation funds shall maintain dedicated reserves equal to 50% of the outstanding claims. This is to be achieved no later than fiscal year 2014. However, due to the continued decline in the economy, and a reduction in General Fund revenues, the City will reassess this reserve policy during fiscal year 2009. The Long-Term Disability fund reserve was set to be $12,000 by fiscal year 2012 as recommended in the actuarial valuation report.

Publishing Services (Internal Service) has a net deficit of ($750), due to a decline in work production, and outdated pricing for services which are not fully cost recoverable. Publishing Services has restructured their rates to ensure full cost recovery.

Special Engineering (Internal Service) has a net deficit of ($2,451) which is primarily the result of the net pension costs incurred in the fund. Rates will be restructured to address full cost recovery.

17. COMMITMENTS (In Thousands)

As of June 30, 2008, the City's business-type activities contractual commitments are as follows:

Airports	$	1,996
Environmental Services		4,996
Sewer Utility		53,721
Water Utility		86,169
Other		2,382
Total Contractual Commitments	$	149,264

The contractual commitments are to be financed with existing reserves and future service charges. In addition, the Sewer and Water Utility Funds intend to finance the contractual commitments with existing reserves, future service charges, and financing proceeds secured by system revenues.

Consent Decree

On April 2, 2001, two environmental groups filed suit against the City alleging that the Municipal System's collection system was deficient as a result of sewer spills from December 1996 to the time of the filing. The complaint sought injunctive relief to prevent illegal discharges, a compliance schedule to upgrade the Municipal System's collection system, and civil penalties of $27.5 per day for each day of a violation. The City contested the plaintiffs' claims.

The U.S. Environmental Protection Agency (EPA) and the State also filed suits against the City alleging the same collection system violations, seeking unspecified penalties and injunctive relief for collection system improvements. All three cases were consolidated. On March 16, 2005, the City settled the State lawsuit for $1,200. Of this total, $1,000 funded three supplemental environmental projects to benefit the local environment, and $200 was deposited in the State's Cleanup and Abatement Account.

The EPA, the City and the environmental groups reached an agreement on additional requirements to reduce sewer spills, which are set forth in a Consent Decree (the "Consent Decree"). The Consent Decree requires increased sewer spill response and tracking, increased root control, replacement or rehabilitation of 250 miles of pipeline, a canyon economic and environmental analysis, pump station and force main upgrades, and entails court supervision of these upgrades at least through June 2013. The estimated average annual cost of this commitment is $108,000 per year in capital projects and $47,000 per year in operational maintenance to the sewer system through the term of the settlement; however, the costs for bidding, constructing and completing the required work will fluctuate depending on variables such as changes in the cost of materials and labor. No civil penalty payment was required, though stipulated penalties ranging from $375 (in whole dollars) to $20,000 (in whole dollars) per occurrence are included for subsequent violations of the Consent Decree. The Consent Decree was approved by the Court on October 9, 2007, settling all remaining issues in the case.

Four sewer rate increases were approved for fiscal year 2007 through fiscal year 2010 to partially fund the obligations of the Consent Decree. However, additional rate increases will be necessary (likely beginning in year 2011) to completely fund the Consent Decree. The City funds the Capital Projects in the Consent Decree through the issuance of notes and bonds which are repaid by the sewer system's revenues.

California Department of Public Health Compliance Order

In 1994, the City of San Diego entered into a compliance agreement with the State of California Department of Public Health ("DPH") with the approval of City Council, after the DPH Drinking Water Field Operations Branch conducted a sanitary survey of the City's water system. This agreement required the City to correct operational deficiencies and begin necessary capital improvements. The City was notified in January of 1997 that it was not in compliance with this agreement. At that time, the DPH issued a compliance order. The January 1997 Compliance Order was last amended in May of 2007 ("Amendment 11"), and included additional items that were not in the original Compliance Order. The DPH Compliance Order will remain in effect until the required projects are completed.

Presently, the Water Department is meeting all of the requirements of the DPH Compliance Order, including the ongoing obligation to provide DPH with quarterly progress reports. On February 26, 2007, the City authorized an increase in water rates and charges to continue funding projects mandated in the DPH Compliance Order as well as other Capital Improvement Program projects. In addition, on October 8, 2007 and on November 17, 2008, the City authorized "pass-through" rate increases to account for the higher cost of water purchased from the San Diego County Water Authority. The pass-through rate increases took effect on January 1, 2008 and January 1, 2009, respectively and will help preserve the funds previously committed to DPH Compliance Order projects. In conjunction with the November 17, 2008 approval of the January 1, 2009 pass-through rate increase, the City also approved a rate increase to cover the cost of an indirect potable reuse demonstration project. This increase also took effect January 1, 2009 and is anticipated to sunset on July 1, 2010 at which time sufficient revenue is expected to have been generated to offset the costs of the project.

DPH has the authority to impose civil penalties if the City fails to meet DPH Compliance Order deadlines, although DPH has not imposed such penalties to date. Violation of the DPH Compliance Order may be subject to judicial action, including civil penalties specified in California Health and Safety Code, Section 116725. Section 116725 penalties for violating a schedule of compliance for a primary drinking water standard can go as high as $25,000 (in whole dollars) per day for each violation; for violating other standards, such as turbidity, the penalties can reach $5,000 (in whole dollars) per day. There are a number of additional enforcement tools prescribed by law, including mandatory water conservation, litigation and service connection moratoriums.

The costs for bidding, constructing and completing the required work will fluctuate depending on variables such as changes in the cost of materials and labor. As of June 2008, the Water Department's DPH Compliance Order project and DPH related project costs approximate:

Total Projects	FY08 Actuals	FY09 - FY11	FY12 - FY19	TOTAL
DPH & EPA Requirements	$ 47,089	$ 254,543	$ 216,279	$ 517,911
DPH Related Projects	$ 602	$ 133,471	$ 296,286	$ 430,359

These commitments are to be financed with existing net assets, present and future revenues, and financing proceeds secured by system revenues.

Convention Center Dewatering

The City is responsible for the disposition and monitoring of the quality of groundwater from the parking structure at the San Diego Convention Center located adjacent to San Diego Bay. The Convention Center includes a subterranean parking garage, which is subject to infiltration of groundwater, much of which originates from the bay. This groundwater must be continually pumped from the parking structure to prevent it from being inundated. Approximately 500,000 gallons of groundwater is pumped daily from the parking structure. Until March 26, 2008, this water was discharged into San Diego Bay. The City held a National Pollutant Discharge Elimination System (“NPDES”) permit for the discharge, issued by the Regional Water Quality Control Board ("RWQCB"). The discharge had been failing to consistently meet water quality standards set forth in the permit, potentially exposing the City to fines and penalties of up to $25,000 (in whole dollars) per day.

Monthly groundwater discharge sample results have not met the standards dictated by the NPDES permit since the end of calendar year 2005. This triggered the implementation of work to cease effluent violations within 27 months (from the end of March 2008), pursuant to an order of the RWQCB.

To achieve compliance with groundwater discharge requirements, the City retained an engineering consultant in fiscal year 2006 to review all previous work and develop the most cost-effective engineering solution to achieve compliance. The consultant’s final report was received in August 2007. This report determined that the most cost effective method to comply with the RWQCB Order in the near term was to divert the discharge from the bay to the sewer system. The City’s operating costs for implementing this solution is estimated to be $709,488 (in whole dollars) for fiscal year 2009, with subsequent annual increases for operational and sewer service charges. There is also a one-time sewer capacity charge of $5,904,930 (in whole dollars) that is due after the first year of diversion to the sewer. Funding is the responsibility of the City’s Special Promotional Fund.

The City of San Diego established the diversion to the sewer effective March 26, 2008 in compliance with the RWQCB Order. The City has requested permission from the EPA to make diversion of the groundwater into the sewer system permanent. As of the issuance of this report, the EPA is considering this request.

18. CONTINGENCIES (In Thousands)

FEDERAL AND STATE GRANTS

The City recognizes as revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Although the City's Federal grant programs are audited in accordance with the requirements of the Federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget Circular A-133, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Single Audit for fiscal year 2007 was completed by Macias Gini & O'Connell LLP and is currently in the process of being received and filed by the City Council. The Single Audit for fiscal year 2008 is in process.

The Office of the Inspector General (OIG) audited the City's Community Development Block Grant (CDBG) program, specifically CDBG loans to RDA, and on December 30, 2008, OIG issued its audit report to HUD, Office of Community Planning and Development (OPD). In addition to other findings, OIG determined that the City failed to execute loan agreements and repayment schedules for the CDBG loans issued to RDA that include a principal balance of $63,000 and an accumulated interest of approximately $76,000, totaling $139,202 in loans outstanding. The OIG audit report recommended that HUD require the City to execute written interagency agreements and loan agreements with RDA for these outstanding loan amounts. The City is currently in discussions with HUD on the audit findings and any actions HUD may require of the City, including the possible repayment by the City of certain CDBG funds. Depending on the outcome of the City's negotiations with HUD, repayment of the loans by RDA could impact RDA's liquidity. These loans are reported as a component of loans payable and accrued interest payable to the City in the long-term liabilities footnote of the Redevelopment Agency Financial Statements with an "unscheduled" maturity date. These loans do not appear in the City's CAFR as they represent interfund loans between two governmental funds in which repayment is not expected in a reasonable amount of time. Therefore, these loans are reported as interfund transfers in the fund level statements, and then eliminated as interfund activity in the government wide statements per GASB 34.

CONTINUING DISCLOSURE OBLIGATIONS

The City, in connection with all bond offerings since the effective date (July 1995) of the continuing disclosure requirements of SEC Rule 15c2-12, has contractually obligated itself to provide annual financial information, including audited financial statements, within certain specified time periods (generally nine months) after the end of each fiscal year. Due to the unavailability of audited financial statements, the City was not able to satisfy its contractual obligations to provide to the national repositories certain annual financial information and operating data for fiscal years 2003 through 2007 on a timely basis. At the time of each deadline, the City, as required by its continuing disclosure contractual obligations, provided to the national repositories a notice of the failure to file the annual financial information and operating data. Each required annual report and the audited financial statement was subsequently filed.

SEC ACTIONS

In November 2006, the Securities and Exchange Commission (SEC) entered an Order sanctioning the City of San Diego for committing securities fraud by failing to disclose, in 2002 and 2003, material information about its pension and retiree health care obligations in connection with disclosures relating to the sale of its municipal bonds. To settle the action, the City agreed to cease and desist from future securities fraud violations and to retain an independent consultant for three years to foster compliance with its disclosure obligations under the federal securities laws. The

SEC's investigation with respect to the City's misleading disclosures may be ongoing as to individuals and other entities that may have violated the federal securities laws.

The SEC Order sanctioning the City of San Diego for committing securities fraud is available at: www.sec.gov

REMEDIATION OF CITY DISCLOSURE DEFICIENCIES

The City adopted the Disclosure Ordinance which created the Disclosure Practices Working Group composed of City officials and outside disclosure counsel to review the form and content of all financial disclosures by the City and its related entities and a finance and disclosure unit within the City Attorney's Office. Pursuant to the Ordinance (as amended), the Chief Financial Officer is required to annually review and report on internal controls within the City. In addition, mandatory training is required for City staff and officials, including the City Council and Mayor, regarding their obligations under federal and state securities laws.

Further reforms were proposed by the Mayor. A monitor, who also serves as the Independent Consultant pursuant to the Order, was appointed on January 26, 2007, to oversee the implementation of the Mayor's remediation plan. Structural changes were made to the City's Finance Department to enhance accountability to the City's Chief Financial Officer. The City Council amended the Municipal Code to create an Audit Committee comprised of three Councilmembers, which provides legislative oversight of the City's accounting and financial reporting processes and internal audit function.

In Fall 2007, an Internal Auditor was appointed by the Mayor, in consultation with the Audit Committee. Proposition C, approved on June 3, 2008, established that the City Auditor will report to a newly restructured Audit Committee. The City has also retained an independent actuary, as needed, to provide periodic analysis of SDCERS' actuarial reporting and of the fiscal impact of pension and benefit related decisions.

An ordinance imposing criminal penalties for City employees who improperly influence the City's outside consultants has not been presented to the City Council for consideration. Changes to the City Charter to enhance the independence of both the Internal Auditor and the Audit Committee were approved with the passage of Proposition C (Prop C) in the June 3, 2008 election and are discussed in more detail in Note 1.

INDEPENDENT CONSULTANT'S REPORTS

The Independent Consultant required by the SEC Order has several specific mandates. Among these are annual reviews, for a three year period, of the City's policies, procedures and internal controls regarding financial disclosures. The Independent Consultant is also required to make recommendations concerning the City's policies, procedures and internal controls and to assess the City's adoption and implementation of these recommendations

On March 25, 2008 the Independent Consultant issued his first annual report to the City of San Diego which was received by the City Council on April 1, 2008. This report focused solely on the City's ongoing disclosure efforts and future compliance with disclosure obligations under federal securities laws. His recommendations are summarized below:

- Reconstitute the Audit Committee to be independent from financial management, which has the requisite expertise to perform its oversight functions, and has a sufficient relationship with the City Council to engender its confidence in view of the Council's role in the City's financial reporting. This recommendation was consistent with the June 3, 2008 Prop C charter revision which approved an Audit Committee consisting of two Councilmembers, one of whom would be chair, and three public members who must have at least 10 years of professional finance experience.

- Creation of an internal audit department separate from the Auditor and Comptroller's Office which directly reports to the Audit Committee. This recommendation was implemented with the approval of Prop C.
- Significantly increase staffing of the internal audit department.
- Involve the Audit Committee with hotline activity involving improper financial conduct and fraud.
- Establish a clear Chief Financial Officer position in the City Charter. This recommendation was implemented with the approval of Prop C.
- Better integrate and coordinate ERP and Internal Controls over Financial Reporting (ICFR) process to align objective and maximize resources. Devote additional resources to the ICFR process, and develop period end financial reporting routines. Also, report quarterly to the Audit Committee on the progress of these efforts.
- There were also several recommendations regarding the Audit Committee's procedures over CAFR review; consideration of a shelf-like disclosure system with the DPWG; review of the DPWG practices and functions; and others.

The complete report is available at: www.sandiego.gov.

STATUS OF INTERNAL CONTROLS OVER FINANCIAL REPORTING

The plan to improve the City's internal controls over financial reporting includes the implementation of an enterprise resource planning (ERP) system during fiscal year 2010 to improve the way the City manages finances and the processes and internal controls involved in the City's accounting, financial reporting, and human resources functions. As of December 31, 2008, implementation of the internal controls over financial reporting efforts is approximately 4% complete, with much of the balance tied to the implementation of the ERP system. The City has extended the implementation date, initially from November 2008 to April 2009 and most recently to July 1, 2009 for financials and logistics, October 1, 2009 for payroll and December 31, 2009 for accounts receivable.

LITIGATION AND REGULATORY ACTIONS

The City is a defendant in lawsuits pertaining to material matters, including claims asserted which are incidental to performing routine governmental and other functions. This litigation includes but is not limited to: actions commenced and claims asserted against the City arising out of alleged torts; alleged breaches of contracts; alleged violations of law; and condemnation proceedings. The City has received approximately 2,300 notices of claims in fiscal year 2008.

The estimate of the liability for unsettled claims has been reported in the Government-Wide Statement of Net Assets and the Proprietary Funds financial statements. The liability was estimated by categorizing the various claims and supplemented by information provided by the City Attorney with respect to certain large individual claims and proceedings. The recorded liability is the City's best estimate based on available information.

Significant individual lawsuits are described below.

SDCERS v. City of San Diego

In 1996 and 2002, SDCERS, the City and various labor unions entered into agreements wherein the City of San Diego contributed less to the pension system than what was the actuarially required contribution while also increasing pension benefits. SDCERS has filed a complaint claiming the benefits are legal and should continue to be paid by the

City. The City Attorney filed a cross-complaint alleging the benefits were not legal; however, that case was dismissed by Judge Barton in January 2007. SDCERS filed a compulsory cross-complaint against the City, seeking damages in an amount equivalent to what the City should have contributed to the pension system in the absent the funding relief granted by earlier management agreements MP-1 and MP-2. The City does not currently have an estimate of the range, if any, potential loss in the event of an adverse ruling.

City v. SDCERS

On October 15, 2007, the City filed a lawsuit concerning the effective date of certain benefit changes arising from the 2005 MOU entered into between the City and four of its collective bargaining units. The City contends the effective date of the benefit changes is July 1, 2005; however, the defendants contend the effective date is February 16, 2007 when the Municipal Code change was codified by O-19567. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $5,000.

Ernest Abbit, etc. v. City of San Diego

Plaintiffs, residents of the De Anza Mobilehome Park, filed a lawsuit alleging violations of the California Mobilehome Residency laws for management abuses and individual tort claims. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $19,000.

Joseph Aglio, etc v. City of San Diego

This complaint was filed by the firm Tatro & Zamoyski representing a separate class of residents of the De Anza Mobilehome Park that were previously excluded from the Ernest Abbit case above due to settlements entered into with the City or because they were evicted. The claims are identical to the Ernest Abbit case. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $16,000.

Wayne Akeson, et al. v. City of San Diego

On August 6, 2006, a lawsuit arose following a water main break which caused flooding along a private street in the Colony Hills Homeowners Association (HOA) in La Jolla. Claimants allege the water main failure caused soil subsidence, hillside failure, road failure and diminished property values of 40 HOA homes. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $45,000.

Sunroad v. City of San Diego

City filed a nuisance abatement action against Sunroad for construction of 180 foot building into federally controlled airspace. Sunroad filed a cross-complaint claiming inverse condemnation. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $45,000. (See Note 22 Subsequent Events for additional disclosure.)

Janet Wood v. City of San Diego

Plaintiff filed suit against the City claiming women and unmarried retirees receive less benefits than others. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $2,000.

Frazier, Patricia, et al v. City of San Diego

This is an action by former City employees who are now defendants to a civil action by the SEC. Plaintiffs seek a declaratory judgment in the form of an order from the courts for the City to defend and indemnify Plaintiffs. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $3,000.

San Diego Police Tow operators v. City of San Diego

This case was brought by the towing companies under contract with the City, and alleges that the City is charging them "franchise fees" that exceed the amount permitted to be charged under the California Vehicle Code. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $14,000.

Weisblat, et al v. City of San Diego

Plaintiffs are rental property owners in San Diego that are claiming a processing fee is in reality an illegal tax because the fee was not approved by the voters as required by Proposition 218. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $5,000.

California Restaurant Management System Inc. v. City of San Diego

The California Restaurant Management System filed a class action lawsuit seeking refunds of sewer collection fees paid by "Food Service Establishments" as defined by the City's wastewater department. Plaintiff alleges that the City failed to properly calculate the proportional impact of Food Service Establishments' use of the sewer system in determining sewer rates from 1994-2004. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $5,000.

Timothy Cresto, et al v. City of San Diego and Christopher Smith, et al v. City of San Diego

These two lawsuits brought against the City, and developer, by homeowners in the Santaluz Development of San Diego, California, seek to recover damages for hydrogen sulfide gas exposure alleged to have emanated from the sewer system in the Santaluz development. The City has subsequently cross-complained against the development and construction co-defendants seeking indemnity. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $20,000.

Richard S. Pearson v. Mission and PB Drive, LLP and City of San Diego

Mission and PB Drive, LLP [MPB] is currently building a mixed-use, residential-commercial development on property which shares a common border with Pearson's residential property in Pacific Beach. The City owns a 6 foot drainage easement along the common border of the Pearson and MPB properties. MPB sued Pearson for trespass and nuisance. Pearson then filed a cross-complaint against MPB for nuisance, trespass and to quiet title to easement/declaratory relief/prescriptive easement. Pearson then amended his cross-complaint to bring the City into the lawsuit claiming nuisance, breach of contract, implied contractual indemnity, invasion of privacy and quiet title to easement/declaratory relief/prescriptive easement. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $2,500.

Crabbe, et al v. City of San Diego

113 property owners owning 64 separate single family residences filed a lawsuit against the City claiming a landslide which occurred in the 5700 block of Soledad Mountain Road on October 3, 2007 resulted in substantial damages to the property owners' homes, as well as diminished property value and emotional distress. The property owners claim the cause of the landslide was the failure of City Infrastructure. In the event of an adverse ruling, the liability facing the City

is estimated to be in the range of $0 - $38,000.

Significant regulatory actions are described below (Other regulatory actions are described in Notes 17 and 22).

California Regional Water Quality Board Administrative Proceeding

The City has been named as a “discharger” in San Diego Regional Water Quality Control Board (RWQCB) Tentative Cleanup and Abatement Order No. R9-2005-0126. Five other entities have also been named as dischargers. This tentative order is expected to become final and effective in 2009. It will require cleanup and abatement of polluted sediments near industrial shipyards on San Diego Bay. The City has been named for pollutants (copper, lead, zinc, pesticides) conveyed through storm water to the bay via two storm drain outfalls and Chollas Creek. The legal standard for cleanups in California requires that pollutant concentrations be brought to background levels unless not technologically or economically feasible. The RWQCB staff has recommended alternative cleanup levels of 5 X background for most chemicals of concern. A RWQCB staff estimate based on 2001 figures indicates a cleanup to this level would cost $96,000. It is difficult at this time to project the total eventual cleanup cost or City’s share thereof. It is possible that the RWQCB could enter an order for a cleanup of higher or lower levels. The City has retained consultants to provide technical advice regarding exposure to liability in this matter. The City’s discharges were passive compared to the industrial discharges of shipyards, U.S.Navy, and a power plant owner. For this reason the City’s share of costs should be proportionately smaller than those of the other dischargers, but this remains to be established. The City has tendered for defense and indemnity on a number of insurance policies and is actively positioning itself relative to the other dischargers. It is foreseeable that litigation will arise from this order.

19. THIRD PARTY DEBT (In Thousands)

The City has authorized the issuance of certain conduit revenue private activity bonds, in its name, to provide tax exempt status because it believes a substantial public benefit will be achieved through the use of the proceeds. Aside from the fact that these bonds have been issued in the City's name, the City has no legal obligation to make payment on these bonds and has not pledged any City assets as a guarantee to the bondholders. The following describes the outstanding third party debt:

Mortgage and Revenue Bonds

Single family mortgage revenue bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single-family residences. The purpose of this program is to provide low interest rate home mortgage loans to persons of low or moderate income who are unable to qualify for conventional mortgages at market rates. Multi-family housing revenue bonds are issued to provide construction and permanent financing to developers of multi-family residential rental projects located in the City to be partially occupied by persons of low income.

As of June 30, 2008, the status of all third party bonds issued is as follows (in thousands):

	Original Amount	Balance June 30, 2008
Mortgage Revenue	$ 132,390	$ 8,105

These bonds do not constitute an indebtedness of the City. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans, certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures, property liens and other loans. In reliance upon the opinion of bond counsel, City officials have determined that these bonds are not payable from any revenues or assets of the City, and neither the full faith nor credit for the taxing authority of the City, the state, or any political subdivision thereof is obligated to the payment of principal or interest on the bonds. In essence, the City is acting as a conduit for the private property owners/bondholders in collecting and forwarding the funds. Accordingly, no liability has been recorded in the City's government-wide statement of net assets.

20. CLOSURE AND POST CLOSURE CARE COST (In Thousands)

State and federal laws and regulations require that the City of San Diego place a final cover on its Miramar Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each financial statement date.

The $18,429 reported as landfill closure and post closure care liability at June 30, 2008 represents the cumulative amount reported to date based on the use of 74% of the estimated capacity of the landfill. On April 8, 2008, the California Integrated Waste Management Board approved an increase in the maximum elevation of the landfill which increased the capacity of the landfill and extended the expected closure date from 2012 to 2017.

The City will recognize the remaining estimated cost of closure and post closure care of $6,464 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care at June 30, 2008. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. The City is in compliance with these requirements and at June 30, 2008, cash or equity in pooled cash and investments of $36,523 was held for this purpose. This is reported as restricted assets on the statement of net assets in the Environmental Services Fund. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be paid by charges to future landfill users or from other sources.

21. OPERATING AGREEMENTS (In Thousands)

San Diego Data Processing Corporation and Automated Regional Justice Information System

SDDPC has a yearly information technology services contract agreement with a joint powers agency known as the Automated Regional Justice Information System ("ARJIS") whose main purpose is to pursue development of computerized law enforcement systems in the region.

Under the agreement, SDDPC provides information technology services to ARJIS at rates which, on an annual basis, are equivalent to those charged to other governmental agency clients. Included in SDDPC's services revenue is approximately $3,124 related to ARJIS for the year ended June 30, 2008.

City of San Diego and Padres L.P.

On February 1, 2000, the City entered into a Joint Use and Management Agreement (Agreement) with the San Diego Padres baseball team (Padres) governing the rights and duties of the City and Padres with respect to the use and operation of the new Petco Park Ballpark Facility (Facility). The Facility was completed and operational in April 2004. The City and Padres jointly own the facility; the Padres having a 30% divided interest based upon the original Facility cost estimate of $267,500 (or $80,250) with the City owning 70% which is capitalized on the City's books. The City and the Padres have agreed upon the schedule of items and components that constitute the Padres' divided ownership, and the value of that divided ownership may vary from (but does not exceed) 30% due to the calculation of cost overruns for the Ballpark. Following termination of any occupancy agreement for the Ballpark, the Padres' ownership interest will automatically transfer to the City. Under the terms of the Agreement, the Padres are responsible for Facility operation and management, including maintenance, repairs and security required to preserve its condition. The City is responsible for paying certain expenses associated with the operation and maintenance of the Facility, up to a maximum of $3,500 per year, subject to certain inflationary adjustments.

For information pertaining to the operating agreement with San Diego Medical Services Enterprises, LLC please refer to Note 9, Joint Ventures.

22. SUBSEQUENT EVENTS (In Thousands)

On July 1, 2008, the City privately placed fiscal year 2008-2009 Tax and Revenue Anticipation Notes in the amount of $135,000 to meet the annual general fund cash flow needs of the City. The fiscal year 2007-2008 Tax Revenue Anticipation Note was repaid on August 1, 2008.

Effective July 1, 2008, the San Diego Transportation Improvement Program Ordinance and Expenditure Plan (TransNet Extension Ordinance) took effect based on the November 4, 2004 ballot approved by voters of San Diego County. The TransNet Extension Ordinance provides that SANDAG, acting as the Regional Transportation Commission, shall approve a multi-year program of projects submitted by local jurisdictions, identifying those transportation projects eligible to use transportation sales tax (TransNet) funds. The five-year period covered by the 2008 Regional Transportation Improvement Program (RTIP) includes fiscal years 2009 through 2013 and requires that annually, the amount of local discretionary funding for streets and roads be budgeted per the most recently established minimum maintenance of effort requirement adopted by SANDAG. The TransNet Extension Ordinance also requires an extraction of two thousand dollars from the private sector for each newly constructed residential housing unit in each jurisdiction to comply with the provisions of the Regional Transportation Congestion Improvement Program (RTCIP). On June 17, 2008, the City Council authorized the Mayor, or his designee, to make a submission for the 2008 RTIP for the City of San Diego.

On July 23, 2008, the Southeastern Economic Development Corporation (SEDC) Board unanimously decided to invoke the 90 day notice clause in the SEDC President's employment contract, this action effectively requested her departure as the President of SEDC. The Board also approved a payment of $100 (severance payment) at the time of her departure. In September, an audit report was released publicly that documented suspected incidences of fraudulent activity related to, among other things, executive compensation. There currently is litigation regarding the appropriateness of the $100 severance package that also seeks to recover misappropriated assets. On February 25, 2009 the new SEDC Board rescinded the severance pay, but stated it may consider a new severance amount at a later time.

On July 24, 2008, the President of the Centre City Development Corporation (CCDC) resigned. During the months preceding and also subsequent to the resignation, allegations of misconduct stemming from potential violations of City and State of California conflict of interest laws became public. CCDC has since suspended activity on the projects associated with the alleged conflict of interest violations. Depending on the extent to which the counterparty was aware of conflicts of interest, CCDC could potentially be subject to litigation arising from construction delays or project cancellations. The full nature and extent of the alleged misconduct along with the extent of any possible liability to the City or CCDC is currently unknown. On January 21, 2009 the United States District Court issued a subpoena to CCDC requesting any and all records relating to the President's employment with CCDC and projects she was involved with. The City engaged an audit firm in December 2008 to complete a performance audit of CCDC, this audit is expected to be completed by June, 2009. The audit will include a review of the efficiency and effectiveness of CCDC's operations, whether the goals and objectives of the organization are being met as well as assessing other core competencies.

On August 21, 2008, the City issued $12,365 of Community Facilities District No. 4 (Black Mountain Ranch Villages) Special Tax Bonds to finance public improvements in connection with the district. The Series 2008A bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are limited obligations of the district. The bonds were structured as serial and term bonds, and were issued on a fixed rate basis. The fixed rate on the bonds range from 3.125% to 6.0%, and the final maturity date is September 1, 2037.

On September 5, 2008, San Diego State University Foundation (Foundation) filed suit against the City of San Diego's Redevelopment Agency alleging that they were in breach of contract because they did not sell certain properties to the Foundation. In the event of an adverse ruling, the liability facing the RDA is estimated to be in the range of $0 - $5,000.

On September 22, 2008 the State passed its fiscal year 2008-2009 budget. This budget included a one-year, one-time ERAF shift of $350,000 from all California redevelopment agencies. ERAF is the Educational Revenue Anticipation Fund which is used by the County to accumulate property tax amounts shifted from local governments back to the State. These funds will not be repaid. The negative impact to the City of San Diego Redevelopment Agency is projected to be $11,457.

On November 1, 2008 the Redevelopment Agency (RDA) amended the credit agreement with Bank of America, N.A. to reduce the available Line of Credit from $10,000 to $8,530, which is comprised of a tax-exempt component of $7,534 and a taxable component of $996. The amendment also extended the expiration date of the borrowing from November 1, 2008 to July 31, 2009 and no prepayments of the Line of Credit are permitted.

On November 4, 2008 the citizens of San Diego approved Proposition C (Prop C) and Proposition D (Prop D). Prop C amended the City Charter by requiring that annual lease revenue generated in Mission Bay Park, exceeding $23,000 initially and decreasing to $20,000 after 5 years, be appropriated 75% for capital improvements in Mission Bay Park and 25% for Capital Improvements in Chollas Lake, Balboa Park, Mission Trails and other parks and coastal areas. Prop D amended the Municipal Code to make consumption of alcohol unlawful at City beaches, Mission Bay Park and coastal parks.

In December, 2008 the Environmental Protection Agency (EPA) released its tentative decision to approve the City's request to renew a modified permit for the Point Loma Wastewater Treatment Plant. Point Loma initially received a modified permit (also known as a waiver) in 1995, which was renewed in 2002. This request is the City's second renewal. The tentative decision is subject to a public hearing and comment process that will occur in early 2009. A final decision is expected in the summer of 2009.

On December 19, 2008, the SDCERS Board received Cheiron's actuarial valuation report as of June 30, 2008. This report was approved by the SDCERS Board in January 2009. On January 21, 2009, a mistake was discovered and Cheiron updated their actuarial valuations. The City's revised actuarial value of assets, total actuarial liability, and the unfunded actuarial liability as of June 30, 2008, are now $4,661,000, $5,964,000, and $1,303,000 respectively. This calculates to a 78.1% funding ratio. The Cheiron experience study and the valuation are both available on-line at www.sdcers.org. The June 30, 2008 valuation was prepared using revised assumptions approved by the Board in September 2008 following the receipt of Cheiron's Experience Study in July 2008.

On January 29, 2009, the Public Facilities Financing Authority of the City of San Diego issued $157,190 of Water Revenue Refunding Bonds to prepay $57,000 of the outstanding principal on the Public Facilities Financing Authority, Subordinated Water Revenue Notes, Series 2007A and refund $94,165 of the Certificates of Undivided Interest, Series 1998 in addition to funding the debt service reserve and costs of issuance with respect to the Series 2009A Bonds. The publicly offered Water 2009A Revenue Refunding Bonds are secured by and payable solely from net system revenues of the Water Utility Fund. The interest rates range from 3.0% to 5.25% (interest rates are fixed and reflect the range of rates for various maturities from the date of issuance to maturity), and the final maturity date is August 1, 2038.

As of February 28, 2009 SDCERS has estimated the actuarial value of plan assets to be approximately $3,710,000, which represents a decrease of $950,346, or 20.4% (all values are based on available unaudited information). As is the case for most retirement systems, SDCERS is exposed to general market risk. This general market risk is reflected in asset valuations fluctuating with market volatility. Any impact from market volatility on the Retirement System depends in large measure on how deep the market downturn is, how long it lasts, and the market value as of the date of the actuarial valuation. The resulting market risk and associated realized and unrealized gains and losses could impact the financial condition of the Retirement System and the City's required contribution to the Retirement System. The reader of these financial statements is advised that financial markets continue to be volatile and are experiencing significant changes on almost a daily basis.

On March 20, 2009, the Public Facilities Financing Authority of the City of San Diego sold $103,000 of Lease Revenue Bonds, Series 2009A, on a private placement basis, for the purpose of financing various capital improvement projects. The Series 2009A bonds are secured from base rental payments and bears interest at a rate of 3.89% through June 1, 2010 and then thereafter the interest rate will be fixed to equal the purchaser's internal cost of funds rate plus a fixed spread of 3.00%, provided that in no event will the interest rate exceed 12% until the final maturity date of December 1, 2018.

On May 14, 2009, the Superior Court of California - County of San Diego granted the City's motion for summary judgment on the Sunroad v. City of San Diego case disclosed in Note 18, Contingencies. The Court also stated that it appears to the Court that this case is now fully resolved at the trial court level, as the Court disposed of all remaining claims. This case will be removed from Note 18, Contingencies in the FY 2009 CAFR.

Required Supplementary Information (Unaudited)
June 30, 2008

PENSION TRUST FUNDS

Schedule of Funding Progress

The following table shows the funding progress of the City's pention trust funds for the last three fiscal years (in thousands):

Actuarial Valuation Date		Actuarial Value of Assets (a)		Actuarial Accrued Liability (b)		UAAL (b - a)	Funded Ratio (a/b)		Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a)/c)
6/30/2006	$	3,981,932	$	4,982,700	$	1,000,768	79.92%	$	534,103	187.37%
6/30/2007 *		4,413,411		5,597,653		1,184,242	78.84%		512,440	231.10%
6/30/2008		4,660,346		5,963,550		1,303,204	78.15%		535,774	243.24%

Source: Cheiron, Inc.

* The actuarial accrued liability was calculated using the Entry Age Normal (EAN) method beginning in fiscal year 2007. Prior to fiscal year 2007, the Projected Unit Credit (PUC) method was used

OPEB TRUST FUND

Schedule of Funding Progress

The following table shows the funding progress of the City's OPEB trust fund for the current year of transition (in thousands):

Actuarial Valuation Date		Actuarial Value of Assets (a)		Actuarial Accrued Liability (b)		UAAL (b - a)	Funded Ratio (a/b)		Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a)/c)
6/30/2008	$	29,637	$	1,235,707	$	1,206,070	2.40%	$	556,857	216.59%

Schedule of Contributions from Employer and Other Contributing Entities
The following table shows contributions to the City's OPEB trust fund during the current year of transition (in thousands):

Fiscal Year		Annual Required Contribution		Actual Contribution	Percentage Contributed
6/30/2008	$	91,645	$	59,711	65.15%

Source: Buck Consultants

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Required Supplementary Information - General Fund

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GENERAL FUND

The general fund is the chief operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

General fund revenues are derived from such sources as: Taxes; Licenses and Permits; Fines, Forfeitures, and Penalties; Use of Money and Property; Aid from Other Governmental Agencies; Charges for Current Services; and Other Revenue.

Current expenditures and encumbrances are classified by the functions of: General Government and Support; Public Safety–Police; Public Safety–Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; Neighborhood Services; and Debt Service Principal and Interest. Appropriations are made from the fund annually.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property Tax	$ 386,412	$ 386,412	$ 384,273	$ (2,139)
Sales Tax	247,886	246,658	235,579	(11,079)
Transient Occupancy Tax	85,185	85,185	83,730	(1,455)
Other Local Taxes	77,157	77,157	71,594	(5,563)
Licenses and Permits	34,458	34,005	33,815	(190)
Fines, Forfeitures and Penalties	34,769	32,217	31,083	(1,134)
Revenue from Use of Money and Property	49,644	49,792	41,840	(7,952)
Revenue from Federal Agencies	2,150	2,734	4,086	1,352
Revenue from Other Agencies	15,178	20,932	14,236	(6,696)
Charges for Current Services	89,105	89,716	87,263	(2,453)
Other Revenue	1,939	2,039	3,597	1,558
TOTAL REVENUES	1,023,883	1,026,847	991,096	(35,751)
EXPENDITURES				
Current:				
General Government and Support	262,208	257,390	245,887	11,503
Public Safety - Police	387,922	385,826	379,118	6,708
Public Safety - Fire and Life Safety and Homeland Security	178,932	188,689	188,144	545
Parks, Recreation, Culture and Leisure	125,781	124,923	123,696	1,227
Transportation	81,541	79,165	78,047	1,118
Sanitation and Health	43,635	51,206	49,519	1,687
Neighborhood Services	19,365	22,026	20,832	1,194
Debt Service:				
Principal Retirement	-	2,204	2,204	-
Interest	5,004	5,785	5,720	65
TOTAL EXPENDITURES	1,104,388	1,117,214	1,093,167	24,047
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(80,505)	(90,367)	(102,071)	(11,704)
OTHER FINANCING SOURCES (USES)				
Transfers from Proprietary Funds	1,604	1,604	5,896	4,292
Transfers from Other Funds	83,502	83,608	94,562	10,954
Transfers to Proprietary Funds	(5,363)	(5,358)	(5,358)	-
Transfers to Other Funds	(39,244)	(46,470)	(46,470)	-
Net Income from Joint Venture	-	-	(116)	(116)
TOTAL OTHER FINANCING SOURCES (USES)	40,499	33,384	48,514	15,130
NET CHANGE IN FUND BALANCE	(40,006)	(56,983)	(53,557)	3,426
Fund Balance Undesignated at July 1, 2007	95,031	95,031	95,031	-
Reserved for Encumbrances at July 1, 2007	33,452	33,452	33,452	-
Reserved for Minority Interest in Joint Venture at July 1, 2007	-	-	2,097	2,097
Reserved for Minority Interest in Joint Venture at June 30, 2008	-	-	(1,981)	(1,981)
Designated for Subsequent Years' Expenditures at July 1, 2007	1,159	1,159	1,159	-
Designated for Subsequent Years' Expenditures at June 30, 2008	-	-	(862)	(862)
FUND BALANCE UNDESIGNATED AT JUNE 30, 2008	$ 89,636	$ 72,659	$ 75,339	$ 2,680

The accompanying note is an integral part of the financial statements.

Note to Required Supplementary Information
Year Ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Budgetary Data

On or before the first meeting in May of each year, the City Manager submits to the City Council a proposed operating and capital improvements budget for the fiscal year commencing July 1. This budget includes annual budgets for the following funds:

- **General Fund**
- **Special Revenue Funds:**
  - City of San Diego:
    - -Acquisition, Improvement and Operation
    - -Environmental Growth Funds:
      - -Two-Thirds Requirement
      - -One-Third Requirement
    - -Police Decentralization
    - -Public Transportation
    - -Qualcomm Stadium Operations
    - -Special Gas Tax Street Improvement
    - -Street Division Operations
    - -Transient Occupancy Tax
    - -Underground Surcharge
    - -Zoological Exhibits
    - -Other Special Revenue
  - Centre City Development Corporation
  - Southeastern Economic Development Corporation
- **Debt Service Funds:**
  - City of San Diego:
    - -Public Safety Communications Project
  - San Diego Open Space Park Facilities District #1
- **Capital Projects Funds:**
  - City of San Diego:
    - -TransNet

Public hearings are then conducted to obtain citizen comments on the proposed budget. During the month of July the budget is legally adopted through passage of an appropriation ordinance by the City Council. Budgets are prepared on the modified accrual basis of accounting except that (1) encumbrances outstanding at year-end are considered expenditures and (2) the increase/decrease in reserve for advances and deposits to other funds and agencies are considered as additions/deductions of expenditures. The City budget is prepared excluding unrealized gains or losses resulting from the change in fair value of investments, proceeds from capital leases, and net income from joint venture.

The legal level of budgetary control for the City's general fund is exercised at the salaries and wages and non-personnel expenditures level. Budgetary control for the other budgeted funds, including those of certain component units, is maintained at the total fund appropriation level. All amendments to the adopted budget require City Council approval except as delegated in the Annual Appropriation Ordinance.

Reported budget figures are as originally adopted or subsequently amended plus prior year continuing appropriations. Such budget amendments during the year, including those related to supplemental appropriations, did not cause these reported budget amounts to be significantly different than the originally adopted budget amounts. Appropriations lapse at year-end to the extent that they have not been expended or encumbered, except for those of a capital nature, which continue to subsequent years.

The following is a reconciliation of the net change in fund balance prepared on a GAAP basis to that prepared on the budgetary basis for the year ended June 30, 2008 (in thousands):

	General Fund
Net Change in Fund Balances - GAAP Basis	$ (7,267)
Add (Deduct):	
Encumbrances Outstanding, June 30, 2008	(43,853)
Reserved for Advances, June 30, 2008	(9)
Designated for Unrealized Gains, June 30, 2008	(2,737)
Reserved for Advances, June 30, 2007	309
Net Change in Fund Balances - Budgetary Basis	$ (53,557)

b. <u>Encumbrances</u>

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the budgeted governmental funds.

Encumbrances outstanding at year-end are reported as reservations of fund balances, since the commitments will be honored through subsequent years' continuing appropriations. Encumbrances do not constitute expenditures or liabilities for GAAP reporting purposes.

Supplementary Information - General Fund

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GENERAL FUND
SCHEDULE OF REVENUE AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
PROPERTY TAX					
One Percent Property Tax Allocation	$ -	$ -	$ -	$ 385,689	$ (385,689)
Current Year - Secured	115,878	-	115,878	-	115,878
Current Year Supplemental - Secured	13,517	-	13,517	-	13,517
Current Year - Unsecured	8,766	-	8,766	-	8,766
Current Unsecured Supplemental Roll	192	-	192	-	192
Homeowners' Exemptions - Secured	2,693	-	2,693	-	2,693
Homeowners' Exemptions - Unsecured	2	-	2	-	2
Prior Years' - Secured	7,485	-	7,485	723	6,762
Prior Years' - Unsecured	77	-	77	-	77
In-Lieu Vehicle License Fees	451	-	451	-	451
Interest and Penalties on Delinquent Taxes	1,419	-	1,419	-	1,419
Escapes - Secured	190	-	190	-	190
Escapes - Unsecured	129,677	-	129,677	-	129,677
Other Property Taxes	101,411	-	101,411	-	101,411
State Secured Unitary	2,515	-	2,515	-	2,515
TOTAL PROPERTY TAX	384,273	-	384,273	386,412	(2,139)
SALES TAX	235,579	-	235,579	246,658	(11,079)
TRANSIENT OCCUPANCY TAX	83,730	-	83,730	85,185	(1,455)
OTHER LOCAL TAXES					
Franchises	64,584	-	64,584	69,586	(5,002)
Property Transfer Tax	7,010	-	7,010	7,571	(561)
TOTAL OTHER LOCAL TAXES	71,594	-	71,594	77,157	(5,563)
LICENSES AND PERMITS					
General Business Licenses	9,397	-	9,397	10,650	(1,253)
Refuse Collection Business Licenses	1,973	-	1,973	2,000	(27)
Other Regulatory Business Licenses	3,497	-	3,497	1,360	2,137
Rental Unit Tax	7,325	-	7,325	6,977	348
Parking Meter Revenue	7,567	-	7,567	8,812	(1,245)
Street and Curb Permits	105	-	105	97	8
Other Licenses and Permits	3,951	-	3,951	4,109	(158)
TOTAL LICENSES AND PERMITS	33,815	-	33,815	34,005	(190)
FINES, FORFEITURES AND PENALTIES					
California Vehicle Code Violations	28,297	-	28,297	29,909	(1,612)
Other City Ordinance Code Violations	2,786	-	2,786	2,308	478
TOTAL FINES, FORFEITURES AND PENALTIES	31,083	-	31,083	32,217	(1,134)
REVENUE FROM USE OF MONEY AND PROPERTY					
Interest on Investments	7,087	(2,737)	4,350	10,584	(6,234)
Balboa Park Rents and Concessions	604	-	604	606	(2)
Mission Bay Park Rents and Concessions	27,902	-	27,902	30,065	(2,163)
Other Rents and Concessions	8,984	-	8,984	8,537	447
TOTAL REVENUE FROM USE OF MONEY AND PROPERTY	44,577	(2,737)	41,840	49,792	(7,952)
REVENUE FROM FEDERAL AGENCIES	4,086	-	4,086	2,734	1,352

Continued on Next Page

GENERAL FUND
SCHEDULE OF REVENUE AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUE FROM OTHER AGENCIES					
State Motor Vehicle License Fees	$ 5,841	$ -	$ 5,841	$ 7,938	$ (2,097)
Local Relief	185	-	185	5,432	(5,247)
State Grants	8,210	-	8,210	7,562	648
TOTAL REVENUE FROM OTHER AGENCIES	14,236	-	14,236	20,932	(6,696)
CHARGES FOR CURRENT SERVICES					
Administrative Services to Other Agencies	320	-	320	523	(203)
Cemetery Revenue	861	-	861	811	50
Engineering Services	382	-	382	758	(376)
Fire Services	13,169	-	13,169	12,055	1,114
Library Revenue	1,129	-	1,129	1,366	(237)
Miscellaneous Recreation Revenue	4,005	-	4,005	2,539	1,466
Other Services	730	-	730	493	237
Paramedic Services	161	-	161	173	(12)
Planning and Miscellaneous Filing Fees	118	-	118	267	(149)
Police Services	5,044	-	5,044	3,685	1,359
Swimming Pools Revenue	1,082	-	1,082	1,190	(108)
Services Rendered to Other Funds for:					
General Government and Financial	31,417	-	31,417	35,194	(3,777)
Engineering	20,879	-	20,879	22,668	(1,789)
Park Design	1,617	-	1,617	1,213	404
Miscellaneous Services	6,349	-	6,349	6,781	(432)
TOTAL CHARGES FOR CURRENT SERVICES	87,263	-	87,263	89,716	(2,453)
OTHER REVENUE					
Other Refunds of Prior Years' Expenditures	567	-	567	161	406
Repairs and Damage Recoveries	511	-	511	250	261
Sale of Personal Property	224	-	224	136	88
Miscellaneous Revenue	1,995	300	2,295	1,492	803
TOTAL OTHER REVENUE	3,297	300	3,597	2,039	1,558
TOTAL REVENUES	993,533	(2,437)	991,096	1,026,847	(35,751)
TRANSFERS FROM PROPRIETARY FUNDS					
Enterprise Funds:					
City of San Diego:					
Golf Course	1,604	-	1,604	1,604	-
Internal Service Funds:					
City of San Diego:					
Fleet Services	1,425	-	1,425	-	1,425
Central Stores	44	-	44	-	44
Self Insurance	2,412	-	2,412	-	2,412
Miscellaneous Internal Service	411	-	411	-	411
TOTAL TRANSFERS FROM PROPRIETARY FUNDS	5,896	-	5,896	1,604	4,292

GENERAL FUND
SCHEDULE OF REVENUE AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
TRANSFERS FROM OTHER FUNDS					
Special Revenue Funds:					
City of San Diego:					
Acquisition, Improvement, & Operations	$ 37	$ -	$ 37	$ -	$ 37
Environmental Growth Fund	10,860	-	10,860	11,137	(277)
Police Decentralization	175	-	175	-	175
Special Gas Tax Street Improvement	19,324	-	19,324	22,783	(3,459)
Street Division Operations	50	-	50	-	50
Transient Occupancy Tax	15,550	-	15,550	10,579	4,971
Stadium	3	-	3	-	3
Zoological Exhibits	102	-	102	-	102
Other Special Revenue-Budgeted	5,737	-	5,737	5,687	50
Grants	1,111	-	1,111	-	1,111
Other Special Revenue-Unbudgeted	21,799	-	21,798	20,200	1,598
Redevelopment Agency	2,613	-	2,613	-	2,613
Capital Projects Funds:					
City of San Diego:					
Capital Outlay	378	-	378	-	378
TransNet	14,800	-	14,800	12,847	1,953
Other Construction	1,622	-	1,623	-	1,623
Permanent Funds:				-	
Cemetery Perpetuity	401	-	401	375	26
TOTAL TRANSFERS FROM OTHER FUNDS	94,562	-	94,562	83,608	10,954
NET INCOME (LOSS) FROM JOINT VENTURE	(116)	-	(116)	-	(116)
TOTAL REVENUE AND TRANSFERS	$ 1,093,875	$ (2,437)	$ 1,091,438	$ 1,112,059	$ (20,621)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
GENERAL GOVERNMENT AND SUPPORT					
Departmental:					
Mayor					
Salaries and Wages	$ 371	$ -	$ 371	$ 387	$ 16
Non-Personnel	230	1	231	239	8
Total Mayor	601	1	602	626	24
City Council District 1					
Salaries and Wages	521	-	521	521	-
Non-Personnel	376	-	376	376	-
Total City Council District 1	897	-	897	897	-
City Council District 2					
Salaries and Wages	558	-	558	558	-
Non-Personnel	341	-	341	341	-
Total City Council District 2	899	-	899	899	-
City Council District 3					
Salaries and Wages	566	-	566	566	-
Non-Personnel	389	1	390	390	-
Total City Council District 3	955	1	956	956	-
City Council District 4					
Salaries and Wages	546	-	546	546	-
Non-Personnel	409	-	409	409	-
Total City Council District 4	955	-	955	955	-
City Council District 5					
Salaries and Wages	465	-	465	466	1
Non-Personnel	344	-	344	344	-
Total City Council District 5	809	-	809	810	1
City Council District 6					
Salaries and Wages	521	-	521	521	-
Non-Personnel	355	-	355	355	-
Total City Council District 6	876	-	876	876	-
City Council District 7					
Salaries and Wages	570	-	570	570	-
Non-Personnel	357	-	357	357	-
Total City Council District 7	927	-	927	927	-
City Council District 8					
Salaries and Wages	545	-	545	545	-
Non-Personnel	399	-	399	399	-
Total City Council District 8	944	-	944	944	-
Council Administration					
Salaries and Wages	916	-	916	916	-
Non-Personnel	834	78	912	969	57
Total Council Administration	1,750	78	1,828	1,885	57
Office of the IBA					
Salaries and Wages	899	-	899	899	-
Non-Personnel	472	-	472	472	-
Total Office of the IBA	1,371	-	1,371	1,371	-
City Attorney					
Salaries and Wages	23,231	-	23,231	23,231	-
Non-Personnel	13,798	285	14,083	14,175	92
Total City Attorney	37,029	285	37,314	37,406	92

Prior Year					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ 371	$ -	$ 371	$ 387	$ 16
-	-	-	-	-	230	1	231	239	8
-	-	-	-	-	601	1	602	626	24
-	-	-	-	-	521	-	521	521	-
6	-	6	12	6	382	-	382	388	6
6	-	6	12	6	903	-	903	909	6
-	-	-	-	-	558	-	558	558	-
-	-	-	-	-	341	-	341	341	-
-	-	-	-	-	899	-	899	899	-
-	-	-	-	-	566	-	566	566	-
-	-	-	-	-	389	1	390	390	-
-	-	-	-	-	955	1	956	956	-
-	-	-	-	-	546	-	546	546	-
-	-	-	2	2	409	-	409	411	2
-	-	-	2	2	955	-	955	957	2
-	-	-	-	-	465	-	465	466	1
-	-	-	-	-	344	-	344	344	-
-	-	-	-	-	809	-	809	810	1
-	-	-	-	-	521	-	521	521	-
-	-	-	-	-	355	-	355	355	-
-	-	-	-	-	876	-	876	876	-
-	-	-	-	-	570	-	570	570	-
-	-	-	1	1	357	-	357	358	1
-	-	-	1	1	927	-	927	928	1
-	-	-	-	-	545	-	545	545	-
-	-	-	-	-	399	-	399	399	-
-	-	-	-	-	944	-	944	944	-
-	-	-	-	-	916	-	916	916	-
78	-	78	97	19	912	78	990	1,066	76
78	-	78	97	19	1,828	78	1,906	1,982	76
-	-	-	-	-	899	-	899	899	-
-	-	-	-	-	472	-	472	472	-
-	-	-	-	-	1,371	-	1,371	1,371	-
-	-	-	-	-	23,231	-	23,231	23,231	-
100	175	275	493	218	13,898	460	14,358	14,668	310
100	175	275	493	218	37,129	460	37,589	37,899	310

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
General Government and Support Departmental (Continued):					
City Auditor and Comptroller					
Salaries and Wages	$ 5,697	$ -	$ 5,697	$ 6,065	$ 368
Non-Personnel	4,429	392	4,821	4,843	22
Total City Auditor and Comptroller	10,126	392	10,518	10,908	390
City Clerk					
Salaries and Wages	2,258	-	2,258	2,258	-
Non-Personnel	2,097	51	2,148	2,148	-
Total City Clerk	4,355	51	4,406	4,406	-
City Manager					
Non-Personnel	-	-	-	1	1
Office of the CIO					
Salaries and Wages	-	-	-	-	-
Non-Personnel	26,894	336	27,230	28,520	1,290
Total Office of the CIO	26,894	336	27,230	28,520	1,290
Engineering and Capital Projects Administration					
Salaries and Wages	289	-	289	289	-
Non-Personnel	369	-	369	370	1
Total Engineering and Capital Projects Administration	658	-	658	659	1
Field Engineering					
Salaries and Wages	7,742	-	7,742	8,172	430
Non-Personnel	5,095	35	5,130	5,177	47
Total Field Engineering	12,837	35	12,872	13,349	477
Public Buildings & Parks					
Salaries and Wages	3,516	-	3,516	3,516	-
Non-Personnel	2,253	6	2,259	2,438	179
Total Public Buildings & Parks	5,769	6	5,775	5,954	179
Budget and Management Services					
Salaries and Wages	1,674	-	1,674	1,674	-
Non-Personnel	1,075	-	1,075	1,160	85
Total Budget and Management Services	2,749	-	2,749	2,834	85
City Treasurer					
Salaries and Wages	5,747	-	5,747	5,747	-
Non-Personnel	6,311	632	6,943	6,944	1
Total City Treasurer	12,058	632	12,690	12,691	1
Financing Services					
Salaries and Wages	1,312	-	1,312	1,558	246
Non-Personnel	1,009	17	1,026	1,162	136
Total Financing Services	2,321	17	2,338	2,720	382
General Services - Administration					
Salaries and Wages	542	-	542	542	-
Non-Personnel	310	-	310	310	-
Total General Services - Administration	852	-	852	852	-
Station 38					
Salaries and Wages	373	-	373	373	-
Non-Personnel	214	-	214	214	-
Total Station 38	587	-	587	587	-
Facilities Maintenance					
Salaries and Wages	5,878	-	5,878	5,878	-
Non-Personnel	8,298	231	8,529	8,529	-
Total Facilities Maintenance	14,176	231	14,407	14,407	-

Prior Year					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ 5,697	$ -	$ 5,697	$ 6,065	$ 368
181	6	187	183	(4)	4,610	398	5,008	5,026	18
181	6	187	183	(4)	10,307	398	10,705	11,091	386
-	-	-	-	-	2,258	-	2,258	2,258	-
44	21	65	66	1	2,141	72	2,213	2,214	1
44	21	65	66	1	4,399	72	4,471	4,472	1
-	-	-	-	-	-	-	-	1	1
-	-	-	-	-	-	-	-	-	-
48	-	48	191	143	26,942	336	27,278	28,711	1,433
48	-	48	191	143	26,942	336	27,278	28,711	1,433
-	-	-	-	-	289	-	289	289	-
-	6	6	6	-	369	6	375	376	1
-	6	6	6	-	658	6	664	665	1
-	-	-	-	-	7,742	-	7,742	8,172	430
22	-	22	84	62	5,117	35	5,152	5,261	109
22	-	22	84	62	12,859	35	12,894	13,433	539
-	-	-	-	-	3,516	-	3,516	3,516	-
57	97	154	187	33	2,310	103	2,413	2,625	212
57	97	154	187	33	5,826	103	5,929	6,141	212
-	-	-	-	-	1,674	-	1,674	1,674	-
-	-	-	-	-	1,075	-	1,075	1,160	85
-	-	-	-	-	2,749	-	2,749	2,834	85
-	-	-	-	-	5,747	-	5,747	5,747	-
342	887	1,229	1,676	447	6,653	1,519	8,172	8,620	448
342	887	1,229	1,676	447	12,400	1,519	13,919	14,367	448
-	-	-	-	-	1,312	-	1,312	1,558	246
-	1	1	16	15	1,009	18	1,027	1,178	151
-	1	1	16	15	2,321	18	2,339	2,736	397
-	-	-	-	-	542	-	542	542	-
6	-	6	6	-	316	-	316	316	-
6	-	6	6	-	858	-	858	858	-
-	-	-	-	-	373	-	373	373	-
1	-	1	1	-	215	-	215	215	-
1	-	1	1	-	588	-	588	588	-
-	-	-	-	-	5,878	-	5,878	5,878	-
230	1	231	402	171	8,528	232	8,760	8,931	171
230	1	231	402	171	14,406	232	14,638	14,809	171

Continued on Next Page

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
General Government and Support Departmental (Continued):					
General Services-Contracts Divsion					
Salaries and Wages	$ 343	$ -	$ 343	$ 343	$ -
Non-Personnel	588	1,700	2,288	2,288	-
Total General Services-Contracts Division	931	1,700	2,631	2,631	-
Storm Water					
Salaries and Wages	1,556	-	1,556	1,556	-
Non-Personnel	4,279	8,635	12,914	12,654	(260)
Total Storm Water	5,835	8,635	14,470	14,210	(260)
Governmental Relations					
Non-Personnel	-	-	-	-	-
Human Resources					
Salaries and Wages	493	-	493	493	-
Non-Personnel	313	1	314	317	3
Total Human Resources	806	1	807	810	3
Organizational Effectiveness Program					
Non-Personnel	-	-	-	2	2
Personnel					
Salaries and Wages	3,488	-	3,488	3,897	409
Non-Personnel	2,344	132	2,476	2,722	246
Total Personnel	5,832	132	5,964	6,619	655
Real Estate Assets					
Salaries and Wages	2,243	-	2,243	2,630	387
Non-Personnel	1,454	58	1,512	1,619	107
Total Real Estate Assets	3,697	58	3,755	4,249	494
Special Projects					
Salaries and Wages	223	-	223	223	-
Non-Personnel	281	-	281	292	11
Total Special Projects	504	-	504	515	11
Ethics Commission					
Salaries and Wages	505	-	505	657	152
Non-Personnel	305	8	313	364	51
Total Ethics Commission	810	8	818	1,021	203
Purchasing and Contracting/Contracts Processing					
Salaries and Wages	2,949	-	2,949	3,261	312
Non-Personnel	2,194	20	2,214	2,252	38
Total Purchasing and Contracting/Contracts Processing	5,143	20	5,163	5,513	350
Business Office					
Salaries and Wages	1,454	-	1,454	1,473	19
Non-Personnel	906	-	906	910	4
Total Business Office	2,360	-	2,360	2,383	23
Community and Legislative Services					
Salaries and Wages	2,165	-	2,165	2,165	-
Non-Personnel	2,029	19	2,048	2,214	166
Total Community and Legislative Services	4,194	19	4,213	4,379	166
Office of Ethics and Integrity					
Salaries and Wages	1,011	-	1,011	1,058	47
Non-Personnel	875	267	1,142	1,342	200
Total Office of Ethics and Integrity	1,886	267	2,153	2,400	247

Prior Year					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ 343	$ -	$ 343	$ 343	$ -
-	-	-	-	-	588	1,700	2,288	2,288	-
-	-	-	-	-	931	1,700	2,631	2,631	-
-	-	-	-	-	1,556	-	1,556	1,556	-
3,470	2,325	5,795	6,113	318	7,749	10,960	18,709	18,767	58
3,470	2,325	5,795	6,113	318	9,305	10,960	20,265	20,323	58
-	-	-	43	43	-	-	-	43	43
-	-	-	-	-	493	-	493	493	-
-	-	-	1	1	313	1	314	318	4
-	-	-	1	1	806	1	807	811	4
-	-	-	4	4	-	-	-	6	6
-	-	-	-	-	3,488	-	3,488	3,897	409
60	-	60	367	307	2,404	132	2,536	3,089	553
60	-	60	367	307	5,892	132	6,024	6,986	962
-	-	-	-	-	2,243	-	2,243	2,630	387
100	290	390	547	157	1,554	348	1,902	2,166	264
100	290	390	547	157	3,797	348	4,145	4,796	651
-	-	-	-	-	223	-	223	223	-
36	-	36	36	-	317	-	317	328	11
36	-	36	36	-	540	-	540	551	11
-	-	-	-	-	505	-	505	657	152
1	-	1	22	21	306	8	314	386	72
1	-	1	22	21	811	8	819	1,043	224
-	-	-	-	-	2,949	-	2,949	3,261	312
99	8	107	137	30	2,293	28	2,321	2,389	68
99	8	107	137	30	5,242	28	5,270	5,650	380
-	-	-	-	-	1,454	-	1,454	1,473	19
147	-	147	147	-	1,053	-	1,053	1,057	4
147	-	147	147	-	2,507	-	2,507	2,530	23
-	-	-	-	-	2,165	-	2,165	2,165	-
34	-	34	127	93	2,063	19	2,082	2,341	259
34	-	34	127	93	4,228	19	4,247	4,506	259
-	-	-	-	-	1,011	-	1,011	1,058	47
28	34	62	120	58	903	301	1,204	1,462	258
28	34	62	120	58	1,914	301	2,215	2,520	305

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
General Government and Support Departmental (Continued):					
Department of Finance					
Salaries and Wages	$ 359	$ -	$ 359	$ 438	$ 79
Non-Personnel	390	15	405	629	224
Total Department of Finance	749	15	764	1,067	303
Land Use and Economic Development					
Salaries and Wages	425	-	425	455	30
Non-Personnel	233	-	233	244	11
Total Land Use and Economic Development	658	-	658	699	41
Public Works					
Salaries and Wages	408	-	408	559	151
Non-Personnel	205	-	205	295	90
Total Public Works	613	-	613	854	241
Public Safety					
Salaries and Wages	692	-	692	692	-
Non-Personnel	728	147	875	1,000	125
Total Public Safety	1,420	147	1,567	1,692	125
General Fund Appropriated Reserve					
Salaries and Wages	-	-	-	-	-
Non-Personnel	239	659	898	899	1
Total General Fund Appropriated Reserve	239	659	898	899	1
Customer Service					
Salaries and Wages	1,171	-	1,171	1,172	1
Non-Personnel	1,091	129	1,220	1,350	130
Total Customer Service	2,262	129	2,391	2,522	131
Total Departmental	179,334	13,855	193,189	198,905	5,716
Citywide Program:					
Reserve Contribution					
Non-Personnel	-	-	-	3,329	3,329
Assessments to Public Property					
Non-Personnel	555	-	555	555	-
Citywide Elections					
Non-Personnel	2,841	204	3,045	3,045	-
Employee Personal Property Damage					
Non-Personnel	5	-	5	5	-
Independent Audit					
Non-Personnel	1,646	980	2,626	2,626	-
Insurance					
Non-Personnel	1,278	-	1,278	1,278	-
Memberships					
Non-Personnel	684	-	684	684	-
Municipal Activities					
Non-Personnel	-	-	-	-	-
Property Tax Administration					
Non-Personnel	2,928	-	2,928	2,929	1
Public Liability					
Non-Personnel	22,500	-	22,500	22,500	-

Prior Year					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ 359	$ -	$ 359	$ 438	$ 79
-	-	-	-	-	390	15	405	629	224
-	-	-	-	-	749	15	764	1,067	303
-	-	-	-	-	425	-	425	455	30
-	-	-	-	-	233	-	233	244	11
-	-	-	-	-	658	-	658	699	41
-	-	-	-	-	408	-	408	559	151
-	-	-	-	-	205	-	205	295	90
-	-	-	-	-	613	-	613	854	241
-	-	-	-	-	692	-	692	692	-
17	-	17	17	-	745	147	892	1,017	125
17	-	17	17	-	1,437	147	1,584	1,709	125
-	-	-	-	-	-	-	-	-	-
-	-	-		-	239	659	898	899	1
-	-	-	-	-	239	659	898	899	1
-	-	-	-	-	1,171	-	1,171	1,172	1
7	-	7	60	53	1,098	129	1,227	1,410	183
7	-	7	60	53	2,269	129	2,398	2,582	184
5,114	3,851	8,965	11,164	2,199	184,448	17,706	202,154	210,069	7,915
	-	-	-	-	-	-	-	3,329	3,329
-	35	35	35	-	555	35	590	590	-
-	168	168	172	4	2,841	372	3,213	3,217	4
-	-	-	-	-	5	-	5	5	-
-	1	1	1	-	1,646	981	2,627	2,627	-
-	-	-	-	-	1,278	-	1,278	1,278	-
-	-	-	-	-	684	-	684	684	-
-	24	24	24	-	-	24	24	24	-
		-		-	2,928	-	2,928	2,929	1
-	-	-	-	-	22,500	-	22,500	22,500	-

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
General Government and Support Citywide Program (Continued):					
Public Works Projects					
Non-Personnel	$ -	$ -	$ -	$ -	$ -
Random Drug Testing					
Non-Personnel	-	-	-	-	-
Reimbursement to Capital Outlay					
Non-Personnel	10	-	10	10	-
Special Consulting					
Non-Personnel	2,042	597	2,639	2,639	-
San Diego Geographic Information Source					
Non-Personnel	-	-	-	-	-
Space Rental					
Non-Personnel	6,409	71	6,479	6,479	-
Other Special Projects					
Non-Personnel	106	111	217	225	8
Total Citywide Program	41,004	1,963	42,966	46,304	3,338
TOTAL GENERAL GOVERNMENT AND SUPPORT	220,338	15,818	236,155	245,209	9,054
PUBLIC SAFETY - POLICE					
Departmental:					
Police					
Salaries and Wages	208,184	-	208,184	214,392	6,208
Non-Personnel	165,991	2,518	168,509	168,475	(34)
Total Police	374,175	2,518	376,693	382,867	6,174
TOTAL PUBLIC SAFETY - POLICE	374,175	2,518	376,693	382,867	6,174
PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY					
Departmental:					
Fire-Rescue					
Salaries and Wages	106,052	-	106,052	106,052	-
Non-Personnel	77,634	865	78,499	78,503	4
Total Fire-Rescue	183,686	865	184,551	184,555	4
Homeland Security					
Salaries and Wages	690	-	690	789	99
Non-Personnel	971	212	1,183	1,458	275
Total Homeland Security	1,661	212	1,873	2,247	374
TOTAL PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY	185,347	1,077	186,424	186,802	378
PARKS, RECREATION, CULTURE AND LEISURE					
Departmental:					
Reservoir Concessions					
Non-Personnel	2,589	-	2,589	2,653	64
Parks and Recreation-Administrative Services					
Salaries and Wages	1,326	-	1,326	1,326	-
Non-Personnel	843	8	851	851	-
Total Parks and Recreation - Administration Services	2,169	8	2,177	2,177	-
Community Parks I					
Salaries and Wages	5,529	-	5,529	5,529	-
Non-Personnel	10,451	536	10,987	10,987	-
Total Community Parks I	15,980	536	16,516	16,516	-

Prior Year					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ 86	$ 212	$ 298	$ 411	$ 113	$ 86	$ 212	$ 298	$ 411	$ 113
-	-	-	17	17	-	-	-	17	17
-	-	-	-	-	10	-	10	10	-
-	-	-	-	-	2,042	597	2,639	2,639	-
-	-	-	11	11	-	-	-	11	11
7	113	120	121	1	6,416	184	6,600	6,600	-
26	94	120	225	105	132	205	337	450	113
118	647	765	1,017	251	41,122	2,610	43,732	47,321	3,588
5,232	4,498	9,730	12,181	2,450	225,570	20,316	245,887	257,390	11,503
-	-	-	-	-	208,184	-	208,184	214,392	6,208
1,875	550	2,425	2,959	534	167,866	3,068	170,934	171,434	500
1,875	550	2,425	2,959	534	376,050	3,068	379,118	385,826	6,708
1,875	550	2,425	2,959	534	376,050	3,068	379,118	385,826	6,708
-	-	-	-	-	106,052	-	106,052	106,052	-
1,578	142	1,720	1,886	166	79,212	1,007	80,219	80,389	170
1,578	142	1,720	1,886	166	185,264	1,007	186,271	186,441	170
-	-	-	-	-	690	-	690	789	99
-	-	-	1	1	971	212	1,183	1,459	276
-	-	-	1	1	1,661	212	1,873	2,248	375
1,578	142	1,720	1,887	167	186,925	1,219	188,144	188,689	545
-	-	-	3	3	2,589	-	2,589	2,656	67
-	-	-		-	1,326	-	1,326	1,326	-
21	-	21	22	1	864	8	872	873	1
21	-	21	22	1	2,190	8	2,198	2,199	1
-	-	-	-	-	5,529	-	5,529	5,529	-
319	17	336	484	148	10,770	553	11,323	11,471	148
319	17	336	484	148	16,299	553	16,852	17,000	148

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Parks, Recreation, Culture and Leisure Departmental (Continued):					
Community Parks II					
Salaries and Wages	$ 9,013	$ -	$ 9,013	$ 9,013	$ -
Non-Personnel	11,287	219	11,506	11,506	-
Total Community Parks II	20,300	219	20,519	20,519	-
Developed Regional Parks					
Salaries and Wages	12,963	-	12,963	12,963	-
Non-Personnel	21,393	1,347	22,740	22,739	(1)
Total Developed Regional Parks	34,356	1,347	35,703	35,702	(1)
Open Space Division					
Salaries and Wages	2,135	-	2,135	2,135	-
Non-Personnel	4,232	430	4,662	4,662	-
Total Open Space Division	6,367	430	6,797	6,797	-
Park and Planning Development					
Non-Personnel	-	-	-	-	-
Library					
Salaries and Wages	18,243	-	18,243	18,243	-
Non-Personnel	16,913	883	17,796	17,957	161
Total Library	35,156	883	36,039	36,200	161
Total Departmental	116,917	3,423	120,340	120,564	224
Citywide Program:					
Parks and Recreation Programs					
Non-Personnel	475	179	654	998	344
TOTAL PARKS, RECREATION CULTURE AND LEISURE	117,392	3,602	120,994	121,562	568
TRANSPORTATION					
Departmental:					
Streets					
Salaries and Wages	13,169	-	13,169	13,169	-
Non-Personnel	33,024	9,494	42,518	42,613	95
Total Streets	46,193	9,494	55,687	55,782	95
Parking Management					
Non-Personnel	-	-	-	-	-
Transportation Design					
Salaries and Wages	4,165	-	4,165	4,165	-
Non-Personnel	2,497	104	2,601	2,992	391
Total Transportation Design	6,662	104	6,766	7,157	391
Traffic Engineering					
Salaries and Wages	3,515	-	3,515	3,637	122
Non-Personnel	3,275	430	3,705	3,737	32
Total Traffic Engineering	6,790	430	7,220	7,374	154
Total Departmental	59,645	10,028	69,673	70,313	640
Citywide Program:					
Transportation					
Non-Personnel	278	-	278	278	-
TOTAL TRANSPORTATION	59,923	10,028	69,951	70,591	640

Prior Year					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
		$ -		$ -	$ 9,013	$ -	$ 9,013	$ 9,013	$ -
333	1	334	393	59	11,620	220	11,840	11,899	59
333	1	334	393	59	20,633	220	20,853	20,912	59
	-	-		-	12,963	-	12,963	12,963	-
365	247	612	871	259	21,758	1,594	23,352	23,610	258
365	247	612	871	259	34,721	1,594	36,315	36,573	258
-	-	-	-	-	2,135	-	2,135	2,135	-
275	697	972	994	22	4,507	1,127	5,634	5,656	22
275	697	972	994	22	6,642	1,127	7,769	7,791	22
4	-	4	58	54	4	-	4	58	54
-		-		-	18,243	-	18,243	18,243	-
416	7	423	536	113	17,329	890	18,219	18,493	274
416	7	423	536	113	35,572	890	36,462	36,736	274
1,733	969	2,702	3,361	659	118,650	4,392	123,042	123,925	883
-	-	-	-	-	475	179	654	998	344
1,733	969	2,702	3,361	659	119,125	4,571	123,696	124,923	1,227
	-	-		-	13,169	-	13,169	13,169	-
6,084	1,777	7,861	8,219	358	39,108	11,271	50,379	50,832	453
6,084	1,777	7,861	8,219	358	52,277	11,271	63,548	64,001	453
6	-	6	40	34	6	-	6	40	34
-	-	-	-	-	4,165	-	4,165	4,165	-
69	80	149	164	15	2,566	184	2,750	3,156	406
69	80	149	164	15	6,731	184	6,915	7,321	406
-	-	-	-	-	3,515	-	3,515	3,637	122
80	-	80	151	71	3,355	430	3,785	3,888	103
80	-	80	151	71	6,870	430	7,300	7,525	225
6,239	1,857	8,096	8,574	478	65,884	11,885	77,769	78,887	1,118
-	-	-	-	-	278	-	278	278	-
6,239	1,857	8,096	8,574	478	66,162	11,885	78,047	79,165	1,118

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
SANITATION AND HEALTH					
Departmental:					
Collection Services					
Salaries and Wages	$ 6,470	$ -	$ 6,470	$ 6,470	$ -
Non-Personnel	28,798	328	29,126	29,556	430
Total Collection Services	35,268	328	35,596	36,026	430
Environmental Protection					
Salaries and Wages	870	-	870	1,094	224
Non-Personnel	568	9	577	708	131
Total Environmental Protection	1,438	9	1,447	1,802	355
Resource Management					
Salaries and Wages	793	-	793	793	-
Non-Personnel	9,989	63	10,052	10,094	42
Total Resource Management	10,782	63	10,845	10,887	42
Mt. Hope Cemetery					
Salaries and Wages	456	-	456	456	-
Non-Personnel	971	30	1,001	1,033	32
Total Mt. Hope Cemetery	1,427	30	1,457	1,489	32
Total Departmental	48,915	430	49,345	50,204	859
Citywide Program:					
Animal Regulation					
Non-Personnel	-	-	-	-	-
Health Services Furnished by County					
Non-Personnel	-	-	-	-	-
Total Citywide Program	-	-	-	-	-
TOTAL SANITATION AND HEALTH	48,915	430	49,345	50,204	859
NEIGHBORHOOD SERVICES:					
Departmental:					
Community and Economic Development					
Non-Personnel	-	-	-	-	-
Family Justice Center					
Salaries and Wages	286	-	286	294	8
Non-Personnel	224	2	226	280	54
Total Family Justice Center	510	2	512	574	62
Neighborhood Code Compliance					
Salaries and Wages	3,235	-	3,235	3,235	-
Non-Personnel	3,832	62	3,894	3,893	(1)
Total Neighborhood Code Compliance	7,067	62	7,129	7,128	(1)
Neighborhood Services Departmental (Continued):					
Planning					
Salaries and Wages	6,014	-	6,014	6,014	-
Non-Personnel	4,795	2,130	6,925	6,973	48
Total Planning	10,809	2,130	12,939	12,987	48
Total Departmental	18,386	2,194	20,580	20,689	109
Citywide Program:					
Community and Economic Development Special Projects					
Non-Personnel	-	-	-	411	411
Development Services					
Non-Personnel	-	-	-	-	-
Total Citywide Program	-	-	-	411	411
TOTAL NEIGHBORHOOD SERVICES	18,386	2,194	20,580	21,100	520

Prior Year					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ 6,470	$ -	$ 6,470	$ 6,470	$ -
63	-	63	693	630	28,861	328	29,189	30,249	1,060
63	-	63	693	630	35,331	328	35,659	36,719	1,060
-	-	-	-	-	870	-	870	1,094	224
-	-	-	-	-	568	9	577	708	131
-	-	-	-	-	1,438	9	1,447	1,802	355
-	-	-	-	-	793	-	793	793	-
4	-	4	30	26	9,993	63	10,056	10,124	68
4	-	4	30	26	10,786	63	10,849	10,917	68
-	-	-	-	-	456	-	456	456	-
13	8	21	163	142	984	38	1,022	1,196	174
13	8	21	163	142	1,440	38	1,478	1,652	174
80	8	88	886	798	48,995	438	49,433	51,090	1,657
-	86	86	86	-	-	86	86	86	-
-	-	-	30	30	-	-	-	30	30
-	86	86	116	30	-	86	86	116	30
80	94	174	1,002	828	48,995	524	49,519	51,206	1,687
64	-	64	604	540	64	-	64	604	540
				-	286	-	286	294	8
7	-	7	17	10	231	2	233	297	64
7	-	7	17	10	517	2	519	591	72
-	-	-	-	-	3,235	-	3,235	3,235	-
41	-	41	95	54	3,873	62	3,935	3,988	53
41	-	41	95	54	7,108	62	7,170	7,223	53
-	-	-	-	-	6,014	-	6,014	6,014	-
65	27	92	162	70	4,860	2,157	7,017	7,135	118
65	27	92	162	70	10,874	2,157	13,031	13,149	118
177	27	204	878	674	18,563	2,221	20,784	21,567	783
-	-	-	-	-	-	-	-	411	411
-	48	48	48	-	-	48	48	48	-
-	-	-	-	-	-	-	-	459	411
177	75	252	926	674	18,563	2,269	20,832	22,026	1,194

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Current Year				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
DEBT SERVICE					
Principal	$ 2,204	$ -	$ 2,204	$ 2,204	$ -
Interest	5,720	-	5,720	5,785	65
TOTAL DEBT SERVICE	7,924	-	7,924	7,989	65
TOTAL EXPENDITURES	1,032,400	35,667	1,068,066	1,086,324	18,258
TRANSFERS TO PROPRIETARY FUNDS					
Enterprise Funds:					
City of San Diego:					
Recycling	188	-	188	188	-
Internal Service Funds:					
City of San Diego:					
Fleet Services	5,122	-	5,122	5,122	-
Print Shop	48	-	48	48	-
Total Internal Service Funds	5,170	-	5,170	5,170	-
TOTAL TRANSFERS TO PROPRIETARY FUNDS	5,358	-	5,358	5,358	-
TRANSFERS TO OTHER FUNDS					
Special Revenue Funds:					
City of San Diego:					
Acquisition, Improvement and Operations	849	-	849	849	-
Police Decentralization	5,500	-	5,500	5,500	-
Other Special Revenue - Budgeted	4,114	-	4,114	4,114	-
Grants	6	-	6	6	-
Other Special Revenue - Unbudgeted	13,176	-	13,176	13,176	-
Total Special Revenue Funds	23,645	-	23,645	23,645	-
Capital Projects Funds:					
City of San Diego:					
Other Construction	20,294	-	20,294	20,294	-
Total Capital Projects Funds	20,294	-	20,294	20,294	-
TOTAL TRANSFERS TO OTHER FUNDS	49,297	-	49,297	43,939	-
TOTAL EXPENDITURES AND TRANSFERS	$ 1,081,697	$ 35,667	$ 1,117,363	$ 1,135,621	$ 18,258

Prior Year					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
		$ -		$ -	$ 2,204	$ -	$ 2,204	$ 2,204	$ -
-	-	-	-	-	5,720	-	5,720	5,785	65
-	-	-	-	-	7,924	-	7,924	7,989	65
16,915	8,185	25,100	30,890	5,790	1,049,315	43,852	1,093,167	1,117,214	24,047
-	-	-	-	-	188	-	188	188	-
-	-	-		-	5,122	-	5,122	5,122	-
-	-	-	-	-	48	-	48	48	-
-	-	-	-	-	5,170	-	5,170	5,170	-
-	-	-	-	-	5,358	-	5,358	5,358	-
	-	-		-	849	-	849	849	-
-	-	-	-	-	5,500	-	5,500	5,500	-
-	-	-	-	-	4,114	-	4,114	4,114	-
-	-	-	-	-	6	-	6	6	-
1,031	-	1,031	1,031	-	14,207	-	14,207	14,207	-
1,031	-	1,031	1,031	-	24,676	-	24,676	24,676	-
1,500		1,500	1,500	-	21,794	-	21,794	21,794	-
1,500	-	1,500	1,500	-	21,794	-	21,794	21,794	-
2,531	-	2,531	2,531	-	46,470	-	46,470	46,470	-
$ 19,446	$ 8,185	$ 27,631	$ 33,421	$ 5,790	$ 1,101,143	$ 43,852	$ 1,144,995	$ 1,169,042	$ 24,047

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Non-major Governmental Funds

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NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2008
(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
ASSETS					
Cash and Investments	$ 450,563	$ -	$ 596,281	$ -	$ 1,046,844
Receivables:					
Taxes - Net	10,588	14	-	-	10,602
Accounts - Net of Allowance for Uncollectibles (Special Revenue $993)	12,427	9,550	2,808	14	24,799
Claims - Net	28	-	-	-	28
Special Assessments - Net	965	744	55	-	1,764
Notes	92,571	-	5,217	-	97,788
Accrued Interest	2,266	1,635	2,513	40	6,454
Grants	20,037	-	20,678	-	40,715
From Other Funds	7,349	-	-	-	7,349
Interfund Loan Receivable		34,115	-	-	34,115
Advances to Other Funds	7,733	-	600	-	8,333
Advances to Other Agencies	4,631	-	-	-	4,631
Land Held for Resale	12,660	-	25,607	-	38,267
Prepaid Items	565	-	-	-	565
Restricted Cash and Investments	-	350,348	-	17,254	367,602
TOTAL ASSETS	$ 622,383	$ 396,406	$ 653,759	$ 17,308	$ 1,689,856
LIABILITIES					
Accounts Payable	$ 20,514	$ 12	$ 29,192	$ 2	$ 49,720
Accrued Wages and Benefits	608	-	-	-	608
Other Accrued Liabilities	175	-	-	-	175
Due to Other Funds	10,358	-	869	-	11,227
Due to Other Agencies	72	-	504	-	576
Unearned Revenue	28,506	-	33,368	-	61,874
Deferred Revenue	22,763	5,720	19,177	-	47,660
Sundry Trust Liabilities	503	-	5,055	-	5,558
Advances from Other Funds	2,089	-	6,244	-	8,333
Interfund Loan Payable	4,273	12,749	20,580	-	37,602
TOTAL LIABILITES	89,861	18,481	114,989	2	223,333
FUND EQUITY:					
Fund Balances:					
Reserved for Land Held for Resale	12,660	-	25,607	-	38,267
Reserved for Notes Receivable	89,464	-	5,217	-	94,681
Reserved for Encumbrances	108,361	82	148,796	-	257,239
Reserved for Advances and Deposits	12,364	-	600	-	12,964
Reserved for Low and Moderate Income Housing	76,285	-	-	-	76,285
Reserved for Permanent Endowments	-	-	-	16,757	16,757
Reserved for Debt Service	-	156,029	-	-	156,029
Unreserved:					
Designated for Unrealized Gains	1,329	82	2,343	534	4,288
Designated for Debt Service	-	219,485	-	-	219,485
Designated for Subsequent Years' Expenditures	73,888	2,247	277,292	14	353,441
Undesignated	158,171	-	78,915	1	237,087
TOTAL FUND EQUITY	532,522	377,925	538,770	17,306	1,466,523
TOTAL LIABILITIES AND FUND EQUITY	$ 622,383	$ 396,406	$ 653,759	$ 17,308	$ 1,689,856

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2008
(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
REVENUES					
Property Taxes	$ 55,373	$ 133,665	$ -	$ -	$ 189,038
Special Assessments	32,731	16,603	940	-	50,274
Sales Taxes	-	-	35,212	-	35,212
Transient Occupancy Taxes	75,618	-	-	-	75,618
Other Local Taxes	75,305	-	-	-	75,305
Licenses and Permits	1,147	-	15,731	-	16,878
Fines, Forfeitures and Penalties	1,702	-	-	-	1,702
Revenue from Use of Money and Property	37,363	14,405	33,244	(7)	85,005
Revenue from Federal Agencies	33,873	-	2,454	-	36,327
Revenue from Other Agencies	10,560	10,401	18,173	-	39,134
Revenue from Private Sources	4,591	-	18,225	197	23,013
Charges for Current Services	78,564	-	-	83	78,647
Other Revenue	26,361	-	1,166	-	27,527
TOTAL REVENUES	433,188	175,074	125,145	273	733,680
EXPENDITURES					
Current:					
General Government and Support	62,935	861	21,446	2	85,244
Public Safety - Police	12,679	-	-	-	12,679
Public Safety - Fire and Life Safety and Homeland Security	18,732	-	3	-	18,735
Parks, Recreation, Culture and Leisure	75,719	-	810	154	76,683
Transportation	53,115	-	16,127	-	69,242
Sanitation and Health	4,173	-	789	-	4,962
Neighborhood Services	37,569	-	32,110	-	69,679
Capital Projects	11,423	-	121,009	-	132,432
Debt Service:					
Principal Retirement	5,412	49,290	2,322	-	57,024
Interest	2,906	69,350	157	-	72,413
Cost of Issuance	-	3,618	-	-	3,618
TOTAL EXPENDITURES	284,663	123,119	194,773	156	602,711
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	148,525	51,955	(69,628)	117	130,969
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	3,500	-	977	-	4,477
Transfers from Other Funds	71,540	218,701	68,887	-	359,128
Transfers to Proprietary Funds	(3,847)	-	(551)	-	(4,398)
Transfers to Other Funds	(316,652)	(53,537)	(36,460)	(571)	(407,220)
Transfers to Escrow Agent	-	(10,676)	-	-	(10,676)
Proceeds from the Sale of Capital Assets	-	-	21,783	-	21,783
Capital Leases	6,622	-	7,939	-	14,561
Loans Issued	7,249	-	8,814	-	16,063
Special Tax Bonds Issued	-	778	3,172	-	3,950
Tax Allocation Bonds Issued	60,339	8,661	-	-	69,000
Pooled Financing Bonds Issued	-	34,985	-	-	34,985
Premium on Bonds Issued	78	-	311	-	389
Discount on Bonds Issued	-	(203)	-	-	(203)
TOTAL OTHER FINANCING SOURCES (USES)	(171,171)	198,709	74,872	(571)	101,839
NET CHANGE IN FUND BALANCES	(22,646)	250,664	5,244	(454)	232,808
Fund Balances at Beginning of Year	555,168	127,261	533,526	17,760	1,233,715
FUND BALANCES AT END OF YEAR	$ 532,522	$ 377,925	$ 538,770	$ 17,306	$ 1,466,523

Non-major Governmental Funds - Special Revenue

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SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than those for major capital projects) that are legally restricted to expenditures for specified purposes.

CITY OF SAN DIEGO

ACQUISITION, IMPROVEMENT AND OPERATIONS

This Fund accounts for various operating activities including business improvement areas, lighting and landscape maintenance areas, facilities financing, and the City's public art program. Revenues are derived from business tax surcharges, special assessments on property, various rents, concessions and fees, and interest earnings derived there from.

ENVIRONMENTAL GROWTH

This Fund was established in accordance with Section 103.1a of the City Charter to receive 25 percent of all monies derived from the revenues accruing to the City from gas, electricity, and steam franchises. One third of the franchise monies and the interest derived there from are used exclusively for the purpose of preserving and enhancing the environment of the City of San Diego. Two thirds of the franchise monies and the interest derived there from are used as matching funds for open space acquisition and for debt service of bonds issued by the San Diego Open Space Facilities District No. 1.

POLICE DECENTRALIZATION

This Fund accounts for monies allocated for Police department decentralization expenditures for temporary facilities and to devise future capital improvement projects. Revenues are derived from sales tax allocations.

PUBLIC TRANSPORTATION

This Fund was established to account for funds set aside as reserves to be used for transportation-related purposes. Fund transfers and interest derived there from are the main sources of revenue.

QUALCOMM STADIUM OPERATIONS

This Fund accounts for the operations of the Stadium. The Stadium hosts various sporting events for its football tenants. Revenues are derived from rents, concessions, parking, and advertising.

SPECIAL GAS TAX STREET IMPROVEMENT

This Fund was established to account for the receipt of motor vehicle fuel taxes from the State under Sections 2106 and 2107 of the Streets and Highways Code. Expenditures are for the construction, improvement, maintenance, and operation of public streets and highways.

STREET DIVISION OPERATIONS

This Fund was established to account for the operations of Transportation’s Street division. Revenues are derived from sales tax allocations and transfers from Gas Tax and TransNet, as well as services performed by the Streets Division. Expenditures are for maintenance and operation of City streets.

TRANSIENT OCCUPANCY TAX

This Fund was established to receive and expend transient occupancy taxes. Since 1964, a tax has been imposed on transients of hotel and motel rooms in the City of San Diego. Effective August 1994, the tax was increased from 9% to 10.5%.

UNDERGROUND SURCHARGE

This fund was established to account primarily for the capital improvement activities related to the undergrounding of utilities. This fund receives and disburses undergrounding surcharge revenue in accordance with the City's franchise agreements with San Diego Gas & Electric.

ZOOLOGICAL EXHIBITS

This Fund was established to collect monies from a fixed property tax levy authorized by Section 77a of the City Charter for the maintenance of zoological exhibits. These funds are remitted in accordance with a contractual agreement with the San Diego Zoological Society, a not-for-profit corporation independent from the City of San Diego.

OTHER SPECIAL REVENUE - BUDGETED

This Fund was established to account for revenues derived specifically for a variety of budgeted special programs administered by departments such as Police, Development Services, and General Services. Revenues in this Fund are derived from service charges, revenues from other agencies, and fines.

GRANTS

This Fund was established to account for revenue received from federal, state and other governmental agencies. Expenditures are made and accounted for as prescribed by appropriate grant provisions/agreements.

OTHER SPECIAL REVENUE FUND - UNBUDGETED

This Fund was established to account for revenues earmarked for a variety of special programs administered by such departments as Engineering and Capital Projects, Libraries, Park and Recreation, and Police. Revenues in this fund are derived from such sources as parking fees, service charges, contributions from other agencies and private sources, and interest earnings.

BLENDED COMPONENT UNITS

CENTRE CITY DEVELOPMENT CORPORATION

This Fund was established to account for the revenues and expenditures of the Centre City Development Corporation (CCDC). CCDC is a non-profit corporation that administers certain redevelopment projects in downtown San Diego and provides redevelopment advisory services to RDA. CCDC is primarily funded by RDA and the City of San Diego.

PUBLIC FACILITIES FINANCING AUTHORITY

This Fund was established to account for the activities of the Public Facilities Financing Authority (PFFA). PFFA, which was created by the City and RDA, facilitates the financing, acquisition, and construction of public capital facility improvements of RDA and the City. PFFA's special revenue account is generally used to account for revenues from the Reassessment District Bond Fund and investment income used to pay for costs of issuance and administrative expenses related to debt redemption.

REDEVELOPMENT AGENCY

This Fund was established to account for the activities of the Redevelopment Agency of the City of San Diego (RDA). RDA was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. The special revenue account is used to account for funds restricted for the benefit of low and moderate income housing. Funding is primarily from property tax increment revenues and the City of San Diego.

SAN DIEGO INDUSTRIAL DEVELOPMENT AUTHORITY

This Fund was established to account for revenues and expenditures of the San Diego Industrial Development Authority (SDIDA). SDIDA was formed in 1983 pursuant to the California Industrial Development Financing Act for the purpose of providing an alternative method of financing to participating parties for economic development purposes, through the sale and issuance of revenue bonds. Revenues are derived from fees collected from companies applying for industrial development bond financing. Expenditures are incurred for management and administrative services provided by the City of San Diego.

SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION

This Fund was established to account for the revenues and expenditures of the Southeastern Economic Development Corporation (SEDC). SEDC is a non-profit corporation that administers economic development projects within the community of Southeast San Diego and provides redevelopment advisory services to RDA. SEDC is primarily funded by RDA and by the City of San Diego pursuant to operating agreements under which SEDC is reimbursed for eligible costs incurred in connection with such activities.

TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION

This fund was established to account for the activities of the Tobacco Settlement Revenue Funding Corporation (TSRFC). The TSRFC was established for the purpose of acquiring the Tobacco Settlement Revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's special revenue fund is used to account for the expenditures incurred for administrative services provided by the City of San Diego.

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
JUNE 30, 2008
(In Thousands)

	City of San Diego	Centre City Development Corporation
ASSETS		
Cash and Investments	$ 281,005	$ 364
Receivables:		
Taxes - Net	10,588	-
Accounts	9,429	1,307
Claims - Net	28	-
Special Assessments - Net	965	-
Notes	3,107	-
Accrued Interest	1,422	-
Grants	20,037	-
From Other Funds	7,349	-
Advances to Other Funds	7,733	-
Advances to Other Agencies	4,631	-
Land Held for Resale	-	-
Prepaid Items	539	5
TOTAL ASSETS	$ 346,833	$ 1,676
LIABILITIES		
Accounts Payable	$ 17,300	$ 301
Accrued Wages and Benefits	608	-
Other Accrued Liabilities	-	175
Due to Other Funds	10,356	-
Due to Other Agencies	72	-
Unearned Revenue	28,506	-
Deferred Revenue	22,763	-
Sundry Trust Liabilities	-	-
Advances from Other Funds	-	-
Interfund Loan Payable	-	-
TOTAL LIABILITIES	79,605	476
FUND EQUITY:		
Fund Balances:		
Reserved for Land Held for Resale	-	-
Reserved for Notes Receivable	-	-
Reserved for Encumbrances	27,815	-
Reserved for Advances and Deposits	12,364	-
Reserved for Low and Moderate Income Housing	-	-
Unreserved:		
Designated for Unrealized Gains	1,259	-
Designated for Subsequent Years' Expenditures	73,577	-
Undesignated	152,213	1,200
TOTAL FUND EQUITY	267,228	1,200
TOTAL LIABILITIES AND FUND EQUITY	$ 346,833	$ 1,676

Public Facilities Financing Authority	Redevelopment Agency	San Diego Industrial Development Authority	Southeastern Economic Development Corporation	Tobacco Settlement Revenue Funding Corporation	Total
$ 308	$ 168,490	$ 61	$ 135	$ 200	$ 450,563
-	-	-	-	-	10,588
-	1,513	-	177	1	12,427
-	-	-	-	-	28
-	-	-	-	-	965
-	89,464	-	-	-	92,571
-	844	-	-	-	2,266
-	-	-	-	-	20,037
-	-	-	-	-	7,349
-	-	-	-	-	7,733
-	-	-	-	-	4,631
-	12,660	-	-	-	12,660
-	-	-	21	-	565
$ 308	$ 272,971	$ 61	$ 333	$ 201	$ 622,383
$ -	$ 2,911	$ -	$ 2	$ -	$ 20,514
-	-	-	-	-	608
-	-	-	-	-	175
2	-	-	-	-	10,358
-	-	-	-	-	72
-	-	-	-	-	28,506
-	-	-	-	-	22,763
-	503	-	-	-	503
-	2,089	-	-	-	2,089
-	4,273	-	-	-	4,273
2	9,776	-	2	-	89,861
-	12,660	-	-	-	12,660
-	89,464	-	-	-	89,464
10	80,536	-	-	-	108,361
-	-	-	-	-	12,364
-	76,285	-	-	-	76,285
-	70	-	-	-	1,329
296	-	15	-	-	73,888
-	4,180	46	331	201	158,171
306	263,195	61	331	201	532,522
$ 308	$ 272,971	$ 61	$ 333	$ 201	$ 622,383

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008
(In Thousands)

	City of San Diego	Centre City Development Corporation
REVENUES		
Property Taxes	$ 9,299	$ -
Special Assessments	32,731	-
Transient Occupancy Taxes	75,618	-
Other Local Taxes	75,305	-
Licenses and Permits	1,147	-
Fines, Forfeitures and Penalties	1,702	-
Revenue from Use of Money and Property	31,001	-
Revenue from Federal Agencies	33,873	-
Revenue from Other Agencies	10,560	-
Revenue from Private Sources	4,591	-
Charges for Current Services	68,528	7,962
Other Revenue	22,510	17
TOTAL REVENUES	366,865	7,979
EXPENDITURES		
Current:		
General Government and Support	29,850	7,979
Public Safety - Police	12,679	-
Public Safety - Fire and Life Safety	18,732	-
Parks, Recreation, Culture and Leisure	75,719	-
Transportation	53,115	-
Sanitation and Health	4,173	-
Neighborhood Services	27,058	-
Capital Projects	11,423	-
Debt Service:		
Principal Retirement	5,412	-
Interest	2,906	-
TOTAL EXPENDITURES	241,067	7,979
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	125,798	-
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary Funds	3,500	-
Transfers from Other Funds	50,277	-
Transfers to Proprietary Funds	(3,847)	-
Transfers to Other Funds	(141,326)	-
Capital Leases	6,622	-
Loans Issued	-	-
Tax Allocation Bonds Issued	-	-
Premium on Bonds Issued	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(84,774)	-
NET CHANGE IN FUND BALANCES	41,024	-
Fund Balances at Beginning of Year	226,204	1,200
FUND BALANCES AT END OF YEAR	$ 267,228	$ 1,200

Public Facilities Financing Authority	Redevelopment Agency	San Diego Industrial Development Authority	Southeastern Economic Development Corporation	Tobacco Settlement Revenue Funding Corporation	Total
$ -	$ 46,074	$ -	$ -	$ -	$ 55,373
-	-	-	-	-	32,731
-	-	-	-	-	75,618
-	-	-	-	-	75,305
-	-	-	-	-	1,147
-	-	-	-	-	1,702
6	6,346	3	-	7	37,363
-	-	-	-	-	33,873
-	-	-	-	-	10,560
-	-	-	-	-	4,591
-	-	-	2,074	-	78,564
-	3,833	-	1	-	26,361
6	56,253	3	2,075	7	433,188
94	22,900	-	2,044	68	62,935
-	-	-	-	-	12,679
-	-	-	-	-	18,732
-	-	-	-	-	75,719
-	-	-	-	-	53,115
-	-	-	-	-	4,173
-	10,511	-	-	-	37,569
-	-	-	-	-	11,423
-	-	-	-	-	5,412
-	-	-	-	-	2,906
94	33,411	-	2,044	68	284,663
(88)	22,842	3	31	(61)	148,525
-	-	-	-	-	3,500
211	21,000	-	-	52	71,540
-	-	-	-	-	(3,847)
-	(175,326)	-	-	-	(316,652)
-	-	-	-	-	6,622
-	7,249	-	-	-	7,249
-	60,339	-	-	-	60,339
-	78	-	-	-	78
211	(86,660)	-	-	52	(171,171)
123	(63,818)	3	31	(9)	(22,646)
183	327,013	58	300	210	555,168
$ 306	$ 263,195	$ 61	$ 331	$ 201	$ 532,522

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2008
(In Thousands)

	City of San Diego	
	Actual on Budgetary Basis	Final Budget
REVENUES		
Property Taxes	$ 9,252	$ 8,946
Special Assessments	32,008	30,435
Transient Occupance Taxes	75,618	77,441
Other Local Taxes	75,305	84,107
Licenses and Permits	1,147	1,360
Fines, Forfeitures and Penalties	931	1,165
Revenue from Use of Money and Property	10,723	10,936
Revenue from Federal Agencies	1,505	800
Revenue from Other Agencies	5,450	5,030
Revenue from Private Sources	2,103	320
Charges for Current Services	45,995	43,915
Other Revenue	1,125	377
TOTAL REVENUES	261,162	264,832
EXPENDITURES		
Current:		
General Government and Support	23,410	40,457
Public Safety - Police	8,520	11,765
Public Safety - Fire and Life Safety	6,574	6,984
Parks, Recreation, Culture and Leisure	79,422	94,359
Transportation	30,184	26,367
Sanitation and Health	3,396	4,660
Neighborhood Services	12,750	13,198
Capital Projects	5,979	41,816
Debt Service:		
Principal Retirement	1,877	-
Interest	703	-
TOTAL EXPENDITURES	172,815	239,606
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	88,347	25,226
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary Funds	1,521	1,135
Transfers from Other Funds	28,384	34,263
Transfers to Proprietary Funds	(2,494)	(2,494)
Transfers to Other Funds	(112,108)	(114,702)
Capital Leases	6,622	-
TOTAL OTHER FINANCING SOURCES (USES)	(78,075)	(81,798)
NET CHANGE IN FUND BALANCES	10,272	(56,572)
Fund Balances Undesignated at July 1, 2007	70,529	70,529
Reserved for Encumbrances at July 1, 2007	20,500	20,500
Designated for Subsequent Years' Expenditures at July 1, 2007	12,165	12,165
Designated for Subsequent Years' Expenditures at June 30, 2008	(33,207)	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2008	$ 80,258	$ 46,621

Centre City Development Corporation		Southeastern Economic Development Corporation		Total		
Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ 9,252	$ 8,946	$ 306
-	-	-	-	32,008	30,435	1,573
-	-	-	-	75,618	77,441	(1,823)
-	-	-	-	75,305	84,107	(8,802)
-	-	-	-	1,147	1,360	(213)
-	-	-	-	931	1,165	(234)
-	-	-	-	10,723	10,936	(213)
-	-	-	-	1,505	800	705
-	-	-	-	5,450	5,030	420
-	-	-	-	2,103	320	1,783
7,962	9,351	2,074	2,577	56,031	55,843	188
17	5	1	-	1,143	382	761
7,979	9,356	2,075	2,577	271,216	276,765	(5,549)
7,979	9,356	2,044	2,577	33,433	52,390	18,957
-	-	-	-	8,520	11,765	3,245
-	-	-	-	6,574	6,984	410
-	-	-	-	79,422	94,359	14,937
-	-	-	-	30,184	26,367	(3,817)
-	-	-	-	3,396	4,660	1,264
-	-	-	-	12,750	13,198	448
-	-	-	-	5,979	41,816	35,837
-	-	-	-	1,877	-	(1,877)
-	-	-	-	703	-	(703)
7,979	9,356	2,044	2,577	182,838	251,539	68,701
-	-	31	-	88,378	25,226	63,152
-	-	-	-	1,521	1,135	386
-	-	-	-	28,384	34,263	(5,879)
-	-	-	-	(2,494)	(2,494)	-
-	-	-	-	(112,108)	(114,702)	2,594
						-
-	-	-	-	(84,697)	(81,798)	(2,899)
-	-	31	-	3,681	(56,572)	60,253
1,200	1,200	300	300	72,029	72,029	-
-	-	-	-	20,500	20,500	-
-	-	-	-	12,165	12,165	-
-	-	-	-	(33,207)	-	(33,207)
$ 1,200	$ 1,200	$ 331	$ 300	$ 75,167	$ 48,121	$ 27,046

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
JUNE 30, 2008
(In Thousands)

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Police Decentralization	Public Transportation	Qualcomm Stadium Operations
ASSETS					
Cash and Investments	$ 30,702	$ 2,275	$ 3,248	$ 2,876	$ 3,357
Receivables:					
Taxes - Net	-	3,195	-	-	-
Accounts - Net of Allowance for Uncollectibles (Transient Occupancy Tax $466, Other Special Revenue - Unbudgeted $527)	417	-	-	-	817
Claims - Net	27	-	-	-	-
Special Assessments - Net	918	-	-	-	-
Notes	-	-	-	-	-
Accrued Interest	211	78	-	26	16
Grants	-	-	-	-	-
From Other Funds	-	-	-	-	-
Advances to Other Funds	-	-	-	-	-
Advances to Other Agencies	2,330	-	-	-	-
Prepaid Items	-	-	-	-	6
TOTAL ASSETS	$ 34,605	$ 5,548	$ 3,248	$ 2,902	$ 4,196
LIABILITIES					
Accounts Payable	$ 1,835	$ 21	$ 906	$ -	$ 1,735
Accrued Wages and Benefits	43	-	-	-	53
Due to Other Funds	2	-	-	-	1
Due to Other Agencies	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Deferred Revenue	1,290	-	-	-	383
TOTAL LIABILITIES	3,170	21	906	-	2,172
FUND EQUITY:					
Fund Balances:					
Reserved for Encumbrances	1,906	617	2,342	10	496
Reserved for Advances and Deposits	2,330	-	-	-	-
Unreserved:					
Designated for Unrealized Gains	208	13	-	17	19
Designated for Subsequent Years' Expenditures	1,024	2,183	-	-	1,506
Undesignated	25,967	2,714	-	2,875	3
TOTAL FUND EQUITY	31,435	5,527	2,342	2,902	2,024
TOTAL LIABILITIES AND FUND EQUITY	$ 34,605	$ 5,548	$ 3,248	$ 2,902	$ 4,196

						Unbudgeted		
Special Gas Tax Street Improvement	Street Division Operations	Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Grants	Other Special Revenue	Total
$ 1,046	$ 829	$ 23,916	$ 32,699	$ 5,617	$ 23,081	$ 14,860	$ 136,499	$ 281,005
	-							
-	-	7,344	-	49	-	-	-	10,588
5,760	-	45	-	-	1,501	-	889	9,429
1	-	-	-	-	-	-	-	28
-	-	-	-	-	-	-	47	965
-	-	-	-	-	-	-	3,107	3,107
21	3	74	210	-	77	80	626	1,422
-	-	-	-	-	-	20,037	-	20,037
-	-	-	-	-	1,128	-	6,221	7,349
-	-	-	-	-	-	-	7,733	7,733
-	-	1,996	-	-	-	151	154	4,631
-	-	117	-	-	415	-	1	539
$ 6,828	$ 832	$ 33,492	$ 32,909	$ 5,666	$ 26,202	$ 35,128	$ 155,277	$ 346,833
$ -	$ -	$ 1,379	$ 4,621	$ 3,947	$ 781	$ 1,163	$ 912	$ 17,300
5	-	24	20	-	456	7	-	608
-	-	-	2	-	170	6,087	4,094	10,356
-	-	-	-	-	-	72	-	72
-	-	-	-	-	-	22,020	6,486	28,506
5,761	-	45	-	-	437	10,803	4,044	22,763
5,766	-	1,448	4,643	3,947	1,844	40,152	15,536	79,605
-	9	5,551	1,821	-	1,305	75	13,683	27,815
-	-	1,996	-	-	-	151	7,887	12,364
12	2	125	192	-	75	48	548	1,259
47	394	213	24,385	-	3,455	7	40,363	73,577
1,003	427	24,159	1,868	1,719	19,523	(5,305)	77,260	152,213
1,062	832	32,044	28,266	1,719	24,358	(5,024)	139,741	267,228
$ 6,828	$ 832	$ 33,492	$ 32,909	$ 5,666	$ 26,202	$ 35,128	$ 155,277	$ 346,833

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Budgeted				
	Acquisition, Improvement and Operations	Environmental Growth	Police Decentralization	Public Transportation	Qualcomm Stadium Operations
REVENUES					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Special Assessments	32,008	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	12,930	-	-	-
Licenses and Permits	1,147	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	1,379	397	175	187	171
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	43	-	-	-	-
Charges for Current Services	2,172	-	-	-	11,912
Other Revenue	204	-	-	-	484
TOTAL REVENUES	36,953	13,327	175	187	12,567
EXPENDITURES					
Current:					
General Government and Support	1,536	-	-	-	-
Public Safety - Police	-	-	3,760	-	-
Public Safety - Fire and Life Safety	(27)	-	-	-	-
Parks, Recreation, Culture and Leisure	13,636	2,594	-	-	14,412
Transportation	-	-	-	35	-
Sanitation and Health	-	-	-	-	-
Neighborhood Services	9,135	-	-	-	-
Capital Projects	129	(31)	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	199
Interest	-	-	-	-	19
TOTAL EXPENDITURES	24,409	2,563	3,760	35	14,630
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12,544	10,764	(3,585)	152	(2,063)
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	24	14	-	-	-
Transfers from Other Funds	2,517	-	5,500	4,080	6,445
Transfers to Proprietary Funds	(2)	-	-	-	(1,980)
Transfers to Other Funds	(5,384)	(11,253)	(175)	(4,048)	(5,580)
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,845)	(11,239)	5,325	32	(1,115)
NET CHANGE IN FUND BALANCES	9,699	(475)	1,740	184	(3,178)
Fund Balances at Beginning of Year	21,736	6,002	602	2,718	5,202
FUND BALANCES AT END OF YEAR	$ 31,435	$ 5,527	$ 2,342	$ 2,902	$ 2,024

						Unbudgeted		
Special Gas Tax Street Improvement	Street Division Operations	Transient Occupancy Tax	Underground Surcharge	Zoological Exhibits	Other Special Revenue	Grants	Other Special Revenue	Total
$ -	$ -	$ -	$ -	$ 9,252	$ -	$ -	$ 47	$ 9,299
-	-	-	-	-	-	-	723	32,731
-	-	75,618	-	-	-	-	-	75,618
15,617	-	-	46,758	-	-	-	-	75,305
-	-	-	-	-	-	-	-	1,147
-	-	-	-	-	931	-	771	1,702
403	73	2,434	1,413	102	4,654	877	18,736	31,001
-	-	-	-	-	1,505	32,269	99	33,873
-	-	4,500	-	-	950	3,935	1,175	10,560
-	-	2,060	-	-	-	-	2,488	4,591
16	-	33	4	-	31,858	(11)	22,544	68,528
1	-	6	-	-	430	1,725	19,660	22,510
16,037	73	84,651	48,175	9,354	40,328	38,795	66,243	366,865
127	-	171	859	-	20,246	1,774	5,137	29,850
-	-	-	-	-	2,162	6,574	183	12,679
-	-	-	-	-	6,282	11,715	762	18,732
-	-	31,119	-	8,946	209	1,727	3,076	75,719
20	129	-	27,562	-	2,006	283	23,080	53,115
-	12	24	-	-	2,947	1,152	38	4,173
-	-	-	-	-	3,192	5,462	9,269	27,058
-	20	22	1,787	-	2,000	1,118	6,378	11,423
-	-	-	-	-	1,678	1,884	1,651	5,412
-	-	-	-	-	684	1,415	788	2,906
147	161	31,336	30,208	8,946	41,406	33,104	50,362	241,067
15,890	(88)	53,315	17,967	408	(1,078)	5,691	15,881	125,798
23	-	-	-	-	1,460	-	1,979	3,500
-	-	5,295	-	25	4,522	67	21,826	50,277
-	-	-	-	-	(512)	(700)	(653)	(3,847)
(20,694)	(50)	(57,379)	(8)	(102)	(7,435)	(1,112)	(28,106)	(141,326)
-	-	-	-	-	6,622	-	-	6,622
(20,671)	(50)	(52,084)	(8)	(77)	4,657	(1,745)	(4,954)	(84,774)
(4,781)	(138)	1,231	17,959	331	3,579	3,946	10,927	41,024
5,843	970	30,813	10,307	1,388	20,779	(8,970)	128,814	226,204
$ 1,062	$ 832	$ 32,044	$ 28,266	$ 1,719	$ 24,358	$ (5,024)	$ 139,741	$ 267,228

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Acquisition, Improvement and Operations				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Special Assessments	32,008	-	32,008	30,435	1,573
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	1,147	-	1,147	1,360	(213)
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	1,379	(209)	1,170	310	860
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	43	-	43	20	23
Charges for Current Services	2,172	-	2,172	2,555	(383)
Other Revenue	204	-	204	57	147
TOTAL REVENUES	36,953	(209)	36,744	34,737	2,007
EXPENDITURES					
Current:					
General Government and Support	1,536	97	1,633	2,097	464
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	(27)	-	(27)	-	27
Parks, Recreation, Culture and Leisure	13,636	2,557	16,193	34,254	18,061
Transportation	-	-	-	-	-
Sanitation and Health	-	-	-	-	-
Neighborhood Services	9,135	410	9,545	9,880	335
Capital Projects	129	-	129	1,359	1,230
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	24,409	3,064	27,473	47,590	20,117
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12,544	(3,273)	9,271	(12,853)	22,124
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	24	-	24	-	24
Transfers from Other Funds	2,517	-	2,517	4,184	(1,667)
Transfers to Proprietary Funds	(2)	-	(2)	(2)	-
Transfers to Other Funds	(5,384)	-	(5,384)	(7,245)	1,861
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,845)	-	(2,845)	(3,063)	218
NET CHANGE IN FUND BALANCES	$ 9,699	$ (3,273)	6,426	(15,916)	22,342
Fund Balances Undesignated at July 1, 2007			18,032	18,032	-
Reserved for Encumbrances at July 1, 2007			1,404	1,404	-
Designated for Subsequent Years' Expenditures at July 1, 2007			1,129	1,129	-
Designated for Subsequent Years' Expenditures at June 30, 2008			(1,024)	-	(1,024)
FUND BALANCES UNDESIGNATED AT JUNE 30, 2008			$ 25,967	$ 4,649	$ 21,318

Environmental Growth					Police Decentralization				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
12,930	-	12,930	14,141	(1,211)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
397	(13)	384	110	274	175	-	175	175	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
13,327	(13)	13,314	14,251	(937)	175	-	175	175	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	3,760	2,342	6,102	9,097	2,995
-	-	-	-	-	-	-	-	-	-
2,594	-	2,594	2,878	284	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(31)	617	586	2,666	2,080	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
2,563	617	3,180	5,544	2,364	3,760	2,342	6,102	9,097	2,995
10,764	(630)	10,134	8,707	1,427	(3,585)	(2,342)	(5,927)	(8,922)	2,995
14	-	14	-	14	-	-	-	-	-
-	-	-	-	-	5,500	-	5,500	7,898	(2,398)
-	-	-	-	-	-	-	-	-	-
(11,253)	-	(11,253)	(11,524)	271	(175)	-	(175)	(175)	-
-	-	-	-	-	-	-	-	-	-
(11,239)	-	(11,239)	(11,524)	285	5,325	-	5,325	7,723	(2,398)
$ (475)	$ (630)	(1,105)	(2,817)	1,712	$ 1,740	$ (2,342)	(602)	(1,199)	597
		3,161	3,161	-			602	602	-
		427	427	-			-	-	-
		2,414	2,414	-			-	-	-
		(2,183)	-	(2,183)			-	-	-
		$ 2,714	$ 3,185	$ (471)			$ -	$ (597)	$ 597

Continued on Next Page

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Public Transportation				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Special Assessments	-	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	187	(17)	170	-	170
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	-	-	-	-	-
Charges for Current Services	-	-	-	-	-
Other Revenue	-	-	-	-	-
TOTAL REVENUES	187	(17)	170	-	170
EXPENDITURES					
Current:					
General Government and Support	-	-	-	-	-
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	-	-	-	-	-
Transportation	35	10	45	63	18
Sanitation and Health	-	-	-	-	-
Neighborhood Services	-	-	-	-	-
Capital Projects	-	-	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	35	10	45	63	18
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	152	(27)	125	(63)	188
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	-	-	-	-	-
Transfers from Other Funds	4,080	-	4,080	4,080	-
Transfers to Proprietary Funds	-	-	-	-	-
Transfers to Other Funds	(4,048)	-	(4,048)	(4,048)	-
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	32	-	32	32	-
NET CHANGE IN FUND BALANCES	$ 184	$ (27)	157	(31)	188
Fund Balances Undesignated at July 1, 2007			2,718	2,718	-
Reserved for Encumbrances at July 1, 2007			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2007			-	-	-
Designated for Subsequent Years' Expenditures at June 30, 2008			-	-	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2008			$ 2,875	$ 2,687	$ 188

Qualcomm Stadium Operations				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
171	(19)	152	35	117
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
11,912	-	11,912	9,677	2,235
484	-	484	46	438
12,567	(19)	12,548	9,758	2,790
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
14,412	496	14,908	16,032	1,124
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
199	-	199	-	(199)
19	-	19	-	(19)
14,630	496	15,126	16,032	906
(2,063)	(515)	(2,578)	(6,274)	3,696
-	-	-	-	-
6,445	-	6,445	6,446	(1)
(1,980)	-	(1,980)	(1,980)	-
(5,580)	-	(5,580)	(5,580)	-
-	-	-	-	-
(1,115)	-	(1,115)	(1,114)	(1)
$ (3,178)	$ (515)	(3,693)	(7,388)	3,695
		2,490	2,490	-
		593	593	-
		2,119	2,119	-
		(1,506)	-	(1,506)
		$ 3	$ (2,186)	$ 2,189

Special Gas Tax Street Improvement				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
15,617	-	15,617	24,013	(8,396)
-	-	-	-	-
-	-	-	-	-
403	(12)	391	345	46
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
16	-	16	-	16
1	-	1	-	1
16,037	(12)	16,025	24,358	(8,333)
127	-	127	127	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
20	-	20	20	-
-	-	-	-	-
-	-	-	-	-
-	-	-	3,534	3,534
-	-	-	-	-
-	-	-	-	-
147	-	147	3,681	3,534
15,890	(12)	15,878	20,677	(4,799)
23	-	23	-	23
-	-	-	-	-
-	-	-	-	-
(20,694)	-	(20,694)	(20,740)	46
-	-	-	-	-
(20,671)	-	(20,671)	(20,740)	69
$ (4,781)	$ (12)	(4,793)	(63)	(4,730)
		5,793	5,793	-
		-	-	-
		50	50	-
		(47)	-	(47)
		$ 1,003	$ 5,780	$ (4,777)

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Street Division Operations				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Special Assessments	-	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	73	(3)	70	50	20
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	-	-	-	-	-
Charges for Current Services	-	-	-	-	-
Other Revenue	-	-	-	-	-
TOTAL REVENUES	73	(3)	70	50	20
EXPENDITURES					
Current:					
General Government and Support	-	-	-	-	-
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	-	-	-	-	-
Transportation	129	-	129	9	(120)
Sanitation and Health	12	-	12	64	52
Neighborhood Services	-	-	-	-	-
Capital Projects	20	8	28	490	462
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	161	8	169	563	394
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(88)	(11)	(99)	(513)	414
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	-	-	-	-	-
Transfers from Other Funds	-	-	-	-	-
Transfers to Proprietary Funds	-	-	-	-	-
Transfers to Other Funds	(50)	-	(50)	(50)	-
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(50)	-	(50)	(50)	-
NET CHANGE IN FUND BALANCES	$ (138)	$ (11)	(149)	(563)	414
Fund Balances Undesignated at July 1, 2007			403	403	-
Reserved for Encumbrances at July 1, 2007			13	13	-
Designated for Subsequent Years' Expenditures at July 1, 2007			554	554	-
Designated for Subsequent Years' Expenditures at June 30, 2008			(394)	-	(394)
FUND BALANCES UNDESIGNATED AT JUNE 30, 2008			$ 427	$ 407	$ 20

	Transient Occupancy Tax					Underground Surcharge				
	Actual	**Adjustment to Budgetary Basis**	**Actual on Budgetary Basis**	**Final Budget**	**Variance with Final Budget Positive (Negative)**	**Actual**	**Adjustment to Budgetary Basis**	**Actual on Budgetary Basis**	**Final Budget**	**Variance with Final Budget Positive (Negative)**
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-	-	-	-	-	-
	75,618	-	75,618	77,441	(1,823)	-	-	-	-	-
	-	-	-	-	-	46,758	-	46,758	45,953	805
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	2,434	(125)	2,309	1,962	347	1,413	(192)	1,221	-	1,221
	-	-	-	-	-	-	-	-	-	-
	4,500	-	4,500	4,530	(30)	-	-	-	-	-
	2,060	-	2,060	300	1,760	-	-	-	-	-
	33	-	33	83	(50)	4	-	4	-	4
	6	-	6	-	6	-	-	-	-	-
	84,651	(125)	84,526	84,316	210	48,175	(192)	47,983	45,953	2,030
	171	10	181	14,094	13,913	859	38	897	1,584	687
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	31,119	5,453	36,572	32,021	(4,551)	-	-	-	-	-
	-	-	-	-	-	27,562	422	27,984	26,275	(1,709)
	24	23	47	289	242	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	22	66	88	295	207	1,787	1,361	3,148	29,222	26,074
			-							
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	31,336	5,552	36,888	46,699	9,811	30,208	1,821	32,029	57,081	25,052
	53,315	(5,677)	47,638	37,617	10,021	17,967	(2,013)	15,954	(11,128)	27,082
	-	-	-	-	-	-	-	-	-	-
	5,295	-	5,295	4,338	957	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	(57,379)	-	(57,379)	(57,794)	415	(8)	-	(8)	(8)	-
	-	-	-	-	-	-	-	-	-	-
	(52,084)	-	(52,084)	(53,456)	1,372	(8)	-	(8)	(8)	-
	$ 1,231	$ (5,677)	(4,446)	(15,839)	11,393	$ 17,959	$ (2,013)	15,946	(11,136)	27,082
			19,692	19,692	-			-	-	-
			4,509	4,509	-			9,273	9,273	-
			4,617	4,617	-			1,034	1,034	-
			(213)	-	(213)			(24,385)	-	(24,385)
			$ 24,159	$ 12,979	$ 11,180			$ 1,868	$ (829)	$ 2,697

Continued on Next Page

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Zoological Exhibits				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ 9,252	$ -	$ 9,252	$ 8,946	$ 306
Special Assessments	-	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines, Forfeitures and Penalties	-	-	-	-	-
Revenue from Use of Money and Property	102	-	102	102	-
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	-	-	-	-	-
Charges for Current Services	-	-	-	-	-
Other Revenue	-	-	-	-	-
TOTAL REVENUES	9,354	-	9,354	9,048	306
EXPENDITURES					
Current:					
General Government and Support	-	-	-	-	-
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety	-	-	-	-	-
Parks, Recreation, Culture and Leisure	8,946	-	8,946	8,946	-
Transportation	-	-	-	-	-
Sanitation and Health	-	-	-	-	-
Neighborhood Services	-	-	-	-	-
Capital Projects	-	-	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	8,946	-	8,946	8,946	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	408	-	408	102	306
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	-	-	-	-	-
Transfers from Other Funds	25	-	25	-	25
Transfers to Proprietary Funds	-	-	-	-	-
Transfers to Other Funds	(102)	-	(102)	(102)	-
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(77)	-	(77)	(102)	25
NET CHANGE IN FUND BALANCES	$ 331	$ -	331	-	331
Fund Balances Undesignated at July 1, 2007			1,388	1,388	-
Reserved for Encumbrances at July 1, 2007			-	-	-
Designated for Subsequent Years' Expenditures at July 1, 2007			-	-	-
Designated for Subsequent Years' Expenditures at June 30, 2008			-	-	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2008			$ 1,719	$ 1,388	$ 331

Other Special Revenue					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ 9,252	$ -	$ 9,252	$ 8,946	$ 306
-	-	-	-	-	32,008	-	32,008	30,435	1,573
-	-	-	-	-	75,618	-	75,618	77,441	(1,823)
-	-	-	-	-	75,305	-	75,305	84,107	(8,802)
-	-	-	-	-	1,147	-	1,147	1,360	(213)
931	-	931	1,165	(234)	931	-	931	1,165	(234)
4,654	(75)	4,579	7,847	(3,268)	11,388	(665)	10,723	10,936	(213)
1,505	-	1,505	800	705	1,505	-	1,505	800	705
950	-	950	500	450	5,450	-	5,450	5,030	420
-	-	-	-	-	2,103	-	2,103	320	1,783
31,858	-	31,858	31,600	258	45,995	-	45,995	43,915	2,080
430	-	430	274	156	1,125	-	1,125	377	748
40,328	(75)	40,253	42,186	(1,933)	261,827	(665)	261,162	264,832	(3,670)
20,246	326	20,572	22,555	1,983	22,939	471	23,410	40,457	17,047
2,162	256	2,418	2,668	250	5,922	2,598	8,520	11,765	3,245
6,282	319	6,601	6,984	383	6,255	319	6,574	6,984	410
209	-	209	228	19	70,916	8,506	79,422	94,359	14,937
2,006	-	2,006	-	(2,006)	29,752	432	30,184	26,367	(3,817)
2,947	390	3,337	4,307	970	2,983	413	3,396	4,660	1,264
3,192	13	3,205	3,318	113	12,327	423	12,750	13,198	448
2,000	-	2,000	4,250	2,250	3,927	2,052	5,979	41,816	35,837
1,678	-	1,678	-	(1,678)	1,877	-	1,877	-	(1,877)
684	-	684	-	(684)	703	-	703	-	(703)
41,406	1,304	42,710	44,310	1,600	157,601	15,214	172,815	239,606	66,791
(1,078)	(1,379)	(2,457)	(2,124)	(333)	104,226	(15,879)	88,347	25,226	63,121
1,460	-	1,460	1,135	325	1,521	-	1,521	1,135	386
4,522	-	4,522	7,317	(2,795)	28,384	-	28,384	34,263	(5,879)
(512)	-	(512)	(512)	-	(2,494)	-	(2,494)	(2,494)	-
(7,435)	-	(7,435)	(7,436)	1	(112,108)	-	(112,108)	(114,702)	2,594
6,622	-	6,622	-	-	6,622	-	6,622	-	6,622
4,657	-	4,657	504	(2,469)	(78,075)	-	(78,075)	(81,798)	3,723
$ 3,579	$ (1,379)	2,200	(1,620)	(2,802)	$ 26,151	$ (15,879)	10,272	(56,572)	66,844
		16,250	16,250	-			70,529	70,529	-
		4,281	4,281	-			20,500	20,500	-
		248	248	-			12,165	12,165	-
		(3,455)	-	(3,455)			(33,207)	-	(33,207)
		$ 19,523	$ 19,158	$ (6,256)			$ 80,258	$ 46,621	$ 33,637

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CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
ENVIRONMENTAL GROWTH FUND
COMBINING BALANCE SHEET
JUNE 30, 2008
(In Thousands)

	Two-Thirds Requirement	One-Third Requirement	Total
ASSETS			
Cash and Investments	$ 1,575	$ 700	$ 2,275
Receivables:			
Taxes - Net	2,130	1,065	3,195
Accrued Interest	59	19	78
TOTAL ASSETS	$ 3,764	$ 1,784	$ 5,548
LIABILITIES			
Accounts Payable	$ 2	$ 19	$ 21
FUND EQUITY			
Fund Balances:			
Reserved for Encumbrances	123	494	617
Unreserved:			
Designated for Unrealized Gains	8	5	13
Designated for Subsequent Years' Expenditures	1,691	492	2,183
Undesignated	1,940	774	2,714
TOTAL FUND EQUITY	3,762	1,765	5,527
TOTAL LIABILITIES AND FUND EQUITY	$ 3,764	$ 1,784	$ 5,548

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2008
(In Thousands)

	Two-Thirds Requirement	One-Third Requirement	Total
REVENUES			
Other Local Taxes	$ 8,621	$ 4,309	$ 12,930
Revenue from Use of Money and Property	289	108	397
TOTAL REVENUES	8,910	4,417	13,327
EXPENDITURES			
Current:			
Parks, Recreation, Culture and Leisure	-	2,594	2,594
Capital Projects	(44)	13	(31)
TOTAL EXPENDITURES	(44)	2,607	2,563
EXCESS OF REVENUES OVER EXPENDITURES	8,954	1,810	10,764
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	10	4	14
Transfers to Other Funds	(9,062)	(2,191)	(11,253)
NET CHANGE IN FUND BALANCES	(98)	(377)	(475)
Fund Balances at Beginning of Year	3,860	2,142	6,002
FUND BALANCES AT END OF YEAR	$ 3,762	$ 1,765	$ 5,527

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
ENVIRONMENTAL GROWTH FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Two-Thirds Requirement				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Other Local Taxes	$ 8,621	$ -	$ 8,621	$ 9,427	$ (806)
Revenue from Use of Money and Property	289	(8)	281	54	227
TOTAL REVENUES	8,910	(8)	8,902	9,481	(579)
EXPENDITURES					
Current:					
Parks, Recreation, Culture and Leisure	-	-	-	-	-
Capital Projects	(44)	123	79	1,770	1,691
TOTAL EXPENDITURES	(44)	123	79	1,770	1,691
EXCESS OF REVENUES OVER EXPENDITURES	8,954	(131)	8,823	7,711	1,112
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	10	-	10	-	10
Transfers to Other Funds	(9,062)	-	(9,062)	(9,334)	272
NET CHANGE IN FUND BALANCES	$ (98)	$ (131)	(229)	(1,623)	1,394
Fund Balances Undesignated at July 1, 2007			2,090	2,090	-
Reserved for Encumbrances at July 1, 2007			199	199	-
Designated for Subsequent Years' Expenditures at July 1, 2007			1,571	1,571	-
Designated for Subsequent Years' Expenditures at June 30, 2008			(1,691)	-	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2008			$ 1,940	$ 2,237	$ (297)

One-Third Requirement					Total				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ 4,309	$ -	$ 4,309	$ 4,714	$ (405)	$ 12,930	$ -	$ 12,930	$ 14,141	$ (1,211)
108	(5)	103	56	47	397	(13)	384	110	274
4,417	(5)	4,412	4,770	(358)	13,327	(13)	13,314	14,251	(937)
2,594	-	2,594	2,878	284	2,594	-	2,594	2,878	284
13	494	507	896	389	(31)	617	586	2,666	2,080
2,607	494	3,101	3,774	673	2,563	617	3,180	5,544	2,364
1,810	(499)	1,311	996	315	10,764	(630)	10,134	8,707	1,427
4	-	4	-	4	14	-	14	-	14
(2,191)	-	(2,191)	(2,190)	(1)	(11,253)	-	(11,253)	(11,524)	271
$ (377)	$ (499)	(876)	(1,194)	318	$ (475)	$ (630)	(1,105)	(2,817)	1,712
		1,071	1,071	-			3,161	3,161	-
		228	228	-			427	427	-
		843	843	-			2,414	2,414	-
		(492)	-	(492)			(2,183)	-	(2,183)
		$ 774	$ 948	$ (174)			$ 2,714	$ 3,185	$ (471)

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Non-major Governmental Funds - Debt Service

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DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

CITY OF SAN DIEGO

PUBLIC SAFETY COMMUNICATIONS PROJECT

This fund was established to account for the payment of principal and interest on general obligation bonds issued in 1991. These bonds are serviced by property taxes.

OTHER SPECIAL ASSESSMENTS

This fund was established to account for the payment of principal and interest for bonds issued under the Improvement Bond Act of 1915 and the Mello-Roos Community Facilities Act of 1982. These bonds are serviced by assessments and special taxes levied on property owners within each district.

BLENDED COMPONENT UNITS

CITY OF SAN DIEGO METROPOLITAN TRANSIT DEVELOPMENT BOARD AUTHORITY

This fund was established to account for the debt service activities of the City of San Diego Metropolitan Transit Development Board Authority (MTDB). MTDB was created to acquire and construct mass public transit guideways, systems and related facilities. MTDB's debt service fund is used to account for the payment of long-term debt principal and interest. This fund is serviced by investment income, lease payments from the City of San Diego, and proceeds from lease revenue bonds and certificates of participation.

CONVENTION CENTER EXPANSION FINANCING AUTHORITY

This fund was established to account for the debt service activities of the Convention Center Expansion Financing Authority (CCEFA). CCEFA, created by the City of San Diego and the Port of San Diego, facilitates the financing, acquisition and construction of an expansion to the existing convention center. CCEFA's debt service fund is used to account for the payment of long-term debt principal and interest.

PUBLIC FACILITIES FINANCING AUTHORITY

This fund was established to account for the debt service activities of the Public Facilities Financing Authority (PFFA). PFFA, which was created by the City of San Diego and RDA, facilitates the financing, acquisition and construction of public capital facility improvements of RDA or the City. PFFA's debt service fund is used to account for the payment of long-term debt principal and interest.

REDEVELOPMENT AGENCY

This fund was established to account for the debt service activities of the Redevelopment Agency of the City of San Diego (RDA). RDA was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. This fund is serviced by property tax increments, sale of real estate, and investment income.

SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION

This fund was established to account for the debt service activities of the San Diego Facilities and Equipment Leasing Corporation (SDFELC). SDFELC was established to acquire and lease to the City of San Diego real and personal property to be used in the municipal operations of the City. The City makes lease payments from annual appropriations payable out of any source of legally available funds.

SAN DIEGO OPEN SPACE PARK FACILITIES DISTRICT #1

This fund was established for the purpose of acquiring open space properties to implement the Open Space element of the City of San Diego General Plan, and accounts for financial resources accumulated for the payment of long-term debt principal and interest. This fund is serviced by City contributions and investment income.

TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION

This fund was established to account for the debt service activities of the Tobacco Settlement Revenue Funding Corporation (TSRFC). The TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's debt service fund is used to account for the payment of long-term debt principal and interest.

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NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING BALANCE SHEET
June 30, 2008
(In Thousands)

	City of San Diego	City of San Diego/MTDB Authority	Convention Center Expansion Financing Authority	Public Facilities Financing Authority
ASSETS				
Receivables:				
Taxes - Net	$ 14	$ -	$ -	$ -
Accounts	-	-	-	-
Special Assessments - Net	744	-	-	-
Accrued Interest	57	2	-	15
Interfund Loan Receivable	-	-	-	34,115
Restricted Cash and Investments	30,138	5,920	8	12,118
TOTAL ASSETS	$ 30,953	$ 5,922	$ 8	$ 46,248
LIABILITIES				
Accounts Payable	$ -	$ -	$ -	$ -
Deferred Revenue	717	-	-	-
Interfund Loan Payable	-	-	-	-
TOTAL LIABILITIES	717	-	-	-
FUND EQUITY				
Fund Balances:				
Reserved for Encumbrances	4	-	-	-
Reserved for Debt Service	30,167	5,922	8	46,236
Unreserved:				
Designated for Unrealized Gains	65	-	-	12
Designated for Debt Service	-	-	-	-
Designated for Subsequent Years' Expenditures	-	-	-	-
TOTAL FUND EQUITY	30,236	5,922	8	46,248
TOTAL LIABILITIES AND FUND EQUITY	$ 30,953	$ 5,922	$ 8	$ 46,248

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2008
(In Thousands)

	City of San Diego	City of San Diego/MTDB Authority	Convention Center Expansion Financing Authority	Public Facilities Financing Authority
REVENUES				
Property Taxes	$ 2,387	$ -	$ -	$ -
Special Assessments	16,603	-	-	-
Revenue from Use of Money and Property	1,017	124	39	428
Revenue from Other Agencies	-	-	-	-
TOTAL REVENUES	20,007	124	39	428
EXPENDITURES				
Current:				
General Government and Support	53	-	-	1
Debt Service:				
Principal Retirement	6,505	3,135	5,075	8,925
Interest	8,565	883	8,624	15,216
Cost of Issuance	408	-	-	281
TOTAL EXPENDITURES	15,531	4,018	13,699	24,423
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,476	(3,894)	(13,660)	(23,995)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	86	4,048	13,644	22,661
Transfers to Other Funds	(7,051)	-	-	(167)
Transfers to Escrow Agent	-	-	-	-
Special Tax Bonds Issued	778	-	-	-
Tax Allocation Bonds Issued	-	-	-	-
Pooled Financing Bonds Issued	-	-	-	34,985
Discount on Bonds Issued	(27)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(6,214)	4,048	13,644	57,479
NET CHANGE IN FUND BALANCES	(1,738)	154	(16)	33,484
Fund Balances at Beginning of Year	31,974	5,768	24	12,764
FUND BALANCES AT END OF YEAR	$ 30,236	$ 5,922	$ 8	$ 46,248

Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	San Diego Open Space Park Facilities District #1	Tobacco Settlement Revenue Funding Corporation	Total
$ -	$ -	$ -	$ -	$ 14
4,548	-	-	5,002	9,550
-	-	-	-	744
1,553	-	2	6	1,635
-	-	-	-	34,115
288,845	1	440	12,878	350,348
$ 294,946	$ 1	$ 442	$ 17,886	$ 396,406
$ -	$ -	$ 12	$ -	$ 12
-	-	-	5,003	5,720
12,749	-	-	-	12,749
12,749	-	12	5,003	18,481
78	-	-	-	82
60,385	1	427	12,883	156,029
2	-	3	-	82
219,485	-	-	-	219,485
2,247	-	-	-	2,247
282,197	1	430	12,883	377,925
$ 294,946	$ 1	$ 442	$ 17,886	$ 396,406

$ 131,278	$ -	$ -	$ -	$ 133,665
-	-	-	-	16,603
12,172	5	28	592	14,405
-	-	-	10,401	10,401
143,450	5	28	10,993	175,074
807	-	-	-	861
16,855	5,075	390	3,330	49,290
27,224	1,492	36	7,310	69,350
2,929	-	-	-	3,618
47,815	6,567	426	10,640	123,119
95,635	(6,562)	(398)	353	51,955
171,537	6,559	166	-	218,701
(46,051)	-	-	(268)	(53,537)
(10,676)	-	-	-	(10,676)
-	-	-	-	778
8,661	-	-	-	8,661
-	-	-	-	34,985
(176)	-	-	-	(203)
123,295	6,559	166	(268)	198,709
218,930	(3)	(232)	85	250,664
63,267	4	662	12,798	127,261
$ 282,197	$ 1	$ 430	$ 12,883	$ 377,925

NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2008
(In Thousands)

	City of San Diego	
	Actual on Budgetary Basis	Final Budget
REVENUES		
Property Taxes	$ 2,387	$ 2,387
Revenue from Use of Money and Property	66	66
Revenue from Other Agencies	-	-
TOTAL REVENUES	2,453	2,453
EXPENDITURES		
Current:		
General Government and Support	1	1
Debt Service:		
Principal Retirement	1,735	1,735
Interest	594	594
TOTAL EXPENDITURES	2,330	2,330
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	123	123
OTHER FINANCING SOURCES (USES)		
Transfers from Other Funds	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCES	123	123
Reserved for Debt Service at July 1, 2007	2,431	2,431
Reserved for Debt Service at June 30, 2008	(2,554)	(2,554)
FUND BALANCES UNDESIGNATED AT JUNE 30, 2008	$ -	$ -

San Diego Open Space Park Facilities District #1		Total		
Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
$ -	$ -	$ 2,387	$ 2,387	$ -
25	54	91	120	(29)
-	-	-	-	-
25	54	2,478	2,507	(29)
-	-	1	1	-
390	390	2,125	2,125	-
36	47	630	641	11
426	437	2,756	2,767	11
(401)	(383)	(278)	(260)	(18)
166	437	166	437	(271)
166	437	166	437	(271)
(235)	54	(112)	177	(289)
662	662	3,093	3,093	-
(427)	(427)	(2,981)	(2,981)	-
$ -	$ 289	$ -	$ 289	$ (289)

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING BALANCE SHEET
June 30, 2008
(In Thousands)

	Budgeted	Unbudgeted	
	Public Safety Communications Project	Other Special Assessments	Total
ASSETS			
Receivables:			
Taxes - Net	$ 14	$ -	$ 14
Special Assessments - Net	-	744	744
Accrued Interest	15	42	57
Restricted Cash and Investments	2,540	27,598	30,138
TOTAL ASSETS	$ 2,569	$ 28,384	$ 30,953
LIABILITIES			
Deferred Revenue	$ -	$ 717	$ 717
TOTAL LIABILITIES	-	717	717
FUND EQUITY			
Fund Balances:			
Reserved for Encumbrances	-	4	4
Reserved for Debt Service	2,554	27,613	30,167
Unreserved:			
Designated for Unrealized Gains	15	50	65
TOTAL FUND EQUITY	2,569	27,667	30,236
TOTAL LIABILITIES AND FUND EQUITY	$ 2,569	$ 28,384	$ 30,953

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2008
(In Thousands)

	Public Safety Communications Project	Other Special Assessments	Total
REVENUES			
Property Taxes	$ 2,387	$ -	$ 2,387
Special Assessments	-	16,603	16,603
Revenue from Use of Money and Property	81	936	1,017
TOTAL REVENUES	2,468	17,539	20,007
EXPENDITURES			
Current:			
General Government and Support	1	52	53
Debt Service:			
Principal Retirement	1,735	4,770	6,505
Interest	594	7,971	8,565
Cost of Issuance	-	408	408
TOTAL EXPENDITURES	2,330	13,201	15,531
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	138	4,338	4,476
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	-	86	86
Transfers to Other Funds	-	(7,051)	(7,051)
Special Tax Bonds Issued	-	778	778
Discount on Bonds Issued	-	(27)	(27)
TOTAL OTHER FINANCING SOURCES (USES)	-	(6,214)	(6,214)
NET CHANGE IN FUND BALANCES	138	(1,876)	(1,738)
Fund Balances at Beginning of Year	2,431	29,543	31,974
FUND BALANCES AT END OF YEAR	$ 2,569	$ 27,667	$ 30,236

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2008
(In Thousands)

	Public Safety Communications Project				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Property Taxes	$ 2,387	$ -	$ 2,387	$ 2,387	$ -
Revenue from Use of Money and Property	81	(15)	66	66	-
TOTAL REVENUES	2,468	(15)	2,453	2,453	-
EXPENDITURES					
Current:					
General Government and Support	1	-	1	1	-
Debt Service:					
Principal Retirement	1,735	-	1,735	1,735	-
Interest	594	-	594	594	-
TOTAL EXPENDITURES	2,330	-	2,330	2,330	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	138	(15)	123	123	-
NET CHANGE IN FUND BALANCES	$ 138	$ (15)	123	123	-
Reserved for Debt Service at July 1, 2007			2,431	2,431	-
Reserved for Debt Service at June 30, 2008			(2,554)	(2,554)	-
FUND BALANCES UNDESIGNATED AT JUNE 30, 2008			$ -	$ -	$ -

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Non-major Governmental Funds - Capital Projects

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CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and fiduciary funds).

CITY OF SAN DIEGO

CAPITAL OUTLAY

This fund was established per Section 77 of the City Charter to account for the acquisition, construction and completion of permanent public improvements and real property. Capital outlay fund revenues are derived from the sale of City-owned real property supplemented by sales tax revenue.

PARK & RECREATION DISTRICTS

This fund was established to account for park fees collected at the time of subdivision or permit issuance and is mandated per the City of San Diego Municipal Code. Fee assessments are only to be used for park purposes within a Community Park Service District to purchase land, facilities, or reimburse those who have donated more than their proportionate responsibilities.

FACILITIES BENEFIT ASSESSMENTS

This fund was established to account for building permit fees collected at the time of permit issuance and is mandated by the City Charter. Fee assessments are only to be used in the community the assessments are collected and are the primary source of project funding, excluding maintenance costs.

IMPACT FEES

This fund was established to account for building permit fees collected at the time of permit issuance and has specific State reporting requirements. Fee assessments are only to be used in the community the assessments are collected and are not the primary source of project funding and exclude maintenance costs.

SPECIAL ASSESSMENT/SPECIAL TAX BONDS

This fund was established to account for Community Facilities Districts and Special Assessment Districts, which under various sections of State law, issues limited obligation bonds to finance infrastructure facilities and other public improvements necessary to facilitate development of the properties within each district. The bonds are secured solely by the properties within each district, and are repaid through revenues generated by the annual levy of special taxes or special assessments on the benefiting properties.

TRANSNET

This fund was established to account for transportation improvements funded by a local sales tax approved by voters in the County of San Diego. Funds are to help relieve traffic congestion, increase safety, and improve air quality by performing repairs, restorations, and construction of needed facilities within the public rights-of-way.

OTHER CONSTRUCTION

This fund was established to account for a variety of capital projects such as park and street improvements and construction of public facilities in new development areas. Revenues in this fund are derived from such sources as contributions from developers, grants from Federal, State and other governmental agencies, special assessments, special taxes, fees, and interest derived there from.

BLENDED COMPONENT UNITS

PUBLIC FACILITIES FINANCING AUTHORITY

This fund was established to account for the capital improvement acquisition and construction activities of the Public Facilities Financing Authority (PFFA). PFFA, which was created by the City of San Diego and RDA, facilitates the financing and construction of public capital improvements of the City or RDA. Revenues are derived from the issuance of bonds and interest earnings on investments.

REDEVELOPMENT AGENCY

This fund was established to account for the capital improvement activities of the Redevelopment Agency of the City of San Diego (RDA). RDA was established to provide a method for revitalizing deteriorated and blighted areas of the City of San Diego. Funds are derived from the City of San Diego, from the issuance of bonds for specific redevelopment projects, sale of real estate and investment income.

SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION

This fund was established to account for the capital improvement activities of the San Diego Facilities and Equipment Leasing Corporation (SDFELC). SDFELC was established to acquire and lease to the City of San Diego real and personal property to be used in the municipal operations of the City. This fund accounts for proceeds from the issuance of Certificates of Participation used to finance construction projects in Balboa and Mission Bay parks.

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NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
June 30, 2008
(In Thousands)

	City of San Diego	Public Facilities Financing Authority
ASSETS		
Cash or Equity in Pooled Cash and Investments	$ 380,482	$ 2,439
Receivables:		
Accounts	2,808	-
Special Assesments	55	-
Notes	-	-
Accrued Interest	1,858	6
Grants	20,678	-
Advances to Other Funds	600	-
Land Held for Resale	-	-
TOTAL ASSETS	$ 406,481	$ 2,445
LIABILITIES		
Accounts Payable	$ 23,767	$ 1
Due to Other Funds	869	-
Due to Other Agencies	504	-
Unearned Revenue	33,368	-
Deferred Revenue	19,177	-
Sundry Trust Liabilities	-	-
Advances from Other Funds	600	-
Interfund Loan Payable	3,487	-
TOTAL LIABILITIES	81,772	1
FUND EQUITY		
Fund Balances:		
Reserved for Land Held for Resale	-	-
Reserved for Notes Receivable	-	-
Reserved for Encumbrances	63,188	361
Reserved for Advances and Deposits	600	-
Unreserved:		
Designated for Unrealized Gains	1,768	3
Designated for Subsequent Years' Expenditures	180,238	2,080
Undesignated	78,915	-
TOTAL FUND EQUITY	324,709	2,444
TOTAL LIABILITIES AND FUND EQUITY	$ 406,481	$ 2,445

Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	Total
$ 213,356	$ 4	$ 596,281
-	-	2,808
-	-	55
5,217	-	5,217
649	-	2,513
-	-	20,678
-	-	600
25,607	-	25,607
$ 244,829	$ 4	$ 653,759
$ 5,424	$ -	$ 29,192
-	-	869
-	-	504
-	-	33,368
-	-	19,177
5,055	-	5,055
5,644	-	6,244
17,093	-	20,580
33,216	-	114,989
25,607	-	25,607
5,217	-	5,217
85,247	-	148,796
-	-	600
572	-	2,343
94,970	4	277,292
-	-	78,915
211,613	4	538,770
$ 244,829	$ 4	$ 653,759

NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2008
(In Thousands)

	City of San Diego	Public Facilities Financing Authority
REVENUES		
Special Assessments	$ 940	$ -
Sales Taxes	35,212	-
Licenses and Permits	15,731	-
Revenue from Use of Money and Property	18,742	86
Revenue from Federal Agencies	2,454	-
Revenue from Other Agencies	18,173	-
Revenue from Private Sources	13,344	-
Other Revenue	15	-
TOTAL REVENUES	104,611	86
EXPENDITURES		
Current:		
General Government and Support	1,991	-
Public Safety - Fire & Life Safety	3	-
Parks, Recreation, Culture and Leisure	810	-
Transportation	16,127	-
Sanitation and Health	789	-
Neighborhood Services	295	-
Capital Projects	91,236	241
Debt Service:		
Principal Retirement	2,322	-
Interest	157	-
TOTAL EXPENDITURES	113,730	241
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,119)	(155)
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary Funds	977	-
Transfers from Other Funds	28,332	86
Transfers to Proprietary Funds	(551)	-
Transfers to Other Funds	(27,521)	-
Proceeds from the Sale of Capital Assets	21,783	-
Loans Issued	-	-
Capital Leases	7,939	-
Special Tax Bonds Issued	3,172	-
Premium on Bonds Issued	-	-
TOTAL OTHER FINANCING SOURCES (USES)	34,131	86
NET CHANGE IN FUND BALANCES	25,012	(69)
Fund Balances at Beginning of Year	299,697	2,513
FUND BALANCES AT END OF YEAR	$ 324,709	$ 2,444

Redevelopment Agency	San Diego Facilities and Equipment Leasing Corporation	Total
$ -	$ -	$ 940
-	-	35,212
-	-	15,731
14,416	-	33,244
-	-	2,454
-	-	18,173
4,881	-	18,225
1,151	-	1,166
20,448	-	125,145
19,455	-	21,446
-	-	3
-	-	810
-	-	16,127
-	-	789
31,815	-	32,110
29,532	-	121,009
-	-	2,322
-	-	157
80,802	-	194,773
(60,354)	-	(69,628)
-	-	977
40,469	-	68,887
-	-	(551)
(8,939)	-	(36,460)
-	-	21,783
8,814	-	8,814
-	-	7,939
-	-	3,172
311	-	311
40,655	-	74,872
(19,699)	-	5,244
231,312	4	533,526
$ 211,613	$ 4	$ 538,770

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
June 30, 2008
(In Thousands)

	Capital Outlay	Park & Recreation Districts	Facilities Benefit Assesments
ASSETS			
Cash and Investments	$ 46,032	$ 6,869	$ 158,764
Receivables:			
Accounts	2,056	-	-
Special Assesments	-	-	-
Accrued Interest	(16)	48	1,111
Grants	19,468	-	-
Advances to Other Funds	600	-	-
TOTAL ASSETS	$ 68,140	$ 6,917	$ 159,875
LIABILITIES			
Accounts Payable	$ 2,754	$ -	$ 17,960
Due to Other Funds	869	-	-
Due to Other Agencies	243	-	-
Unearned Revenue	29,400	-	-
Deferred Revenue	17,557	-	-
Advances from Other Funds	-	-	-
Interfund Loan Payable	-	-	3,487
TOTAL LIABILITIES	50,823	-	21,447
FUND EQUITY			
Fund Balances:			
Reserved for Encumbrances	1,550	483	46,093
Reserved for Advances and Deposits	600	-	-
Unreserved:			
Designated for Unrealized Gains	9	40	931
Designated for Subsequent Years' Expenditures	15,968	2,058	91,404
Undesignated	(810)	4,336	-
TOTAL FUND EQUITY	17,317	6,917	138,428
TOTAL LIABILITIES AND FUND EQUITY	$ 68,140	$ 6,917	$ 159,875

Impact Fees	Special Assesment / Special Tax Bonds	TransNet	Other Construction	Total
$ 48,469	$ 18,618	$ 28,568	$ 73,162	$ 380,482
-	-	2	750	2,808
-	55	-	-	55
302	53	185	175	1,858
-	-	-	1,210	20,678
-	-	-	-	600
$ 48,771	$ 18,726	$ 28,755	$ 75,297	$ 406,481
$ 568	$ 10	$ 838	$ 1,637	23,767
-	-	-	-	869
-	-	-	261	504
-	-	1,898	2,070	33,368
-	54	-	1,566	19,177
-	-	-	600	600
-	-	-	-	3,487
568	64	2,736	6,134	81,772
1,893	245	7,690	5,234	63,188
-	-	-	-	600
284	186	167	151	1,768
6,693	86	18,032	45,997	180,238
39,333	18,145	130	17,781	78,915
48,203	18,662	26,019	69,163	324,709
$ 48,771	$ 18,726	$ 28,755	$ 75,297	$ 406,481

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2008
(In Thousands)

	Capital Outlay	Park & Recreation Districts	Facilities Benefit Assesments
REVENUES			
Special Assessments	$ -	$ -	$ -
Sales Taxes	-	-	-
Licenses and Permits	-	-	-
Revenue from Use of Money and Property	887	444	9,268
Revenue from Federal Agencies	2,454	-	-
Revenue from Other Agencies	16,357	-	-
Revenue from Private Sources	-	-	11,483
Other Revenue	1	-	-
TOTAL REVENUES	19,699	444	20,751
EXPENDITURES			
Current:			
General Government and Support	-	-	1,177
Public Safety - Fire & Life Safety	-	-	2
Parks, Recreation, Culture and Leisure	118	4	-
Transportation	56	-	-
Sanitation and Health	-		
Neighborhood Services	295	-	-
Capital Projects	25,215	1,886	35,550
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	25,684	1,890	36,729
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,985)	(1,446)	(15,978)
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	-	-	-
Transfers from Other Funds	515	-	-
Transfers to Proprietary Funds	(24)	-	-
Transfers to Other Funds	(378)	-	(1,910)
Proceeds from the Sale of Capital Assets	21,783	-	-
Capital Leases	7,939	-	-
Special Tax Bonds Issued	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	29,835	-	(1,910)
NET CHANGE IN FUND BALANCES	23,850	(1,446)	(17,888)
Fund Balances at Beginning of Year	(6,533)	8,363	156,316
FUND BALANCES AT END OF YEAR	$ 17,317	$ 6,917	$ 138,428

Impact Fees	Special Assesment / Special Tax Bonds	TransNet	Other Construction	Total
$ -	$ 940	$ -	$ -	$ 940
-	-	35,212	-	35,212
15,689	-	-	42	15,731
2,534	620	1,654	3,335	18,742
-	-	-	-	2,454
-	-	-	1,816	18,173
-	274	-	1,587	13,344
-	-	14	-	15
18,223	1,834	36,880	6,780	104,611
550	154	97	13	1,991
-	-	-	1	3
30	-	-	658	810
-	7,418	3,835	4,818	16,127
		789	-	789
-	-	-	-	295
2,947	-	14,391	11,247	91,236
-	-	2,287	35	2,322
-	-	(22)	179	157
3,527	7,572	21,377	16,951	113,730
14,696	(5,738)	15,503	(10,171)	(9,119)
-	-	-	977	977
864	3,241	1,047	22,665	28,332
-	-	(527)	-	(551)
(8,660)	(3)	(14,870)	(1,700)	(27,521)
-	-	-	-	21,783
-	-	-	-	7,939
-	3,172	-	-	3,172
(7,796)	6,410	(14,350)	21,942	34,131
6,900	672	1,153	11,771	25,012
41,303	17,990	24,866	57,392	299,697
$ 48,203	$ 18,662	$ 26,019	$ 69,163	$ 324,709

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN UNDESIGNATED FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2008
(In Thousands)

	TransNet				
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES					
Sales Taxes	$ 35,212	$ -	$ 35,212	$ 40,460	$ (5,248)
Revenue from Use of Money and Property	1,654	(167)	1,487	-	1,487
Other Revenue	14	-	14	-	14
TOTAL REVENUES	36,880	(167)	36,713	40,460	(3,747)
EXPENDITURES					
Current:					
General Government and Support	97	-	97	149	52
Transportation	3,835	28	3,863	314	(3,549)
Sanitation and Health	789	71	860	1,936	1,076
Capital Projects	14,391	7,591	21,982	43,578	21,596
Debt Service:					
Principal Retirement	2,287	-	2,287	1,663	(624)
Interest	(22)	-	(22)	-	22
TOTAL EXPENDITURES	21,377	7,690	29,067	47,640	18,573
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	15,503	(7,857)	7,646	(7,180)	14,826
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	1,047	-	1,047	1,047	-
Transfers to Proprietary Funds	(527)	-	(527)	(527)	-
Transfers to Other Funds	(14,870)	-	(14,870)	(14,949)	79
TOTAL OTHER FINANCING SOURCES (USES)	(14,350)	-	(14,350)	(14,429)	79
NET CHANGE IN FUND BALANCES	$ 1,153	$ (7,857)	(6,704)	(21,609)	14,905
Reserved for Encumbrances at July 1, 2007			6,442	6,442	-
Designated for Subsequent Years' Expenditures at July 1, 2007			18,424	18,424	-
Designated for Subsequent Years' Expenditures at June 30, 2008			(18,032)	-	(18,032)
FUND BALANCES UNDESIGNATED AT JUNE 30, 2008			$ 130	$ 3,257	$ (3,127)

Non-major Governmental Funds - Permanent

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PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs (i.e., for the benefit of the City or its citizens).

CARMEL VALLEY SEWER MAINTENANCE

This fund was established to fund the City's share of maintenance costs for a private sewer system in the Carmel Valley community. The original contribution was received from a developer and interest earnings derived there from will finance a fifty-year maintenance period.

CEMETERY PERPETUITY

This fund was established to account for the Mt. Hope Cemetery endowment. Investment earnings derived from the endowment supplement grave sales revenues in order to finance cemetery operations.

EFFIE SERGEANT

This fund was established to account for a donation to benefit the North Park Branch Library. Investment earnings are used to finance library services and programs.

FIGG ESTATE ENDOWMENT

This fund was established to account for a donation received for the planting and maintenance of jacaranda trees in the public rights of way throughout the City of San Diego. Investment earnings are used for planting and maintenance as well.

GLADYS EDNA PETERS

This fund was established to account for a donation to benefit the Rancho Bernardo Branch Library. Investment earnings are used to procure and maintain a collection of large print books and periodicals.

JANE CAMERON ESTATE

This fund was established to account for a donation to benefit the La Jolla/Riford Branch Library. Investment earnings are used to finance library services and programs.

LOS PENASQUITOS CANYON

This fund was established to account for the Los Penasquitos Canyon Preserve Trust Fund. Investment earnings are used to finance operations, land acquisitions, historical restoration, and maintenance of the Penasquitos Preserve Park.

MONTEZUMA ROAD MEDIAN MAINTENANCE

This fund was established to account for an endowment from San Diego State University. Investment earnings derived there from are used to finance the maintenance of medians along Montezuma Road.

SOUTHCREST PARK ESTATES II

This fund was established to finance the City's landscape maintenance costs for the Southcrest Park Estates II, a residential development within the Southcrest Redevelopment project area. The original contribution was received from a developer, and investment earnings derived there from will finance the permanent maintenance costs.

SYCAMORE ESTATES

This fund was established to account for an endowment agreement between the City and Sycamore Estates, LLC. Investment earnings from the endowment shall be used exclusively for the long-term maintenance of conserved property within Sycamore Estates.

ZOOLOGICAL SOCIETY – MISSION TRAILS

This fund was established to account for the Fortuna Mountain Conservation Bank endowment. Investment earnings derived from the endowment shall be used to fund the permanent management of the Fortuna Mountain Conservation Bank within Mission Trails Regional Park.

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CITY OF SAN DIEGO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT
JUNE 30, 2008
(In Thousands)

	Carmel Valley Sewer Maintenance	Cemetery Perpetuity	Effie Sergeant
ASSETS			
Receivables:			
Accounts - Net	$ -	$ 14	$ -
Accrued Interest	1	18	-
Restricted Cash and Investments	47	10,093	517
TOTAL ASSETS	$ 48	$ 10,125	$ 517
LIABILITIES:			
Accounts Payable	-	-	1
FUND EQUITY:			
Fund Balances:			
Reserved for Permanent Endowments	$ 48	$ 9,607	$ 516
Unreserved:			
Designated for Unrealized Gains	-	518	-
Designated for Subsequent Years' Expenditures	-	-	-
Undesignated	-	-	-
TOTAL FUND EQUITY	48	10,125	516
TOTAL LIABILITIES AND FUND EQUITY	$ 48	$ 10,125	$ 517

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2008
(In Thousands)

	Carmel Valley Sewer Maintenance	Cemetery Perpetuity	Effie Sergeant
REVENUES			
Revenue from Use of Money and Property	$ 3	$ (24)	$ (23)
Revenue from Private Sources	-	-	-
Charges for Current Services	-	83	-
TOTAL REVENUES	3	59	(23)
EXPENDITURES			
Current:			
General Government and Support	-	-	-
Parks, Recreation, Culture and Leisure	-	-	11
TOTAL EXPENDITURES	-	-	11
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3	59	(34)
OTHER FINANCING SOURCES (USES)			
Transfers to Other Funds	-	(401)	-
NET CHANGE IN FUND BALANCES	3	(342)	(34)
Fund Balances at Beginning of Year	45	10,467	550
FUND BALANCES AT END OF YEAR	$ 48	$ 10,125	$ 516

Figg Estate Endowment	Gladys Edna Peters	Jane Cameron Estate	Los Penasquitos Canyon	Montezuma Road Median Maintenance	Southcrest Park Estates II	Sycamore Estates	Zoological Society - Mission Trails	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 14
-	-	19	1	1	-	-	-	40
320	368	2,736	2,727	114	13	250	69	17,254
$ 320	$ 368	$ 2,755	$ 2,728	$ 115	$ 13	$ 250	$ 69	$ 17,308
-	1	-	-	-	-	-	-	2
$ 320	$ 367	$ 2,739	$ 2,728	$ 100	$ 13	$ 250	$ 69	$ 16,757
-	-	16	-	-	-	-	-	534
-	-	-	-	14	-	-	-	14
-	-	-	-	1	-	-	-	1
320	367	2,755	2,728	115	13	250	69	17,306
$ 320	$ 368	$ 2,755	$ 2,728	$ 115	$ 13	$ 250	$ 69	$ 17,308

$ 1	$ (18)	$ 154	$ (139)	$ 4	$ 1	$ 34	$ -	$ (7)
-	-	197	-	-	-	-	-	197
-	-	-	-	-	-	-	-	83
1	(18)	351	(139)	4	1	34	-	273
-	-	-	2	-	-	-	-	2
-	13	130	-	-	-	-	-	154
-	13	130	2	-	-	-	-	156
1	(31)	221	(141)	4	1	34	-	117
-	-	-	(136)	-	-	(34)	-	(571)
1	(31)	221	(277)	4	1	-	-	(454)
319	398	2,534	3,005	111	12	250	69	17,760
$ 320	$ 367	$ 2,755	$ 2,728	$ 115	$ 13	$ 250	$ 69	$ 17,306

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Non-major Business-Type Funds - Enterprise

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ENTERPRISE FUNDS

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. These funds use full accrual accounting.

CITY OF SAN DIEGO

AIRPORTS

This fund was established to account for the operation, maintenance and development of both City-owned airports--Montgomery and Brown Fields. Airports fund revenues are derived from such sources as rent/lease revenue, usage fees, earnings on investments and aid from other governmental agencies.

CITY STORE

This fund was established to account for activities of the City's entrepreneurial program. This program operates retail store outlets for the purpose of selling surplus city materials and other items promoting the City of San Diego.

DEVELOPMENT SERVICES

This fund was established to account for construction management, development project review, permitting, and inspection services for the City.

ENVIRONMENTAL SERVICES

This fund was established to account for refuse disposal, collection, energy conservation, resource management, and other environmental programs.

GOLF COURSE

This fund was established to operate, maintain, and improve physical conditions and initiate capital improvement programs for Torrey Pines, Mission Bay, and Balboa golf courses. Revenues are derived from green fees and leases.

RECYCLING

This fund was established to account for the planning, implementation, operation and management of City recycling and waste diversion programs. Revenues are derived from the recycling fee on all waste generated in the City or disposed of at the City landfill.

NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE
COMBINING STATEMENT OF NET ASSETS
June 30, 2008
(In Thousands)

	Airports	City Store
ASSETS		
Cash and Investments	$ 11,241	$ 65
Receivables:		
Accounts - Net of Allowance for Uncollectibles (Airports $251)	530	-
Accrued Interest	74	-
Grants	727	-
From Other Funds	-	-
Inventories	-	77
Prepaid Expenses	-	-
Restricted Cash and Investments	-	-
Capital Assets - Non-Depreciable	3,589	-
Capital Assets - Depreciable	8,530	6
TOTAL ASSETS	24,691	148
LIABILITIES		
Accounts Payable	93	13
Accrued Wages and Benefits	34	-
Interest Accrued on Long-Term Debt	-	-
Long Term Debt Due Within One Year	60	-
Due to Other Funds	3	-
Unearned Revenue	-	-
Contract Deposits	-	-
Deposits/Advances from Others	-	-
Compensated Absences	60	-
Estimated Landfill Closure and Postclosure Care	-	-
Net Other Post Employment Benefits Obligation	49	-
Net Pension Obligation	192	-
TOTAL LIABILITIES	491	13
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	12,119	6
Restricted for Closure/Postclosure maintenance	-	-
Unrestricted	12,081	129
TOTAL NET ASSETS	$ 24,200	$ 135

Development Services	Environmental Services	Golf Course	Recycling	Total
$ 11,685	$ 56,247	$ 17,348	$ 11,072	$ 107,658
49	75	14	196	864
165	614	128	87	1,068
-	-	-	152	879
4,073	-	-	-	4,073
-	-	1	-	78
-	-	-	12	12
-	36,523	-	-	36,523
177	16,717	1,523	-	22,006
1,359	35,856	15,552	2,511	63,814
17,508	146,032	34,566	14,030	236,975
104	1,001	626	107	1,944
1,104	380	193	272	1,983
-	-	-	9	9
1,272	494	166	412	2,404
79	102	7	90	281
7,021	-	-	28	7,049
-	-	-	275	275
-	25	-	-	25
1,280	495	167	247	2,249
-	18,429	-	-	18,429
1,497	470	235	370	2,621
5,987	2,029	528	1,278	10,014
18,344	23,425	1,922	3,088	47,283
1,536	52,446	17,075	2,345	85,527
-	36,776	-	-	36,776
(2,372)	33,385	15,569	8,597	67,389
$ (836)	$ 122,607	$ 32,644	$ 10,942	$ 189,692

NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Year Ended June 30, 2008
(In Thousands)

	Airports	City Store
OPERATING REVENUES		
Charges for Services	$ -	$ 744
Usage Fees	5,038	-
Other	102	-
TOTAL OPERATING REVENUES	5,140	744
OPERATING EXPENSES		
Maintenance and Operations	2,202	403
Cost of Materials Issued	-	295
Administration	700	89
Depreciation	495	1
TOTAL OPERATING EXPENSES	3,397	788
OPERATING INCOME (LOSS)	1,743	(44)
NONOPERATING REVENUES (EXPENSES)		
Earnings on Investments	557	3
Other Agency Grant Assistance	-	-
Gain (Loss) on Sale/Retirement of Capital Assets	-	-
Debt Service Interest Expense	-	-
Other	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	557	3
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	2,300	(41)
Capital Contributions	1,376	-
Transfers from Other Funds	10	-
Transfers from Governmental Funds	-	-
Transfers to Other Funds	-	-
Transfers to Governmental Funds	(6)	-
CHANGE IN NET ASSETS	3,680	(41)
Net Assets at Beginning of Year	20,520	176
NET ASSETS AT END OF YEAR	$ 24,200	$ 135

Development Services	Environmental Services	Golf Course	Recycling	Total
$ 45,831	$ 572	$ 13,471	$ 8,238	$ 68,856
-	33,876	1,680	14,164	54,758
114	1,037	2	988	2,243
45,945	35,485	15,153	23,390	125,857
24,656	30,388	9,660	19,370	86,679
-	-	-	-	295
26,320	4,117	995	1,753	33,974
175	3,171	572	1,057	5,471
51,151	37,676	11,227	22,180	126,419
(5,206)	(2,191)	3,926	1,210	(562)
679	5,075	1,066	535	7,915
-	17	-	462	479
1	(88)	(18)	(16)	(121)
-	-	-	(30)	(30)
-	1,879	-	463	2,342
680	6,883	1,048	1,414	10,585
(4,526)	4,692	4,974	2,624	10,023
-	-	139	-	1,515
14	204	33	88	349
1,189	150	-	38	1,377
-	(237)	-	-	(237)
(444)	(106)	(1,616)	(137)	(2,309)
(3,767)	4,703	3,530	2,613	10,718
2,931	117,904	29,114	8,329	178,974
$ (836)	$ 122,607	$ 32,644	$ 10,942	$ 189,692

NONMAJOR BUSINESS-TYPE FUNDS - OTHER ENTERPRISE
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2008
(In Thousands)

	Airports	City Store
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	$ 5,172	$ 740
Receipts from Interfund Services Provided	-	4
Payments to Suppliers	(892)	(750)
Payments to Employees	(1,244)	-
Payments for Interfund Services Used	(736)	(4)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	2,300	(10)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers In	10	-
Transfers from Governmental Funds	-	-
Transfers Out	-	-
Transfers to Governmental Funds	(6)	-
Operating Grants Received	-	-
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	4	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Contributions	1,326	-
Acquisition of Capital Assets	(1,333)	-
Principal Payments on Capital Leases	-	-
Interest Paid on Long-Term Debt	-	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(7)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received on Investments	568	3
NET CASH PROVIDED BY INVESTING ACTIVITIES	568	3
Net Increase (Decrease) in Cash and Cash Equivalents	2,865	(7)
Cash and Cash Equivalents at Beginning of Year	8,376	72
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 11,241	$ 65
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:		
Operating Income (Loss)	$ 1,743	$ (44)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	495	1
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables:		
Accounts - Net	32	-
From Other Funds	-	-
(Increase) Decrease in Inventories	-	35
(Increase) Decrease in in Prepaid Expenses	-	-
Increase (Decrease) in Accounts Payable	(13)	(2)
Increase (Decrease) in Accrued Wages and Benefits	5	-
Increase (Decrease) in Due to Other Funds	3	-
Increase (Decrease) in Unearned Revenue	-	-
Increase (Decrease) in Contract Deposits	-	-
Increase (Decrease) in Compensated Absences	14	-
Increase (Decrease) in Estimated Landfill Closure and Postclosure Care	-	-
Increase (Decrease) in Net OPEB Obligation	49	-
Increase (Decrease) in Net Pension Obligation	(28)	-
Other Nonoperating Revenue (Expenses)	-	-
Total Adjustments	557	34
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 2,300	$ (10)

Development Services	Environmental Services	Golf Course	Recycling	Total
$ 28,850	$ 34,679	$ 15,105	$ 22,398	$ 106,944
17,095	2,679	7	1,618	21,403
(9,889)	(15,998)	(3,160)	(9,055)	(39,744)
(40,681)	(12,908)	(6,408)	(9,552)	(70,793)
(247)	(3,593)	(759)	(2,410)	(7,749)
(4,872)	4,859	4,785	2,999	10,061
14	204	33	88	349
1,180	150	-	38	1,368
-	(237)	-	-	(237)
(279)	(106)	(1,616)	(137)	(2,144)
-	17	-	349	366
915	28	(1,583)	338	(298)
-	-	139	-	1,465
(11)	(2,092)	(5,889)	-	(9,325)
-	-	-	(840)	(840)
-	-	-	(39)	(39)
(11)	(2,092)	(5,750)	(879)	(8,739)
789	5,346	1,133	532	8,371
789	5,346	1,133	532	8,371
(3,179)	8,141	(1,415)	2,990	9,395
14,864	84,629	18,763	8,082	134,786
$ 11,685	$ 92,770	$ 17,348	$ 11,072	$ 144,181
$ (5,206)	$ (2,191)	$ 3,926	$ 1,210	$ (562)
175	3,171	572	1,057	5,471
(1)	(6)	(1)	-	24
(747)	-	-	-	(747)
-	-	-	-	35
1	-	-	-	1
(145)	319	244	(105)	298
(174)	(61)	46	(31)	(215)
79	102	7	90	281
748	-	-	1	749
-	-	(40)	162	122
(248)	(51)	(70)	(7)	(362)
-	1,494	-	-	1,494
1,497	470	235	370	2,621
(851)	(267)	(134)	(211)	(1,491)
-	1,879	-	463	2,342
334	7,050	859	1,789	10,623
$ (4,872)	$ 4,859	$ 4,785	$ 2,999	$ 10,061

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Internal Service Funds

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INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units and/or funds.

CITY OF SAN DIEGO

FLEET SERVICES

This fund was established to account for the acquisition, replacement, maintenance and fueling of the City's motive equipment.

CENTRAL STORES

This fund was established to provide centralized storeroom services to all City departments.

PUBLISHING SERVICES

This fund was established to provide printing and reproduction services to all City departments.

SELF INSURANCE

This fund was established to account for self insurance activities, including worker's compensation and long-term disability programs for employees. Revenues are derived from rates charged to departments as a percentage of payroll. This fund also accounts for the public liability reserve, which was established for the purpose of paying claims in excess of annual appropriations.

SPECIAL ENGINEERING

This fund was established to provide project planning, design, engineering systems management and support, and construction management and inspection services for water and wastewater capital improvements.

MISCELLANEOUS INTERNAL SERVICE

This fund accounts for various administrative activities including risk management administration, administration and operation of various employee related programs such as unused compensatory time, unused sick leave and unemployment insurance, and citywide training. Revenues are derived from rates or fees charged to the departments for specific services rendered.

BLENDED COMPONENT UNIT

SAN DIEGO DATA PROCESSING CORPORATION

This fund accounts for the operations of the San Diego Data Processing Corporation, Inc. (SDDPC). SDDPC was formed for the purpose of providing data processing services to public agencies, primarily the City of San Diego, which is the sole member of SDDPC. SDDPC also provides telecommunication services to the City. Rates are charged for the various services provided as per operating agreements and are subject to change each year.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2008
(In Thousands)

	City of San Diego	
	Fleet Services	Central Stores
ASSETS		
Cash and Investments	$ 67,012	$ 1,204
Receivables:		
Accounts - Net of Allowance for Uncollectibles (Self Insurance $1,010)	94	143
Claims - Net	6	-
Contributions	-	-
Accrued Interest	-	1
From Other Funds	-	-
Inventories	-	2,103
Prepaid Expenses	747	-
Capital Assets - Non-Depreciable	-	-
Capital Assets - Depreciable	97,506	101
TOTAL ASSETS	165,365	3,552
LIABILITIES		
Accounts Payable	10,930	2,628
Accrued Wages and Benefits	665	46
Interest Accrued on Long-Term Debt	344	-
Long-Term Debt Due Within One Year	7,246	20
Due to Other Funds	92	4
Unearned Revenue	-	-
Compensated Absences	878	28
Liability Claims	-	-
Capital Lease Obligations	18,842	-
Net Other Post Employment Benefits Obligation	771	62
Net Pension Obligation	1,516	199
TOTAL LIABILITIES	41,284	2,987
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	72,053	101
Unrestricted	52,028	464
TOTAL NET ASSETS	$ 124,081	$ 565

Publishing Services	Self Insurance	Special Engineering	Miscellaneous Internal Service	San Diego Data Processing Corporation	Total
$ 1,185	$ 44,552	$ 1,060	$ 15,301	$ 3,790	$ 134,104
10	167	-	1	-	415
-	5	-	-	-	11
-	-	-	398	-	398
-	-	-	38	-	39
-	-	-	-	6,710	6,710
-	-	-	-	2	2,105
-	-	1	-	1,618	2,366
-	-	-	-	1,984	1,984
318	-	208	-	9,881	108,014
1,513	44,724	1,269	15,738	23,985	256,146
195	2,027	44	229	5,531	21,584
34	90	429	1,339	630	3,233
-	-	-	-	-	344
37	41,303	-	2,187	1,073	51,866
1,616	-	151	48	1,386	3,297
-	-	-	1	126	127
51	-	-	3,019	294	4,270
-	178,155	-	-	-	178,155
-	-	-	-	-	18,842
49	-	603	256	-	1,741
281	-	2,493	836	-	5,325
2,263	221,575	3,720	7,915	9,040	288,784
318	-	208	-	11,865	84,545
(1,068)	(176,851)	(2,659)	7,823	3,080	(117,183)
$ (750)	$ (176,851)	$ (2,451)	$ 7,823	$ 14,945	$ (32,638)

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2008
(In Thousands)

	City of San Diego	
	Fleet Services	Central Stores
OPERATING REVENUES		
Charges for Services	$ 3,026	$ 32,442
Usage Fees	74,772	-
Other	288	170
TOTAL OPERATING REVENUES	78,086	32,612
OPERATING EXPENSES		
Benefit and Claim Payments	-	-
Maintenance and Operations	46,534	1,610
Cost of Materials Issued	-	32,453
Administration	2,837	60
Depreciation	12,689	23
TOTAL OPERATING EXPENSES	62,060	34,146
OPERATING INCOME (LOSS)	16,026	(1,534)
NONOPERATING REVENUES (EXPENSES)		
Earnings on Investments	2,946	49
Gain (Loss) on Sale/Retirement of Capital Assets	(3,855)	(11)
Debt Service Interest Expense	(884)	-
Other	35	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,758)	38
INCOME (LOSS) BEFORE TRANSFERS	14,268	(1,496)
Capital Contributions	161	-
Transfers from Other Funds	1,364	-
Transfers from Governmental Funds	26,367	-
Transfers to Other Funds	(1,461)	-
Transfers to Governmental Funds	(8,745)	(99)
CHANGE IN NET ASSETS	31,954	(1,595)
Net Assets at Beginning of Year	92,127	2,160
NET ASSETS AT END OF YEAR	$ 124,081	$ 565

Publishing Services	Self Insurance	Special Engineering	Miscellaneous Internal Service	San Diego Data Processing Corporation	Total
$ 5,327	$ 52,161	$ 17,760	$ 22,552	$ 48,248	$ 181,516
-	-	-	-	-	74,772
3	960	-	13	28	1,462
5,330	53,121	17,760	22,565	48,276	257,750
-	53,766	-	13,319	-	67,085
4,823	-	11,280	-	-	64,247
-	-	-	-	-	32,453
140	-	7,703	8,534	46,218	65,492
116	-	36	-	3,821	16,685
5,079	53,766	19,019	21,853	50,039	245,962
251	(645)	(1,259)	712	(1,763)	11,788
(46)	2,412	16	709	281	6,367
(42)	-	(34)	-	9	(3,933)
-	-	-	-	-	(884)
-	-	4	-	6	45
(88)	2,412	(14)	709	296	1,595
163	1,767	(1,273)	1,421	(1,467)	13,383
-	-	-	-	-	161
-	-	-	-	-	1,364
48	2,480	-	-	-	28,895
-	-	-	-	-	(1,461)
(17)	(2,412)	(173)	(468)	-	(11,914)
194	1,835	(1,446)	953	(1,467)	30,428
(944)	(178,686)	(1,005)	6,870	16,412	(63,066)
$ (750)	$ (176,851)	$ (2,451)	$ 7,823	$ 14,945	$ (32,638)

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008
(In Thousands)

	City of San Diego		
	Fleet Services	Central Stores	Publishing Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	$ 74,853	$ 32,616	$ 5,252
Receipts from Interfund Services Provided	3,592	37	78
Payments to Suppliers	(27,293)	(32,364)	(3,767)
Payments to Employees	(20,004)	(1,484)	(1,479)
Payments for Interfund Services Used	(869)	(136)	(68)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	30,279	(1,331)	16
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	1,364	-	-
Transfers from Governmental Funds	5,136	-	48
Transfers Out	(1,461)	-	-
Transfers to Governmental Funds	(8,745)	(100)	(17)
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(3,706)	(100)	31
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Contracts, Notes, and Loans	23,385	-	-
Acquisition of Capital Assets	(33,204)	-	-
Proceeds from the Sale of Capital Assets	2,582	-	-
Principal Payments on Capital Leases	(5,467)	-	-
Interest Paid on Long-Term Debt	(624)	-	-
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(13,328)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends Received on Investments	2,946	49	(45)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	2,946	49	(45)
Net Increase (Decrease) in Cash and Cash Equivalents	16,191	(1,382)	2
Cash and Cash Equivalents at Beginning of Year	50,821	2,586	1,183
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 67,012	$ 1,204	$ 1,185
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Operating Income (Loss)	$ 16,026	$ (1,534)	$ 251
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:			
Depreciation	12,689	23	116
Changes in Assets and Liabilities:			
(Increase) Decrease in Receivables:			
Accounts - Net	328	41	-
Claims - Net	(4)	-	-
Contributions	-	-	-
(Increase) Decrease in Inventories	-	(26)	-
(Increase) Decrease in Prepaid Expenses	(263)	-	-
Increase (Decrease) in Accounts Payable	843	127	(560)
Increase (Decrease) in Accrued Wages and Benefits	219	9	(2)
Increase (Decrease) in Due to Other Funds	92	4	217
Increase (Decrease) in Unearned Revenue	-	-	-
Increase (Decrease) in Compensated Absences	(18)	(2)	(27)
Increase (Decrease) in Liability Claims	-	-	-
Increase (Decrease) in Net OPEB Obligation	771	62	49
Increase (Decrease) in Net Pension Obligation	(439)	(35)	(28)
Other Nonoperating Revenue (Expenses)	35	-	-
Total Adjustments	14,253	203	(235)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 30,279	$ (1,331)	$ 16

Self Insurance	Special Engineering	Miscellaneous Internal Service	San Diego Data Processing Corporation	Total
$ 45,099	$ 4,162	$ 22,416	$ 47,573	$ 231,971
5,000	13,602	-	-	22,309
(21,993)	(5,085)	(755)	(17,896)	(109,153)
(23,031)	(14,361)	(20,346)	(24,849)	(105,554)
-	(330)	-	-	(1,403)
5,075	(2,012)	1,315	4,828	38,170
-	-	(60)	-	1,304
2,480	-	-	-	7,664
-	-	60	-	(1,401)
(2,412)	(173)	(468)	-	(11,915)
68	(173)	(468)	-	(4,348)
-	-	-	-	23,385
-	(42)	-	(4,979)	(38,225)
-	-	-	9	2,591
-	-	-	-	(5,467)
-	-	-	-	(624)
-	(42)	-	(4,970)	(18,340)
2,412	39	721	281	6,403
2,412	39	721	281	6,403
7,555	(2,188)	1,568	139	21,885
36,997	3,248	13,733	3,651	112,219
$ 44,552	$ 1,060	$ 15,301	$ 3,790	$ 134,104
$ (645)	$ (1,259)	$ 712	$ (1,763)	$ 11,788
-	36	-	3,821	16,685
(5)	-	-	(755)	(391)
3	-	-	-	(1)
-	-	(148)	-	(148)
-	-	-	2	(24)
-	(1)	-	494	230
(200)	(315)	59	2,787	2,741
(39)	6	572	184	949
-	151	-	-	464
-	-	-	44	44
-	(894)	-	8	(933)
5,961	-	-	-	5,961
-	603	256	-	1,741
-	(343)	(136)	-	(981)
-	4	-	6	45
5,720	(753)	603	6,591	26,382
$ 5,075	$ (2,012)	$ 1,315	$ 4,828	$ 38,170

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Fiduciary Funds

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FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government.

The resources of fiduciary funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

CITY OF SAN DIEGO

PENSION AND EMPLOYEE SAVINGS TRUST FUNDS

PRESERVATION OF BENEFITS PLAN

The Preservation of Benefits Plan is a qualified governmental excess benefit arrangement under Internal Revenue Code (IRC) section 415(m), which was created by Congress to allow for the payment of promised pension benefits that exceed the IRC section 415(b) limits (and therefore can't be paid from the City's Pension and Employee Savings Trust Fund). This fund is maintained by the Retirement Board of Administration to reflect all amounts the City contributes for payment of pension benefits that exceed IRC section 415(b) limits.

RETIREE HEALTH INSURANCE TRUST FUND

Retiree Health Insurance Trust fund is a separate trust fund used solely for providing retiree health benefits. It is maintained by the Retirement Board of Administration to reflect all amounts the City and retirees contribute to pay retiree health benefits.

SUPPLEMENTAL PENSION SAVINGS PLAN

The Supplemental Pension Savings Plan Fund is a defined contribution plan, where benefits depend solely on amounts contributed to the plan by both the City and employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

401(k) PLAN

The City's 401(k) Plan Fund is a defined contribution plan, where benefits depend solely on amounts contributed to the plan by City employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

AGENCY FUNDS

These funds were established to account for assets held by the City as an agent for individuals, private organizations, other governments and/or funds, including federal and state income taxes withheld from employees, parking citation revenues, and employee benefit plans.

BLENDED COMPONENT UNIT

PENSION AND EMPLOYEE SAVINGS TRUST FUNDS

CITY EMPLOYEES' RETIREMENT SYSTEM

The San Diego City Employees' Retirement System ("CERS") provides retirement, health insurance, disability, and death benefits. SDCERS is a defined benefit plan, whereby funds are accumulated from City and employee contributions, plus earnings from fund investments. Currently SDCERS also administers the Port of San Diego and the San Diego County Regional Airport Authority defined benefit plans.

FIDUCIARY FUNDS
PENSION AND EMPLOYEE SAVINGS TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2008
(In Thousands)

	City Employees' Retirement System	Preservation of Benefits Plan	Post-Employment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(k) Plan	Total
ASSETS						
Cash or Equity in Pooled Cash and Investments	$ 5,122	$ 15	$ 105	$ 218	$ 685	$ 6,145
Cash with Custodian/Fiscal Agent	501,400	111	-	-	-	501,511
Investments at Fair Value:						
Short Term Investments	42,268	-	-	-	-	42,268
Domestic Fixed Income Securities (Bonds)	998,630	-	-	-	-	998,630
International Fixed Income Securities (Bonds)	183,122	-	-	-	-	183,122
Domestic Equity Securities (Stocks)	1,780,841	-	-	-	-	1,780,841
International Equity Securities (Stocks)	819,511	-	-	-	-	819,511
Real Estate Equity and Real Estate Securities	487,530	-	-	-	-	487,530
Defined Contribution Investments	-	-	-	507,038	228,061	735,099
Receivables:						
Contributions	17,796	-	-	1,861	-	19,657
Accrued Interest	16,824	1	(13)	-	-	16,812
Loans	-	-	-	22,759	9,141	31,900
Securities Sold	100,068	-	-	-	-	100,068
Prepaid Expenses	16	-	-	-	-	16
Securities Lending Collateral	674,085	-	-	-	-	674,085
Capital Assets - Depreciable	523	-	-	-	-	523
TOTAL ASSETS	5,627,736	127	92	531,876	237,887	6,397,718
LIABILITIES						
Accounts Payable	6,057	-	-	-	-	6,057
Accrued Wages and Benefits	705	-	-	-	-	705
DROP Liability	311,756	-	-	-	-	311,756
Net Pension Obligation	776	-	-	-	-	776
Securities Lending Obligations	674,085	-	-	-	-	674,085
Securities Purchased	249,510	-	-	-	-	249,510
TOTAL LIABILITIES	1,242,889	-	-	-	-	1,242,889
NET ASSETS						
Held in Trust for Pension Benefits and Other Purposes	$ 4,384,847	$ 127	$ 92	$ 531,876	$ 237,887	$ 5,154,829

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2008
(In Thousands)

	City Employees' Retirement System	Preservation of Benefits Plan	Post-Employment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(k) Plan	Total
ADDITIONS						
Employer Contributions	$ 195,217	$ 1,000	$ 18,369	$ 23,254	$ -	$ 237,840
Employee Contributions	55,571	-	-	23,258	25,666	104,495
Retiree Contributions	-	-	6,661	-	-	6,661
Earnings on Investments:						
Investment Income	(232,640)	9	(70)	(4,718)	(4,675)	(242,094)
Investment Expense	(23,975)	-	-	-	-	(23,975)
Net Investment Income	(256,615)	9	(70)	(4,718)	(4,675)	(266,069)
Securities Lending:						
Gross Earnings	37,350	-	-	-	-	37,350
Borrower Rebates	(30,130)	-	-	-	-	(30,130)
Administrative Expenses (Lending Agent)	(1,895)	-	-	-	-	(1,895)
Net Securities Lending Income	5,325	-	-	-	-	5,325
Other Income	335	-	-	-	-	335
TOTAL OPERATING ADDITIONS	(167)	1,009	24,960	41,794	20,991	88,587
DEDUCTIONS						
DROP Interest Expense	23,050	-	-	-	-	23,050
Benefit and Claim Payments	257,881	870	29,923	52,695	17,987	359,356
Administration	15,776	12	-	-	-	15,788
TOTAL OPERATING DEDUCTIONS	296,707	882	29,923	52,695	17,987	398,194
CHANGE IN NET ASSETS	(296,874)	127	(4,963)	(10,901)	3,004	(309,607)
Net Assets at Beginning of Year	4,681,721	-	5,055	542,777	234,883	5,464,436
NET ASSETS AT END OF YEAR	$ 4,384,847	$ 127	$ 92	$ 531,876	$ 237,887	$ 5,154,829

FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2008
(In Thousands)

	Employee Benefits	Other Miscellaneous Agency	Total
ASSETS			
Cash and Investments	$ 9,558	$ 19,346	$ 28,904
Receivables:			
Accounts - Net	89	2	91
Accrued Interest	10	9	19
Restricted Cash and Investments	-	3,287	3,287
TOTAL ASSETS	$ 9,657	$ 22,644	$ 32,301
LIABILITIES			
Accounts Payable	$ -	$ 647	$ 647
Deposits/Advances from Others	-	12,730	12,730
Trust Liabilities	9,657	9,267	18,924
TOTAL LIABILITIES	$ 9,657	$ 22,644	$ 32,301

FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2008
(In Thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Employee Benefits				
ASSETS				
Cash or Equity in Pooled Cash and Investments	$ 8,071	$ 65,458	$ 63,971	$ 9,558
Receivables:				
Accounts - Net	74	825	810	89
Accrued Interest	11	167	168	10
TOTAL ASSETS	$ 8,156	$ 66,450	$ 64,949	$ 9,657
LIABILITIES				
Trust Liabilities	$ 8,156	$ 79,677	$ 78,176	$ 9,657
TOTAL LIABILITIES	$ 8,156	$ 79,677	$ 78,176	$ 9,657
Other Miscellaneous Agency				
ASSETS				
Cash and Investments	$ 24,388	$ 688,435	$ 693,477	$ 19,346
Receivables:				
Accounts - Net	2	1	1	2
Accrued Interest	15	157	163	9
Restricted Cash and Investments	8,312	2,896	7,921	3,287
TOTAL ASSETS	$ 32,717	$ 691,489	$ 701,562	$ 22,644
LIABILITIES				
Accounts Payable	$ 1,523	$ 6,993	$ 7,869	$ 647
Deposits/Advances from Others	13,300	4,875	5,445	12,730
Trust Liabilities	17,894	647,164	655,791	9,267
TOTAL LIABILITIES	$ 32,717	$ 659,032	$ 669,105	$ 22,644
TOTAL AGENCY FUNDS				
ASSETS				
Cash and Investments	$ 32,459	$ 753,893	$ 757,448	$ 28,904
Receivables:				
Accounts - Net	76	826	811	91
Accrued Interest	26	324	331	19
Restricted Cash and Investments	8,312	2,896	7,921	3,287
TOTAL ASSETS	$ 40,873	$ 757,939	$ 766,511	$ 32,301
LIABILITIES				
Accounts Payable	$ 1,523	$ 6,993	$ 7,869	$ 647
Deposits/Advances from Others	13,300	4,875	5,445	12,730
Trust Liabilities	26,050	726,841	733,967	18,924
TOTAL LIABILITIES	$ 40,873	$ 738,709	$ 747,281	$ 32,301

Statistical Section [Not Audited]

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City of San Diego
Net Assets by Category (Unaudited)
Last Seven Fiscal Years (In Thousands)
(Accrual Basis of Accounting)

	Fiscal Year			
	2002 (restated)	2003	2004	2005
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	$ 3,013,292	$ 3,106,168	$ 3,200,262	$ 3,600,989
Restricted for:				
Capital Projects	231,964	250,452	274,664	90,390
Debt Service	70,029	154,926	74,268	37,522
Low-Moderate Income Housing	-	-	-	-
Permanent	15,860	11,857	13,104	13,908
Other	137,071	78,743	129,686	104,488
Unrestricted	5,450	(53,988)	(146,793)	(215,719)
Total Governmental Activities Net Assets	3,473,666	3,548,158	3,545,191	3,631,578
Business-type Activities				
Invested in Capital Assets, Net of Related Debt	2,348,754	2,624,846	2,818,690	2,863,136
Restricted for:				
Debt Service	70,011	72,567	3,674	3,517
Other	24,385	25,275	26,735	29,412
Unrestricted	616,624	373,143	317,358	271,943
Total Business-type Activities Net Assets	3,059,774	3,095,831	3,166,457	3,168,008
Primary Government				
Invested in Capital Assets, Net of Related Debt	5,362,046	5,731,014	6,018,952	6,464,125
Restricted for:				
Capital Projects	231,964	250,452	274,664	90,390
Debt Service	140,040	227,493	77,942	41,039
Low-Moderate Income Housing	-	-	-	-
Permanent	15,860	11,857	13,104	13,908
Other	161,456	104,018	156,421	133,900
Unrestricted	622,074	319,155	170,565	56,224
Total Primary Government Net Assets	$ 6,533,440	$ 6,643,989	$ 6,711,648	$ 6,799,586

Table 1

2006	2007	2008
$ 3,472,531	$ 3,461,127	$ 3,518,704
273,575	300,288	314,931
-	-	-
64,493	81,739	108,026
14,568	16,509	16,757
96,537	100,159	124,328
(140,126)	(19,999)	70,635
3,781,578	3,939,823	4,153,381
2,867,469	2,998,848	2,933,012
2,970	2,977	2,660
32,115	34,732	36,776
308,575	343,280	517,261
3,211,129	3,379,837	3,489,709
6,340,000	6,459,975	6,451,716
273,575	300,288	314,931
2,970	2,977	2,660
64,493	81,739	108,026
14,568	16,509	16,757
128,652	134,891	161,104
168,449	323,281	587,896
$ 6,992,707	$ 7,319,660	$ 7,643,090

City of San Diego **Table 2**
Changes in Net Assets (Unaudited)
Last Seven Fiscal Years (In Thousands)
(Accrual Basis of Accounting)

	Fiscal Year						
	2002 (restated)	2003	2004	2005	2006	2007	2008
Expenses							
Governmental Activities							
General Government and Support	$ 181,722	$ 204,072	$ 221,752	$ 247,038	$ 252,295	$ 270,190	$ 322,157
Public Safety - Police	298,176	334,461	361,501	372,230	370,990	376,581	382,907
Public Safety - Fire and Life Safety and Homeland Security	139,699	147,897	173,311	186,203	194,074	209,902	204,822
Parks, Recreation, Culture and Leisure	181,762	202,567	204,736	218,601	237,375	229,500	231,955
Transportation	153,002	154,603	197,152	220,095	200,883	272,780	212,255
Sanitation and Health	57,227	37,615	44,925	45,088	48,774	43,780	51,772
Neighborhood Services	116,397	95,267	100,568	89,162	111,886	99,870	91,110
Debt Service:							
Interest	59,952	68,410	71,588	73,381	71,109	84,920	82,211
Total Governmental Activities Expenses	1,187,937	1,244,892	1,375,533	1,451,798	1,487,386	1,587,523	1,579,189
Business-type Activities							
Airports	3,085	4,281	7,384	3,196	4,100	3,755	4,109
City Store	731	731	858	808	810	843	788
Development Services	46,920	47,278	52,970	60,240	57,893	53,924	51,461
Environmental Services	35,684	40,306	40,602	43,711	44,493	40,138	37,279
Golf Course	6,433	6,963	7,572	8,585	9,563	10,690	11,142
Recycling	16,161	19,141	19,497	21,426	21,853	19,754	20,511
Sewer Utility	277,833	352,075	312,929	348,327	319,274	313,716	322,552
Water Utility	255,160	267,855	270,940	300,665	302,996	313,256	321,123
Total Business-type Activities Expenses	642,007	738,630	712,752	786,958	760,982	756,076	768,965
Total Primary Government Expenses	1,829,944	1,983,522	2,088,285	2,238,756	2,248,368	2,343,599	2,348,154
Program Revenues							
Governmental Activities							
Charges for Services:							
General Government and Support	72,067	80,782	81,167	100,887	96,345	107,257	111,714
Public Safety - Police	18,812	21,498	23,699	23,496	24,256	27,960	40,628
Public Safety - Fire and Life Safety and Homeland Security	16,492	21,014	19,940	21,381	18,572	16,548	19,156
Parks, Recreation, Culture and Leisure	20,136	9,187	12,466	35,314	51,196	52,656	64,030
Transportation	35,673	44,020	47,709	30,625	52,375	49,809	21,877
Sanitation and Health	7,571	9,009	9,087	8,651	10,697	10,224	9,832
Neighborhood Services	21,801	17,748	20,033	48,623	25,440	39,412	22,748
Operating Grants and Contributions	99,541	95,882	95,202	109,268	101,723	84,745	75,126
Capital Grants and Contributions	136,461	115,748	91,981	134,702	100,564	81,169	78,347
Total Governmental Activities Program Revenues	428,554	414,888	401,284	512,947	481,168	469,780	443,458
Business-type Activities							
Charges for Services:							
Airports	3,346	3,461	3,827	4,151	4,385	5,635	5,140
City Store	694	771	852	807	837	827	744
Development Services	46,860	46,656	58,412	61,299	55,011	48,746	45,945
Environmental Services	33,315	36,889	38,377	41,944	39,850	36,143	35,485
Golf Course	10,143	10,311	11,911	12,625	13,119	15,772	15,153
Recycling	15,870	17,640	16,169	19,883	21,345	20,476	23,390
Sewer Utility	233,980	256,947	267,294	288,972	290,568	304,749	328,119
Water Utility	213,577	222,462	239,533	267,649	280,567	310,292	318,626
Operating Grants and Contributions	5,981	3,616	1,483	2,028	1,909	1,203	2,312
Capital Grants and Contributions	170,943	143,444	133,586	63,830	77,602	141,419	58,400
Total Business-type Activities Program Revenues	734,709	742,197	771,444	763,188	785,193	885,262	833,314
Total Primary Government Program Revenues	1,163,263	1,157,085	1,172,728	1,276,135	1,266,361	1,355,042	1,276,772
Net (Expense)/Revenue							
Governmental Activities	(759,383)	(830,004)	(974,249)	(938,851)	(1,006,218)	(1,117,743)	(1,135,731)
Business-type Activities	92,702	3,567	58,692	(23,770)	24,211	129,186	64,349
Total Primary Government Net Expense	(666,681)	(826,437)	(915,557)	(962,621)	(982,007)	(988,557)	(1,071,382)

City of San Diego **Table 2**
Changes in Net Assets (Unaudited)
Last Seven Fiscal Years (In Thousands)
(Accrual Basis of Accounting)

	Fiscal Year						
	2002 (restated)	2003	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Assets							
Governmental Activities							
Property Taxes	$ 222,778	$ 248,659	$ 278,804	$ 329,659	$ 459,777	$ 526,722	$ 576,605
Transient Occupancy Taxes	95,175	105,263	113,209	120,792	136,803	154,810	159,348
Other Local Taxes	106,723	98,783	139,748	152,577	148,001	157,941	151,267
Developer Contributions and Fees	36,879	39,577	33,363	47,063	53,502	62,693	38,331
Grants and Contributions not Restricted to Specific Programs	93,824	91,556	101,086	141,934	64,039	5,339	6,251
Sales Taxes	233,864	223,594	238,616	197,198	227,017	263,399	269,757
Investment Income	90,073	84,448	57,537	29,473	40,108	76,292	96,725
Gain on Sale of Capital Assets	480	92	467	684	1,214	6,546	17,884
Special and Extraordinary Items	280	870	250	-	-	-	-
Miscellaneous	6,983	6,243	4,396	5,232	21,227	25,671	29,570
Transfers	47,953	5,411	3,806	626	4,530	(3,425)	3,551
Total Governmental Activities General Revenues, Contributions, and Transfers	935,012	904,496	971,282	1,025,238	1,156,218	1,275,988	1,349,289
Business-type Activities							
Investment Income	34,918	31,760	10,289	17,132	16,938	30,713	41,224
Gain/(Loss) on Sale of Capital Assets	-	(1,761)	8	-	-	-	-
Miscellaneous	(1,036)	7,902	5,443	8,815	6,502	5,384	7,850
Transfers	(47,953)	(5,411)	(3,806)	(626)	(4,530)	3,425	(3,551)
Total Business-type Activities General Revenues and Transfers	(14,071)	32,490	11,934	25,321	18,910	39,522	45,523
Total Primary Government General Revenues, Permanent Fund Contributions, and Transfers	920,941	936,986	983,216	1,050,559	1,175,128	1,315,510	1,394,812
Change in Net Assets							
Governmental Activities	175,629	74,492	(2,967)	86,387	150,001	158,245	213,558
Business-type Activities	78,631	36,057	70,626	1,551	43,121	168,708	109,872
Total Primary Government Change in Net Assets	$ 254,260	$ 110,549	$ 67,659	$ 87,938	$ 193,122	$ 326,953	$ 323,430

City of San Diego
Fund Balances of Governmental Funds (Unaudited)
Last Ten Fiscal Years (In Thousands)
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	1999[1]	**2000**	**2001[1]**	**2002[1]**	**2003**
General Fund:					
Reserved	$ 16,663	$ 21,898	$ 22,128	$ 26,298	$ 21,482
Unreserved	22,988	32,508	55,579	43,705	45,570
Total General Fund	$ 39,651	$ 54,406	$ 77,707	$ 70,003	$ 67,052
All Other Governmental Funds:					
Reserved	$ 490,696	$ 593,837	$ 445,752	$ 574,974	$ 386,652
Unreserved, reported in:					
Special Revenue Funds	142,000	119,272	137,040	202,651	185,219
Debt Service Funds	575	562	1,194	3,740	864
Capital Projects Funds	653,505	357,522	320,563	283,250	275,591
Permanent Funds	-	-	-	-	461
Total All Other Governmental Funds	$ 1,286,776	$ 1,071,193	$ 904,549	$ 1,064,615	$ 848,787

Footnote:
[1] Amounts have been subsequently restated in future periods

Table 3

Fiscal Year				
2004	2005	2006	2007	2008
$ 18,550	$ 17,501	$ 21,288	$ 35,858	$ 45,843
42,672	43,547	40,353	96,190	78,938
$ 61,222	$ 61,048	$ 61,641	$ 132,048	$ 124,781
$ 277,968	$ 372,806	$ 401,019	$ 504,693	$ 652,222
305,909	284,818	267,576	350,096	233,388
1,650	13	217	29	221,814
287,259	279,866	406,130	377,648	358,550
879	1,063	656	1,249	549
$ 873,665	$ 938,566	$ 1,075,598	$ 1,233,715	$ 1,466,523

City of San Diego
Changes in Fund Balances of Governmental Funds (Unaudited)
Last Ten Fiscal Years (In Thousands)
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	1999	2000	2001	2002	2003
Revenues:					
Property Taxes	$ 160,658	$ 179,048	$ 201,801	$ 223,100	$ 248,276
Special Assessments (1)	19,630	18,457	18,775	22,491	25,748
Sales Taxes (2)	179,037	198,622	221,724	221,383	223,023
In-Lieu Sales Taxes (3)	-	-	-	-	-
Transient Occupancy Taxes (4)	-	-	-	-	-
Other Local Taxes	161,928	171,141	193,177	202,364	203,493
Licenses and Permits	34,854	30,381	34,803	25,194	29,268
Fines, Forfeitures and Penalties	25,541	31,141	32,902	25,854	26,679
Revenue from Use of Money and Property	112,558	120,966	108,345	97,213	86,789
Revenue from Federal Agencies	124,191	52,889	40,136	42,635	56,851
Revenue from Other Agencies	166,334	214,559	222,868	171,681	136,359
Revenue from Private Sources	50,394	82,382	77,583	140,841	82,410
Charges for Current Services	82,427	95,000	101,781	110,418	123,461
Other Revenue	10,544	15,462	11,544	10,074	10,594
Total Revenues	1,128,096	1,210,048	1,265,439	1,293,248	1,252,951
Expenditures:					
Current:					
General Government	77,751	83,351	95,992	189,128	193,980
Community and Economic Development (5)	14,740	16,289	27,830	-	-
Public Safety - Police (5)	356,358	395,942	406,580	288,809	301,839
Public Safety - Fire and Life Safety and Homeland Security	-	-	-	131,974	141,967
Libraries (7)	24,213	26,237	31,364	-	-
Parks, Recreation, Culture and Leisure	99,464	106,227	116,195	174,485	177,584
Public Works (8)	136,474	152,409	152,557	-	-
Housing and Community Development (9)	100,169	13,535	13,641	-	-
Public Transportation (6)	30	14	8	91,746	89,653
Sanitation and Health (6)	-	-	-	36,851	38,031
Neighborhood Services (6)	-	-	-	72,087	98,050
Employee Relations and Special Projects	7,207	7,761	8,426	-	-
Miscellaneous and Unallocated	2,505	1,914	1,371	-	-
Cost of Issuance, Bonds and Notes	10,386	360	4,054	-	-
Capital Projects	439,885	413,107	467,769	208,083	229,496
Debt Service:					
Principal Retirement	39,470	43,027	54,233	39,831	49,858
Interest	90,717	127,620	125,330	49,140	65,216
Arbitrage Rebate	-	-	-	-	-
Cost of Issuance	-	-	-	-	-
Total Expenditures	1,399,369	1,387,793	1,505,350	1,282,134	1,385,674
Excess (Deficiency) of Revenues Over Expenditures	(271,273)	(177,745)	(239,911)	11,114	(132,723)
Other Financing Sources (Uses):					
Transfers In	4,424	5,286	7,130	6,338	11,660
Transfers Out	(18,932)	(32,476)	(28,013)	(16,749)	(8,676)
Transfer to Escrow Agent	(64,137)	-	-	-	(53,974)
Contracts, Notes, and Loans Issued	-	3,711	222	-	3,891
Bonds Issued	1,042,238	23,459	117,229	253,181	89,340
Other Income	-	-	-	2,622	8,237
Restatements	-	(23,063)	-	(104,144)	(136,534)
Total Other Financing Sources (Uses)	963,593	(23,083)	96,568	141,248	(86,056)
Net Change in Fund Balances	$ 692,320	$ (200,828)	$ (143,343)	$ 152,362	$ (218,779)
Debt Service as a Percentage of Noncapital Expenditures	13.6%	17.5%	17.3%	8.3%	10.0%

Footnotes:
(1) The City began reporting Special Assessments separate from Property Taxes beginning with the fiscal year ended June 30, 1998.
(2) The City began reporting Sales Taxes separate from Other Local Taxes beginning with the fiscal year ended June 30, 1998.
(3) The City began reporting In-Lieu Sales Taxes separate from Sales Taxes beginning with the fiscal year ended June 30, 2005.
(4) The City began reporting Transient Occupancy Taxes separate from Other Local Taxes beginning with the fiscal year ended June 30, 2004.
(5) Amounts reported as Public Safety - Police prior to the fiscal year ended June 30, 2002 includes Public Safety - Fire & Life Safety.
(6) Multiple classification adjustments were imposed as a result of implementation of GASB Statement No. 34.

Table 4

Fiscal Year 2004	2005	2006	2007	2008
$ 279,090	$ 325,857	$ 457,908	$ 521,734	$ 573,311
26,816	30,263	36,699	36,585	50,274
238,430	197,198	227,017	264,587	270,791
-	48,220	45,433	-	-
113,209	121,612	136,801	153,574	159,348
140,016	152,576	148,001	158,046	146,899
30,592	40,724	42,117	41,425	50,693
33,870	33,906	35,441	42,932	32,785
63,268	77,514	89,438	117,552	129,582
50,493	66,283	43,570	79,735	40,413
154,559	143,639	58,289	61,977	53,370
62,143	91,354	91,287	59,549	23,013
129,350	138,794	127,121	159,877	165,910
10,462	11,518	25,923	31,027	30,824
1,332,298	1,479,458	1,565,045	1,728,600	1,727,213
198,826	236,706	290,550	267,461	310,814
-	-	-	-	-
313,387	347,359	408,474	376,762	388,729
152,073	178,553	212,069	202,031	205,660
-	-	-	-	-
170,163	180,327	216,038	182,197	195,808
-	-	-	-	-
-	-	-	-	-
117,619	140,604	147,977	139,349	135,404
42,184	44,327	49,094	44,729	53,957
104,205	102,235	112,080	85,544	88,242
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
174,346	175,493	126,583	106,518	132,432
49,118	77,952	53,293	68,160	59,228
68,800	68,201	68,732	82,928	78,133
421	-	-	-	-
-	-	-	5,145	3,618
1,391,142	1,551,757	1,684,890	1,560,824	1,652,025
(58,844)	(72,299)	(119,845)	167,776	75,188
7,373	10,634	6,975	9,509	10,373
(16,474)	(2,366)	(1,784)	(3,546)	(9,756)
(10,132)	(32,011)	-	(159,690)	(10,676)
27,507	5,435	13,873	13,003	16,063
66,168	152,056	217,797	182,328	108,121
3,450	3,278	20,609	19,144	36,228
-	-	-	-	-
77,892	137,026	257,470	60,748	150,353
$ 19,048	$ 64,727	$ 137,625	$ 228,524	$ 225,541
9.7%	10.6%	7.8%	10.7%	9.3%

City of San Diego
Assessed Value and Estimated Value of Taxable Property (Unaudited)
Last Ten Fiscal Years (In Thousands)

	City			
Fiscal Year Ended June 30	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value
1999	75,788,751	5,852,822	(4,328,931)	77,312,642
2000	82,195,239	6,347,101	(4,606,047)	83,936,293
2001	89,259,317	6,838,926	(4,955,424)	91,142,819
2002	96,534,652	6,959,602	(4,577,069)	98,917,185
2003	105,602,893	7,230,861	(5,415,535)	107,418,219
2004	115,116,772	6,842,254	(5,690,654)	116,268,372
2005	128,611,940	7,191,819	(5,967,224)	129,836,535
2006	124,598,322	7,063,201	(5,678,208)	125,983,315
2007	137,387,588	7,625,115	(5,861,380)	139,151,323
2008	150,001,428	7,405,798	(6,323,459)	151,083,767

Source: MuniServices, LLC, County of San Diego

Table 5

Redevelopment Agency				
Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
6,064,771	435,459	(346,763)	6,153,467	0.192%
6,637,895	466,314	(403,072)	6,701,137	0.198%
7,420,900	482,155	(394,372)	7,508,683	0.205%
8,287,824	526,423	(456,942)	8,357,305	0.208%
9,662,606	593,738	(480,455)	9,775,889	0.212%
9,558,045	483,522	(531,458)	9,510,109	0.222%
10,222,644	505,380	(573,561)	10,154,463	0.233%
14,574,228	633,220	(691,376)	14,516,072	0.326%
17,678,580	896,315	(930,793)	17,644,102	0.333%
20,608,094	894,544	(1,070,838)	20,431,800	0.334%

City of San Diego **Table 6**
Direct and Overlapping Property Tax Rates (Unaudited)
($1 Per $100 of Assessed Value)
Last Ten Fiscal Years

	Direct Rate	**Overlapping**		
Fiscal Year Ended June 30	Basic County/ City Rate	City of San Diego	Education	Total
1999	1.00000%	0.00790%	0.09630%	1.10420%
2000	1.00000%	0.00760%	0.09580%	1.10340%
2001	1.00000%	0.00740%	0.09580%	1.10320%
2002	1.00000%	0.00730%	0.09580%	1.10310%
2003	1.00000%	0.00710%	0.09580%	1.10290%
2004	1.00000%	0.00680%	0.00000%	1.00680%
2005	1.00000%	0.00670%	0.00000%	1.00670%
2006	1.00000%	0.01165%	0.10085%	1.11250%
2007	1.00000%	0.01094%	0.08931%	1.10025%
2008	1.00000%	0.01069%	0.08747%	1.09816%

Source: MuniServices, LLC, County of San Diego

City of San Diego **Table 7**
Principal Property Tax Payers (Unaudited)
Current Year and Nine Years Ago (In Thousands)

Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
For the Fiscal Year Ended June 30, 2008		
Irvine Co.	$ 1,252,157	0.73%
Qualcomm, Inc.	1,204,480	0.70%
Kilroy Realty, LP	844,736	0.49%
Maguire Properties	579,358	0.34%
Arden Realty Ltd. Partnership	496,826	0.29%
Pfizer, Inc.	480,142	0.28%
San Diego Family Housing, LLC	435,957	0.25%
Fashion Valley Mall, LLC	432,358	0.25%
Sea World, Inc.	387,571	0.23%
Host San Diego Hotel, LLC	370,526	0.22%
For the Fiscal Year Ended June 30, 1999		
Sea World, Inc.	$ 464,580	0.67%
Equitable Life Assurance	412,994	0.59%
Qualcomm, Inc.	357,162	0.51%
Hewlett-Packard	266,996	0.38%
Pacific Gateway, Ltd	235,882	0.34%
Sony Corp of America	228,704	0.33%
Pardee Construction	140,301	0.20%
Manchester Resorts, LP	138,920	0.20%
Solar Turbines	19,966	0.03%
Miramar Ranch North	12,895	0.02%

Sources: 2007-08 MuniServices, LLC, and Comprehensive Annual Financial Reports

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City of San Diego **Table 8**

Property Tax Levies and Collections [1] (Unaudited)

Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1999	$ 127,846	$ 124,267	97.20%	$ 2,656	$ 126,923	99.28%
2000	141,963	137,859	97.11%	2,366	140,225	98.78%
2001	155,060	150,900	97.32%	2,506	153,406	98.93%
2002	167,077	163,357	97.77%	2,089	165,446	99.02%
2003	181,687	175,943	96.84%	2,398	178,341	98.16%
2004	199,630	191,224	95.79%	3,175	194,399	97.38%
2005	227,422	213,173	93.73%	3,152	216,325	95.12%
2006	255,211	240,895	94.39%	4,563	245,458	96.18%
2007	272,983	257,034	94.16%	5,865	262,899	96.31%
2008	289,235	271,657	93.92%	8,102	279,759	96.72%

Footnote:

[1] Property Tax Levies and Collections for the General Fund and Zoological Exhibits Fund

Source: County of San Diego

City of San Diego
Ratios of Outstanding Debt by Type (Unaudited)
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Governmental Activities					
	Arbitrage Liability	Capital Lease Obligations	Contracts Payable	Notes Payable	Loans	General Obligation Bonds
1999	$ -	$ 17,551	$ 717	$ 99,230	$ -	$ 74,255
2000	-	14,284	1,697	33,606	5,972	68,700
2001	-	13,233	3,848	37,962	3,250	63,595
2002	-	38,345	3,597	15,521	28,255	58,095
2003	363	37,701	1,882	8,416	46,117	52,165
2004	262	30,619	1,715	5,998	69,084	45,775
2005	-	30,647	1,715	7,924	62,024	14,530
2006	-	40,541	2,615	7,294	64,199	12,690
2007	-	39,130	2,615	8,555	60,493	10,705
2008	-	61,262	2,615	5,662	70,763	8,580

Fiscal Year Ended June 30	Business-Type Activities					
	Arbitrage Liability	Capital Lease Obligations	Notes Payable	Loans Payable	Line of Credit	Revenue Bonds Payable
1999	$ -	$ 18,656	$ 1,118,740	$ 100	$ -	$ -
2000	-	25,807	1,485,497	17,256	3,569	-
2001	-	28,885	1,463,290	60,222	4,169	-
2002*	-	7,612	63,786	-	-	1,433,465
2003	1,812	6,465	-	69,093	-	1,612,200
2004	221	5,008	-	67,054	-	1,731,825
2005	213	3,521	-	63,803	-	1,698,060
2006	193	2,051	-	91,247	-	1,662,705
2007	224	1,006	280,830	101,316	-	1,469,060
2008	586	166	430,830	95,875	-	1,425,445

Footnotes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.
*In fiscal year 2002, loans payable were reclassified as notes payable, and notes payable were reclassified as bond payable
(a) Ratio is calculated using assessed property values. Personal income data is not available
(b) Ratio is calculated using population data.

Source: Comprehensive Annual Financial Reports

Table 9

Governmental Activities					
Pooled Financing Bonds	Revenue Bonds/ Lease Revenue Bonds/ Certificates of Participation	Special Assessment/ Special Tax Bonds	Tax Allocation Bonds	Tobacco Settlement Asset-Backed Bonds	Total Governmental Activities
$ -	$ 446,885	$ 72,690	$ 164,215	$ -	$ 875,543
-	448,000	70,550	171,101	-	813,910
-	434,365	128,545	222,751	-	907,549
-	609,235	125,955	275,471	-	1,154,474
-	609,785	123,130	283,310	-	1,162,869
-	591,620	140,545	314,333	-	1,199,951
-	571,285	137,305	415,778	-	1,241,208
-	549,850	133,605	514,845	105,400	1,431,039
-	521,210	145,625	502,804	102,700	1,393,837
34,115	498,950	144,805	548,643	99,370	1,474,765

Total Business-Type Activities	Total Primary Government	Percentage of Assessed Value (a)	Debt Per Capita (b)
$ 1,137,496	$ 2,013,039	2.56%	1.60
1,532,129	2,346,039	2.75%	1.84
1,556,566	2,464,115	2.66%	1.97
1,504,863	2,659,337	2.65%	2.12
1,689,570	2,852,439	2.62%	2.24
1,804,108	3,004,059	2.55%	2.32
1,765,597	3,006,805	2.29%	2.30
1,756,196	3,187,235	2.53%	2.43
1,852,436	3,246,273	2.33%	2.47
1,952,902	3,427,667	2.27%	2.56

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City of San Diego **Table 10**
Ratios of General Bonded Debt Outstanding (Unaudited)
Last Ten Fiscal Years

Fiscal Year Ended June 30	General Obligation Bonds (Thousands)	Assessed Valuation (Thousands) (restated)		Percentage of Assessed Value (a)	Population	Debt Per Capita (b)
1999	74,255	77,312,642		0.10%	1,254,281	59.20
2000	68,700	83,936,293		0.08%	1,277,168	53.79
2001	63,595	91,142,819		0.07%	1,250,700	50.85
2002	58,095	98,917,185		0.06%	1,255,742	46.26
2003	52,165	107,418,219		0.05%	1,275,112	40.91
2004	45,775	116,268,372		0.04%	1,294,000	35.37
2005	14,530	129,836,535		0.01%	1,306,000	11.13
2006	12,690	125,983,315	(c)	0.01%	1,311,162	9.68
2007	10,705	139,151,323		0.01%	1,316,837	8.13
2008	8,580	151,083,767		0.01%	1,336,865	6.42

Footnotes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(a) Ratio is calculated using assessed property values. Personal income data is not available.
(b) Ratio is calculated using population data.
(c) The City recognized a fluctuation in Taxable Assessed Value in fiscal year 2006 due to a change in the allocation method between the City & the Redevelopment Agency. This methodology change resulted from Management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB 44.

Source: Comprehensive Annual Financial Reports

City of San Diego
Direct and Overlapping Debt (Unaudited)
June 30, 2008 (In Thousands)

Table 11

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/08	% Applicable (1)	City's Share of Debt, 6/30/08
Metropolitan Water District	$ 327,215	8.850%	$ 28,959
Palomar Community College District	158,000	25.003%	39,505
San Diego Community College District	512,188	99.907%	511,696
Poway Unified School District School Facilities Improvement District No. 2002-1	176,686	67.857%	119,894
San Diego Unified School District	1,402,328	99.907%	1,400,024
Sweetwater Union High School District	356,614	20.155%	71,876
San Ysidro School District	89,977	91.143%	82,008
Other School, High School and Community College Districts	696,057	Various	29,232
Grossmont Healthcare District	85,627	8.068%	6,908
Palomar Pomerado Hospital District	309,443	30.539%	94,501
City of San Diego	8,170	100.000%	8,170
City of San Diego Special Assessment/Special Tax Bonds (3)	144,805	100.000%	144,805
San Diego Open Space Park Facilities District No. 1 (3)	410	100.000%	410
Del Mar Unified School District Community Facilities District No. 99-1	30,165	100.000%	30,165
North City West School District Community Facilities District	97,413	100.000%	97,413
Poway Unified School District Community Facilities Districts	310,446	99.609-100.000%	310,230
San Dieguito Union High School District Community Facilities Districts	65,237	39.731-81.063%	32,862
Sweetwater Union High School District Community Facilities Districts	45,732	8.935-100.000%	24,429
Other Special District 1915 Act Bonds	19,542	Various	1,889
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			3,034,976
Less: San Diego Open Space Park Facilities District No. 1 (100% self-supporting)			410
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			3,034,566
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	357,645	45.563%	162,954
San Diego County Pension Obligations	1,053,188	45.563%	479,864
San Diego Superintendent of Schools Certificates of Participation	17,268	45.563%	7,868
Palomar Community College District General Fund Obligations	7,690	25.003%	1,923
Poway Unified School District Certificates of Participation	127,465	71.467%	91,096
Sweetwater Union High School District Certificates of Participation	15,030	20.155%	3,029
Chula Vista School District General Fund Obligations	131,565	5.259%	6,919
San Ysidro School District Certificates of Participation	32,925	91.143%	30,009
Other School, High School and Community College District Certificates of Participation	56,208	Various	2,397
City of San Diego Revenue Bonds, Leased Revenue Bonds, and Certificates of Participation (3)	498,950	100.000%	498,950
Otay Municipal Water District Certificates of Participation	65,335	5.790%	3,783
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			1,288,792
Less: Otay Municipal Water District Certificates of Participation			3,783
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			1,285,009
GROSS COMBINED TOTAL DEBT (2)			4,323,768
NET COMBINED TOTAL DEBT			$ 4,319,575

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

(3) Amounts for total debt reconcile to Note 5.

City of San Diego **Table 11**
Direct and Overlapping Debt (Unaudited)
June 30, 2008 (In Thousands)
(Continued)

Ratios to 2007-08 Assessed Valuation:		
Direct Debt ($8,170)		0.005%
Total Gross Direct and Overlapping Tax and Assessment Debt		2.52%
Total Net Direct and Overlapping Tax and Assessment Debt		2.52%
Ratios to Adjusted Assessed Valuation:		
Gross Combined Direct Debt ($507,530) (1)		0.34%
Net Combined Direct Debt ($507,120)		0.34%
Gross Combined Total Debt		2.86%
Net Combined Total Debt		2.86%
(1) City of San Diego	$	8,170
City Authorities and Certificates of Participation		498,950
San Diego Open Space Park Facilities District No. 1		410
	$	507,530

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: $0

Source: California Municipal Statistics, Inc. and Comprehensive Annual Financial Report

City of San Diego
Legal Debt Margin Schedule (Unaudited)
Last Ten Fiscal Years (In Thousands)

	Fiscal Year			
	1999	**2000**	**2001**	**2002**
Assessed valuation (restated)	$ 77,312,642	$ 83,936,293	$ 91,142,819	$ 98,917,185
Conversion percentage *	25%	25%	25%	25%
Adjusted assessed valuation	19,328,161	20,984,073	22,785,705	24,729,296
Debt limit percentage **	25%	25%	25%	25%
Debt limit	4,832,040	5,246,018	5,696,426	6,182,324
Total net debt applicable to limit:				
General Obligation Bonds	20,200	19,170	18,075	16,920
Legal debt margin	4,811,840	5,226,848	5,678,351	6,165,404
Total debt applicable to the limit as a percentage of the debt limit	0.42%	0.37%	0.32%	0.27%

Footnotes:

[1] The City recognized a fluctuation in Taxable Assessed Value in fiscal year 2006 due to a change in the allocation method between the City & the Redevelopment Agency. This methodology change resulted from Management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB 44.

[2] The current debt limitation for Water is 15% of the Adjusted Assessed Valuation, or $5,665,641, and the debt limitation for other purposes is 10% of the Adjusted Assessed Valuation, or $3,777,094.

* The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value. The calculations shown above present a conversion of assessed valuation data for each fiscal year from the current 100% valuation to the 25% level that was in effect at the time the legal debt margin was enacted.

** Section 90 of the City Charter provides that the bonded indebtedness for the development, conservation, and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation.

Source: Comprehensive Annual Financial Reports

Table 12

Fiscal Year					
2003	**2004**	**2005**	**2006**	**2007**	**2008**
$ 107,418,219	$ 116,268,372	$ 129,836,535	$ 125,983,315	$ 139,151,323	$ 151,083,767
25%	25%	25%	25%	25%	25%
26,854,555	29,067,093	32,459,134	31,495,829	34,787,831	37,770,942
25%	25%	25%	25%	25%	25%
6,713,639	7,266,773	8,114,783	7,873,957	8,696,958	9,442,735
15,690	14,390	13,010	11,520	9,905	8,170
6,697,949	7,252,383	8,101,773	7,862,437	8,687,053	9,434,565
0.23%	0.20%	0.16%	0.15%	0.11%	0.09%

City of San Diego
Pledged-Revenue Coverage - Water Bonds (Unaudited)
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Total System Revenues	Total Maintenance and Operation Costs (Excludes Depreciation)	Net System Revenues [1]	Less: Interest Earnings on Reserve Fund - Senior Obligations	Adjusted Net System Revenues [2]
1999	$ 210,490	$ 195,407	$ 15,083	$ (884)	$ 14,199
2000	255,736	213,358	42,378	-	42,378
2001	255,974	214,056	41,918	(54)	41,864
2002	261,333	222,104	39,229	(3,444)	35,785
2003	256,968	226,058	30,910	(1,305)	29,605
2004	267,649	232,193	35,456	(1,296)	34,160
2005	294,904	234,392	60,512	(1,262)	59,250
2006	303,453	242,180	61,273	(1,228)	60,045
2007	336,599	255,486	81,113	(1,346)	79,767
2008	350,770	258,813	91,957	(1,481)	90,476

[1] Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Water System for the fiscal year.
[2] Adjusted Net System Revenues is the "Net System Revenues" less "an amount equal to earnings from investments in any Reserve Fund or Reserve Account" for the fiscal year.
[3] All Obligations include Senior, Subordinate and State Revolving Fund (SRF) Loans.

Source: Comprehensive Annual Financial Reports

Table 13

Senior Debt Service						All Obligations [3]	
Principal	Interest	Total	Less: Senior Interest Earnings	Adjusted Debt Service	Adjusted Debt Service Coverage	Total Debt Service	Aggregate Debt Service Coverage
$ -	$ 9,365	$ 9,365	$ (884)	$ 8,481	1.67	$ 9,365	1.61
-	18,730	18,730	-	18,730	2.26	18,730	2.26
-	18,730	18,730	(54)	18,676	2.24	18,730	2.24
6,780	18,594	25,374	(3,444)	21,930	1.63	25,510	1.54
7,055	16,308	23,363	(1,305)	22,058	1.34	27,002	1.14
7,345	14,010	21,355	(1,296)	20,059	1.70	34,861	1.02
7,645	13,710	21,355	(1,262)	20,093	2.95	34,861	1.74
7,965	13,390	21,355	(1,228)	20,127	2.98	35,549	1.72
8,305	13,046	21,351	(1,346)	20,005	3.99	40,759	1.99
8,675	12,679	21,354	(1,481)	19,873	4.55	43,082	2.13

City of San Diego
Pledged-Revenue Coverage - Sewer Bonds (Unaudited)
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Total System Revenues [1]	Total Maintenance and Operation Costs (Excludes Depreciation)	Net System Revenues [2]	Senior Debt Service		
				Principal	Interest	Total
1999	$ 256,163	$ 138,880	$ 117,283	$ 15,430	$ 41,108	$ 56,538
2000	291,238	137,007	154,231	18,300	58,755	77,055
2001	283,228	168,853	114,375	22,150	54,905	77,055
2002	310,392	170,022	140,370	23,045	54,009	77,054
2003	334,551	241,822	92,729	24,000	53,046	77,046
2004	296,169	196,823	99,346	25,030	52,020	77,050
2005	322,542	204,163	118,379	26,120	50,935	77,055
2006	320,288	202,111	118,177	27,390	49,662	77,052
2007	343,921	202,632	141,289	30,250	46,805	77,055
2008	361,511	211,449	150,062	30,250	46,805	77,055

[1] Beginning in Fiscal Year 2004, the City's methodology for reporting Net System Revenues was changed to exclude interest earnings on Acquisition Bond Proceeds from Total Income. The data presented in this Table has been restated to reflect this change.
[2] Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Wastewater System for the fiscal year.
[3] All Obligations include Senior, Subordinate and State Revolving Fund (SRF) Loans.

Source: Comprehensive Annual Financial Reports

Table 14

	All Obligations [3]	
Senior Debt Service Coverage	Total Debt Service	Aggregate Debt Service Coverage
2.07	$ 56,538	2.07
2.00	77,055	2.00
1.48	77,688	1.47
1.82	77,888	1.80
1.20	80,995	1.14
1.29	81,516	1.22
1.54	84,789	1.40
1.53	86,802	1.36
1.83	96,408	1.47
1.95	94,555	1.59

City of San Diego **Table 15**
Demographic and Economic Statistics (Unaudited)
Last Ten Fiscal Years

Fiscal Year Ended June 30	Population [1]	Personal Income [2] (Thousands $)	Per Capita Personal Income ($)	Unemployment Rate [3]
1999	1,254,281	N/A	N/A	3.5%
2000	1,277,168	N/A	N/A	3.2%
2001	1,250,700	N/A	N/A	2.3%
2002	1,255,742	31,859,430	25,371	3.7%
2003	1,275,112	32,794,606	25,719	4.4%
2004	1,294,000	35,896,854	27,741	5.0%
2005	1,306,000	38,523,082	29,497	4.5%
2006	1,311,162	37,749,536	28,791	4.3%
2007	1,316,837	39,302,317	29,846	4.0%
2008	1,336,865	42,678,078	31,924	4.6%

Footnotes:
[1] Population projections are provided by the California Department of Finance Projections.
[2] Income data is provided by the United States Census Data and is adjusted for inflation.
[3] Unemployment data is provided by the EDD's Bureau of Labor Statistics Department.

Sources: 2007-08 MuniServices, LLC, and Comprehensive Annual Financial Reports

City of San Diego **Table 16**
Principal Employers (Unaudited)
Fiscal Year-End 2008 [1]

Employer	Number of Employees	Percentage of Total Employment [2]
United States Navy [3]	45,500	6.61%
University of California San Diego	26,011	3.78%
San Diego Unified School District [4]	24,000	3.49%
San Diego County [5]	17,000	2.47%
Sharp Memorial Hospital	13,872	2.01%
Scripps Health	12,000	1.74%
City of San Diego [6]	10,789	1.57%
Kaiser Permanente	6,970	1.01%
Qualcomm, Inc.	6,000	0.87%
Sempra Energy	5,000	0.73%
Total Top Employers	167,142	24.28%

Footnotes:
[1] Past data going back to fiscal year-end 1999 is not available for a 10 year comparison.
[2] Percentage based on total employment of 688,500 provided by the EDD Labor Force Data.
[3] Employee count includes Navy personnel only (civilian/military).
[4] Employee count is district-wide.
[5] Employee count is county-wide.
[6] Employee count is provided by the City of San Diego, Office of the Comptroller - Payroll Division

Source: 2007-08 MuniServices, LLC

City of San Diego **Table 17**
Full-time and Part-time City Employees by Function (Unaudited)
Last Eight Fiscal Years [1]

Function	Fiscal Year 2001	2002	2003	2004	2005	2006	2007	2008
General Government and Support	1,864	2,015	2,039	1,990	1,944	1,816	1,870	1,979
Public Safety - Police	2,854	2,875	2,836	2,730	2,774	2,628	2,627	2,712
Public Safety - Fire and Life Safety	1,286	1,314	1,355	1,352	1,373	1,322	1,333	1,314
Parks, Recreation, Culture and Leisure	2,041	2,023	2,052	1,822	1,777	1,701	1,663	1,705
Transportation	490	517	513	501	461	447	339	326
Sanitation and Health	164	163	161	161	148	144	129	150
Neighborhood Services	267	259	260	235	234	177	148	154
Airports	19	20	21	19	17	14	14	15
Development Services	480	498	463	524	535	482	426	392
Environmental Services	209	222	225	219	219	196	188	164
Golf Course	69	70	73	82	81	88	95	88
Recycling	99	118	120	119	116	121	108	98
Sewer Utility	972	1,052	1,108	1,071	1,050	976	906	863
Water Utility	967	997	979	975	943	878	839	829
Total Employees	11,781	12,143	12,205	11,800	11,672	10,990	10,685	10,789

Footnote:
[1] Data only available for the last eight fiscal years.

Source: City of San Diego, Office of the Comptroller - Payroll Division

City of San Diego **Table 18**
Operating Indicators by Function (Unaudited)
Last Three Fiscal Years [1]

Function	2006	2007	2008
Public Safety - Police			
Calls for police services dispatched	626,067	623,940	631,371
Calls for 9-1-1 emergencies	471,927	518,291	526,391
Public Safety - Fire and Life Safety			
Fire Department:			
Emergency calls - fire	3,579	3,392	4,445
Emergency calls - medical/rescue	84,882	87,789	91,932
Emergency calls - other	12,918	13,010	13,635
Lifeguard:			
Water rescues	5,075	3,696	4,771
Other rescues	4,490	3,388	4,334
Beach attendance	21,277,945	21,253,050	20,275,495
Parks, Recreation, Culture and Leisure			
Parks and Recreation:			
Number of aquatic users [2]	333,688	293,300	325,080
Number of youth served in after school program sites [2]	80,837	57,111	88,032
Library:			
Circulation	7,003,040	7,167,104	7,374,378
Total attendance - all libraries	6,017,790	6,040,091	6,234,038
Sewer Utility			
Average daily sewage flow (millions of gallons)	180.95	175.13	175.29
Average daily peak - maximum sewage flow [3] (millions of gallons)	224.41	215.67	242.19
System daily capacity (millions of gallons)	255.00	255.00	255.00
Water Utility			
Average daily consumption (millions of gallons)	204.74	220.28	204.00
Maximum daily consumption (millions of gallons)	279.47	291.17	298.00
Total water consumption (millions of gallons)	74,730	79,606	74,430
Total water deliveries [4] (millions of gallons)	79,486	83,202	80,100

Footnotes:
[1] Historical data for prior years is unavailable.
[2] Estimated figure
[3] The National Pollutant Discharge Elimination System (NPDES) permitted treatment capacity is the sum of the design Average Annual Daily Flows (AADF) for Point Loma Wastewater Treatment Plant (PLWTP) and South Bay Water Reclamation Plant (SBWRP). There is no permit restriction for Maximum Daily Flow at PLWTP as long as the AADF is not exceeded. The Peak Wet Weather Flow is the hydraulic capacity of the Point Loma Ocean Outfall.
[4] Includes filtered and raw water

Source: Citywide departments

City of San Diego
Capital Asset Statistics by Function (Unaudited)
Last Ten Fiscal Years

Function	Fiscal Year 1999	2000	2001	2002
Public Safety - Police				
Stations	9	9	10	10
Public Safety - Fire and Life Safety				
Fire stations	43	43	43	43
Parks, Recreation, Culture and Leisure				
Park and recreation sites [1]	416	416	416	444
Transportation				
Miles of streets -asphalt,concrete, & dirt [2]	2,974	3,820	3,820	3,112
Airports				
Municipal airports	2	2	2	2
Golf Course				
Municipal golf courses [3]	9	9	9	9
Sewer Utility				
Miles of sewers	2,554	2,592	2,610	2,620
Sewer service laterals	259,666	263,107	265,212	266,342
Water Utility				
Miles of water distribution mains	3,098	3,125	3,139	3,157
Water meters in service	258,639	261,361	263,468	266,627
Fire hydrants	23,035	23,399	23,476	23,844

Footnotes:
[1] Statistics for fiscal years 1999-2003 were based on the number of parks, squares, and recreation centers. The department updated the statistics for overall park and recreation sites for fiscal years 2004-2007.
[2] In prior years, miles of streets also included alleys and dirt streets. Since FY 2006, Transportation provided the statistic only for miles of asphalt and concrete streets.
[3] Includes City operated as well as leased golf courses.

Sources: Comprehensive Annual Financial Reports, Citywide departments

Table 19

Fiscal Year					
2003	**2004**	**2005**	**2006**	**2007**	**2008**
10	10	10	10	10	10
43	45	45	45	46	47
460	363	367	370	380	380
2,985	2,985	2,800	2,685	2,700	2,721
2	2	2	2	2	2
10	10	10	10	10	10
2,950	3,028	3,030	2,993	3,018	3,076
268,372	270,365	271,284	271,445	274,014	273,081
3,280	3,317	3,319	3,336	3,381	3,263
267,845	270,022	271,204	272,466	273,304	278,692
24,145	24,428	24,600	24,661	24,905	25,003

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APPENDIX D

BOOK ENTRY ONLY SYSTEM

The information in this APPENDIX D concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the Notes to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Notes and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE NOTES IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR PREPAYMENT PRICE OF OR INTEREST REPRESENTED BY THE NOTES; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO NOTE HOLDERS UNDER THE RESOLUTION; THE SELECTION BY DTC OR ANY DTC PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL PREPAYMENT OF THE NOTES; OR ANY OTHER ACTION TAKEN BY DTC AS NOTE HOLDER.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OR HOLDERS OF THE NOTES (OTHER THAN UNDER THE CAPTION "TAX MATTERS" HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

General

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each annual maturity of the Notes, each in the aggregate principal amount of such annual maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from City or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent; disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Discontinuance of DTC Services

In the event (i) DTC, including any successor as securities depository for the Notes, determines not to continue to act as securities depository for the Notes; (ii) DTC shall no longer so act and gives notice to the Paying Agent of such determination, DTC services will be discontinued. If the City determines to replace DTC with another qualified securities depository, the City shall prepare or direct the preparation of a new single, separate, fully registered Note for each of the maturities of the Notes, registered in the name of such successor or substitute qualified securities depository or its nominee or make such other arrangement acceptable to the City, the Paying Agent and the successor securities depository, or its nominee or make such other arrangement acceptable to the City, the Paying Agent and the successor securities depository as are not inconsistent with the terms of the Resolution. If the City fails to identify another qualified securities depository to replace DTC then the Notes shall no longer be restricted to being registered in the Note registration books in the name of Cede & Co., but shall be registered in such names as are requested in a certificate of the City, in accordance with the Resolution.

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APPENDIX E

FORM OF BOND COUNSEL APPROVING OPINION

July 1, 2009

Honorable Mayor and Members of the City Council
The City of San Diego
San Diego, California

Re: $18,610,000 City of San Diego, California 2009-10 Tax and Revenue Anticipation Notes, Series A; $55,825,000 City of San Diego, California 2009-10 Tax and Revenue Anticipation Notes, Series B; $49,635,000 City of San Diego, California 2009-10 Tax and Revenue Anticipation Notes, Series C

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by The City of San Diego, California (the "City") of $124,070,000 aggregate principal amount of notes, issued pursuant to and by authority of Resolution No. R-304978 of the City Council of the City duly passed and adopted on June 9, 2009 and approved by the Mayor of the City on June 12, 2009 (together with the Accompanying Documents thereto, the "Resolution"), and under and by authority of Section 92 of the City Charter of the City, and Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the Government Code of the State of California (collectively, the "Act") and designated "City of San Diego, California 2009-10 Tax and Revenue Anticipation Notes, Series A, Series B and Series C" (collectively, the "Notes").

In rendering our opinion, we have examined the Act and originals or certified copies of the Resolution and such other information and documents as we have deemed necessary to render the opinions set forth herein. As to questions of fact material to the opinions stated herein, we have relied upon representations made by the City contained in the Resolution and the Tax Certificate dated July 1, 2009, executed by the City (the "Tax Certificate") and the certified proceedings of the City and certifications of public officials, the initial purchaser of the Notes and others furnished to us without undertaking to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

We have further assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Also, in examining the documents and matters referred to in the preceding paragraph, we have not undertaken to independently verify the accuracy of the factual matters represented, warranted or certified in such documents. Furthermore, we have assumed compliance with all covenants contained in the Resolution and the Tax Certificate including (without limitation) covenants compliance with which is necessary to assure that future actions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Notes and the Resolution are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles when equitable remedies are sought and to the exercise of judicial discretion in appropriate cases and to the limitations on remedies against public agencies in the State of California.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The City has lawful authority for the issuance of the Notes, and the Notes constitute the valid and binding obligation of the City. The principal of and interest on the Notes is payable from certain Pledged Moneys and other lawfully available moneys, all as more fully described in the Resolution.

2. The Resolution has been duly authorized, adopted and executed and delivered by the City and constitutes the legal, valid and binding obligation of the City, enforceable against the City in accordance with its terms.

3. The Resolution creates without further action a valid pledge of that which the Resolution purports to pledge, subject to the provisions of the Resolution permitting the application thereof for the purposes and subject to the terms and conditions set forth in the Resolution.

4. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. We note that, with respect to corporations, such interest (and original issue discount) is not included as an adjustment in the calculation of alternative minimum taxable income.

5. Interest (and original issue discount) on the Notes is exempt from State of California personal income tax.

6. The difference between the issue price of a Note (the first price at which a substantial amount of the Notes of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Note constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Note owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Note owner will increase the Owner's basis in the applicable Note. Original issue discount that accrues to the Note owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

7. The amount by which a Note owner's original basis for determining loss on sale or exchange in the applicable Note (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Note premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Note premium reduces the Note owner's basis in the applicable Note (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Note premium may result in a Note Owner realizing a taxable gain when a Note is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Note to the owner.

8. The Notes are exempt from registration under the Securities Act of 1933, as amended, and the Resolution is exempt from registration pursuant to the Trust Indenture Act of 1939, as amended.

The opinion expressed herein as to the exclusion from gross income of interest on the Notes is based upon certain representations of fact and certifications made by the City and others, and is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the date of issuance of the Notes to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The City has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of nationally recognized bond counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest on the Notes (and original issue discount) for federal income tax purposes with respect to any Note if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than as expressly stated herein, we express no opinion regarding other tax consequences with respect to the Notes.

We call attention to the fact that the foregoing opinions and the exclusion of interest on the Notes from gross income for federal income tax purposes may be affected by actions taken or events occurring after the date hereof which could result in the inclusion of such interest (and original issue discount) in gross income retroactive to the date of issuance of the Notes. We have not undertaken to determine, or to inform any person, whether such actions or events are taken or occur.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Notes or other offering material relating to the Notes, and purchasers of the Notes should not assume that we have reviewed the Official Statement on their behalf.

Respectfully submitted,

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate, dated as of July 1, 2009 (the "Disclosure Certificate") is executed and delivered by The City of San Diego (the "City") in connection with the issuance of its $124,070,000 2009-10 Tax and Revenue Anticipation Notes, Series A, Series B and Series C (collectively, the "Notes"). The Notes are being issued pursuant to that certain Resolution No. 304978 of the City, including the Accompanying Document thereto dated July 1, 2009 (collectively, the "Resolution"). The proceeds of the Notes are being used to finance certain cash flow requirements of the City and pay costs of issuance with respect to the Notes. In connection therewith, the City 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 Notes 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 Resolution, 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:

"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 a written acceptance of such designation.

"EMMA System" means the MSRB's Electronic Municipal Market Access System.

"Listed Events" shall mean any of the events listed in Section 3(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.

"National Repository" shall mean the MSRB.

"Official Statement" means the Official Statement, dated June 23, 2009, relating to the Notes.

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

"Repository" shall mean each National Repository, if any.

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

Section 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, 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 Notes.

(vii) Modifications to rights of Note owners.

(viii) Contingent or unscheduled Note calls.

(ix) Defeasances.

(x) Release, substitution, or sale of property securing repayment of the Notes.

(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 National Repository through the EMMA System accompanied by identifying information as prescribed by the National Repository. 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 Notes pursuant to the Resolution.

(d) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, Dissemination Agent shall file a notice of such occurrence with the National Repository with a copy to the City. 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 Notes pursuant to the Resolution.

Section 4. 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 Notes. If such termination occurs prior to the final maturity of the Notes, the City shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

Section 5. 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 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 6. 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), 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 Notes, 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 Notes, 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 Notes in the manner provided in the Resolution for amendments to the Resolution 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 Notes.

Section 7. 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 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 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 notice of 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 Notes 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 Resolution, 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 which 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 Note owners, 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 Note owners 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 Notes.

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

THE CITY OF SAN DIEGO

By: ____________________________________
Authorized Signatory

Attest:

____
City Clerk

APPROVED AS TO FORM:
JAN I. GOLDSMITH, City Attorney

By:____________________________________
Name:__________________________
Deputy City Attorney

CITY OF SAN DIEGO, CALIFORNIA • 2009-10 TAX AND REVENUE ANTICIPATION NOTES, SERIES A, SERIES B AND SERIES C

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