

**ANNUAL REPORT FOR THE FISCAL YEAR ENDED June 30, 2014
RELATING TO**

\$157,190,000

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
WATER REVENUE BONDS, REFUNDING SERIES 2009A
(Payable Solely From Installment Payments
Secured by Net System Revenues of the Water Utility Fund)
(CUSIP Number 79730C)**

and

\$328,060,000

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
WATER REVENUE BONDS, SERIES 2009B
(Payable Solely From Installment Payments
Secured by Net System Revenues of the Water Utility Fund)
(CUSIP Number 79730C)**

and

\$123,075,000

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
WATER REVENUE BONDS, REFUNDING SERIES 2010A
(Payable Solely From Installment Payments
Secured by Net System Revenues of the Water Utility Fund)
(CUSIP Number 79730C)**

and

\$188,610,000

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
SUBORDINATED WATER REVENUE BONDS, REFUNDING SERIES 2012A
(Payable Solely From Subordinated Installment Payments
Secured by Net System Revenues of the Water Utility Fund)
(CUSIP 79730C)**

Introduction

The Public Facilities Financing Authority of the City of San Diego Water Revenue Bonds, Refunding Series 2009A (“2009A Bonds”), the Water Revenue Bonds, Series 2009B (“2009B Bonds”), the Water Revenue Bonds, Refunding Series 2010A (“2010A Bonds”), and the Subordinated Water Revenue Bonds, Refunding Series 2012A (“2012A Bonds”) will collectively be referred to as the “Outstanding Water Bonds.”

This Annual Report for the Fiscal Year ended June 30, 2014 is being provided by the City of San Diego (the “City”) on behalf of itself. The Public Facilities Financing Authority of the City of San Diego (the “Authority”), pursuant to the Continuing Disclosure Certificates (the “Certificates”) between the City and Wells Fargo Bank National Association, as Trustee, (the “Trustee”) relating to the Outstanding Water Bonds, entered into to allow the respective underwriters to comply with the Securities and Exchange Commission Rule 15c2-12.

The City of San Diego’s Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014 (“CAFR”), which includes the City’s Fiscal Year 2014 audited financial statements, was electronically transmitted to the Electronic Municipal Market Access

("EMMA") System of the Municipal Securities Rulemaking Board ("MSRB") on March 13, 2015.

This Annual Report is being transmitted electronically by the City to the EMMA System of the MSRB.

This Annual Report is provided in accordance with the terms of the Continuing Disclosure Certificates, and does not purport to provide full and complete information on the terms of the above stated issuances. The filing of this Annual Report does not constitute or imply any representation that no changes, circumstances or events have occurred since the end of the Fiscal Year to which this Annual Report relates (other than as contained in this Annual Report), or that no other information exists, which may have a bearing on the security for the above stated issuances or an investor's decision to buy, sell or hold the above-stated issuances. Certain information and data provided herein was obtained from sources other than the City ("Outside Information"), as indicated by the source citations. Although the information contained in this Annual Report has been obtained from sources that are believed to be reliable, the City has not independently verified such Outside Information, and the City cannot guarantee its completion or accuracy. Certain of the information presented in this Annual Report may contain forward-looking statements. Forward-looking statements may be indicated by forward-looking words such as "may," "will," "should," "expects," "believes," "anticipates," "estimates," or others. Forward looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. No statement in this Annual Report should be construed as a prediction or representation of future financial performance of the City, the Authority, the Water System, or the Outstanding Water Bonds.

The City is acting as the Dissemination Agent for each of the above stated issuances. The City does not have any obligation to update this report other than as expressly provided in the Continuing Disclosure Certificate for each of the above stated issuances.

Any statements regarding the above- referenced issuances, other than a statement made by the City in an official release that is filed with the MSRB's EMMA system or posted on the City's investor information webpage, are not intended to be the basis of, nor should they be relied upon, in making an investment decision. The City shall not be responsible for the accuracy, completeness or fairness of any statements other than those obtained in the aforementioned locations.

DATED: 3/27, 2015

City of San Diego

By: Mary Lewis
Mary Lewis
Chief Financial Officer

Distribution: Municipal Securities Rulemaking Board, Electronic Municipal Market Access System
Wells Fargo Bank, National Association (Trustee)

Financial and Operating Data

As required by the Continuing Disclosure Certificates, below are updates of certain required tabular information from the Official Statements. The tables have been reordered to conform to the order in the latest Official Statement (2012A Bonds) including additional new tables related to pension funding and retiree health contributions. The Tables titled “Raw Water Reservoirs”, “Capacity and Demand of Water System Water Treatment Plants”, “CWA Water Supply Rates”, “MWD and CWA Fixed Water Supply Costs”, “Outstanding Debt”, City of San Diego Schedule of Funding Progress (OPEB)”, and “City and Water System OPEB Contributions” as required only under the continuing disclosure certificate associated with the 2012A Bonds. Additionally, included are updates providing information under the captions “Investment of Funds,” “Labor Relations,” “Pension Plan,” and “Water System Share of Contribution to Pension System,” and “Other Postemployment Healthcare Benefits” for the Outstanding Water Bonds are also contained in this Annual Report.

HISTORICAL NUMBER OF RETAIL CONNECTIONS TO WATER SYSTEM Fiscal Years 2010 through 2014 (Unaudited)

Customer Type	2010	2011	2012	2013	2014
Single Family Residential	221,274	221,863	221,949	222,417	223,006
Multi-Family	29,190	29,167	30,159	30,122	30,159
Commercial ⁽¹⁾	15,605	15,631	16,841	16,955	16,985
Industrial ⁽¹⁾	188	185	-	-	-
Outside City ⁽¹⁾	45	44	-	-	-
Irrigation	7,465	7,480	7,497	8,111	8,130
Temporary Construction	278	308	347	357	414
TOTAL	274,045	274,678	276,793	277,962	278,694
Percent Growth	0.14%	0.23%	0.77%	0.42%	0.26%

⁽¹⁾ Commercial, Industrial and Outside City customers are combined into one customer type as of Fiscal Year 2012.

Source: Public Utilities Department, City of San Diego

**MAJOR NON-GOVERNMENTAL RETAIL CUSTOMERS
AND MAJOR GOVERNMENTAL CUSTOMERS
Fiscal Year 2014
(Unaudited)**

Customers	Millions of Cubic Feet	Billings	% of Total Sales Revenues
MAJOR NON-GOVERNMENTAL RETAIL CUSTOMERS			
The Irvine Co	43.04	\$2,016,152	0.46%
CP Kelco	45.74	1,833,373	0.42
San Diego Zoo	27.05	1,080,713	0.25
H G Fenton Co	22.62	1,069,690	0.25
Sea World	26.26	1,050,430	0.24
Garden Communities	15.61	684,568	0.16
Qualcomm Inc.	12.93	571,272	0.13
Kaiser Permanente	12.28	526,199	0.12
Sharp Memorial Hospital	11.96	500,170	0.12
Costa Verde Dev LLC	10.25	459,535	0.11
Total Top 10 Non-Governmental Retail Customers	227.73	\$9,792,102	2.25%
MAJOR GOVERNMENTAL RETAIL CUSTOMERS			
City Of San Diego	475.34	\$19,867,767	4.57%
United States Navy	330.40	14,180,385	3.27
University of California at San Diego	76.71	3,218,290	0.74
San Diego Unified School District	56.53	2,954,504	0.68
California Department of Transportation	62.86	2,885,528	0.66
All Federal Agencies ⁽¹⁾	50.20	2,124,257	0.49
San Diego State University	31.40	1,302,443	0.30
San Diego Port District	23.47	1,103,248	0.25
County of San Diego	22.29	1,008,640	0.23
San Diego Housing Commission	17.13	787,438	0.18
Total Top 10 Governmental Retail Customers	1,146.35	\$49,432,500	11.38%

⁽¹⁾ Category includes several federal agencies, including, but not limited to, the United States Postal Service, the United States Marine Corps, and the United States Coast Guard.

Source: Public Utilities Department, City of San Diego

RAW WATER RESERVOIRS
As of June 30, 2014

Reservoir	Storage Capacity Acre Feet (AF)	Storage (AF)⁽¹⁾	Percent Full
Barrett	34,805.5	7,493.20	22%
El Capitan	112,806.9	34,357.00	30
Lake Hodges	30,251.0	11,161.70	37
Lake Murray	4,684.2	4,105.90	88
Lower Otay	49,848.9	30,303.00	61
Miramar	6,682.4	5,577.30	83
Morena	50,694.0	1,856.70	4
San Vicente	89,312.2	71,465.50	80
Sutherland	29,508.1	2,837.10	10
TOTAL	408,593.2	169,157.40	41%

⁽¹⁾ Includes approximately 2% to 3% of total amount of water in storage that is inaccessible due to abandoned, blind flagged, or silted reservoir outlets.

Source: Public Utilities Department, City of San Diego

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CAPACITY AND DEMAND OF WATER SYSTEM WATER TREATMENT PLANTS
(In Million Gallons Daily (MGD))
As of June 30, 2014

Water Treatment Plant	Original Design Capacity	Current Rated Capacity	Future Rated Capacity⁽¹⁾	Current Average Demand	Current Peak/Max Demand⁽²⁾
Alvarado	66	200	200	80.67	103.84
Miramar	100	144	215	77.38	121.68
Otay	40	34	40	16.82	27.40
TOTAL	206	378	455	174.87	252.92

⁽¹⁾ The Otay and Miramar plants require additional improvements, and/or further studies, to reach their Future Rated Capacity.

⁽²⁾ Total is not intended to reflect the aggregate peak/maximum demand supported by all of the water treatment plants, because the plants do not all reach the peak/maximum demand simultaneously.

Source: Public Utilities Department, City of San Diego

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COUNTY WATER AUTHORITY WATER SUPPLY RATES ⁽¹⁾
Calendar Years 2011 through 2015
(Per Acre Feet)

Calendar Year	Municipal & Industrial Rates		Transportation Rate
	Untreated	Treated	
2011	\$597	\$812	\$75
2012	638	872	85
2013	714	970	93
2014	732	1,006	97
2015	764	1,042	101

⁽¹⁾ Rates shown are for volumetric charges only and do not include the additional fixed charges displayed in the following table.

Source: San Diego County Water Authority Board Meeting Documents

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MWD and CWA FIXED WATER SUPPLY COSTS
Calendar Years 2011 through 2015
(\$ In Thousands)

Calendar Year	2011	2012	2013	2014	2015
MWD Fixed Charges					
Capacity Reservation Charges	\$3,010	\$2,718	\$2,479	\$3,124	\$3,912
Readiness-to-Serve Charge ⁽¹⁾	8,481	9,808	10,255	10,657	10,720
CWA Fixed Charges					
Customer Service	8,198	9,645	10,008	10,198	10,170
Emergency Storage Charge	17,949	22,310	25,247	26,758	26,730
Infrastructure Access Charge	11,600	12,153	12,498	12,664	13,131
In Lieu Tax Payment	1,583	1,642	1,593	1,755	1,898
Total Fixed Charges	\$50,821	\$58,276	\$62,080	\$65,156	\$66,561

⁽¹⁾ Fiscal Year charge.

Source: San Diego County Water Authority Board Meeting Documents, and Public Utilities Department, City of San Diego

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WATER SUPPLIES FOR THE CITY OF SAN DIEGO
Fiscal Years 2010 through 2014
(In Acre Feet)

Fiscal Year	Local Supplies	CWA Water Supplies	Total
2010	12,486	187,304	199,790
2011	27,841	161,552	189,393
2012	28,408	164,838	193,246
2013	22,371	180,077	202,447
2014 ⁽¹⁾	38,623	171,253	209,876

⁽¹⁾ Roughly 15,000 AF of local supplies was water purchased from CWA, which was put into storage resulting in a net of 23,853 AF of local supply being used.

Source: San Diego County Water Authority Comprehensive Annual Financial Reports (CAFRs)

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PROJECTED WATER SUPPLY SOURCES
Fiscal Years 2015 through 2035
Acre Feet/Year

Water Supply Sources	2015	%	2020	%	2025	%	2030	%	2035	%
San Diego County Water Authority	201,719	83.9	221,458	85.1	237,622	86.0	249,728	86.6	260,107	87.0
Supplier produced surface water	29,000	12.1	29,000	11.1	29,000	10.5	29,000	10.0	29,000	9.7
Supplier produced groundwater	500	0.2	500	0.2	500	0.2	500	0.2	500	0.2
Total	231,219	96%	250,958	96%	267,122	97%	279,228	97%	289,607	97%

Source: 2010 Urban Water Management Plan, Public Utilities Department, City of San Diego (next update expected in December 2015)

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SUMMARY OF PROJECTED CIP PROJECTS ⁽¹⁾⁽²⁾
Fiscal Years 2015 through 2019

Description	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected TOTAL
Groundwater	\$1,046,423	\$169,423	\$728,747	\$4,195,725	\$13,814,399	\$19,954,717
Misc	1,204,654	4,548,507	6,722,230	3,860,433	596,357	16,932,181
Pipeline	41,415,460	43,918,045	44,823,440	51,505,569	54,843,920	236,506,434
Pipeline - Transmission	12,843,628	23,256,063	30,557,827	28,567,693	46,938,871	142,164,082
Pump Station	7,124,722	9,566,763	7,438,757	8,842,923	8,255,982	41,229,147
Recycled Water	614,611	1,498,825	961,470	0	0	3,074,906
Storage ⁽³⁾	6,849,037	8,020,605	22,018,951	23,487,040	18,579,357	78,954,990
WTP	1,205,066	2,750,840	72,459	46,521	998,920	5,073,806
Pure Water	3,865,351	12,539,606	48,716,492	33,355,636	47,237,076	145,714,161
Grand Total	\$76,168,952	\$106,268,677	\$162,040,373	\$153,861,540	\$191,264,882	\$689,604,424

⁽¹⁾ Projections as of November 2014.

⁽²⁾ Amounts reflect the aggregate costs of all CIP projects required to satisfy the CDPH Compliance Order as well as projects related thereto or necessary for the operation thereof. For Fiscal Years 2015 through 2019, approximately 13% of the capital program is mandated by the CDPH. The program size for Fiscal Years 2016 through 2019 is dependent on future rate increases.

⁽³⁾ Storage Facilities include treated and untreated water reservoirs.

Source: Public Utilities Department, City of San Diego

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**FIVE-YEAR WATER SERVICE CHARGE HISTORY FOR SINGLE FAMILY RESIDENTIAL,
MULTI-FAMILY, COMMERCIAL, INDUSTRIAL, IRRIGATION, AND
TEMPORARY CONSTRUCTION
Fiscal Years 2011 through 2015**

		Justification for Increase:	Revenue Requirement	Revenue Requirement	Revenue Requirement	Increase in Water Costs from CWA	Revenue Requirement	Revenue Requirement	Revenue Requirement	Increase in Water Costs from CWA	Increase in Water Costs from CWA
		Increase amount ⁽²⁾	6.50%	0%	0%	\$0.47/EDU	0%	0%	0%	Varies	Varies
		7/1/2010	9/1/2010	1/1/2011	3/1/2011	7/1/2011	7/1/2012	7/1/2013	1/1/2014	1/1/2015	
BASE FEES⁽¹⁾											
Meter Size:	5/8 inch	\$18.86	\$18.86	\$18.86	\$19.33	\$19.33	\$19.33	\$19.33	\$18.89	\$20.31	
	3/4 inch	18.86	18.86	18.86	19.33	19.33	19.33	19.33	18.89	\$20.31	
	1 inch	27.66	27.66	27.66	28.46	28.46	28.46	28.46	25.59	27.51	
	1 1/2 inch	47.79	47.79	47.79	49.34	49.34	49.34	49.34	40.89	43.96	
	2 inch	72.95	72.95	72.95	75.44	75.44	75.44	75.44	60.03	64.53	
	3 inch	132.04	132.04	132.04	136.74	136.74	136.74	136.74	104.98	112.86	
	4 inch	216.30	216.30	216.30	224.15	224.15	224.15	224.15	169.07	181.75	
	6 inch	425.08	425.08	425.08	440.73	440.73	440.73	440.73	327.86	352.44	
	8 inch	676.59	676.59	676.59	701.64	701.64	701.64	701.64	519.16	558.10	
	10 inch	970.89	970.89	970.89	1,006.94	1,006.94	1,006.94	1,006.94	742.99	798.72	
	12 inch	1,808.47	1,808.47	1,808.47	1,875.82	1,875.82	1,875.82	1,875.82	1,380.05	1,483.55	
	16 inch	3,150.36	3,150.36	3,150.36	3,267.86	3,267.86	3,267.86	3,267.86	2,400.67	2,580.72	
COMMODITY CHARGE											
Customer Type:	Usage⁽³⁾:	7/1/2010	9/1/2010	1/1/2011	3/1/2011	7/1/2011	7/1/2012	7/1/2013	1/1/2014	1/1/2015	
	Increase amount⁽²⁾	6.50%	-3.86% (IPR Sunset)	-2.16% (CWA)	7.90% (CWA)	0%	0%	0%	Varies	Varies	
Single Family Residential											
Tier 1	0-7 HCF	\$3.507	\$3.410	\$3.348	\$3.612	\$3.612	\$3.612	\$3.612			
Tier 2	8-14 HCF	3.803	3.698	3.630	3.917	3.917	3.917	3.917			
Tier 3	15+ HCF	4.270	4.152	4.076	4.398	4.398	4.398	4.398			
Tier 1	0-4 HCF								\$3.639	\$3.896	
Tier 2	5-12 HCF								4.076	4.364	
Tier 3	13-18 HCF								5.823	6.234	
Tier 4	19+ HCF								8.188	8.766	
Typical Single Family Monthly Bill Based on 12 HCF/month		\$62.42	\$61.22	\$60.44	\$64.20	\$64.20	\$64.20	\$64.20	\$66.09	\$70.81	
Multi-Family	per HCF ⁽⁴⁾	\$3.803	\$3.698	\$3.630	\$3.917	\$3.917	\$3.917	\$3.917	\$4.343	\$4.650	
Non Residential	per HCF ⁽⁴⁾⁽⁵⁾	3.648	3.547	3.482	3.757	3.757	3.757	3.757	4.175	\$4.470	
Irrigation	per HCF ⁽⁴⁾	3.898	3.790	3.721	4.014	4.014	4.014	4.014	4.621	\$4.947	
Temporary Construction	per HCF ⁽⁴⁾	3.898	3.790	3.721	4.014	4.014	4.014	4.014	4.621	\$4.947	

⁽¹⁾ The base fee is dependent on the meter size.

⁽²⁾ On a temporary basis, the Public Utilities Department opted to not pass on the January 1, 2012 and January 1, 2013 CWA rate increase on to its retail customers.

⁽³⁾ HCF (Hundred Cubic Feet) = 748 gallons.

⁽⁴⁾ One rate applies for all usage amounts.

⁽⁵⁾ Previously Commercial and Industrial.

Source: Public Utilities Department, City of San Diego

**RECENT RATE HISTORY
FOR WATER CAPACITY CHARGES
Fiscal Years 2010 through 2014
(Unaudited)**

Fiscal Year	Water Capacity Charges (Per EDU)⁽¹⁾	% Increase/ (Decrease)⁽²⁾
2010	\$3,047	0
2011	3,047	0
2012	3,047	0
2013	3,047	0
2014	3,047	0

⁽¹⁾ "EDU" means Equivalent Dwelling Units.

⁽²⁾ Figure represents percentage change from prior year.

Source: Public Utilities Department, City of San Diego

**WATER UTILITY FUND
HISTORICAL CAPACITY CHARGE REVENUES
Fiscal Years 2010 through 2014
(Unaudited)**

Fiscal Year	New EDUs	Capacity Charge Revenues⁽¹⁾
2010	1,567	\$4,486,143
2011	2,474	7,516,512
2012	2,221 ⁽²⁾	8,003,332
2013	4,223 ⁽³⁾	11,704,419
2014	4,803	14,623,833

⁽¹⁾ Amounts include potable and recycled capacity charge revenues.

⁽²⁾ Revised from 2,573 subsequent to the issue of the Fiscal Year 2013 Annual Report.

⁽³⁾ Revised from 4,218 subsequent to the issue of the Fiscal Year 2013 Annual Report.

Source: Office of the Comptroller, and Public Utilities Department, City of San Diego

**WATER CUSTOMER ACCOUNTS RECEIVABLE
AND SHUT-OFFS BY FISCAL YEAR
Fiscal Years 2010 through 2014
(\$ In Thousands)
(Unaudited, except as otherwise noted)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Water Sales Revenue ⁽¹⁾	\$354,543	\$358,747	\$391,614	\$400,448	\$434,285
Accounts Receivable ⁽²⁾	29,817	19,359	29,746	33,201	38,298
Accounts Receivable Over 120 Days ⁽²⁾	2,396	1,861	4,403	3,534	4,484
% of Total Water Sales Revenues ⁽³⁾	0.68%	0.52%	1.12%	0.88%	1.03%
No. of Shut-Offs ⁽⁴⁾	26,875	23,271	22,203	19,363	19,514

⁽¹⁾ Audited.

⁽²⁾ Amounts are as of June 30 and represent the receivable portion of billed customer accounts as of the end of each Fiscal Year. Not included are amounts for unbilled accounts as of June 30.

⁽³⁾ Percentage of Accounts Receivable over 120 days as compared to Total Water Sales Revenues.

⁽⁴⁾ Shut-Offs for non-payment may include multiple shut-offs associated with the same account throughout the Fiscal Year.

Source: Public Utilities Department and Office of the Comptroller, City of San Diego

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HISTORICAL SOURCES OF WATER SALES REVENUES
Fiscal Years 2010 through 2014
(\$ In Thousands)
(Unaudited, except as otherwise noted)

<u>Sources</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Retail					
Single Family Residential	\$148,024	\$155,675	\$156,995	\$162,352	\$176,886
Multi-Family Residential	72,450	73,902	80,749	80,225	83,425
Non Residential ⁽¹⁾	79,150	76,315	87,111	86,547	95,284
Irrigation	37,554	37,100	46,864	51,269	55,975
Reclaimed	4,488	4,130	5,467	5,460	5,660
Wholesale to Other Retailers					
Treated ⁽²⁾	10,718	9,747	12,184	12,028	14,711
Untreated	462	489	332	541	32
Reclaimed	1,697	1,389	1,912	2,026	2,312
TOTAL ⁽³⁾	\$354,543	\$358,747	\$391,614	\$400,448	\$434,285

⁽¹⁾ Fiscal Year 2012 “Commercial”, “Industrial” and “Outside City” have been combined into one customer type. The significant increase in revenue between Fiscal Year 2011 and 2012 can be attributed to the following: (i) the implementation of a new customer billing system in July, 2011, where approximately \$7 million earned in Fiscal Year 2011 was recognized in Fiscal Year 2012, which resulted in a one-time variance of approximately \$14 million; (ii) the consolidation of the residential “Irrigation” only accounts with “Commercial”/“Industrial” combined category resulting in a variance of approximately \$10 million; and (iii) the remaining balance due to growth in water sales.

⁽²⁾ Primarily reflects wholesale revenues from California American Water Company.

⁽³⁾ Audited.

Source: Public Utilities Department and Office of the Comptroller, City of San Diego

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE WATER UTILITY FUND
Fiscal Years 2010 through 2014
(\$ In Thousands)
(Audited)**

	2010	2011	2012	2013	2014
OPERATING REVENUES⁽¹⁾					
Sales of Water	\$354,543	\$358,747	\$391,614	\$400,448	\$434,285
Charges for Services	14,655	3,789	7,822	5,743	4,533
Revenue from Use of Property	4,431	5,540	6,184	5,864	7,007
Usage Fees	503	33	34	35	-
Other	2,329	3,406	2,465	2,418	1,740
TOTAL OPERATING REVENUES	\$376,461	\$371,515	\$408,119	\$414,508	\$447,565
OPERATING EXPENSES⁽²⁾					
Maintenance and Operations	\$70,568	\$72,027	\$78,108	\$79,188	\$91,357
Cost of Purchased Water Used	148,232	143,155	167,104	205,704	207,721
Taxes ⁽³⁾	1,805	1,755	1,826	1,797	1,963
Administration	65,169	65,926	53,619	47,553	54,498
Depreciation	38,525	43,054	46,030	48,334	48,957
TOTAL OPERATING EXPENSES	\$324,299	\$325,917	\$346,687	\$382,576	\$404,496
OPERATING INCOME (LOSS)	\$52,162	\$45,598	\$61,432	\$31,932	\$43,069
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments ⁽⁴⁾	\$8,914	\$4,468	\$4,244	\$1,231	\$3,185
Federal Grant Assistance	1,351	203	442	1,095	109
Other Agency Grant Assistance	(135)	7,028	372	261	575
Gain (Loss) on Sale/Retirement of Capital Assets	(2,582)	(1,164)	1,270	(106)	(1,630)
Debt Service Interest Expense	(38,240)	(34,490)	(36,496)	(37,280)	(37,100)
Other	3,809	3,552	365	570	3,839
TOTAL NON OPERATING REVENUES (EXPENSES)	(\$26,883)	(\$20,403)	(\$29,803)	(\$34,229)	(\$31,022)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	\$25,279	\$25,195	\$31,629	(\$2,297)	12,047
Capital Contributions ⁽⁵⁾	\$23,932	\$18,011	\$56,640	\$64,893	\$37,250
Transfers from Other Funds	245	113	79	51	44
Transfers from Governmental Funds	337	142	--	1,234	3,608
Transfers to Other Funds	(2)	--	(496)	(579)	(356)
Transfer to Governmental Funds	(612)	(222)	(6,312)	(8,168)	(7,094)
Extraordinary Gain (Loss)	--	--	686 ⁽⁶⁾	(686) ⁽⁷⁾	--
CHANGE IN NET ASSETS	\$49,179	\$43,239	\$82,226	\$54,448	\$45,499
Net Assets at Beginning of Year	1,423,218	1,472,397	1,515,636	1,597,862	1,638,417 ⁽⁸⁾
NET ASSETS AT END OF YEAR	\$ 1,472,397	\$ 1,515,636	\$ 1,597,862	\$ 1,652,310	\$ 1,683,916

Source: Comprehensive Annual Financial Reports for Fiscal Years 2010 through 2014

- (1) Operating Revenues represent charges to customers for sales and services.
(2) Operating Expenses include cost of sales and services, administrative expenses, and depreciation on capital assets.
(3) Includes annual property taxes and quarterly payments of taxes in-lieu to CWA.
(4) Earnings on investments include interest earned on the bond construction funds for Fiscal Years 2010 - 2013.
(5) Includes \$40.7 million in grant revenue in Fiscal Year 2012.
(6) Extraordinary Gain resulting from the dissolution of the Redevelopment Agency.
(7) Extraordinary Loss resulting from prior year loan receivable from the Redevelopment Agency that will not be repaid.
(8) Beginning balance restated due to the net effects of GASB 65 implementation and reclassification of worker's compensation.

Source of footnotes: Public Utilities Department, and Office of the Comptroller, City of San Diego, Unaudited

CALCULATION OF HISTORICAL DEBT SERVICE COVERAGE
Fiscal Years 2010 through 2014
(\$ In Thousands)
(Unaudited)

Fiscal Year Ended June 30	Total System Revenues ⁽²⁾	Total Maintenance & Operation Costs (Excludes Depreciation) ⁽³⁾	Net System Revenue	Less: Interest Earnings on Reserve fund ⁽⁴⁾	Adjusted Net System Revenues	Senior Obligations				All Obligations ⁽¹⁾	
						Total Sr. Debt Service	Less: Senior Interest Earnings ⁽⁴⁾	Adjusted Debt Service	Adjusted Debt Service Coverage	Total Debt Service	Aggregate Debt Service Coverage
2010	394,948	287,361	107,587	(3,767)	103,820	28,303	(3,767)	24,536	4.23	56,978	1.89
2011	397,755	285,059	112,696	(1,436)	112,260	34,115	(1,436)	32,679	3.40	62,784	1.79
2012	431,188	307,465	123,723	(1,919)	121,804	37,518	(1,919)	35,599	3.42	66,191	1.87
2013	444,751	342,989	101,762	(363)	101,399	39,707	(363)	39,344	2.58	64,210	1.58
2014	473,908	362,989	110,919	(1,017)	109,902	39,921	(1,017)	38,904	2.82	66,692	1.66

Source: Statistical Section (Unaudited) of Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014

- (1) All Obligations reflects Senior and Subordinate obligations. Also see page 19 for further details..
- (2) System Revenues as defined in the Installment Purchase Agreement, including operating and non-operating receipts (i.e. interest earnings, capacity charges, other income) as well as transfers and the cash-based components of capital contributions. Fiscal Year 2012 includes a reduction in system revenue of \$29.8M due to FY12 transfer to Rate Stabilization Fund and includes additional grant revenue of \$40.7M.
- (3) Amounts under Total Expenses reflect the Maintenance and Operations Costs of the Water System for such Fiscal Year in accordance with the Installment Purchase Agreement and generally includes maintenance and operations, administration, cost of water purchases, transfers to other funds, pension benefits, and retiree health costs.
- (4) Interest earnings on the Senior Debt Service Reserve Fund are netted out of both System Revenues and total Debt Service to calculate Senior Debt Service Coverage Ratios, but are not netted out for Aggregate Debt Service Coverage Ratios.

Source of Footnotes: Public Utilities Department and Office of the Comptroller, City of San Diego, Unaudited

WATER UTILITY FUND CASH AND CASH EQUIVALENTS (INCLUDING RESERVES)
(\$ In Thousands)
As of 06/30/2014

Cash and Cash Equivalents

Cash and Investments ⁽¹⁾	\$	291,112
Restricted Cash and Investments		80,403
Less Investments Not Meeting the Definition of Cash Equivalents ⁽²⁾		(72,119)
Total Cash and Cash Equivalents at Year End	\$	299,396

Reserves

Rate Stabilization Reserve	\$	38,500
Secondary Purchase Reserve		12,544
Operating Reserve		30,662
Dedicated Reserve for Efficiencies and Savings (DRES) ⁽³⁾		-
Capital Reserve		5,000
Sub- Total	\$	86,706
SRF Loan Reserve Funds (Trustee held)	\$	5,614
Debt Service Reserve Funds (Trustee held)	\$	66,489

⁽¹⁾ Includes Rate Stabilization Reserve, Secondary Purchase Reserve, Operating Reserve, and Capital Reserve.

⁽²⁾ Consists primarily of Debt Service Reserve Funds and certain SRF Loan Reserve Funds.

⁽³⁾ The Dedicated Reserve for Efficiencies and Savings (“DRES”) was discontinued per the 2014 update to the Reserve Policy. All funds were spent down to fund CIP projects and any Department savings now fall to fund balance.

Source for Cash and Cash Equivalents: The City’s Comprehensive Annual Financial Report for Fiscal Year 2014

Source for Reserves: Public Utilities Department and Debt Management Department, City of San Diego

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OUTSTANDING DEBT
As of June 30, 2014

2009A Bonds	August 1, 2038	\$ 151,520,000
2009B Bonds	August 1, 2039	306,140,000
2010A Bonds	August 1, 2028	123,075,000
State Revolving Fund Loans (five) ⁽¹⁾	July 1, 2034	52,406,584
Total Senior Obligations:		\$ 633,141,584
Subordinated Obligations:		
2012A Bonds	August 1, 2032	171,505,000
State Revolving Fund Loan (one)	July 1, 2025	13,667,860
Total Subordinated Obligations:		\$ 185,172,860
Total Outstanding Obligations:		\$ 818,314,444

⁽¹⁾Two of the SRF agreements were executed for a total of \$14.3 million, and were reported in last year's disclosure for the full amount authorized as outstanding, however since these projects are still in progress, billings as of June 30, 2014, total only \$7.1 million of the \$14.3 million.

Source: Debt Management Department, City of San Diego

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Investment of Funds (As of June 30, 2014)

Refer to Note 3, “Cash and Investments,” to the Fiscal Year 2014 CAFR for information regarding Investment of Funds as of June 30, 2014.

Investment of Funds (As of December 31, 2014)

Pool Liquidity and Other Characteristics

The City Treasurer’s Pooled Investment Fund (including both the “Liquidity” and the “Core” portfolios) is highly liquid. Based on unaudited month-end data as of December 31, 2014, approximately 10% of the pool investments mature within 62 days, 12% within 92 days, 29% within 184 days, 40% within 1 year, 78% within 2 years, 98% within 3 years, and 100% within 5 years (on a cumulative basis). As of December 31, 2014, the City Treasurer’s Pooled Investment Fund had a weighted average maturity of 1.31 years (479 days) and its weighted average yield was 0.48%. 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 0.37 years and the Core portfolio had duration of 1.65 years as of December 31, 2014. 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 0.37% for every 1% increase in market interest rates while the Core portfolio should decrease in market value by 1.65% for every 1% increase in market interest rates. The City Treasurer’s Pooled Investment Fund 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 Treasurer’s Pooled Investment Fund 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.

CITY OF SAN DIEGO POOLED INVESTMENT FUND
At December 31, 2014
(\$ In thousands)
(Unaudited)

<i>Investment Instrument</i>	<i>Book Value</i>	<i>Fair Value</i>	<i>Percent of Total⁽¹⁾</i>
U.S. Treasury Notes	\$ 934,115	\$ 934,661	46.26%
Agency Discount Notes	183,568	183,609	9.09
Agency Notes & Bonds	369,807	369,492	18.31
Commercial Paper	84,905	84,929	4.20
Corporate Notes & Bonds	102,690	102,684	5.08
Local Agency Investment Fund	49,819	49,819	2.47
Repurchase Agreement	44,200	44,200	2.19
Negotiable Certificates of Deposit	175,002	175,019	8.67
Asset Backed Securities	75,379	75,393	3.73
TOTAL INVESTMENTS	\$ 2,019,485	\$ 2,019,807	100.00%

⁽¹⁾ Based on book value.

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

Labor Relations

General

The City has five recognized employee organizations which represent classified employees. They are the San Diego Municipal Employees' Association ("MEA"), the American Federation of State, County, and Municipal Employees, Local 127 ("AFSCME Local 127"), the San Diego Police Officers Association ("POA"), the San Diego City Firefighters, International Association of Firefighters, Local 145 ("IAFF Local 145"), and the California Teamsters Local 911 ("Teamsters Local 911"), which represents lifeguards. A sixth recognized employee organization, the Deputy City Attorneys Association ("DCAA"), represents unclassified deputy city attorneys. Certain classified and unclassified City employees are unrepresented.

As of July 1, 2014, there were 717.82 regular full-time employees of the Public Utilities Department (Water Branch) of which 402.67 are represented by the MEA and 266.02 are represented by the AFSCME Local 127. The remaining 49.13 employees are unrepresented and unclassified. The two bargaining units represent approximately 93% of the Public Utilities Department (Water Branch employees).

Collective Bargaining Agreements

In 2013, the City entered into a collective bargaining agreement with each of its recognized employee organizations, for a five-year term, from July 1, 2013 through June 30, 2018. Each agreement includes terms consistent with Proposition B, an initiative approved by City voters in June 2012 to reform the City's retirement system. Under Proposition B, and specifically Charter section 70.2, the City must comply with certain procedural requirements, from July 20, 2012, the effective date of Proposition B through June 30, 2018, if it intends to negotiate increases to pensionable pay. The City Council must obtain an actuarial analysis from its retirement system actuary that discloses the impact of any proposed pay increases and must approve any negotiated increases by a two-thirds vote of the City Council. The City and each recognized employee organization agreed that they would not negotiate any general salary increases, which are pensionable, during the five-year period covered by Charter section 70.2. However, individual employees may still receive merit increases or promotions within the parameters of the Fiscal Year 2011 salary schedules. In exchange for the agreement to limit pensionable pay of employees during this five-year period, the City agreed to increases in non-pensionable pay. Each of the collective bargaining agreements includes non-pensionable pay increases in Fiscal Year 2016, with reopeners in Fiscal Years 2017 and 2018 to meet and confer solely regarding increases to non-pensionable compensation. Flexible benefit credits are non-pensionable. Each collective bargaining agreement remains in effect through June 30, 2018; however, the City and POA have negotiated modifications to the POA's five-year agreement, which, if approved by the City Council, will result in an amended agreement for a term from July 1, 2015 through June 30, 2020.

MEA: MEA-represented employees will receive increased annual flexible benefit credits in Fiscal Year 2016. The employee organization will have the option to reopen negotiations solely for the purpose to meet and confer on non-pensionable compensation increases in Fiscal Years 2017 and 2018.

AFSCME Local 127: AFSCME Local 127-represented employees will receive increased annual flexible benefit credits in Fiscal Year 2016. The employee organization will have the option to

reopen negotiations solely for the purpose to meet and confer on non-pensionable compensation increases in Fiscal Years 2017 and 2018.

POA: In 2014, the City and POA mutually agreed to reopen negotiations to meet and confer on terms for Fiscal Years 2016 through 2020. The City and POA have agreed to amend the collective bargaining agreement for a new term from July 1, 2015 through June 30, 2020. POA members will receive a 3.3 percent increase in pensionable compensation in Fiscal Years 2019 and a 3.3 percent increase in pensionable compensation in Fiscal Year 2020. The agreement also contains non-pensionable compensation increases in Fiscal Years 2016 through 2020. The non-pensionable compensation includes increases to flexible benefit credits for all POA members with additional credits for members with eight or more years of service. Members with eight or more years of service will also receive increases to annual uniform and equipment allowances, as will new recruits. Members will also receive up to 40 hours of discretionary leave for full-time employees with proportionally reduced hours for part-time employees.

IAFF Local 145: IAFF Local 145-represented employees will receive increased annual flexible benefit credits in Fiscal Year 2016. IAFF Local 145 will have the option to reopen negotiations solely for the purpose to meet and confer upon non-pensionable compensation increases in Fiscal Years 2017 and 2018.

Teamsters Local 911: Teamsters Local 911-represented employees will receive increased annual flexible benefit credits in Fiscal Year 2016. The employee organization will have the option to reopen negotiations solely for the purpose to meet and confer over further increases to non-pensionable compensation in Fiscal Years 2017 and 2018.

DCAA: DCAA-represented employees will receive an increase in their annual flexible benefit credits in Fiscal Year 2016. The employee organization will have the option to reopen negotiations solely for the purpose to meet and confer upon non-pensionable compensation increases in Fiscal Years 2017 and 2018.

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Pension Plan

The Table below sets forth the City's portion of San Diego City Employees' Retirement System historical funding progress for Fiscal Years 2005 through 2014. In addition, refer to Note 11, "Pension Plans," in the Fiscal Year 2014 CAFR.

**CITY OF SAN DIEGO
SCHEDULE OF FUNDING PROGRESS
Fiscal Years 2005 through 2014
(\$ In Thousands)
(Unaudited)**

Valuation Date (June 30)	Actuarial Value of Assets	Market Value of Assets	AAL	Funded Ratio (Actuarial)	Funded Ratio (Market)	UAAL (Actuarial)	AAL less Market Value of Assets	Covered Payroll ⁽¹⁾	UAAL to Covered Payroll
2005	\$2,983,080	\$3,205,722	\$4,377,093	68.2%	73.2%	\$1,394,013	\$1,171,371	\$557,631	250.0%
2006 ⁽²⁾	3,981,932	3,981,932	4,982,699	79.9	79.9	1,000,767	1,000,767	534,103	187.4
2007 ⁽³⁾	4,413,411	4,641,341	5,597,653	78.8	82.9	1,184,242	956,312	512,440	231.1
2008 ⁽⁴⁾	4,660,346	4,408,719	5,963,550	78.2	73.9	1,303,204	1,554,831	535,774	243.2
2009	4,175,229	3,479,357	6,281,636	66.5	55.4	2,106,407	2,802,279	536,591	392.6
2010	4,382,047	3,900,537	6,527,224	67.1	59.8	2,145,177	2,626,687	530,238	404.6
2011 ⁽⁴⁾	4,739,399	4,848,059	6,917,175	68.5	70.1	2,177,776	2,069,121	514,265	423.5
2012	4,982,442	4,799,827	7,261,731	68.6	66.1	2,279,289	2,461,904	511,091	446.0
2013 ⁽⁵⁾	5,317,778	5,395,158	7,555,527	70.4	71.4	2,237,749	2,160,369	499,463	448.0
2014	5,828,594	6,292,855	7,858,703	74.2	80.1	2,030,110	1,565,848	480,536	422.5

⁽¹⁾ Covered payroll includes all elements of compensation paid to active City employees on which contributions to the pension plan are based.

⁽²⁾ Reflects revised actuarial methodologies.

⁽³⁾ Reflects revised actuarial assumptions, including the return to EAN actuarial funding method.

⁽⁴⁾ Reflects revised actuarial methodologies and assumptions.

⁽⁵⁾ Reflects revised actuarial methodologies and assumptions. The discount rate was lowered from 7.5% to 7.25% and the wage inflation rate was reduced from 3.75% to 3.3%. Methodologies and assumptions were not changed from 2013 to 2014.

Source: Comptroller's Office, City of San Diego; Cheiron Actuarial Valuations

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Water System Share of Contribution to Pension System

The Table below sets forth the City’s Actuarially Determined Contribution (“ADC”) and pension payments for Fiscal Years 2011 through 2015, as well as the amounts related specifically to the Water System. Prior to Fiscal Year 2014, in addition to the City contributions set forth in the table below, the City made certain pension contributions on behalf of certain employee groups. As of Fiscal Year 2015, the City no longer pays any portion of employee pension contributions. In addition, refer to Note 11, “Pension Plans,” to the Fiscal Year 2014 CAFR.

**CITY OF SAN DIEGO AND WATER UTILITY FUND
PENSION CONTRIBUTION
Fiscal Years 2011 through 2015⁽¹⁾
(\$ In Thousands)**

Fiscal Year Ended June 30	Pension Plan ARC/ADC⁽²⁾	POB Plan ARC/ADC	Total Plan ARC/ADC⁽³⁾	Pension Plan Contribution	POB Plan Contribution	Total Pension Contribution⁽⁴⁾	Water System Contribution⁽⁴⁾	Water System Contribution (% of O&M)
2011	\$229,100	\$1,817	\$230,917	\$229,100	\$1,323	\$230,423	\$12,745	3.9%
2012	231,200	1,269	232,469	231,200	1,687	232,828	13,600	3.9
2013	231,100	1,314	232,414	231,100	1,572	232,672	13,619	3.6
2014	275,400	708	276,108	275,400	1,403	276,803	14,693	3.6
2015	263,600	876	264,476	263,604	1,700	265,304	13,987	3.0

⁽¹⁾ Data for Fiscal Year 2015 is budgeted. All other data is actual.

⁽²⁾ Actuarially Determined Contribution (“ADC”) has replaced the Annual Required Contribution (“ARC”) as the funding policy for SDCERS.

⁽³⁾ Includes core pension ARC/ADC and Preservation of Benefits (POB) Plan ARC/ADC. See Note 11 in City’s Fiscal Year 2014 CAFR for more information on Pension Plan ARC/ADC and POB Plan ARC/ADC. Per IRS guidelines, the City may not pre-fund the POB Plan. Therefore, plan contributions may differ from the Total ARC/ADC in any given year.

⁽⁴⁾ Comprised of the pension plan contribution and the POB Plan contribution; may not sum due to rounding.

Source: Fiscal Years 2011-2014 Comprehensive Annual Financial Reports; Cheiron Actuarial Valuations; Financial Management, Office of the City Comptroller and Public Utilities Department, City of San Diego.

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Other Postemployment Healthcare Benefits (OPEB)

The tables below set forth the (i) City’s OPEB funding progress for Fiscal Years 2008 (the year the City began to prefund OPEB expenses) through 2014; and (ii) the City’s OPEB ARC and City’s contributions for Fiscal Years 2011 through 2015, with amounts related specifically to the Water System. In addition, refer to Note 12, “Other Postemployment Benefits,” in the Fiscal Year 2014 CAFR.

As indicated in the footnotes, the OPEB defined benefit plan has been closed to new employees since July 1, 2005 and certain healthcare-eligible employees and retirees opted out of the defined benefit plan and into a defined contribution retiree healthcare plan in April 2012. The City’s Total Retiree Healthcare Contribution covers the City’s cost for both the defined benefit plan and the defined contribution plan.

CITY OF SAN DIEGO
SCHEDULE OF FUNDING PROGRESS (DEFINED BENEFIT OPEB PLAN)
Fiscal Years 2008 through 2014
(\$ In Thousands)
(Unaudited)

Fiscal Year Ending June 30	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability	Funded Ratio	Covered Payroll⁽¹⁾	UAAL as % of Covered Payroll
2008	\$29,637	\$1,235,707	\$1,206,070	2.40%	\$556,857	216.6%
2009	41,497	1,359,377	1,317,880	3.05	549,012	240.0
2010	72,720	1,200,910	1,128,190	6.06	472,561	238.7
2011	116,608	1,248,151	1,131,543	9.34	455,537	248.4
2012	104,304	553,432	449,128	18.85	124,675	360.2
2013	113,404	557,551	444,147	20.34	112,782	393.8
2014	128,238	607,712	479,474	21.10	98,742	485.6

⁽¹⁾ Represents DB OPEB Plan participation only.

Source: Comprehensive Annual Financial Reports, Comptroller’s Office, City of San Diego

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**CITY AND WATER FUND
RETIREE HEALTH CONTRIBUTIONS
Fiscal Years 2011 through 2015⁽¹⁾
(\$ In Thousands)**

Fiscal Year	Defined Benefit Plan (DB)			Total City Retiree Health Contribution ⁽⁴⁾	Water Fund Retiree Health Contribution	Water Fund Contribution % of O&M
	DB OPEB ARC	City CERBT Contribution ⁽²⁾	City DB OPEB Paygo ⁽³⁾			
2011	\$120,324	\$25,000	\$33,868	\$58,868	\$4,423	1.4
2012 ⁽⁵⁾	49,061	0	23,857	58,281	4,609	1.3
2013	35,348	1,820	36,283	57,782	4,348	1.1
2014	38,097	0	31,143	57,782	3,979	0.9
2015	41,740	N/A	N/A	57,809	4,020	0.9

⁽¹⁾ Data for Fiscal Year 2015 is budgeted. All other data is actual.

⁽²⁾ In Fiscal Years 2012 and 2014 the City withdrew \$13.8 million and \$2.6 million respectively from the CERBT to fund DB OPEB Paygo costs.

⁽³⁾ Includes administrative costs for DB OPEB Plan.

⁽⁴⁾ Includes contributions to the Defined Benefit Plan and the Defined Contribution Plans.

⁽⁵⁾ Effective April 2012, OPEB benefits were modified and a significant group of participants opted out of the defined benefit plan and into a defined contribution plan. The City's Defined Benefit OPEB plan was closed to employees hired on or after July 1, 2005.

Source: Risk Management, Financial Management, Comptroller's Office, City of San Diego.

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