REQUEST FOR COUNCIL ACTION CITY OF SAN DIEGO		CERTIFICATE NUMBER (FOR AUDITOR'S USE ONLY)
TO: CITY COUNCIL	FROM (ORIGINATING DEPARTMENT): City Attorney	DATE: 1/27/2016
SUBJECT: Authorizing the Distribution of the Preliminary Official Statement and Final Official Statement for the Public Facilities Financing Authority's Lease Revenue Refunding Bonds, Series 2016(Ballpark).		
PRIMARY CONTACT (NAME, PHONE): Brant Will, 619-236-6220, 59	SECONDARY CONTACT (NAME, PHONE): ,	

COMPLETE FOR ACCOUNTING PURPOSES

FUND						
FUNCTIONAL AREA						
COST CENTER						
GENERAL LEDGER ACCT						
WBS OR INTERNAL ORDER						
CAPITAL PROJECT No.						
AMOUNT	0.00	0.00	0.00	0.00	0.00	0.00
FUND						
FUNCTIONAL AREA						
COST CENTER						
GENERAL LEDGER ACCT						
WBS OR INTERNAL ORDER						
CAPITAL PROJECT No.						
AMOUNT	0.00	0.00	0.00	0.00	0.00	0.00

COST SUMMARY (IF APPLICABLE):

ROUTING AND APPROVALS

CONTRIBUTORS/REVIEWERS:		APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
		ORIG DEPT.	Nuesca, Mary	01/27/2016
		CFO		
		COO		
		CITY ATTORNEY		
		COUNCIL PRESIDENTS OFFICE	Jurado-Sainz, Diana	01/28/2016

PREPARATION OF:	☒ RESOLUTIONS	☐ ORDINANCE(S)	☐ AGREEMENT(S)	☐ DEED(S)

A resolution of the Public Facilities Financing Authority approving the form and authorizing the distribution of

the Preliminary Official Statement and final Official Statement for the Authority's Lease Revenue Refunding Bonds, Series 2016 (Ballpark).	
STAFF RECOMMENDATIONS: Approve the resolution.	
SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION)	
COUNCIL DISTRICT(S):	All
COMMUNITY AREA(S):	
ENVIRONMENTAL IMPACT:	
CITY CLERK INSTRUCTIONS:	Please docket as a companion item to the related City Council item.

COUNCIL ACTION
EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE: 1/27/2016
ORIGINATING DEPARTMENT: City Attorney
SUBJECT: Authorizing the Distribution of the Preliminary Official Statement and Final Official Statement for the Public Facilities Financing Authority's Lease Revenue Refunding Bonds, Series 2016(Ballpark).
COUNCIL DISTRICT(S): All
CONTACT/PHONE NUMBER: Brant Will/619-236-6220, 59

REQUESTED ACTION:
Approve the resolution approving the form and authorizing the distribution of the Preliminary Official Statement and final Official Statement for the Authority's Lease Revenue Refunding Bonds, Series 2016 (Ballpark).
STAFF RECOMMENDATION:
Approve the resolution.
EXECUTIVE SUMMARY OF ITEM BACKGROUND:
In March 2015, City Council and PFFA each authorized the issuance of lease revenue refunding bonds (now referred to as the "2016 Bonds"), in an amount not to exceed $136 million to refund all outstanding PFFA Lease Revenue Refunding Bonds, Series 2007A (Ballpark Refunding). The authorization included the approval of the financing documents--a Site Lease, a Facility Lease, a Bond Indenture, a Bond Purchase Agreement, an Escrow Agreement, a Third Reaffirmation of Assignment Agreement, and a Continuing Disclosure Certificate.

The original financing plan was to execute the refunding in June 2015, and the City Council and PFFA authorized the form and distribution of the POS in May 2015. However, the issuance was delayed due to litigation challenging the validity of the 2016 Bond authorizations. On December 12, 2015, the Superior Court ruled in favor of the City and PFFA in the 2016 Bonds litigation. Similarly, on November 20, 2015, the Court of Appeals upheld the validity of the PFFA's Series 2015 A & B CIP Bonds that were challenged by the same plaintiff on substantially the same grounds. The plaintiff filed a notice of appeal with respect to the 2016 Bonds on January 5, 2016, and had also filed an appeal on the 2015 A CIP Bonds ruling to the California Supreme Court.

Based on application of current law, the City Attorney's Office and transaction Bond Counsel, Nixon Peabody, believe the litigant's claims are without merit. As such, after consultation with the City Attorney's Office and Nixon Peabody, the POS has been updated for City Council and PFFA approval so that the City and PFFA can move forward with the pricing of the 2016 Bonds in February 2016. The POS describes the bond offering to the marketplace and includes information about the structure and plan of refunding, sources and uses of funds, security and sources of bond payments, risk factors, and the leased property. It provides information a reasonable investor would require to make an informed investment decision. The POS also includes information regarding the City government and financial information (Appendix A), and City demographic and economic information (Appendix B).

The POS reflects the latest financial information including FY 2015 financial results, the FY 2016 Adopted Budget, and the First Quarter Budget Monitoring Report. The POS also includes the latest information on General Fund Infrastructure and the Multi-Year Capital Program, Storm Water Program, Litigation Potentially Adversely Affecting the City's General Fund, Labor Relations, SDCERS, Postemployment Healthcare Benefits, Risk Management, Investment of Funds, and Bonded and Other Indebtedness. Other appendices include a Summary of Legal Documents (Appendix C), the Form of Bond Counsel Opinion (Appendix D), DTC and the Book-Entry Only System (Appendix E), the Form of Continuing Disclosure Certificate (Appendix F), and the Opinion of City Attorney Regarding Litigation (Appendix G).

The POS includes disclosures on the 2016 Bonds litigation and associated risks to bondholders, which are described in the following sections: "Introduction–Litigation," "Risk Factors Litigation," and "Challenges to the Series 2016 Bonds and Other Authority Lease Revenue Bonds." While the City Attorney's Office and Nixon Peabody expect the City and PFFA to prevail, a possibility exists that a final judgement could be entered against the City and PFFA. The POS states that the 2016 Bonds involve significant investment risk because of the litigation, and an adverse final judgement could result in the loss of bondholders' entire investment and the loss of tax exemption for all interest received on the 2016 bonds.

Pursuant to Disclosure Practices Working Group (DPWG) Controls and Procedures, the Financing Group (consisting of Disclosure Counsel, Deputy City Attorney for Finance, and staff from Debt Management, Financial Management, Real Estate Assets, and City Comptroller's Office) assisted with the POS updates. Other departments involved in the POS preparation include Risk Management, City Treasurer, Transportation & Storm Water, and Public Works. All of these departments have contributed and/or reviewed information included in the POS, and were available to address questions from Disclosure Counsel, DPWG, and the underwriters and their counsel. Representatives from the underwriting syndicate, consisting of senior and co-manager firms, and the underwriter's counsel have reviewed the POS.

Consistent with DPWG Controls and Procedures, DPWG reviewed and approved the POS, meeting on January 6th, 20th, and 22nd of 2016. Necessary certifications from City management involved in preparation or review of the POS will be compiled by DPWG. The certifications of the Mayor, City Attorney, Chief Financial Officer, and DPWG will be provided to City Council prior to the City Council hearing. The POS contains various blank placeholders, which will be filled in by disclosure counsel at the time of POS posting, or upon sale of the 2016 Bonds.

The POS is expected to be released on or about February 10, 2016, prior to which any changes or updates to the POS will be distributed electronically to City Council, after DPWG review and approval. The 2016 Bonds are expected to be priced the week of February 15, 2016, with bond closing in late March 2016.

FISCAL CONSIDERATIONS:

EQUAL OPPORTUNITY CONTRACTING INFORMATION (IF APPLICABLE):

PREVIOUS COUNCIL and/or COMMITTEE ACTION (describe any changes made to the item from what was presented at committee):

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Nuesca, Mary
Originating Department

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

RESOLUTION NUMBER FA-2016-2

ADOPTED ON FEBRUARY 9, 2016

RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO APPROVING THE FORM AND AUTHORIZING THE DISTRIBUTION OF THE PRELIMINARY OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION, DELIVERY AND DISTRIBUTION OF THE OFFICIAL STATEMENT IN CONNECTION WITH THE ISSUANCE AND SALE BY THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO OF ITS LEASE REVENUE REFUNDING BONDS, SERIES 2016 (BALLPARK REFUNDING); AND APPROVING OTHER DOCUMENTS AND ACTIONS IN CONNECTION THEREWITH

WHEREAS, The City of San Diego ("City"), the City as the Successor Agency to the Redevelopment Agency of the City of San Diego, and the Housing Authority of the City of San Diego have heretofore entered into a Third Amended and Restated Joint Exercise of Powers Agreement dated January 1, 2013 (the "Joint Powers Agreement"), which created and established the Public Facilities Financing Authority of the City of San Diego (the "Authority") for the purpose, among others, of issuing its bonds to be used to provide financial assistance to the City to finance and refinance public capital improvements; and

WHEREAS, pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California ("Act") and the Joint Powers Agreement, the Authority is authorized to issue bonds for financing and refinancing public capital improvements whenever there are significant public benefits; and

WHEREAS, the Authority authorized and approved the issuance by the Authority of not to exceed $136,000,000 aggregate principal amount of its Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding) (the "Series 2016 Bonds") to refund the Authority's outstanding Lease Revenue Refunding Bonds, Series 2007A; and

WHEREAS, last May the Authority approved a disclosure document for the offer and sale of the Series 2016 Bonds (at that time designated the "Series 2015 Bonds"), however litigation challenging the issuance of the Series 2016 Bonds, recently decided in favor of the Authority and the City by the Superior Court, delayed marketing the Series 2016 Bonds until now; and

WHEREAS, there has been presented to this meeting a proposed form of Preliminary Official Statement relating to the Series 2016 Bonds ("Preliminary Official Statement"), which the underwriters will use in marketing the Series 2016 Bonds; and

WHEREAS, the Authority is authorized to undertake the actions described in this Resolution pursuant to the laws of the State of California; NOW, THEREFORE,

BE IT RESOLVED by the Board of Commissioners of the Public Facilities Financing Authority of the City of San Diego as follows:

1. The Authority hereby finds and determines that the statements set forth above in the recitals to this Resolution are true and correct.

2. The form and content of the proposed Preliminary Official Statement substantially in the form presented to and considered at this meeting, are hereby approved, with such changes thereto as any Chair of the Authority or Vice Chair of the Authority and each of them or any of their respective designees (each, an "Authorized Signatory") may require or approve, such approval to be conclusively evidenced by the execution of the certificate described below by an Authorized Signatory. Each Authorized Signatory is hereby severally authorized and directed, for and in the name of and on behalf of the Authority, to execute and deliver an official statement with respect to the Series 2016 Bonds (the "Official Statement"), in substantially the form of the final Preliminary Official Statement, with such changes thereto as such Authorized Signatory executing and delivering such document shall determine to be necessary and desirable and shall require or approve and believes to be in the best interests of the Authority and the City, such

requirement or approval to be conclusively evidenced by the execution and delivery thereof. The use and distribution of electronic or physical copies of the Preliminary Official Statement and the Official Statement to persons who may be interested in the purchase of Series 2016 Bonds is hereby authorized and approved. Each Authorized Signatory, acting alone, is hereby authorized to certify on behalf of the Authority that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission (except for the omission of certain information as permitted by such Rule) (the "15c2-12 Certificate").

3. All actions heretofore taken by any Authorized Signatory or by any officers, employees, agents or directors of the Authority in connection with or related to the Preliminary Official Statement or the Official Statement are hereby approved, confirmed and ratified. Any Authorized Signatory, the Secretary of the Authority, the General Counsel to the Authority and other officers, employees, agents and directors of the Authority are, and each of the foregoing acting alone or through their specified designee, is hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things, take any and all actions, and execute and deliver such documents, agreements and certificates, which they, or any of them, may deem necessary or advisable to effectuate the purposes of this Resolution and to consummate the transactions authorized hereby. In addition, any Authorized Signatory is hereby authorized to approve additions and changes to the Preliminary Official Statement, as any Authorized Signatory shall determine are necessary or desirable and shall require or approve and that such Authorized Signatory believes to be in the best interests of the Authority, such determination shall be conclusively evidenced by the execution and delivery of the 15c2-12 Certificate.

4. This Resolution shall take effect immediately upon its adoption.

APPROVED: JAN I. GOLDSMITH, General Counsel

By _____
Brant C. Will, Deputy General Counsel

ADOPTED, SIGNED AND APPROVED this 9th day of February 2016, by the following vote:

AYES: _____
NAYS: _____
ABSENT: _____
VACANT: _____
ABSTAIN: _____

PUBLIC FACILITIES FINANCING
AUTHORITY OF THE CITY OF SAN DIEGO

_____
Sherri Lightner, Chair
Board of Commissioners

Attest:

_____
Secretary to Board of Commissioners

Doc. No.:1210234

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

PRELIMINARY OFFICIAL STATEMENT DATED _____ __, 2016

NEW ISSUE — FULL BOOK-ENTRY-ONLY

RATINGS:
Fitch: "__"
S&P: "___"
See "RATINGS"

In the opinion of Nixon Peabody LLP ("Bond Counsel"), under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Authority and the City described herein, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is further of the opinion that interest on the Series 2016 Bonds is exempt from personal income taxes of the State of California under present state law. See "TAX MATTERS" herein.

$[AMOUNT]*
PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE REFUNDING BONDS
SERIES 2016
(BALLPARK REFUNDING)

Dated: Date of Delivery **Due: As shown on the inside cover**

This cover contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices, to obtain information essential to making an informed investment decision.

The Public Facilities Financing Authority of the City of San Diego (the "Authority") is issuing $[AMOUNT]* aggregate principal amount of its Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding) (the "Series 2016 Bonds") pursuant to the Indenture, dated as of [March] 1, 2016 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee").

The Series 2016 Bonds are being issued to (i) refund the Authority's Lease Revenue Refunding Bonds, Series 2007A (Ballpark Refunding); and (ii) pay costs of issuance incurred in connection with the issuance of the Series 2016 Bonds. See "PLAN OF REFUNDING."

The Series 2016 Bonds are being issued as fully registered bonds, without coupons, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Series 2016 Bonds will be made in book-entry form only, in the principal amount of $5,000 or any multiple thereof. Interest on the Series 2016 Bonds will be payable on April 15 and October 15 of each year, commencing October 15, 2016. See "THE SERIES 2016 BONDS."

The Series 2016 Bonds are payable from revenues derived from Base Rental Payments paid by the City of San Diego (the "City") pursuant to the Facility Lease (defined below) for the use and occupancy of the Leased Property (defined below), and amounts on deposit in the Revenue Fund and the Redemption Fund established under the Indenture, all as set forth in the Indenture. Base Rental Payments are due annually on the third Business Day preceding each October 15 in amounts sufficient to make the principal and interest payments due on the Series 2016 Bonds on October 15 and the ensuing April 15. Base Rental Payments are subject to abatement under certain circumstances. There is no debt service reserve fund for the Series 2016 Bonds. The City will lease real property of the City, together with the portion of the improvements located thereon that are owned by the City (the "Leased Property"), comprised of the baseball stadium used by the San Diego Padres major league baseball team (exclusive of items owned by the team) and an adjacent park, to the Authority pursuant to the Amended and Restated Site Lease, dated as of [March] 1, 2016 (the "Site Lease"), by and between the City and the Authority. The Authority will lease the Leased Property back to the City pursuant to the Amended and Restated Ballpark Facility Lease, dated as of [March] 1, 2016 (the "Facility Lease"), by and between the Authority and the City. The Series 2016 Bonds are also payable from insurance or condemnation awards, if any, arising under the Facility Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS" and "RISK FACTORS."

The Series 2016 Bonds are subject to optional and special mandatory redemption, as more fully set forth herein. See "THE SERIES 2016 BONDS – Redemption Provisions."

THE SERIES 2016 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY SECURED SOLELY BY THE REVENUES AND OTHER AMOUNTS PLEDGED UNDER THE INDENTURE, AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE FAITH AND CREDIT OF THE CITY NOR THE STATE ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2016 BONDS. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2016 BONDS DO NOT CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION WITH RESPECT TO THE CITY OR ANY OTHER POLITICAL SUBDIVISION OR GOVERNMENTAL ENTITY.

The purchase and ownership of the Series 2016 Bonds involve significant investment risk and the Series 2016 Bonds are not a suitable investment for all investors. Litigation is pending challenging the validity of the Series 2016 Bonds and related documents. See "RISK FACTORS — Litigation" and "CHALLENGES TO THE SERIES 2016 BONDS AND OTHER AUTHORITY LEASE REVENUE BONDS" for a description of the litigation.

The Series 2016 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of validity by Nixon Peabody LLP, Bond Counsel to the City and the Authority, and certain other conditions. Certain legal matters will be passed upon for the City and the Authority by the City Attorney and Nixon Peabody LLP, Disclosure Counsel to the City and the Authority, and for the

* Preliminary; subject to change.

Underwriters by their counsel, Sidley Austin LLP, San Francisco, California. It is anticipated that the Series 2016 Bonds will be available for delivery through the facilities of DTC in book-entry form on or about [March] __, 2016.

RBC CAPITAL MARKETS

BofA Merrill Lynch **William Blair** **Stern Brothers & Co.**

Dated: [February] __, 2016

MATURITY SCHEDULE

$[AMOUNT]*
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE REFUNDING BONDS
SERIES 2016
(BALLPARK REFUNDING)

Maturity Date (October 15)	Principal Amount	Interest Rate	Yield†	Price†	CUSIP‡

* Preliminary; subject to change.

† Reoffering yields/prices are furnished by the Underwriters. Neither the Authority nor the City takes any responsibility for the accuracy thereof.

‡ CUSIP® is a registered trademark of the American Bankers Association. CUSIP® numbers are provided for convenience of reference only. None of the City, the Authority or the Underwriters assume any responsibility for the accuracy of such numbers.

CITY OF SAN DIEGO

MAYOR
Kevin L. Faulconer

CITY COUNCIL

(Which also serves as the Board of Commissioners of the Public Facilities Financing Authority of the City of San Diego)

Sherri S. Lightner, *(District 1)*
City Council President
Lorie Zapf *(District 2)*
Todd Gloria *(District 3)*
Myrtle Cole *(District 4)*
Mark Kersey *(District 5)*
Chris Cate *(District 6)*
Scott Sherman *(District 7)*
David Alvarez *(District 8)*
Marti Emerald, *(District 9)*
City Council President Pro Tem

CITY ATTORNEY

Jan I. Goldsmith

CITY OFFICIALS

Scott Chadwick, *Chief Operating Officer*
Mary Lewis, *Chief Financial Officer*
Gail R. Granewich, *City Treasurer*
Eduardo Luna, *City Auditor*
Rolando Charvel, *City Comptroller*
Andrea Tevlin, *Independent Budget Analyst*
Elizabeth S. Maland, *City Clerk*

BOND COUNSEL AND DISCLOSURE COUNSEL

Nixon Peabody LLP

MUNICIPAL ADVISOR

Public Resources Advisory Group

TRUSTEE

Wells Fargo Bank, National Association

VERIFICATION AGENT

Causey Demgen & Moore P.C.

No dealer, broker, salesperson or other person has been authorized by the Authority or the City to give any information or to make any representations other than those contained herein, and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or 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 Series 2016 Bonds by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2016 Bonds. 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 a representation of facts.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information in APPENDIX E — "DTC AND THE BOOK-ENTRY-ONLY SYSTEM" attached hereto has been furnished by The Depository Trust Company and no representation has been made by the Authority, the City or the Underwriters as to the accuracy or completeness of such information.

The information set forth herein other than that provided by the City or the Authority, although obtained from sources which are believed by the City to be reliable, is not guaranteed by the City or the Authority as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither 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 affairs of the City since the date thereof. This Official Statement is submitted with respect to the sale of the Series 2016 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such documents and laws.

In connection with this offering, the Underwriters may overallot or effect transactions which stabilize or maintain the market prices of the Series 2016 Bonds at levels above those 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 Series 2016 Bonds to certain dealers, institutional investors and others at prices lower or yields higher than the public offering prices or yields stated on the inside front cover hereof, and said public offering prices may be changed from time to time by the Underwriters.

A wide variety of other information, including financial information, concerning the City, is available from publications and websites of the City and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted.

TABLE OF CONTENTS

Page

INTRODUCTION 1

General 1
Litigation 1
Authority; Purpose for Issuance 2
The Lease Payments and the Leased Property 2
Indenture and Security for the Bonds 3
Additional Bonds 3
Bondholders' Risks 3
Cautionary Statement Regarding Forward-Looking Statements 3
Other Information in This Official Statement 4

THE SERIES 2016 BONDS 4

General Terms 4
Redemption Provisions 5
DTC and the Book-Entry Only System 7

PLAN OF REFUNDING 7

ESTIMATED SOURCES AND USES OF FUNDS 8

DEBT SERVICE SCHEDULE 8

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS 9

General 9
Base Rental Payments; Additional Payments 10
Covenant to Budget 10
Limited Obligation 11
Abatement of Lease Payments 11
No Debt Service Reserve Fund 12
Additional Bonds 12
Joint Use and Management Agreement 12
Repair and Maintenance; Taxes and Assessments; Modification of the Leased Property 13
Fire and Extended Coverage Insurance 13
Use and Occupancy Insurance 14
Title Insurance 15
Substitution, Removal or Addition of Leased Property 15
Eminent Domain 15
Investment of Funds under the Indenture 15

THE LEASED PROPERTY 15

THE AUTHORITY 17

THE CITY 18

RISK FACTORS 18

Litigation 18
Limited Obligations of the Authority 19

TABLE OF CONTENTS
(continued)

Page

Limited Obligations of the City 19
Abatement 19
No Limitation on Incurring Additional Obligations 20
Earthquake and Seismic Conditions 21
Risks of Flood 21
Other Natural Disasters 21
Climate Change 22
Threats and Acts of Terrorism 22
Constitutional and Statutory Limitations on Increase of Revenues 22
Limited Recourse on Default; No Re-Entry or Recovery of Possession 23
Enforcement of Remedies 23
No Acceleration on Default 23
Risk Management and Insurance 23
Environmental Concerns 24
Change in Law 24
Bankruptcy of the City 24
Former Redevelopment Agency 25
State of California Financial Condition 26
Impact of Military Spending 26
Impact of Economic Conditions on the City 26
Loss of Tax Exemption 26

CONTINUING DISCLOSURE 27

FINANCIAL STATEMENTS FOR FISCAL YEAR 2015 28

TAX MATTERS 28

Federal Income Taxes 28
State Taxes 28
Original Issue Discount 29
Original Issue Premium 29
Ancillary Tax Matters 29
Changes in Law and Post Issuance Events 30

VERIFICATION OF MATHEMATICAL COMPUTATIONS 30

CHALLENGES TO THE SERIES 2016 BONDS AND OTHER AUTHORITY LEASE REVENUE BONDS 30

LITIGATION 33

CERTAIN LEGAL MATTERS 34

RATINGS 34

UNDERWRITING 34

MUNICIPAL ADVISOR 35

MISCELLANEOUS 35

TABLE OF CONTENTS
(continued)

Page

APPENDIX A CITY GOVERNMENT AND FINANCIAL INFORMATION A-1
APPENDIX B DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY OF SAN DIEGO B-1
APPENDIX C SUMMARY OF LEGAL DOCUMENTS C-1
APPENDIX D FORM OF BOND COUNSEL OPINION D-1
APPENDIX E DTC AND THE BOOK-ENTRY ONLY SYSTEM E-1
APPENDIX F FORM OF CONTINUING DISCLOSURE CERTIFICATE F-1
APPENDIX G OPINION OF CITY ATTORNEY REGARDING LITIGATION G-1

OFFICIAL STATEMENT

$[AMOUNT]*
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE REFUNDING BONDS
SERIES 2016
(BALLPARK REFUNDING)

INTRODUCTION

This Introduction contains only a brief summary of certain terms of the Series 2016 Bonds being offered hereby, and other material information. 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 City Charter, 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 thereof. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

General

This Official Statement, which includes the cover page, inside cover page, and appendices hereto (the "Official Statement"), is provided for the purpose of setting forth information concerning the issuance and sale by the Public Facilities Financing Authority of the City of San Diego (the "Authority") of $[AMOUNT]* aggregate principal amount of its Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding) (the "Series 2016 Bonds"). Capitalized terms not otherwise defined herein have the meanings given in the Indenture and the Facility Lease (each hereinafter defined) or in APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS."

Litigation

Litigation is pending challenging the validity of the Series 2016 Bonds and related documents. The California Superior Court has upheld the validity of the Series 2016 Bonds and related documents, and the California Court of Appeals recently upheld the validity of another series of Authority lease revenue bonds that were challenged by the same plaintiff on substantially the same grounds. The trial court ruling upholding the validity of the Series 2016 Bonds has been appealed to the California Court of Appeals and the appellate court decision upholding the validity of the Authority's other series of lease revenue bonds has been appealed to the California Supreme Court. The pendency of the litigation presents significant risks to bondholders because an adverse final ruling could result in the loss of bondholders' entire investment and the loss of tax exemption for all interest received on the Series 2016 Bonds. See "RISK FACTORS — Litigation" and "CHALLENGES TO THE SERIES 2016 BONDS AND OTHER AUTHORITY LEASE REVENUE BONDS" for a description of the litigation.

Upon issuance of the Series 2016 Bonds, the Office of the San Diego City Attorney will render its opinion that the plaintiff's claims challenging the validity of the Series 2016 Bonds are without merit in that under the law as currently in effect, the California Supreme Court, acting reasonably and properly briefed on the issues, would not conclude that the actions of the Authority and the City in approving the Series 2016 Bonds are invalid based on the plaintiff's claims. See "APPENDIX G — OPINION OF CITY ATTORNEY REGARDING LITIGATION."

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* Preliminary; subject to change.

Bond Counsel concurs with the City Attorney's opinion and based thereon upon issuance of the Series 2016 Bonds, Bond Counsel will render its opinion with respect to the validity of the Series 2016 Bonds, the Indenture and the Facility Lease substantially in the form attached hereto as Appendix D.

An opinion of counsel represents such counsel's professional judgment of the law applicable to the facts of the matter and is not a guarantee of such judgment. Notwithstanding the conclusions stated in the City Attorney's opinion or Bond Counsel's opinion, there could be a final judgment entered in the Series 2016 Bonds litigation that invalidates the Authority and City actions approving the Series 2016 Bonds and results in the loss of bondholders' entire investment and the loss of tax exemption for all interest received on the Series 2016 Bonds.

Authority; Purpose for Issuance

The Series 2016 Bonds are authorized under the provisions of Article 4 of the California Joint Exercise of Powers Act (commencing with Section 6500) (the "Act") constituting Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Government Code"), Article II of Chapter 4 of Part 1 of Division 2 of Title 5 (commencing with Section 53580) of the Government Code and the laws of the State of California. The Series 2016 Bonds are being issued pursuant to the Indenture, dated as of [March] 1, 2016 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee").

The Series 2016 Bonds are being issued to (i) refund the Authority's Lease Revenue Refunding Bonds, Series 2007A (Ballpark Refunding) (the "Series 2007A Bonds"); and (ii) pay costs of issuance incurred in connection with the issuance of the Series 2016 Bonds. See "PLAN OF REFUNDING."

The Lease Payments and the Leased Property

The City, exercising its powers under the City Charter (the "Charter") to convey and lease property, will lease certain interests in real property of the City, together with the portion of the improvements located thereon that are owned by the City (the "Leased Property"), comprised of the baseball stadium used by the San Diego Padres major league baseball team (the "Padres") exclusive of the Padres Improvements (the "Ballpark") and an adjacent park, to the Authority pursuant to the Amended and Restated Site Lease, dated as of [March] 1, 2016 (the "Site Lease"), by and between the City and the Authority. The Authority will lease the Leased Property back to the City pursuant to the Amended and Restated Ballpark Facility Lease, dated as of [March] 1, 2016 (the "Facility Lease"), by and between the Authority and the City. Base Rental Payments made from the City's general fund pursuant to the Facility Lease are the source of payment for the Series 2016 Bonds. The Series 2016 Bonds are not payable from revenues of the Ballpark.

The Padres Improvements are those improvements in the Ballpark that are owned by the Padres including the seats, concession stands, offices, clubhouses, playing field, fences, gates, landscaping, plumbing, woodwork and other fixtures. The Padres Improvements are identified in the Joint Use and Management Agreement, dated as of February 1, 2000, as amended by Amendment No. 1 to the Joint Use and Management Agreement, dated as of May 21, 2012 (collectively, the "JUMA"), each by and between the City and the Padres. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS – Joint Use and Management Agreement" and APPENDIX C – "SUMMARY OF LEGAL DOCUMENTS – The Joint Use and Management Agreement."

Not later than the third Business Day prior to each Lease Payment Date (occurring on October 15 of each year commencing October 15, 2016) during the term of the Lease, the City is required to pay to the Trustee the Base Rental Payments ("Base Rental Payments") due on such Lease Payment Date from the City's General Fund, or from other legally available sources. Base Rental Payments sufficient to pay principal of and interest on the Series 2016 Bonds due and payable on both October 15 and the ensuing April 15 will be deposited with the Trustee three Business Days prior to each October 15. The Trustee, as assignee of the

Authority, will receive the Base Rental Payments for the benefit of the Owners of the Bonds and credit such Base Rental Payments to the Revenue Fund established pursuant to the Indenture. Under the Facility Lease, the City covenants to take such action as may be necessary to include all Base Rental Payments payable under the Facility Lease in its operating budget for each fiscal year and make the necessary annual appropriations therefor. The Facility Lease provides that such covenants of the City are deemed by the City to be and will be construed to be ministerial duties imposed by law. The Series 2016 Bonds are not secured by any security interest in or mortgage on the Leased Property or any other property.

During any period in which material damage, destruction, title defect or condemnation of all or a portion of the Leased Property or other event results in substantial interference with the use and occupancy of the Leased Property or any portion thereof, such that the annual fair rental value of the Leased Property available for use and occupancy by the City is less than the annual Lease Payments due under the Facility Lease, all or a portion of the Base Rental Payments due under the Facility Lease will be abated such that the remaining Base Rental Payments due under the Facility Lease in any Lease Year do not exceed the annual fair rental value for the use of the portion of the Leased Property not affected.

In the event of any such interruption of use and occupancy, the Facility Lease will continue in full force and effect and proceeds of use and occupancy insurance, if any, will be used to pay Base Rental Payments that would otherwise be abated. Abatement of Base Rental Payments under such circumstances is not an event of default under the Facility Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS – Abatement of Lease Payments," "RISK FACTORS – Abatement" and APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE FACILITY LEASE – Rental Payments – Rental Abatement."

Indenture and Security for the Bonds

The Series 2016 Bonds are limited obligations of the Authority secured under the Indenture solely by a pledge of Revenues (defined below) and moneys held in the Revenue Fund and the Redemption Fund under the Indenture and by an assignment and security interest in the Authority's rights (except for certain rights to indemnification) under the Site Lease and the Facility Lease. The Revenues consist of (a) all Base Rental Payments, prepayments, insurance proceeds and condemnation proceeds with respect to the Leased Property and (b) the Revenue Fund and all interest and other income deposited, pursuant to the Indenture, in the Revenue Fund. There is no debt service reserve fund for the Series 2016 Bonds.

Additional Bonds

The Authority may at any time issue Additional Bonds pursuant to a Supplemental Indenture, payable from the Revenues as provided in the Indenture and secured by a pledge of and charge and lien upon the Revenues and other security pledged under the Indenture equal to the pledge, charge and lien securing the Series 2016 Bonds and subject to the conditions precedent set forth in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS – Additional Bonds."

Bondholders' Risks

There are a number of risks associated with the purchase of the Series 2016 Bonds. See "RISK FACTORS" for a discussion of some of these risks.

Cautionary Statement Regarding 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 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 to be materially different from any projected results, performance or achievements expressed or implied by such forward-looking statements. Although the expectations reflected in such forward-looking statements are believed by the City to be reasonable, there can be no assurance that such expectations will prove to be correct in whole or in part. Neither the Authority nor the City is obligated to issue any updates or revisions to the forward-looking statements if or when expectations, events, conditions or circumstances on which such statements are based do or do not occur.

The presentation of information in APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION" is intended to show recent historical information (except as otherwise indicated), and the City disclaims any representation 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. References in this Official Statement to any particular fiscal year (*e.g.*, Fiscal Year 2015) shall mean the fiscal year ending on June 30 of the referenced year.

Other Information in This Official Statement

For important information regarding the City's budget and finances, see APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION." In addition, demographic, financial and other information with respect to or affecting the City is contained elsewhere in APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION," in APPENDIX B — "DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY" and in the City's Comprehensive Annual Financial Report ("CAFR") for Fiscal Year 2015, which includes the City's audited basic financial statements as of and for the fiscal year ended June 30, 2015. The City's CAFR for Fiscal Year 2015, which includes the City's audited basic financial statements as of and for the fiscal year ended June 30, 2015, is available on the Investor Page of the City's website at http://www.sandiego.gov/investorinformation/documents/cafreports.shtml and is incorporated by reference herein and constitutes a part of this Official Statement.

Brief descriptions of the Series 2016 Bonds, the Indenture, the Facility Lease, the Site Lease, and other documents and information are included in this Official Statement, including the Appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to the documents summarized, copies of which may be obtained upon request to Wells Fargo Bank, National Association, 333 South Grand Ave, 5th Floor, Los Angeles, California, 90071; Corporate Trust Department, Phone: (213) 253-7517, Fax: (213) 253-7598.

THE SERIES 2016 BONDS

General Terms

The Series 2016 Bonds will be dated, and accrue interest from, the date of their delivery and will bear interest at the rates per annum and mature in the amounts and on the dates shown on the inside cover page of this Official Statement. The Series 2016 Bonds will be issued as fully registered bonds, without coupons, registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Series 2016 Bonds will be made in book-entry form only in the principal amount of $5,000 or any multiple thereof. Interest on the Series 2016 Bonds will be payable on April 15 and October 15 of each year, commencing October 15, 2016 (each, an "Interest Payment Date"). The Trustee will make payments of the principal of and interest on the Series 2016 Bonds directly to DTC, or its nominee, Cede & Co., so long as DTC or Cede & Co., or other affiliate or nominee of DTC, is the registered owner of the Series 2016 Bonds. See APPENDIX E — "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Except as otherwise provided in the Indenture, interest on the Series 2016 Bonds will be payable semiannually on each Interest Payment Date to the person whose name appears on the Registration Books as

the Owner thereof as of the Record Date (which will be DTC, so long as the book-entry system with DTC is in effect) immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed on such Interest Payment Date by first class mail to the Owners at the respective addresses of such Owners as they appear on the Registration Books; provided however, that payment of interest may be by wire transfer of immediately available funds to an account in the United States of America to any Owner of Series 2016 Bonds in the aggregate principal amount of $1,000,000 or more who furnishes written wire instructions to the Trustee at least five days before the applicable Record Date. Principal of the Series 2016 Bonds upon maturity or earlier redemption of such Series 2016 Bonds will be paid by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee. Principal of and interest on the Bonds will be payable in lawful money of the United States of America. See APPENDIX E — "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Redemption Provisions

Optional Redemption of Series 2016 Bonds. The Series 2016 Bonds maturing on or before October 15, 20__ are not subject to optional redemption prior to their respective stated maturities. The Series 2016 Bonds maturing on or after October 15, 20__, shall be subject to optional redemption, in whole or in part upon forty-five (45) days written notice to the Trustee by the City of its intention to optionally prepay all or a portion of the Base Rental Payments, on any date on or after October 15, 20__, from any available source of funds of the City, at a redemption price equal to the principal amount of the Series 2016 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. Any such redemption will be in such order of maturity as the City will designate in the above-mentioned notice (and, if no specific order of redemption is designated by the City, *pro rata* among maturities).

Special Mandatory Redemption. The Series 2016 Bonds will be subject to redemption as a whole or in part on any date, to the extent the Trustee has received hazard or title insurance proceeds or condemnation proceeds not used to repair or replace any portion of the Leased Property damaged, destroyed or taken and elected by the City to be used for such purpose as provided in the Indenture, at a redemption price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium.

Selection for Redemption. If less than all of the Series 2016 Bonds of a particular maturity are to be redeemed, the Trustee will select the Series 2016 Bonds to be redeemed from all Series 2016 Bonds of such maturity or such given portion thereof not previously called for redemption, by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee will treat each Series 2016 Bond as consisting of separate $5,000 portions and each such portion will be subject to redemption as if such portion were a separate Series 2016 Bond. If less than all Outstanding Bonds are called for redemption from proceeds of eminent domain or insurance at any one time, the City will designate a principal amount in each maturity to be redeemed.

Notice of Redemption. Notice of redemption will be mailed by the Trustee by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any Series 2016 Bonds designated for redemption at their addresses appearing on the Registration Books, and to the Securities Depositories by means acceptable to such institutions. Each notice of redemption will state the name of the Series 2016 Bonds to be redeemed, the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Series 2016 Bonds (or less than all Series 2016 Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Series 2016 Bonds within a maturity are called for redemption) bond numbers of the Series 2016 Bonds or portions thereof to be redeemed, the maturity or maturities of the Series 2016 Bonds to be redeemed and in the case of Series 2016 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the redemption date there will become due and payable on each of said Series 2016 Bonds the redemption price thereof, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2016 Bonds be then surrendered. Neither the failure to

receive any notice nor any defect therein will affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date.

Notwithstanding the foregoing, in the case of any optional redemption of the Series 2016 Bonds, the notice of redemption will state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Series 2016 Bonds on the anticipated redemption date, and that the optional redemption will not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Series 2016 Bonds have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled optional redemption date to so redeem the Series 2016 Bonds, such event will not constitute an Event of Default, the Trustee will send written notice to the Owners and to the Securities Depositories to the effect that the redemption did not occur as anticipated, and the Series 2016 Bonds for which notice of optional redemption was given will remain Outstanding.

The City will have the right to rescind any optional or special mandatory redemption by written notice to the Trustee on or prior to the date fixed for redemption. The Trustee will mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

Purchase in Lieu of Optional Redemption. Purchase in lieu of redemption will be available as to all Series 2016 Bonds called for optional redemption or for such lesser portion of such Series 2016 Bonds as constitute authorized denominations. In a written certificate, the City may direct the Trustee (or another agent appointed by the City to make such purchase on behalf of the City) to purchase all or such lesser portion of the Series 2016 Bonds called for optional redemption. Any such direction to the Trustee must: (i) be in writing; (ii) state either that all the Series 2016 Bonds called for redemption therein identified are to be purchased or, if less than all of the Series 2016 Bonds called for redemption are to be purchased, identify those Series 2016 Bonds to be purchased by maturity date and outstanding principal amount in authorized denominations; and (iii) be received by the Trustee no later than 12:00 noon one Business Day prior to the scheduled redemption date thereof.

If so directed, the Trustee will purchase such Series 2016 Bonds on the date which otherwise would be the redemption date of such Series 2016 Bonds. Any of the Series 2016 Bonds called for redemption that are not purchased in lieu of redemption will be redeemed as otherwise required by the Indenture on such redemption date.

On or prior to the scheduled redemption date, any direction given to the Trustee as described above may be withdrawn by the City by delivering a written certificate to the Trustee. Subject generally to the terms of the Indenture, should a direction to purchase be withdrawn, the scheduled redemption of such Series 2016 Bonds will not occur.

If the purchase is directed by the City, the purchase will be made for the account of the City or its designee. The purchase price of the Series 2016 Bonds purchased in lieu of redemption will be equal to the outstanding principal, plus accrued and unpaid interest, which would have been payable as the redemption price on such Series 2016 Bonds on the scheduled redemption date. To pay the purchase price of such Series 2016 Bonds, the Trustee will use money deposited by the City with the Trustee for such purpose. The Trustee will not purchase the Series 2016 Bonds in lieu of optional redemption if, by no later than the redemption date, sufficient moneys have not been deposited with the Trustee or such moneys are deposited, but are not available.

No notice of the purchase in lieu of optional redemption is required to be given to the Owners (other than the notice of redemption otherwise described above under the subcaption "– *Notice of Redemption*").

DTC and the Book-Entry Only System

DTC will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be registered in the name of Cede & Co. (DTC's partnership nominee), and will be available to ultimate purchasers (the "Beneficial Owners") only under the book-entry system maintained by DTC in the denomination of $5,000 or any integral multiple thereof. Beneficial Owners of Series 2016 Bonds will not receive physical certificates representing their interest in the Series 2016 Bonds. So long as the Series 2016 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners of the Series 2016 Bonds will mean Cede & Co., and will not mean the Beneficial Owners of the Series 2016 Bonds. Payments by the Trustee of the principal of and interest on the Series 2016 Bonds and any notice with respect to any Series 2016 Bond will be sent directly to DTC, or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the Series 2016 Bonds. Disbursements of such payments and delivery of such notices to DTC's Participants are the responsibility of DTC and disbursements of such payments and delivery of such notices to the Beneficial Owners are the responsibility of DTC's Participants and Indirect Participants. See APPENDIX E — "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

PLAN OF REFUNDING

The City will apply the proceeds of the Series 2016 Bonds (excluding amounts applied to Costs of Issuance), together with funds released from the debt service reserve fund for the Series 2007A Bonds, to defease on the date of delivery of the Series 2016 Bonds (the "Closing Date") and redeem on February 15, 2017, all of the outstanding Series 2007A Bonds (the "Refunded Bonds"). The Authority issued the Refunded Bonds on March 12, 2007 to refinance the $169,685,000 Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2002 (Ballpark Project) (the "Series 2002 Bonds"). The Series 2002 Bonds financed (i) a portion of the construction of (A) the Ballpark and (B) a public park located adjacent to the Ballpark and (ii) certain related infrastructure.

An Escrow Fund will be established for the Refunded Bonds pursuant to the terms of the Escrow Agreement dated as of March 1, 2016, by and between the Authority and Wells Fargo Bank, National Association as escrow agent (the "Escrow Agent"). Amounts in the Escrow Fund will be invested in Federal Securities which are not callable for redemption prior to their maturity. Sufficiency of amounts in the Escrow Fund will be verified in a report of the verification agent. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

The moneys held in the Escrow Fund will not be available to pay debt service on the Series 2016 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The sources of funds from the sale of the Series 2016 Bonds, plus available funds on hand from the release of the debt service reserve fund for the Refunded Bonds, and the proposed uses of such funds are estimated to be in the amounts shown below.

SOURCES OF FUNDS	
Principal Amount	$
[Plus Net Original Issue Premium/Less Net Original Issue Discount]	
Release from the Series 2007A Debt Service Reserve Fund	
Total Sources	$
USES OF FUNDS	
Escrow Fund Deposit	$
Costs of Issuance[1]	
Total Uses	$

[1] Includes fees and costs associated with the issuance of the Series 2016 Bonds, including, but not limited to, trustee fees, municipal advisor fees and expenses, bond counsel fees and expenses, disclosure counsel fees and expenses, escrow agent fees and expenses, verification agent fees, rating agency fees, title insurance costs, appraisal fees and underwriters' discount.

DEBT SERVICE SCHEDULE

The following table summarizes the debt service requirements of the Series 2016 Bonds.

Date	Principal	Interest	Total Series 2016 Bonds Debt Service	Fiscal Year Total
10/15/2016	$	$	$	$
04/15/2017				
10/15/2017				
04/15/2018				
10/15/2018				
04/15/2019				
10/15/2019				
04/15/2020				
10/15/2020				
04/15/2021				
10/15/2021				
04/15/2022				
10/15/2022				
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04/15/2026				
10/15/2026				
04/15/2027				
10/15/2027				
04/15/2028				
10/15/2028				
04/15/2029				
10/15/2029				
04/15/2030				
10/15/2030				
04/15/2031				
10/15/2031				
TOTAL	$	$	$	$

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS

General

The Series 2016 Bonds are special, limited obligations of the Authority and do not constitute a debt, liability or obligation of the City or of the State or any of its political subdivisions and neither the faith and credit of the City nor the State are pledged to the payment of the principal of or interest on the Series 2016 Bonds. The Authority has no taxing power.

The Series 2016 Bonds will be secured solely by a pledge of Revenues and certain moneys, funds and accounts pledged to the payment of the Bonds under the Indenture. The Revenues consist of (a) all Base Rental Payments (described below), prepayments, insurance proceeds, and condemnation proceeds with respect to the Leased Property and (b) the Revenue Fund and all interest and other income deposited in the Revenue Fund.

The Base Rental Payments will be paid by the City on each annual Lease Payment Date, from the City's General Fund or from other legally available sources, to the Trustee in an amount sufficient to pay the principal of and interest on the Bonds, including the Series 2016 Bonds, on each Interest Payment Date and redemption date. The Authority may, from time to time, enter into supplemental indentures without the consent of the owners of the Outstanding Bonds for the purpose of issuing Additional Bonds, payable from Revenues as provided in the Indenture and secured by a pledge of such Revenues on parity with the pledge securing the Series 2016 Bonds, subject to certain specific conditions set forth in the Indenture. See "– Additional Bonds."

Base Rental Payments; Additional Payments

Not later than the third Business Day preceding each annual Lease Payment Date (occurring on October 15 of each year) during the term of the Facility Lease, the City is required to pay to the Trustee the Base Rental Payments due on such date from the City's General Fund, or from other legally available sources, subject to abatement as discussed under "Abatement of Lease Payments" below. Each Base Rental Payment will be in an amount sufficient to pay principal of and interest on the Series 2016 Bonds due and payable on such October 15 and the ensuing April 15. The Trustee, as assignee of the Authority, will receive the Base Rental Payments for the benefit of the Owners of the Bonds and credit such Base Rental Payments to the Revenue Fund established pursuant to the Indenture. The Trustee will apply the Revenues held in the Revenue Fund on each Interest Payment Date to pay principal and interest due on such date on the Series 2016 Bonds.

Under the Facility Lease, in addition to the Base Rental Payments payable thereunder, the City has agreed to pay Additional Payments consisting of such amounts, if any, in each year as will be required for the payment of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Site Lease or the Facility Lease, including but not limited to all fees, costs and expenses and all administrative costs of the Authority relating to the Leased Property and indemnification of the Trustee. The Base Rental Payments and Additional Payments, collectively, constitute the "Lease Payments."

Under the Facility Lease, such payments of Base Rental Payments and Additional Payments for each Lease Year or portion thereof during the term of the Facility Lease will constitute the total rental for such Lease Year or portion thereof and will be paid or payable by the City from funds of the City lawfully available therefor for and in consideration for the right of the use and occupancy of, and the continued quiet use and enjoyment of, the Leased Property by the City for and during such Lease Year.

Covenant to Budget

The City has covenanted in the Facility Lease to take such action as may be necessary to include all Lease Payments payable by the City thereunder in its operating budget for each Fiscal Year and to make the necessary annual appropriations for all such Lease Payments. The Facility Lease provides that such covenants on the part of the City are deemed to be and will be construed to be ministerial duties imposed by law, and it will be the duty of the applicable officials of the City to take such action and do such things as are required by law in the performance of the official duty of such official to enable the City to carry out and perform the covenants and agreements in the Facility Lease.

The Charter requires the City Council to approve the annual budget no later than June 15 of each fiscal year. The annual budget is enacted by the City Council with the adoption of the annual Appropriation Ordinance in July. The Charter provides for continuing appropriation of the prior year's appropriations until a new Appropriation Ordinance is adopted. This would allow the Chief Financial Officer to continue to make Base Rental Payments once such payments have been budgeted and appropriated in the prior year in the event that the City Council fails to timely adopt the Appropriation Ordinance. For a discussion of financial and budgetary information relating to the City's General Fund, see APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION."

Limited Obligation

The obligation of the City to make Base Rental Payments under the Facility Lease does not constitute an obligation to levy or pledge, or for which the City has levied or pledged, any form of taxation. The obligation of the City to make Base Rental Payments and Additional Payments does not constitute indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. See "RISK FACTORS – Limited Obligations of the City.

Abatement of Lease Payments

Except to the extent of (i) amounts held by the Trustee under the Indenture in the Interest Account and Principal Account of the Revenue Fund, (ii) amounts received in respect of use and occupancy insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Series 2016 Bonds, during any period in which, by reason of material damage, destruction, title defect or condemnation, there is substantial interference with the use and occupancy by the City of any portion of the Leased Property, rental payments due under the Facility Lease will be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Lease Payments, in which case rental payments will be abated only by an amount equal to the difference between the annual Lease Payments and the annual fair rental value, as evidenced by a certificate of an Authorized Representative of the City. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned. See "RISK FACTORS – Abatement," and APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE FACILITY LEASE – Rental Payments – *Rental Abatement.*"

In order to help mitigate the risk that an abatement event will cause a disruption in payment of Lease Payments, the Facility Lease requires the City to maintain, or cause to be maintained, use and occupancy insurance against loss of use caused by hazards covered by property insurance (see "— Fire and Extended Coverage Insurance" below) in an amount sufficient to pay the Base Rental Payments attributable to the Leased Property for a twenty-four month period; provided, that the amount of such insurance need not exceed the total remaining Base Rental Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Fire and Extended Coverage Insurance" and "– Use and Occupancy Insurance" below.

During any period of abatement with respect to all or any part of the Leased Property, the Trustee is required to use the proceeds of the use and occupancy insurance to make payments of principal of and interest on the Outstanding Bonds. In the event that such funds are insufficient to make all payments with respect to the Series 2016 Bonds during the period that the Leased Property, or portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Trustee or the Owners under the Facility Lease or Indenture for nonpayment under such circumstances. **Failure to pay principal, premium, if any, or interest on the Series 2016 Bonds as a result of abatement of the City's obligation to make Base Rental Payments under the Facility Lease is not an event of default under the Indenture or the Facility Lease.**

The Leased Property is currently covered by earthquake insurance and flood insurance by the Padres as required under the JUMA. Such insurance is required to name the City and the Trustee as loss payees as their interests may appear. However, the City is not required to maintain earthquake or flood insurance for the Leased Property pursuant to the Facility Lease. In the event insurance for earthquake or flood is not provided by the Padres under the JUMA and the City does not procure its own earthquake and flood insurance, then no use and occupancy insurance will be available to make Base Rental Payments in the event of loss of use and occupancy of the Leased Property due to earthquake or flood. In lieu of abatement of Lease Payments, the City in its sole discretion may elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Leased Property, or portion thereof, pursuant to the substitution provisions of the Facility Lease. See "– Substitution, Removal or Addition of Leased Property" below.

No Debt Service Reserve Fund

Neither the City nor the Authority will establish or maintain a debt service reserve fund for the Series 2016 Bonds.

Additional Bonds

The Indenture provides that the Authority and the City may, at any time, determine to issue and deliver Additional Bonds without the consent of the Owners of the Series 2016 Bonds, payable from and secured by a pledge of the Revenues and the Revenue Fund as provided in the Indenture on parity with the pledge securing the Series 2016 Bonds, subject to satisfying certain terms and conditions set forth in the Indenture. The conditions for the issuance of Additional Bonds include:

(1) No Event of Default will be continuing under the Indenture after giving effect to the issuance of the Additional Bonds and the application of the proceeds thereof.

(2) The Supplemental Indenture will require that the proceeds of such Additional Bonds will be applied to financing, acquiring, constructing, maintaining, operating, improving and leasing the Leased Property, or for the refunding or repayment of any Outstanding Bonds or other obligations of the City issued to finance or refinance the Leased Property, including payment of the interest to become due on said Additional Bonds during the estimated period of any construction and, with respect to tax-exempt Additional Bonds, for a period not to exceed 12 months thereafter.

(3) The aggregate principal amount of Bonds issued and at any time Outstanding will not exceed any limit imposed by law, by the Indenture or by any Supplemental Indenture.

(4) The Facility Lease will be amended, if necessary, so that the Base Rental Payments payable by the City thereunder in each Lease Year will at least equal projected Debt Service, including Debt Service on the Additional Bonds, in each Lease Year.

(5) If the additional facilities, if any, to be leased are not situated on Leased Property described in the Facility Lease and the Site Lease, then the Facility Lease and Site Lease will be amended to add such additional Leased Property. See APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE INDENTURE – Issuance of Bonds – *Conditions for the Issuance of Additional Bonds*."

Nothing in the Indenture prevents payment of debt service on any Series of Additional Bonds from being secured and payable from sources, or by property, instruments or documents, not available to pay or secure the Series 2016 Bonds or any one or more Series of Additional Bonds. See "RISK FACTORS – No Limitation on Incurring Additional Obligations."

Joint Use and Management Agreement

As referred to above, the benefits and burdens of use and ownership of the Ballpark are allocated between the City and the Padres pursuant to the JUMA. The JUMA provides for the maintenance and upkeep of the facility as well as the procuring of insurance. The term of the JUMA commenced upon occupancy of the Ballpark by the Padres in early 2004 and extends until the Series 2016 Bonds, or any refinancing of the Series 2016 Bonds, mature in 2031. During such term, the Padres are prohibited from relocating the team to a location other than the City. The JUMA can be amended, modified or terminated without the consent of the owners of the Series 2016 Bonds or the Trustee. The City has no present intent to amend, modify or terminate the JUMA. See APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE JOINT USE AND MANAGEMENT AGREEMENT."

Repair and Maintenance; Taxes and Assessments; Modification of the Leased Property

During the term of the Facility Lease, the City will, at its own cost and expense, maintain, preserve and keep, or cause to be maintained, preserved or kept, the Leased Property and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. Under the JUMA such obligations are performed by the Padres and the costs are allocated between the Padres and the City. The Authority will have no responsibility in any of these matters or for the making of additions or improvements to the Leased Property.

The City and the Authority will not create, or suffer to be created, any mortgage, pledge, lien, charge or other encumbrance upon the Leased Property, except Permitted Encumbrances. The City and the Authority will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as provided in the Facility Lease.

Notwithstanding anything to the contrary contained in the Facility Lease, but subject to the rights of the City described above, the City may assign, transfer or sublease any and all of the Leased Property or its other rights under the Facility Lease, provided that: (i) the rights of any assignee, transferee or sublessee will be subordinate to all rights of the Authority and the Trustee under the Facility Lease; (ii) no such assignment, transfer or sublease will relieve the City of any of its obligations under the Facility Lease; (iii) the assignment, transfer or sublease will not result in a breach of any covenant of the City contained in the Facility Lease; (iv) any such assignment, transfer or sublease will by its terms expressly provide that the fair rental value of the Leased Property for all purposes shall be first allocated to the Facility Lease, as the same may be amended from time to time before or after any such assignment, transfer or sublease; and (v) no such assignment, transfer or sublease will confer upon the parties thereto (other than the City) any remedy which allows re-entry upon the Leased Property.

In the event that the use, possession or acquisition by the City or the Authority of the Leased Property is found to be subject to taxation in any form, the City will pay or cause to be paid during the term of the Facility Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the City in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Leased Property, as well as all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Property; provided, however, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the City will be obligated to pay only such installments as are accrued during such time as the Facility Lease is in effect. The use of the Ballpark by the Padres generates a possessory interest tax obligation levied against and paid by the Padres.

Fire and Extended Coverage Insurance

Under the JUMA the Padres have responsibility for insuring the Leased Property. Such coverage includes general liability with a single limit of $1.0 million per occurrence, excess liability with a single limit of $50 million per occurrence and a $25,000 deductible, and all-risk property insurance that includes coverage for earthquake and flood (so long as earthquake coverage is available). The all-risk property insurance for casualties other than earthquake and flood is in a single limit amount of the greater of replacement cost or the outstanding principal amount of the Series 2016 Bonds, plus rental interruption insurance, subject to a $100,000 deductible. The property insurance coverage for earthquake set forth in the JUMA is the lesser of probable maximum loss caused by earthquake or one-half of replacement cost, but not less than $50 million, subject to a deductible of 5% of total insured value. The current earthquake policy is subject to a $100 million limit per occurrence. The property insurance coverage for flood set forth in the JUMA is the greater of replacement cost or outstanding principal amount of the Series 2016 Bonds, plus rental interruption insurance. However, the current coverage for flood is subject to a deductible of $1.0 million and a $275 million limit per occurrence.

The JUMA requires all policies to name the City and the Trustee as loss payees as their interests may appear. The JUMA further requires that insurance proceeds be applied pursuant to the Indenture. The property insurance is under policies provided by major league baseball that cover all major league baseball parks and the limits per occurrence are aggregate limits applying to all major league baseball parks.

The City, pursuant to the Facility Lease, is required to procure and maintain, or cause to be procured and maintained, throughout the term of the Facility Lease, insurance against loss or damage to the Leased Property caused by fire and lightning, but exclusive of earthquake and flood, with an extended coverage endorsement covering the risk of vandalism and malicious mischief, sprinkler system leakage and boiler loss. So long as the JUMA is in full force and effect, the City intends to satisfy its insurance obligations under the Facility Lease through the insurance provided by the Padres under the JUMA, including earthquake (so long as available) and flood. In the absence of the JUMA, the insurance provided by the City will be in an amount equal to the lesser of (A) the replacement cost (without deduction for depreciation) of improvements located or to be located on the Leased Property; or (B) the remaining unpaid principal amount of Series 2016 Bonds, plus the amount of use and occupancy coverage (described below), except that such insurance may be subject to deductible clauses of not to exceed the first $100,000 of the total amount of any one loss. Fire and extended coverage insurance and use and occupancy insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property insured by the City; provided that the amount of coverage available thereunder will be at least equal to the cumulative replacement values of the Leased Property and any other such property which is the subject of a lease, installment purchase or other financing arrangement ("Financed Property") for which bonds, certificates of participation or other obligations have been issued ("Obligations") plus the amount of use and occupancy coverage required by the Facility Lease. In the event the City elects to obtain insurance for the Leased Property and one or more additional parcels of real property and the amount of the insurance proceeds available to pay all claims thereunder is not sufficient to cover the replacement values of all such properties, then any such proceeds will be used first to rebuild or repair the Leased Property and all Financed Properties or to repay all Obligations and the Series 2016 Bonds. See APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE FACILITY LEASE – Insurance and Other Charges" and "– Damage, Destruction, Title Defect and Condemnation."

Use and Occupancy Insurance

The City is required pursuant to the Facility Lease to procure and maintain, or to cause to be procured and maintained, use and occupancy insurance against total or partial loss of the use and occupancy of the Leased Property caused by hazards covered by property insurance required by the Facility Lease (see "– Fire and Extended Coverage Insurance" above). Such insurance is required in an amount sufficient to pay the Base Rental Payments attributable to the Leased Property for a twenty-four month period; provided, that (i) the amount of such insurance need not exceed the total remaining Base Rental Payments; (ii) such insurance may be part of a policy of fire and extended coverage insurance permitted by the Facility Lease; and (iii) the City may obtain use and occupancy insurance covering the Leased Property as well as other parcels of property owned by the City, provided that the cumulative amount thereof is at least equal to the cumulative amount of use and occupancy insurance required by the Facility Lease with respect to their respective portions of the Leased Property and any agreements relating to Financed Property in respect of which Obligations are outstanding. Any proceeds of such insurance will be payable to and applied by the Trustee as provided in the Indenture to pay principal of and interest on the Series 2016 Bonds for a period of time during which the payment of rental under the Facility Lease is abated.

As with the property insurance discussed above, the City expects to satisfy its obligation to provide use and occupancy insurance through the coverage provided by the Padres under the JUMA. So long as earthquake and flood insurance are provided by the Padres, use and occupancy insurance will be available for Base Rental Payments in the event of damage caused by earthquake or flood. If such coverage is not available under the JUMA and the City does not procure its own earthquake and flood insurance (which it is not required to carry under the Facility Lease), then no use and occupancy insurance will be available to make

Base Rental Payments in the event of an abatement of Base Rent due to substantial interference with the City's use and occupancy of the Ballpark due to damage caused by earthquake or flood.

Title Insurance

The Facility Lease provides that the City will have or obtain, on or before the Closing Date for the Series 2016 Bonds, a California Land Title Association (CLTA) leasehold policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount equal to the principal amount represented by the Series 2016 Bonds. Such policy or policies, when issued, will name the Trustee as the insured and will insure the leasehold estate of the Authority under the Site Lease, subject only to Permitted Encumbrances.

Substitution, Removal or Addition of Leased Property

Pursuant to the Facility Lease, the City and the Authority may amend the Facility Lease and the Site Lease to (i) substitute real property and/or improvements (a "Substitution") for all or a portion of the existing Leased Property; (ii) remove all or a portion of real property (including undivided interests therein) or improvements ("Removal") from the definition of Leased Property; or (iii) to add real property and/or improvements (the "Additional Leased Property") to the Leased Property, upon compliance with all of the applicable conditions set forth in the Facility Lease. After a Substitution or Removal, the part of the Leased Property for which such Substitution or Removal has been effected will be released from the leasehold under the Facility Lease and under the Site Lease. See APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE FACILITY LEASE – The Leased Property – Substitution, Removal or Addition of Leased Property."

Eminent Domain

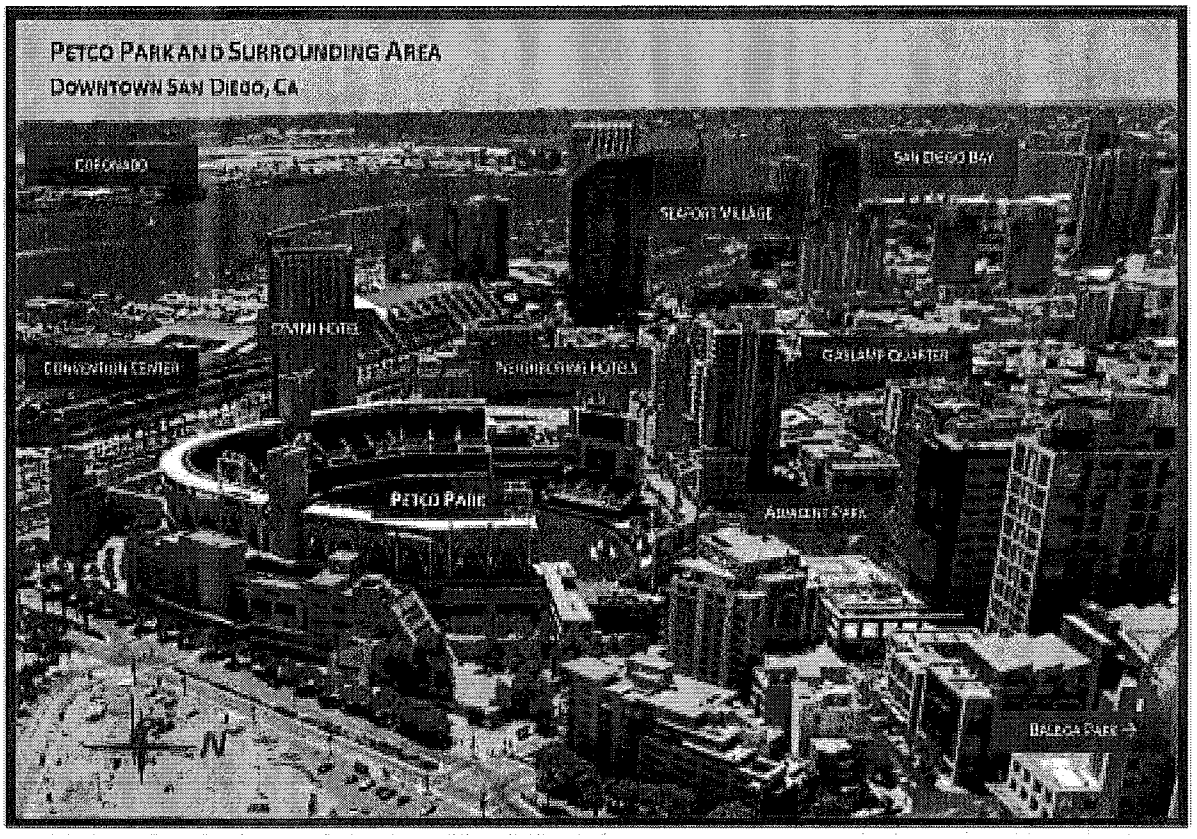
If title to, or the temporary use of, the Leased Property or any portion thereof, or the estate of the City or the Authority in the Leased Property or any portion thereof, is taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the City and the Authority will cause the Net Proceeds of any condemnation award to be transferred to the Trustee for deposit in the Insurance and Condemnation Fund and applied as described in the Indenture. See "THE SERIES 2016 BONDS – Redemption Provisions" and APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE FACILITY LEASE – Damage, Destruction, Title Defect and Condemnation."

Investment of Funds under the Indenture

Money held by the Trustee under any fund or account held under the Indenture will be invested by the Trustee at the direction of the City solely in Permitted Investments, pending application as provided in the Indenture. Unless otherwise provided in a Supplemental Indenture, all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture (except any Rebate Fund) will be deposited, at the City's direction, in the Revenue Fund.

THE LEASED PROPERTY

The City is leasing the Leased Property to the Authority pursuant to the Site Lease. The Authority is subleasing the Leased Property to the City pursuant to the Facility Lease. The Leased Property consists of the Ballpark and other related land acquisitions and improvements located thereon plus an adjacent park. The Ballpark is named Petco Park and is home to the San Diego Padres Baseball Club. It is located in the East Village neighborhood of downtown San Diego, across from the San Diego Convention Center located along San Diego Bay, and approximately one mile from San Diego's Balboa Park.



The open-air Ballpark occupies approximately 15 acres and seats 42,500 people inside the Ballpark, with capacity for an additional 1,500 people in the 2.5 acre Park at the Park, adjacent to the Ballpark. This Park at the Park is available for private events and is otherwise open as a public park year round. The Leased Property (consisting of the Ballpark, exclusive of the Padres improvements, plus the Park at the Park) has been valued by an independent appraisal company, subject to the limitations stated in its report to the City, at approximately $539 million as of February 1, 2015. The Ballpark is close to major transportation corridors, such as Interstate 5, State Route 94 and State Route 163, and is accessible by trolley and bus stops within one block of Petco Park. Its architectural design includes a wide open concourse, strong sightlines, views of Coronado and downtown San Diego, and the adaptive reuse of the historic Western Metal Building, built in 1809 as a wagon maker's supply building, which serves as the left field foul pole and houses shops and a public restaurant.

Ballpark construction was completed in 2004 and the first baseball game was played in the Ballpark on April 8, 2004. The JUMA governs the rights and duties of the City and the Padres with respect to the use and operation of the Ballpark. The City owns the land and ballpark shell and the Padres own certain improvements they constructed in the Ballpark. These improvements consist of seats, concession stands, offices, clubhouses, playing field, batter's eye, fences, gates, landscaping, plumbing, woodwork, and other fixtures. These improvements are excluded from the Leased Property, but they become the property of the City upon expiration of the JUMA. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS – Joint Use and Management Agreement" above.

Under the JUMA, the City receives rent from the Padres plus 30 percent of the net income from all special events, and also shares in payment of about 50 percent of the operations and maintenance costs. The Padres must spend an average of $1 million per year on capital expenses and under current plans will have spent over $19 million in 2015 and 2016.

In addition to the 81 regular season home games, the Ballpark hosts a wide variety of special events such as Davis Cup tournaments, soccer matches, music concerts by performers such as Paul McCartney, Rolling Stones and Taylor Swift, corporate events, Comic-Con's ancillary events, Holiday Wonderland, Monster Truck Jams, and motocross events. The 2016 Major League Baseball All-Star game will be held at Petco Park.

Construction of the Ballpark catalyzed a larger urban revitalization project located in the East Village and undertaken by the City, the Padres, the Redevelopment Agency of the City, the Centre City Development Corporation, and other private developers pursuant to certain agreements among the parties, including the Memorandum of Understanding Concerning a Ballpark District, Construction of a Baseball Park and a Redevelopment Project (the "MOU"). The MOU was approved by 59.6 percent of the citizens voting in the general election of the City on November 3, 1998.

According to a 2010 report by Conventions Sports and Leisure, the redevelopment project has stimulated more than $4.3 billion in private and public investment over a 60-block area surrounding the Ballpark. The revitalization includes development of hotels, retail and office space, residential properties, parking facilities, and other improvements. More than 1,177 new hotel rooms were built resulting in a Downtown inventory of 16,140 rooms. Hotels related to the redevelopment project include the Omni Hotel San Diego, the Hotel Indigo, the Solamar and the Andaz San Diego. This new development brought more than 15,000 new residents and 14,700 new residential units, as reported in a 2013 Policy Brief by National University. In addition, approximately 1,273,670 square feet of retail space was constructed. The new Diamond View Tower, a 325,000 square-foot Class A office tower, offers views into Petco Park. Major retail/commercial establishments currently located in the Ballpark District include Hard Rock Hotel, Gaslamp Hilton, Morton's The Steakhouse, and Fleming's Prime Steakhouse, in addition to numerous retail shops, restaurants and nightclubs. The new 500,000 square foot, domed, state-of-the art Public Library is located adjacent to Petco Park.

None of the revenues from any of the development activity surrounding the Ballpark is pledged to payment of the Series 2016 Bonds.

The Ballpark is located in a seismically active area, as is much of southern California. Although the area is likely to experience strong earthquake shaking during the life of the Ballpark, the effects of ground shaking are mitigated by design and construction in conformance with the building codes and engineering standards applicable at the time of construction. Although active faults are not known to cross the Ballpark facility, active faults are present nearby. The nearest active faults are located east of Park Boulevard. Another active fault, known as the San Diego fault, has been identified northwest of the Ballpark, between Front Street and 2nd Avenue. Subsequent to construction of the Ballpark, fault rupture investigations by the City have identified potentially active faults in the immediate vicinity of the Ballpark. The trend of one of the identified potentially active faults projects toward the Ballpark. See "RISK FACTORS – Earthquake and Seismic Conditions."

THE AUTHORITY

The Authority is a California joint exercise of powers authority existing pursuant to the Third Amended and Restated Joint Exercise of Powers Agreement, dated as of January 1, 2013, by and among the City, the City in its capacity as the designated successor agency (the "Successor Agency") to the former Redevelopment Agency of the City of San Diego (the "Former RDA") and the Housing Authority of the City of San Diego (the "Housing Authority"). The Authority is organized, in part, to finance certain public capital improvements of the City, the Successor Agency or the Housing Authority. The Authority's authority to issue the Series 2016 Bonds and other lease revenue bonds has become subject to litigation, as further described in "CHALLENGES TO THE SERIES 2016 BONDS AND OTHER AUTHORITY LEASE REVENUE BONDS."

Except as provided by the Indenture, the Authority has no liability to the owners or Beneficial Owners of any Series 2016 Bonds and has pledged none of its moneys, funds or assets, other than Revenues, toward the payment of any amount due in connection with the Series 2016 Bonds. The Authority is governed by its own Board of Commissioners consisting of the members of the City Council. The Authority is dependent upon the officers and employees of the City to administer its program.

THE CITY

APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION" and APPENDIX B — "DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY" set forth important information prepared by the City for inclusion in this Official Statement regarding its finances and operations. *Investors are advised to carefully consider the information presented in Appendix A and Appendix B in making an informed investment decision.*

RISK FACTORS

The following risk factors should be considered by potential investors, along with all other information in this Official Statement, in evaluating the risks inherent in the purchase of the Series 2016 Bonds. The following discussion is not meant to be a comprehensive or definitive list of the risks associated with an investment in the Series 2016 Bonds. The order in which this information is presented does not necessarily reflect the relative importance of the various issues. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value or liquidity of the Series 2016 Bonds or failure by the City to make Base Rental Payments. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Litigation

There is pending litigation challenging the validity of the Series 2016 Bonds and other lease revenue bonds issued by the Authority. The Authority, the City, the City as Successor Agency and the Housing Authority (the "San Diego Entities") are defendants in litigation challenging the Series 2016 Bonds and the Authority's Lease Revenue Bonds 2015 Series A and 2015 Series B (Capital Improvement Projects) (the "Series A CIP Bonds" and the "Series B CIP Bonds," respectively, and collectively, the "CIP Bonds"). In three separate cases the litigation challenged the City ordinances and the Authority resolutions approving the Series 2016 Bonds and the CIP Bonds and related documents (the "Bond Approvals"). The San Diego Entities denied the challenges and sought judgments validating the Series 2016 Bonds, the CIP Bonds and the Bond Approvals. See "CHALLENGES TO THE SERIES 2016 BONDS AND OTHER AUTHORITY LEASE REVENUE BONDS" for more details.

The San Diego Entities prevailed in all three trial court actions and all three trial court decisions were appealed. The CIP Bonds were successfully issued and sold on April 21, 2015. On November 11, 2015, the California Court of Appeal affirmed the trial court's ruling in favor of the San Diego Entities in the Series A CIP Bonds litigation. The plaintiff has appealed this ruling to the California Supreme Court. On December 14, 2015, the trial court ruled in favor of the San Diego Entities in the Series 2016 Bonds litigation based on the Court of Appeal's decision in the Series A CIP litigation and prior decisions by the California Supreme Court. The Series 2016 Bonds trial court decision is currently on appeal to the California Court of Appeal. On January 15, 2016, the California Court of Appeal overturned the trial court's procedural ruling in favor of the San Diego Entities in the Series B CIP litigation and remanded the case to the trial court for further proceedings, including a hearing on the San Diego Entities' motion for summary judgment upholding the validity of the Series B CIP Bonds. [The City expects the San Diego Entities will prevail on the summary judgment motion unless the California Supreme Court overturns the Court of Appeal decision upholding the validity of the Series A CIP Bonds.]

On the Closing Date, the San Diego City Attorney, who has represented the San Diego Entities in the CIP Bonds litigation and the Series 2016 Bonds litigation, will opine that the plaintiff's allegations in the complaint challenging the Series 2016 Bonds and the Series 2016 Bond Approvals are without merit in that such counsel believes under the law as in effect on the date of such opinion, based on the analysis set forth in such opinion, the California Supreme Court, acting reasonably and properly briefed on the issues, would not conclude that the Series 2016 Bond Approvals are invalid based on such allegations. See APPENDIX G — "OPINION OF CITY ATTORNEY REGARDING LITIGATION." Bond counsel concurs with the opinion of the City Attorney. See APPENDIX D — "FORM OF BOND COUNSEL OPINION."

The opinions of the City Attorney and Bond Counsel represent their professional judgment of the current law applied to the facts of the matter. The opinions are not a guarantee of such judgment. The purchase and ownership of the Series 2016 Bonds involve significant investment risk because of the litigation and the Series 2016 Bonds are not a suitable investment for all investors. AN ADVERSE FINAL RULING IN THIS LITIGATION COULD RESULT IN THE LOSS OF BONDHOLDERS' ENTIRE INVESTMENT IN THE SERIES 2016 BONDS AND IN THE LOSS OF TAX EXEMPTION FOR ALL INTEREST RECEIVED ON THE SERIES 2016 BONDS.

Limited Obligations of the Authority

The Series 2016 Bonds are special, limited obligations of the Authority and are payable solely from Revenues, which consist primarily of Base Rental Payments made by the City pursuant to the Facility Lease and certain other funds held under the Indenture, subject to the provisions of the Indenture permitting the application of such amounts for the purposes and on the terms and conditions set forth therein. Neither the City nor any of its officers will incur any liability or any other obligation with respect to the payment of the Series 2016 Bonds other than the obligation of the City to make Base Rental Payments under the Facility Lease.

Nothing within this Official Statement is intended to imply that there exists any cross-application or cross-collateralization, including, without limitation, any cross-defaults between the Indenture or any other indenture related to bonds issued by the City or the Authority.

Limited Obligations of the City

THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE, OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED, ANY FORM OF TAXATION. THE SERIES 2016 BONDS AND THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE FACILITY LEASE DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER.

Abatement

Except to the extent of (i) amounts held by the Trustee under the Indenture in the Interest Account and Principal Account of the Revenue Fund, (ii) amounts received in respect of use and occupancy insurance, if any, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect or condemnation, there is substantial interference with the use and occupancy by the City of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property will be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Payments, in which case rental payments will be abated only by an amount equal to the difference, as evidenced by a certificate of an Authorized Representative of the City. Such abatement will continue for the period commencing with the date

of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS – Use and Occupancy Insurance" and APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE FACILITY LEASE – Rental Payments – *Rental Abatement.*"

The obligation of the City under the Facility Lease to make Base Rental Payments is in consideration for the right to use and occupy the Leased Property, and is absolute and unconditional without any right of set-off or counterclaim, except as to amounts which may be credited to such payment under the Facility Lease, and except as such obligation may be abated as described herein.

There is no statute, judicial decision or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Facility Lease or at the time of the abatement or may be adjusted during an event of abatement. Upon abatement, it may be that the value of the Leased Property is substantially higher or lower than its value at the time of issuance of the Series 2016 Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2016 Bonds.

During any period in which material damage, destruction, title defect or condemnation of all or a portion of the Leased Property or other event results in substantial interference with the use and occupancy of the Leased Property or any portion thereof, all or a portion of the Base Rental Payments due under the Facility Lease will be abated to the extent described above, the Facility Lease will continue in full force and effect and the proceeds of use and occupancy insurance, if any, will be used to pay Base Rental Payments that would otherwise be abated. In the event that such funds are insufficient to make all payments with respect to the Series 2016 Bonds during the period that the Leased Property, or portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Trustee or the Owners under the Facility Lease or Indenture for nonpayment under such circumstances. **Failure to pay principal of or interest on to the Series 2016 Bonds as a result of abatement of the City's obligation to make Rental Payments under the Facility Lease is not an event of default under the Indenture or the Facility Lease**. The term of the Facility Lease shall be extended by a period equal to the period of abatement for which Base Rental Payment has not been paid in full (but in no event later than October 14, 2041), and Base Rental Payment for such extension shall be equal to the unpaid Base Rental payments during the period of abatement but without interest thereon. In the event that Base Rental Payments are abated due to damage caused by earthquake or flood, and insurance against such perils is not maintained under the JUMA or otherwise, such abatement may continue indefinitely, as no insurance for such damages is required under the Facility Lease and the City cannot be compelled to repair or replace the damaged Leased Property or to redeem the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS – Abatement of Lease Payments"

Notwithstanding the provisions of the Facility Lease and the Indenture specifying the extent of abatement of Base Rental Payments, the requirement for insurance and the application of other funds in the event of the City's failure to have use and occupancy of the Leased Property, the resulting Base Rental Payments of the City may not be sufficient to pay all of the remaining principal and interest on the Series 2016 Bonds.

No Limitation on Incurring Additional Obligations

Neither the Facility Lease nor the Indenture contains any limitations on the ability of the City to enter into other obligations, without the consent of the Owners of the Series 2016 Bonds, which may constitute additional obligations payable from its General Fund. To the extent that the City incurs such additional obligations, the City's funds available to make Base Rental Payments may be decreased. The City is currently liable on other obligations payable from General Fund revenues and is currently contemplating entering into

other such obligations. See APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION – BONDED AND OTHER INDEBTEDNESS."

Earthquake and Seismic Conditions

According to the County of San Diego Office of Emergency Services, every year approximately 500 earthquakes occur in the state of California that are large enough to be felt. San Diego County, in comparison to other southern California areas, has sparse seismicity. However, since 1984, earthquake activity in San Diego County has doubled over that of the preceding 50 years.

A major earthquake could cause widespread destruction and significant loss of life in a populated area such as the City. If an earthquake were to substantially damage or destroy taxable property within the City, a reduction in taxable values of property in the City and a reduction in revenues available to the General Fund to make Lease Payments would be likely to occur. Seismic activity may also affect the use and occupancy of the Leased Property. See 'RISK FACTORS – Abatement" above.

There is no assurance that, in the event of a natural disaster, sufficient City reserves or Federal Emergency Management Agency assistance would be available for the repair or replacement of the Leased Property. Under the JUMA, earthquake coverage of the lesser of probable maximum loss caused by any earthquake or one-half of replacement cost of the Ballpark, but not less than $50 million, with a deductible of 5% of total insured value is required. Earthquake insurance is currently maintained by the Padres at $100 million limit per occurrence under the current policy. The Facility Lease does not require the City to maintain earthquake insurance coverage or to repair or restore the Leased Property if damaged by earthquake where there are no insurance proceeds.

The Facility Lease provides that, in the event that rent is abated, in whole or in part, due to damage, destruction, title defect or condemnation of any part of the Leased Property and the City is unable to repair, replace or rebuild the Leased Property from the Net Proceeds, if any, of insurance or eminent domain, the City will apply for and use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Risks of Flood

The Facility Lease does not require the City to maintain insurance coverage against loss or damage due to flood. However, flood coverage for the Leased Property is currently provided by the Padres under the JUMA. The property insurance coverage for flood set forth in the JUMA is an amount at least equal to the greater of replacement cost for the entire facility or the outstanding principal amount of the Series 2016 Bonds. The current coverage for flood is subject to a $1.0 million deductible and a $275 million limit per occurrence. The Leased Property is not located in a flood hazard area according to the flood insurance maps prepared by FEMA's National Flood Insurance Program. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS" above and APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION – RISK MANAGEMENT – Property and Flood Insurance."

Other Natural Disasters

In addition to earthquakes and floods affecting the Leased Property, as described under "— Earthquake and Seismic Conditions" and "— Risks of Flood" above, it is possible the City could experience other natural disasters, such as wildfires, tsunamis, and floods. The City is located in San Diego County which was the location of a major wildfire in October 2003 that burned over 250,000 acres and destroyed more than 3,000 homes. In October 2007 wildfires in San Diego County destroyed several hundred homes, some of which were in the City. In May 2014, wildfires in San Diego County again came close to the City. The City has not experienced significant damage from tsunamis; however, earthquakes from offshore faults and offshore landslides are capable of generating locally damaging tsunamis along the San Diego

coastline. The San Diego River, which runs west through the City, is mapped by the Federal Emergency Management Agency (FEMA) as a 100 year floodway. If a natural disaster were to substantially damage or destroy taxable property within the City, the assessed valuation of such property could be reduced, which could result in a reduction of property tax revenues. Other revenue sources, such as Transient Occupancy Taxes, could also be reduced. In addition, substantial financial and operational resources of the City could be required during the event and to subsequently repair damage to City infrastructure.

Climate Change

The San Diego Foundation's (the "Foundation") Regional Focus 2050 Study (the "Focus 2050 Study") released in November, 2008 and updated in 2014 explores what the San Diego region could be like in the year 2050 if current trends continue. More than 40 multi-disciplinary experts from regional universities, local governments, public sector agencies, nonprofits, and private sector organizations contributed to the research. The range of impacts presented in the Focus 2050 Study are based on projections of climate change on the San Diego region using three climate models and two emissions scenarios drawn from those used by the Intergovernmental Panel on Climate Change. As summarized in the Foundation's 2014 release entitled "San Diego, 2015 is Calling," the Focus 2050 Study predicts that, if current trends continue, by the year 2050: (i) San Diego will experience hotter and more humid heat waves and less frequent but more intense rainfall; (ii) warming, compounded by less frequent precipitation, will worsen droughts and threaten imported and local water sources; (iii) extreme high tides and winter storms magnified by sea level rise will result in more frequent and widespread local flooding; (iv) wildfire seasons may be longer and more extreme, with warming temperatures, drier soils and vegetation and less frequent rain; and (v) rising sea level will threaten coastlines, beaches and wetlands.

In December 2015, the City Council has authorized the Climate Action Plan for the City which calls for eliminating 50% of all greenhouse gas emissions in the City by 2035. The Climate Action Plan establishes a roadmap for the City of San Diego to achieve the greenhouse gas emission targets set by the State of California, while improving San Diego's environment and economy. The Plan intends to promote job creation through research, development, and innovation in "green job" or "clean tech" industries, improve public health and air quality, promote water conservation, and improve quality of life. The Plan identifies steps the City may take to achieve the 2035 targets including consideration of a program that increases the renewable energy supply; implementing a zero waste plan; and changing policy to have a majority of the city's fleet be electric vehicles. Many CAP actions are already being undertaken by City departments and some will require further approvals by the City Council. An implementation plan and associated budget will be presented to City Council by April as part of the City budgeting process.

Threats and Acts of Terrorism

Security measures, such as metal detector screening, searches of purses and prohibition of backpacks, are taken in an effort to thwart acts of terrorism. However, such measures are not guaranteed to prevent an attack on the Ballpark. The City and Authority cannot predict the likelihood of a terrorist attack on the Ballpark or the extent of damage that might result from an attack. The Padres currently insure the Ballpark against terrorist attacks. However, the Padres are not required to maintain such insurance under the JUMA and the City is not required to maintain such insurance under the Facility Lease.

Constitutional and Statutory Limitations on Increase of Revenues

Article XIII A (Limitation on Ad Valorem Tax), Article XIII B (Government Spending Limitation), Article XIII C (Voter Approval for Local Tax Levies) and Article XIII D (Assessment and Property Related Fee Reform) of the Constitution of the State of California were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time, other initiative measures may be adopted, which may affect the City's revenues and its ability to expend said revenues. The above mentioned measures and any future measures could restrict the City's ability to raise additional funds for its General Fund. See

APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION – LIMITATIONS ON TAXES AND APPROPRIATIONS."

Limited Recourse on Default; No Re-Entry or Recovery of Possession

In the event of non-payment by the City of the Lease Payments, or other default by the City under the Lease, the enforcement of any remedies provided in the Indenture and in the Facility Lease by or on behalf of Owners of the Series 2016 Bonds could prove both expensive and time consuming. The Facility Lease expressly prohibits any re-entry or recovery of possession upon an event of default. The Trustee is limited to commencing an action to recover Base Rental Payments as they become due. The Trustee may exercise any and all remedies available pursuant to the City Charter and other applicable law or the Facility Lease, but the Facility Lease provides that there will be no right under any circumstances to accelerate the Lease Payments not then in default to be immediately due and payable.

Enforcement of Remedies

The enforcement of any remedies provided in the Facility Lease and the Indenture could prove both expensive and time consuming. The rights and remedies provided in the Facility Lease and the Indenture may be limited by and are subject to the limitations on legal remedies against cities, including State constitutional limits on expenditures, and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest; by federal bankruptcy laws, as now or hereafter enacted; applicable State, bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect (see "– Bankruptcy of the City" below); 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; 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 municipal entities in the State. Bankruptcy proceedings or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Series 2016 Bonds 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.

The legal opinions to be delivered concurrently with the delivery of the Series 2016 Bonds (including Bond Counsel's legal opinion) will be qualified, as to the enforceability of the Series 2016 Bonds, the Indenture, the Site Lease, the Facility Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitation on legal remedies against cities in the State. See "– Bankruptcy of the City" below.

No Acceleration on Default

In the event of a default under the Indenture or the Facility Lease, there is no remedy of acceleration of the Base Rental Payments. Owners of the Series 2016 Bonds would have to sue for payment of unpaid Base Rental Payments as and when it becomes due. Any suit for money damages would be subject to the legal limitations on remedies against cities and joint exercise of powers authorities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Risk Management and Insurance

The Facility Lease obligates the City to maintain and keep, or cause to be maintained or kept, in force various forms of insurance, subject to deductibles, on the Leased Property for repair or replacement in the event of damage or destruction to such Leased Property caused by certain hazards. The City is also required to maintain, or cause to be maintained, use and occupancy insurance with respect to insured casualty risks. See

"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS — Use and Occupancy Insurance" above. Neither the Authority nor the City makes any representation as to the ability of any insurer to fulfill its obligations under any insurance policy required under the Facility Lease and no assurance can be given as to adequacy of any such insurance to fund necessary repair or replacement or to pay principal and interest with respect to the Series 2016 Bonds.

The Facility Lease allows the City to self-insure against any or all risks, except use and occupancy and title defects. See APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE FACILITY LEASE – Insurance and Other Charges."

Environmental Concerns

Owners or operators of real property, including the City, may be required by law to remedy conditions of a property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response Compensation and Liability Act of 1980 commonly referred to as the "Superfund Act," is the most widely applicable of these laws, but California laws with regard to hazardous substances are also stringent. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition on the property whether or not the owner or operator created the hazardous substance condition.

Change in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives or Charter amendments or that the State Legislature or the City Council will not enact legislation that will amend the laws of the State Constitution or the City's municipal code, respectively, in a manner that could result in a reduction of the City's General Fund revenues and therefore a reduction of the funds legally available to the City to make Base Rental Payments.

Bankruptcy of the City

In addition to the limitations on remedies contained in the Indenture and the Facility Lease, the rights and remedies in the Facility Lease may be limited by and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs bankruptcy proceedings of public entities such as the City, no involuntary bankruptcy petition may be filed against a public entity. However, upon satisfaction of certain prerequisite conditions, a voluntary bankruptcy petition may be filed by the City. The filing of a bankruptcy petition results in a stay against enforcement of remedies under agreements to which the bankrupt entity is a party. A bankruptcy filing by the City could thus limit remedies under the Facility Lease. A bankruptcy debtor may choose to assume or reject executory contracts and leases, such as the Facility Lease. In the event of rejection of a lease by a debtor lessee, the leased property is returned to the lessor and the lessor has a claim for a limited amount of the resulting damages.

Under the Indenture, the Trustee holds a security interest in the Revenues, including Base Rental Payments, for the benefit of the Owners of the Bonds, but such security interest arises only when the Base Rental Payments are actually received by the Trustee following payment by the City. The Leased Property itself is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners. In the event of a City bankruptcy and a subsequent rejection of the Facility Lease by the City, the Trustee, as assignee of the Authority, would have a claim for damages against the City. The Trustee's claim would constitute a secured claim only to the extent of Revenues in the possession of the Trustee; the balance of such claim would be unsecured.

Bankruptcy proceedings would subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently entail risks of delay, limitation, or modification of their rights with respect to the Series 2016 Bonds. In a bankruptcy case, the amount recovered by Owners could be affected by whether the Facility Lease is determined to be a "true lease" or a loan or other financing arrangement (a "financing lease"), and Owners' recovery could be reduced in either case. If the Facility Lease is determined by the bankruptcy court to constitute a "true lease" (rather than a financing lease), the City could choose not to perform under the Facility Lease by rejecting it and the claim of the Owners could be substantially limited pursuant to Section 365 of the Bankruptcy Code to a fraction of the scheduled amount of Base Rental Payments, and that reduced claim amount could be impaired as an unsecured claim under a plan of adjustment. If a bankruptcy court were to treat the Facility Lease as a financing lease then, under a plan of adjustment, the priority, payment terms, collateral, payment dates, payment sources, covenants and other terms or provisions of the Facility Lease and the Series 2016 Bonds may be altered. Such a plan could be confirmed even over the objections of the Trustee and the Owners, and without their consent. For example, the amount of the Base Rental Payments from the City might be substantially reduced because of the power of the bankruptcy court under the Bankruptcy Code to adjust secured claims to the value of their collateral, which, as described above, could be limited to the Revenues held by the Trustee. In addition there can be a substantial disparity in treatment based on the nature of the Leased Property. Whether the Facility Lease is characterized by the bankruptcy court as a true lease or a financing lease, either scenario could result in the Owners not receiving the full amount of the principal and interest due on the Series 2016 Bonds.

In a bankruptcy of the City, if a material unpaid liability is owed to the San Diego City Employees' Retirement System ("SDCERS") or any other pension system (collectively the "Pension Systems") on the filing date, or accrues thereafter, such circumstances could create additional uncertainty as to the City's ability to make Base Rental Payments or other Lease Payments if the Facility Lease is rejected. Given that municipal pension systems in California are usually administered pursuant to state constitutional provisions and, as applicable, other state and/or city law, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems have the right to enforce payment by injunction or other proceedings outside of a City bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a City bankruptcy would rule on these matters. In addition, this area of law is presently very unsettled because issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) are presently the subject of litigation in the Chapter 9 cases of several California municipalities, including Stockton and San Bernardino.

Former Redevelopment Agency

The Former RDA was dissolved as of February 1, 2012 pursuant to State legislation that dissolved all such redevelopment agencies statewide, and the City is serving as the Successor Agency and as the housing successor to the Former RDA. The Former RDA had agreements with the City pursuant to which it contributed to debt service otherwise payable from the General Fund for certain projects. The Former RDA had additional agreements with and obligations to the City and other parties. As part of the dissolution process, the State Department of Finance has taken the position that a number of these agreements are invalid resulting in liability to the General Fund for amounts that would otherwise be paid from tax increment levied and collected in redevelopment areas. The liabilities arising from the City's role as the Successor Agency and the housing successor to the Former RDA could result in a negative impact to the General fund individually or in the aggregate. See APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION – CITY BUDGET AND RELATED MATTERS – Former Redevelopment Agency."

State of California Financial Condition

The financial condition of the State has improved significantly since the severe economic recession. However, the State is still facing unfunded long-term liabilities which could result in future reductions or deferrals in amounts payable to the City by the State. The State's financial condition and budget policies affect local public agencies throughout California. To the extent that the State financial condition or budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. State budget policies can also impact conditions in the local economy and could have an adverse effect on the local economy and the City's major revenue sources. For more information regarding the State's financial condition, see APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION – STATE BUDGET INFORMATION."

Impact of Military Spending

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

The San Diego Military Economic Impact Study (the "Military Study") released in September 2015 by the San Diego Military Advisory Council estimates that approximately 22% of the jobs in the County for the federal fiscal year ending September 30, 2015 were directly and indirectly related to the military. According to the Military Study, as of September 30, 2015, there were approximately 109,500 active duty and reserve military personnel and 23,600 full-time civilian workers directly employed by the military throughout the County. The Military Study concludes that overall spending in the County related to the military in the federal fiscal year ended September 30, 2015 represented approximately 21.5% of the County's total gross regional product. See "APPENDIX B—DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY OF SAN DIEGO—Military."

Given the substantial role that the military plays in the local economy, significant reductions in defense spending or the relocation of military bases out of the area could negatively impact the local economy and, in turn, reduce revenues to the City from such major sources as property taxes, sales taxes and transient occupancy taxes. Any direct impact on the City operations or finances is uncertain and the City is unable to predict the extent of any negative impact on the area economy as a result of reduced military spending.

Impact of Economic Conditions on the City

The United States economy is now recovering after experiencing a severe economic recession. The City cannot predict the extent to which fiscal problems will be encountered in this and any future fiscal years, and it is not clear what measures, if any, would be taken by the State or federal government in the event of future economic recessions or budgetary deficits. The City cannot predict future State or federal budgetary actions or the impact that such actions will have on the City's finances and operations. See APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION."

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS" herein, interest on the Series 2016 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series 2016 Bonds were issued, as a result of future acts or omissions of the Authority or the City in violation of covenants in the Indenture and the Facility Lease.

Current or future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2016 Bonds to be subject, directly or indirectly, to federal income taxation or

to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Legislative changes have been proposed in Congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the Series 2016 Bonds. The introduction or enactment of any of the pending or future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2016 Bonds. Prospective purchasers of the Series 2016 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is possible that subsequent to the issuance of the Series 2016 Bonds 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 Series 2016 Bonds or the market value of the Series 2016 Bonds. No assurance can be given that subsequent to the issuance of the Series 2016 Bonds such changes or interpretations will not occur. See "TAX MATTERS" below.

Should a future event of taxability occur, the Series 2016 Bonds are not subject to early redemption therefor and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

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, to the Municipal Securities Rulemaking Board ("MSRB") in the manner prescribed by the Securities Exchange Commission (the "SEC") certain annual financial information and operating data related to the City (the "Annual Report") no later than April 10 after the end of the City's fiscal year (which currently ends June 30), commencing with the Annual Report for Fiscal Year 2016 due April 10, 2017 and to provide notices of certain enumerated events (as described in the Disclosure Certificate). The form of the Disclosure Certificate is attached hereto as APPENDIX F — "FORM OF CONTINUING DISCLOSURE CERTIFICATE." The City's covenants in the Disclosure Certificate have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934 (the "Rule"). The Disclosure Certificate will inure solely to the benefit of any Dissemination Agent, the Underwriters, and Owners or Beneficial Owners from time to time of the 2016 Bonds. A failure by the City to comply with any of the covenants therein is not an event of default under the Indenture or the Facility Lease, and the sole remedy following a default is an action to compel specific performance by the City with the terms of the Disclosure Certificate.

The Annual Report and the notices of enumerated events will be filed by the City with the MSRB's Electronic Municipal Market Access System ("EMMA") for municipal securities disclosures, maintained on the Internet at http://emma.msrb.org/. The City has also established an issuer's page for the Authority's lease revenue bonds on MSRB's EMMA System. Neither the issuer home page nor any information on the issuer home page is made a part of this Official Statement, nor is it incorporated by reference herein and should not be relied upon in making an investment decision with respect to the 2016 Bonds.

The City is party to a number of continuing disclosure undertakings with respect to securities payable from the City's General Fund, the Sewer Utility Fund, and the Water Utility Fund pursuant to the Rule. During the last five years, there was one instance where the City failed to comply in all material respects with certain of its previous undertakings related to its annual reports. The City's annual reports for Fiscal Year 2010 were filed late due to the unavailability of the City's audited financial statements. The delay in releasing the audited financial statements for Fiscal Year 2010 was principally due to the implementation of a new accounting reporting system for the City. The City subsequently filed its audited financial statements for Fiscal Year 2010 on October 20, 2011, and filed its annual reports for Fiscal Year 2010 in November 2011, approximately seven months after its annual reporting deadlines under its continuing disclosure undertakings.

The City timely filed its audited financial statements and annual reports for Fiscal Years 2011, 2012, 2013 and 2014 in compliance with its continuing disclosure undertakings.

FINANCIAL STATEMENTS FOR FISCAL YEAR 2015

The City's CAFR for Fiscal Year 2015, which includes the City's audited basic financial statements as of and for the fiscal year ended June 30, 2015, is available on the Investor Page of the City's website at http://www.sandiego.gov/investorinformation/documents/cafreports.shtml and is incorporated by reference herein and constitutes a part of this Official Statement.

The City's basic financial statements as of June 30, 2015 and for the year then ended have been audited by Macias Gini & O'Connell LLP as stated in its report dated December 8, 2015, which is included with the financial statements. Macias Gini & O'Connell LLP as the independent auditors did not review this Official Statement. The City did not request the consent of the independent auditors to incorporate the City's financial statements or the auditor's report as a part of this Official Statement. Accordingly, the independent auditors did not perform any procedures relating to any of the information in this Official Statement.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2016 Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2016 Bonds. Pursuant to the Indenture, the Facility Lease, and the tax and nonarbitrage certificate to be executed by the Authority and the City in connection with the issuance of the Series 2016 Bonds (the "Tax Certificate"), the Authority and the City have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2016 Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority and the City have made certain representations and certifications in the Indenture, the Facility Lease, and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Authority and the City described above, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2016 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes

Bond Counsel is also of the opinion that interest on the Series 2016 Bonds is exempt from personal income taxes of the State of California under present State law. Bond counsel expresses no opinion as to other state or local tax consequences arising with respect to the Series 2016 Bonds nor as to the taxability of the Series 2016 Bonds or the income therefrom under the laws of any state other than California.

Original Issue Discount

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2016 Bonds maturing on _____ __, 20__ and on _____ __, 20__ through _____ __, 20__, inclusive (collectively the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2016 Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

The Series 2016 Bonds maturing on _____ __, 20__ and on _____ __, 20__ through _____ __, 20__, inclusive (collectively, the "Premium Bonds") are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Series 2016 Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Series 2016 Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Series 2016 Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2016 Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2016 Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2016 Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinions attached as APPENDIX D — "FORM OF BOND COUNSEL OPINION." Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2016 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2016 Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2016 Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2016 Bonds from gross income for federal or state income tax purposes, or otherwise. We note that each year since 2011, President Obama released legislative proposals that would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the Series 2016 Bonds) for taxpayers whose income exceeds certain thresholds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Series 2016 Bonds may occur. Prospective purchasers of the Series 2016 Bonds should consult their own tax advisors regarding the impact of any change in law on the Series 2016 Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2016 Bonds may affect the tax status of interest on the Series 2016 Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 2016 Bonds, or the interest thereon, if any action is taken with respect to the Series 2016 Bonds or the proceeds thereof upon the advice or approval of other counsel.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Series 2016 Bonds, Causey Demgen & Moore P.C., a firm of independent certified public accountants, will deliver to the City a report verifying the mathematical accuracy of certain computations relating to (a) the adequacy of the maturing principal amount of the securities held in the Escrow Fund, interest earned thereon and certain uninvested cash to pay the principal and redemption price of, and interest on, the Refunded Bonds (as described under "PLAN OF REFUNDING") as such principal and redemption price and interest become due and payable, and (b) the mathematical computations supporting the conclusion that the Series 2016 Bonds are not "arbitrage bonds" under Section 148 of the Code. Such verification of the accuracy of the computations will be based upon information supplied by the Underwriters and on interpretations of the Code provided by Bond Counsel.

CHALLENGES TO THE SERIES 2016 BONDS AND OTHER AUTHORITY LEASE REVENUE BONDS

Litigation Challenging the Series 2016 Bonds. There is litigation currently pending challenging the Series 2016 Bonds. Such litigation closely follows other pending litigation brought by the same plaintiff challenging the validity of other lease revenue bonds issued by the Authority. There are currently three separate cases. The plaintiff's allegations in the Series 2016 Bonds litigation are substantially the same as the allegations in the earlier CIP Bonds Litigation. The outcome of the Series 2016 Bonds litigation will be largely determined by the outcomes in the earlier CIP Bonds Litigation. The three cases are therefore discussed in chronological order.

Series A CIP Bonds Litigation. On April 1, 2014, San Diegans for Open Government ("Plaintiff") filed a reverse validation lawsuit in the San Diego Superior Court against the Authority, the City, the City of

San Diego as Successor Agency and the City's Housing Authority (the "San Diego Entities") and all interested parties challenging the Authority's Lease Revenue Bonds 2014 Series A (Capital Improvement Projects) (the "Series A CIP Bonds"). *San Diegans for Open Government v. City of San Diego et al.,* Case No. 37-2014-00009217-CU-MC-CTL (the "Series A CIP Bonds Litigation"). The Plaintiff sought declaratory relief to invalidate the ordinance and resolution of the City and the resolution of the Authority adopted with respect to the Series A CIP Bonds (the "Series A CIP Bond Approvals") and injunctive relief prohibiting the San Diego Entities from taking any of the actions contemplated by the Series A CIP Bond Approvals. The Plaintiff made three primary allegations against the validity of the Series A CIP Bond Approvals. First, the Authority lacks the power to issue the Series A CIP Bonds because neither the Housing Authority nor the City of San Diego as the Successor Agency are proper members of the Authority and upon the dissolution of all redevelopment agencies in California pursuant to state statute, the Authority lost the legal authority to issue bonds. Second, the issuance of the Series A CIP Bonds requires voter approval under the California Constitution and the City's Charter. Third, the City failed to satisfy a requirement of the City's municipal code in connection with the Series A CIP Bond Approvals.

The San Diego Entities denied all the Plaintiff's allegations and requested the court render a judgment finding that the Series A CIP Bond Approvals and all other resolutions and actions taken by the San Diego Entities approving the Series A CIP Bonds are conclusively valid and binding pursuant to Code of Civil Procedure Section 870 and any other applicable law.

On November 3, 2014, the Superior Court, in an oral ruling from the bench, ruled in favor of the San Diego Entities. The Superior Court rejected all the Plaintiff's substantive arguments. On November 20, 2014, the Superior Court filed its judgment in the action. The Plaintiff filed an appeal of the judgment to the California Court of Appeal on December 12, 2014. The Series A CIP Bonds were successfully issued and sold on April 21, 2015.

On November 20, 2015, the California Court of Appeal, Fourth Appellate District, Division One, affirmed the Superior Court ruling upholding the validity of the Series A CIP Bond Approvals (the "Series A CIP Appellate Decision") based on prior California Supreme Court decisions in cases with similar facts. The Plaintiff has appealed the Series A CIP Appellate Decision to the California Supreme Court. The California Supreme Court can decide to hear the case or deny Plaintiff's appeal, leaving the Series A CIP Appellate Decision in favor of the San Diego Entities standing.

Series B CIP Bonds Litigation. On June 6, 2014, the Plaintiff filed a reverse validation lawsuit in the San Diego County Superior Court against the San Diego Entities and all interested parties challenging the Authority's Lease Revenue Bonds 2014 Series B (Capital Improvement Projects) (the "Series B CIP Bonds"). *San Diegans for Open Government v. Public Facilities Financing Authority of the City of San Diego et al.,* Case No. 37-2014-00018335-CU-MC-CTL (the "Series B CIP Bonds Litigation"). The Plaintiff sought declaratory relief to invalidate the ordinance and resolution of the City and the resolution of the Authority adopted with respect to the Series B CIP Bonds (the "Series B CIP Bond Approvals") and injunctive relief prohibiting the San Diego Entities from taking any of the actions contemplated by the Series B CIP Bond Approvals. The Plaintiff made three primary allegations against the validity of the Series B CIP Bond Approvals that were substantially identical to the allegations made in the Series A CIP Bonds Litigation. First, the Authority lacks the power to issue the Series B CIP Bonds because neither the Housing Authority nor the City of San Diego as Successor Agency are proper members of the Authority and upon the dissolution of all redevelopment agencies in California pursuant to state statute, the Authority lost the authority to issue bonds. Second, the issuance of the Series B CIP Bonds requires voter approval under the California Constitution and the City's Charter. Third, the City failed to satisfy a requirement of the City's municipal code in connection with the Series B CIP Bond Approvals.

The San Diego Entities denied all the Plaintiff's allegations and requested the court render a summary judgment finding that the Series B CIP Bonds, the Series B CIP Bond Approvals and all other resolutions and

actions taken by the San Diego Entities approving the Series B CIP Bonds are conclusively valid and binding pursuant to Code of Civil Procedure Section 870 and any other applicable law.

On January 12, 2015, the Superior Court entered an order of dismissal with prejudice in the case on the grounds that Plaintiff failed to timely serve the Attorney General of the State of California and the Treasurer of the State of California with a copy of the complaint in the Series B CIP Bonds Litigation as required by Government Code Section 6599. Plaintiff then filed a motion requesting relief from the Superior Court for its failure to properly serve the complaint in a timely manner. On January 27, 2015, that motion was denied by the Superior Court. On March 3, 2015, the Plaintiff filed an appeal of the January 27, 2015 order denying relief with the California Court of Appeal, Fourth Appellate District, Division One. The Series B CIP Bonds were successfully issued and sold on April 21, 2015.

In the Series A CIP Appellate Decision upholding the validity of the Series A CIP Bond Approvals, the Appellate Court ruled that the failure to timely serve the Attorney General and Treasurer, respectively, of the State of California is not grounds for dismissal. On January 15, 2016 the Court of Appeal ruled, consistent with the Series A CIP Appellate Decision, that the service error by the Plaintiff did not require dismissal of the action, and remanded the Series B CIP case back to the Superior Court for further proceedings. Such proceedings include a hearing on the San Diego Entities' motion for summary judgment upholding the validity of the Series B CIP Bonds. [The City expects the San Diego Entities will prevail on the summary judgment motion unless the California Supreme Court overturns the Series A CIP Appellate Decision upholding the validity of the Series A CIP Bonds.]

The Series 2016 Bonds Litigation. On May 18, 2015, the Plaintiff filed a reverse validation lawsuit in the San Diego County Superior Court against the San Diego Entities and all interested parties challenging the Series 2016 Bonds. *San Diegans for Open Government v. Public Facilities Financing Authority of the City of San Diego et al.,* Case No. 37-2015-00016536-CU-MC-CTL (the "Series 2016 Bonds Litigation"). The Plaintiff sought declaratory relief to invalidate the City ordinance and the Authority resolution adopted with respect to the Series 2016 Bonds (the "Series 2016 Bond Approvals") and injunctive relief prohibiting the San Diego Entities from taking any of the actions contemplated by the Series 2016 Bond Approvals. The Plaintiff made three primary allegations against the validity of the Series 2016 Bond Approvals that were substantially identical to the allegations made in the Series A CIP Bonds Litigation and the Series B CIP Litigation. First, the Authority lacks the power to issue the Series 2016 Bonds because neither the Housing Authority nor the City of San Diego as the Successor Agency are proper members of the Authority and upon the dissolution of all redevelopment agencies in California pursuant to state statute, the Authority lost the authority to issue bonds. Second, the issuance of the Series 2016 Bonds requires voter approval under the California Constitution and the City's Charter. Third, the City failed to satisfy a requirement of the City's municipal code in connection with the Series 2016 Bond Approvals. The Plaintiff also alleged that one or more members of the financing team had an impermissible conflict of interest under California Government Code Section 1090 (the "Section 1090 Conflict"), and because of such conflict the San Diego Entities should be enjoined from issuing the Series 2016 Bonds.

The San Diego Entities denied all the Plaintiff's allegations and requested the court render a summary judgment finding that the Series 2016 Bonds, the Series 2016 Bond Approvals and all other resolutions and actions taken by the San Diego Entities approving the Series 2016 Bonds are conclusively valid and binding pursuant to Code of Civil Procedure Section 870 and any other applicable law.

Following the Series A CIP Appellate Decision, the parties agreed to a ruling in favor of the San Diego Entities on all of the counts of Plaintiff's complaint in the Series 2016 Bonds Litigation excepting only the allegation of a Section 1090 Conflict. In light of a recent denial by the California Supreme Court to review a California appellate court decision finding a taxpayer has no standing to bring a Section 1090 Conflict claim, the Superior Court bifurcated the trial on the Plaintiff's Section 1090 Conflict claim into two parts – a trial on the standing issue and, if the court found the Plaintiff has standing, a trial on the Section 1090 Conflict claim. On December 14, 2015, the Superior Court held that the Plaintiff has no standing to bring a Section 1090

Conflict claim and ruled in favor of the San Diego Entities with respect to validity of the Series 2016 Bond Approvals. The Plaintiff has filed an appeal to the trial court's ruling with the California Court of Appeal.

The City and the Authority believe that they will prevail in the pending appeal in the Series 2016 Bonds Litigation. However, no guarantee can be given as to the outcome of the pending appeal or any subsequent appeal, including any appeal to the California Supreme Court. If the California Supreme Court were to rule in the Plaintiff's favor or refuse to hear an appeal by the San Diego Entities from a Court of Appeal ruling in Plaintiff's favor, the Series 2016 Bonds, the Indenture, the Site Lease and the Facilities Lease would be invalid.

In the event of such a final adverse ruling, the Authority would not be obligated to make, and may be precluded from making, principal and interest payments on the Series 2016 Bonds and the City would not be obligated to make, and may be precluded from making, Lease Payments under the Facilities Lease related to the Series 2016 Bonds. Even if the final ruling did not preclude the Authority from making payment on the Series 2016 Bonds, the failure of the Trustee to receive Lease Payments as schedule under the Facilities Lease would result in the Trustee not having money available to pay debt service on the Series 2016 Bonds.

If the California Supreme Court were to issue a final ruling in the Plaintiff's favor, or refuse to hear an appeal by the San Diego Entities from a Court of Appeal ruling holding that the Series 2016 Bonds are invalid, interest previously paid to Beneficial Owners of the Series 2016 Bonds would not be excludable from gross income for federal income tax purposes and interest previously paid to Beneficial Owners of the Series 2016 Bonds would not be exempt from State of California personal income taxes. In such an event, Beneficial Owners may also be required to repay to the Authority any previous payments of principal and interest made on the Series 2016 Bonds.

It is not clear what remedies, if any, the Owners and Beneficial Owners of the Series 2016 Bonds would have in the event the Series 2016 Bonds, the Indenture, and the Facilities Lease were to be invalidated.

On the Closing Date, the San Diego City Attorney, who has represented the San Diego Entities in the CIP Bonds litigation and the Series 2016 Bonds litigation, will opine that the plaintiff's allegations in the complaint challenging the Series 2016 Bonds and the Series 2016 Bond Approvals are without merit in that such counsel believes under the law as in effect on the date of such opinion, based on the analysis set forth in such opinion, the California Supreme Court, acting reasonably and properly briefed on the issues, would not conclude that the Series 2016 Bond Approvals are invalid based on such allegations. See APPENDIX G — "OPINION OF CITY ATTORNEY REGARDING LITIGATION." Bond counsel concurs with the opinion of the City Attorney. See APPENDIX D — "FORM OF BOND COUNSEL OPINION."

The opinions of the City Attorney and Bond Counsel represent their professional judgment of the current law applied to the facts of the matter. The opinions are not a guarantee of such judgment. The purchase and ownership of the Series 2016 Bonds involve significant investment risk because of the litigation and the Series 2016 Bonds are not a suitable investment for all investors. AN ADVERSE FINAL RULING IN THIS LITIGATION COULD RESULT IN THE LOSS OF BONDHOLDERS' ENTIRE INVESTMENT IN THE SERIES 2016 BONDS AND IN THE LOSS OF TAX EXEMPTION FOR ALL INTEREST RECEIVED ON THE SERIES 2016 BONDS.

LITIGATION

Except as disclosed in this Official Statement, there is no controversy of any nature now pending against the City or the Authority or, to the knowledge of their respective responsible officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2016 Bonds or the related documents, or in any way contesting or affecting the validity of the Series 2016 Bonds or any proceedings of the City or the Authority 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 Series 2016 Bonds or the use of the Series 2016 Bond proceeds.

Except as disclosed in this Official Statement, there are no pending lawsuits which in the opinion of the City Attorney challenge the validity of the Series 2016 Bonds or the related documents, the corporate existence of the City or the Authority, or the title of the executive officers thereof to their respective offices. See APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION – LITIGATION POTENTIALLY ADVERSELY AFFECTING THE GENERAL FUND."

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Series 2016 Bonds and with regard to the tax-exempt status of the interest on the Series 2016 Bonds (see "TAX MATTERS") are subject to the legal opinion of Nixon Peabody LLP, Bond Counsel to the City and the Authority. The signed legal opinion of Bond Counsel will be delivered to the initial purchasers of the Series 2016 Bonds at the time of original delivery of the Series 2016 Bonds. The proposed form of the legal opinion of Bond Counsel is set forth in APPENDIX D — "FORM OF BOND COUNSEL OPINION."

Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed on for the City and the Authority by Nixon Peabody LLP, Disclosure Counsel, and the City Attorney. Bond Counsel and Disclosure Counsel will receive compensation contingent upon the sale and delivery of the Series 2016 Bonds.

RATINGS

Fitch Ratings ("Fitch") and Standard & Poor's Ratings Services ("S&P"), a division of McGraw Hill Companies, Inc., have assigned the ratings of "__" with stable outlook and "___" with stable outlook, respectively, to the Series 2016 Bonds. Such credit ratings and outlooks reflect only the views of such organizations and any desired explanation of the significance of such credit ratings and outlooks 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, and Standard & Poor's, 55 Water Street, New York, New York 10041.

The City furnished to the rating agencies certain information, including information that may not be included herein. 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. The City undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of the ratings obtained, or other actions by a rating agency relating to its rating, may have an adverse effect on the market price and marketability of the Series 2016 Bonds.

UNDERWRITING

The Series 2016 Bonds are being purchased by RBC Capital Markets, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, William Blair & Company, LLC and Stern Brothers & Co. (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Series 2016 Bonds at a price of $_____ (being $_____ aggregate principal amount thereof, less Underwriters' discount of $_____ plus original issue premium of $_____). The purchase agreement relating to the Series 2016 Bonds provides that the Underwriters will purchase all of the Series 2016 Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriters may offer and sell the Series 2016 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriters.

Certain of the Underwriters or affiliates thereof may hold some of the Refunded Bonds and as a result may receive a portion of the proceeds of this offering in connection with the redemption of the Refunded Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the underwriters and their affiliates may have certain creditor and/or other rights against the City or Authority and its affiliates in connection with such activities. In the various course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City or Authority (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City or Authority. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MUNICIPAL ADVISOR

Public Resources Advisory Group (the "Municipal Advisor") has acted as Municipal Advisor to the City in conjunction with the issuance of the Series 2016 Bonds. The Municipal Advisor has assisted the City in preparation of this Official Statement and in other matters related to the planning, structuring, execution and delivery of the Series 2016 Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Series 2016 Bonds.

The Municipal Advisor has not audited, authenticated or otherwise independently verified the information set forth in the Official Statement, or any other information related to the City with respect to the accuracy or completeness of disclosure of such information. The Municipal Advisor makes no guaranty, warranty or other representation respecting the accuracy or completeness of this Official Statement or any other matter related to this Official Statement.

MISCELLANEOUS

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

There are appended to this Official Statement, among other things, a summary of certain provisions of the principal legal documents, the proposed form of opinion of Bond Counsel, a general description of the City and a description of DTC's 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 Authority or the City and the purchasers or Owners of any of the Series 2016 Bonds. 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 of the City or the Authority since the date hereof.

PUBLIC FACILITIES FINANCING AUTHORITY OF
THE CITY OF SAN DIEGO

By: _____
Chair

THE CITY OF SAN DIEGO

By: _____
Chief Financial Officer

APPENDIX A

CITY GOVERNMENT AND FINANCIAL INFORMATION

TABLE OF CONTENTS

Page

GENERAL A-1

Profile of the City of San Diego A-1
Governing Structure A-1
Accounting Practices A-2

CITY BUDGET AND RELATED MATTERS A-2

Budget Process A-2
Five Year Summary of Financial Results A-4
General Fund Operating Budget Summary A-8
Fiscal Year 2016 Adopted Budget A-9
Fiscal Year 2016 First Quarter Budget Monitoring Report A-9
Five Year Financial Outlook A-10
Reserves A-11
Potential Impacts from Federal and State Budget A-13
Major Revenue Sources A-13
Former Redevelopment Agency A-20
General Fund Infrastructure and Multi-Year Capital Program A-21
[Infrastructure Funding Measure] A-22
Storm Water Program A-23

STATE BUDGET INFORMATION A-25

State Budgeting Process A-25
Fiscal Year 2016 State Budget A-25
Governor's Proposed Fiscal Year 2017 State Budget A-26
Effect of State Budget on General Fund Revenues A-26

LABOR RELATIONS A-26

General A-26
Collective Bargaining Agreements A-27

SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM A-28

General A-28
Actuarial Assumptions and Methods A-30
Implementation of GASB Statements No. 67 and 68 ..... A-31
Funding Status A-32
Preservation of Benefits Plan A-33
Citywide and General Fund Pension Contributions A-34
Prospective Funding Status A-34
Supplemental COLA A-35
Proposition B A-35

OTHER RETIREMENT PLANS A-36

Supplemental Pension Savings Plan A-36
SPSP-H Plan A-36
2009 401(a) Plan A-37

TABLE OF CONTENTS
(continued)

Page

POST-EMPLOYMENT HEALTHCARE BENEFITS A-37

General A-37
Actuarial Assumptions and Methods A-37
Funding Status A-38
Citywide and General Fund OPEB Contributions A-38
Retiree Medical Trust A-39

RISK MANAGEMENT A-40

Self-Insurance A-40
Employee Group Health Insurance A-41
Property and Flood Insurance A-41
Earthquake Insurance A-42
Employee Dishonesty and Faithful Performance Insurance A-42

LITIGATION POTENTIALLY ADVERSELY AFFECTING THE GENERAL FUND A-42

Pending Litigation Regarding the Series 2016 Bonds A-42
Litigation and Regulatory Actions A-43

INVESTMENT OF FUNDS A-44

Investment of Funds A-44

BONDED AND OTHER INDEBTEDNESS A-46

Issuer Ratings A-46
Long-Term Obligations A-46
Other Capital Leases A-48
Future Financing Plans A-48
Short-Term Borrowings A-49
Operating Lease Commitments A-50
Overlapping Debt and Debt Ratios A-50

LIMITATIONS ON TAXES AND APPROPRIATIONS A-53

Article XIIIA of the California Constitution A-53
Article XIIIB of the California Constitution A-53
Articles XIIIC and XIIID (Proposition 218) of the California Constitution A-54
Proposition 1A A-56
Proposition 22 ..... A-57
Proposition 26 ..... A-57
Proposition 30 ..... A-58
Proposition 2 ..... A-58
Future Initiatives A-59

APPENDIX A

CITY GOVERNMENT AND FINANCIAL INFORMATION

This Appendix A to the Official Statement covers general information about the City of San Diego's (the "City") governance structure, budget processes, reserves, property taxation system and other tax and revenue sources, City expenditures, including labor relations, employment benefits and retirement costs, and investments, bonds and other long-term obligations. The information and data within this Appendix A are the latest data available to the City; however, events or circumstances may have changed since the dates of the data presented.

As explained under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS" in the front part of this Official Statement, the Series 2016 Bonds (as defined in this Official Statement) are payable solely from Revenues pledged under the Indenture consisting primarily of the Base Rental Payments (as defined in this Official Statement) to be made by the City under the Facility Lease and certain other money held by the Trustee under the Indenture. The Series 2016 Bonds are not a debt of the City, the State of California ('the "State"), or any of its political subdivisions, and none of the City, the State or any of its political subdivisions is liable thereon.

GENERAL

Profile of the City of San Diego

The City was incorporated in 1850. The City is comprised of 342 square miles and, as of January 1, 2015, the California Department of Finance estimates the population to be 1,368,061. The City, with approximately 11,000 full-time and part-time employees budgeted for Fiscal Year 2016, provides a full range of governmental services, which include police and fire protection, sanitation and health services, construction and maintenance of streets and infrastructure, recreational activities and cultural events, and 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.

Governing Structure

The City operates under and is governed by the laws of the State and the City Charter (the "Charter"), as periodically amended since its adoption by the electorate in 1931. The City operates under a "Strong Mayor" form of government. Under the Strong Mayor form of government, the Mayor, who is elected to a four-year term and may serve up to two consecutive terms, 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, Ethics Commission, City Attorney and City Auditor departments.

The City Council is composed of nine members who are elected to staggered four-year terms and may serve up to two consecutive terms. The City Council is presided over in open meetings by the City Council President, who is selected by a majority vote of the City Council. The Mayor presides over the City Council in closed session meetings of the City Council. The City 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 Appropriation Ordinances. The City Council may override a Mayoral veto with six 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. The City Attorney is also limited to two consecutive terms in office.

Accounting Practices

The City's accounting policies conform to generally accepted accounting principles applicable to governmental entities. The City's Governmental Funds, including the General Fund, use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when both available and measurable. Licenses, permits, parking citation and certain other revenues, 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 from litigation and self-insurance, which are recorded in the period due and payable. Proprietary and Fiduciary Funds use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when a liability is incurred.

The City prepares financial statements annually in conformity with generally accepted accounting principles for governmental entities, which are audited by an independent auditing firm. The City's most recent financial statements for the Fiscal Year ended June 30, 2015 were audited by Macias Gini & O'Connell LLP, CPAs. (For ease of reference, references in this APPENDIX A to any particular Fiscal Year (e.g., Fiscal Year 2015) shall mean the Fiscal Year ending June 30 of the referenced year).

CITY BUDGET AND RELATED MATTERS

Budget Process

Budget Development

The City's budgetary process begins with the development of a Five-Year Financial Outlook, which serves as a guiding document for long-range fiscal planning and provides the framework for the development of the City's annual operating budget. The City's most recently published outlook is the Fiscal Year 2017-2021 Five-Year Financial Outlook (the "Five Year Outlook"), which was released on November 13, 2015 and will serve or be the basis for the Fiscal Year 2017 budget together with trends in the current Fiscal Year 2016 results. See "—Five Year Financial Outlook" below.

General Fund revenues and expenditures are established and balanced through the budgeting process and included in the Mayor's proposed budget, along with changes to the non-general funds and capital improvement projects. The budget document is created and presented by the Mayor to the City Council, and made available by April 15 in compliance with the Charter. The Mayor's proposed budget for Fiscal Year 2016 (the "Fiscal Year 2016 Proposed Budget") was released on April 13, 2015 and is available on the City's website. The Mayor's proposed budget for Fiscal Year 2017 (the "Fiscal Year 2017 Proposed Budget") will set forth the anticipated revenues and expenditures of the General Fund, certain Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service 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 Improvements Program. The Fiscal Year 2017 Proposed Budget is expected to be presented to City Council by April 14, 2016 in compliance with the Charter.

The City's budgets for Governmental Funds, such as the General Fund, Debt Service Funds, Special Revenue Funds, and Capital Project Funds are prepared based on the modified accrual basis of accounting (revenues are recognized in the accounting period in which they become available and measurable, and expenditures are recognized in the accounting period in which the fund liability is incurred) except that the increase/decrease in reserve for advances and deposits to other funds and agencies are considered as additions/deductions of expenditures. The budget for the City's Proprietary Funds, which are comprised of

Enterprise Funds and Internal Service Funds, are prepared on the modified accrual basis of accounting with the exception that revenues are recognized when they are earned. The City's budget excludes unrealized gains or losses resulting from the change in fair value of investments and proceeds from capital leases. These calculations are performed solely for financial statement reporting purposes to be in compliance with Generally Accepted Accounting Principles (GAAP).

Budget Review

The proposed budget is reviewed by City Council and available for review by the public upon its presentation by the Mayor, no later than April 15. During the month of May, the City Council holds a series of public budget hearings to obtain input from City residents on spending priorities. The Mayor then releases in May, revisions to the proposed budget, which contains the Mayor's recommended changes to the budget based on updated policy related issues, revised current Fiscal Year-end expenditure and revenue projections, and revised projections of revenues and expenditures in the next fiscal year.

Budget Adoption

As required by the Charter, the City Council adopts the annual budget by June 15 of each Fiscal Year. The City is not aware of the City Council ever having failed to adopt an annual budget by June 15. The annual budget for Fiscal Year 2016 was adopted by the City Council on June 10, 2015. Within five business days of City Council's approval, the Mayor has the discretion to line-item veto any budget modifications approved by the City Council. In turn, the City Council has five business days within which to override the Mayor's veto. The Appropriation Ordinance that enacts the budget into law (the "Appropriation Ordinance") is prepared by the Chief Financial Officer and the City Attorney based on the approved budget and the adopted Salary Ordinance. The Appropriation Ordinance is presented to the City Council for review and adoption in July, following two noticed public hearings as required by the Charter. The Appropriation Ordinance for Fiscal Year 2016 was adopted by the City Council on July 21, 2015. Amendments to the adopted budget require City Council approval, except as delegated in the annual Appropriation Ordinance.

Budget Monitoring

The City's Financial Management Department and Comptroller's Office monitor fund balances, as well as revenue and expenditure projections, throughout the Fiscal Year. The Comptroller's Office prepares monthly and periodic reports to the City Council that serve as a summary of the year-to-date financial activity of the General Fund and certain other budgeted funds. The Financial Management Department prepares an analysis of actual and projected financial activity for the entire fiscal year on a quarterly basis by issuing three budget monitoring reports during the year (First Quarter, Mid-Year, and Year-End Budget Monitoring Reports). The First Quarter Budget Monitoring Report includes three months of actual budgetary data and provides the City Council an initial analysis and projection of revenues and expenses. The Mid-Year Budget Monitoring Report includes six months of actual budgetary data. In accordance with Municipal Code Section 22.0229, after six months of actual budgetary data, the Mayor recommends to the City Council mid-year budget appropriation adjustments for any projected deficit or surplus. The Year-End Budget Monitoring Report is prepared incorporating nine months of actual results and includes projections through fiscal year-end. The Year-End Budget Monitoring Report is typically released at the same time as the City Council's first public hearing on final budget decisions for the upcoming fiscal year. This allows the City Council to have the most current budget information available for the current fiscal year prior to making decisions on the budget for the upcoming fiscal year. The Financial Management Department and the City Comptroller's Office prepared a new Year-End Performance Report for fiscal year 2015. The Year-End Performance Report provides a detailed comparison and variance analysis of the year-end projections for General Fund revenues and expenditures found in the Year-End Budget Monitoring Report to the un-audited actual results to date. The Year-End Performance Report also includes financial schedules prepared by the Comptroller's Office and is prepared in accordance with Charter Section 39. The City expects to continue to issue this report annually.

If revenues decline and/or expenditures increase, various alternatives are considered, including alternative funding sources, budget reductions or reallocations of funds between departments to support the ongoing activities of the City. The City also maintains a variety of reserves that are available for expenditure subject to City Council approval and in accordance with the City's Reserve Policy. See "-Reserves" below.

Five Year Summary of Financial Results

Tables A-1 and A-2 present the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance of the City's General Fund, respectively, for Fiscal Years 2011 through 2015.

TABLE A-1
CITY OF SAN DIEGO
BALANCE SHEET FOR THE GENERAL FUND
Fiscal Years 2011 through 2015
(in thousands)
(audited)

ASSETS	*2011*	*2012*	*2013*	*2014*	*2015*
Cash and Investments[1]	$222,352	$236,030	$242,330	$322,758	$360,958
Receivables:					
Taxes – Net[2]	66,170	84,110	66,132	72,755	78,648
Accounts – Net[3]	12,359	9,846	10,676	8,530	15,703
Claims	214	214	214	221	8
Notes and Loans – Net[4]	--	21,094	--	--	--
Accrued Interest	498	477	593	535	748
Grants	1	--	--	1,186	--
From Other Funds[5]	6,510	1,600	--	38,805	22,937
Investment in Joint Venture	2,055	--	--	--	--
Advances to Other Funds	--	--	1,693	1,548	848
Advances to Other Agencies[6]	45	44	1,083	3,730	7,627
Land Held for Resale[7]	9,403	7,769	--	--	--
Prepaid Items	--	1,707	--	--	--
Total Assets	$319,607	$362,891	$322,721	$450,068	$487,477
LIABILITIES					
Accounts Payable[8]	$ 16,765	$ 18,172	$ 27,015	$ 34,141	$ 32,042
Accrued Wages and Benefits	36,475	40,838	43,564	48,594	52,004
Due to Other Funds[9]	--	7,769	--	--	5,053
Due to Other Agencies	26	34	1,025	50	58
Unearned Revenue	2,563	--	--	--	--
Deferred Revenue[10]	17,661	17,005	18,673	--	--
Contract Deposits	369	523	339	403	365
Other Liabilities	--	--	--	--	1,018
Total Liabilities	$73,859	$ 84,341	$ 90,616	$ 83,188	$ 90,540
TOTAL DEFERRED INFLOWS OF RESOURCES[10]	--	--	--	$ 16,766	$ 19,122
FUND BALANCE					
Nonspendable[4]	--	$ 22,140	$ --	$ 1,248	$ 849
Restricted[1][11]	$145,880	102,104	60,507	104,885	140,358
Committed[1][7][12]	1,183	44,831	50,560	147,053	130,891
Assigned	38,153	--	8,717	5,575	6,162
Unassigned	60,532	109,475	112,321	91,353	99,555
Total Fund Balance	$245,748	$278,550	$232,105	$350,114	$377,815
Total Liabilities & Fund Balance	$319,607	$362,891	$322,721	$450,068	$487,477

(footnotes (unaudited) to Table A-1 appear on next page)

(1) In Fiscal Year 2014, additional funds were consolidated with the General Fund that had previously been presented separately in the Comprehensive Annual Financial Report. The addition of these funds has caused certain variances from Fiscal Year 2011 through Fiscal Year 2013 as compared to Fiscal Year 2014 and Fiscal Year 2015.

(2) The increase in Fiscal Year 2012 is a result of a residual balance of property tax from the dissolution of the Former RDA (as defined herein).

(3) In Fiscal Year 2015, the City expanded its analysis of outstanding receivables resulting in additional revenue being accrued compared to prior years.

(4) The increase in Fiscal Year 2012 was due to the recording of a receivable due from the Successor Agency Trust Fund, as a result of the dissolution of the Former RDA. The fund balance component of this receivable was reported as Nonspendable fund balance. This receivable was reduced to $0 in Fiscal Year 2013 to reflect the legal uncertainty regarding its collectability.

(5) Due From Other Funds increased in Fiscal Year 2011 resulting from a loan to the TransNet Fund. The loan was repaid in Fiscal Year 2012 and was executed to cover a negative cash balance resulting from the timing of TransNet receipts. In Fiscal Year 2014 the increase was primarily due to a loan to front construction fund expenses charged to bond funds. The loan was repaid in Fiscal Year 2015 subsequent to receipt of bond construction fund proceeds from the trustee. The reduction in Fiscal Year 2015 is due to the City's more timely processing of expenditure reimbursements from trustee held bond proceeds, resulting in a decrease of reimbursements due at the close of the fiscal year.

(6) The Fiscal Year 2015 increase to Advances to Other Agencies is due to the outstanding receivable to the California Employers' Retiree Benefit Trust to draw funds for the Fiscal Year 2015 Retiree Health Care costs.

(7) Land Held for Resale related to housing projects was reported in the General Fund as part of GASB 54 implementation. These assets were transferred in Fiscal Year 2013 to the Low-Moderate Income Housing Fund.

(8) Fiscal Year 2013 amounts were restated in Fiscal Year 2014 due to a correction of accrued expenditures.

(9) The increase in Fiscal Year 2012 was due to a payable balance due to the Successor Agency Trust Fund, as a result of the dissolution of the Former RDA. The increase in Fiscal Year 2015 is due to Storm Water Low Flow Diversion Costs that are payable to the Wastewater Fund.

(10) Government Accounting Standards Board Statement No. 65 ("GASB 65") was implemented in Fiscal Year 2014, eliminating use of the term deferred in the financial statements. These assets and liabilities are now reported as "Deferred Outflows of Resources" and "Deferred Inflows of Resources." Deferred Revenue recorded in Fiscal Years 2011-2013 is now recorded in Fiscal Year 2014 as a Deferred Inflow of Resources.

(11) Restricted Fund Balance decreased in Fiscal Year 2013 as a result of the low and moderate housing assets and liabilities being transferred from the General Fund to the Low-Moderate Housing Fund. The increase in Fiscal Year 2014 is a result of a contribution to the emergency reserve of approximately $27.1 million per the City's reserve policy and the consolidation of certain funds previously classified as special revenue. Restricted Fund Balance increased in Fiscal Year 2015 due to clarification on GASB 54 which resulted in Committed Fund Balance being reclassified as Restricted Fund Balance.

(12) A clarification in the implementation guidance of GASB 54 was issued between Fiscal Years 2011 and 2012. The clarification resulted in the Assigned fund balance being reclassified as Committed. The increase in Committed in Fiscal Year 2014 is a result of the consolidation of the Worker's Compensation Fund and Public Liability Fund.

Source: Table: Fiscal Years 2011 - 2015 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego.
Footnotes: Comptroller's Office, City of San Diego.

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TABLE A-2
CITY OF SAN DIEGO
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE FOR THE GENERAL FUND
Fiscal Years Ended June 30, 2011 through 2015
(in thousands)
(audited)

	2011	*2012*	*2013*	*2014*	*2015*
REVENUES[1]					
Property Taxes[2]	$ 384,023	$ 408,776	$ 412,204	$ 460,592	$ 449,244
Sales Taxes[3]	215,873	227,650	240,922	254,219	265,295
Transient Occupancy Taxes[4]	73,399	78,268	83,904	89,673	98,138
Other Local Taxes[5]	70,994	74,818	74,691	117,347	129,940
Licenses and Permits[6]	28,621	31,117	32,772	34,952	24,727
Fines, Forfeitures and Penalties[7]	31,598	62,976	29,656	30,327	30,596
Revenues from Federal Agencies	1,431	1,608	1,341	1,875	579
Revenues from Other Agencies[8]	8,773	969	7,645	7,399	11,910
Revenues from Private Sources	1,016	--	84	2,647	2,164
Revenues from Use of Money and Property	49,923	51,679	56,263	58,637	61,852
Charges for Current Services[9]	181,006	181,682	155,389	186,547	211,459
Other Revenue[10]	4,505	6,239	8,686	16,403	30,040
Total Revenues	$ 1,051,162	$ 1,125,782	$ 1,103,557	$1,260,618	$ 1,315,944
EXPENDITURES[1]					
Current:					
General Government and Other Support Services	$ 259,782	$ 233,122	$ 247,644	$ 264,867	$ 259,491
Neighborhood Services[11]	25,767	60,255	30,994	28,295	37,642
Public Safety[12]	574,248	586,663	599,333	652,266	657,123
Parks, Recreation and Culture	114,375	112,569	119,226	135,879	140,780
Transportation	42,704	58,772	58,813	65,178	69,446
Sanitation and Health	66,320	62,874	63,270	80,543	90,256
Capital Outlay[13]	776	894	1,351	5,554	50,321
Debt Service:					
Principal Retirement[14]	10,391	11,580	11,688	32,478	8,945
Interest	5,030	3,580	4,905	1,979	1,309
Total Expenditures	$ 1,099,393	$ 1,130,309	$ 1,137,224	$1,267,040	$ 1,315,313
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(48,231)	(4,527)	(33,667)	(6,423)	631
OTHER FINANCING SOURCES (USES)[1]					
Transfers from Proprietary Funds[15]	1,983	17,013	20,127	27,109	268
Transfers from Other Funds[16]	158,874	74,273	85,228	27,798	34,628
Transfers to Proprietary Funds[17]	(2,852)	(30,234)	(13,013)	(9,134)	(719)
Transfers to Other Funds[18]	(22,601)	(36,390)	(61,665)	(37,804)	(52,182)
Net Income (Loss) from Joint Venture	--	--	--	--	--
Proceeds from the Sale of Capital Assets	--	3	--	--	2
Capital Leases[13]	--	--	2,824	22,850	45,073
TOTAL OTHER FINANCING SOURCES (USES)	$ 135,404	$ 24,665	$ 33,501	$ 30,819	$ 27,070
Extraordinary Gain/Loss[19]	--	12,664	(46,279)	(21,067)	--
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	87,173	32,802	-46,445	3,330	27,701
FUND BALANCE AT JULY 1[20]	158,575	245,748	278,550	346,784	350,114
FUND BALANCE AT FOLLOWING JUNE 30	$ 245,748	$ 278,550	$ 232,105	$ 350,114	$ 377,815

(footnotes (unaudited) to Table A-2 appear on next page)

(1) In Fiscal Year 2014, additional funds were consolidated with the General Fund that had previously been presented separately in the Comprehensive Annual Financial Report. The addition of these funds has caused certain variances from Fiscal Year 2011 through Fiscal Year 2013 as compared to Fiscal Year 2014 and 2015.

(2) Does not include sales tax triple flip or vehicle license fees. For a discussion of sales tax triple flip, see "– Major Revenue Sources – Sales Tax" below. Property Tax revenue increased in Fiscal Year 2012 mainly due to the dissolution of the Former RDA. The increase in Fiscal Year 2014 is primarily due to a one-time residual distribution related to the Non-Housing DDR of the Successor Agency's Non-Housing Assets.

(3) Includes Proposition 172 safety sales tax revenues and sales tax triple flip.

(4) Includes the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy) only; the balance (5.0% of the 10.5% levy) is allocated to Special Promotional Programs. Of this 5% balance, approximately 1% may be budgeted in the General Fund as discretionary revenue and for Special Promotional Programs in the General Fund.

(5) Other Local Taxes are local taxes and fees including revenues from Franchise Fees and Property Transfer Tax. Starting Fiscal Year 2014, additional funds were consolidated into the General Fund, which include revenues previously classified under Gas Tax Fund and Environmental Growth Fund.

(6) In Fiscal Year 2015, Licenses and Permits decreased primarily due to Parking Meter revenues being collected in a newly established Parking Meter Operations Special Revenue Fund.

(7) In Fiscal Year 2012, Fines, Forfeitures, and Penalties increased primarily due to the $27 million settlement awarded to the City from SDG&E for the 2007 San Diego wildfires.

(8) In Fiscal Year 2012, the decrease in Revenues from Other Agencies was primarily due to the State of California elimination of motor vehicle license fee revenue. The increase in Fiscal Years 2013 and 2014 was due to reimbursements to the City from the Successor Agency for administrative costs. In Fiscal Year 2015, this increase is due to the Senate Bill 90 reimbursement for pre-2004 costs for State mandates.

(9) Charges for Services decreased in Fiscal Year 2013 primarily due to the reclassification of Gas Tax revenues to Transfers from Other Funds. The increase in Fiscal Year 2015 is primarily due to the reclassification of information technology revenues from transfers to charges for current services.

(10) In Fiscal Year 2015, the City received settlements from various insurance companies relating to the clean-up of the San Diego Bay.

(11) In Fiscal Year 2012, Neighborhood Services expenditures increased due to the transfer of the Redevelopment Cooperation Agreement Funds to the Successor Agency. Fiscal Year 2013 amount restated in Fiscal Year 2014 due to a correction of accrued expenditures.

(12) Public Safety expenditures in Fiscal Year 2014 increased primarily due to increases in retirement contributions and flexible benefit costs. The increase in Fiscal Year 2015 is due to information technology expenditures that were previously classified as transfers.

(13) Capital Outlay increased from Fiscal Year 2013 to 2014 due to the refinancing of certain capital leases. In Fiscal Year 2015, the City entered into a capital lease for City staff office space.

(14) Principal Retirement expenditures and Other Financing Sources – Capital Leases increased from Fiscal Year 2013 to 2014 due to the refinancing of certain capital leases.

(15) In Fiscal Year 2012, the Transfers from Proprietary Funds increased due to investments in the Customer Care Solutions application by Public Utilities. The reduction in Fiscal Year 2015 is due to the reclassification of information technology revenue as Charges for Current Services previously classified as transfers.

(16) In Fiscal Year 2012, the decrease in Transfers From Other Funds was due to the dissolution of the Former RDA. The decrease in Fiscal Year 2014 and Fiscal Year 2015 is due to the consolidation of funds that were previously presented separately as stated in Footnote 1.

(17) In Fiscal Year 2012, the increase in Transfers to Proprietary Funds was due to a $27 million cash transfer received from SDG&E for the 2007 San Diego wildfires. Capital expenditures (comprised of equipment purchased by several different departments) are shown separately from other operational expenditures in Fiscal Year 2011. In Fiscal Year 2015, the reduction in Transfers to Proprietary Funds is due to the reclassification of money provided to Fleet Services to purchase vehicles. In prior years, this was treated as a transfer; however, in Fiscal Year 2015 the transfer was reclassified to be an expenditure.

(18) In Fiscal Year 2013, transfers from the General Fund to CIP increased by approximately $9 million, and a transfer of low-moderate housing related assets and liabilities netting to approximately $14 million was made from the General Fund to the newly established Low-Moderate Income Housing Special Revenue Fund. In Fiscal Year 2015, the General Fund contribution to CIP projects increased by approximately $11 million.

(19) In Fiscal Year 2012, the extraordinary gain was due to the dissolution of the Former RDA. In Fiscal Year 2013, the extraordinary loss was due to the establishment of an allowance for uncollectible interfund loans from the Successor Agency. In Fiscal Year 2014, the extraordinary loss was due to a one-time payment to the Successor Agency to partially fund the Due Diligence Review payment.

(20) The beginning fund balance for Fiscal Year 2011 and 2014 increased from the ending fund balance for Fiscal Year 2010 and 2013, respectively, due to the consolidation of funds, pursuant to GASB 54, that had previously been reported separately from the General Fund in the CAFR.

Source: Table: Fiscal Years 2011 - 2015 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego.
Footnotes: Comptroller's Office, City of San Diego.

General Fund Operating Budget Summary

Set forth in Table A-3 below are the City's actual results on a budgetary basis for Fiscal Year 2014 and Fiscal Year 2015, and the City's Fiscal Year 2016 Adopted Budget for the General Fund.

TABLE A-3
CITY OF SAN DIEGO
GENERAL FUND
OPERATING BUDGET SUMMARY
Fiscal Years 2014 through 2016
(in thousands)

	Fiscal Year 2014	*Fiscal Year 2015*	*Fiscal Year 2016*
	Actuals on a Budgetary Basis[1]	*Actuals on a Budgetary Basis*[1]	*Adopted Budget*
REVENUE SOURCES:			
Property Tax[2]	$ 460,592	$ 449,244	$ 470,069
Sales Tax[3]	245,932	256,507	285,771
Property Transfer Tax	8,309	8,664	8,372
Transient Occupancy Tax	89,673	98,138	102,164
Licenses and Permits[4]	34,952	24,732	24,095
Fines, Forfeitures, and Penalties	30,327	30,194	29,684
Interest Earnings	313	589	462
Franchises	71,953	81,251	80,770
Other Rents and Concessions	48,639	50,731	45,776
Revenue from Other Agencies/Private Sources	11,067	14,204	6,874
Charges for Current Services[5]	164,739	120,898	129,568
Transfers from Other Funds	104,719	76,686	93,633
Other Revenue	5,170	9,385	4,640
Fund Balance Appropriation[6]	--	--	6,162
Total General Fund Revenues and Transfers[7]	$ 1,276,385	$ 1,221,223	$ 1,288,039
EXPENDITURES:			
Public Safety	$ 635,862	$ 644,699	$ 638,861
Parks, Recreation, Culture and Leisure	132,968	139,849	146,687
Sanitation and Health	68,110	75,082	82,136
Transportation	62,166	51,847	56,150
Neighborhood Services	23,832	26,149	29,190
General Government and Support[5][8]	248,164	185,026	227,207
Capital Projects	3,022	2,951	5,817
Debt Service	3,977	3,278	3,677
Transfers to Other Funds	73,290	74,377	98,314
Total General Fund Expenditures and Transfers	$ 1,251,391	$ 1,203,258	$ 1,288,039

(footnotes to Table A-3 appear on next page)

(1) Actuals on a Budgetary Basis are prepared using the modified accrual basis of accounting except that (1) the increase/decrease in reserve for advances and deposits are considered as additions/deductions of expenditures, (2) unrealized gains/losses resulting from the change in fair value of investments are excluded, and (3) proceeds from capital leases are excluded.

(2) The variance in Property Tax is primarily due to a one-time $34.9 million residual distribution in Fiscal Year 2014 of Redevelopment Property Tax Trust Fund (RPTTF) revenue as a result of the Successor Agency's payment of the Non-Housing Due-Diligence Review.

(3) The Fiscal Year 2016 Adopted Budget for sales tax includes a projected one-time increase of $12.7 million in sales tax revenue recognized in Fiscal Year 2016 due to the City's accrual practices related to the end of the "triple flip." For a discussion of sales tax triple flip, see "—Major Revenue Sources —Sales Tax" below. Excludes Proposition 172 Safety Sales Tax

(4) Licenses and Permits revenue decreased in Fiscal Year 2015 due to restructure of Parking Meter Operations out of the General Fund and into a Special Revenue Fund.

(5) Charges for Current Services Revenue decreased in Fiscal Year 2015 due to a restructure of the Engineering and Capital Projects Department out of the General Fund and into an Internal Service Fund. Also, expenditures for General Government and Support decreased due to this restructure.

(6) The Fiscal Year 2016 Adopted General Fund Budget includes an appropriation of fund balance of $6.2 million. This appropriated fund balance is for the construction of the Bayside Fire Station, Council District Community Projects, Programs and Services, and sidewalk projects.

(7) The Fiscal Year 2016 Adopted Budget General Fund Revenues and Transfers total does not foot due to rounding.

(8) The increase in General Government and Support from the Fiscal Year 2015 Actuals on a Budgetary Basis to the Fiscal Year 2016 Adopted Budget is related to enhancing services primarily within the Transportation and Storm Water Department.

Source: Table: Fiscal Year 2014 and Fiscal Year 2015: Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego; Fiscal Year 2016: Adopted Budget, Financial Management, City of San Diego.
Footnotes: Comptroller's Office, City of San Diego; and Financial Management, City of San Diego

Fiscal Year 2016 Adopted Budget

The City's budget for Fiscal Year 2016 (the "Fiscal Year 2016 Adopted Budget") reflects a balanced General Fund budget of $1.29 billion. The General Fund budget is approximately 39.3% of the City's total Fiscal Year 2016 Adopted Budget of $3.28 billion. The General Fund budgeted expenditure level for Fiscal Year 2016 reflects a net increase of $84.8 million, compared to the actual results for Fiscal Year 2015 at $1.20 billion, primarily due to the addition of new positions and increases in overtime and contractual expenditures.

The Fiscal Year 2016 Adopted Budget General Fund expenditures are higher than the General Fund revenues by $6.2 million which is supported by the appropriation of prior year-end fund balance. The Fiscal Year 2016 Adopted General Fund Budget includes 7,299.48 budgeted full-time equivalent ("FTE") positions, a net increase of 324.19 FTE positions from the Fiscal Year 2015 Adopted General Fund Budget, primarily due to net additions in the Transportation & Storm Water, Park and Recreation, and Police Department.

Excluding the appropriation of fund balance, the General Fund's four largest revenue sources - property tax (36.7%), sales tax (22.3%), transient occupancy tax ("TOT") (8.0%), and franchise fees (6.3%) - account for approximately $938.9 million or 73.3% of the total budgeted General Fund revenues in Fiscal Year 2016.

Fiscal Year 2016 First Quarter Budget Monitoring Report

The Fiscal Year 2016 First Quarter Budget Monitoring Report, released on November 13, 2015, projects a year-end General Fund Major Revenues budgetary surplus of $1.8 million.

Presented below are Major General Fund Revenue Projections based on the Fiscal Year 2016 First Quarter Budget Monitoring Report.

General Fund Major Revenue Projections
Fiscal Year 2016 First Quarter Budget Monitoring Report
($ in millions)

Revenue Source	Adopted Budget	Year-End Projection	Variance	Variance%
Property Tax	$470.1	$470.4	$ 0.4	0.1%
Sales Tax	285.8	284.3	(1.4)	-0.5
Transient Occupancy Tax[1]	102.2	104.1	1.9	1.9
Franchise Fees[2][3]	79.4	79.5	0.1	0.1

(1) Total City Fiscal Year 2016 Adopted Budget for Transient Occupancy Tax is $195.0 million and the actual results are projected to be $198.7 million. The balance is budgeted in the Transient Occupancy Tax Fund.
(2) Total City Fiscal Year 2016 Adopted Budget for Franchise Fees is $160.1 million and the actual results are projected to be $160.2. The balance is budgeted in the Environmental Growth and Underground Surcharge Funds.
(3) The total General Fund Franchise Fee revenue for the Fiscal Year 2016 Adopted Budget is $80.8 million, as shown in Table A-3, which includes $1.3 million to fund the vehicles tow program within the Police departmental budget and $0.1 million in franchise fee revenue for the EDCO Dalbergia Street Transfer Station within the Environmental Services Department. The above table does not include the $1.4 million amount.
Source: Financial Management, City of San Diego.

Five Year Financial Outlook

The City's Fiscal Year 2017-2021 Five-Year Financial Outlook ("Five Year Outlook") released in November 2015 is focused on the City's General Fund, guides long-range fiscal planning and serves as the framework for the development of the Fiscal Year 2017 Adopted Budget. The Five-Year Outlook is based on the Fiscal Year 2016 Budget and incorporates projected General Fund revenues, the methodology for those projections, and priority appropriation needs in General Fund departments over the next five fiscal years. This Five-Year Outlook includes priority initiatives identified by the Mayor for the fiscal years 2017-2021 and provides additional information on departmental requests submitted in the development of the Five-Year Outlook. This document is not a budget, and therefore does not include all departmental needs that may be identified and considered in the preparation of the Fiscal Year 2017 Proposed Budget and future budgets. The priority initiatives identified in the Five-Year Outlook are: (1) Infrastructure and Neighborhood Investment; (2) Public Safety; (3) Technology Improvements; and (4) Excellent Customer Service and Open Government Initiatives. The priority initiative categories identify new revenues and expenditures for programs and services in addition to the General Fund's ongoing revenues and expenditures included in the Fiscal Year 2017-2021 projections.

The Five-Year Outlook projects that all four major revenue sources (property tax, sales tax, transient occupancy tax, and franchise fees) will increase in Fiscal Year 2017; however, in outer years of the Five-Year Outlook the rate of increase is expected to slow. This overall expectation and projection for the City's revenues is consistent with information received from the City's sales tax and property tax consultant (HdL Companies), the San Diego Tourism Authority, and the UCLA Anderson Forecast.

As of the publication date of the Five-Year Outlook, the City's Fiscal Year 2017-2021 expenditure projections result in a $0.2 million net revenues in excess of expenditures for Fiscal Year 2017, increasing to $73.7 million net revenues in excess of expenditures in Fiscal Year 2021. After the publication of the Five Year Outlook in November 2015 the San Diego City Employees' Retirement System (SDCERS) voted to lower the assumed actuarial rate of return, reducing the rate from 7.25 % to 7.125% in Fiscal Year 2016 (effective for the June 30, 2015 valuation) and 7.0% in Fiscal Year 2017 and thereafter. As a result of this change to the discount rate, the system actuary has reported that the projected actuarially determined contributions (ADC) are higher compared to those included in the Five Year Outlook. The projected increases in the ADC compared to the ADC assumed in the Five Year Outlook range from $13 million in Fiscal Year 2017 up to a $35 million increase in Fiscal Year 2021. Approximately 74 % of the ADC is allocated to the General Fund in Fiscal Year 2016, and this allocation may vary each year based on budgeted employees.

These projected increases to the ADC will increase General Fund expenditures, reduce projected surpluses and the City's ability to address priority initiatives identified in the Five-Year Outlook. See "SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM" below.

The SDCERS Board is expected to adopt the June 30, 2015 Actuarial Valuation in March 2016. The revenue and expenditure projections in the Five Year Outlook, including the projected increase to the ADC payment, will be reviewed and updated during the development of the Fiscal Year 2017 Proposed Budget discussed below.

Reserves

City Reserve Policy

The City Charter Section 91 requires the City to create and maintain a "General Reserve Fund" to meet cash obligations for the first four months or other necessary period of each Fiscal Year prior to the collection of taxes. The City fulfills this requirement through the City's pooled investment fund and if necessary through the sale of tax and revenue anticipation notes.

In 2008, the City Council established a "City Reserve Policy", which sets forth the City's approach to establishing and maintaining adequate reserves across the spectrum of City operations, including the General Fund (the "General Fund Reserves") and Risk Management (the "Risk Management Reserves"). The City Reserve Policy is reviewed biennially, with any updates and changes approved by the City Council. An updated City Reserve Policy ("Revised Reserve Policy") was reviewed and approved by the City Council in July 2014. The City's Revised Reserve Policy (Council Policy Number: 100-20) can be found on the City's website.

General Fund Reserves

The Revised Reserve Policy updated in July 2014 restructured the General Fund reserve levels into two primary categories: the Emergency Reserve and the Stability Reserve. The Emergency Reserve target is set at 8.0% and the Stability Reserve makes up the remaining 6.0% of the overall 14.0% goal under the Revised Reserve Policy. Any funds above 14.0% are considered to be Excess Equity which are spendable and unrestricted General Fund fund balance that is not assigned to General Fund Reserves.

In the event either of these reserves is reduced below the amount established by the Revised Reserve Policy, the Mayor is required to prepare a plan as promptly as conditions warrant to replenish such reserve balance to policy levels.

Emergency Reserve. The Emergency Reserve is maintained for the purpose of sustaining General Fund operations in the case of a public emergency such as a natural disaster or other unforeseen catastrophic event. The Emergency Reserve is not to be accessed to meet operating shortfalls or to fund new programs or personnel. This reserve may be expended only if an event is determined to be a public emergency by a two-thirds vote of the City Council, when such expenditures are necessary to ensure the safety of the City's residents and their property.

Stability Reserve. The Stability Reserve is maintained to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures. The purpose of this reserve is to provide budgetary stabilization and not serve as an alternative funding source for new programs. Recommendations to appropriate from the Stability Reserve will be brought forward by the Mayor and require approval by a majority of the City Council.

The Emergency Reserve and Stability Reserve, and the spendable and unrestricted fund balance referred to as Excess Equity in the City's Reserve Policy are components of the fund balance of the General

Fund. The City's Revised Reserve Policy requires the total General Fund reserves equal 14.0% of the most recent three-year average of annual audited General Fund operating revenues. Based on the General Fund's most recent thee-year revenue average, Fiscal Years 2013 through Fiscal Year 2015, $159 million of the General Fund's Fiscal Year 2015 ending fund balance represents General Fund reserves and $36.6 million represents fund balance available for appropriation ($6.2 million was appropriated in Fiscal Year 2016). The General Fund reserves, combined with the fund balance available for appropriation, represents 17.2% of the three-year average of Fiscal Year 2013 through Fiscal Year 2015 audited General Fund operating revenues, exceeding the required reserve by 3.2% (amounts exceeding the required reserve are referred to as the "Excess Equity").

After accounting for General Fund reserves, the projected funding of $1.0 million for the City Council Community Projects, Programs and Services and $5.2 million budgeted use of fund balance in Fiscal Year 2016, the ending Excess Equity, which is fund balance above the General Fund Reserve Policy amount, is projected to be $30.4 million in Fiscal Year 2016.

Risk Management Reserves

Additionally, the City maintains separate Risk Management Reserves in order to provide funding for claims made against the City. The Risk Management Reserves include the Workers' Compensation Fund Reserve, the Long-Term Disability Fund Reserve, and the Public Liability Fund Reserve. See "RISK MANAGEMENT – Self Insurance – Workers' Compensation and Long-Term Disability" and "– Public Liability Insurance" herein.

All operating funds including General Fund and the enterprise funds contribute a pro rata amount equal to a specified rate based on the gross employee salaries paid from all the operating funds, to both the Workers' Compensation Reserve and the Long-Term Disability Reserve. These contributions consist of the funding for current expenditures and for the annual reserve contributions as specified in the Revised Reserve Policy.

Workers' Compensation Reserve. The Workers' Compensation Reserve is maintained as a contingency in the event the annual expense for claims exceeds the annual "pay-go" budgeted amount. The Worker's Compensation Reserve is included within the General Fund and reported as committed fund balance. Consistent with the Revised Reserve Policy, year to year fluctuations in the City's outstanding liability are factored into the City's Workers' Compensation contributions to achieve a target reserve level equal to 25% of the average outstanding liability for the three most recent fiscal years.

As of June 30, 2015, the outstanding cash balance in the Workers' Compensation Reserve was $48.4 million, or 22% of the average outstanding liability reported in the actuarial valuations for Fiscal Year 2013 through Fiscal Year 2015. The reserve target for Fiscal Year 2016 is $54.5 million, or 25%. The Fiscal Year 2016 Mid-Year Budget Monitoring Report will discuss the plan to achieve the Fiscal Year 2016 reserve target of 25% for the Workers' Compensation Reserve.

Long-Term Disability Reserve. The Long-Term Disability Reserve is maintained to fund self-insured claims in the event the annual expense for a claim exceeds the annual "pay-go" budgeted amount. The Long-Term Disability Reserve is maintained in a separate internal service fund. As of June 30, 2015, the outstanding cash balance in the Long Term Disability Reserve was $18.4 million, or 123% of the average outstanding liability reported in the actuarial valuations for Fiscal Year 2013 through Fiscal Year 2015.

Public Liability Reserve. The Public Liability Reserve is maintained as a contingency in the event the annual expense for claims exceeds the "pay-go" budgeted amount. The Public Liability Reserve is included within the General Fund and reported as committed fund balance. Consistent with the Revised Reserve Policy, year to year fluctuations in the City's outstanding liability are factored into the City's Public Liability Fund

contributions to achieve certain incremental reserve targets annually and achieve a final target reserve level equal to 50% of current estimated outstanding public liability obligations by Fiscal Year 2019.

The Public Liability Reserve is solely funded from the City General Fund, as approved by City Council in the annual budget ordinance, including funding for current expenditures to maintain reserve levels as specified in the Revised Reserve Policy.

The cash balance in the Public Liability Reserve was $37.9 million as of June 30, 2015 and the reserve target for Fiscal Year 2016 is $36.7 million, or 40%. On December 15, 2015, City Council approved resolution R-310173 authorizing the transfer of $15.0 million from the Public Liability Fund Reserve to fund the settlement agreement of *Aglio, et al. v. City of San Diego*, lowering the reserve cash balance to $22.9 million, or 25% of the average outstanding liability for Fiscal Year 2013 through Fiscal Year 2015. This action is estimated to reduce the Public Liability Reserve to 25%, below the 40% target for Fiscal Year 2016. The Fiscal Year 2016 Mid-Year Budget Monitoring Report will discuss an updated plan to achieve the Fiscal Year 2016 reserve target of 40% for the Public Liability Reserve.

Potential Impacts from Federal and State Budget

Federal fiscal policies and State budget actions can impact the City General Fund adversely. Direct funding contributed by federal and state governments for the City General Fund for Fiscal Year 2015 was less than 1% of revenues and is also less than 1% of revenues in the Fiscal Year 2016 Adopted Budget. Although federal and State contributions are not a major revenue source to the City General Fund, federal and State budget decisions can negatively impact the local economy which, in turn, can result in lower revenues to the City General Fund from the major sources such as property taxes, sales taxes and TOT revenues.

Given the current uncertainty regarding federal fiscal policy and its impact on the State, and the inherent volatility in the State's revenue system, the City cannot fully anticipate the impacts of these factors on the revenues or expenditures of the City. The City cannot predict the extent of any 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 current or future economic conditions. Future federal and State budgets will be affected by national economic conditions and other factors over which the City will have no control. Also, the City cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the State's budget challenges, or the impact that such actions will have on the City's finances and operations. 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. See "STATE BUDGET INFORMATION" herein.

Major Revenue Sources

Property Taxes

Property tax revenue is the City's largest revenue source, representing 36.7% of the total General Fund revenue for the Fiscal Year 2016 Adopted Budget. The County of San Diego (the "County") assesses 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 payments 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 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 for a limited period of time 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." The City does not participate in a Teeter Plan, which is an alternate method for allocating property taxes by counties. A Teeter Plan allows counties to allocate 100% of property taxes levied for a city in exchange for retaining future delinquent tax payments, penalties and interest. Since the City does not participate in the Teeter Plan, it receives taxes, penalties and interest on delinquent taxes as collected by the County.

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) commencing 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) seizing and selling 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" or "VLF") 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% reduction in the effective MVLF rate, from 2.0% of a vehicle's value to 0.65%. 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, known as the MVLF backfill. As part of the Fiscal Year 2005 State Budget agreement, the MVLF rate was statutorily reduced to 0.65%, thereby eliminating the MVLF backfill. Cities were compensated for the loss in MVLF revenue with increased property tax revenues. Although the MVLF rate has subsequently increased, the City does not share in this increase.

As a result of Assembly Bill x1 26 (AB 26) enacted by the State Legislature in June 2011 and a decision issued by the California Supreme Court in December 2011, each redevelopment agency in California dissolved as of February 1, 2012 at which time a successor agency assumed responsibility for winding down its operations. In June 2012, the State Legislature enacted Assembly Bill 1484 (AB 1484), seeking to clarify and modify certain aspects of AB 26. As a result, the distribution of property tax revenues to the former San Diego Redevelopment Agency has not occurred since Fiscal Year 2012. Funding for continuing obligations as approved by the State Department of Finance is distributed to the City as the Successor Agency from the Redevelopment Property Tax Trust Fund (RPTTF). Residual funds remaining in the RPTTF after the successor agency's enforceable obligations are met are distributed to the local taxing entities per appropriate allocation formulas.

Property taxes allocated to the City also include a special tax levy of $0.005 per $100 of assessed value, authorized by the Charter for the maintenance of zoological exhibits in Balboa Park. These funds are remitted to the San Diego Zoological Society, a not-for-profit corporation independent from the City that manages the zoo, in accordance with a contractual agreement with such society. As required by the Charter, these revenues are collected in the Zoological Exhibits Fund, a special revenue fund.

Fiscal Year 2016 Property Tax Budget. The total Fiscal Year 2016 property tax budget is $470.1 million, which includes additional property tax distributions from the Former RDA. See "—Former Redevelopment Agency" below. The Fiscal Year 2016 Adopted Budget for property tax revenue, excluding property tax revenue from the Former RDA, is $452.4 million, consisting of $331.3 million of 1% property tax levy and $121.1 million of "in-lieu of VLF" property tax revenue. The property tax budget was developed based on a property tax growth rate of 5.0% reflecting stronger home sales, increases in median home price, a positive California CPI in calendar year 2014 and a projected decrease in the number of foreclosures. In addition, the Fiscal Year 2016 Adopted Budget includes $3.8 million in tax sharing pass-through payment from the Former RDA as part of the Recognized Obligations Payment Schedule ("ROPS"), and $13.9 million in anticipated residual property tax payments. The residual property tax payments are the City's proportionate share of funds remaining in the Redevelopment Property Tax Trust Fund ("RPTTF") after ROPS requirements have been met.

In the Fiscal Year 2016 First Quarter Budget Monitoring Report, property tax revenue is projected to be slightly over budget at year-end. The Fiscal Year 2016 Adopted budget reflects a projected 5.0% property tax growth rate; however, the City's assessed value grew 6.03% in Fiscal Year 2016. This is 1.1% higher than the 5.0% budgeted property tax growth rate, leading to the slight increase in the 1.0% property tax base, the MVLF backfill payment, and increases in the projected RPTTF distribution.

The Fiscal Year 2016 property tax projection reflects a $3.1 million over budget projection in the 1% property tax base category. Of the $3.1 million increase in the 1.0% property tax base, $1.0 million is a result of rescinding the suspension of the City's receipt of revenues from the City Heights Redevelopment Project Area. City Heights Health and Safety Code section 33676 revenues are no longer needed to support the debt service on previously issued bonds due to the strong growth in property values within the project area. There is no longer an economic need for the City to forego its right to the revenues; therefore, the City is reinstating its entitlement to receive the ongoing revenues as authorized by Health and Safety Code section 33676 and Resolution No. R-279727. The City is discussing this issue with San Diego County. If the County denies this Council Resolution, it will delay the receipt of this money until the City and County can negotiate this item. The property tax projection also reflects a $1.2 million over budget projection in the MVLF backfill payment.

The Fiscal Year 2016 property tax projection includes a tax sharing pass-through payment of $4.4 million from RPTTF deposits which are distributed by the County and are based on projections for the upcoming Recognized Obligation Payment Schedule (ROPS). The projected pass-through payment to the City is $600,000 higher than the budgeted amount as a result of the City's assessed valuation growth being higher than the FY 2016 Adopted Budget growth rate of 5.0%. This leads to higher RPTTF deposits which will result

in higher pass-through payments to the City. In addition to tax sharing pass-through payments, the City will receive residual property tax payments.

The residual property tax payment is the City's allocation of funds remaining in the RPTTF after ROPS requirements have been met. The projected residual property tax payment is approximately $9.4 million. The residual property tax payment is projected at $4.4 million under budget due to the approval of State Bill 107 (SB 107). SB 107 modifies various aspects of the statewide redevelopment wind-down process. As a result, the bill allows enforceable obligations previously denied by the California Department of Finance (DOF) to be placed on the ROPS for reconsideration. If approved, the enforceable obligations included on the ROPS will increase, leading to a decrease in the RPTTF residual balance available for distribution to local entities. The increase in enforceable obligations lowers the City's projection of RPTTF residual payment by $4.4 million. RPTTF revenue projections will vary depending on DOF approvals of expenditures itemized on the ROPS.

For information concerning Fiscal Year 2016, see "CITY BUDGET AND RELATED MATTERS — Fiscal Year 2016 Adopted Budget.

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

TABLE A-4
CITY OF SAN DIEGO
ASSESSED VALUATION [(1)(2)(3)]
Fiscal Years Ended June 30, 2007 through 2016
(in thousands except for percentages)
(unaudited)

Fiscal Year	*Secured Property*	*Unsecured Property*	*Total Gross Taxable Assessed Valuation[(4)]*	*Annual Assessed Valuation % Change*
2007	155,066,168	8,521,431	163,587,599	11.38
2008	170,609,523	8,300,343	178,909,866	9.37
2009	180,350,011	8,798,580	189,148,591	5.72
2010	178,991,464	9,076,918	188,068,382	(0.57)
2011	176,479,695	8,826,634	185,306,329	(1.47)
2012	177,922,657	8,581,900	186,504,557	0.65
2013	177,302,834	8,762,568	186,065,402	(0.24)
2014	184,757,253	9,213,895	193,971,148	4.25
2015	196,336,517	9,686,456	206,022,973	6.21
2016	208,467,408	9,978,105	218,445,513	6.03

(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, 2015 is the official assessment date for property taxes due during Fiscal Year 2016.
(2) Does not include state assessed utility property.
(3) Reflects incremental value allocated to former redevelopment project areas.
(4) Total gross taxable assessed valuation before various exemptions are deducted. Fiscal Year 2016 exemptions equaled approximately $10.8 million.
Source: Fiscal Years 2007 – 2015: Comprehensive Annual Financial Report Statistical Section (unaudited), Comptroller's Office, City of San Diego. Fiscal Year 2016 data is from a June 24, 2015 memo from the County of San Diego Assessor/Recorder/Clerk's Office.

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

TABLE A-5
SECURED TAX LEVIES AND COLLECTIONS[1][3]
Fiscal Years 2006 through 2015
(in thousands except for percentages)
(unaudited)

Fiscal Year	*Tax Levy*[2]	*Current Year Collections*[2]	*Current Year Collections as Percentage of Current Tax Levy*	*Total Tax Collections*	*Total Collections as Percentage of Current Tax Levy*
2006	$265,581	$254,308	95.76%	$259,646	97.77%
2007	283,855	270,583	95.32	277,652	97.81
2008	299,911	283,716	94.60	293,985	98.02
2009	303,593	290,480	95.68	300,462	98.97
2010	297,217	286,303	96.33	295,137	99.30
2011	293,624	285,913	97.37	291,020	99.11
2012	296,007	289,530	97.81	294,186	99.38
2013	299,332	293,577	98.08	297,380	99.35
2014	315,060	308,606	97.95	311,892	98.99
2015	331,187	325,794	98.37	325,794	98.37

(1) Property Tax Levies and Collections for the General Fund and Zoological Exhibits Fund.
(2) Taxes levied and collected for the year include both the local and state assessments.
(3) This table is restating Fiscal Year 2006 through Fiscal Year 2014 data to include both local and state levies and collections. The restatement for Total Tax Collections does not include penalties and interest.

Source: Fiscal Year 2015 Comprehensive Annual Financial Report Statistical Section (unaudited), Comptroller's Office, City of San Diego.

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Table A-6 below indicates the ten largest secured and unsecured property taxpayers in the City for the tax roll of Fiscal Year 2015.

TABLE A-6
PRINCIPAL PROPERTY TAXPAYERS IN CITY OF SAN DIEGO
Tax Roll for Fiscal Year 2015
(in thousands, except for percentages)
(unaudited)

Taxpayers	*Type of Business*	*Taxable Assessed Value*	*Percent of Total City Taxable Assessed Value*
Qualcomm, Inc	Electronics	$ 1,980,546	1.01%
Irvine Company LLC	Real Estate	1,683,876	0.86
Kilroy Realty, LP	Real Estate	1,329,703	0.68
Host Hotels Resorts LP	Hotel Management	781,319	0.40
O C S D Holdings LLC	Real Estate	496,098	0.25
One Park Boulevard LLC	Hotel Management	460,382	0.24
Fashion Valley Mall, LLC	Developer	450,395	0.23
Solar Turbines Inc.	Manufacturing	443,382	0.23
B R E Properties Inc.	Real Estate	428,778	0.22
SeaWorld Parks Entertainment	Entertainment	410,998	0.21
TOTAL		$ 8,465,477	4.33%

Source: Fiscal Year 2015 Comprehensive Annual Financial Report Statistical Section (unaudited), Comptroller's Officer, City of San Diego.

Sales 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 22.3% of General Fund revenues in the Fiscal Year 2016 Adopted Budget.

The City's sales tax revenues shown in Table A-3 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 to pay economic recovery bonds in exchange for an equivalent amount of property tax. Sales Tax projections include the anticipated end of the "triple flip," which is now scheduled to occur in Fiscal Year 2016. The end of the "triple-flip" is projected to result in a one-time increase in sales tax revenue in Fiscal Year 2016 due to the City's accrual practices. Based on current estimates of the timeline to unwind the "triple flip," the City will accrue a one-time increase of $12.7 million in sales tax revenue in Fiscal Year 2016.

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 7.50 cent statewide sales tax levied on each dollar of taxable sales (one-fourth of which is now received as property tax). 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 8.0%. The TransNet sales tax was renewed in 2008 for an additional 40-year term. TransNet sales tax revenues are not City General Fund revenues, are restricted to transportation projects and are not available to pay the City's General Fund lease obligations. The 8.0% sales tax also includes a half-cent sales tax known as the Proposition 172 safety sales tax, which the California voters approved in 1993 for the purpose of funding local public

safety expenditures, and a quarter-cent sales tax increase effective January 1, 2013, which the California voters approved at the November 2012 election.

Fiscal Year 2016 Sales Tax Budget. The Fiscal Year 2016 General Fund Adopted Budget for sales tax revenues is $285.8 million (excluding Proposition 172 safety sales tax), consisting of $232.8 million in sales tax revenue and $53.0 million in triple-flip reimbursements. The Fiscal Year 2016 Adopted Budget for sales tax assumed an improvement in consumer confidence and lower unemployment compared to previous years.

In the Fiscal Year 2016 First Quarter Budget Monitoring Report, sales tax revenue is projected to be slightly under budget at fiscal year-end by $1.4 million, primarily due to decreased retail gas and jet fuel prices. The City can provide no assurance that actual sales tax receipts will not be materially less than projected. See Official Statement, APPENDIX B—"DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY – Table B-4" for historic taxable transactions in the City.

For information concerning Fiscal Year 2016, see "CITY BUDGET AND RELATED MATTERS — Fiscal Year 2016 Adopted Budget.

Transient Occupancy Tax

The City's 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 fewer than 30 consecutive days. The TOT is allocated pursuant to the City Municipal Code, with guidelines provided by the City Council Policy 100-03. Of the 10.5 cents of collected TOT, 5.5 cents is allocated toward general government purposes; 4.0 cents is allocated to special programs to promote the City, including funding tourism related infrastructure, facilities and services, and to support the City's General Fund departments that provide services related to promoting local tourism. The remaining 1.0 cent is 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 Tourism Authority (the "Tourism Authority"), there will be 34.9 million visitors to San Diego in calendar year 2015, which is a 3.3% increase from calendar year 2014. The average hotel occupancy rate is expected to increase by 4.1% to 77.7% in calendar year 2015. Although the region remains a popular spot for vacations and conventions, future economic weakness and other factors could have an adverse impact on tourism in San Diego and, in turn, could result in a reduction in TOT.

Fiscal Year 2016 Transient Occupancy Tax Budget. The Fiscal Year 2016 Adopted Budget for TOT revenues is $195.0 million. Of the total budgeted amount, $102.2 million in TOT revenue is allocated to the General Fund, which comprises 8.0% of the General Fund revenue budget. The remaining funds are allocated to Special Promotional Programs, which includes the one-cent City Council discretionary TOT funding budgeted to be transferred to the General Fund and TOT allocated for reimbursement of General Fund tourism related expenditures. The TOT revenue estimate for Fiscal Year 2016 is based on the growth in receipts experienced over the past two calendar years and projections for continued increases in overnight visitors. As a result, growth in TOT receipts is expected to continue through the remainder of Fiscal Year 2016.

In the Fiscal Year 2016 First Quarter Budget Monitoring Report, General Fund TOT revenue is projected to exceed budget at fiscal year-end by $1.9 million, or 1.9%, primarily due to gains in occupancy and room rates, and an increase in overnight visitors to San Diego during calendar year 2015.

For information concerning Fiscal Year 2016, see "CITY BUDGET AND RELATED MATTERS — Fiscal Year 2016 Adopted Budget.

For further discussion of tourism in the City and County, see APPENDIX B — "DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY – Tourism."

Franchise Fees

Franchise fees revenue results from agreements with private utility companies in exchange for use of 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 fee 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 such agreements is based on a percentage of gross sales.

SDG&E, the single largest contributor of franchise fee revenue, is charged 3.0% of the gross sales of gas and electricity within the City. The City also generates franchise fee revenue by collecting 5.0% 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).

In addition, the City receives a 3.53% 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. This revenue is collected outside of the General Fund and held in a Special Revenue Fund restricted for operations, maintenance and capital improvements for the Underground Utility Program. This revenue is being challenged in court. See "LITIGATION POTENTIALLY ADVERSELY AFFECTING THE GENERAL FUND — Litigation and Regulatory Actions — *Jess Willard Mahon Jr. v City of San Diego, et al.*"

Fiscal Year 2016 Franchise Fees Budget. The Fiscal Year 2016 Budget includes $80.8 million in franchise fee revenue, which comprises 6.3% of the General Fund revenue budget. The budget is based on the average growth of actual receipts in the previous year.

The Fiscal Year 2016 General Fund Budget for SDG&E franchise fee revenue is $48.5 million. The revenue from cable franchise fees is primarily from Cox Communications, Time Warner Cable and AT&T. The Fiscal Year 2016 Adopted Budget includes cable franchise fee revenue of $18.6 million.

Another category of franchise fee revenue is from private refuse haulers and is based on the total amount of refuse hauled annually. The Fiscal Year 2016 Adopted Budget for refuse hauler franchise fee revenue from refuse haulers is $9.6 million. The City also budgeted $2.4 million in franchise fees from the EDCO and Sycamore Landfill facilities, $1.3 million from the vehicle tow program, and $0.3 million from other franchise fee sources.

In the Fiscal Year 2016 First Quarter Budget Monitoring Report a surplus of $0.1 million is projected for total franchise fee revenue at year-end as compared to the Fiscal Year 2016 Adopted Budget. The projected increase in franchise fees is attributed to miscellaneous franchise fees received as a result of a water company paying franchise fees in a small area of the City.

Former Redevelopment Agency

The Redevelopment Agency of the City of San Diego (the "Former RDA") was dissolved as of February 1, 2012. The City is serving as the Successor Agency to the Former RDA and as the housing successor to the Former RDA. The Successor Agency is a separate and distinct legal entity from the City, whereas the housing successor is the City, not a separate legal entity. The role of the Successor Agency is to wind down the activities of the Former RDA. On December 2, 2013, the California Department of Finance (DOF) issued a finding of completion to the Successor Agency, signifying the Successor Agency's completion of three lump-sum payments of unencumbered funds to the San Diego County Auditor-Controller for pro rata distribution to the local taxing entities, including the City. The dissolution laws do not set forth a process for any additional mandatory lump-sum payments of this nature. At this time, absent any new legislation by the State, the City does not expect significant additional payments to be made from the General Fund related to the dissolution of the Former RDA.

General Fund Infrastructure and Multi-Year Capital Program

The City owns a wide array of public assets, including police stations, fire stations, library facilities, operational facilities, parks, recreation centers, streets, and bridges which are maintained through expenditures from the General Fund. Over the years, under the pressure of competing financial priorities, the City has deferred investment in the City's infrastructure. The City deferred the repair, maintenance, and funding for capital expenditures for many asset classes resulting in deteriorated structures, including parts of the City's core infrastructure. Starting in 2007, the City undertook planning to assess the condition of key asset classes and also began to address the deferred capital costs through a multi-year financing program supplemented by cash funding from various sources including the General Fund, TransNet, and Proposition 42 funds. In 2011, the City estimated there was a backlog of approximately $898 million in deferred capital needs for the City's existing infrastructure to be funded from the General Fund, estimated at $478 million for streets, $185 million for public buildings, and $235 million for storm drain infrastructure (see "Storm Water Program" herein).

The 2011 estimate was based on a partial assessment of the three major asset classes described above. This initial estimate of the large backlog of capital needs provided the City with a starting point to formulate multi-year financial and capital plans using existing financial resources and gradually rebuilding the core General Fund infrastructure.

Beginning in Fiscal Year 2014, the City identified additional funding to conduct comprehensive condition assessment studies for City sidewalks, streets, parks, and General Fund facilities occupied by City or leased to other agencies. Condition assessments for General Fund Facilities (buildings) are currently underway. These assessments evaluate the physical structure (superstructure and foundation), the building systems (roofing, plumbing, electrical, equipment, fire protection, HVAC), and interior finishes (paint, carpeting). To date the preliminary condition assessments of 349 out of approximately 700 General Fund facilities have been completed. This includes 274 City-occupied facilities and 75 leased facilities. The preliminary estimate from the City's Public Works Department to bring these 349 facilities to a near new condition is $983 million in 2015 dollars. It is important to point out that it is not industry best management practice to repair existing facilities to a near new condition. Industry best management practice is to establish minimum service level targets to address safety and operational needs of existing facilities based on the facility type and usage. In 2015, analysis and citywide policy discussions to establish minimum service level targets for General Fund City-occupied facilities began. Although this effort is still underway, the current estimated cost to bring 274 General Fund City-occupied facilities to conditions varying from fair to good is $177 million in 2015 dollars. The estimate for ongoing capital renewal to sustain these same 274 General Fund City-occupied facilities for the next 5 years (2015-2020) at the same service level targets is $50 Million in 2015 dollars. The 75 leased facilities are still being evaluated. The City anticipates completing its ongoing efforts to assess the condition of the remaining General Fund facilities and develop appropriate service level targets for facility types based on industry best practices by early Fiscal Year 2017.

Evaluation of the condition of City sidewalks was completed in May 2015, to be followed by the completion of City streets pavement assessment by the end of Calendar Year 2015, and park and recreation facilities will continue based upon annual funding levels, currently anticipated through Fiscal Year 2021. Concurrent with the completion of the condition assessment of all major General Fund asset classes which are to be followed by the identification of appropriate service level goals for these asset classes, the City expects to generate a realistic and updated total General Fund assets capital backlog amount. While the existing asset condition assessments are being completed, the City continues to program available resources for the most immediate and critical capital needs.

An active financial plan for addressing the General Fund core infrastructure was initiated in 2009 with the issuance of the $103 million deferred capital Lease Revenue Bonds. In 2012, the City Council approved a multi-year deferred capital program funding plan that provides bond funding for approximately $420 million over a five-year period from Fiscal Years 2013 through 2017, and an increase in annual cash funding for maintenance and repair and capital expenditures from $50 million in Fiscal Year 2014 to $79 million by Fiscal

Year 2017. So far, approximately $333 million in lease revenue bond proceeds has been allocated to General Fund Capital Improvement Program ("CIP") projects for planning, design, and construction for the capital repair, expansion, acquisition and/or replacement of streets, sidewalks, facilities, and stormdrains and other infrastructure. This includes proceeds from the City's 2009A CIP Lease Revenue Bonds (subsequently refunded with the 2010A CIP Lease Revenue Bonds), the 2012A CIP Lease Revenue Bonds, the 2013A CIP Lease Revenue Bonds, the 2015A CIP Lease Revenue Bonds and the 2015B CIP Lease Revenue Bonds. See "BONDED AND OTHER INDEBTEDNESS – Future Financing Plans" herein.

In addition to deferred capital needs, the City's infrastructure needs include annual maintenance and repair costs for existing assets as well as needed new assets to provide essential services. The City has identified significant storm water capital projects in the Watershed Asset Management Plan needed to comply with more stringent water quality regulations (see "Storm Water Program" herein), capital needs of approximately $33 million for the San Diego Convention Center over the next five years (Fiscal Year 2016 through Fiscal Year 2020) and other needed new public facilities in the community including fire stations, libraries, and parks. Over the prior ten year period capturing Fiscal Year 2006 through Fiscal Year 2015, a total of approximately $25 million was expended on capital expenditures for the existing San Diego Convention Center originally built in 1989 and expanded in 2001.

The Five-Year Outlook identifies Infrastructure and Neighborhood Investment as one of the top priority initiatives for the City, and allocates 50 percent of new major General Fund revenue growth to infrastructure and neighborhood improvements (see "Five Year Financial Outlook" herein) in addition to allocating required projected annual debt service for the assumed bond issuance of $90 million annually in Fiscal Year 2017-2019 to finance streets and other priority capital improvement needs.

In December 2015, the City released the Fiscal Year 2017-2021 Five-Year Capital Infrastructure Planning Outlook ("CIP Outlook", and previously referred to as the Consolidated Multi-Year Capital Plan ("MYCP")) for General Fund and non-General Fund asset classes including Water and Sewer enterprises, airports, and City landfill. The analysis identified capital needs and projected revenue sources (as presented in the Five-Year Outlook) over the next five years (Fiscal Years 2017-2021). The projected capital needs were developed based on information currently available to the City which included condition assessments (and those portions thereof that have been completed) and projects currently listed in the annual budget with unfunded needs. In comparing the identified capital needs of $4.2 billion and revenue of $2.8 billion, the CIP Outlook identified a citywide funding gap of $1.4 billion across all asset classes. For General Fund managed assets, there is an estimated $2.3 billion in capital needs and revenue of $0.9 billion resulting in an estimated funding gap of $1.4 billion for General Fund-managed assets over Fiscal Years 2017 to 2021. Certain key assumptions made in developing the estimates for the consolidated capital planning needs include estimated service level standards, partial condition assessments, a targeted average Overall Condition Index ("OCI") of 70 over ten years for pavement of streets and roads; and projections in revenue growth. These assumptions were necessary in order to develop the analysis. The CIP Outlook is developed to closely follow the annual release of the Five-Year Financial Outlook in an effort to accurately forecast future available funding for capital projects and manage long-term infrastructure planning.

[Infrastructure Funding Measure]

[On January 26, 2016, the City Council approved placing a measure to fund City infrastructure on the June 7, 2016 ballot. The measure proposes to amend the City Charter to require the following revenue sources to be dedicated to infrastructure improvements and programs: (1) 50% of all new major General Fund revenue growth (including Property Tax, TOT, and Franchise Fees) over the next ten years; (2) incremental General Fund Sales Tax revenue above Fiscal Year 2016 baseline levels, including any new state or local non-specific revenue measures, over 30 years; and (3) any reductions in pension contributions based on Fiscal Year 2016 baseline projections. Proponents estimate that the ballot measure will provide $4-5 billion in dedicated revenue for infrastructure over 30 years. Because no new revenue sources are being proposed, 100% of this

revenue would be offset by reduced General Fund revenue. Final approval from the City Council is required by February 22, 2016 in order to be placed on the June ballot.]

Storm Water Program

The City's Storm Water Division owns and maintains over 39,000 storm drain structures, approximately 900 miles of drainage pipe, and 14 storm water pump stations. The City has adopted a Storm Water Program to maintain and keep facilities in good repair to mitigate flood risk and reduce pollutants in urban runoff and storm water and comply with all local, State, and federal environmental regulations. Currently, the City's Storm Water Program is funded primarily from the General Fund and partially funded from property-related storm water fees, revenue from parking enforcement related to street sweeping, and bond proceeds.

In May 2013, the San Diego Regional Water Quality Control Board ("RWQCB"), the local State agency charged with implementing the federal Clean Water Act, adopted a new National Pollution Discharge Elimination System Permit ("NPDES Permit"), which became effective in July 2013. The NPDES Permit covers the City, the County and other municipalities within the County ("Co-Permittees"). The NPDES Permit incorporated Dissolved Metals and Bacteria Total Maximum Daily Loads ("TMDLs") and Areas of Special Biological Significance ("ASBS") requirements, making violations of these regulations subject to fines and penalties. In June 2014, the RWQCB also adopted a Sediment TMDL and amended the NPDES Permit in February 2015 to incorporate its requirements. In November 2015, the RWQCB adopted an amendment to the NPDES Permit to enroll Co-Permittees from Riverside County. The NPDES Permit requires all Co-Permittees to come into compliance with the earliest TMDL interim targets by calendar year 2018 per water quality regulations. If any Co-Permittee, including the City, does not meet the required storm water regulations by 2018, it is possible that the RWQCB could levy fines and penalties of up to $10,000 per day per violation and the federal Environmental Protection Agency could levy penalties of up to $16,000 per day per violation on such Co-Permittee. See Note 16 of the City's CAFR for Fiscal Year 2015. Even if the RWQCB or the federal government does not take a compliance action against the City, a third party could file an action against the City or other Co-Permittees seeking penalties or seeking an order from the court that the City make certain storm water improvements. Currently, there is no pending litigation against the City related to the NPDES Permit.

The City reached a settlement with the RWQCB in August 2014 to satisfy alleged violations of its NPDES Permit included in Notice of Violation No. R9-2010-0135, issued to the City in October 2010. The settlement agreement assessed an administrative civil liability penalty in the amount of $949,634 to the City. The City paid the unsuspended amount of the penalty totaling $492,734 to the State Water Resources Control Board Cleanup and Abatement Account. The remaining amount totaling $456,900 is suspended and will be forgiven upon the successful completion of water quality improvements at six City facilities which are currently in progress.

The RWQCB has also issued two Notices of Violations, No. R9-2014-0024 on March 7, 2014 and No. R9-2015-0031 on February 20, 2015, to the City of San Diego for alleged violations of the construction storm water management requirements of the NPDES Permit. The RWQCB has conducted multiple construction site inspections between October 2010 and December 2014 and found alleged deficiencies and potential violations of the Municipal Storm Water Permit construction provisions which resulted in issuance of these Notice of Violations (NOV). Some of the alleged violations included in these NOVs relate to events that date back to October 2010 and arguably may have lasted for several weeks before alleged deficiencies were corrected up to the satisfaction of the Board staff. These Notices of Violations are pending resolution and pose a potential liability of up to $10,000 per day per violation, from the date the violation commenced, pursuant to Water Code Section 13385.

The City submitted Comprehensive Load Reduction Plans ("CLRPs") to the RWQCB in 2012, which included compliance plans for the TMDL and ASBS regulations. The CLRPs identified ways that the City

could comply with the TMDLs and ASBS requirements over a 20-year term. To estimate the cost of compliance, the City developed a comprehensive storm water program cost model in 2013 as part of a Watershed Asset Management Plan. The 2013 model, consisting of all elements of the Storm Water Program, including the CLRPs, NPDES Permit requirements, flood risk management, and existing storm water deferred capital needs, estimated total costs over an 18-year compliance period (Fiscal Year 2014 through Fiscal Year 2031), to be $3.9 billion. The adoption of the NPEDS Permit required the development of Water Quality Improvement Plans ("WQIPs") for each of the six watersheds in the City's jurisdiction. Since the WQIPs updated and replaced the CLRPs, the 2013 cost estimates were re-evaluated to incorporate a number of significant updates, including: (1) cost reductions of approximately $865 million associated with an expected amendment to the Dissolved Metals TMDL and certain refinements to other existing regulations, (2) cost reductions of approximately $179 million from more efficient compliance activities and improved maintenance cost assumptions, and (3) increased costs of approximately $257 million associated with compliance with the Sediment TMDL over a 20-year compliance period (Fiscal Year 2016 through Fiscal Year 2035). Based on these updates, the City's current total estimated costs to comply with the TMDLs and provide flood risk management over the next 20 years is $3.1 billion, which represents a net decrease of approximately $800 million from the previous 2013 cost estimates.

The current estimates project operating and capital costs to comply with all TMDLs requirements under the amended NPDES Permit and provide flood risk management in the near term (Fiscal Years 2016 through 2020) to be approximately $616 million (of which approximately $327 million are projected capital costs and approximately $289 million are operating costs). As stated above, new regulations have extended the overall compliance period from Fiscal Year 2031 to Fiscal Year 2035. The cost estimate for the remainder of the updated compliance period (updated to Fiscal Years 2021 through 2035) is expected to be up to approximately $2.49 billion, of which an estimated $1.58 billion are projected capital expenses and $909 million are operating expenses. The 2013 and current projections are merely estimates pertaining to the City's storm water program and are not budgeted items. These estimated costs could ultimately be higher or lower depending on numerous factors, including but not limited to changes in regulatory standards, science and technology advancements, and/or when maintenance projects are determined to be a capital expenditure because of the magnitude of the repair.

In addition to the expected amendment to the Dissolved Metal TMDL discussed above, the City is currently negotiating further regulatory refinements with the RWQCB to (1) amend the Bacteria TMDL to reflect updated bacteria water quality standards, and (2) incorporate equitable allocations of pollution reduction responsibilities between the City and other non-municipal entities, such as agriculture operations and industrial sites, in the water quality regulations. Preliminary estimates indicate that these two efforts combined could result in an additional cost reduction of approximately $300-$800 million.

Based on current capital project implementation capacity and overall budgetary priorities, in Fiscal Year 2016 the City has budgeted an estimated $55.5 million for related operating expenses, including $6 million for capital expenditures. The Fiscal Year 2017 to Fiscal Year 2021 Five-Year Financial Outlook concludes that increases in funding for both operating and capital expenditures will be required to meet the 2018 compliance deadline for the new water quality regulations. Currently, the available funding sources are storm water fees, general City revenues, and bond proceeds. The City's storm water fees, which have not been increased since 1996, generated approximately $6 million in revenue in Fiscal Year 2015 and cover only a small portion of the City's annual storm water costs. The City's ability to increase these fees could be limited by objections from property owners or voters. For a discussion of Articles XIIIC and XIIID of the California Constitution, see "LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIIIC and XIIID (Proposition 218) of the California Constitution – Article XIIIC." If the storm water fees are not substantially increased, most of the costs associated with the Watershed Asset Management Plan will be paid from general City revenues. Any increase in General Fund moneys budgeted for storm water management purposes would reduce funds available for other General Fund purposes. Absent new or increased funding sources, the City's storm water liabilities represent an ongoing, multi-year fiscal challenge for the City's General Fund.

Since 2009, approximately $52.8 million in bond proceeds from past bond issuances have been allocated to the Storm Water Division's Capital Improvements Program, including storm drains and watershed projects. The City expects to continue to use proceeds from future bond issues to finance the Storm Water Program and water quality capital projects and to assist in addressing the needs stated above.

In addition to the compliance cost estimates described above, there may be additional operational storm water needs related to City-owned property and facilities (including approximately 26,000 acres of open space and 9,000 acres of community parks, fire stations, police stations and libraries) that could affect the City's General Fund. The City intends to evaluate these operational needs, related costs, and budget resources following condition assessment and data gathering for these properties.

STATE BUDGET INFORMATION

The following information concerning the State's budget has been obtained from publicly available information which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. The following information is provided as supplementary information only, and it should not be inferred from inclusion of this information that the Series 2016 Bonds are payable from State revenues. The Series 2016 Bonds are payable solely from Base Rental Payments to be made by the City under the Facility Lease and certain other moneys held under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS" in the front part of this Official Statement. The Series 2016 Bonds are not a debt of the City, the State, or any of its political subdivisions, and none of the City, the State or any of its political subdivisions is liable thereon.

State Budgeting Process

According to the State Constitution, the Governor is required to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by a majority vote of each house of the State Legislature no later than June 15, although this deadline is routinely breached. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the State Department of Finance website, www.govbud.dof.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer at www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

Fiscal Year 2016 State Budget

On June 24, 2015, the State Legislature adopted the State's Fiscal Year 2016 Budget (the "2016 State Budget"). For Fiscal Year 2015, the 2016 State Budget projected revised total State general fund revenues of $111.3 billion, and total State general fund expenditures of $114.5 billion. The 2016 State Budget projected that the State would end Fiscal Year 2015 with a general fund ending balance of $2.4 billion and total reserves of $3 billion. For Fiscal Year 2016, the 2016 State Budget projected total State general fund revenues of $117.5 billion and expenditures of $115.4 billion and a State general fund surplus of approximately $2 billion. This amount was a combination of $1.1 million in the traditional general fund reserve, and an authorized deposit of $3.5 billion into the Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

As a result of the elimination of redevelopment agencies, the 2016 State Budget anticipated that in State Fiscal Years 2015 and 2016 combined, cities would receive approximately $580 million, counties would receive approximately $660 million, and special districts will receive approximately $200 million in additional funds.

The Governor's Budget Summary for the Proposed Fiscal Year 2016 State Budget (the "2016 Proposed Budget Summary"), cautioned that the State's short periods of balanced budgets have often been followed by massive budget shortfalls. The 2016 Proposed Budget Summary also noted that commitments made by the State in the past two years are already straining the State's finances. Taking into consideration current policies, the 2016 Proposed Budget Summary anticipated that the State would begin to spend more than it receives in annual revenues by Fiscal Year 2018-19, by an amount of approximately $1 billion. The City cannot predict whether the State will take steps to prevent a future budget shortfall. The State budget will be affected by national and State economic conditions and other factors over which the City will have no control. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the City.

Governor's Proposed Fiscal Year 2017 State Budget

On January 7, 2016 the Governor released his proposed State budget for Fiscal Year 2017 (the "Proposed State Budget"). The following information is taken from the Legislative Analyst Office's overview of the Proposed State Budget, dated January 11, 2016.

The Proposed State Budget assumes, for Fiscal Year 2016, total general fund revenues and transfers of $117.5 billion and authorizes total general fund expenditures of $116 billion. The State is projected to end Fiscal Year 2016 with a reserve balance of $8.661 billion, comprised of a balance of $4.2 billion in the Special Fund for Economic Uncertainties (the "SFEU") and a balance of $4.455 billion in the BSA. For Fiscal Year 2017, the Proposed State Budget assumes total general fund revenues and transfers of $120.6 billion and authorizes total general fund expenditures of $122.6 billion. The State is projected to end Fiscal Year 2017 with a $10.241 billion reserve balance, comprised of a $2.230 billion balance in the SFEU and of an $8.011 billion balance in the BSA. The balance in the BSA includes the constitutionally required deposit of $2.6 billion for Fiscal Years 2016 and 2017. See "LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 2."

Effect of State Budget on General Fund Revenues

State budgets and budget policies can have either a positive or a negative effect on the City's financial condition. State budgets are affected by national and State economic conditions and other factors over which the City has no control. The City monitors fiscal measures taken by the State for their potential effects on the City's General Fund revenues and expected cash flows. 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.

LABOR RELATIONS

General

The table below shows the City's several recognized employee organizations which represent City employees. Certain classified and unclassified City employees are unrepresented.

The City's Employee Organizations

Organization[1]	Represented Employees[3]
San Diego Municipal Employees' Association	4,915
American Federation of State, County, and Municipal Employees, Local 127	2,020
San Diego Police Officers Association	2,030
San Diego City Firefighters, International Association of Firefighters, Local 145	906
California Teamsters Local 911	161
Deputy City Attorneys Association[2]	146

(1) Represents classified employees, except where otherwise noted.
(2) Represents unclassified deputy city attorneys.
(3) As of the Fiscal Year 2016 Adopted Budget.
Source: Financial Management, City of San Diego.

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, was approved by the City Council to amend the agreement for a term from July 1, 2015 through June 30, 2020. In addition, the City and MEA negotiated a successor collective bargaining agreement, which was approved by City Council on December 8, 2015 and will go into effect for a new term from July 1, 2017 through June 30, 2020.

MEA: In 2015, the City and MEA mutually agreed to reopen negotiations to meet and confer on terms for Fiscal Year 2017 through 2020. The City and MEA have negotiated a successor collective bargaining agreement for a new term from July 1, 2017 through June 30, 2020. MEA-represented employees 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. In addition, effective in Fiscal Year 2019 there will be special salary adjustments ranging from 5 percent to 7 percent for certain classifications experiencing recruitment and retention issues. The agreement also contains non-pensionable compensation increases in Fiscal Years 2017 through 2020. The non-pensionable compensation includes increases to flexible benefits credits for all MEA-represented employees.

AFSCME Local 127: AFSCME Local 127-represented employees received increased annual flexible benefit credits in Fiscal Year 2016. The employee organization has exercised its option to reopen negotiations

solely for the purpose to meet and confer on non-pensionable compensation increases in Fiscal Years 2017 and 2018. The City will begin meeting and conferring with AFSCME Local 127 in 2016.

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-represented employees 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-represented employees with additional credits for employees with eight or more years of service. Employees with eight or more years of service will also receive increases to annual uniform and equipment allowances, as will new recruits. Employees 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 received increased annual flexible benefit credits in Fiscal Year 2016. IAFF Local 145 has exercised its option to reopen negotiations solely for the purpose to meet and confer upon non-pensionable compensation increases in Fiscal Years 2017 and 2018. The City will begin meeting and conferring with Local 145 in 2016.

Teamsters Local 911: Teamsters Local 911-represented employees received increased annual flexible benefit credits in Fiscal Year 2016. The employee organization has exercised its 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. The City will begin meeting and conferring with Teamsters Local 911 in 2016.

DCAA: DCAA-represented employees received an increase in their annual flexible benefit credit in Fiscal Year 2016. The employee organization has exercised its option to reopen negotiations solely for the purpose to meet and confer upon non-pensionable compensation increases in Fiscal Years 2017 and 2018. The City will begin meeting and conferring with DCAA in 2016.

See also sections on "CITY BUDGET AND RELATED MATTERS" and "SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM" for impacts of collective bargaining agreements on the City's Fiscal Year 2016 Proposed Budget and pension contributions.

SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM

The City faces significant financial challenges in addressing an unfunded pension liability of approximately $2.00 billion as of June 30, 2015. Unless otherwise indicated, the information under this heading "San Diego City Employees' Retirement System" ("SDCERS") refers to all City employees who are members of SDCERS and not just those SDCERS members who are considered to be General Fund employees. Please note that the Fiscal Year 2015 Actuarial Valuation has not been completed. Certain information that will be included in the 2015 Actuarial Valuation has been provided to the SDCERS Board by Cheiron, the SDCERS actuary. Where indicated, such information has been included here. Please be aware that information related to the 2015 Actuarial Valuation is preliminary, subject to change, and has not been approved by the SDCERS Board.

General

SDCERS 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 San Diego Unified Port District (the "Port") and the San Diego County Regional Airport Authority (the "Airport"). The assets of the three separate plans and trusts are pooled in the SDCERS Group Trust for investment purposes. These plans are administered by the SDCERS Board to provide retirement, disability, death and survivor benefits for its members. Amendments to the City's benefit provisions require

City Council approval and amendments to retirement benefits require a majority vote by those SDCERS members who are also eligible City employees or retirees. 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 initially hired before July 20, 2012 working half-time or greater, all sworn police officers of the City irrespective of hire date, and full-time employees of the Port and the Airport are eligible for membership and are required to join SDCERS.

Due to the implementation of Proposition B, discussed below, as of July 20, 2012, SDCERS is closed to new City employees, except for the Police plan, which will remain open. SDCERS is considered part of the City's financial reporting entity and is included in the City's CAFR as a pension trust fund. See Note 11, "Pension Plans," in the City's Fiscal Year 2015 CAFR. SDCERS also prepares its own Comprehensive Annual Financial Report, the most recent of which is for Fiscal Year 2015.

The amounts and percentages set forth under this caption relating to SDCERS, 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. Prospective purchasers of the Series 2016 Bonds 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 Series 2016 Bonds are cautioned that such sources and the underlying assumptions speak as of their respective dates, and are subject to change. Prospective purchasers of the Series 2016 Bonds should also be aware that some of the information presented under this caption contains forward-looking statements and the actual results of the pension system may differ materially from the information presented herein.

The information disclosed herein relates solely to the City's participation in SDCERS and not to the participation of the Airport or the Port. City employment classes participating in the City's defined benefit plan are elected officers, general employees and safety employees (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.

TABLE A-7
CITY OF SAN DIEGO PLAN MEMBERSHIP
As of June 30, 2015

	General	*Safety*	*Total by Classification*
Active Members	4,870	2,180	7,050
Inactive Members	2,329	569	2,958
Retirees	4,861	3,111	7,972
DROP Participants[1]	696	435	1,131
Total Members, as of June 30, 2014	12,756	6,295	19,111

[1] Participants in the Deferred Retirement Option Plan ("DROP") no longer accrue service credits and do not make contributions to SDCERS. They continue to work for the City and contribute 3.05% of their salary, with an employer match, into a personal DROP account. Their service retirement benefit is also deposited into their DROP account and they must retire within five years of entering DROP. Employees hired after June 30, 2005 are ineligible for DROP.

Source: SDCERS Comprehensive Annual Financial Report 2015.

The City is required to make contributions to the pension system as determined by the SDCERS Board. Pension contributions are authorized and appropriated annually in accordance with the adoption of the

City's annual budget. The City's Actuarially Determined Contribution ("ADC")[1] is calculated by the SDCERS' actuary, Cheiron, Inc. ("Cheiron") and approved by the SDCERS Board. Cheiron conducts an actuarial analysis for SDCERS annually, the most recent of which is the June 30, 2014 Annual Actuarial Valuation of SDCERS, dated February 26, 2015 (the "2014 Valuation"). The 2014 Valuation serves as the basis for the City's pension contribution for Fiscal Year 2016. The City's actual annual pension contribution may differ from the ADC based on a number of factors discussed below, but the pension contribution is not expected to be less than the ADC in any Fiscal Year.

Actuarial Assumptions and Methods

Funding Method

Cheiron calculates the City's contribution using the Entry Age Normal ("EAN") actuarial funding method. Under EAN, there are two components to the total contribution: the normal cost and an amortization payment on any unfunded actuarially accrued liability ("UAAL"). For Fiscal Year 2016, a third component will be added representing a portion of SDCERS expected administrative expenses, as discussed below. The normal cost (associated with active employees only) is the present value of the benefits that SDCERS expects to become payable in the future attributable to the current year's employment. Normal cost is computed as the level annual percentage of pay required to fund the retirement benefits between each member's date of hire and assumed retirement. The difference between the EAN actuarial liability and the actuarial value of assets is the UAAL.

Amortization Periods and Methodology

The UAAL as of June 30, 2014 for the Police portion of SDCERS is amortized over several different closed periods as follows: changes in the UAAL due to changes in methods and assumptions are amortized over 30 years, changes in the UAAL due to benefit changes are amortized over five years, the outstanding balance of the Fiscal Year 2007 UAAL is amortized over a closed 20 year period (such that, as of Fiscal Year 2015, 13 years of amortization remain), and subsequent yearly experience gains and losses are amortized over 15 years. As a result of Proposition B and in compliance with then-current GASB standards, the non-Police portion of UAAL is amortized over 15 years. Finally, if necessary, there is an additional UAAL cost component to ensure that there is no negative amortization in any year. Also as a result of Proposition B, the non-Police portion of the UAAL is amortized using the level dollar method while the Police portion is amortized using the level percentage of payroll method. Level dollar amortization generally results in decreasing inflation-adjusted payments over time whereas level percentage of payroll amortization generally results in level inflation-adjusted payments over time.

In January 2015, the SDCERS Board voted to account for expected administrative expenses explicitly as a cost component in the ADC. The administrative expense component is $4.2 million for Fiscal Year 2016, based on a three-year phase in of $12.5 million in expected expenses. In Fiscal Year 2017 two-thirds of expected administrative expenses will be added to the ADC and beginning in Fiscal Year 2018 100% of expected administrative expenses will be added to the ADC.

Actuarial Assumptions

The following are the principal actuarial assumptions used by Cheiron in preparing the 2014 Valuation. The actuarial assumptions reflect recommendations approved by the SDCERS Board in November 2013 and were also used in the preparation of the Fiscal Year 2013 Actuarial Valuation, with the exception of the assumption related to administrative expenses.

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[1] Actuarially Determined Contribution ("ADC") has replaced the Annual Required Contribution ("ARC") as the funding policy for SDCERS. This change, in accordance with GASB 67, was approved by the SDCERS Board in November 2013. This action formalized a funding policy that is based on the existing practices formerly used to develop the ARC, which are described above under the caption "Funding Method."

1. Investment Return Rate: 7.25% per year, net of investment expenses.

2. Inflation Rate: 3.3% per year, compounded annually.

3. Administrative Expense Assumption: Administrative expenses are assumed to be $12.5 million for Fiscal Year 2016, increasing by 2.5% annually. Of this amount, one-third, or $4.2 million, has been included in the Fiscal Year 2016 ADC. For Fiscal Year 2017, there will be two-thirds recognition, and for all fiscal years following, 100% of the expected administrative expenses will be added to the ADC.

4. Interest Credited to Member Contributions: 7.25% compounded annually.

5. Projected Salary Increases Due to Inflation: 0% in Fiscal Years 2015-2018, 3.3% thereafter.

6. Cost-of-Living Adjustments: 2.00% per year, compounded annually.

7. Additional Assumptions: Additional assumptions were used regarding rates of separation from active membership, post-retirement mortality, active member mortality, and rates of retirement.

On November 13, 2015, the SDCERS Board voted to change certain actuarial assumptions that will be used in the Fiscal Year 2015 Actuarial Valuation. In particular, the SDCERS Board voted to decrease the investment return rate by .25% over two years such that rate will be 7.125% for Fiscal Year 2016, and 7.0% for Fiscal Year 2017 and thereafter. The SDCERS Board also voted to reduce the wage inflation rate by .25% phased in over two years in similar fashion.

Actuarial Value of Assets (Asset Smoothing Method)

SDCERS uses an actuarial value of assets to calculate the City's pension contribution each year and uses an asset smoothing method to dampen the volatility in asset values that could occur because of fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process. The actuarial value of assets each year is equal to 100% of the expected actuarial value of assets[1] plus 25% of the difference between the current market value of assets and the expected actuarial value of 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. This means that changes in the market value of assets are factored into the actuarial value of assets roughly over a four year period. The actuarial value of assets will also be adjusted, if necessary, to ensure that the actuarial value of assets will never be less than 80% of the market value of assets, nor greater than 120% of the market value of assets. The consequence of the smoothing methodology is that the actuarial value of assets increased by 9.6%, while the market value of assets increased by 16.6% from June 30, 2013 to June 30, 2014. As of June 30, 2014, the market value of plan assets was approximately $6.293 billion, and the actuarial value was approximately $5.829 billion.

Implementation of GASB Statements No. 67 and 68

In Fiscal Year 2014, GASB Statement No. 67 ("GASB 67"), which applies to pension plans, replaced GASB Statement No. 25, and in Fiscal Year 2015, GASB Statement No. 68 and 71 ("GASB 68 and 71"), which applies to plan sponsors, replaced the current GASB Statement No. 27 ("GASB 27"). GASB 67 is intended to enhance note disclosures and schedules of required supplementary information that will be presented by pension plans in their audited financial statements. GASB 67 was implemented by SDCERS in Fiscal Year 2014. The 2014 Valuation reflects the funding policy adopted by SDCERS to calculate the ADC.

[1] The expected actuarial value of assets is equal to the prior year's actuarial value of assets increased by actual contributions made, decreased by actual disbursements made, all items further adjusted with the expected investment returns for the year.

This funding policy requires the ADC to be calculated in the same manner previously used to calculate the City's annual required contribution ("ARC").

The City implemented GASB 68 and 71 in Fiscal Year 2015. This resulted in significant financial accounting and reporting changes to the City's financial statements. The most significant change stems from the requirement that the City record, in its Statement of Net Position, the Net Pension Liability ("NPL") related to defined benefit retirement plans offered to City employees. The NPL represents the difference between the Total Pension Liability and the fair value of pension assets. The City elected to use Fiscal Year 2014 as its measurement date, which means that the Net Pension Liability ("NPL") reported in the City's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2015 is based on the fair value of pension assets as of June 30, 2014 and the Total Pension Liability as of the valuation date, June 30 2013, updated to June 30, 2014. GASB 68 and 71 also require that certain pension related inflows and outflows be deferred and recognized in subsequent periods. As of June 30, 2015, the City reported an NPL of $1.535 billion. Because the General Fund financial statements use the current financial resources measurement focus, which generally excludes long-term liabilities from the balance sheet, there is no allocation of the NPL to the General Fund. However, the General Fund pays a significant portion of the ADC each year. Table A-9 shows the General Fund's share of the ADC from Fiscal Year 2012 through 2016.

The measurement of the City's NPL assumes a long-term expected rate of return of plan investments of 7.25% (the "Discount Rate"). A change in the assumed Discount Rate would have a significant effect on the measurement of the NPL. For example, a 1% decrease in the assumed Discount Rate to 6.25% would increase the City's Fiscal Year 2015 NPL by $880 million, or 57%; and a 1% increase in the assumed Discount Rate to 8.25% would decrease the City's Fiscal Year 2015 NPL by $731 million, or 48%.

Funding Status

According to the 2014 Valuation, at June 30, 2014, the City had a UAAL of $2.030 billion and a funded ratio of 74.2%. The UAAL decreased by $207.6 million over the UAAL set forth in the Annual Actuarial Valuation at June 30, 2013, which was $2.237 billion, and the funded ratio increased by 3.8%. The primary cause for the decrease in the UAAL was investment experience greater than projected. This decreased the UAAL by $131.8 million. Partially offsetting this was a liability experience loss which increased the UAAL by $28.1 million. Preliminary data from Cheiron shows the UAAL at June 30, 2015 decreasing to $2.002 billion and the funded ratio increasing to 75.6%. The UAAL at June 30, 2015 is higher than expected and the funded ratio is lower than expected due principally to the SDCERS Board's reduction of the assumed investment return rate discussed above.

Table A-8 below sets forth the City's portion of SDCERS historical funding progress for Fiscal Years 2005 through 2014. Additionally, see Note 11, "Pension Plans," in the City's Fiscal Year 2015 CAFR.

TABLE A-8
CITY OF SAN DIEGO
SCHEDULE OF FUNDING PROGRESS
Fiscal Years Ended June 30, 2005 through June 30, 2014
($ in thousands)
(unaudited)

Valuation Date (June 30)	*Actuarial Value of Assets (A)*	*Market Value of Assets (B)*	*AAL (C)*	*Funded Ratio (Actuarial)*	*Funded Ratio (Market)*	*UAAL (Actuarial) (C)-(A)*	*AAL less Market Value of Assets (C)-(B)*	*Covered Payroll [4]*	*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[1]	3,981,932	3,981,932	4,982,699	79.9	79.9	1,000,767	1,000,767	534,103	187.4
2007[2]	4,413,411	4,641,341	5,597,653	78.8	82.9	1,184,242	956,312	512,440	231.1
2008[3]	4,660,346	4,408,719	5,963,549	78.1	73.9	1,303,203	1,554,831	535,774	243.2
2009	4,175,229	3,479,357	6,281,636	66.5	55.4	2,106,408	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[3]	4,739,399	4,848,054	6,917,175	68.5	70.1	2,177,776	2,069,116	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) Reflects revised actuarial methodologies.
(2) Reflects revised actuarial assumptions, including the return to EAN actuarial funding method.
(3) Reflects revised actuarial methodologies and assumptions.
(4) Covered payroll includes all elements of compensation paid to active City employees (who are SDCERS members) on which contributions to the pension plan are based.
(5) Current year methodologies and assumptions are discussed above. Methodologies and assumptions were not changed from 2013 to 2014.

Source: Cheiron Actuarial Valuations for Actuarial Value of Assets, Market Value of Assets, AAL, Funded Ratio (Actuarial), Funded Ratio (Market) (2011-2014), UAAL, Covered Payroll, UAAL to Covered Payroll (2005 to 2013); Comptroller's Office, City of San Diego for Funded Ratio (Market) (2005-2010), AAL less Market Value of Assets, UAAL to Covered Payroll (2014).

Preservation of Benefits Plan

The Preservation of Benefits ("POB") Plan is a qualified governmental excess benefit arrangement ("QEBA") under Internal Revenue Code ("IRC") section 415(m). The POB Plan allows for the payment of promised benefits that exceed IRC section 415(b) limits and therefore cannot be paid from SDCERS assets. The POB Plan is unfunded within the meaning of federal tax law and the City may not prefund the POB Plan to cover future liabilities. Because the POB Plan is not administered by a trust, GASB 27 remains applicable for accounting and disclosure purposes. Pursuant to GASB 27, Cheiron prepares an annual actuarial valuation ("POB Valuation") for the POB Plan. This valuation is separate from the actuarial valuation for the pension plan, and the POB ADC included in the POB Valuation is not used to calculate the City's POB contribution. Contributions to the POB Plan are funded annually on a pay-go basis by the City and the payments are calculated by Cheiron based on the amount of pension benefits earned in excess of the IRC Section 415(b) limit in any particular fiscal year. See "Table A-9" below. The actuarial liability for the POB Plan as of June 30, 2014, the most recent year for which the City has data, was $7.9 million, and this entire amount is unfunded.

Citywide and General Fund Pension Contributions

The City's Pension Plan ADC for Fiscal Year 2016 is $254.9 million. The City's pension plan payment is typically made on July 1 of each fiscal year, including Fiscal Year 2016. Preliminary data related to the actuarial valuation at June 30, 2015 shows the ADC for Fiscal Year 2017 increasing to $261.1 million. This amount is subject to change pending the preparation and adoption of the 2015 Actuarial Valuation. POB Plan contributions are made on a monthly basis as payments are owed to beneficiaries.

Table A-9 sets forth the City's ADC and pension contributions and the General Fund's share payments for Fiscal Years 2012 through 2016 (budgeted). 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.

TABLE A-9
CITY OF SAN DIEGO
PENSION CONTRIBUTION
Fiscal Years 2012 through 2016
($ In Thousands)

Fiscal Year ended June 30	*Pension Plan ADC*	*POB Plan ARC*	*Total Plan ARC*	*Pension Plan Contribution*	*POB Plan Contribution*	*Total Pension Contribution*[1]	*General Fund Pension Contribution*[1]	*General Fund Pension Contribution as a Percent of General Fund Revenues*[3]
2012	$231,200	$1,269	$232,469	$231,200	$1,687	$232,828	$181,363	16.1%
2013	231,100	1,314	232,414	231,100	1,572	232,672	181,883	16.5%
2014	275,400	708	276,108	275,400	1,403	276,803	213,457	16.9%
2015	263,600	876	264,476	263,604	1,700	265,304	192,846	14.7%
2016[2]	254,900	842	255,742	254,902	1,500	256,402	189,103	14.7%

(1) Comprised of the pension plan contribution and the POB Plan contribution; may not sum due to rounding.
(2) Except for Pension Plan ARC/ADC, all other amounts are budgeted.
(3) General Fund Revenues for Fiscal Year 2012 – 2015 are audited and for Fiscal Year 2016 are budgeted.

Source: SDCERS Comprehensive Annual Financial Reports; Cheiron Actuarial Valuations for Pension Plan ARC/ADC; SDCERS for POB Plan ARC/ADC; Comptroller's Office, City of San Diego for Total Plan ARC/ADC, Pension Plan Contribution, POB Plan Contribution, Total Pension Contribution, General Fund Pension Contribution (2012-2015) and General Fund Pension Contribution as a Percent of General Fund Revenues (2012-2015); Financial Management, City of San Diego for General Fund Pension Contribution (2016) and General Fund Pension Contribution as a Percent of General Fund Revenues (2016).

Prospective Funding Status

As part of its actuarial valuations for SDCERS, Cheiron prepares projected financial trends to show the City's expected cost progression. The following table uses the actuarial assumptions and methodologies discussed above, including the revised assumptions that will be used for the 2015 Actuarial Valuation. The table also assumes the validity of Proposition B, which is discussed below. It is important to note that the table uses investment returns as assumed, 7.125% in Fiscal Year 2016 and 7% annually thereafter. These exact returns are unlikely given the historical variability in annual investment returns. The City expects investment

returns will vary, and may vary significantly from year to year, which will potentially result in greater volatility and higher (or lower) ADC payments than presented in the table.

TABLE A-10
CITY OF SAN DIEGO ACTUARIAL FUNDING PROJECTIONS
Fiscal Years 2016 through 2025
(earnings as assumed)

Fiscal Year Ending June 30	*Assumed Investment Return Rate*	*Actuarially Determined Contribution (millions)*	*UAAL (billions)*
2016	7.125%	$254.9	$2.03
2017	7.0	261.1	2.00
2018	7.0	267.9	1.99
2019	7.0	265.5	1.87
2020	7.0	263.8	1.74
2021	7.0	262.9	1.60
2022	7.0	262.5	1.47
2023	7.0	262.5	1.33
2024	7.0	263.0	1.18
2025	7.0	263.3	1.03

Source: Cheiron presentation to SDCERS Board, January 8, 2016.

Supplemental COLA

On August 5, 2013, the City Council amended the San Diego Municipal Code to provide a method for funding for a supplemental cost-of-living benefit (the "Supplemental COLA") previously given to a closed group of retirees who retired on or before June 30, 1982. The Supplemental COLA was established in 2000 to increase retirement benefits up to a determined amount according to a formula in the Municipal Code. Pursuant to the Municipal Code, the funding for this benefit is an annual appropriation by the City, however, the City is not required to pay the benefit. In Fiscal Year 2015, $2.1 million was budgeted citywide ($1.6 million in the General Fund) to fund the Supplemental COLA benefit. The estimated Fiscal Year 2016 Supplemental COLA is $2.2 million, of which $1.7 million is the General Fund allocation. SDCERS maintains Supplemental COLA funding separate from SDCERS assets and no system assets can be used to pay the benefit.

Proposition B

Proposition B was approved by voters on June 5, 2012 and implemented by the City in Fiscal Year 2013. Generally, the measure amends the City Charter to provide all new City employees hired on or after July 20, 2012, except sworn police officers, with a 401(a) defined contribution plan instead of a defined benefit plan. The initiative contains other provisions intended to limit pension costs for existing employees by directing the City to seek, through labor negotiations, to limit City employees' compensation used to calculate pension benefits. Effective in Fiscal Year 2014, the City reached agreements with each employee organization that will freeze pensionable pay and cost of living increases for Fiscal Years 2014 through 2018. See "LABOR RELATIONS" above. The labor agreements may be reopened at the option of employee organizations in Fiscal Years 2017 and 2018.

Proposition B is the subject of ongoing litigation before the California Public Employment Relations Board ("PERB"). On February 11, 2013, a PERB administrative law judge ("ALJ") issued a proposed decision finding that the City violated state labor laws by failing to meet and confer with City labor organizations prior to placing Proposition B on the ballot. The City filed exceptions to the proposed decision.

On December 29, 2015, PERB issued Decision No. 2464-M (the "PERB Decision"), which affirmed and adopted the ALJ's proposed decision with minor modifications. On January 12, 2016, the City Council directed the City Attorney's Office to appeal the PERB Decision to the Fourth District Court of Appeal. The litigation could potentially repeal or unwind the implementation of some or all of the requirements of Proposition B. The City is unable to quantify the cost impact of any repeal or unwind of Proposition B. Notwithstanding the PERB Decision and on-going litigation, the 2014 Valuation assumes the validity of Proposition B, the City has fully implemented its requirements and the City intends to comply with those requirements under the terms specified in the initiative unless ordered otherwise by a court of law.

OTHER RETIREMENT PLANS

In addition to the defined benefit plan administered by SDCERS, the City offers various defined contribution plans to its employees that include employer contributions. In Fiscal Year 2015, the City contributed approximately $24.5 million as an employer match for the plans discussed below.

Supplemental Pension Savings Plan

Pursuant to the City's withdrawal from the federal Social Security system, effective January 8, 1982, the City established its Supplemental Pension Savings Plan ("SPSP"). SPSP is a 401(a) plan. SPSP was previously available to General members, lifeguards and elected officers. SPSP was closed to new General members as of July 1, 2009, lifeguards as of January 1, 2011 and elected officers as of July 20, 2012.

SPSP requires both the City and the employee to contribute an amount equal to 3% of the employee's salary each pay period. Employees hired before July 1, 1986 may voluntarily contribute up to an additional 4.5% of salary and participants hired on or after July 1, 1986 may voluntarily contribute up to an additional 3.05% of salary. City contributions for employees vest at 20% per year and are fully vested after 5 years of employment. Employee mandatory and voluntary contributions have been made on a post-tax basis. Employee mandatory contributions on or after January 1, 2016 are made pre-tax. The voluntary contributions will remain post-tax. The City match has always been and will remain to be made as a pre-tax contribution.

SPSP-H Plan

Pursuant to the City's withdrawal from the federal Social Security system, the City established the Supplemental Pension Savings Plan-H (SPSP-H) for Hourly (no standard hour) employees. These employees contribute a mandatory 3.75%. All bargaining groups except MEA and Local 911 have a City match equal to the employee contribution (3.75%). MEA and Local 911 for FY 2015 had an employer contribution of 4.25% and 6.0% for FY16. All contributions are always 100% vested. Employee mandatory contributions on or before December 31, 2015 are made post-tax, Employee mandatory contributions made on or after 1/1/2016 are made pre-tax and the City match remains pre-tax.

Pursuant to Proposition B, newly hired standard hourly employees hired on or after July 20, 2012, except sworn police officers, are not eligible to participate in SDCERS and are provided with a 401(a) plan that is administered along with the Supplemental Pension Savings Plan but with different contribution rates and employer match. Non-public safety employees and elected officers contribute an amount equal to 9.2% of salary and firefighters, lifeguards, and police recruits contribute 11% of salary on a mandatory basis. The City matches all such contributions and contributions are fully vested immediately upon employment. Police recruits participate in SDCERS when they become sworn. All contributions are always 100% vested. Employee mandatory contributions on or before December 31, 2015 are made post-tax, Employee mandatory contributions on or after January 1, 2016 are made pre-tax and the City match remains pre-tax.

2009 401(a) Plan

The City established a separate 401(a) plan for General employees hired between July 1, 2009 and July 19, 2012. These employees are not eligible for SPSP but are SDCERS members. Employees contribute an amount equal to 1% of salary on a mandatory basis with a matching City contribution. Both employee and City match are made on a pre-tax basis. Voluntary contributions, made on a post-tax basis, are permitted up to IRS limits but there is no City match for voluntary contributions. All contributions are always 100% vested.

The City also provides a variety of other tax-advantaged retirement plans that are funded exclusively through employee contributions and do not require an employer match.

POST-EMPLOYMENT HEALTHCARE BENEFITS

General

The only post-employment benefits provided by the City are retiree healthcare benefits, also known as other post-employment benefits ("OPEB"), to certain health-eligible retirees and employees through a variety of defined benefit and defined contribution plans. Plan determination is based on several factors including hire date, termination date and individual employee election. Effective April 1, 2012, pursuant to the memoranda of understanding described below ("PEHB MOU"), OPEB benefits were modified and a significant group of participants opted out of the defined benefit plan and into a defined contribution plan. Accordingly, those participants have been removed from the GASB 45 valuation information below because they no longer represent a GASB 45 liability. The City's defined benefit OPEB plan ("DB OPEB Plan") includes 6,103 retirees, and 1,334 active employees as of June 30, 2015. All other health-eligible employees, former employees and retirees are now participating in the defined contribution retiree healthcare plan ("DC Plan"). The City closed the Defined Benefit OPEB plan to employees hired on or after July 1, 2005.

The City initiated actuarial funding of its DB OPEB Plan in 2008 and has entered into an agreement with the California Public Employees Retirement System ("CalPERS") as a participating employer in the California Employers' Retiree Benefit Trust ("CERBT") to pre-fund future DB OPEB Plan expenses. As of June 30, 2015, the City's assets invested in CERBT totaled $121.1 million.

See Note 12, "Other Postemployment Benefits," in the City's Fiscal Year 2015 Comprehensive Annual Financial Report for information regarding the City's OPEB plans.

Actuarial Assumptions and Methods

The City commissions an actuarial valuation of its DB OPEB Plan liability annually for the purpose of determining the City's annual cost in accordance with GASB 45. The valuation as of June 30, 2015 ("2015 OPEB Valuation"), dated December 1, 2015, was performed by Buck Consultants ("Buck"). The following are the major actuarial assumptions and methods employed by Buck in performing the 2015 OPEB Valuation:

1. Actuarial Cost Method: Entry Age Normal (see description under San Diego Employees' Retirement System for more information).

2. Amortization Rate: Level Dollar.

3. Remaining Amortization Period: 22 years in Fiscal Year 2015 (commencing with 23 years in Fiscal Year 2014), closed.

4. Actuarial Asset Valuation Method: Market Value.

5. Discount Rate: 6.73%.

6. Inflation Rate: N/A (benefits are determined based on Health Care Cost Trend Rate).

7. Projected Payroll Increase: N/A (benefits are determined based on Health Care Cost Trend Rate).

8. Health Care Cost Trend: 7.5% for Fiscal Year 2015, grading down 0.5% each year to an ultimate rate of 4.5% in Fiscal Year 2021.

9. Mortality Rates: RP-2000 Combined Healthy Mortality Tables for future and current retirees. Base rates for disabled retirees are consistent with experience study of SDCERS members.

The OPEB Valuation is also required to use the actuarial assumptions adopted by the SDCERS Board with respect to assumptions such as termination, disability, and retirement rates because the health-eligible employee and retiree population is very similar to the City's SDCERS membership.

Funding Status

According to the 2015 OPEB Valuation, at June 30, 2015, the City had a DB OPEB Plan UAAL of $537.3 million and a funded ratio of 18.4%. The DB OPEB Plan UAAL increased by approximately $56.9 million over the OPEB UAAL in the 2014 valuation of the DB OPEB Plan, which was $479.5 million, and the funded ratio decreased from 21.1%.

The City began prefunding the DB OPEB Plan in 2008. The following table shows the DB OPEB Plan funding progress for Fiscal Years 2008 through 2015:

TABLE A-11
CITY OF SAN DIEGO
SCHEDULE OF FUNDING PROGRESS (DB OPEB PLAN)
Fiscal Years 2008 through 2015
($ in thousands except for percentages)
(unaudited)

Fiscal Year Ended 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
2015	121,115	658,408	537,293	18.40	87,252	615.8

(1) Represents DB OPEB Plan participation only.
Source: Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego.

Citywide and General Fund OPEB Contributions

In Fiscal Year 2012, the City entered into the 15-year PEHB MOU through Fiscal Year 2027, which significantly reduced its OPEB liabilities and created the DC Plan for certain health-eligible employees and former employees. Pursuant to the PEHB MOU, the City's total retiree healthcare annual contribution is $57.8 million for Fiscal Year 2015 ("MOU Contribution"), distributed among the City's pay-go contribution to the DB OPEB Plan ("DB OPEB Paygo") and its contribution to the DC Plan. The City's MOU Contribution will

increase by up to 2.5% annually thereafter. The PEHB MOU also requires that certain employees contribute towards the DB OPEB Plan to fund a portion of the DB OPEB Paygo ("Employee Contributions"). The terms of PEHB MOU may be renegotiated with a two-thirds vote of the City Council. As of the date of this Official Statement, there are no discussions ongoing to renegotiate the PEHB MOU.

The City's annual payment for the DB OPEB Plan and the DC Plan are made on a pay-go basis. The City funds these payments through its MOU Contribution, Employee Contributions and withdrawals from the CERBT ("Healthcare Obligations"). In Fiscal Year 2015, the Healthcare Obligations totaled $65.3 million and were funded by a $57.8 million MOU Contribution, a $1.0 million Employee Contributions and a withdrawal of $6.5 million from the CERBT. For Fiscal Year 2016, the total City retiree healthcare contribution is budgeted at $59.2 million with a General Fund proportionate share of $39.0 million.

TABLE A-12
CITY OF SAN DIEGO
CITY RETIREE HEALTH CONTRIBUTIONS
Fiscal Years 2011 through 2015[1]
(in thousands)

Fiscal Year Ended June 30	*DB OPEB ARC*	*City CERBT Contribution[1]*	*City DB OPEB Paygo[2]*	*City DC Plan Contribution*	*Total City Retiree Health Contribution*	*General Fund Retiree Health Contribution*
2011	$120,324	$25,000	$33,868	N/A	$58,868	$42,065
2012	49,061	0	23,857	$34,424	58,281	38,474
2013	35,348	1,820	36,283	19,679	57,872	40,981
2014	38,097	0	32,143	25,639	57,782	41,270
2015	41,740	0	31,515	26,267	57,782	38,218

(1) In Fiscal Years 2012, 2014 and 2015 the City withdrew $13.8 million, $2.6 million and $6.5 million, respectively from the CERBT to fund DB OPEB Paygo costs.
(2) Includes administrative costs for DB OPEB Plan.
Source: Risk Management, Financial Management, Comptroller's Office, City of San Diego.

Implementation of GASB Statement No. 75

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("GASB 75"), which applies to state and local government employers who provide other postemployment benefits to employees. GASB 75 requires the liability of employers to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. GASB 75 requires the recognition of the total OPEB liability in the Statement of Net Position. GASB 75 must be implemented by Fiscal Year 2018.

Retiree Medical Trust

In addition to the retiree healthcare plan discussed above, the City created a Retiree Medical Trust for certain City employees hired on or after July 1, 2009. The Retiree Medical Trust contributions are separate from and in addition to the $57.8 million required by the PEHB MOU and the City's obligation is limited to an employer match of 0.25% of the salary of eligible employees. Total Retiree Medical Trust City contribution for Fiscal Year 2015 was $205,755 and the budgeted contribution for Fiscal Year 2016 is $303,515.

RISK MANAGEMENT

Insurance carried on the City's Petco Park major league baseball stadium (the "Ballpark") is currently provided pursuant to the Joint Use and Management Agreement ("JUMA") between the City and the San Diego Padres Baseball Club (the "Padres"). Such insurance is discussed in the front part of this Official Statement under the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS – Abatement of Lease Payments," "– Fire and Extended Coverage Insurance," and "– Use and Occupancy Insurance." The following discussion of insurance relates to City property other than the Ballpark. If insurance on the Ballpark were not provided by the Padres under the JUMA, the coverage required by the Facility Lease would be similar to that discussed below.

Self-Insurance

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 is self-insured for Public Liability, Workers' Compensation, and Long-Term Disability ("LTD") claims, and also maintains contracts with various insurance companies to manage additional risks. Public Liability, Workers' Compensation, and LTD estimated liabilities are determined based on results of independent actuarial valuations and include amounts for claims incurred but not reported (IBNR) and loss adjustment expenses (LAE). 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 government-wide financial statements, Sewer Utility Fund, Water Utility Fund, and the Successor Agency Private-Purpose Trust Fund. Estimated liabilities for workers' compensation claims have been recorded in the government-wide financial statements, the Water Utility Fund, Sewer Utility Fund, Non-major Enterprise Funds, and Internal Service Funds. Estimated liabilities for long-term disability were recorded in the Miscellaneous Internal Service Fund.

Table A-13 presents the public liability expense and the liability premium payments for the General Fund for the years presented. 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 other responsible funds.

TABLE A-13
CITY OF SAN DIEGO
GENERAL FUND LIABILITY CLAIMS AND PREMIUMS
Fiscal Years 2011 through 2015

Fiscal Year	*Liability Claims Payments and Settlement Costs*[1]	*Liability Premium Payments*[2]
2011	$11,867,000	$4,939,000
2012	7,341,000	3,851,000
2013	16,027,000	3,714,000
2014[3]	40,559,000	5,590,000
2015[4]	40,756,000	7,392,000

(1) The City's General Fund portion of settlement and investigation expenses for third party public liability claims, and other litigation expenses.
(2) Premiums for various insurance contracts.
(3) Higher than typical Liability Claims Payments and Settlement Costs in Fiscal Year 2014 are primarily attributed to the following two large settled claims: Luke Acuna claim in the amount of $18.5 million and *Lexin v. City of San Diego* in the amount of $8.8 million.
(4) Higher than typical Liability Claims Payments and Settlement Costs in Fiscal Year 2015 are primarily attributed to the following two large settled claims paid in full or in part during the fiscal year: *De Anza Cove Homeowners Association, et al. v City of San Diego* in the amount of $17.6 million and Jane Doe in the amount of $5.9 million.

Source: Risk Management Department, City of San Diego (unaudited).

During Fiscal Year 2015 and to date in Fiscal Year 2016, 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 the excess public liability insurance coverage the City maintains in collaboration with a statewide joint powers authority risk pool, which is discussed in more detail below. The City can give no assurance that particular losses will be covered or that providers will be able to pay covered losses.

Workers' Compensation and Long-Term Disability

All operating funds of the City participate in both the workers' compensation and LTD programs. Workers' Compensation activity is reported within the General Fund and LTD activity is reported within the Miscellaneous Internal Service Fund. Each operating fund contributes an amount equal to a specified rate multiplied by the gross salaries payable from such fund. These payments are treated as operating expenditures in the contributing funds and operating revenues in the General Fund and Miscellaneous Internal Service Fund. The Five Year Outlook addresses reserves for the Workers' Compensation Fund. See "Reserves" herein.

Public Liability Insurance

The City's self-insured retention for public liability is $3,000,000 per occurrence. The City maintains excess public 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 (inclusive of the $3,000,000 self-insured retention for public liability). The Five Year Outlook addresses reserves for the Public Liability Fund. See "Reserves" herein.

Employee Group Health Insurance

The City currently offers a cafeteria-style flexible benefits plan. For MEA, Teamsters 911, and Local 127 represented employees, this plan requires employees to choose a health plan unless covered elsewhere, and also a life insurance plan. It also gives employees the option of obtaining dental and/or vision insurance. For all other employees, the benefits plan is the same, with the exception that $50,000 of City-paid life insurance is automatically provided outside of the flexible benefit credit. Employees receive flexible benefit dollars as taxable earnings and may use those dollars for medical/dental/vision and childcare reimbursement accounts.

The City is currently assessing the impact of the Affordable Care Act (ACA) on employee health benefits and flexible benefits. Negotiations with the City's five recognized employee organizations will need to occur prior to determining the impact on City benefit plans. It is anticipated that compliance with the ACA legislation will be implemented in Fiscal Year 2016 and future fiscal years.

Property and Flood Insurance

The City participates in the joint purchase of property insurance and flood insurance through the CSAC-EIA pool (policy term March 31, 2015 through March 31, 2016), which includes flood coverage for certain components of City property. The City is not required to provide flood insurance for other City property, and in its discretion, may elect to modify the designation of covered properties in the future.

This joint purchase of the City's "all risk" property insurance through the CSAC-EIA pool insures approximately $4.6 billion of City property and provides coverage for loss to City property under the primary policy up to approximately $25 million per occurrence, with a $25,000 deductible. Additional excess limits are available as part of the City's insurance property program through CSAC-EIA where coverage "towers" with designated coverage limits are provided. Coverage towers are groups of properties which are diversified based on ownership (risk-pool members) and geographical location. The City participates in four coverage towers with dedicated coverage limits of $300 million for "All Risk" and Flood. Additional rooftop limits of $300 million for "All Risk" and $190 million for Flood may be accessible. This limit of insurance includes coverage for rental interruption for designated leased properties for various financings. 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 losses due to the same occurrence. Limits and coverage may be adjusted periodically in response to requirements of bond financed projects, acquisitions, and in response to changes in the insurance marketplace. 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.

For a discussion of fire and other property insurance for the Ballpark maintained by the Padres under the JUMA, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS" in the front part of this Official Statement.

Earthquake Insurance

CSAC EIA's insurance property program structure of dedicated tower limits applies also to Earthquake coverage. The City participates in four coverage towers. Earthquake coverage is provided for designated buildings in the amount of $100 million under primary policies per tower, and additional excess rooftop limits of $390 million may be accessed. The earthquake coverage is subject to a 5% of total insured values deductible per unit per occurrence, subject to a minimum of $100,000, effective through March 31, 2016. The City's earthquake coverage is purchased jointly and limits are 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 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.

For a discussion of earthquake insurance for the Ballpark, see "SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2016 BONDS" in the front part of this Official Statement.

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 $15 million per occurrence subject to a $25,000 deductible.

LITIGATION POTENTIALLY ADVERSELY AFFECTING THE GENERAL FUND

Pending Litigation Regarding the Series 2016 Bonds

Except as described under the caption "CHALLENGES TO THE SERIES 2016 BONDS AND OTHER AUTHORITY LEASE REVENUE BONDS" in the front part of this Official Statement, 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 Series 2016 Bonds; (ii) questioning or affecting the validity of the Series 2016 Bonds; or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Series 2016 Bonds. There are lawsuits and claims pending against the City arising in the ordinary course of the City's activities which, taken individually or in the aggregate, could materially affect the City's finances. Please see Note 17 of the City's CAFR for Fiscal Year 2015 for additional information.

Litigation and Regulatory Actions

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 1,439 notices of claims in Fiscal Year 2014 and 1,547 notices of claim in Fiscal Year 2015.

The Office of the City Attorney has prepared the following summary of certain pending claims and lawsuits for which, as of the date of the Official Statement, the City Attorney believes, in the event of an unfavorable outcome for the City, the potential loss could exceed $10 million. All figures provided in this section are preliminary and subject to change. Nothing disclosed herein should be considered an admission by the City. In the event of an adverse ruling, certain pending lawsuits, including those disclosed individually herein, may potentially result in an additional material liability to the City. See Notes 17 and 24 of the City's CAFR for Fiscal Year 2015 for additional information regarding the City's contingent liabilities related to litigation. Please note that the information presented in the CAFR includes citywide liabilities and is not limited to the General Fund. Additionally, the City maintains a Public Liability Fund Reserve to pay, in part, claims against the General Fund. See subsection "Public Liability Fund Reserve" under "Reserves" herein.

San Diegans for Open Government v. City of San Diego

San Diegans for Open Government ("SDOG") has filed a lawsuit challenging the renewal of and assessments levied in the City's Tourism Marketing District ("TMD"). If the TMD levy is invalidated and the assessments ordered refunded the total cost would be approximately $32 million. The City has begun to set aside a portion of the assessments collected in a reserve which will be used first to pay refunds in the event of an unfavorable outcome in the lawsuit. There is currently approximately [$9.8 million] in the reserve and the City plans to increase the balance in the reserve each fiscal year with a target of a $30 million reserve in Fiscal Year 2017 should the case still be unresolved at that point. To the extent that any refunds exceed the amount in the TMD reserve, such refunds will be payable from other City funds.

De Anza Cove Homeowners Association, Inc. et al. v. City of San Diego et al.

This case, along with other cases based on the same facts, involves residents of the De Anza Mobilehome Park who have filed suit alleging violations by the City of the California Mobilehome Residency laws. The court found the City liable for failing to prepare a tenant impact report when the City sought to close the mobilehome park in 2003. The Amended Judgment of October 16, 2014 provides that the City pay a Judgment of approximately $32 million in the class action portion of the lawsuit. Of this amount, approximately $17.6 million was paid in Fiscal Year 2015 and the remainder is expected to be expended in Fiscal Year 2016. The City has insurance policies that may cover some or all of the City's costs.

In a cross claim related to the De Anza class action matter, the former lessee of the park, De Anza Harbor Resort and Golf, LLC (DHRG) seeks payment for the value of its improvements left at the park. In September 2015, a panel of arbitrators valued the improvements at $4.1 million. The arbitrators, however, left for further proceedings the question of whether or not the City actually triggered the purchase option clause of the lease and further, whether the valuation is subject to an offset for costs the City has or will incur for park closure under the Mobilehome Residency Law or for park clean up.

Jess Willard Mahon Jr. v City of San Diego, et al.

This is a class action lawsuit in which the plaintiff purports to represent all San Diego Gas & Electric (SDG&E) ratepayers in the City of San Diego who were charged certain franchise fee surcharges on their SDG&E gas and electricity bills. Claimant alleges that certain of the franchise fee surcharges are not franchise fees, but rather taxes illegally imposed in violation of the California Constitution and the City Charter.

Claimant challenges increases to franchise fee surcharges enacted in 2001 and imposed in 2002. This includes a 3.53% surcharge increase in the fee collected by SDG&E and then paid to the City to fund a substantial portion of the City's program to underground electric utilities (the "Undergrounding Program"). The franchise fees collected for the Undergrounding Program are deposited into a separate fund which is not part of the General Fund. Claimant also alleges that an increased electricity franchise fee surcharge of .35% and an increased gas franchise fee surcharge of .03% enacted at the same time as the undergrounding surcharge are illegal general fund revenues.

Claimant seeks end the collection of the disputed franchise fees and a refund of the franchise fee surcharges enacted in 2001 ("2001 Fees") that were collected between March 8, 2012 and the present. The City has not calculated the total revenue related to the 2001 Surcharges for this period. The City has not yet evaluated the merits of the claim or any potential impact to the General Fund resulting from it. The claim does not involve the 3% franchise fees paid by SDG&E since 1971 or the 1.9% electricity franchise fee surcharge and the 1% gas franchise fee surcharge that were enacted prior to the passage of Propositions 218 and 62.

This lawsuit was filed shortly after Second District California Court of Appeal ruling in *Jacks v. City of Santa Barbara*, 234 Cal.App. 4th 925 (2015), holding that a one percent surcharge on a franchise fee collected by Southern California Edison and paid to the City of Santa Barbara was an illegal tax violating Article XIIIC of the California Constitution. The City of Santa Barbara submitted a petition asking the California Supreme Court to review the appellate court decision in *Jacks* and review was granted. The appeal has been fully briefed and a decision is expected within 18 months.

In the event of an adverse ruling, the City would be required to pay a judgment from any lawfully available funds, including lawfully available funds in the General Fund.

Estate of Jamie Powell, et al. v. City of San Diego, et al.

This case involves a motorcyclist who lost control of his motorcycle and was struck and killed by oncoming traffic. Plaintiffs, the family of the deceased motorcyclist, allege that the railroad crossing near 2500 Harbor Drive, which was designed and constructed by the City, was a dangerous condition and caused the death. The likely potential exposure to the City is between $0 and $15 million.

Vinolo v. City of San Diego

This case involves a cyclist who was struck by a car and paralyzed while riding on Fiesta Island. Plaintiff alleges the road was a dangerous condition because, due to curves, cyclists could not see oncoming traffic. The likely potential exposure to the City is between $0 and $25 million.

INVESTMENT OF FUNDS

Investment of Funds

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

City Pool

In accordance with the Charter of the City 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 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 both a monthly and quarterly investment report to the Chief Financial Officer, the City Comptroller and the City Council and annually presents the City Treasurer's Investment Policy to the Chief Financial Officer, the City Treasurer's Investment Advisory Committee (the "IAC"), the Budget and Government Efficiency Committee, and the City Council. The IAC is comprised of two City employees, currently the Chief Financial Officer and the Director of Debt Management, and three outside investment professionals and is charged with overseeing the review of the City Treasurer'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 program and the Office of the Comptroller for review and reconciliation. The Office of the City Treasurer's Accounting program 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 Treasurer's Investment Policy. The Investment Policy is prepared with safety of principal being the foremost objective. Permitted investments include, but not limited to, U.S. Treasury securities, U.S. Agency securities, U.S. Agency mortgage backed securities, corporate medium term notes, money market instruments, non-negotiable Federal Deposit Insurance Corporation-insured certificates of deposit and the Local Agency Investment Fund (California State Pool). Reverse repurchase agreements ("reverse repos") and securities lending arrangements 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, the Liquidity and Core portfolios. In its management of the "Liquidity" portfolio, comprising approximately 35% of total funds, the City invests in a variety of debt securities with maturities typically ranging from one day to one year; performance is measured against the Bank of America Merrill Lynch three-to-six month Treasury Bill Index. 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 Bank of America Merrill Lynch one- to three-year U.S. Treasury Index. The 35% Liquidity/65% Core portfolio split serves as a guideline. The actual split may vary due to market conditions or other factors. 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 unaudited month-end data as of December 31, 2015, approximately 7% of the City Pool's investments mature within 62 days, 9% within 92 days, 19% within 184 days, 40% within 1 year, 76% within 2 years, 99% within 3 years, and 100% within 5 years (on a cumulative basis). As of December 31, 2015, the City Pool had a weighted average maturity of 1.38 years (504 days) and its weighted average yield was 0.75%. 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 a duration of 1.65 years as of December 31, 2015. 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 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 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.

Table A-14 sets forth information concerning the City Pool at December 31, 2015.

TABLE A-14
CITY OF SAN DIEGO POOLED INVESTMENT FUND
At December 31, 2015
(in thousands)
(unaudited)

Investment Instrument	*Book Value*	*Fair Value*	*Percent of Total*[1]
U.S. Treasury Notes	$ 899,429	$ 896,789	43.44%
Agency Discount Notes	235,543	235,651	11.38
Agency Notes & Bonds	364,750	364,254	17.62
Supranationals[2]	69,927	69,485	3.38
Commercial Paper	49,805	49,838	2.41
Corporate Notes & Bonds	145,636	145,716	7.03
Local Agency Investment Fund	49,958	49,958	2.41
Negotiable Certificates of Deposit	175,001	175,018	8.45
Asset Backed Securities	80,327	80,192	3.88
TOTAL INVESTMENTS	$ 2,070,377	$ 2,066,902	100.00%

(1) Based on book value.
(2) Supranationals are entities formed by two or more central governments through international treaties. Examples are the International Bank for Reconstruction and Development and the Inter-American Development Bank.
Source: Office of the City Treasurer, City of San Diego.

The City Pool is not invested in any structured investment vehicles or mortgage-backed securities. In addition, the City has no outstanding swap arrangements or liquidity facilities.

BONDED AND OTHER INDEBTEDNESS

Issuer Ratings

As of December 31, 2015, the City had an "Aa2" Issuer Rating from Moody's Investors Service, Inc., an "AA" Issuer Credit Rating from Standard & Poor's Rating Services and an "AA-" Implied GO Rating from Fitch Ratings. These ratings are separate from the ratings on the Series 2016 Bonds and do not reflect the ratings assigned by the rating agencies to the Series 2016 Bonds. See "RATINGS" in the forepart of the Official Statement.

Long-Term Obligations

As of December 31, 2015, the City had $636,840,000 aggregate principal amount of long-term General Fund lease obligations outstanding.

Table A-15 provides a schedule, by years, of principal and interest payments required to be made by the City with respect to future obligations, as of June 30, 2015.

TABLE A-15
CITY OF SAN DIEGO
GENERAL FUND LEASE PAYMENTS[1]
As of June 30, 2015
(in thousands)
(Unaudited)

Fiscal Year	*General Fund Lease Payments*[1][2]
2016	$ 55,135
2017	55,104
2018	55,062
2019	55,045
2020	55,021
Thereafter	$ 770,749
Subtotal	$ 1,046,116
Less Interest Portion	(402,036)
Total Principal Portion	$ 644,080

(1) Actual payment may be from a source other than the General Fund.
(2) Includes lease payments related to Qualified Energy Conservation Bonds ("QECBs"), which are partially offset by direct cash subsidy payments from the federal government annually over the life of the bonds. For example, the Fiscal Year 2016 subsidy is $352,784 resulting in a net lease payment of $1,078,365 after accounting for the subsidy. The amounts above reflect total lease payments.
Source: Debt Management Department, City of San Diego.

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Table A-16 provides a summary list of long-term General Fund lease commitments and other General Fund supported obligations outstanding as of June 30, 2015 and December 31, 2015.

TABLE A-16
CITY OF SAN DIEGO
GENERAL FUND SUPPORTED OBLIGATIONS
(in thousands)
(Unaudited)

	Principal Outstanding as of June 30, 2015	*Principal Outstanding as of December 31, 2015*
General Fund Lease Commitments[1]		
2007A – Ballpark Project Refunding Bonds[2]	$125,255	$125,255
2010A – Master Refunding Bonds	149,855	147,095
2011 – Qualified Energy Conservation Bonds (Broad Spectrum Street Lighting)[3]	10,070	10,070
2012A – Convention Center Expansion Refunding Bonds	119,930	119,930
2012A – Deferred Capital Improvement Project Bonds	68,995	68,360
2012B – Fire and Life Safety Refunding Bonds	17,020	16,665
2013A – Capital Improvement Projects and Old Town Light Rail Refunding Bonds	40,305	38,975
2013B – Balboa Park/Mission Bay Park Refunding Bonds	5,360	4,865
2015A – Capital Improvement Projects Bonds	62,260	62,260
2015B – Capital Improvement Projects Bonds	45,030	43,365
Total Principal of General Fund Lease Commitments	$644,080	$636,840

(1) The Lease Revenue Bonds were issued by two Joint Power Authorities. Bonds are paid from City lease payments made to the Joint Power Authorities from the General Fund.
(2) To be refinanced with the proceeds of the Series 2016 Bonds.
(3) Private placement financing. Not reflected in Table A-18, Statement of Direct and Overlapping Bonded Debt.
Source: Debt Management Department, City of San Diego.

Other Capital Leases

The City periodically enters into various short-term capital leases that are obligations of the City's General Fund which, as of December 31, 2015, were outstanding in an aggregate principal amount equal to $47.0 million. In addition, on February 10, 2015, the City entered into a 20 year lease-to-own agreement with CCP 1200, LLC, a Delaware limited liability company, for the land and two buildings located at 1200 Third Avenue and 201 A Street. The land and buildings were acquired for $44 million by CCP 1200, LLC prior to the execution of the lease-to-own agreement. The lease is recognized as a capital lease since the transfer of ownership occurs at the end of the lease term. During the 20 year lease term, fixed rent is payable monthly by the City, with such rent increased by 2.5% annually.

Future Financing Plans

From time to time, the City conducts bond offerings to fund various General Fund capital improvements and projects. The City monitors outstanding General Fund obligations and conducts refundings if economically advantageous.

The City currently expects to issue an estimated $270 million in General Fund supported lease obligations in as needed amounts between Fiscal Years 2017 and 2019 to continue to address the City's ongoing General Fund capital improvement priorities in streets pavement, public facilities, and the storm drain system. The projected annual lease payment costs for the General Fund supported bond program are taken into account in the City's General Fund Five Year Outlook updates prepared annually. The timing of the individual bond series will be dependent on the actual spend down of the available bond construction funds.

The City, together with the San Diego Convention Center Corporation, is currently working with the California Infrastructure and Economic Development Bank to secure up to $30.0 million in funding for identified San Diego Convention Center capital needs (see "General Fund Infrastructure and Multi-Year Capital Program"). Funding is expected to be obtained through lease agreements involving financing terms between 10-25 years depending on the improvement, and under which the San Diego Convention Center Corporation and the City will be joint lessees. The annual payments are projected to commence in Fiscal Year 2017, and will be an annual budgetary obligation of the Convention Center Corporation. The City, as a joint lessee, would be expected to pay the annual payment in the event the San Diego Convention Center is unable to make the annual payment in a timely manner.

In 2015, the Mayor announced City streets repair as his highest infrastructure priority and anticipated doubling efforts with a goal to repair an estimated one thousand miles of City streets over five years starting in Fiscal Year 2016. To implement this proposal, a funding plan is formulated relying on multiple sources of funding, including the General Fund supported lease revenue bond program described above and pay go sources from voter approved TransNet sales tax funds and Gas Tax allocations. Also see "General Fund Infrastructure and Multi-Year Capital Program" herein.

In August 2015, the City announced a financing concept for a $1.1 billion new stadium proposal at the Mission Valley location, the current home field of the San Diego Chargers. Of that amount, the City and the County of San Diego are considering whether to contribute $350 million in the aggregate, with the current expectation being that the City would contribute approximately $200 million. The Mayor has announced that any expenditure by the City would be subject to voter approval. The City Council would need to authorize the stadium ballot measure. In addition, any expenditure by the County would be subject to approval by the County Board of Supervisors, and representatives of the County have advised that approval by the City's voters would be an additional prerequisite. The City expects to fund its share of any contribution in the form of lease revenue bonds supported by the City's General Fund. The exact amount of the City's and the County's respective contributions, whether the City Council would authorize the City's stadium ballot measure for voter approval of the City's contribution, whether the City's voters would approve the ballot measure, and whether the County Board of Supervisors would authorize the County's contribution, are all unknown at this time. Additionally, the San Diego Chargers have applied to the National Football League to relocate the team to the Los Angeles area. On January 12, 2016, team owners approved the move of the St. Louis Rams to Inglewood, in Los Angeles County, and granted the San Diego Chargers a one year option to decide whether to share the new stadium that will be built by the Rams owner in Inglewood.

Short-Term Borrowings

Prior to Fiscal Year 2014, the City had historically issued tax and revenue anticipation notes annually in anticipation of receipt of taxes and other General Fund revenues. The note offerings during Fiscal Years 2006 to 2013 ranged from approximately $100 million to $163 million. There were no tax and revenue anticipation notes issued in Fiscal Year 2014 through Fiscal Year 2016.

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Operating Lease Commitments

The City has various General Fund lease contracts under which the City must make annual payments to occupy facilities necessary for City operations. The payments in Fiscal Year 2015 totaled $5.9 million. Table A-17 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, 2015. Actual future rental payments will be affected by amendments or extensions to existing leases and by any new leases entered into by the City from time to time.

TABLE A-17
CITY OF SAN DIEGO
FUTURE MINIMUM RENTAL PAYMENTS
GENERAL FUND OPERATING LEASE COMMITMENTS[1]
(in thousands)
As of June 30, 2015

Fiscal Year	*Rent Payable*
2016	$ 8,455
2017	8,400
2018	8,594
2019	8,833
2020	6,575
2021	5,911
2022	5,909
2023	6,057
2024	6,208
2025-2035	73,136[2]
Total	$138,078[3]

[1] Table describes commercial rent payable by the City under the currently existing lease agreements.
[2] Currently, the final lease expires in Fiscal Year 2035.
[3] Line items do not add to total due to independent rounding.
Source: Real Estate Assets Department, City of San Diego.

Overlapping Debt and Debt Ratios

Table A-18 presents a statement of direct and overlapping bonded debt (the "Debt Statement") of the City as of June 30, 2015. The City has issued bonds 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 are not secured by City General Fund amounts or revenues.

The Debt Statement is prepared by Muni Services, LLC and is included for general information purposes only. The City has not reviewed the Debt Statement for completeness or accuracy and makes no representations in connection therewith. The Debt Statement includes the Series 2007A Bonds which are being refunded with the proceeds of the Series 2016 Bonds, as described in the front part of this Official Statement. The Debt Statement does not include the Qualified Energy Conservation Bonds (Broad Spectrum Street Financing) which were privately placed, of which $10.1 million in aggregate principal amount is outstanding as of June 30, 2015. The Debt Statement generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

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.

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TABLE A-18
CITY OF SAN DIEGO
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
As of June 30, 2015
(in thousands, except for percentages)
(unaudited)

	Total Debt 6/30/15	% Applicable[1]	City's Share of Debt 6/30/15
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	$ 110,420	8.507%	$ 9,393
Palomar Community College District	515,524	23.440	120,839
San Diego Community College District	1,280,455	99.934	1,279,610
Poway Unified School District School Facilities Improvement District Nos. 2002-1 and 2007-1	337,923	55.832 & 56.362	189,618
San Diego Unified School District	2,269,763	99.937	2,268,333
San Dieguito Union High School District	266,795	32.384	86,399
San Ysidro School District	135,717	87.653	118,960
Other School, High School and Community College Districts	1,687,741	Various	140,570
Grossmont Healthcare District	267,413	8.074	21,591
Palomar Pomerado Health System	471,441	27.619	130,207
City of San Diego Special Assessment/Special Tax Bonds[2]	107,117	100.	107,117
Del Mar Unified School District Community Facilities District No. 99-1 & 95-1	26,505	100.	26,505
North City West School District Community Facilities District	63,873	100.	63,873
Poway Unified School District Community Facilities Districts	349,314	99.609-100.	349,243
San Dieguito Union High School District Community Facilities Districts	40,696	81.063-100.	35,277
Sweetwater Union High School District Community Facilities Districts	19,515	8.935-100.	14,407
Solana Beach School District Community Facilities Districts	33,015	100.	33,015
Other Special District 1915 Act Bonds	18,572	Various	5,561
TOTAL NET DIRECT OVERLAPPING TAX AND ASSESSMENT DEBT			$5,000,518
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	$ 351,670	47.028%	$ 165,383
San Diego County Pension Obligation Bonds	682,615	47.028	321,020
San Diego Superintendent of Schools Certificates of Participation	14,733	47.028	6,928
Palomar Community College District General Fund Obligations	4,350	23.440	1,020
Poway Unified School District Certificates of Participation	62,409	63.698	39,753
Sweetwater Union High School District Certificates of Participation	42,165	19.676	8,296
Chula Vista School District General Fund Obligations	134,745	5.199	7,005
San Ysidro School District Certificates of Participation	41,015	87.653	35,951
Other School, High School and Community College District Certificates of Participation	126,092	Various	5,179
City of San Diego General Fund Obligations[3]	**634,010**	**100.**	634,010
Otay Municipal Water District Certificates of Participation	45,195	6.831	3,087
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			$1,227,633
Less: Otay Municipal Water District Certificates of Participation			3,087
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			$1,224,546
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):	$556,169	1.261-100.%	$ 518,392
TOTAL DIRECT DEBT			**$ 634,010**
TOTAL GROSS OVERLAPPING DEBT			$6,112,533
TOTAL NET OVERLAPPING DEBT			$6,109,446
GROSS COMBINED TOTAL DEBT[4]			$6,746,543
NET COMBINED TOTAL DEBT			$6,743,456

(1) The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City divided by the district's total taxable assessed value.

(2) Amounts reconcile to Note 18, Total Special Assessment/Special Tax Bonds.

(3) Amounts for Total Debt reconcile to Note 5, Total Lease Revenue Bonds.

(4) Excludes Tax and Revenue Anticipation Notes, Enterprise Revenue, Mortgage Revenue and Non-Bonded Capital Lease Obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2014-15 Assessed Valuation ($197,090,227):

Overlapping Tax and Assessment Debt	2.54%
Total Direct Debt ($634,010)	**0.32%**
Gross Combined Total Debt	3.42%
Net Combined Total Debt	3.42%

Ratios to Redevelopment Successor Agency Incremental Valuation ($19,017,942):

Total Overlapping Tax Increment Debt	2.73%

Source: Fiscal Year 2015 Comprehensive Annual Financial Report, Controller's Office, City of San Diego.

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, as enacted in 1978 by Proposition 13, provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on indebtedness approved by the voters prior to July 1, 1978. On June 3, 1986, California voters approved an amendment to Article XIIIA, which allows for 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 bonds approved on or after July 1, 1978, 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.

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.

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 purchased or newly constructed on or after June 5, 1990, and to exclude from the definition of "newly constructed" improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 2010 election, the voters of the State approved an amendment of Article XIIIA to exclude from the definition of "newly constructed" seismic retrofitting improvements to existing structures. 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 annually for changes in the cost of living, population, and services for which the fiscal responsibility is shifted to or from the governmental entity (the "Gann Limit"). The "base year" for establishing this appropriations limit is the 1978-1979 fiscal year.

Appropriations 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. Article XIIIB allows voters to approve a temporary waiver of a government's Article XIIIB limit.

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 from the appropriations limit "all qualified capital outlay projects, as defined by the Legislature."

The City's appropriations limit for Fiscal Year 2016 has been established at $2.1 billion. Using the Fiscal Year 2016 Budget, the appropriations subject to the limit (i.e., proceeds of taxes, excluding debt service on voter-approved debt and qualified capital outlays) have been calculated to be $946.4 million, which is $1.2 billion lower than the Gann Limit. The impact of the appropriations limit on the City's financial needs in the future is unknown.

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 and assessments, fees and charges.

Article XIIIC

Section 2 of Article XIIIC requires majority voter approval for the imposition, extension or increase of general taxes and 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 TOT, Proposition 172 revenues, or storm water 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 that 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 fees and 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. The Bighorn Decision has been interpreted to mean that ongoing water delivery charges are also property-related fees and charges within the meaning of Article XIIID.

In the *Bighorn Decision*, the Supreme Court stated 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 below. 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 by an agency 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. Article XIIID further provides that

reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership. In the *Bighorn Decision*, the Supreme Court stated that ongoing water delivery charges are also property-related 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, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a "fee" or "charge" as defined in Article XIIID, 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 supplement 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.

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.

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. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

The State legislature suspended the requirements of Proposition 1A in an effort to balance the State's Fiscal Year 2010 budget. In Fiscal Year 2010, the State borrowed approximately $1.9 billion in property tax revenue from local jurisdictions to help balance the State budget; the City's share of this is approximately $35.8 million. However, the City recovered this property tax revenue during Fiscal Year 2010 through a securitization program of the California Statewide Communities Development Authority. As discussed below, subsequent to the enactment of Proposition 22, Proposition 1A can no longer be suspended.

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.

Proposition 22

On November 2, 2010, the voters of the State approved Proposition 22, known as "The Local Taxpayer, Public Safety, and Transportation Protection Act" ("Proposition 22"). Proposition 22, among other things, broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the California Constitution to prohibit the State from appropriating or borrowing local property tax revenues under any circumstances. The State can no longer borrow local property tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government's purposes. Furthermore, Proposition 22 restricts the State's ability to redirect redevelopment agency property tax revenues to school districts and other local governments and limits uses of certain other funds. Proposition 22 is intended to stabilize local government revenue sources by restricting the State government's control over local revenues. The City cannot predict whether Proposition 22 will have a beneficial effect on the City's financial condition. See "CITY BUDGET AND RELATED MATTERS – Former Redevelopment Agency" above for a discussion of the dissolution of redevelopment agencies.

Proposition 26

On November 2, 2010, the voters of the State approved Proposition 26, known as the "Supermajority Vote to Pass New Taxes and Fees Act" ("Proposition 26"). Proposition 26, among other things, amends Article XIIIC to the California Constitution principally to define what constitutes a "tax" under the limitations and requirements of that provision. Article XIIIC imposes limitations on local governments like the City when imposing certain taxes, including a requirement that the local government submit certain taxes to the electorate for its approval. Before Proposition 26, Article XIIIC did not define the term "tax." Proposition 26 broadly defines a tax under Article XIIIC to include "any levy, charge, or exaction of any kind imposed by a local government." Proposition 26 lists several exceptions to the definition of "tax," which include (a) a charge for a specific benefit or privilege, which does not exceed the reasonable costs of providing the benefit or privilege, (b) a charge for a government service or product, which does not exceed the reasonable costs of providing the service or product, (c) a charge for the reasonable regulatory costs of issuing licenses and permits, performing investigations, inspections, and audits, and the administrative enforcement thereof, (d) a charge for entrance to or use of local government property, or the purchase, rental, or lease of local government property, (e) a fine, penalty, or other monetary charge imposed as a result of a violation of law, (f) a charge imposed as a condition of property development, and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII D.

It appears that Proposition 26 does not apply retroactively to local government. Thus, even if a fee enacted by the City prior to November 3, 2010 does not fit within any of Proposition 26's exceptions, it will nonetheless remain valid provided that the legislation authorizing it is not amended so as to extend or increase the fee. The City does not believe that it has enacted, extended or increased any fees since passage of Proposition 26 that would not be exempt from Proposition 26 or that would require voter approval pursuant to Proposition 26.

Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2017. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $608,000 for joint filers).

The revenues generated from the temporary tax increases will be included in the calculation of the minimum funding guarantee for school districts and community college districts contained in the State Constitution. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). By dedicating the Proposition 30 funds to education, other revenues in the State General Fund are freed up to fund other programs. Proposition 30 also placed into the state Constitution the current statutory provisions transferring 1.0625 percent of the state sales tax to local governments to fund realignment.

Proposition 2

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as "Proposition 2"). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the "Annual BSA Transfer"). Supplemental transfers to the BSA (a "Supplemental BSA Transfer") are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15 year period ending with fiscal year 2029-30, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State

liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers the BSA, nor does the Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a "budget emergency," defined as an emergency within the meaning of Article XIIIB of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the "PSSSA") into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would be otherwise paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for student growth and cost of living.

Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Propositions 1A, 2, 22, 26 and 30 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.

APPENDIX B

DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY OF SAN DIEGO

APPENDIX B

DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY OF SAN DIEGO

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 and general background. The information set forth herein has been obtained from third party sources believed to be reliable, but such information is not guaranteed by the City or the Public Facilities Financing Authority of the City (the "Authority") as to accuracy or completeness. The information and data within this Appendix B speak only as of the dates indicated and may have changed, perhaps materially, from such time. Neither the delivery of this Official Statement nor any sale thereafter of the securities offered hereby shall under any circumstances create any implication that there has been no change in any information contained in this Appendix B since the date of such information. The Series 2016 Bonds are not a debt of the City, the County, the State of California (the "State"), or any of its political subdivisions, and none of the City, the County, the State nor any of its political subdivisions is liable thereon.

Introduction

The City, with a total population of approximately 1,368,061 as of January 1, 2015 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. 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.

Population

The following Table B-1 sets forth annual population figures for the City, the County and the State for calendar years 2006 through 2015. The City's population increased by approximately 8.44% between 2006 and 2015, with an average annual increase of approximately 11,825.

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TABLE B-1
CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, AND STATE OF CALIFORNIA
POPULATION GROWTH
Calendar Years 2006 through 2015

Calendar Year[1]	City of San Diego	Annual Growth Rate (%)	County of San Diego	Annual Growth Rate (%)	State of California	Annual Growth Rate (%)
2006	1,261,633	0.05	2,976,492	0.33	36,116,202	0.69
2007	1,266,978	0.42	2,998,477	0.74	36,399,676	0.78
2008	1,279,505	0.99	3,032,689	1.14	36,704,375	0.84
2009	1,294,031	1.14	3,064,436	1.05	36,966,713	0.71
2010	1,304,482	0.81	3,091,579	0.89	37,223,900	0.70
2011	1,309,784	0.41	3,115,810	0.78	37,427,946	0.55
2012	1,315,173	0.41	3,128,734	0.41	37,668,804	0.64
2013	1,328,073	0.98	3,154,574	0.83	37,984,138	0.84
2014	1,347,954	1.50	3,192,457	1.20	38,357,121	0.98
2015	1,368,061	1.49	3,227,496	1.10	38,714,725	0.93

[1] As of January 1 of the calendar year.
Source: State of California Department of Finance, Demographic Research Unit.

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Employment

The following Table B-2 sets forth information regarding the size of the labor force, employment and unemployment rates for the City, the County, the State and the United States for calendar years 2010 through 2014, and for November 2015.

TABLE B-2
LABOR FORCE – ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND UNEMPLOYMENT OF CITY OF SAN DIEGO CIVILIAN LABOR FORCE[1]
Calendar Years 2010 through 2014, and November 2015[2]
(Not Seasonally Adjusted)

	Calendar Year					November
	2010	2011	2012	2013	2014	2015[2]
Civilian Labor Force						
City of San Diego						
Employed	625,800	633,100	648,400	656,200	648,500	671,500
Unemployed	74,100	70,900	63,600	53,500	42,200	32,300
Unemployment Rates						
City	10.6%	10.1%	8.9%	7.5%	6.1%	4.6%
County	10.6	10.1	8.9	7.5	6.4	4.8
California	12.4	11.8	10.4	8.9	7.5	5.7
United States[3]	9.6	8.9	8.1	7.4	6.2	4.8

(1) City, County and State 2010-2013 data based on March 2013 Benchmark Report, 2014 and 2015 data based on March 2014 Benchmark Report.
(2) Preliminary, subject to change.
(3) The United States unemployment rates for calendar years 2010-2014 and November 2015 were generated as of December 18, 2015.
Source: State of California Employment Development Department, Labor Market Information Division; 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 November of 2015 was 703,800, of which approximately 32,300 persons were unemployed. Based on preliminary estimates of the EDD, the City's unemployment rate of 4.6% in November of 2015, on a seasonally unadjusted basis, was below that of the County at 4.8% and was below the unemployment rate of the State, which was 5.7%. The City's unemployment rate was below the United States, which was 4.8%. The following Table B-3 sets forth estimates of total annual civilian nonfarm employment by number of employees in each major industry category in the County for calendar years 2010 through 2014, and for November 2015. Annual industry employment information is not compiled by sector for the City.

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TABLE B-3
COUNTY OF SAN DIEGO
NONFARM EMPLOYMENT
Calendar Years 2010 through 2014[1] and November 2015[1][2]
(In Number of Jobs By Industry)

Industry Category	2010	2011	2012	2013	2014	November 2015[2]
Services[3]	593,200	600,500	622,600	648,000	670,600	705,900
Government	230,500	229,000	227,800	229,500	231,900	240,000
Federal	47,000	46,700	46,800	46,500	45,800	45,800
State and Local	183,500	182,200	181,100	183,000	186,100	194,200
Trade	170,900	174,900	180,700	185,200	188,100	199,500
Wholesale	40,200	41,500	43,500	43,900	43,900	45,500
Retail	130,700	133,400	137,200	141,300	144,200	154,000
Manufacturing	93,100	93,400	94,500	95,200	96,400	99,200
Nondurable Goods	21,900	22,200	23,100	24,100	24,900	25,000
Durable Goods	71,200	71,100	71,400	71,100	71,400	74,200
Financial Activities[4]	67,200	67,600	70,200	71,400	70,500	73,200
Construction	55,400	55,200	57,000	60,900	63,500	70,000
Transportation, Warehousing & Utilities	26,500	26,100	27,300	27,200	26,800	27,500
Mining & Logging	400	400	400	400	400	400
TOTAL NONFARM[5]	1,237,100	1,247,000	1,280,500	1,317,800	1,348,000	1,415,700

(1) Based on March 2014 Benchmark Report.
(2) Preliminary, subject to change.
(3) Includes professional and business, information, educational and health, leisure and hospitality and other services.
(4) Includes finance, insurance, and real estate.
(5) Line items may not add to totals due to independent rounding.
Source: State of California Employment Development Department, Labor Market Information Division.

Since the industry employment data referenced above are 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.

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Taxable Sales

The following Table B-4 sets forth taxable transactions in the City for calendar years 2009 through 2013. Annual figures are not yet available for 2014. See APPENDIX A – "CITY GOVERNMENT AND FINANCIAL INFORMATION – CITY BUDGET AND RELATED MATTERS – Major Revenue Sources" for a discussion of the City's assumptions regarding trends of taxable transactions and sales tax revenues for Fiscal Year 2015 and Fiscal Year 2016.

TABLE B-4
CITY OF SAN DIEGO
TAXABLE TRANSACTIONS
Calendar Years 2009 through 2013
(In Thousands)

	2009	2010	2011	2012	2013
Retail and Food Services					
Apparel	$ 1,358,011	$ 1,476,887	$ 1,608,393	$ 1,719,615	$1,837,605
General Merchandise	1,443,341	1,505,694	1,571,106	1,612,806	1,638,426
Food	864,733	874,855	909,541	950,005	1,007,085
Eating and Drinking	2,582,572	2,674,975	2,888,953	3,168,490	3,305,281
Home Furnishings and Appliances	1,005,324	1,064,083	1,132,638	1,137,855	1,199,791
Building Materials	707,657	735,040	795,649	848,388	904,729
Motor Vehicles and Parts	1,606,349	1,720,348	1,884,077	2,124,016	2,293,742
Service Stations	1,319,720	1,527,002	1,850,576	1,916,674	1,916,253
Other Retail Stores	1,481,096	1,483,428	1,550,568	1,549,302	1,634,088
Total Retail and Food Services	$12,368,802	$13,062,313	$14,191,502	$15,027,152	$15,737,000
All Other Outlets	4,795,162	4,816,619	5,306,003	5,517,501	5,757,505
TOTAL ALL OUTLETS[1]	$17,163,965	$17,878,932	$19,497,504	$20,544,652	$21,494,505

[1] Line items may not add to totals due to independent rounding.
Source: California State Board of Equalization, Research & Statistics Section, Taxable Sales in California.

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Tourism

The following Table B-5 sets forth total visitor spending in the County for the calendar years 2010 through 2014.

TABLE B-5
COUNTY OF SAN DIEGO
TOTAL VISITOR SPENDING
Calendar Years 2010 through 2014
(In Millions)

Calendar Year	Amount
2010	$7,080
2011	7,485
2012	7,979
2013	8,394
2014	9,209

Source: Visitor Industry Summary compiled by the San Diego Tourism Authority from data prepared by CIC Research, Inc., Oxford Economics.

The following Table B-6 sets forth the City's transient occupancy tax revenues for Fiscal Years 2011 through 2015. See "APPENDIX A – "CITY GOVERNMENT AND FINANCIAL INFORMATION – CITY BUDGET AND RELATED MATTERS – Major Revenue Sources" for a discussion of trends of City transient occupancy tax in Fiscal Year 2015 and projected for Fiscal Year 2016.

TABLE B-6
CITY OF SAN DIEGO
TRANSIENT OCCUPANCY TAX[1]
Fiscal Years 2011 through 2015
(in thousands)

Fiscal Year	Amount
2011	$139,545
2012	148,795
2013	159,494
2014	170,475
2015	186,690

[1] Includes both the General Fund portion of TOT (5.5¢ of 10.5¢) and the balance (5¢ of 10.5¢) 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 2015 Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego.

The City is the focal point for tourism in the County. According to the San Diego Tourism Authority in its annual San Diego County Visitor Industry Performance summary, in calendar year 2014, 67.6% of hotel rooms in the County were located within the City. For calendar year 2014, the San Diego Tourism Authority reported that hotel occupancy in the City averaged 76.7%, up 4.1% compared to the prior year.

In addition, most of the County's major tourist attractions, including the world-renowned San Diego Zoo and SeaWorld San Diego, 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 information provided by the San Diego Tourism Authority in its annual San Diego County Visitor Industry Performance summary, in calendar year 2014 there were more than 33.8 million visitors to San Diego County, and they spent more than $9 billion. About half of the 33.8 million visitors stayed overnight in private homes or hotels. In calendar year 2014, there were 9,378,868 airport arrivals and 758,697 Amtrak arrivals, up 6.1% and down 0.1%, respectively, compared to the same time for the prior year.

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 Farmers Insurance Open, a Professional Golfers' Association Tour Event played at the world renowned Torrey Pines Golf Course. 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 (the "Convention Center") has 2.6 million total gross square feet of buildings, including the parking structure. According to the San Diego Convention Center Corporation Annual Report for Fiscal Year ended June 30, 2015, events in the Convention Center generated over $1.1 billion in economic impact for the San Diego regional economy through direct attendee spending, tax revenues, and hotel room nights in Fiscal Year 2015.

Military

The information set forth below is taken from the San Diego Military Economic Impact Study released in September 2015 (the "Military Study") prepared by the San Diego Military Advisory Council ("SDMAC"). Neither the Authority nor the City has independently verified the information in the Military Study.

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; Marine Corps Air Station at Miramar; Naval Air Station North Island; Naval Station San Diego; and Naval Submarine Base, San Diego.

There are approximately 133,100 uniformed military personnel and Department of Defense civilians employed in the County including approximately 101,300 active duty military personnel, 8,200 reserves and 23,600 full-time civilian workers. The estimated direct defense-related spending by the military in the County for the fiscal year ending September 30, 2015 fell approximately 2% to $24.8 billion from $25.2 billion for the federal fiscal year ending September 30, 2014.

The direct spending by the military results in additional jobs and spending in the local economy. Approximately 22% (328,000) of the jobs in the County were directly and indirectly related to the military in the fiscal year ended September 30, 2015 and the gross regional product in the County related to the military was estimated at $45.0 billion up from $38.7 billion in the prior federal fiscal year. It is estimated that the military's total impact on the region represents about 21.5% of the County's total gross regional product.

International Trade

The following Table B-7 sets forth the valuation of exports originating in the San Diego Customs District for calendar years 2010 through 2014.

TABLE B-7
VALUATION OF EXPORTS
ORIGINATING IN SAN DIEGO CUSTOMS DISTRICT[1]
Calendar Years 2010 through 2014
(In Millions)

Calendar Year	Amount
2010	$16,252
2011	18,559
2012	19,896
2013	20,631
2014	22,176

[1] The San Diego Customs District includes the ports of San Diego, Andrade, Calexico, San Ysidro, Tecate, Otay Mesa Station, and Calexico-East.
Source: U.S. Census Bureau, Foreign Trade Statistics.

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Top Ten Principal Employers

The following Table B-8 sets forth the top 10 principal employers in the City for Fiscal Year 2015.

TABLE B-8
CITY OF SAN DIEGO
TOP TEN PRINCIPAL EMPLOYERS
Fiscal Year 2015
(unaudited)

Employer	Number of Employees	Percentage of Total Employment[1]
Naval Base San Diego[2]	29,948	4.32%
University of California San Diego[3]	28,459	4.10
Sharp Healthcare[4]	16,896	2.44
County of San Diego	16,427	2.37
Qualcomm, Inc. [5]	13,725	1.98
San Diego Unified School District	13,446	1.94
City of San Diego[6]	10,968	1.58
Dex Com Inc.	10,540	1.52
Kaiser Permanente	7,549	1.09
Scripps Health[7]	6,111	0.88
Total Top Employers	154,069	22.22%

(1) Percentage based on total employment of 709,800 provided by the EDD Labor Force Data.
(2) Employee count includes Navy, Marine and Civic Services personnel.
(3) Employee count includes full and part time, academic and support staff.
(4) Employee count is companywide.
(5) Count is from prior year.
(6) Employee count is provided by the City of San Diego, Office of the Comptroller – Payroll Division.
(7) Employee count includes three hospital sites in San Diego.
Source: Fiscal Year 2015 Comprehensive Annual Financial Report, Statistical Section (Unaudited), Comptroller's Office, City of San Diego.

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Personal Income

The following Table B-9 sets forth the per capita personal income in the County, the State and the United States for calendar years 2010 through 2014.

TABLE B-9
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA AND UNITED STATES
PER CAPITA PERSONAL INCOME[1]
Calendar Years 2010 through 2014

Calendar Year	County of San Diego	State of California	United States
2010	$45,501	$42,282	$40,144
2011	48,260	44,749	42,332
2012	50,664	47,505	44,200
2013	51,384	48,434	44,765
2014	51,459	50,109	46,129

[1] Amounts for County and State may not be comparable based on different source methodology.
Source: U.S. Bureau of Economic Analysis and Bureau of the Census.

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Property Value and Construction

Residential and non-residential construction declined after peaking in 2005, in part due to the subprime mortgage crisis and the resulting significant increase in the number of foreclosures. However, residential and non-residential construction activity has increased since 2010. Total issued building permits and permit valuation (residential and non-residential) are used as indicators of overall construction activity. In Fiscal Year 2015, construction permits valuation increased by 8.4%, or $195.5 million, from Fiscal Year 2014.

The following Table B-10 sets forth total City building permit valuations and the number of new construction permits issued in the City for Fiscal Years 2011 through 2015.

TABLE B-10
CITY OF SAN DIEGO
Construction Permit Valuation
Fiscal Years 2011 through 2015
($ in thousands)
(unaudited)

	Residential[1]		Non-Residential[2]		
Fiscal Year	Dwelling Units	Permit Assessed Value[3]	Permits	Permit Assessed Value[3]	Total Permit Assessed Value Estimate[3]
2011	2,024	342,598	98	$ 818,627	$1,161,225
2012	2,406	518,091	113	1,142,674	1,660,765
2013	4,629	854,489	111	1,162,254	2,016,743
2014	4,258	836,074	136	1,487,835	2,323,909
2015	4,379	993,567	137	1,525,798	2,519,365

(1) Residential reflects construction of new structures.
(2) Non-residential reflects construction of new structures whose intended use includes commercial, industrial, and other uses. Each permit is a separate structure.
(3) 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; actuals may vary.
Source: Permit Tracking System Database, Development Services Department, City of San Diego.

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Foreclosure Activity

The following Table B-11 sets forth foreclosure activity in the County for calendar years 2011 through 2015.

TABLE B-11
COUNTY OF SAN DIEGO
FORECLOSURE ACTIVITY
Calendar Years 2011 through 2015

Calendar Year	Foreclosures	Total Number of Housing Units[1]	% of Total Housing Units
2011	12,216	1,161,720	1.05%
2012	7,195	1,165,970	0.62
2013	3,236	1,169,095	0.28
2014	2,036	1,176,046	0.17
2015	1,853	1,183,211	0.16

[1] Data are estimates provided by SANDAG as of January 1 of the indicated year.
Source: County of San Diego, Assessor's Records; and SANDAG.

According to the San Diego County Recorder's Office, there has been a decrease in the number of notices of loan defaults recorded in the County in calendar year 2015 compared to calendar year 2014. In addition, foreclosures have dropped during this timeframe as well. There were 5,855 notices of default recorded in the County in calendar year 2014, which decreased to 5,142 notices recorded in 2015. Furthermore, there were 2,036 foreclosures in the County in calendar year 2014, which decreased by 9% to 1,853 foreclosures in 2015.

APPENDIX C

SUMMARY OF LEGAL DOCUMENTS

APPENDIX C

SUMMARY OF LEGAL DOCUMENTS

The following is a brief summary of the provisions of the Indenture, the Facility Lease, and the Site Lease pertaining to the Series 2016 Bonds that are not summarized elsewhere in this Official Statement. This summary is not intended to be definitive, and is qualified in its entirety by reference to the full terms of such documents.

CERTAIN DEFINITIONS

The following are definitions of certain terms used in the Indenture, the Facility Lease, the Site Lease and this Official Statement, which are not otherwise defined in this Official Statement. Reference is made to the entire documents for the definitions of all terms used in such documents. The following definitions are equally applicable to both singular and plural forms of any of the terms defined in the Indenture:

"Additional Bonds" means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Indenture and executed, issued and delivered in accordance with the Indenture.

"Additional Rental" means all amounts payable by the City as described under "THE FACILITY LEASE – Rental Payments – Rental Payments – *Additional Rental*" herein.

"Authorized Representative" means: (a) with respect to the Authority, its Chair, Vice Chair, Treasurer or Secretary or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Chair, and filed with the City and the Trustee; and (b) with respect to the City, its Chief Operating Officer or its Chief Financial Officer, or any other person duly designated by its Chief Operating Officer or its Chief Financial Officer as an Authorized Representative of the City by a written certificate of the Chief Operating Officer or the Chief Financial Officer filed with the City and the Trustee.

"Bonds" means the Series 2016 Bonds and any Additional Bonds, authorized by and at any time Outstanding pursuant to the Indenture.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in San Diego, California or New York, New York are authorized or required by law to close, or (iii) a day upon which the Trustee is authorized by law to remain closed.

"CC&Rs" means any written covenants, conditions and restrictions, maintenance agreements or reciprocal easement agreements affecting the Leased Property and/or property adjacent thereto in form and substance acceptable to the City, as the same may from time to time be amended, supplemented or modified.

"Claim" means any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including without limitation, counsel fees and expenses as incurred, penalties and interest.

"Closing Date" means the date of delivery of the Series 2016 Bonds to the initial purchasers thereof.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or, where pertinent, its statutory predecessor, the Internal Revenue Code of 1954, as amended (the "1954 Code"). References to the Code and Sections of the Code include relevant applicable regulations and proposed regulations thereunder and under the 1954 Code, as amended from time to time, and any successor provision to those Sections, regulations or proposed regulations and, in addition, all revenue rulings, announcements, notices, procedures and judicial determinations under the foregoing applicable to the Bonds.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate relating to the Series 2016 Bonds, executed by the City and dated the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all expenses directly or indirectly incurred in connection with the authorization, execution and delivery of the Site Lease, the Facility Lease and the Indenture (including any supplements or amendments) and the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority or the City, initial fees and expenses of the Trustee (including but not limited to fees and expenses for legal counsel), compensation to any financial consultants or underwriters, verification agent fees, legal fees and expenses, title insurance, appraisal fees, filing and recording costs, rating agency fees, costs of preparation, reproduction and publication of documents, out-of-pocket expenses of the Authority or the City, Authority and City staff costs and costs of printing.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Damaged Improvements" has the meaning contained in the Facility Lease as described herein under the subheading "THE FACILITY LEASE – Damage, Destruction, Title Defect and Condemnation."

"Debt Service" means, during any period of computation, the amount obtained for such period by totaling the following amounts: (a) the principal amount of all Outstanding Bonds coming due and payable by their terms in such period; and (b) the interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer Outstanding.

"Default" means any event of default as described under "THE FACILITY LEASE – Default – *Default*" herein.

"Defeasance Obligations" means (a) Federal Securities and Federal Certificates which are fixed rate and not callable for redemption prior to their maturity by any person other than the owner thereof and (b) other Permitted Investments (i) which either are not callable for redemption prior to their maturities by any person other than the owner thereof or for which an option to redeem prior to maturity has previously been irrevocably exercised (or an irrevocable covenant to exercise such option has previously been made by the person entitled to exercise such option) and the redemption date of such securities has thereby been irrevocably fixed prior to the use of any such securities as Defeasance Obligations, and (ii) which are rated, at the time of their initial deposit with the Trustee as Defeasance Obligations, by S&P and Moody's in their highest Rating Category.

"Escrow Agreement" means that certain Escrow Agreement, dated as of [March] 1, 2016, by and between the Authority and the Escrow Agent.

"Event of Default" with respect to the Indenture, means any of the events described under "THE INDENTURE – Events of Default and Remedies – *Events of Default; Notice*" herein and, with respect to the Facility Lease, means any of the events described under "THE FACILITY LEASE – Default – *Default*" herein.

"Expiry Date" means October 15, 2031, except as extended or sooner terminated pursuant to the terms of the Facility Lease, or such other date or dates as set forth in an amendment to the Facility Lease.

"Federal Certificates" means evidences of indebtedness or ownership of proportionate interests in future principal and interest payments of Federal Securities, including depository receipts thereof, wherein (i) a bank or trust company acts as custodian and holds the underlying Federal Securities; (ii) the owner of the

Federal Certificate is a real party in interest with the right to proceed directly and individually against the obligor of the underlying Federal Securities; and (iii) the underlying Federal Securities are held in trust in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian or any person claiming through the custodian, or any person to whom the custodian may be obligated.

"Federal Securities" means: direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or evidence of ownership in a portion thereof (which may consist of specified portions of interest thereon and obligations of the Resolution Funding Corporation which constitute interest strips) if held by a custodian on behalf of the Trustee; obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; and prerefunded municipal obligations rated, at the time of purchase, by Moody's and S&P in their highest Rating Category; provided that "structured securities" (including flip notes, range notes, inverse floaters and step-ups) will not be considered Federal Securities; provided further that floaters (based on single, interest rate based indices) and callable securities of the above-enumerated agencies may be treated as Federal Securities.

"Financing Documents" means the Facility Lease, the Site Lease, and the Indenture.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority or the City, as applicable, as its official fiscal year period.

"Independent Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the City, and who, or each of whom:

(a) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Authority or the City;

(b) does not have a substantial financial interest, direct or indirect, in the operations of the Authority or the City; and

(c) is not connected with the Authority or the City as a member, officer or employee of the Authority or the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority or the City.

"Insurance and Condemnation Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Interest Account" means the account by that name established in the Revenue Fund pursuant to the Indenture.

"Interest Payment Date" means for the Series 2016 Bonds each April 15 and October 15, commencing October 15, 2016, and for any series of Additional Bonds, such dates as shall be specified in the Supplemental Indenture authorizing such Additional Bonds.

"Joint Use and Management Agreement" means that certain Joint Use and Management Agreement, dated as of February 1, 2000, as amended by Amendment No. 1 to the Joint Use and Management Agreement, dated as of May 21, 2012, each by and between the City and the Padres, and as it may from time to time be amended or supplemented in accordance with the terms thereof.

"Lease Year" means the period from each October 16 to and including the following October 15, during the term of the Facility Lease; except that the initial Lease Year means the period from the Closing Date to and including October 15, 2016.

"Leased Property" means the certain real property belonging to the City, together with the portion of the improvements located thereon that are owned by the City, but the Leased Property may be changed from time to time by Removal or Substitution as provided in the Facility Lease.

"Net Proceeds" means, collectively, the net proceeds of any insurance or condemnation award resulting from any damage or destruction of any portion of the Leased Property payable in accordance with the Facility Lease.

"Operating Budget" has the meaning ascribed to it in the Facility Lease.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the City.

"Original Purchaser" means the original purchaser(s) of the Series 2016 Bonds upon their delivery by the Trustee on the Closing Date.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority will have been discharged in accordance with provisions of the Indenture, including Bonds (or portions thereof) described in the Indenture; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds will have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Owner" means the registered owner of any Outstanding Bond.

"Padres" means the Padres, L.P., a Delaware limited partnership.

"Padres Improvements" means those improvements on the baseball park constructed on certain real property belonging to the City which are identified in the Joint Use and Management Agreement as being owned by the Padres.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Permitted Encumbrances" means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to the Facility Lease, permit to remain unpaid; (ii) the Site Lease, the Facility Lease, the Joint Use and Management Agreement, and the CC&Rs, as each may be amended from time to time; (iii) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (iv) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, which exist of record as of the Closing Date; and (v) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, established following the date of recordation of the Facility Lease and to which the Authority and the City consent in writing.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(i) Federal Securities or Federal Certificates;

(ii) The following listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(1) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(2) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes;

(3) Federal Home Loan Banks (FHL Banks) consolidated debt obligations;

(4) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(iii) Obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing, that are rated, at the time of purchase, in the highest Rating Category by two Rating Agencies;

(iv) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. Investments under this subdivision shall be rated "AA" or better by a Rating Agency;

(v) Bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are rated, at the time of purchase, by "A1/P1/F1" by two Rating Agencies or, if the term of such indebtedness is longer than one year, rated in the highest Rating Category by two Rating Agencies;

(vi) Taxable commercial paper or tax-exempt commercial paper with a maturity of not more than 270 days, which are rated, at the time of purchase, "A1/P1/F1" by two Rating Agencies;

(vii) Deposit accounts or certificates of deposit, whether negotiable or non-negotiable, issued by a state or national bank (including the Trustee) or a state or federal savings and loan association or a state-licensed branch of a foreign bank; provided, however, that such certificates of deposit or deposit accounts shall be either (a) continuously insured by the Federal Deposit Insurance Corporation; or (b) have maturities of not more than 365 days (including certificates of deposit) and are issued by any state or national bank or a state or federal savings and loan association, the short-term obligations of which are rated, at the time of purchase, in the highest short term rating by two Rating Agencies;

(viii) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which bank has short-term obligations outstanding which are rated, at the time of purchase, by two Rating Agencies in the highest short-term Rating Category, and which bankers acceptances mature not later than 365 days from the date of purchase;

(ix) Any repurchase agreement: (a) with (i) any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee), or a state-licensed branch of a foreign bank, having a minimum permanent capital of one hundred million dollars ($100,000,000) and having short-term debt which is rated, at the time of the purchase, by two Rating Agencies in one of the three highest short-term Rating Categories; or (ii) any government bond dealer reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York; and (b) which agreement is secured by any one or more of the securities and obligations described in clause (i) or (ii) 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 and shall be placed with the Trustee or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement. The entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to the Trustee that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least monthly) will be an amount equal to 102% the principal amount of such repurchase agreement, and the Trustee shall be entitled to rely on each such undertaking;

(x) Any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (i), (ii), (iii) and (ix) of this definition and any money market fund, the entire investments of which are limited to investments described in clauses (i), (ii) (iii) and (ix) of this definition and which money market fund is rated, at the time or purchase, by at least one Rating Agency in the highest Rating Category;

(xi) Any guaranteed investment contract, including forward delivery agreements ("FDAs") and forward purchase agreements ("FPAs"), with a financial institution or insurance company which has (or which is unconditionally guaranteed by a legal entity which has), at the date of execution thereof, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims-paying ability which is rated, at the time of purchase, by two Rating Agencies in one of two highest long-term Rating Categories. Only Permitted Investments described in clause (i) and (ii) above and having maturities equal to or less than 30 years from their date of delivery will be considered eligible for any collateralization/delivery purposes for guaranteed investment contracts, FDAs or FPAs;

(xii) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State or of any political subdivision or public agency thereof which are rated, at the time of purchase, by two Rating Agencies in the highest short-term Rating Category or within one of the three highest long-term Rating Categories, but excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date;

(xiii) For amounts less than $250,000, interest-bearing demand or time deposits (including certificates of deposit) in a nationally or state-chartered bank, or a state or federal savings and loan association in the State, fully insured by the Federal Deposit Insurance Corporation, including the Trustee or any affiliate thereof;

(xiv) Investments in Constant Net Asset Value taxable money market funds or portfolios restricted to obligations with an average maturity of one year or less and which funds or portfolios are: (a) rated, at the time of purchase, by two Rating Agencies in one of the two highest Rating Categories; or (b) have or are portfolios guaranteed as to payment of principal and interest by the full faith and credit of the United States of America;

(xv) Investments in the City's pooled investment fund;

(xvi) Shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (i) through (xiii) of this definition and which companies are: (a) rated, at the time of purchase, by two Rating Agencies in the highest Rating Category; or (b) have an investment advisor registered with the Securities and Exchange Commission with not less than five years' experience investing in such securities and obligations and with assets under management in excess of five hundred million dollars ($500,000,000);

(xvii) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which consists exclusively of investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended; and

(xviii) Any other investment, with confirmation (or other action, satisfactory to the City) from each rating agency that has a current rating on the Bonds at the time of initial purchase thereof, that its rating on the Bonds will not be lowered or withdrawn as a result of such investment.

"Principal Account" means the account by that name established in the Revenue Fund pursuant to the Indenture.

"Record Date" means, with respect to any Interest Payment Date, the last calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established pursuant to the Indenture.

"Registration Books" means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

"Revenue Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture and all accounts and funds therein.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041-0099, Attention: Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in a Written Certificate of the City delivered to the Trustee.

"Series," or "series" whenever used in the Indenture with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

"Series 2007A Indenture" means the Indenture, dated as of March 1, 2007, between the Authority and the Series 2007A Trustee, pursuant to which the Series 2007A Bonds were issued.

"Series 2007A Trustee" means Wells Fargo Bank, National Association, and any successor trustee appointed pursuant to the Series 2007A Indenture.

"Supplemental Indenture" means any supplemental indenture duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized pursuant to the Indenture.

"Written Certificate," "Certificate," "Written Request," "Request" and "Written Requisition" of the Authority or the City mean, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

THE INDENTURE

Certain of the provisions of the Indenture are summarized below; this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

Authorization and Purpose of Bonds; Equal Security

Authorization and Purpose of Series 2016 Bonds.

The Authority has reviewed all proceedings taken relative to the authorization of the Series 2016 Bonds and has found, as a result of such review, and finds and determines that all things, conditions, and acts required by law to exist, happen and/or be performed precedent to and in the issuance of the Series 2016 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now authorized under each and every requirement of law, to issue the Series 2016 Bonds in the manner and form provided in this Indenture. Accordingly, the Authority authorizes the issuance of the Series 2016 Bonds pursuant to the Indenture for the purposes described in the Indenture.

Equal Security.

In consideration of the acceptance of the Bonds by the Owners thereof, the Indenture will be deemed to be and will constitute a contract between the Authority and the Owners from time to time of the Bonds; and the covenants and agreements set forth in the Indenture to be performed on behalf of the Authority will be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or in the Indenture.

Issuance of Bonds

Transfer and Exchange of Bonds.

Any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Transfer of any Bond shall not be permitted by the Trustee during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption pursuant to the Indenture. Whenever any Bond or Bonds will be surrendered for transfer, the Authority will execute and the Trustee will authenticate and will deliver a new Bond or Bonds for a like aggregate principal amount and of like maturity. The Trustee may require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Authority. Any Bond may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of like maturity. Exchange of any Bond will not be permitted during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption pursuant to the Indenture. The Trustee may require the Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Authority.

Conditions for the Issuance of Additional Bonds.

The Authority may at any time issue Additional Bonds pursuant to a Supplemental Indenture, payable from the Revenues as provided in the Indenture and secured by a pledge of and charge and lien upon the

Revenues as provided in the Indenture equal to the pledge, charge and lien securing the Outstanding Bonds theretofore issued under the Indenture, and subject to the following specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds:

(a) No Event of Default shall be continuing after giving effect to the issuance of the Additional Bonds and the application of the proceeds thereof.

(b) The Supplemental Indenture will require that the proceeds of the sale of such Additional Bonds will be applied to the financing, acquiring, constructing, maintaining, operating, improving and leasing the Ballpark (including payment of interest during the estimated period of any construction and for a period of not to exceed twelve (12) months thereafter), or for the refunding or repayment of any Bonds then Outstanding issued to finance or refinance the Ballpark, including the payment of costs and expenses of and incident to the authorization and sale of such Additional Bonds.

(c) The aggregate principal amount of Bonds issued and at any time Outstanding under the Indenture will not exceed any limit imposed by law, by the Indenture or by any Supplemental Indenture.

(d) The Facility Lease will have been amended, if necessary, so that the Base Rental Payments payable by the City thereunder in each Fiscal Year will at least equal projected Debt Service, including Debt Service on the Additional Bonds, in each Fiscal Year.

(e) If the additional facilities, if any, to be leased are not situated on Leased Property described in the Facility Lease and the Site Lease, then the Facility Lease and Site Lease will have been amended to add such additional Leased Property.

Nothing contained in the Indenture will prevent payment of Debt Service on any Series of Additional Bonds from being secured and payable from sources, or by property, instruments or documents, not applicable to the Bonds or any one or more Series of Additional Bonds.

Proceedings for Authorization of Additional Bonds.

Whenever the Authority and the City will determine to execute and deliver any Additional Bonds pursuant to the Indenture, the Authority and the Trustee will enter into a Supplemental Indenture providing for the issuance of such Additional Bonds, specifying the maximum principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds.

The Supplemental Indenture will prescribe the form or forms of such Additional Bonds and, subject to the provisions of the Indenture, will provide for the distinctive designation, denominations, method of numbering, dates, interest rates, provisions for redemption (if desired) and places of payment of principal and interest.

Before such Additional Bonds will be issued, the City and the Authority will file or cause to be filed the following documents with the Trustee:

(a) An Opinion of Bond Counsel setting forth (1) that such Bond Counsel has examined the Supplemental Indenture and the amendment to the Facility Lease and to the Site Lease required by the Indenture, as described under the subheading "*–Conditions for the Issuance of Additional Bonds*" herein; (2) that the execution and delivery of the Additional Bonds have been duly authorized by the City and the Authority; (3) that said amendment to the Facility Lease and to the Site Lease, when duly executed by the City and the Authority, will be a valid and binding obligation of the City and the Authority; and (4) that the issuance of such Additional Bonds will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds then Outstanding.

(b) A Certificate of the City that the requirements of the Indenture described herein under the subheading "*–Conditions for the Issuance of Additional Bonds*" have been met.

(c) A Certificate of the City stating that the insurance required by the Facility Lease as described under "THE FACILITY LEASE – Insurance and Other Charges – *Insurance*" herein and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS – Fire and Extended Coverage Insurance," "– Use and Occupancy Insurance" and "– Title Insurance" in the front part of this Official Statement is in effect.

Upon the delivery to the Trustee of the foregoing instruments and upon the Trustee's receipt of Certificates of the City and of the Authority stating that all applicable provisions of the Indenture have been complied with (so as to permit the execution and delivery of the Additional Bonds in accordance with the Supplemental Indenture then delivered to the Trustee), the Trustee will execute and deliver said Additional Bonds, in the aggregate principal amount specified in such Supplemental Indenture, to, or upon the Written Request of the Authority.

Limitations on the Issuance of Obligations Payable from Revenues.

The Authority will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, however denominated, payable in whole or in part from Revenues except the following:

(a) Bonds of any Series authorized pursuant to the Indenture;

(b) Obligations which are junior and subordinate to the payment of the Debt Service for the Bonds and any other amounts payable under the Indenture and related to the Bonds; which subordinated obligations are payable as to principal, premium, interest, reserve fund requirements, if any, and other amounts payable under the Indenture, only out of Revenues after the prior payment of all amounts then required to be paid under the Indenture from Revenues for payment of Debt Service and any other amounts payable under the Indenture and related to the Bonds, as the same become due and payable and at the times and in the manner as required in the Indenture.

Application of Proceeds

Establishment and Application of Costs of Issuance Fund.

The Trustee will establish, maintain and keep separate and apart from all other funds held by the Trustee a separate fund designated as the "Costs of Issuance Fund." Notwithstanding any other provision of the Indenture, the Cost of Issuance Fund is not pledged to, nor does it does it secure, the Bonds.

The moneys in the Costs of Issuance Fund will be used by the Trustee to pay the Costs of Issuance upon submission of Written Requisitions of the City in the form of Exhibit B to the Indenture and stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each such Written Requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

Within 180 days following the Closing Date, or upon the earlier Written Request of the City, all amounts remaining in the Costs of Issuance Fund will be transferred by the Trustee to the Revenue Fund to be used for the payment of interest on the Bonds.

Validity of Bonds.

The validity of the authorization and issuance of the Bonds is not dependent on and will not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection

with the Facility Lease. The recital contained in the Bonds that the same are issued pursuant to the Constitution and laws of the State will be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

Revenues; Funds and Accounts; Payment of Principal and Interest

Pledge and Assignment; Revenue Fund.

(a) Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Revenues including any other amounts (including proceeds of the sale of the Bonds) held in the Revenue Fund are hereby pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture, and the Revenues will not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied in such sums and for such purposes as are permitted under the Indenture. This pledge shall constitute a pledge of and charge and lien upon the Revenues for the payment of Debt Service on the Bonds in accordance with the terms of the Indenture. Said pledge will constitute a first lien on and security interest in such assets and will attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act.

(b) The Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds: (i) all of the Revenues and (ii) all of the rights of the Authority in the Facility Lease (except for certain rights to indemnification set forth in the Facility Lease), and in the Site Lease (except for certain rights to indemnification set forth in the Site Lease). The Trustee will be entitled to and will collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee. The Trustee also will be entitled to and will, subject to the provisions of the Indenture, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Facility Lease.

The assignment of the Facility Lease and the Site Lease to the Trustee is solely in its capacity as Trustee under the Indenture and the duties, powers and liabilities of the Trustee in acting under the Indenture will be subject to the provisions of the Indenture, including, without limitation, the provisions of the Indenture. The Trustee will not be responsible for any representations, warranties, covenants or obligations of the Authority.

(c) The Trustee agrees to provide written notice to the City at least five Business Days prior to each Interest Payment Date of the amount, if any, on deposit in the Revenue Fund which will serve as a credit against, and will relieve the City of making, the Base Rental Payments due from the City on such Interest Payment Date.

(d) Subject to the provisions of the Indenture described in SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS – Investment of Funds under the Indenture," in the front part of this Official Statement, all Revenues will be promptly deposited by the Trustee upon receipt thereof in a fund designated as the "Revenue Fund" which the Trustee will establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Facility Lease to be deposited in the Redemption Fund or the Insurance and Condemnation Fund will be promptly deposited in such Funds. Within the Revenue Fund there shall be established an Interest Account and a Principal Account. All Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund.

Revenue Fund. All money in the Revenue Fund will be set aside by the Trustee in the following respective accounts and funds within the Revenue Fund (each of which is created and each of which the Trustee covenants and agrees to cause to be maintained) in the following order of priority:

(i) Interest Account; and

(ii) Principal Account.

All money in each of such accounts and funds will be held in trust by the Trustee and will be applied, used and withdrawn only for the purposes under the Indenture.

Interest Account. On or before each Interest Payment Date, and on or before each redemption date, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest coming due and payable on all Outstanding Bonds on such date.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest coming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it will become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Account. On or before each October 15, commencing October 15, 2016, the Trustee will set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the principal amount of all Outstanding Bonds maturing on such October 15. On or before each redemption date, the Trustee will transfer from the Revenue Fund and deposit in the Principal Account the principal amount of the Bonds to be redeemed, and premium, if any. No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Bonds maturing by their terms on such October 15. All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as they will become due and payable, whether at maturity or redemption, and premium, if any.

Redemption Fund.

The Trustee will establish and maintain the Redemption Fund, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds to be redeemed pursuant to the provisions of the Indenture as described under "THE SERIES 2016 BONDS – Redemption Provisions" in the front part of this Official Statement; provided, however, that at any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, in accordance with the terms of the Indenture as described under "THE SERIES 2016 BONDS – Redemption Provisions – *Purchase in Lieu of Optional Redemption*" in the front part of this Official Statement.

Insurance and Condemnation Fund; Title Insurance.

Establishment of Fund. Upon the receipt of any proceeds of insurance or eminent domain with respect to any portion of the Leased Property, the Trustee will establish and maintain an Insurance and Condemnation Fund, to be held and applied as under the Indenture as described below.

Application of Insurance Proceeds. Any Net Proceeds of insurance against accident to or destruction of the Leased Property collected by the City in the event of any such accident or destruction will be paid to the

Trustee by the City pursuant to the Facility Lease and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund. If the City fails to determine and notify the Trustee in writing of its determination, within forty-five (45) days following the date of such deposit, to replace, repair, restore, modify or improve the Leased Property, then such Net Proceeds will be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of Bonds pursuant to provisions of the Indenture described under "THE SERIES 2016 BONDS – Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement to the extent that such Net Proceeds permit. All proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund will be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the City, upon receipt of Written Requisitions of the City, as agent for the Authority, which: (i) states with respect to each payment to be made (A) the requisition number, (B) the name and address of the person to whom payment is due, (C) the amount to be paid and (D) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal; and (ii) specifies in reasonable detail the nature of the obligation. Each such Written Requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Any balance of the proceeds remaining after such work has been completed as certified by the City to the Trustee will after payment of amounts due the Trustee be paid to the City.

Application of Eminent Domain Proceeds. If all or any part of the Leased Property will be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom will be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Facility Lease and will be applied and disbursed by the Trustee as follows:

(i) If the City has not given written notice to the Trustee, within forty-five (45) days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for the replacement of the Leased Property or such portion thereof, the Trustee will transfer such Net Proceeds to the Redemption Fund to be applied towards the redemption of the Bonds pursuant to the provisions of the Indenture described under "THE SERIES 2012 BONDS – Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement.

(ii) If the City has given written notice to the Trustee, within forty-five (45) days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for replacement of the Leased Property or such portion thereof, the Trustee shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such repair or rehabilitation, upon the filing of Written Requisitions of the City as agent for the Authority in the form and containing the provisions set forth in the Indenture as described above under "– *Application of Insurance Proceeds*." Each such Written Requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

Title Insurance. Proceeds of any policy of title insurance received by the Trustee in respect of the Leased Property or any portion thereof for the benefit of the Owners, will be applied and disbursed by the Trustee as follows:

(i) If the City determines that the title defect giving rise to such proceeds has not materially affected the City's right to the use and possession of the Leased Property and will not result in an abatement of Base Rental Payments by the City under the Facility Lease, upon Written Request of the City such proceeds will, if there is first delivered to the Trustee a Written Certificate of a City Representative to the effect that the annual fair rental value of the Leased Property, notwithstanding the title defect for which the payment was made, is at least equal to the maximum amount of Base Rental Payments becoming due under the Facility Lease in the then current Lease Year or any

subsequent Lease Year, be paid to the City to be used for any lawful purpose. If the City cannot deliver the certificate described in the preceding sentence, then such amounts will be transferred to the Redemption Fund and used to redeem Bonds pursuant to terms of the Indenture as described under "THE SERIES 2016 BONDS – Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement, unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund.

(ii) If any portion of the Leased Property has been affected by such title defect and if the City certifies in writing that such title defect will result in an abatement of Base Rental Payments by the City under the Facility Lease, then upon Written Request of the City: either (A) such insurance proceeds will be used by the City to remove the title defect, or (B) the Trustee will, if not notified in writing by a City Representative within 90 days of the receipt by the Trustee of the insurance proceeds that the City will use the proceeds to remove the title defect, deposit such proceeds in the Redemption Fund and such proceeds will be applied to redeem Bonds in the manner provided in the Indenture as described under "THE SERIES 2016 BONDS – Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement.

(iii) Any excess proceeds with respect to title insurance remaining after application pursuant to the terms of this Indenture will be paid to the City to be used for any lawful purpose.

Particular Covenants

Punctual Payment.

The Authority will punctually pay or cause to be paid the principal of and interest on all the Bonds in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Against Encumbrances.

The Authority will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes. Nothing in this section shall in any way limit the City's ability (i) to encumber its assets other than Leased Property or (ii) to encumber the Leased Property in accordance with the terms of the Facility Lease.

Power to Issue Bonds and Make Pledge and Assignment.

The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee will at all times, subject to the provisions of the Indenture and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records.

The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries will be made of all

transactions made by it relating to the proceeds of Bonds, the Revenues, the Facility Lease and all funds and accounts established pursuant to the Indenture. Such books of record and account will be available for inspection by the Authority and the City, during business hours and under reasonable circumstances.

Compliance with Indenture.

The Trustee will not execute or deliver any Bonds in any manner other than in accordance with the provisions of the Indenture, and the Authority will not suffer or permit any default by it to occur under the Indenture, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Indenture required to be complied with, kept, observed and performed by it.

Tax Covenants for Series 2016 Bonds.

The Authority covenants to and for the benefit of the Owners of the Series 2016 Bonds that, notwithstanding any other provisions of the Indenture (other than as described under the subheading "Miscellaneous – *Liability of Authority Limited to Revenues*" herein), it will:

(a) neither make or use nor cause to be made or used any investment or other use of the proceeds of the Series 2016 Bonds or the moneys and investments held in the funds and accounts established under the Indenture which would cause the Series 2016 Bonds to be arbitrage bonds under section 103(b) and section 148 of the Code or which would otherwise cause the interest payable on the Series 2016 Bonds to be includable in gross income for federal income tax purposes;

(b) not take or cause to be taken any other action or actions, or fail to take any action or actions, which would cause the interest payable on the Series 2016 Bonds to be includable in gross income for federal income tax purposes;

(c) at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Authority on the Series 2016 Bonds will be excluded from the gross income, for federal income tax purposes, of the Owners pursuant to section 103 of the Code; and

(d) not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2016 Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

In furtherance of the provisions of the Indenture, the Authority will execute, deliver and comply with the provisions of the Tax Certificate for Series 2016 Bonds, which is by this reference incorporated into the Indenture and made a part of the Indenture as if set forth in the Indenture in full including all of the defined terms therein, and by its acceptance of the Indenture the Trustee acknowledges receipt of such Tax Certificate and acknowledges its incorporation in the Indenture by this reference. The Trustee agrees it will invest funds held under the Indenture in accordance with the terms of the Indenture (this covenant will extend throughout the term of the Series 2016 Bonds, to all funds and accounts created under the Indenture and all moneys on deposit to the credit of any fund or account).

Rebate Fund for the Series 2016 Bonds.

(a) The Trustee will establish and maintain, when required, a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund for the Series 2016 Bonds, which is not pledged to the Bonds. Neither the Authority nor the Owner of any Bonds will have any rights in or claim to such money. Within the Rebate Fund, the Trustee will maintain such accounts as will be necessary to comply with instructions of the City given pursuant to the terms and conditions of the Tax Certificate. Subject to the transfer provisions provided in paragraph (e) below, all money at any time deposited in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as

defined in the Tax Certificate) for the Series 2016 Bonds, for payment to the federal government of the United States of America.

All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture and by the Tax Certificate (which is incorporated in the Indenture by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the Written Request of the City including supplying all necessary information in the manner provided in the Tax Certificate, and will have no liability or responsibility to enforce compliance by the Authority or City with the terms of the Tax Certificate or any other tax covenants contained in the Indenture. The Trustee will not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Trustee will have no independent duty to review such calculations or enforce the compliance by the City with such rebate requirements. The Trustee will have no duty or obligation to determine the applicability of the Code and will only be obligated to act in accordance with Written Request provided by the City.

(b) Upon the City's Written Request, an amount will be deposited to the Rebate Fund by the Trustee from deposits by the City, if and to the extent required, so that the balance in the Rebate Fund will equal the Rebate Requirement for the Series 2016 Bonds. Computations of the Rebate Requirement will be furnished by or on behalf of the City in accordance with the Tax Certificate. The Trustee will supply to the City all necessary information in the manner provided in the Tax Certificate, to the extent such information is reasonably available to the Trustee.

(c) The Trustee shall have no obligation to rebate any amounts required to be rebated, other than from moneys held in the funds and accounts created under this Indenture or from other moneys provided to it by the City.

(d) At the Written Request of the City, the Trustee shall invest all amounts held in the Rebate Fund in Permitted Investments. Moneys shall not be transferred from the Rebate Fund except as provided in paragraph (e) below. The Trustee shall not be liable for any consequences arising from such investment.

(e) Upon receipt of the City's Written Request, the Trustee will remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if the City so directs, the Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed by the City's Written Request; provided, however, only moneys in excess of the Rebate Requirement may, at the written direction of the City, be transferred out of the Rebate Fund to such other accounts or funds or to anyone other than the United States in satisfaction of the arbitrage rebate obligation. Any funds remaining in the Rebate Fund after each five year remission to the United States, redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Trustee, shall be withdrawn and remitted to the City.

(f) Notwithstanding any other provision of the Indenture, including in particular the provisions relating to the defeasance of Bonds, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of provisions of the Indenture relating to tax covenants and to the Rebate Fund for the Series 2016 Bonds and the Tax Certificate will survive the defeasance or payment in full of the Series 2016 Bonds.

Against Sale or Disposition of the Leased Property.

Except as provided in the Facility Lease, the Authority will not sell or otherwise dispose of the Leased Property, enter into any agreement which impairs the use of the Leased Property or any part thereof necessary to secure adequate Revenues for the payment of the interest on and principal of and redemption premiums, if any, with respect to the Bonds, or which would otherwise impair the rights of the Owners with respect to the Revenues.

Payment of Claims.

The Authority will pay and discharge or cause to be paid and discharged any and all lawful claims for labor, materials or supplies which, if unpaid, might become a legal charge or lien upon the Leased Property or the Revenues or any part thereof or upon any funds under the control of the Authority or the Trustee superior to or on a parity with the charge and lien upon the Revenues securing the Bonds, or which might impair the security of the Bonds.

Collection of Amounts Due Under Lease; Amendments.

The Trustee will promptly collect all amounts due from the City pursuant to the Facility Lease. Subject to the provisions of the Indenture, the Trustee will enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights under the Indenture as assignee of the Authority, for the enforcement of all of the obligations of the City under the Facility Lease.

The Authority will not amend, modify or terminate any of the terms of the Facility Lease or the Site Lease, or consent to any such amendment, modification or termination, without the prior written consent of the Trustee. The Trustee will give such written consent only if it determines the requirements of the Facility Lease have been complied with.

Waiver of Laws.

The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension of law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

Further Assurances.

The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Events of Default and Remedies

Events of Default; Notice.

The following events will be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal, redemption premium, if any or sinking fund installments of any Bonds when and as the same will become due and payable, whether at maturity as expressed in the Indenture, by proceedings for redemption (other than with respect to conditional redemption as permitted by the Indenture) or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default will have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, will have been given to the Authority by the Trustee; provided, however, that if in the reasonable

opinion of the Authority the default stated in the notice can be corrected, but not within such sixty (60) day period, such default will not constitute an Event of Default under the Indenture if the Authority will commence to cure such default within such sixty (60) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The occurrence and continuation of an event of default under and as defined in the Facility Lease.

If an Event of Default occurs under the Indenture, the Trustee will give notice, at the expense of the City, of such Event of Default to the Owners. Such notice will state that an Event of Default has occurred and shall provide a brief description of such Event of Default. The Trustee in its discretion may withhold notice if it deems it in the best interests of the Owners. Such notice provided will be given by first-class mail, postage prepaid, to the Owners within 30 days of the Trustee's receipt of knowledge of the occurrence of such Event of Default.

Remedies Upon Event of Default.

(a) Upon the occurrence and continuance of any Event of Default, then and in every such case the Trustee in its discretion may, and upon the written request of the Owners of not less than 50% in principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction, and payment of its fees and expenses, including the fees and expenses of its counsel, shall in its own name and as the Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners under the Indenture, and require the Authority or the City to carry out any agreements with or for the benefit of the Owners of Bonds and to perform its or their duties under the Facility Lease and the Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Facility Lease or the Indenture, as the case may be;

(ii) bring suit upon the Bonds;

(iii) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Owners of Bonds; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of Bonds under the Indenture.

(b) Upon the occurrence of an Event of Default, the Trustee will be entitled as a matter of right to the appointment of a receiver or receivers for the Revenues, ex parte, and without notice, and the Authority consents to the appointment of such receiver upon the occurrence of an Event of Default. In the case of any receivership, insolvency, bankruptcy, or other judicial proceedings affecting the Authority or the City, the Trustee will be entitled to file such proofs of claims and other documents as may be necessary or advisable in order to have the claims of the Trustee and the Bond Owners allowed in such proceedings, without prejudice, however, to the right of any Bond Owner to file a claim on his or her own behalf; provided, the Trustee will be entitled to compensation and reimbursement for the reasonable fees and expenses of its counsel and indemnity for its reasonable expenses and liability from the Authority, the City or the Bond Owners, as appropriate.

(c) Notwithstanding the foregoing, neither the Indenture nor the Bonds provide for the remedy of acceleration of principal or interest due with respect to the Bonds prior to their stated due dates.

Application of Revenues and Other Funds After Default.

If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which will have become due, whether at maturity or by redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available will not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Trustee to Represent Bond Owners.

The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, will be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture and applicable provisions of any law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, the Trustee will, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power granted by the Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds, the Indenture or any other law; and upon instituting such proceeding, the Trustee will be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Bond Owners' Direction of Proceedings.

Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding will have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction will not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee will have the right to decline to follow any such direction which in the opinion of the Trustee would expose it to liability.

Limitation on Bond Owners' Right to Sue.

Notwithstanding any other provision of the Indenture, no Owner of any Bonds will have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Facility Lease or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners will have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee will have failed to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee; and (e) no direction inconsistent with such written request will have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture, the Facility Lease or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of Authority.

Nothing in Indenture as described herein under the subheading "– Events of Default and Remedies – *Limitation on Bond Owners' Right to Sue*" or in any other provision of the Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings.

If any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default will have been discontinued or abandoned for any reason or will have been determined adversely to the Trustee or the Bond Owners, then the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, will be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners will continue as though no such proceedings had been taken.

Remedies Not Exclusive.

No remedy conferred upon or reserved to the Trustee or the Owners of the Bonds in the Indenture is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, will be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default.

No delay or omission of the Trustee or any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Parties Interested Herein.

Nothing in the Indenture expressed or implied is intended or will be construed to confer upon, or to give to, any person or entity, other than the City, the Authority, the Trustee, their officers, employees and agents, and the Owners any right, remedy or claim under or by reason of the Indenture, or any covenant, condition or stipulation of the Indenture, and all covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Authority will be for the sole and exclusive benefit of the City, the Authority, the Trustee, their officers, employees and agents, and the Owners.

Remedies Subject to Provisions of Law.

All rights, remedies and powers provided by the Indenture may be exercised only to the extent that the exercise thereof does not violate any applicable provision of the City Charter and other applicable law, and all of the provisions of the Indenture are intended to be subject to the City Charter and all other applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this instrument or the provisions of the Indenture invalid or unenforceable under the provisions of the City Charter or other applicable law.

Modification or Amendment of the Indenture

Amendments Permitted.

(a) The Indenture and any of the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding which are affected by the amendment, will have been filed with the Trustee; provided, however, no such modification or amendment without the consent of the Owners of all of the Bonds then Outstanding which would be affected thereby, will (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or (iv) deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It will not be necessary for the consent of the Bond Owners to approve the particular form of any

Supplemental Indenture, but it shall be sufficient if such consent will approve the substance thereof. Consent of the Owners may be obtained as provided in the Indenture.

(b) In addition to any Supplemental Indenture authorized pursuant to the Indenture, the Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in the Indenture contained, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority in the Indenture, or to close the Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on, the authentication and delivery of Additional Bonds;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income under the Code;

(v) to permit the Trustee to comply with any duties imposed upon it by law;

(vi) to provide for the refunding or advance refunding of any Bonds, so long as such amendment is not inconsistent with the provisions of the Indenture relating to the defeasance of Bonds;

(vii) to evidence the appointment of a separate trustee or the succession of a new trustee under the Indenture;

(viii) to make any amendments appropriate or necessary to provide for or facilitate the delivery of credit enhancement for any Bonds; or

(ix) for any other reason, provided such modification or amendment does not, in the judgment of the Trustee, materially adversely affect the interests of the Owners of the Bonds then Outstanding.

(c) The Trustee may in its discretion, but will not be obligated to, enter into any such Supplemental Indenture authorized by paragraphs (a) or (b) under this subheading which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture under the Indenture, there will be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

(e) Provisions of the Indenture described under this subheading are subject to the provisions of the Indenture described under the subheading "Modification or Amendment of the Indenture – *City's Consent to Supplemental Indentures*" herein.

Consent of Owners.

(a) If at any time the Authority (or the City on behalf of the Authority) will request the Trustee to enter into any Supplemental Indenture requiring consent of the Owners, the Trustee, upon being satisfactorily indemnified with respect to expenses, will cause notice (unless waived by the affected Owners in their consent) of the proposed Supplemental Agreement to be mailed to each affected Owners, as shown in the Registration Books at the close of business on the 15th day preceding that mailing and at its address as it appears on the Registration Books on that 15th day preceding the mailing. The notice will describe briefly the nature of the proposed amendment and will state that copies thereof are on file at the office of the Trustee designated therein for inspection by all such Owners.

Consent of Owners may also be evidenced: (i) by Bonds being sold to such Owners under an official statement or other offering document which describes the proposed amendment and states that their purchase shall be treated as their consent to such amendment; or (ii) in any other manner acceptable to the Trustee.

If the Supplemental Indenture will not take effect so long as any particular Bonds remain Outstanding, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of determining the required consents.

(b) *Disqualified Bonds*. Bonds owned or held by or for the account of the Authority or the City will not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in the Indenture as described under this subheading "Modification or Amendment of the Indenture," and will not be entitled to consent to or take any other action provided in the Indenture as described under this subheading "– Modification or Amendment of the Indenture"; provided, however, that the Trustee will not be deemed to have knowledge that any Bond is owned or held by or for the account of the Authority or the City unless the Authority or the City is the registered Owner or the Trustee has received written notice that any other registered Owner is holding for the account of the Authority or City.

(c) The Trustee will not be subject to any liability to any Owner of Bonds by reason of the Trustee's failure to mail, or the failure of any such Owner to receive, the notice required by the Indenture as described under this subheading. Any failure of that nature will not affect the validity of the Supplemental Indenture when there has been consent thereto as provided in the Indenture as described under this subheading.

(d) If the Trustee will receive, within a period not exceeding one year as prescribed by the City upon behalf of the Authority, following the mailing of the notice (unless waived by the affected Owners in their consent), an instrument or document or instruments or documents, in a form or forms to which the Trustee does not object reasonably, purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the affected Outstanding Bonds, but not otherwise, the Trustee will execute and deliver the Supplemental Indenture in substantially the form to which reference is made in the notice, without liability or responsibility to any affected Owner, regardless of whether that Owner shall have consented thereto. The instrument or document or instruments or documents described in this paragraph will refer to the proposed Supplemental Indenture in the form described in the notice and will consent specifically to the Supplemental Indenture in substantially that form.

(e) At any time after the Owners of the required percentage of the Bonds will have filed their consents with the Trustee to the Supplemental Indenture, the Trustee will make and file with the Authority and City a written statement that the Owners of the required percentage of the Bonds have filed those consents. That written statement will be conclusive evidence that the consents have been so filed. Prior to the Trustee

filing such written statement, a consent may be revoked in writing by the Owner who gave the consent or by a subsequent Owner of the Bonds by a written revocation received by the Trustee.

City's Consent to Supplemental Indentures.

Anything to the contrary notwithstanding, so long as the City is not in default under the Facility Lease, a Supplemental Indenture under the Indenture will not become effective unless and until the City will have consented in writing to the execution and delivery of such Supplemental Indenture. In this regard, the Trustee will cause notice of the proposed execution and delivery of any Supplemental Indenture, together with a copy of the proposed Supplemental Indenture, to be mailed by first-class mail to the City at least 30 days prior to the proposed date of execution and delivery of any Supplemental Indenture.

Effect of Supplemental Indenture.

Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding will thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds.

Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the Authority so determines will, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds. If the Supplemental Indenture will so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, will be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding will be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same series and maturity.

Amendment of Particular Bonds.

The provisions of the Indenture as described under this subheading "– Modification or Amendment of the Indenture" will not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by him.

Defeasance

Discharge of Indenture.

(a) Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

(i) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;

(ii) by depositing with the Trustee, in trust, at or before maturity, Defeasance Obligations in the necessary amount and in accordance with the terms of the Indenture to pay or redeem such Bonds; or

(iii) by delivering to the Trustee, for cancellation by it, such Bonds.

If the Authority will also pay or cause to be paid all other sums payable under the Indenture by the Authority, then and in that case, at the election of the Authority evidenced by a Written Certificate of the Authority (or of the City upon behalf of the Authority), filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any of such Bonds will not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under the Indenture with respect to such Bonds will cease, terminate, become void and be completely discharged and satisfied (except for those provisions surviving by reason of those provisions of the Indenture described under paragraph (c) below in the event that the Bonds are deemed to be paid and discharged pursuant to the provisions of the Indenture described under the subheading "*–Deposit of Money or Securities with Trustee to Defease Bonds*" below). In such event, upon the Written Request of the Authority (or of the City upon behalf of the Authority), the Trustee will execute and deliver to the Authority and City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver to the City all moneys or securities or other Leased Property held by it pursuant to the Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption.

If the Authority will pay or cause to be paid, or there will otherwise be paid, to the Owners of the Outstanding Bonds of a particular Series, or of a particular maturity or particular Bonds within a Series, the Debt Service due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Bonds will cease to be entitled to any lien, pledge, benefit or security under the Indenture, and all covenants, agreements and obligations of the Authority to the Owners of such Bonds will thereupon cease, terminate and become void and be discharged and satisfied (subject to provisions of the Indenture described in paragraph (c) below).

Bonds or interest installments, for the payment or redemption of which moneys will have been set aside and held in trust by the Trustee (through deposit by the City of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof, will be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) under this subheading.

(b) If, in connection with a redemption of all or any part of the Bonds, or in connection with providing for payment of all or any part of the Bonds pursuant to the Indenture as described herein under the subheading "Defeasance", moneys and/or Defeasance Obligations are deposited with the Trustee sufficient to pay Debt Service on all or a portion of the Bonds being defeased in accordance with the provisions of the Indenture described under the subheading "Deposit of Money or Securities with Trustee to Defease Bonds" below to any date after the first date on which such Bonds may be redeemed, the City on behalf of the Authority may expressly reserve and retain the right to subsequently change the date on which any such Bonds are to be redeemed. The City may further reserve and retain the right to restructure the moneys and/or Defeasance Obligations held by the Trustee for payment of such Bonds provided in the Indenture as described in paragraphs (c), (d) or (e) under the subheading "*– Deposit of Money or Securities with Trustee to Defease Bonds*" below, and to apply any of the proceeds, which are available following such restructuring and are not needed to pay Debt Service on the Bonds being defeased, for any lawful purpose.

If the City desires to reserve and retain any such rights, it will so advise the Trustee at the time of the deposits of such funds with the Trustee and the Trustee will include a statement of such reserved and retained rights in the notice given to Owners pursuant to the Indenture.

(c) Notwithstanding the foregoing, any provisions of the Indenture which relate to:

(i) the maturity of Bonds;

(ii) the interest payments and dates thereof;

(iii) the optional and mandatory redemption provisions;

(iv) the credits against any mandatory sinking fund requirements;

(v) the exchange, transfer and registration of Bonds;

(vi) the replacement of mutilated, destroyed, lost or stolen Bonds;

(vii) the safekeeping and cancellation of Bonds;

(viii) the nonpresentment of Bonds;

(ix) the holding of moneys in trust;

(x) the repayments to the Authority from the escrow fund;

(xi) the timely payment of any rebate of arbitrage earnings to the United States and any other provisions which relate to exclusion of interest on the Bonds from gross income for federal income tax purposes; and

(xii) the duties of the Trustee in connection with all of the foregoing and payment of its fees and expenses;

will remain in effect and will be binding upon the Authority, the Trustee and the Owners, notwithstanding the release, discharge and satisfaction of the Indenture. The provisions of the Indenture described under this paragraph (c) will survive the release, discharge and satisfaction of the Indenture.

Deposit of Money or Securities with Trustee to Defease Bonds.

(a) Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Indenture and available for such purposes.

(b) Subject to the provisions of paragraphs (c) and (d) of this subheading, any Outstanding Bonds will, prior to the maturity or redemption date thereof, be deemed to have been paid, within the meaning and with the effect expressed in paragraph (a) under the subheading "– *Discharge of Indenture*" above, if:

(i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City upon behalf of the Authority will have given to the Trustee written instructions, accepted in writing by the Trustee, to mail as provided in the Indenture notice of redemption of such Bonds (other than Bonds which have been purchased or otherwise acquired by the City and delivered to the Trustee as provided in the Indenture prior to the mailing of such notice of redemption);

(ii) there shall have been deposited with the Trustee (or another trust company selected by the City which meets the requirements of the Indenture), in trust for the Owners of such Bonds, either moneys in an amount which will be sufficient, or Defeasance Obligations (including any

Defeasance Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient (without regard to further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, which earnings are to be held likewise in trust and so committed, except as provided in the Indenture) to pay when due the Debt Service due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be;

(iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the City upon behalf of the Authority will have given written instructions to the Trustee in form satisfactory to it to mail a notice to the Owners of such Bonds, within 15 days of the date on which the Bonds are deemed to be paid and discharged, at their address as it appears on the Registration Books on that date on which such Bonds are deemed to be paid and discharged. The notice will: (1) state the numbers of the Bonds deemed to be paid and discharged, or shall state that all Bonds of a particular Series are deemed to be paid and discharged; (2) that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the terms of the Indenture described under this subheading; and (3) state such maturity or redemption date upon which moneys are expected to be available for the payment of the Debt Service on said Bonds (other than Bonds which have been purchased or otherwise acquired by the City and delivered to the Trustee as provided in the Indenture prior to the mailing of the notice of redemption referred to in clause (i) under this subheading);

(iv) the Trustee will have received a report of an independent firm of certified public accountants or a financial consulting firm of recognized standing in the field of municipal bonds to the effect that the amount of principal of and interest when due on the Defeasance Obligations and any money deposited at the same time with the Trustee will be sufficient to pay when due the Debt Service due and to become due on said Bonds prior to and on the redemption or maturity date thereof, as the case may be; and

(v) if the Bonds deemed paid with Defeasance Obligations were issued as obligations the interest on which was excluded from gross income for federal tax purposes, then the City will furnish to the Trustee an opinion of Bond Counsel to the effect that the provisions for paying such Bonds (assuming compliance by the Authority, the City and the Trustee with their duties under the Indenture and any related escrow agreement) will not, by itself, cause such Bonds to lose such exclusion.

Any notice of redemption mailed pursuant to (i) with respect to Bonds which constitute less than all of the Outstanding Bonds of any maturity within a Series will specify the letter and number or other distinguishing mark of each such Bond.

Defeasance Obligations will consist of securities which are not subject to redemption prior to their maturity other than at the option of the holder thereof, or shall consist of securities as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date.

(c) The Trustee shall, if so directed by the City, (i) prior to the maturity date of Bonds that have been deemed to have been paid in accordance with provisions of the Indenture described under this subheading (the "Defeased Bonds") which are not to be redeemed prior to their maturity date or (ii) prior to mailing of the notice of redemption referred to in clause (i) above with respect to any Defeased Bonds which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee for such Defeased Bonds and redeem or sell Defeasance Obligations so deposited with the Trustee and apply the proceeds thereof to the purchase of such Defeased Bonds and the Trustee will immediately thereafter cancel all such Defeased Bonds so purchased; provided, however, that the moneys and Defeasance Obligations remaining on deposit with the Trustee after such purchase and cancellation of such Defeasance Bonds must be determined by the

Trustee to be sufficient to pay when due the Debt Service due or to become due on all remaining unpaid Defeased Bonds, in respect of which such moneys and Defeasance Obligations are being held by the Trustee, on or prior to the redemption date or maturity date thereof, as the case may be.

(d) If, at any time (i) prior to the maturity date of Defeased Bonds which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in clause (i) with respect to any Defeased Bonds which are to be redeemed on any date prior to their maturity, the City will purchase or otherwise acquire any such Defeased Bonds and deliver such Defeased Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee will immediately cancel all such Defeased Bonds so delivered; and such delivery of Defeased Bonds to the Trustee will be accompanied by Written Request from the City to the Trustee as to the manner in which such Defeased Bonds are to be applied against the obligation of the Trustee to pay or redeem Defeased Bonds. Such directions of the City will also specify the portion, if any, of such Defeased Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to pay Defeased Bonds upon their maturity date or dates and the portion, if any, of such Defeased Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to redeem Defeased Bonds on any date or dates prior to their maturity.

(e) If on any date: (i) as a result of any purchases, acquisitions and cancellations of Defeased Bonds as provided in the Indenture as described under this subheading the total amount of moneys and Defeasance Obligations remaining on deposit with the Trustee under the Indenture as described under this subheading is in excess of the total, determined by the Trustee, which would have been required to be deposited with the Trustee on such date in respect of the remaining unpaid Defeased Bonds in order to satisfy paragraph (b)(ii) under this subheading, the Trustee will, if requested by the City in Written Certificate, sell specified Defeasance Obligations and transfer the amount of such excess as directed by the City; or (ii) the City directs the Trustee in Written Certificate to sell and re-invest specified Defeasance Obligations as directed by the City;

then before any such excess is so transferred or any such Defeasance Obligations sold and re-invested, as applicable, the Trustee will have received a report, of an independent firm of certified public accountants or a financial consulting firm of recognized standing in the field of municipal bonds, to the effect that the amount of money and the principal of and interest when due on the Defeasance Obligations remaining on deposit with the Trustee after such transfer or sale or re-investment, as applicable, will be sufficient to pay when due the Debt Service due and to become due on said unpaid Defeased Bonds on or prior to the redemption or maturity date thereof, as the case may be.

(f) Except as otherwise provided under this subheading, neither Defeasance Obligations nor moneys deposited with the Trustee pursuant to this subheading nor principal or interest payments on any such Defeasance Obligations will be withdrawn or used for any purpose other than, and will be held in trust by the Trustee solely for, the payment of the Debt Service on the Defeased Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee (i) to the extent such cash will not be required at any time for such purpose as determined by the Trustee, will be transferred as directed by the City, and (ii) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable and as directed by the City, be reinvested by the Trustee in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the Debt Service due on said remaining unpaid Defeased Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments will be transferred as directed by the City.

Miscellaneous

Liability of Authority Limited to Revenues.

Notwithstanding anything in the Indenture or in the Bonds, the Authority will not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under the

Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Authority may, but will not be required to, advance for any of the purposes of the Indenture any funds of the Authority which may be made available to it for such purposes.

Limitation of Rights to Parties and Bond Owners.

Nothing in the Indenture or in the Bonds expressed or implied is intended or will be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or contained in the Indenture; and all such covenants, conditions and provisions are and will be held to be for the sole and exclusive benefit of the Trustee, the City, the Authority and the Owners of the Bonds.

Unclaimed Funds.

Notwithstanding any provisions of the Indenture, and subject to applicable provisions of State law, any moneys held by the Trustee in trust for the payment of the principal of, premium, if any, or interest on, any Bonds and remaining unclaimed for two (2) years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the City free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the City as aforesaid, the Trustee will (at the written request and cost of the City) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof. Thereafter, the Owner of such Bond will look only to the City for payment and then only to the extent of the amount so returned to the City without any interest thereon, and the Trustee will have no responsibility with respect to such money.

During any period in which the Trustee holds such unclaimed money, the Trustee will not be required to invest such money; nonetheless if the Trustee should invest such money any earnings on such amounts will be remitted to the City as such earnings are realized.

Waiver of Notice; Requirement of Mailed Notice.

Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice will not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in the Indenture any notice will be required to be given by mail, such requirement will be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Evidence of Acts of Owners.

(a) Any request, direction, consent or other instrument provided to be signed and executed by the Owners may be in any number of concurrent writings of similar tenor and may be signed or executed by such Owners in person or by agent appointed in writing. Proof of the execution of any such request, direction or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, will be sufficient for any of the purposes of the Indenture and will be conclusive in favor of the Trustee, Authority and City, with regard to any action taken by them, or either of them, under such request or other instrument, namely:

(i) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(ii) The ownership of Bonds shall be proved by the Registration Books.

Nothing in this subheading will be construed as limiting the Trustee to the proof specified in the Indenture, it being intended that the Trustee may accept any other evidence of the matters stated in the Indenture which it may deem sufficient including, without limitation, an affidavit evidencing beneficial ownership of Bonds while the Bonds are held in book-entry only system.

(b) Any action taken or suffered by the Trustee pursuant to any provision of the Indenture, upon the request or with the assent of any person who at the time is the Owner of any Bond or Bonds, will be conclusive and binding upon all future Owners of the same Bond or Bonds.

(c) Any request, consent, or other instrument or writing of the Owner of any Bond will bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Holidays.

If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, will be a legal holiday or a day on which the Authority, the City, the Trustee or banking institutions in the State are authorized by law or otherwise to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which the Authority, the City, the Trustee or such banking institutions are authorized by law or otherwise to remain closed, with the same force and effect as if done on the nominal date provided in the Indenture, and no interest shall accrue for the period after such nominal date.

Waiver of Personal Liability.

No member, officer, agent or employee of the Authority will be individually or personally liable for the payment of the principal of or interest or premium (if any) on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing contained in the Indenture will relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by the Indenture.

THE FACILITY LEASE

Certain provisions of the Facility Lease are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Facility Lease.

The Leased Property

Lease of the Leased Property.

The Authority leases to the City, and the City rents and hires from the Authority, the Leased Property on the conditions and terms set forth in the Facility Lease. The City agrees and covenants that during the term of the Facility Lease, except as provided in the Facility Lease, it will use the Leased Property for public purposes so as to afford the public the benefits contemplated thereby and so as to permit the Authority to carry out its agreements and covenants contained in the Facility Lease and in the Indenture, and the City further agrees and covenants that during the term of the Facility Lease that it will not abandon or vacate the Leased Property.

Quiet Enjoyment.

The parties to the Facility Lease mutually covenant that the City, so long as it observes and performs the agreements, conditions, covenants and terms required to be observed or performed by it contained in the Facility Lease and is not in default under the Facility Lease, will at all times during the term of the Facility Lease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Right of Entry and Inspection.

The Authority will have the right to enter the Leased Property and inspect the Leased Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations under the Facility Lease and for all other lawful purposes.

Prohibition Against Encumbrance or Sale.

The City and the Authority will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, except Permitted Encumbrances. The City and the Authority will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as otherwise provided in the Facility Lease. Notwithstanding anything to the contrary contained in the Facility Lease, the City may assign, transfer or sublease any and all of the Leased Property or its other rights under the Facility Lease, provided that (i) the rights of any assignee, transferee or sublessee will be subordinate to all rights of the Authority under the Facility Lease; (ii) no such assignment, transfer or sublease will relieve the City of any of its obligations under the Facility Lease; (iii) the assignment, transfer or sublease will not result in a breach of any covenant of the City contained in any section of the Facility Lease; (iv) any such assignment, transfer or sublease will by its terms expressly provide that the fair rental value of the Leased Property for all purposes will be first allocated to the Facility Lease, as the same may be amended from time to time before or after any such assignment, transfer or sublease; and (v) no such assignment, transfer or sublease will confer upon the parties to the Facility Lease (other than the City) any remedy which allows reentry upon the Leased Property.

Liens.

In the event the City will at any time during the term of the Facility Lease cause any improvements to the Leased Property to be constructed or materials to be supplied in or upon or attached to the Leased Property, the City will pay or cause to be paid when due all sums of money that may become due or purporting to be due

for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon, about or relating to the Leased Property and will keep the Leased Property free of any and all liens against the Leased Property or the Authority's interest therein. In the event any such lien attaches to or is filed against the Leased Property or the Authority's interest therein, and the enforcement thereof is not stayed or if so stayed such stay thereafter expires, the City will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due. If any such lien is reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City will forthwith pay and discharge or cause to be paid and discharged such judgment.

Substitution or Removal of Leased Property.

(a) The City and the Authority may amend the Facility Lease to substitute and/or add real property and/or improvements (the "Substituted Property") for the existing Leased Property or to remove real property (including undivided interests therein) or improvements from the definition of Leased Property, upon compliance with all of the conditions set forth in subsection (b). After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected will be released from the leasehold under the Facility Lease.

(b) No Substitution or Removal will take place under the Facility Lease until the City delivers to the Authority and the Trustee the following:

(i) a Certificate of the City containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;

(ii) a Certificate of the City stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of this Facility Lease, is at least equal to the maximum annual Base Rental Payments attributable to the Leased Property following said Substitution or Removal, as determined by the City on the basis of an appraisal of the Leased Property taking into account said Substitution or Removal conducted by a member of the American Institute of Real Estate Appraisers or the American Society of Appraisers designated by the City;

(iii) an Opinion of Counsel to the effect that the amendments to the Facility Lease in connection with such Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the City and the Authority enforceable in accordance with their terms;

(iv) in the event of a Substitution, a policy of title insurance in an amount equal to the value of the Substituted Property such that the total amount of title insurance for the Leased Property following the Substitution is at least equal to the principal amount of the Refunding Bonds then Outstanding, insuring the leasehold estate of the Authority under the Site Lease and the City under the Facility Lease in the Substituted Property (except any portion thereof which is not real property) subject to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Bonds;

(v) in the event of a Substitution, an opinion of the City Attorney of the City to the effect that the exceptions, if any, contained in the title insurance policy referred to in (4) above do not interfere with the beneficial use and occupancy of the Substituted Property described in such policy by the City for the purposes of leasing or using the Substituted Property;

(vi) an Opinion of Counsel that the Substitution or Removal will not, in and of itself, cause the interest on the Bonds to be includable in gross income of the Owners thereof for federal income tax purposes;

(vii) a Certificate of the City stating that the City has complied with the requirements of the Facility Lease pertaining to fire and extended coverage insurance and use and occupancy insurance with respect to the Substituted Property; and

(viii) evidence that the City has delivered to each of the Rating Agencies then rating the Refunding Bonds, if any, copies of the certificates and appraisal described in clauses (i) and (ii) above, and evidence from each of the Rating Agencies, if any, then rating the Refunding Bonds that such Substitution or Removal, in and of itself, will not result in a reduction of its rating on the Refunding Bonds from the rating which then prevails.

Term of the Facility Lease

Commencement of the Facility Lease.

The term of the Facility Lease commenced on February 14, 2002, and will end on the Expiry Date, unless the Expiry Date is extended or is sooner terminated as provided under the Facility Lease. If on the Expiry Date, the stated rental payable under the Facility Lease will not be fully paid and all Refunding Bonds will not be fully paid and defeased, or if the rental payable under the Facility Lease will have been abated at any time or for any reason, then the term of the Facility Lease will be extended until the first Business Day following the day the rental payable under the Facility Lease will be fully paid and all Refunding Bonds will be fully paid and defeased, except that the term of the Facility Lease will in no event be extended beyond October 14, 2041. If prior to the Expiry Date, the rental payable under the Facility Lease will be fully paid and all Refunding Bonds will have been fully paid or defeased in accordance with the Indenture, the term of the Facility Lease will end the first Business Day thereafter or ten (10) days after written notice by the City to the Authority to the effect that the rental payable under the Facility Lease will be fully paid and all Refunding Bonds have been fully paid, whichever is earlier, and the Facility Lease will thereupon terminate.

Use of Proceeds; Tax Covenants; Continuing Disclosure

Use of Proceeds.

The parties to the Facility Lease agree that the proceeds of the Refunding Bonds will be used to pay the costs of issuance of the Refunding Bonds and the remainder will be deposited with the Escrow Agent pursuant to the Escrow Agreement for the redemption of the Series 2007A Bonds in accordance with the Indenture.

Tax Covenants.

The City will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Refunding Bonds pursuant to Section 103 of the Code and specifically the City will not directly or indirectly use or make any use of the proceeds of the Refunding Bonds or any other funds of the City or take or omit to take any action that would cause the Refunding Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code, as applicable. The City, with respect to the proceeds of the Refunding Bonds and such other funds, will comply with all requirements of such sections of the Code to the extent that such requirements are, at the time, applicable and in effect; provided, however, that if the City obtains an Opinion of Counsel to the effect that any action required under the Facility Lease is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on

the Refunding Bonds pursuant to Section 103 of the Code, as applicable, the City may rely conclusively on such opinion in complying with the provisions of the Facility Lease. In the event that at any time the City is of the opinion that for purposes of the Facility Lease it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture or otherwise the City will so instruct the Trustee in writing, and the Trustee will take such action as may be necessary in accordance with such instructions.

Rental Payments

Rental Payments.

The City agrees to pay to the Authority, its successors or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Leased Property, the following amounts at the following times:

Base Rental. The City will pay to the Authority Base Rental Payments with respect to the Leased Property at the times and in the amounts set forth in the Base Rental Payment Schedule attached to the Facility Lease as Exhibit B and incorporated therein. The City will deposit with the Authority not later than the third Business Day preceding each October 15, the Base Rental Payment due on such October 15, and the same will be held by the Authority as security for the Base Rental Payments due on such dates.

Additional Rental. The City will also pay, as rental under the Facility Lease in addition to the Base Rental Payments, to the Authority or the Trustee, as hereinafter provided, such amounts in each year as will be required for the payment of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Facility Lease or the assignment of the Facility Lease pursuant to the Indenture, the Indenture or the respective interests in the Leased Property and the lease of the Leased Property by the Authority to the City under the Facility Lease, including but not limited to all fees, costs and expenses and all administrative costs of the Authority relating to the Leased Property including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee (to the extent not paid or otherwise provided for out of the proceeds of the sale of the Bonds), fees of auditors, accountants, attorneys or engineers, insurance premiums, rebate amounts payable to the United States pursuant to the Tax Certificate, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or the Indenture.

(i) The foregoing Additional Rental will be billed to the City by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority, the Trustee or the Trustee on behalf of the Authority for one or more of the items above described, or that such amount is then so payable for such items. Amounts so billed will be paid by the City not later than the latest time as such amounts may be paid without penalty or, if no penalty is associated with a late payment of such amounts, within 30 days after receipt of a bill by the City for such amounts.

(ii) The Authority may issue bonds and may enter into leases to finance facilities other than the Leased Property. The administrative costs of the Authority will be allocated among said facilities and the Leased Property, as hereinafter in this paragraph provided. Any taxes levied against the Authority with respect to the Leased Property, the fees of the Trustee, and any other expenses directly attributable to the Leased Property will be included in the Additional Rental payable under the Facility Lease. Any taxes levied against the Authority with respect to real property other than the Leased Property, the fees of any trustee or paying agent under any resolution securing bonds of the Authority or any trust agreement or indenture other than the Indenture, and any other expenses directly attributable to any facilities other than the Leased Property will not be included in the administrative costs of the Leased Property and will not be paid from the Additional Rental payable under the Facility Lease. Any expenses of the Authority not directly attributable to any particular project of the Authority will be equitably allocated among all such projects, including the Leased Property, in accordance with sound accounting practice. In the event of any question or dispute as to such allocation, the written opinion of an independent firm of certified public accountants, employed by the

Authority to consider the question and render an opinion thereon, will be final and conclusive determination as to such allocation. The Trustee may conclusively rely upon a Certificate of the Authority in making any determination that costs are payable as Additional Rental under the Facility Lease, and will not be required to make any investigation as to whether or not the items so requested to be paid are expenses of operation of the Leased Property.

Consideration. Payments of Base Rental Payments and Additional Rental for each Lease Year or portion thereof during the term of the Facility Lease will constitute the total rental for such Lease Year or portion thereof and will be paid or payable by the City for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property. On the Closing Date, the City will deliver a Certificate to the Authority and the Trustee which will set forth the minimum annual fair rental value of the Leased Property. The parties to the Facility Lease have agreed and determined that the annual fair rental value of the Leased Property is not less than the maximum Base Rental Payments payable under the Facility Lease in any year. In making such determinations of annual fair rental value, consideration has been given to a variety of factors including the costs of the improvements located on the Leased Property, the replacement costs of such improvements, other obligations of the parties under the Facility Lease, the uses and purposes which may be served by the improvements on the Leased Property and the benefits therefrom which will accrue to the City and the general public.

The parties acknowledge under the Facility Lease that the parties may amend the Facility Lease from time to time to increase the Base Rental Payments payable under the Facility Lease so that Additional Bonds may be issued pursuant to provisions of the Lease and the Indenture. The proceeds of such Additional Bonds will be used as provided in the Indenture. Notwithstanding anything to the contrary contained in the Facility Lease, the Facility Lease may not be amended in a manner such that the sum of Base Rental Payments, including Base Rental Payments payable pursuant to such amendment, and Additional Rental with respect to Outstanding Refunding Bonds and Additional Bonds in any year is in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the City under the Facility Lease after giving effect to the application of proceeds of any Additional Bonds issued in connection therewith.

Application of Rental Payments.

All rental payments received will be applied first to the Base Rental Payments due under the Facility Lease (including any prepayment premium components) and thereafter to all Additional Rental due under the Facility Lease, but no such application of any payments which are less than the total rental due and owing will be deemed a waiver of any default under the Facility Lease.

Rental Abatement.

(a) Except to the extent of (i) amounts held by the Trustee in the Interest Account or Principal Account of the Revenue Fund, (ii) amounts received in respect of use and occupancy insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Refunding Bonds, during any period in which, by reason of material damage, destruction, title defect or condemnation there is substantial interference with the use and possession by the City of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property will be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Rental, in which case rental payments will be abated only by an amount equal to the difference. In the event the City will assign, transfer or sublease any or all of the Leased Property or other rights under the Facility Lease, for purposes of determining the annual fair rental value available to pay Base Rental Payments and Additional Rental, annual fair rental value of the Leased Property will first be allocated to the Facility Lease.

Any abatement of rental payments pursuant to the Facility Lease as described under this subheading will not be considered an Event of Default as defined in the Facility Lease, but will result in the extension of

the Expiry Date by a period equal to the period of abatement for which Base Rental Payment has not been paid in full (but in no event later than October 14, 2041), and Base Rental Payment for such extension period will be equal to the unpaid Base Rental Payments during the period of abatement but without interest thereon. The City waives the benefits of California Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Facility Lease by virtue of any such interference and the Facility Lease will continue in full force and effect.

(b) In the event that rental is abated, in whole or in part, pursuant to the Facility Lease as described under this subheading due to damage, destruction, title defect or condemnation of any part of the Leased Property and the City is unable to repair, replace or rebuild the Leased Property from the Net Proceeds, if any, the City agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Prepayment of Base Rental Payments.

(a) The Authority grants an option to the City to prepay, from Net Proceeds received by it pursuant to the Facility Lease, all or any portion of the components of Base Rental Payments relating to any portion of the Leased Property then unpaid on any date, in whole or in part, so that the aggregate annual amounts of Base Rental Payments which will be payable after such prepayment date will as nearly as possible increase or decrease to no greater extent from year to year than did annual Base Rental Payments before giving effect to such prepayment of Base Rental Payments, with respect to the portion of the Leased Property so prepaid.

(b) The City may prepay, from any source of available moneys and in accordance with the provisions of the Indenture, all or any part (in an integral multiple of an Authorized Denomination) of the Base Rental Payments then unpaid so that the aggregate annual amounts of Base Rental Payments under the Facility Lease which will be payable after such prepayment date will (i) as nearly as possible increase or decrease to no greater extent from year to year than did annual Base Rental Payments before giving effect to such prepayment of Base Rental Payments, or (ii) not exceed in any year the fair rental value of the Leased Property for such year, at a prepayment amount equal to the principal component prepaid plus accrued interest thereon to the date of prepayment plus any applicable premium.

(c) Before making any prepayment pursuant to the Facility Lease as described under this subheading, at least 45 days before the prepayment date the City shall give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be made, which date shall be not less than 30 nor more than 60 days from the date such written notice is given to the Authority and the Trustee.

Obligation to Make Rental Payments.

The agreements and covenants on the part of the City contained in the Facility Lease will be deemed to be and will be construed to be ministerial duties imposed by law and it will be the duty of each and every public official of the City to take such action and do such things as are required by law and by the City Charter in the performance of the official duty of such officials to enable the City to carry out and perform the agreements and covenants contained in the Facility Lease agreed to be carried out and performed by the City.

THE OBLIGATION OF THE CITY OF SAN DIEGO TO MAKE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE REFUNDING BONDS NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE COUNTY OF SAN DIEGO, THE STATE OF CALIFORNIA OR ANY POLITICAL

SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Additional Bonds.

In addition to the Refunding Bonds to be issued under the Indenture the Authority may, from time to time, but only upon satisfaction of the conditions to the issuance of Additional Bonds set forth in the Indenture, enter into a Supplemental Indenture to execute and deliver Additional Bonds on a parity with the Refunding Bonds and any previously issued Additional Bonds (unless otherwise provided in the related Supplemental Indenture), the proceeds of which may be used as provided in the Indenture and as provided in the Supplemental Indenture; provided that prior to or concurrently with the issuance of the Additional Bonds, the City and the Authority will have entered into an amendment to the Facility Lease providing for an increase in the Base Rental Payments to be made under the Facility Lease subject to the limitations set forth in the Facility Lease pertaining to fair rental value.

Insurance and other Charges

Insurance.

(a) The City will procure or cause to be procured and maintain or cause to be maintained throughout the term of the Facility Lease for the Leased Property insurance against the following risks in the following respective amounts:

(i) Insurance against loss or damage to the Leased Property caused by fire and lightning but exclusive of earthquake, with an extended coverage endorsement covering the risk of vandalism and malicious mischief, sprinkler system leakage and boiler loss. The insurance described in this paragraph (i) will be in an amount equal to the lesser of (A) replacement cost (without deduction for depreciation) of improvements located or to be located on the Leased Property; or (B) the remaining unpaid principal amount of Bonds Outstanding plus the amount of use and occupancy coverage described in paragraph (ii) below, except that such insurance may be subject to deductible clauses of not to exceed the first one hundred thousand dollars ($100,000) of the amount of any one loss. Insurance described in this paragraph (i) and in paragraph (ii) below may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property insured by the City; provided that the amount of coverage available thereunder will be at least equal to the cumulative replacement values of the Leased Property and any other such property which is the subject of a lease, installment purchase or other financing arrangement ("Financed Property") for which bonds, certificates of participation or other obligations will have been issued ("Obligations") plus the amount of use and occupancy coverage required by paragraph (ii) below; in the event the City elects to obtain insurance for the Leased Property and one or more additional parcels of real property and the amount of the insurance proceeds available to pay all claims thereunder is not sufficient to cover the replacement values of all such properties, then any such proceeds will be used first to rebuild or repair the Leased Property and all Financed Properties or to repay all Obligations and the Refunding Bonds.

(ii) Use and occupancy insurance against loss, total or partial, of the use and occupancy of the Ballpark as a result of any of the hazards covered by the insurance required by paragraph (i) above, in an amount sufficient to pay the Base Rental Payments attributable to the Leased Property at the maximum annual debt service for any ensuing twenty-four month period; provided, that the amount of such insurance need not exceed the total remaining Base Rental Payments; provided further, that such insurance may be part of a policy permitted under paragraph (i) above, which policy may provide that insurance proceeds paid for coverages contemplated by paragraph (i) above may reduce amounts payable under coverage required by this paragraph (ii), and vice-versa; the City may obtain use and occupancy insurance covering the Ballpark as well as other parcels of property owned by the City, provided that the cumulative amount thereof is at least equal to the cumulative amount of use and occupancy insurance required by this paragraph (ii) and any agreements relating to Financed Property in respect of which Obligations are outstanding.

(b) The City will adjust all moneys which may become due and payable under any policies contemplated by paragraphs (i) and (ii) above, may compromise any and all claims thereunder and will cause the deposit of the Net Proceeds with the Trustee for application as provided in the Facility Lease or in the Indenture. The Trustee will not be responsible for the sufficiency of any insurance required under the Facility Lease. The Trustee will be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the City.

(c) Any insurance policy issued pursuant to paragraph (a)(i) above will be so written or endorsed as to make losses, if any, payable to the City, the Authority, the Padres and the Trustee as their respective interests may appear and the Net Proceeds of the insurance required by paragraph (a)(i) above will be applied as provided in the Facility Lease. The net proceeds, if any, of the insurance policy described in paragraph (a)(i) above will, to the extent that such proceeds are paid on account of loss or damage to the Leased Property, be payable to the Trustee and deposited in the Insurance Proceeds and Condemnation Awards Fund and applied as described in the Indenture. The net proceeds, if any, of the insurance policy described in paragraph (a)(ii) above will, to the extent that such proceeds relate to the use and occupancy of the Leased Property, be payable to the Trustee and deposited in the Revenue Fund. Each insurance policy provided for in the Facility Lease will contain a provision to the effect that the insurance company will not cancel the policy or modify it materially and adversely to the interests of the Authority and the Trustee without first giving written notice thereof to the Authority and the Trustee at least 60 days in advance of such intended cancellation or modification. If the insurance carrier cannot include this notice provision, the policy shall require the insurance company to so notify the Padres who will notify the Authority and the Trustee.

(d) The City will file a certificate with the Authority and the Trustee no later than May 1 each year, commencing with May 1, 2016, certifying that the insurance required by the Facility Lease is in full force and effect and that the Trustee and the Authority are named as loss payees on each insurance policy which the Facility Lease requires to be so endorsed.

Advances.

In the event the City fails to maintain the full insurance coverage required by the Facility Lease or fails to keep the Leased Property in good repair and operating condition, the Authority may (but will be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Authority will become Additional Rental, which amounts the City agrees to pay within 30 days of a written request therefor, together with interest thereon at the maximum rate allowed by law.

Title Insurance.

The City covenants and agrees to deliver or cause to be delivered to the Trustee on the Closing Date a CLTA leasehold policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount equal to the principal amount represented by the Refunding Bonds. Such policy or policies, when issued, will name the Trustee as the insured and will insure the leasehold estate of the Authority under the Site Lease and the City under the Facility Lease in the Leased Property subject only to such exceptions as do not materially affect the City's right to the use and occupancy of the Leased Property.

Damage, Destruction, Title Defect and Condemnation

Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds.

(a) If prior to the termination of the term of the Facility Lease (i) the Leased Property or any improvements in or on the Leased Property are damaged (each of which is hereinafter called "Damaged Improvements") by a peril covered by a policy of insurance described under "SECURITY AND SOURCES

OF PAYMENT FOR THE SERIES 2016 BONDS – Fire and Extended Coverage Insurance" in the front part of this Official Statement (an "Insured Peril"); or (ii) title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the City or the Authority in the Leased Property or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the City and the Authority will cause the Net Proceeds of any insurance claim (other than rental interruption insurance as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS – Use and Occupancy Insurance" which will be directly transferred to the Trustee for deposit in the Revenue Fund pursuant to the Facility Lease) or condemnation award to be transferred to the Trustee for deposit in the Insurance Proceeds and Condemnation Awards Fund established pursuant to the Indenture and applied as follows:

(i) *Net Proceeds Exceeding Costs.* Within 120 days of the date of said Insured Peril, the City will obtain a written estimate(s) of the (i) cost of the repair, replacement and reconstruction of the Damaged Improvements (collectively referred to herein as the "Reconstruction"); and (ii) Net Proceeds available to pay such costs. Copies of such estimate(s) will be made available to the Trustee at the Trustee's request. If the 120 day period is insufficient to obtain said estimates, the period will be reasonably extended by the Mayor or Chief Financial Officer of the City. If the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property) exceed the estimated costs of Reconstruction, the Damaged Improvements will be repaired, replaced and reconstructed to the same or better quality as existed before the damage occurred. The City will commence and manage the Reconstruction and will complete the Reconstruction as soon as reasonably possible after the occurrence of such damage. Any balance of Net Proceeds remaining after the Reconstruction has been completed will be transferred to the Trustee with directions to apply the proceeds to the Redemption Fund established under the Indenture to redeem Outstanding Bonds in the manner provided by the Indenture as described under "THE SERIES 2016 BONDS – Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement.

(ii) *Costs Exceeding Net Proceeds.* If the estimated costs of Reconstruction exceed the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property), the City, in its sole discretion, may elect to budget and appropriate to the Reconstruction the amount of such excess, whether the same is greater or less than the estimated excess, and to manage the Reconstruction as set forth in paragraph (a)(v) under this subheading. The City will exercise this election by written notice thereof delivered to the Trustee within 30 days after the City obtains said written estimate(s).

(iii) *Net Proceeds Sufficient to Redeem All Bonds.* If the City does not exercise the election to reconstruct pursuant to paragraph (a)(ii) above and Net Proceeds are at least sufficient to redeem all Outstanding Bonds pursuant to the Indenture as described under "THE SERIES 2016 BONDS – Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement, such Net Proceeds will be transferred to the Trustee with directions to apply the proceeds to the Redemption Fund established under the Indenture to redeem all Outstanding Bonds in the manner provided by the Indenture as described under "THE SERIES 2016 BONDS – Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement. If the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property) exceed the amount necessary to redeem all Outstanding Bonds, the City will be entitled to the amount of proceeds remaining after redemption of all Outstanding Bonds ("Excess Proceeds") and such Excess Proceeds will be transferred to the City to use for any lawful purpose.

(iv) *Net Proceeds Insufficient to Redeem All Bonds.* If the City does not exercise the election to reconstruct pursuant to paragraph (a)(ii) above and Net Proceeds are insufficient to redeem all Outstanding Bonds pursuant to the Indenture as described under "THE SERIES 2016 BONDS –

Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement, the City, in its sole discretion, may elect to budget and appropriate funds to cause the redemption of the remaining Outstanding Bonds and the Net Proceeds, together with such funds, will be transferred to the Trustee with directions to apply the proceeds to the Redemption Fund established under the Indenture to redeem all Outstanding Bonds in the manner provided by the Indenture described under "THE SERIES 2016 BONDS – Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement; provided, that if the City elects not to appropriate funds for the redemption of the remaining Outstanding Bonds, the City will apply Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property) to the Reconstruction. If the City, in its sole discretion, elects to budget or appropriate funds for the redemption of the remaining Outstanding Bonds, the City will transfer such funds to the Trustee for deposit in the Redemption Fund established pursuant to the Indenture.

(v) *Management of Reconstruction.* If the Leased Property or any part thereof becomes Damaged Improvements, the City will promptly cause, manage and supervise the Reconstruction. Nothing described under this subheading will be construed to preclude the City and the Padres from cooperating in the Reconstruction of any of the Damaged Improvements, including executing a joint contract for the Reconstruction under which the Padres may act as the agent for the City, subject to revocation if the Padres do not diligently pursue the Reconstruction.

(b) The proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property will be applied in accordance with the Indenture as described under "THE INDENTURE – Revenues; Funds and Accounts; Payment of Principal and Interest – *Insurance and Condemnation Fund; Title Insurance – Application of Insurance Proceeds*" above.

Disclaimer of Warranties; Use of the Leased Property

Disclaimer of Warranties.

THE AUTHORITY MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE CITY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE CITY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY. In no event will the Authority or its assigns be liable for any incidental, indirect, special, punitive or consequential damage in connection with or arising out of the Facility Lease or the existence, furnishing, functioning or the City's use of the Leased Property as provided by the Facility Lease.

Use of the Leased Property.

The City will not use, operate or maintain the Leased Property in violation of any applicable law or in a manner contrary to that contemplated by the Facility Lease. The City will provide all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the City agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Leased Property) with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; provided, that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the City adversely affect the estate of the Authority in and to the Leased Property or its interest or rights under the Facility Lease.

Assignment and Indemnification

Assignment by Authority.

The parties understand that certain of the rights of the Authority under the Facility Lease will be assigned to the Trustee pursuant to the Indenture and accordingly the City agrees to make all payments due under the Facility Lease to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of the Facility Lease or otherwise) that the City may from time to time have against the Authority. The City agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Authority or the Trustee to protect their interests in the Leased Property during the term of the Facility Lease.

Assignment by City.

The Facility Lease and the interest of the City in the Leased Property may not be assigned or encumbered by the City except as permitted by the Facility Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS – Repair and Maintenance; Taxes and Assessments; Insurance; Modification of the Leased Property" in the front part of this Official Statement.

Indemnification.

The City will, to the full extent permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and the Trustee and their respective directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses as incurred, penalties and interest (collectively, a "Claim"), arising out of or as the result of entering into the Financing Documents, and the acquisition, construction, reconstruction, operation, use, condition, or possession of the Leased Property and any portion thereof, including:

(a) any accident in connection with the operation, use, condition or possession of the Leased Property and any portion thereof, resulting in damage to property or injury to or death to any person including, without limitation, any Claim alleging latent and other defects, whether or not discoverable by the City or the Authority;

(b) patent, trademark or copyright infringement as a consequence of the operation of the Leased Property and any portion thereof;

(c) strict liability in tort as a consequence of the operation of the Leased Property and any portion thereof;

(d) any environmental law or regulation as a consequence of the operation of the Leased Property;

(e) delivery, storage or release of hazardous materials at the Leased Property or any part thereof, or the contamination of property arising therefrom; and

(f) the Trustee's acceptance or administration of the trusts imposed by the Indenture, including performance of the Trustee's duties, to the extent provided in the Facility Lease;

except that the City will not indemnify or be obligated to indemnify for a Claim arising out of or relating to any act or omission of the Padres arising from the operation of the Ballpark.

Default

Default.

(a) The following events will be "Events of Default" under the Facility Lease and the terms "Event of Default" and "Default" shall mean, whenever they are used in the Facility Lease, any one or more of the following events:

(i) the City will fail to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is required pursuant to the Facility Lease, provided, that the failure to deposit any Base Rental Payments abated pursuant to the Facility Lease will not constitute an Event of Default;

(ii) subject to the provisions described in paragraph (c) below, the City fails to pay any item of Additional Rental when the same becomes due and payable pursuant to the Facility Lease; or

(iii) the City will breach any other terms, covenants or conditions contained in the Facility Lease or in the Indenture, and shall fail to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the Authority to the City; provided, however, that if the failure stated in the notice cannot be corrected within such period, then the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within such period and is diligently pursued until the default is corrected.

(b) Upon the happening of any Event of Default, the Authority or its assignee, subject to the terms of the Facility Lease, may exercise only those remedies granted to it under the Facility Lease and no other. Such remedies will consist solely and exclusively of commencing an action to recover any amount of unpaid amounts of Base Rental Payments then due and owing under the Facility Lease or to seek by writ of mandate (1) the performance by the City of any action which the City failed to take which resulted in an Event of Default, or (2) the prevention of action by the City the occurrence of which resulted in an Event of Default; **PROVIDED, HOWEVER, THE AUTHORITY WILL NOT HAVE ANY RIGHTS OF RE-ENTRY UPON OR RECOVERY OF POSSESSION OF THE LEASED PROPERTY, AND THE AUTHORITY, FOR ITSELF AND ASSIGNS WAIVES ANY AND ALL SUCH RIGHTS OF RE-ENTRY AND RECOVERY AND AGREES TO KEEP THE LEASE IN FULL FORCE AND EFFECT NOTWITHSTANDING THE OCCURRENCE OF AN EVENT OF DEFAULT OR AN EVENT WHICH WITH THE PASSAGE OF TIME OR THE GIVING OF NOTICE OR BOTH COULD BECOME AN EVENT OF DEFAULT.**

(c) The Authority expressly waives the right to receive any amount from the City pursuant to Section 1951.2(a)(3) of the California Civil Code.

(d) In addition to any default resulting from breach by the City of any agreement, condition, covenant or term of the Facility Lease, if (i) the City's interest under the Facility Lease or any part thereof be assigned, sublet or transferred without the written consent of the Authority (except as otherwise permitted by the Facility Lease), either voluntarily or by operation of law; or (ii) the City or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the City will make a general or any assignment for the benefit of its creditors; or (iii) the City will

abandon or vacate the Leased Property or any portion thereof (except as permitted by the Facility Lease); then in each and every such case an Event of Default will be deemed to have occurred under the Facility Lease.

(e) The City and Authority and its successors and assigns will honor the exclusive rights of the City under the Facility Lease to use the Leased Property.

Miscellaneous

Net Lease.

The Facility Lease is a triple net lease. It is the purpose and intent of the Authority and the City that lease payments under the Facility Lease will be absolutely net to the Authority so that the Facility Lease will yield to the Authority the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the City except as specifically otherwise provided in the Facility Lease. The Authority will not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability under the Facility Lease except as expressly set forth in the Facility Lease, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Leased Property which may arise or become due during the term of the Facility Lease will be paid by the City.

Amendments to Facility Lease.

(a) The Facility Lease may be amended in writing as may be mutually agreed by the Authority and the City, subject to the written approval of the Trustee; provided, however, that no such amendment which materially adversely affects the rights of the Owners will be effective unless it will have been consented to by the Owners of more than 50% in principal amount of the Bonds Outstanding, and provided further, that no such amendment will (i) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment, without the prior written consent of the Owner of each Bond so affected; or (ii) reduce the percentage of the value of the Bonds Outstanding the consent of the Owners of which is required for the execution of any amendment of the Facility Lease.

(b) The Facility Lease and the rights and obligations of the Authority and the City under the Facility Lease may also be amended or supplemented at any time by an amendment of the Facility Lease or supplement to the Facility Lease which will become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed in the Facility Lease and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the City, or to surrender any right or power reserved in the Facility Lease to or conferred in the Facility Lease on the Authority or the City, and which in either case will not materially adversely affect the interests of the Owners;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Facility Lease or in regard to questions arising under the Facility Lease which the Authority or the City may deem desirable or necessary and not inconsistent with the Facility Lease, and which will not materially adversely affect the interests of the Owners;

(iii) to effect a Substitution or Removal in accordance with the Facility Lease;

(iv) to facilitate the issuance of Additional Bonds in accordance with the Facility Lease; or

(v) to make any other addition, amendment or deletion which does not materially adversely affect the interests of the Owners.

Discharge of City.

Upon the payment to the Owners of all Outstanding Bonds in accordance with the provisions of the Indenture described herein under the subheading "THE INDENTURE – Defeasance," all of the obligations of the City under the Facility Lease will thereupon cease, terminate and become void and will be discharged and satisfied.

THE SITE LEASE

Certain provisions of the Site Lease are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Site Lease.

Lease of the Leased Property

The City leases to the Authority and the Authority rents and hires from the City, on the terms and conditions set forth in the Site Lease, the Leased Property.

Term

The term of the Site Lease commenced on February 14, 2002 and will end on the Expiry Date, unless such term is sooner terminated as provided in the Facility Lease. If prior to the Expiry Date, all rental payable under the Facility Lease will have been paid, or provision therefor has been made in accordance with the Indenture, the term of the Site Lease will end the first Business Day thereafter or ten (10) days after written notice by the Authority to the City in accordance with the Site Lease to the effect that the rental payable under the Facility Lease is fully paid and all Refunding Bonds have been fully paid, whichever is earlier. The term of the Site Lease will not be extended beyond the Expiry Date except as otherwise provided in the Facility Lease.

Rent

The Authority will pay to the City an advance rent of $1.00 as full consideration for the Site Lease over its term. The Authority waives any right that it may have under the laws of the State of California to receive a rebate of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Authority of the Leased Property or portion thereof as a result of material damage, destruction or condemnation.

Purpose

The Authority will use the Leased Property solely for the purpose of subleasing the same to the City and the City leases the Leased Property to the Authority expressly on said condition; provided, however, that in the event of default by the City under the Facility Lease, the Authority may exercise the remedies provided in the Facility Lease.

Owner in Fee

The City covenants that it has the right to lease the Leased Property under the Site Lease free and clear of all liens, claims or encumbrances which affect marketability.

Assignments and Subleases

The Authority may not, without the prior written consent of the City, assign its rights under the Site Lease or sublet the Leased Property, except as contemplated by the Facility Lease and as security for the Series 2016 Bonds and any Additional Bonds.

Right of Entry

The City reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Termination

The Authority agrees, upon the termination of the Site Lease, to quit and surrender the Leased Property in the same good order and condition as the same was in at the time of commencement of the term of the Site Lease, reasonable wear and tear excepted, and agrees that any additions, improvements or alterations to the Leased Property at the time of the termination of the Site Lease will remain thereon and title thereto will vest in the City.

Default

In the event the Authority will be in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, which default continues for thirty (30) days following notice and demand for correction thereof to the Authority, the City may exercise any and all remedies granted by law, except that no merger of the Site Lease and the Facility Lease will be deemed to occur as a result thereof; provided, prior to the Expiry Date, the City will have no power to terminate the Site Lease by reason of any default on the part of the Authority, if such termination would affect or impair any assignment of the Facility Lease then in effect between the Authority and the Trustee.

Quiet Enjoyment

The Authority at all times during the term of the Site Lease will peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the City.

Waiver of Personal Liability

All liabilities under the Site Lease on the part of the Authority will be solely corporate liabilities of the Authority, and the City releases each and every director, officer and employee of the Authority of and from any personal or individual liability under the Site Lease. No director, officer or employee of the Authority will at any time or under any circumstances be individually or personally liable under the Site Lease for anything done or omitted to be done by the Authority under the Site Lease.

Eminent Domain

In the event the whole or any portion of the Leased Property is taken by eminent domain proceedings, any interests of the Authority will be recognized in accordance with the provisions of the Facility Lease described under the subheading "- Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds."

Amendments

The Site Lease may be amended for the purpose of effecting a Substitution or Removal, as further described in the Facility Lease.

THE JOINT USE AND MANAGEMENT AGREEMENT

Certain provisions of the Joint Use and Management Agreement are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Joint Use and Management Agreement

The Joint Use and Management Agreement governs the day-to-day use and occupancy of the Ballpark Facility, outlines obligations of the parties regarding scheduling of events, revenue sharing for such events, obligations to pay expenses of operating the Ballpark Facility, defines rights of access and promotion related to the Ballpark Facility, and the cleaning, maintenance, and capital repair of the Ballpark Facility. The City Council adopted Resolution Number R-292706 on February 1, 2000, authorizing the execution of the Joint Use and Management Agreement. On May 21, 2012, the City and the Padres entered into Amendment No. 1 to Joint Use and Management Agreement ("Amendment No. 1").

The Joint Use and Management Agreement sets forth the clear priority of the terms, covenants, and provisions of the Site Lease, the Ballpark Facility Lease, the Indenture, and the MOU.

Term and Rent

The term of the Joint Use and Management Agreement shall expire on the earlier of:

(i) the date the agreement is terminated in accordance with its terms or is otherwise terminated by written agreement of the City and the Padres, or upon termination prior to the Commencement Date of the obligations of the parties under the MOU in accordance with the terms of the MOU or by agreement of the parties to the MOU; or

(ii) the date that is the later of twenty-two years after the Commencement Date or the earlier of the expiration date of the initial City Financing (including refinancing) or thirty years after the Commencement Date.

The Padres have the option to extend the agreement for two five-year terms by delivering a written notice of intent to renew at least 365 days prior to the end of that term. The Padres are obligated to pay rent to the City in recognition for the rights granted to it by the City. Annual rent is now $632,992 subject to adjustment after each five-year interval in an amount equal to the percentage increase, if any, in the CPI for that five-year interval. The rent is payable semi-annually. In addition, the net incremental revenue or net incremental loss for events other than baseball games held at the Ballpark is allocated 70% to the Padres and 30% to the City. Under Amendment No. 1, the Padres have agreed to pay the City a minimum of $300,000 in net incremental revenue each fiscal year.

Use and Occupancy

The Padres shall be entitled to use the Ballpark Facility for such events and activities as may be permitted by law, including:

(i) up to 125 days during each calendar year included in the term for Padres Games and Events;

(ii) the year-round operation, maintenance and repair of the Ballpark Facility;

(iii) the installation and construction of Improvements;

(iv) the occupancy and operation of the Padres Offices for general office and administrative purposes;

(v) the sale of food and alcoholic and non-alcoholic beverages, souvenirs and other items normally considered "concessions";

(vi) the promotion, marketing, and licensing of Private Suites;

(vii) the sale of advertising; and

(viii) any and all other activities which, from time to time during the term, are associated with, are customarily conducted in connection with, or are related to, the conduct of the business of a Major League Baseball team.

The City shall be entitled to use the Ballpark Facility for such events and activities as may be permitted by law, including:

(i) up to 240 days during each calendar year included in the term for City Events;

(ii) the installation and construction of Improvements to the City Exclusive Use Areas at reasonable times and after reasonable notice to the Padres as manager of the Ballpark Facility; and

(iii) the occupancy and operation of the City Exclusive Use Areas for their intended purposes.

Scheduling and Accounting

The City and the Padres agree to recognize and in good faith, attempt to accommodate the legitimate interests of the other with respect to the scheduling of Events at the Ballpark Facility. The Padres will establish and maintain the master calendar for Events at the Ballpark Facility and an accounting system that tracks separate and joint expenses and revenues. The agreement sets out the scheduling priorities and the respective allocation of revenues for the different events.

Management, Maintenance, Repair and Improvements

The Padres are responsible for all Ballpark Facility management. Upon notice from the City to the Padres of two (2) alleged defaults of the Padres' performance of material Ballpark Facility management obligations and failure of the Padres to cure the alleged defaults, the parties shall enter binding arbitration to determine their respective rights. If the arbitration decision rendered determines that the Padres did fail to timely perform the Padres' material Ballpark Facility management obligations and failed to cure such defaults, then the City can terminate the Ballpark Facility management responsibilities of the Padres and select a nationally recognized management company to manage the Ballpark Facility. Any such termination of Ballpark Facility management responsibilities will not have any effect on the Padres' tenancy, rent and other rights and obligations.

The Padres will also be responsible for performing the day-to-day landscaping and maintenance of the playing field and other portions of the Ballpark Facility. Furthermore, the Padres will provide regular cleaning and trash removal services, utilities, supervising personnel, crowd control and management services, emergency medical assistance, security guards and night watchmen, all necessary emergency maintenance and repairs and improvements which directly affect the public's safety. The City will be responsible for traffic and public safety personnel, and other customary City operations.

Ownership and Operating Expenses

The Padres will provide and bear all costs of acquisition of all Padres Property and all taxes relating the property. Upon the expiration of the term of the agreement or any earlier termination of the agreement, all

Padres Property will be automatically transferred to the City, without further consideration, free and clear of all liens and obligations.

Joint Ballpark ownership expenses include the following costs associated with the maintenance, repair, operation, use and ownership of the Ballpark Facility:

(i) wages, salaries, and benefits of all year-round event staff, year-round maintenance, repair, operations and security staff, together with taxes and insurance related thereto;

(ii) the cost of all supplies and materials used by the Padres in the routine maintenance, repair and operation of the Ballpark Facility;

(iii) the cost of all utilities for the Ballpark Facility;

(iv) the costs of all routine maintenance, repair, and upkeep for the Ballpark Facility;

(v) the assessments imposed upon the owner of the underlying Ballpark Facility;

(vi) the costs of all insurance;

(vii) the costs of all professional fees; and

(viii) any common area maintenance costs related to the Ballpark Facility;

For each fiscal year, the City shall pay to the Padres the amount (the "City Share of Joint Ballpark Expenses") equal to the lesser of:

(i) seventy percent (70%) of the joint ownership expenses for such fiscal year; or

(ii) the City's joint expense cap for such fiscal year.

For the fiscal year that includes the Commencement Date, the City's joint expense cap shall be three million five hundred thousand dollars ($3,500,000) increased in each subsequent year by the percentage increase, if any, in (i) the CPI for the period which includes January 1 in such fiscal year, over (ii) the CPI for the period which includes January 1 in the previous fiscal year.

Approved Capital Expenditures shall be paid for with funds on deposit in the capital expenditure reserve fund, created by the Joint Use and Management Agreement. The Padres shall be responsible for the timely payment of all approved Capital Expenditures that cannot be paid out of the then-remaining balance in the capital expenditure reserve fund. Under Amendment No. 1, the Padres have agreed to make capital expenditures on an average annual basis over the remaining term of the Agreement of not less than $1,000,000 per year.

The Joint Use and Management Agreement sets forth the Padres' rights and obligations to install fixtures and equipment owned by the Padres into the Ballpark Facility. The Padres may not remove such items and must repair or replace the items when damaged. Such fixtures and equipment, the Padres Property, reverts to the ownership of the City upon the termination of the Joint Use and Management Agreement. Due to the reversionary interest of the City in the Padres Property, the Padres have granted a first priority lien on such Padres Property to the City (subject to certain restrictions on foreclosure as set forth in the agreement and certain priority granted to lenders or vendors in connection with the acquisition and installation of the Padres Property by the Padres).

Concessions, Advertising, Naming Rights, and Broadcasting

The Padres shall have the right and obligation to select concessionaires for the Ballpark Facility, negotiate and enter into concession agreements for the Ballpark Facility to provide concession services for all events occurring during the term of the agreement. Generally, all concession commissions payable in connection with concessions at Padres' Games and Events shall be retained by the Padres, while all concession commissions payable in connection with concessions at City Events shall be remitted to the City.

The Padres shall have the exclusive right to sell advertising within all parts of the Ballpark Facility, including, subject to all applicable laws, advertising outside the Ballpark Facility, and on the exterior of the Ballpark Facility and/or its systems.

All broadcast fees related to Padres' Games and Events shall be retained and exclusively controlled by the Padres. Broadcast fees for all City Events shall be retained and exclusively controlled by the City.

The Padres shall have the exclusive right to solicit for and enter into agreements granting persons rights to have a name or names associated with all or any portion of the Ballpark Facility on the condition that: (a) the Padres right to so solicit and enter into any such agreement, and the naming rights granted to any person shall not extend beyond the term; (b) the City may elect that any such agreement or naming right is not terminable by the City upon default by the Padres under the Joint Use and Management Agreement; and (c) each name associated with all or any portion of the Ballpark Facility shall be tasteful and not be a cause for embarrassment to the City. The Padres may retain all funds derived before or during the term from the sale of naming rights.

Non-Relocation of the Team and Sale of the Franchise

Generally, the Padres shall not allow any Major League Baseball Game in which it acts as the home team to be played in any facility other than the Ballpark Facility without first obtaining the written approval of the City, which approval may be withheld in its sole and absolute discretion. The Padres may, however, without the City's consent, play a certain number of games outside the continental U.S. and in Asia. During the period after the opening date and for the remainder of the term, the Padres agree not to relocate the team to a location other than the City of San Diego, California.

The Padres have the right to transfer ownership of the Padres' franchise during the term to the extent permitted by Major League Baseball, without the City's consent; provided, however, that in connection with such sale, the new franchise owner must (i) concurrently acquire all of the Padres rights and obligations in, to and under the franchise and the Joint Use and Management Agreement, and (ii) concurrently agree in writing to assume all of the Padres' obligations under the Joint Use and Management Agreement for the remainder of the term.

Insurance and Subrogation

The Padres shall obtain and maintain throughout the term, sufficient insurance to satisfy the requirements of the Site Lease, Ballpark Facility Lease, Recognition and Attornment Agreements, Offering Document, Indenture and all documents related to the issuance of the 2002 Bonds plus the following specific requirements:

(a) commercial general liability insurance covering the Ballpark Facility and operations with a combined single limit of $1,000,000 per occurrence;

(b) excess liability insurance on an "occurrence" form providing a combined bodily injury and property damage limit of $50,000,000 per occurrence, subject to annual aggregate of $50,000,000;

(c) comprehensive business automobile insurance for bodily injury and property damage providing coverage to a combined single limit of $1,000,000 per occurrence covering all of the Padres owned, hired and non-owned automobiles;

(d) property insurance upon the City Property and the Padres Property on an "all-risk of loss" form, including coverage for earthquakes (the unavailability of earthquake insurance shall be considered an event of force majeure for so long as it is unavailable). The all-risk property insurance for casualties other than earthquake and flood is in a single limit amount of the greater of replacement cost or the outstanding principal amount of the Series 2016 Bonds, plus rental interruption insurance, subject to a $100,000 deductible. The property insurance coverage for earthquake set forth in the Joint Use and Management Agreement is the lesser of probable maximum loss caused by earthquake or one-half of replacement cost, but not less than $50 million, subject to a deductible of 5% of total insured value. However, the current earthquake policy is subject to a $100 million limit per occurrence. The property insurance coverage for flood set forth in the Joint Use and Management Agreement is the greater of replacement cost or outstanding principal amount of the Series 2016 Bonds, plus rental interruption insurance. However, the current coverage for flood is subject to a deductible of $1.0 million and a $275 million limit per occurrence;

(e) State of California workers compensation insurance with a minimum of $1,000,000 of employer's liability coverage; and

(f) use and occupancy insurance to the extent required in Section 6.03(a)(ii) of the Ballpark Facility Lease.

Right of First Refusal

If during the term of this agreement, the City proposes to sell the City Property to any third party, the City will first make a written offer to sell the property to the Padres on the same terms and conditions as to the third party.

Indemnification

The Padres and the City have certain indemnity obligations to the other parties arising out of the agreement.

Default and Remedies

The occurrence of any one or more of the following events constitutes a default by the Padres under this Agreement:

(a) failure to pay any sums payable by the Padres to the City for more than 20 days after notice from the City that payment is due;

(b) failure by the Padres to observe or perform any other covenant, agreement, condition, or provision for more than 30 days after notice from the City;

(c) The Padres admit in writing their inability to pay the Padres' debts as they mature or make an assignment for the benefit of creditors, the appointment of a receiver, or bankruptcy, reorganization, receivership, arrangement, insolvency, or liquidation.

The City, as a remedy, may:

(a) enforce the provisions of the Joint Use and Management Agreement by suit or suits in equity or at law for the specific performance of any covenant or agreement;

(b) recover monetary damages and all moneys due and not yet paid;

(c) utilize all California statutory remedies; and

(d) seek any other relief to the extent permitted by law.

Until such time as a Padres' default is cured, the City may offset any obligation the City otherwise might have to make deposits or payments into the capital expenditure reserve fund and the Padres right to repayment of any interest-free advance shall be tolled.

The Padres further acknowledge that the City will be irreparably harmed by the Padres breach of the exclusive venue, non-relocation, and sale of the franchise covenants and accordingly, the Padres acknowledge and agree that the City has no adequate remedy at law for such breach and therefore in the event of such breach, the City shall, without posting any bond, be entitled to seek and obtain an injunction from any court of competent jurisdiction, to enjoin any violation of these covenants.

The occurrence of any one or more of the following events constitutes a default by the City under the Joint Use and Management Agreement:

(a) failure to pay any material sums payable for more than twenty (20) days after notice;

(b) failure of the City to observe or perform any other material covenant or agreement for thirty (30) days after notice;

(c) a trustee or receiver is appointed for the City for a significant part of its property; or

(d) bankruptcy, reorganization, receivership provisions are undertaken against the City.

The Padres may enforce the provisions of the Joint Use and Management Agreement and may enforce and protect the rights of the Padres by a suit or suits in equity or law for the specific performance of any covenant or agreement contained herein, including recovery of monetary damages (including consequential damages). The Padres may take action to fund City obligations in this event, but may not undertake their rights to terminate the agreement until a second uncured material default by the City of material covenants has taken place within a single calendar year.

Upon any breach of the Joint Use and Management Agreement by either the City or the Padres, the non-breaching party may set-off such damages as it reasonably determines was sustained, against such payments as the non-breaching party owes or will owe to the other party under the Joint Use and Management Agreement (including, without limitation, the City share of joint ownership expenses, incremental expenses associated with City Events and rent payable by the Padres). Notwithstanding the foregoing, (a) the Padres shall have no set-off right against City Event and 70/30 Event revenues; (b) the City shall not have the right to effect a set-off as a consequence of a failure of the Padres to complete the Phase 1 hotels except to the extent of the City share of the joint ownership expenses; and (c) nothing in the Joint Use and Management Agreement is intended to exculpate a party for damages suffered by the other party (including interest at the default rate) in the event that it affirmatively is determined by a court or arbiter that the first party wrongfully effected a set-off.

This summary is meant to merely highlight, generally, the major terms and conditions of the Joint Use and Management Agreement. This summary must be read in conjunction with the Joint Use and Management Agreement and does not constitute a change of any terms and conditions found in the Joint Use and Management Agreement or the MOU. Please refer to the complete Joint Use and Management Agreement for a discussion of the full terms and conditions evidencing the definitive agreement between the City and the Padres on these matters.

APPENDIX D

FORM OF BOND COUNSEL OPINION

_____, 2016

City of San Diego
San Diego, California

Public Facilities Financing Authority of the City of San Diego
San Diego, California

Re: $_____ Public Facilities Financing Authority of the City of San Diego Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding)

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of San Diego (the "City") in connection with the issuance by the Public Facilities Financing Authority of the City of San Diego (the "Authority") of $_____ aggregate principal amount of its Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding) (the "Bonds") dated the date hereof. The Bonds are being issued pursuant to an Indenture, dated as of [March] 1, 2016 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee").

In such connection, we have reviewed: (i) the Indenture; (ii) the Amended and Restated Site Lease, dated as of [March] 1, 2016 (the "Site Lease"), by and between the City and the Authority; (iii) the Amended and Restated Ballpark Facility Lease, dated as of [March] 1, 2016 ("Facility Lease"), by and between the Authority and the City; (iv) the Third Reaffirmation of Assignment Agreement, dated as of [March] 1, 2016 (the "Assignment Agreement"), by and between the Authority and the Trustee; (v) the Indenture, dated as of [March] 1, 2016 (the "Indenture"), by and between the Authority and the Trustee; (vi) a Tax and Nonarbitrage Certificate of the Authority and the City with Exhibits, dated the date hereof (the "Tax Certificate"); (vii) opinions of the City Attorney, counsel to the Authority and counsel to the Trustee; (viii) certificates of the City, the Trustee, the Authority and others; and (ix) such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture and the Facility Lease.

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. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or such events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds is concluded with their issuance on this date and we disclaim any obligation to update this opinion. We have assumed and relied on, without undertaking to verify, the genuineness of the documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the City and the Authority. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications, and have assumed compliance with the covenants, of the City and the Authority in the Site Lease, the Facility Lease, Assignment Agreement, the Indenture, the Tax Certificate and other relevant documents to which each is a party. The rights and obligations under the Bonds, the Site Lease, the Facility Lease, the Assignment

Agreement, the Indenture, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against charter cities and joint power authorities in the State of California (the "State"). We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents mentioned in the preceding sentence, nor do we express any opinion with respect to the state or quality of title to, or any interest in, any of the Leased Property described in or subject to the Site Lease or the Facility Lease or the accuracy or sufficiency of the description of any such property contained therein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

The Authority, the City, the City in its capacity as the designated successor agency to the former Redevelopment Agency of the City of San Diego, and the Housing Authority of the City of San Diego (the "San Diego Entities") are defendants in litigation challenging the Bonds and the Authority's Lease Revenue Bonds 2015 Series A and 2015 Series B (Capital Improvement Projects) (the "CIP Bonds"). In three separate cases the litigation challenges the City ordinances and the Authority resolutions approving the Bonds and the CIP Bonds and related documents (the "Bond Approvals"). The San Diego Entities denied the challenges and sought judgments validating the Bonds, the CIP Bonds and the Bond Approvals.

The San Diego Entities prevailed in all three trial court actions and all three trial court decisions were appealed. On November 11, 2015, the California Court of Appeal affirmed the trial court's ruling in favor of the San Diego Entities in the Series A CIP litigation. The plaintiff has appealed the Court of Appeal's decision to the California Supreme Court. On December 14, 2015, the trial court ruled in favor of the San Diego Entities in the litigation on the Bonds based on the Court of Appeal's decision in the Series A CIP case and prior decisions by the California Supreme Court. The trial court ruling on the Bonds is on appeal to the California Court of Appeal. The appeal may not be decided until after the Bonds have been issued and sold. The San Diego City Attorney has opined that the plaintiff's allegations in the complaints challenging the Bonds, the CIP Bonds and the Bond Approvals are without merit in that such counsel believes under the law as in effect on the date of such opinion, based on the analysis set forth in such opinion, the California Supreme Court, acting reasonably and properly briefed on the issues, would not conclude that the Bond Approvals are invalid based on such allegations. We concur with the San Diego City Attorney's opinion.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof and under existing law, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority as provided in the Indenture.

2. The Indenture has been duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Bonds and any Additional Bonds which may subsequently be issued under the Indenture, of the Revenues and other amounts held by the Trustee in certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for other purposes and on the terms and conditions set forth therein.

3. The Assignment Agreement has been duly authorized, executed and delivered by the Authority and creates a valid and enforceable assignment to the Trustee of certain rights of the Authority in the Facility Lease, including the right to receive the Base Rental Payments from the City to the extent and as more particularly described therein.

4. The Facility Lease and the Site Lease have been duly authorized, executed and delivered by the City and the Authority and constitute the valid and binding obligations of the City and of the Authority,

respectively, enforceable against the City and the Authority in accordance with the terms thereof. The obligation of the City to make the Base Rental Payments during the term of the Facility Lease constitutes a valid and binding obligation of the City, payable from funds of the City lawfully available therefor, and does not constitute a debt of the City or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.

5. The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Indenture, the Facility Lease and the Tax Certificate, the Authority and the City have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority and the City have made certain representations and certifications in the Indenture, the Facility Lease and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

6. Interest on the Bonds is exempt from personal income taxes of the State under present state law.

7. We are further of the opinion that the difference between the principal amount of the Bonds maturing on October 1, ___ and ___ (the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment.

The opinions set forth in paragraphs 1 through 3 above assume that the Trustee has duly authenticated the Bonds and that the Indenture and the Assignment Agreement are the legally valid, binding and enforceable agreements of the Trustee.

In rendering the opinions set forth in paragraph 5 and 7 above, we are relying upon representations and covenants of the Authority and the City in the Indenture, the Facility Lease, and the Tax Certificate concerning the investment and use of Bond proceeds, the rebate to the federal government of certain earnings thereon, and the use of the property and facilities refinanced with the proceeds of the Bonds. In addition, we have assumed that all such representations are true and correct and that the Authority and the City will comply with such covenants. We express no opinion with respect to the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the

Authority or the City fails to comply with such covenants, unless such failure to comply is based on our advice or opinion.

Except as stated in paragraphs 5 through 7 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters. We assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur.

We call attention to the fact that the opinions expressed herein and the exclusion from gross income for federal income tax purposes of the interest on the Bonds may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

None of the City, the Authority, the Trustee or the Underwriters can or do give any assurances that DTC, the Participants or others will distribute payments of principal of or interest on the Series 2016 Bonds paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the City, the Authority, the Trustee or the Underwriters are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Series 2016 Bonds or an error or delay relating thereto.

The following information concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from sources that the City, the Authority and the Underwriters believe to be reliable, but none of the City, the Authority or the Underwriters takes responsibility for the accuracy thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in this Official Statement and in APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS."

DTC will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds 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 Bond certificate will be issued for each maturity of the Series 2016 Bonds, each in the aggregate principal amount of such 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 3.6 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 a Standard & Poor's rating of AA+. 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.

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Series 2016 Bonds 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 Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 Bonds 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 Series 2016 Bonds 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 Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Bonds 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 Series 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2016 Bonds may wish to ascertain that the nominee holding the Series 2016 Bonds 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 Series 2016 Bonds 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 Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City, as the issuer of the Series 2016 Bonds, 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 Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Series 2016 Bonds 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 the City or the Trustee, on 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 Trustee, 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 interest 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 Trustee, 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.

DTC may discontinue providing its services as depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the City, the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Series 2016 Bonds are required to be printed and delivered in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2016 Bonds will be printed and delivered in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Authority believe to be reliable, but neither the City nor the Authority take any responsibility for the accuracy thereof.

Risks Regarding the Book-Entry Only System

AS LONG AS CEDE & CO. OR ITS SUCCESSOR IS THE REGISTERED HOLDER OF THE SERIES 2016 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED HOLDERS OF THE SERIES 2016 BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2016 BONDS. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTEXT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES 2016 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE. Each person for whom a Participant acquires an interest in the Series 2016 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such person, forwarded in writing by such Participant and to receive notification of all interest payments.

NONE OF THE CITY, THE AUTHORITY, THE TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION WITH RESPECT TO THE PAYMENTS TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS, THE SELECTION OF THE BENEFICIAL INTERESTS IN THE SERIES 2016 BONDS TO BE REDEEMED IN THE EVENT OF REDEMPTION OF LESS THAN ALL SERIES 2016 BONDS OF A PARTICULAR MATURITY OR THE PROVISION OF NOTICE TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE SERIES 2016 BONDS. NO ASSURANCE CAN BE GIVEN BY THE CITY, THE AUTHORITY THE TRUSTEE OR THE UNDERWRITERS THAT DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR OTHER NOMINEES OF THE BENEFICIAL OWNERS WILL MAKE PROMPT TRANSFER OF PAYMENTS TO THE BENEFICIAL OWNERS, THAT THEY WILL DISTRIBUTE NOTICES, INCLUDING REDEMPTION NOTICES (REFERRED TO ABOVE), RECEIVED AS THE REGISTERED OWNER OF THE SERIES 2016 BONDS TO THE BENEFICIAL OWNERS, THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

In the event the Authority determines not to continue the book-entry system or DTC determines to discontinue its services with respect to the Series 2016 Bonds, and the Authority does not select another qualified securities depository, the Authority shall deliver one or more Series 2016 Bonds in such principal amount or amounts, in authorized denominations, and registered in whatever name or names, as DTC shall designate. In such event, transfer and exchanges of Series 2016 Bonds will be governed by the provisions of the Indenture.

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is executed and delivered by the City of San Diego (the "City") as of [March] 1, 2016 in connection with $_____ aggregate principal amount of Public Facilities Financing Authority of the City of San Diego Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding) (the "Series 2016 Bonds"). The Series 2016 Bonds are being issued pursuant to the terms of the Indenture (as defined herein). The City hereby covenants and agrees as follows:

1. Purpose of Certificate. This Certificate is being executed and delivered by the City on behalf of the Authority for the benefit of the Bondowners and Beneficial Owners of the Series 2016 Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined below). The City is the only Obligated Person (as defined in the Rule) for the Series 2016 Bonds.

2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms have the following meanings:

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Certificate.

"*Authority*" means the Public Facilities Financing Authority of the City of San Diego.

"*Beneficial Owner*" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2016 Bonds (including persons holding Series 2016 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2016 Bonds for federal income tax purposes.

"*Commission*" means the Securities and Exchange Commission.

"*Dissemination Agent*" means the City and any Person designated by the City to serve as Dissemination Agent.

"*Indenture*" means the Indenture, dated as of [March] 1, 2016, by and between the Authority and the Trustee, as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions thereof.

"*MSRB*" means the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system.

"*Notice Event*" means any of the events listed in Section 5(a) and (b) of this Certificate.

"*Participating Underwriters*" means any of the original purchasers of the Series 2016 Bonds required to comply with the Rule in connection with the offering of the Series 2016 Bonds.

"*Official Statement*" means the Official Statement dated _____, 2016, prepared and distributed in connection with the initial sale of the Series 2016 Bonds.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"*Rule*" means paragraph (b)(5) of Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including any official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

"*Trustee*" means Wells Fargo Bank, National Association, or any successor trust under the Indenture.

3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent (if other than the City) to, not later than April 10 each year (or the next succeeding business day, if that day is not a business day) (the "Filing Date") after the end of the City's fiscal year (which currently ends June 30th), commencing with the report for the fiscal year ending June 30, 2016, provide to the MSRB, in a format prescribed by the MSRB, copies of an Annual Report which is consistent with the requirements of Section 4 of this Certificate. As of the date of this Certificate, the format prescribed by the MSRB is the Electronic Municipal Market Access ("EMMA") system. Information regarding requirement for submissions to EMMA is available at emma.msrb.org.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Notice Event under subsection 5(c).

(b) Not later than 15 Business Days prior to the Filing Date for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to the MSRB an Annual Report by the Filing Date, the City shall, in a timely manner, send a notice to the MSRB in substantially the form of Exhibit A to this Certificate, in an electronic format as prescribed by the MSRB.

(c) The Dissemination Agent (if other than the City) shall:

(i) determine each year prior to the date for providing the Annual Report the format for filing with the MSRB; and

(ii) file a report with the City certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided to the MSRB.

4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the City for the fiscal year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a) of this Certificate, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the financial statements, the following types of information will be provided in one or more reports in a format similar to that in the Official Statement:

(i) An update to the information generally in the form presented in Table A-3 (titled "City of San Diego General Fund Operating Budget Summary") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(ii) An update to the information generally in the form presented in Table A-4 (titled "Assessed Valuation") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(iii) An update to the information generally in the form presented in Table A-5 (titled "Secured Tax Levies and Collections") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(iv) An update of the information generally in the form presented in Table A-8 (titled "City of San Diego Schedule of Funding Progress") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(v) An update for the information generally in the form presented in Table A-9 (titled "City of San Diego Pension Contribution") of Appendix A to the Official Statement, for the most recently completed Fiscal Year.

(vi) An update to the information generally in the form presented in Table A-11 (titled "Schedule of Funding Progress (DB OPEB Plan)") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(vii) An update to the information generally in the form presented in Table A-15 (titled "City of San Diego General Fund Lease Obligations and General Fund Obligations") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(viii) An update to the information generally in the form presented in Table A-16 (titled "City of San Diego General Fund Supported Obligations") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the MSRB or the Commission. The City shall clearly identify each such other document so included by reference.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the City to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the City or to reflect changes in the business, structure, operations, legal form of the City or any mergers, consolidations, acquisitions or dispositions made by or affecting the City; provided that any such modifications shall comply with the requirements of the Rule.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2016 Bonds, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Notice Event to the MSRB through EMMA:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties[1];

(iii) unscheduled draws on credit enhancements reflecting financial difficulties[2];

(iv) substitution of credit or liquidity providers, or their failure to perform[2];

(v) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701-TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes[3]; and

(ix) bankruptcy, insolvency, receivership or similar event of the City (such event being considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City).

(b) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2016 Bonds, if material, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Notice Event to the MSRB through EMMA:

(i) non-payment related defaults;

(ii) Unless described in Section 5(a)(v), other notices or determinations with respect to the tax status of the Series 2016 Bonds, or other events affecting the tax status of the Series 2016 Bonds;

(iii) modifications to rights of the holders of the Series 2016 Bonds;

(iv) bond calls[4];

(v) release, substitution or sale of property securing repayment of the Series 2016 Bonds;

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1 The City will not establish or maintain a reserve fund for the Series 2016 Bonds.

2 The City has not obtained or provided, and does not expect to obtain or provide, any credit enhancements or credit or liquidity providers for the Series 2016 Bonds.

3 Does not include rating changes related to credit enhancement added by a bondholder. In addition, the Issuer's obligation to provide notice of any rating change shall be deemed to be satisfied if the applicable rating agency files such change with EMMA pursuant to the "automated data feeds" that have been established by the MSRB.

4 Any scheduled redemption of Series 2016 Bonds pursuant to mandatory sinking fund redemption requirements does not constitute a Notice Event within the meaning of the Rule.

(vi) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets thereof, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

(vii) appointment of a successor or additional trustee or the change of name of a trustee.

(c) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any entry of final judgment in the Series 2016 Bonds Litigation (as defined in the Official Statement) or, if material, resolution of any appeal of the Series 2016 Bonds Litigation, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Notice Event to the MSRB through EMMA.

(d) If the City determines that knowledge of the occurrence of a Notice Event under subsection (b) above would be material under applicable federal securities laws, the City shall promptly file, or cause to be filed, a notice of such event with the MSRB through EMMA. Notwithstanding the foregoing, notice of Notice Events described in subsections (a)(vii) and (b)(iv) above need not be given under this subsection (c) any earlier than the notice, if any, of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

6. Termination of Reporting Obligation. The City's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2016 Bonds. If such termination occurs prior to the final maturity of the Series 2016 Bonds, the City shall give notice of such termination in the same manner as for a Notice Event under subsection 5(c).

7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligation under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent, if other than the City, shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Certificate. The initial Dissemination Agent shall be the City.

8. Amendment: Waiver. Notwithstanding any other provision of this Certificate, the City may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of subsection 3(a), Section 4, or subsection 5, 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 Series 2016 Bonds, or the type of business conducted;

(b) The undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the issuance of the Series 2016 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (1) is approved by the Owners majority of outstanding principal amount of the Series 2016 Bonds, in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners or Beneficial Owners of the Series 2016 Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Notice Event under subsection 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

9. Additional Information. Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, including the information then contained in Appendix A to the City's official statements relating to debt issuances, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Notice Event, in addition to that which is required by this Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Notice Event in addition to that which is specifically required by this Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Notice Event.

10. Default. In the event of a failure of the City to comply with any provision of this Certificate, any Bondowner or Beneficial Owner of the Series 2016 Bonds may commence an action in a court of competent jurisdiction in San Diego, California, seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Certificate; provided that any Beneficial Owner seeking to require the City to comply with this Certificate shall first provide at least 30 days' prior written notice to the City of the City's failure, giving reasonable detail of such failure, following which notice the City shall have 30 days to comply. A default under this Certificate shall not be deemed an Event of Default under the Indenture with respect to the Series 2016 Bonds, and the sole remedy under this Certificate in the event or any failure of the City to comply with this Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Certificate.

11. Duties Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate.

12. Beneficiaries. This Certificate shall inure solely to the benefit of the City, the Dissemination Agent the Bondowners and Beneficial Owners from time to time of the Series 2016 Bonds, and shall create no rights in any other person or entity.

13. Governing Law. This Certificate shall be governed by the laws of the State of California and the federal securities laws.

IN WITNESS WHEREOF, the City of San Diego has executed this Continuing Disclosure Certificate as of the date first set forth herein.

CITY OF SAN DIEGO

By: _____
Authorized Signatory

[Signature page of Continuing Disclosure Certificate]

EXHIBIT A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party:	City of San Diego
Name of Bond Issue:	Public Facilities Financing Authority of the City of San Diego Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding) (the "Series 2016 Bonds")
Date of Issuance:	_____, 2016

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of [March] 1, 2016 with respect to the Series 2016 Bonds. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

_____
On behalf of the City

APPENDIX G

OPINION OF CITY ATTORNEY REGARDING LITIGATION

_____, 2016

Public Facilities Financing Authority of the City of San Diego
202 C Street
San Diego, CA 92101

The City of San Diego
202 C Street
San Diego, CA 92101

Re: $_____ Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds Series _____ (_____)

Ladies and Gentlemen:

This opinion is rendered as counsel to the City of San Diego (the "City") and the Public Facilities Financing Authority of the City of San Diego (the "Authority") in connection with the issuance by the Authority of its $_____ Lease Revenue Bonds (the "Ballpark Refunding Bonds").

The Authority is a California joint exercise of powers authority established pursuant to the Third Amended and Restated Joint Exercise of Powers Agreement, dated as of January 1, 2013 (the "JPA Agreement"), by and among the City, the City in its capacity as the designated successor agency (the "Successor Agency") to the former Redevelopment Agency of the City of San Diego (the "RDA") and the Housing Authority of the City of San Diego (the "Housing Authority"). The JPA Agreement was entered into pursuant to Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code) (the "JPA Act").

We have examined the Constitution, the laws of the State of California and the Charter of the City of San Diego, a certified record of the proceedings of the City and the Authority taken in connection with the issuance by the Authority of the Ballpark Refunding Bonds and have reviewed: (i) [list of documents to be inserted]; and (vii) such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the _____.

The Ballpark Refunding Bonds have been issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, as amended (Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code) (the "Marks-Roos Act") and the Indenture. The Ballpark Refunding Bonds are dated as of their date of delivery and mature on the dates and in the amounts set forth in the Indenture. Interest on the Ballpark Refunding Bonds is payable on the dates and at the rates per annum set forth in the Indenture. The Ballpark Refunding Bonds are registered bonds in the form set forth in the Indenture and are redeemable in the amounts, at the times and in the manner set forth in the Indenture.

I. Scope of Opinion

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. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters.

We have assumed the genuineness of all documents and signatures presented to us, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the paragraphs of this opinion. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Lease, the Site Lease, [any other document] and the Tax Certificate.

Our opinions expressed herein are limited to matters governed by the laws of the State of California. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to Ballpark Refunding Bonds or other offering material relating to the Ballpark Refunding Bonds and expressly disclaim any duty to advise the owners of the Ballpark Refunding Bonds with respect to matters contained in the Official Statement.

II. Litigation Challenging the Ballpark Refunding Bonds

A. Procedural History of the Ballpark Refunding Bonds Action

On May 18, 2015, San Diegans for Open Government (referred to herein as "SDOG") filed a reverse validation lawsuit in the San Diego Superior Court against the San Diego Entities and all interested parties (*San Diegans for Open Government v. Public Facilities Financing Authority of the City of San Diego et al., Case No. 37-2015-00016536-CU-MC-CTL*) (the "Ballpark Refunding Bonds Action"). SDOG's complaint in the Ballpark Refunding Bonds Action seeks declaratory relief to invalidate the ordinance of the City and the resolution of the Authority adopted with respect to the Ballpark Refunding Bonds (the "Ballpark Refunding Bonds Approvals"), and injunctive relief prohibiting the San Diego Entities from taking any of the actions contemplated by the Ballpark Refunding Bonds Approvals.

SDOG's complaint in the Ballpark Refunding Bonds Action asserts a single cause of action alleging that the Ballpark Refunding Bonds Approvals are invalid because they fail to comply with all applicable laws. Within SDOG's single cause of action SDOG sets forth a number of claims regarding the invalidity of the bonds. This opinion concludes that each SDOG claim of invalidity alleged in SDOG's complaint in the Ballpark Refunding Bonds Action lacks merit.

Prior to trial, on November 6, 2015, SDOG and the San Diego Entities stipulated that all claims alleged in the Ballpark Refunding Bonds Action that are identical to the claims previously adjudicated in favor of the San Diego Entities in the litigation involving the Series A 2015 Capital Improvement Bonds (*San Diegans for Open Government v. City of San Diego et al.*, San Diego County Superior Court Case No. 37-2014-00009217-CU-MC-CTL, California Court of Appeal, Fourth Appellate District Case No. D067127, *opinion published at* 242 Cal.App.4th 416, 195 Cal.Rptr.3d 133 (4th Dist. Nov. 20, 2015) ("*Series A Bonds* Decision"), *petition for review pending,* California Supreme Court Case No. S231508 (Dec. 29, 2015) (hereinafter the "Series A Bonds Action", the "Series A Bonds Appeal" and the "Series A Bonds Appeal Petition for Review") would be adjudicated in favor of the San Diego Entities without the need for a trial in the

Ballpark Refunding Bonds Action as to those claims. SDOG and the San Diego Entities further stipulated that any future appellate ruling in the Series A Bonds Action would govern the disposition of the identical claims in the Ballpark Refunding Bonds Action. All claims in the Ballpark Refunding Bonds Action that are identical to claims adjudicated in the Series A Bonds Action will be adjudicated in a manner consistent with the final adjudication of those claims in the Series A Bonds Action. Per the parties' stipulation, SDOG preserved the right to appeal the trial court judgment in the Ballpark Refunding Bonds Action as to the claims identical to those adjudicated in the Series A Bonds Action if the final appellate ruling in the Series A Bonds Action has not issued at the time the trial court enters judgment in the Ballpark Refunding Bonds Action. SDOG's right to appeal the trial court judgment in the Ballpark Refunding Bonds Action as to the claims identical to those adjudicated in the Series A Bonds Action is preserved only to the extent necessary to ensure that the claims in the Ballpark Refunding Bonds Action are adjudicated in a manner consistent with the final adjudication of those claims in the Series A Bonds Action.

The only SDOG claim in the Ballpark Refunding Bonds Action not governed by the stipulation discussed in the preceding paragraph alleges that the San Diego Entities adoption of the Ballpark Refunding Bonds Approvals violated the conflict of interest prohibitions in Government Code Section 1090. After briefing by the parties and a hearing on December 14, 2015, the trial court found that SDOG lacked standing to seek to invalidate the Ballpark Refunding Bonds Approvals under Government Code Section 1090. At the conclusion of the hearing, the trial court instructed that judgment in favor of the San Diego Entities be entered as to all claims asserted in the Ballpark Refunding Bonds Action in a manner that is consistent with the parties' stipulation and the ruling of the trial court that SDOG lacks standing to assert a claim under Section 1090. On December 14, 2015, the trial court entered judgment in favor of the San Diego Entities on all claims, causes of action and legal theories in the Ballpark Refunding Bonds Action ("Ballpark Refunding Bonds Judgment"). The Ballpark Refunding Bonds Judgment reflects the parties' stipulation requiring entry of judgment in favor of the San Diego Entities on the SDOG claims in the Ballpark Refunding Bonds Action in a manner that is consistent with the final adjudication of the identical SDOG claims in the Series A Bonds Action.

On January 4, 2016, SDOG filed a notice of appeal ("Ballpark Refunding Bonds Action Appeal") of the Ballpark Refunding Bonds Action Judgment to the California Court of Appeal, Fourth Appellate District (hereinafter "Fourth District"). Pursuant to the parties' stipulation in the Ballpark Refunding Bonds Action and the Ballpark Refunding Bonds Judgment, the outcome of the Ballpark Refunding Bonds Action Appeal as to the SDOG claims that are identical to claims adjudicated in the Series A Bonds Action - and preserved by SDOG in the Series A Bonds Appeal and the Series A Bonds Petition for Review - will be finally adjudicated in a manner consistent with the final adjudication of those claims in the Series A Bonds Action.

B. Presentation of No-Merit Opinion Regarding the Ballpark Refunding Bonds Action

For purposes of this opinion, SDOG's claims in the Ballpark Refunding Bonds Action have been divided into three categories. The opinion first examines the SDOG Claims in the Ballpark Refunding Bonds Action that are identical to SDOG claims in the Series A Bonds Action and were preserved by SDOG in the Series A Bonds Appeal and the Series A Bonds Petition for Review. The opinion next examines the SDOG Claims in the Ballpark Refunding Bonds Action that are identical to SDOG claims in the Series A Bonds Action and were ***not*** preserved by SDOG in the Series A Bonds Appeal and the Series A Bonds Petition for Review and were therefore finally adjudicated in favor of the San Diego Entities in the Ballpark Refunding Bonds Judgment. The opinion will conclude by examining the SDOG Claims in the Ballpark Refunding Bonds Action that were not raised by SDOG in the Series A Bonds Action.

On numerous occasions throughout this opinion, we opine that a SDOG claim in the Ballpark Refunding Bonds Action is without merit. In opinion that a particular SDOG claim in the Ballpark Refunding Bonds Action is without merit we are stating that we believe that under the law as in effect on the date hereof, the California Supreme Court, acting reasonably and properly briefed on the issues relating to the particular SDOG claim, would reject SDOG's claim if presented by SDOG in the Ballpark Refunding Bonds Appeal and affirm the Ballpark Refunding Bonds Judgment as to that particular SDOG claim.

C. SDOG Claims in the Ballpark Refunding Bonds Action that are the Subject of the Ballpark Refunding Bonds Appeal because the Claims are Identical to SDOG Claims Adjudicated in the Series A Bonds Action and Preserved by SDOG in the Series A Bonds Appeal and the Series A Bonds Petition for Review

SDOG alleges the following claims in the Ballpark Refunding Bonds Action that are identical to SDOG claims that will be finally adjudicated in the Ballpark Refunding Bonds Appeal in a manner consistent with the final appellate ruling in the Series A Bonds Action as to those claims: (1) the Ballpark Refunding Bond Approvals are invalid because the Successor Agency is not a lawful member entity of the Authority and/or because the Authority lacks the power to conduct the transaction because the Successor Agency is a member entity; and (2) the Ballpark Refunding Bond Approvals are invalid because they fail to comply with the voter assent requirements for bonded indebtedness set forth in the California Constitution and the City Charter.

1. SDOG's Claim that that the Authority is Not Lawfully Constituted because the Successor Agency is a Member Entity

In the Series A Bonds Action and in the Ballpark Refunding Bonds Action, SDOG alleges that the JPA Agreement is void because the Successor Agency lacked the legal authority to enter into the JPA Agreement at the time of execution. In 2011, the California Legislature enacted legislation to eliminate the State's community redevelopment agencies in order to divert the tax revenue used by the redevelopment agencies to the State's schools. *See* California Assembly Bill 1X-26 (Jun. 28, 2011) and Assembly Bill 1484 (Jun. 27, 2012) (collectively the "Dissolution Laws" and codified primarily at Cal. Health & Safety Code ("Cal. HSC") §§ 34161-34191.5); *California Redevelopment Assn. v. Matosantos*, 53 Cal.4th 231, 250-51 (2011) ("*Matosantos*"). As permitted by the Dissolution Laws, pursuant to San Diego Resolution Number R-307238 (January 12, 2012), the City elected to serve as the Successor Agency to the dissolved RDA. Cal. HSC § 34173. The Successor Agency is a legally separate and distinct public entity from both the City and the dissolved RDA. Cal. HSC § 34173(g).

Pursuant to the Dissolution Laws, the Successor Agency is governed by a seven-member oversight board that includes two members appointed by the City ("Oversight Board"). The California Department of Finance has the authority to reject any action taken by the Oversight Board. On December 11, 2012, the Oversight Board adopted Oversight Board Resolution Number OB-2012-39 (effective date Dec. 19, 2012) ("Oversight Board Resolution") authorizing the Successor Agency to enter into the JPA Agreement. The Successor Agency submitted the Oversight Board Resolution to the California Department of Finance on December 11, 2012 in the manner required by the Dissolution Laws. Cal. HSC §§ 34179(h), 34180(j). When the California Department of Finance did not request review of the Oversight Board Resolution within five business days of submittal, the Oversight Board Resolution became effective on December 19, 2012. Cal. HSC Section 34179(h).

SDOG's claim that the Successor Agency lacked the authority to enter into the JPA Agreement is without merit. California law vested the Successor Agency with the authority to enter into the JPA Agreement, and the Successor Agency followed the legal procedures necessary to lawfully enter into the JPA Agreement.

SDOG argues that provisions of the Dissolution Laws mandating the dissolution of the RDA and restricting the activities of the RDA prior to dissolution - Cal. HSC § 34163(b), (c), (f) – legally prohibited the Successor Agency from entering into the JPA Agreement. SDOG's claim is without merit. The provisions of the Dissolution Laws restricting the activities of the RDA prior to dissolution do not apply to the activities of the Successor Agency after dissolution. Further, the provisions of the Dissolution Laws governing the activities of the Successor Agency expressly authorized the Successor Agency to enter into the JPA Agreement.

Part 1.8 of the Dissolution Laws, styled *Restrictions on Redevelopment Agency Operations,* severely restricted the activities of the State's redevelopment agencies starting on June 28, 2011. Cal. HSC §§ 34161-34169.5. *Matosantos,* 53 Cal.4th at 250. For example, Cal. HSC section 34163(b) expressly prohibited the RDA from entering into a joint powers agreement during the time period when the "freeze component" is in effect. *Id.* (referencing the prohibition in Par 1.8 that prohibits an RDA entering into a joint power authority during the time period Part 1.8 is in effect). However, Part 1.8 of the Dissolution Laws governed only the activities of redevelopment agencies during the brief time period before dissolution - from June 29, 2011 through January 31, 2012. By its terms, Part 1.8 but does not govern the conduct of the successor agencies after dissolution. *Id.* see also *City of Cerritos v. State*, 239 Cal.App.4th 1020, 1036-37 (2015).

Part 1.85 of the Dissolution Laws styled *Redevelopment Agencies and Designation of Successor Agencies*, governs the conduct of the Successor Agency and specifically allowed the Successor Agency to execute the JPA Agreement. Cal. HSC §§ 34170-34191.4. Section 1.85 of the Dissolution Laws) provides that the City and Successor Agency are authorized to "enter or reenter into agreements" subject to approval of the Oversight Board. Cal. HSC §§ 34178(a), 34180(h). The Legislature subsequently amended the provisions allowing the Successor Agency to reenter into agreements, those amendments were not made retroactive and therefore do not invalidate the JPA Agreement. *Cnty of Sonoma v. Coh*en, 235 Cal.App.4th 42, 47-51 (2015). Therefore, pursuant to HSC Section 34178(a), the Successor Agency was fully empowered to enter into the JPA Agreement.

Further, the Successor Agency's execution of the JPA Agreement is valid under the provision of the Dissolution Laws that allowed the Successor Agency to step into the shoes of the RDA as a member of the Authority. Cal. HSC § 34178(b)(3). While HSC Section 34178(a) invalidated agreements between the City and the RDA and deemed those agreements not binding on the Successor Agency, subdivision (b)(3) of Cal. HSC Section 34178 expressly provided that a joint exercise of powers agreement in which the redevelopment agency is a member of a joint powers authority "is not invalid and may bind the successor agency." Pursuant to subdivision (b)(3), after the RDA dissolved, the Successor Agency stepped into the RDA's place as a member of the Authority. Subsequently, the member entities of the Authority formalized the substitution of the Successor Agency for the RDA by an amendment to the JPA Agreement executed by each of the member entities.

Finally, even if the Successor Agency was not authorized to execute the JPA Agreement, the agreement remains enforceable with only two member entities. Under the JPA Act, a joint powers authority needs only two public agency members to conduct business. Cal. Gov't Code § 6502. As such, the Authority was and is empowered to continue to conduct business with only the Housing Authority and the City as member entities.

SDOG appealed that part of the Ballpark Refunding Bonds Judgement that adjudicates SDOG's claim regarding the Successor Agency's power to enter into the JPA Agreement in the favor of the San Diego Entities. Pursuant to the parties' stipulation in the Ballpark Refunding Bonds Action and the Ballpark Refunding Bonds Action Judgment, the final adjudication of SDOG's claim regarding the Successor Agency's power to enter into the JPA Agreement in the Series A Bonds Appeal is to be dispositive as to the identical claim in the Ballpark Refunding Bonds Action and/or the Ballpark Refunding Bonds Appeal. In the Series A Bonds Action, the trial court adjudicated SDOG's claim regarding the Successor Agency's power to enter into the JPA Agreement in the favor of the San Diego Entities. In the Series A Bonds Appeal, SDOG appealed that part of the Series A Bonds Judgement that adjudicates SDOG's claim regarding the Successor Agency's power to enter into the JPA Agreement in the favor of the San Diego Entities. In an opinion certified for publication, the Fourth District rejected SDOG's claim in the Series A Bonds Action regarding the Successor Agency's power to enter into the JPA Agreement. *See Series A Bonds* Decision, 242 Cal.App.4th at ___, 195 Cal.Rptr.3d at 153-54. In the Series A Bonds Petition for Review, SDOG requests that the Supreme Court review that part of the *Series A Bonds* Decision that rejects SDOG's claim regarding the Successor Agency's power to enter into the JPA Agreement. Therefore, SDOG's appeal of that part of the Ballpark Refunding Bonds Judgement that adjudicates SDOG's claim regarding the Successor Agency's power to enter into the JPA Agreement in

favor of the San Diego Entities will be finally adjudicated in the Ballpark Refunding Bonds Appeal in a manner consistent with the final appellate adjudication of SDOG's claim regarding the Successor Agency's power to enter into the JPA Agreement in the Series A Bonds Action.

2. SDOG's Claim that the Authority is Prohibited from Conducting New Business because the Successor Agency is a Member Entity

In the Series A Bonds Action and the Ballpark Refunding Bonds Action, SDOG alleges that even if the JPA Agreement is valid, the Authority operating with the Successor Agency as a member entity lacks the power to issue the Ballpark Refunding Bonds because it is not permitted to engage in new business. SDOG reasons that because the Successor Agency is not permitted to engage in new redevelopment activities, the Authority cannot conduct new business of any kind, including the transaction contemplated in the Ballpark Refunding Bonds Action. SDOG's claim that the Authority is prohibited from conducting new business because the Successor Agency is a member entity is without merit.

The Authority's activities are primarily governed by the JPA Act and the JPA Agreement, neither of which limits the scope of the Authority's activities in a manner that prohibits the Authority from conducting new business such as the transaction contemplated in the Ballpark Refunding Bond Approvals. The Dissolution Laws limit the Authority's ability to conduct new business only to the extent that the Authority is not permitted to alter the rights, duties and obligations in a manner that exceeds the constraints imposed by the Successor Agency by the Dissolution Laws. Cal. HSC § 34178(b)(3). Otherwise, the Dissolution Laws do not limit the Authority's ability to conduct new business. The transaction contemplated by the Ballpark Refunding Bond Approvals will in no way alter the rights, duties and obligations in a manner that exceeds the constraints imposed by the Successor Agency by the Dissolution Laws. Therefore, the Dissolution Laws do not prohibit the transaction contemplated in the Ballpark Refunding Bond Approvals because the Successor Agency is a member entity.

SDOG appealed that part of the Ballpark Refunding Bonds Judgment that adjudicates SDOG's claim regarding that the Authority is prohibited from conducting new business because the Successor Agency is a member entity in the favor of the San Diego Entities. Pursuant to the parties' stipulation in the Ballpark Refunding Bonds Action and the Ballpark Refunding Bonds Action Judgment, the final adjudication of SDOG's claim regarding the power of the Authority to conduct new business in the Series A Bonds Appeal is to be dispositive as to the identical claim in the Ballpark Refunding Bonds Action. In the Series A Bonds Action, the trial court adjudicated SDOG's claim regarding the power of the Authority to conduct new business in the favor of the San Diego Entities. In the Series A Bonds Appeal, SDOG appealed that part of the Series A Bonds Judgment that adjudicates SDOG's claim regarding the power of the Authority to conduct new business in the favor of the San Diego Entities. In an opinion certified for publication, the Fourth District rejected SDOG's claim in the Series A Bonds Action regarding the power of the Authority to conduct new business. *See Series A Bonds* Decision, 242 Cal.App.4th at ___, 195 Cal.Rptr.3d at 154. In the Series A Bonds Petition for Review, SDOG requests that the Supreme Court review that part of the *Series A Bonds* Decision that rejects SDOG's claim regarding the power of the Authority to conduct new business. Therefore, SDOG's appeal of that part of the Ballpark Refunding Bonds Judgment that adjudicates SDOG's claim regarding the power of the Authority to conduct new business in favor of the San Diego Entities will be finally adjudicated in the Ballpark Refunding Bonds Appeal in a manner consistent with the final appellate adjudication of SDOG's claim regarding the power of the Authority to conduct new business in the Series A Bonds Action.

3. SDOG's Claim that the Ballpark Refunding Bond Approvals violate the Debt Limits

In the Series A Bonds Action and in the Ballpark Refunding Bonds Action, SDOG alleges the Ballpark Refunding Bond Approvals are invalid because the City did not obtain authority for the traction from a two-thirds vote of the San Diego electorate. SDOG's claim is without merit. California law does not require the Authority to obtain a two-thirds vote of the San Diego electorate before it conducts the transaction contemplated in the Ballpark Refunding Bond Approvals.

Charter section 90(a) (the "Charter Debt Limit") states that the City may not contract bonded indebtedness without voter approval. The Charter Debt Limit "places restrictions on the City when it incurs certain debt; those restrictions do not apply to a joint powers authority that the City creates. *Rider v. City of San Diego*, 18 Cal.4th 1035 at 1043 (1998). The California Constitution mandates that the City cannot incur indebtedness exceeding the City's income and revenue for a year without voter approval *See* Cal. Const. art. XIII A, § 18(a) (the "Constitutional Debt Limit" and with the Charter Debt Limit, the "Debt Limits"). By its terms, the Constitutional Debt Limit applies to counties, cities, towns, townships, boards of education, and school districts and is not applicable to entities such as the Authority which are not specified in the section. *Rider*, 18 Cal.4th at 1043.

In the Series A Bonds Action and in the Ballpark Refunding Bonds Action SDOG makes a number of arguments supporting its contention that the Debt Limits apply to the Authority and the bonded indebtedness contemplated in the bond approvals. Each of SDOG's arguments on this point lack merit. As discussed in more detail below, SDOG's arguments do not convince that the Debt Limits apply to the Authority and/or to the bonded indebtedness contemplated in the bond approvals for the two transactions. Therefore, California law does not require the Authority to obtain approval by a two-thirds majority of the San Diego electorate before it can conduct the transaction contemplated in the Ballpark Refunding Bond Approvals.

SDOG appealed that part of the Ballpark Refunding Bonds Judgment that adjudicates SDOG's claim regarding the Debt Limits in the favor of the San Diego Entities. Pursuant to the parties' stipulation in the Ballpark Refunding Bonds Action and the Ballpark Refunding Bonds Action Judgment, the final adjudication of SDOG's claim regarding the Debt Limits in the Series A Bonds Appeal is to be dispositive as to the identical claim in the Ballpark Refunding Bonds Action. In the Series A Bonds Action, the trial court adjudicated SDOG's claim regarding the Debt Limits in the favor of the San Diego Entities. In the Series A Bonds Appeal, SDOG appealed that part of the Series A Bonds Judgement that adjudicates SDOG's claim regarding the Debt Limits in the favor of the San Diego Entities. In an opinion certified for publication, the Fourth District rejected SDOG's claim in the Series A Bonds Action regarding the Debt Limits. *See Series A Bonds* Decision, 242 Cal.App.4th at ___, 195 Cal.Rptr.3d at 145-151. In the Series A Bonds Petition for Review, SDOG requests that the Supreme Court review that part of the *Series A Bonds* Decision that rejects SDOG's claim regarding the Debt Limits. Therefore, SDOG's appeal of that part of the Ballpark Refunding Bonds Judgement that adjudicates SDOG's claim regarding the Debt Limits in favor of the San Diego Entities will be finally adjudicated in the Ballpark Refunding Bonds Appeal in a manner consistent with the final appellate adjudication of SDOG's claim regarding the Debt Limits in the Series A Bonds Action.

a. SDOG's Argument that the Debt Limits Apply to the Authority because Governance Overlap among the Authority and its Member Entities Nullifies the Separate Legal Existence of the Authority

In the Series A Bonds Action and the Ballpark Refunding Bond Action, SDOG argues that the Debt Limits applicable to the City apply to the Authority because governance overlap among the Authority and its member entities means that the Authority does not have a separate legal existence from the City. SDOG argues that because the Authority and its member entities are each exclusively governed by the City, the Authority fails to have a separate legal existence from the City. In support of this argument, SDOG also notes that certain city officials hold official positions in the PFFA. SDOG's argument that the Authority does not have a separate legal existence from the City due to governance overlap lacks merit.

In *Rider*, the Supreme Court rejected the argument that the financing authority was the "alter ego" of the City based on its control over the financing authority. *Rider*, 18 Cal.4th at 1043. The Supreme Court explained that the financing authority, not the City, issued the bonds, and by law, the debts of the financing authority are not the City's debts. *Id.* at 1045. Further, the Court noted that the bonds themselves expressly provided that they were not obligations of the City, and that bondholders must look exclusively to the financing authority for payment. *Id.*

Similar to the financing authority involved in *Rider*, the Authority and each of its members have a genuine separate legal existence as a matter of California law. The laws requiring the dissolution of the RDA mandate that the Successor Agency exist as a separate legal entity from the City and that the two entities not merge. Cal. HSC § 34173(g). Similarly, the Housing Authorities Law (Cal. HSC §§ 34200-34380) mandates that the Housing Authority is a separate body politic from the City. Cal. HSC § 34240; *see also Housing Auth. v. City of Los Angeles*, 38 Cal.2d 853 (1952). Likewise, the Authority has a separate legal existence from its member entities by function of the JPA Act. Cal. Gov't Code §§ 6503.5, 6507. Consistent with the JPA Act, section 3(A) of the JPA Agreement states that the Authority "shall be a public entity separate from the City, the Successor Agency and the Housing Authority." Similar to the bonds in *Rider*, the form of the Ballpark Refunding Bonds appended to the form of indenture approved by the San Diego Entities provides that the bonds are exclusively the obligation of the debt of the Authority.

Contrary to SDOG's argument, the separate legal existence of the Authority and its member entities is neither altered nor diminished by the instances of governance overlap identified by SDOG. California law has long made clear that the fact that the governing bodies of two public entities have the exact same members is not relevant when evaluating the legal status of the entities, and it is certainly not determinative. *See Vanoni v. Cnty of Sonoma*, 40 Cal.App.3d 743, 745-46 (1974) (affirming the separate legal existence of two public entities with identical governing boards and jurisdictional boundaries)*Pac. States Enter., Inc. v. City of Coachella*, 13 Cal.App.4th 1414, 1424 (1993) (holding that the "mere fact that the same body of officers acts as the legislative body for two different governmental entities does *not* mean that the two different governmental entities are, in actuality, one and the same"); *Cnty of Los Angeles v. Cont'l Corp.*, 113 Cal.App.2d 207, 219-220 (1952) (holding that the County of Los Angeles and the local flood control district are separate and distinct legal entities despite the fact that the entities are both governed by the members of the County Board of Supervisors). Similarly, the City and the Authority do not become one and the same legal entity simply because City officials serve in an official capacity for the joint powers authority. *Tucker Land. Co. v. State of Cal.*, 94 Cal.App.4th 1191, 1202 (2001). Such arrangements are clearly permitted by the JPA Act. *Id.* (citing California Government Code Section 6506). Finally, SDOG's claim lacks merit because California courts are simply not permitted to ignore the separate legal status of public entities. *City of Cerritos v. Cerritos Taxpayers Assn.*, 183 Cal.App.4th 1417, 1442 (2010).

b. SDOG's Argument that the Debt Limits Apply to the Transaction Contemplated in the Ballpark Refunding Bond Approvals because the City to be Legally Responsible for the Authority's Bonded Indebtedness as if the City had itself Issued the Bonds

In the Series A Bonds Action and the Ballpark Refunding Bonds Action, SDOG argues that the Debt Limits applicable Ballpark Refunding Bonds because the City will be legally responsible for the bonded indebtedness as if the City – and not the Authority – had issued the Ballpark Refunding Bonds. SDOG offers several theories as to why the City is legally responsible for the debts of the Authority.

First, SDOG argues that the manner in which the City reports on the City and the Authority's finances legally transforms the debt of the Authority into debt of the City. Specifically, SDOG argues that following aspects of the City's financial reporting means that the Authority's debt is the City's debt: (i) the Authority is identified as a blended component unit of the City; and (ii) the Authority's debts are included in the City's financial reports prepared in accordance with the standards of accounting for state and local governments. SDOG's position is wholly without support in the law. The manner in which the City presents its financial information to investors and bond raters does not have the power to override California law regarding the separate legal status of public entities or otherwise delineate the legal rights and responsibilities of those entities.

Second, SDOG argues that because the ratings agencies that rate the City's and the City's debt for the markets look to the City's financial health when rating the Authority's bonds, the debt from the bonds is legally the debt of the City. However, like the financial reporting rules, the actions of national credit ratings

agencies does not have the power to override the provisions of California law that provide that the Authority has a separate legal existence from the City. Therefore, the fact that the credit rating agencies evaluate the City's fiscal ability to meet its lease obligations does not cause the City to be answerable for the Authority's bond debt as if the City had issued the bonds in the first instance. *See City of La Habra v. Pellerin*, 216 Cal.App.2d 99, 101 (1963).

Next, SDOG argues that the City assumed financial responsibility for authority debts when it agreed to the Section 12 of the JPA Agreement requiring the City to indemnify any agent of the authority personally sued for actions taken while acting as an agent of the authority. Pursuant to the JPA Act, the City is permitted to contract for and assume specific liabilities or obligations of the agency. Cal. Gov't Code § 6508.1. However, nothing in the law indicates that the City's agreement to assume a specific liability of the Authority makes the City answerable for all liabilities and obligations of the Authority. As such, the City's agreement to indemnify agents of the Authority did not cause the City to become legally responsible for all of the debts of the Authority.

Finally, SDOG argues that the City will agree to be answerable for the Authority's debt for the Ballpark Refunding Bonds when the City executes the Continuing Disclosure Certificate when the transaction closes. SDOG reasons that the default provision of the Continuing Disclosure Agreement subjects the City to a mandamus action for payment of the debt if the Authority defaults on the debt. However, the terms of the Continuing Disclosure Agreement do not make the City answerable for the Authority's bonded indebtedness. The Continuing Disclosure Certificate sets forth the City's agreement to provide annually updated financial information to the underwriters involved in the transaction. The mandamus remedy set forth in paragraph 10 of the Continuing Disclosure Certificate allows the underwriters and bond owners to seek mandamus or specific performance only to force the City to comply with its disclosure obligation – nothing more. Paragraph 10 of the Continuing Disclosure Agreement does not allow monetary damages under the Certificate and does not allow the underwriters to pursue a mandamus or specific performance action against the City on the underlying bond debt.

D. Claims Finally Adjudicated in Favor of the San Diego Entities in the Ballpark Refunding Bonds Action because they are Identical to Claims Adjudicated in the Series A Bonds Action and not Raised by SDOG and its Appeal of the Series A Bonds Judgment and Petition for Review

1. SDOG's Claim that the Ballpark Refunding Bond Approvals are Invalid because the Structure for the Transaction Violates Section 8 of the JPA Agreement is without Merit and was Finally Adjudicated in Favor of the San Diego Entities in the Ballpark Refunding Bonds Action Judgment

In the Series A Bonds Action and in the Ballpark Refunding Bonds Action, SDOG alleges that the bond approvals contemplate a transaction that would violate Section 8 of the JPA Agreement which prohibits the pledge of the City's faith and credit to the repayment of the Authority's bonded indebtedness. Section 8 of the JPA Agreement states in part:

> Neither the City, the Successor Agency, the Housing Authority nor the Authority shall be obligated to pay the principal, of, premium, if any, or interest on the Bonds, or other costs incidental thereto, except from the revenues and funds pledged therefor, and neither the faith and credit nor the taxing power of the City, the Successor Agency, Housing Authority nor the Authority shall be pledged to the payment of the principal of, premium, if any, or interest on the Bonds nor shall the City, the Successor Agency, the Housing Authority, or the Authority in any manner be obligated to make any appropriation for such payment.

SDOG's claim that the transaction contemplated in the Ballpark Refunding Bond Approvals would violate Section 8 of the JPA Agreement is without merit. The City does not give, loan or pledge the faith and

credit of the City to any individual, association or corporation for the Authority's Ballpark Refunding Bonds indebtedness. The transaction documents for Ballpark Refunding Bonds expressly state that the bonds are not the debt of the City. For example, the form of the Ballpark Refunding Bonds appended to the form of indenture approved by the San Diego Entities provides in relevant part:

> The [Ballpark Refunding] Bonds are special, limited obligations of the Authority and do not constitute a debt, liability or obligation of the City or of the State of California (the "State") or any political subdivision thereof and neither the faith and credit of the City nor the State are pledged to the payment of the principal of or interest on the [Ballpark Refunding] Bonds. The Authority has no taxing power.

For this reason, the transaction contemplated in the Ballpark Refunding Bond Approvals does not violate Section 8 of the JPA Agreement.

Additionally, this Office considers SDOG's claim regarding Section 8 of the JPA Agreement to have been finally adjudicated in favor of the San Diego Entities in the Ballpark Refunding Bonds Action Judgment. SDOG presented an identical claim in the Series A Bonds Action. Pursuant to the parties' stipulation in the Ballpark Refunding Bonds Action and the Ballpark Refunding Bonds Action Judgment, the final adjudication of SDOG's claim regarding Section 8 of the JPA Agreement in the Series A Bonds Action is to be dispositive as to the identical claim in the Ballpark Refunding Bonds Action. In the Series A Bonds Action Judgment, the trial court entered judgment in favor of the San Diego Entities as to SDOG's claim regarding Section 8 of the JPA Agreement. SDOG did not raise its claim regarding Section 8 of the JPA Agreement in its appeal of the Series A Bonds Action Judgment. Therefore, in accordance with the Ballpark Refunding Bonds Action Judgment, SDOG's claim regarding Section 8 of the JPA Agreement in the Ballpark Refunding Bonds Action is deemed finally adjudicated in favor of the San Diego Entities and cannot be raised in the Ballpark Refunding Bonds Appeal.

2. SDOG's Claim that the Authority is Improperly Constituted because the Housing Authority is a Member Entity is without Merit and was Finally Adjudicated in Favor of the San Diego Entities in the Ballpark Refunding Bonds Action Judgment

In the Series A Bonds Action and in the Ballpark Refunding Bonds Action, SDOG alleges that the JPA Agreement is void because the Housing Authority lacked the legal authority to enter into the JPA Agreement. SDOG argues that the Housing Authorities Law does not authorize the Housing Authority to form a joint powers authority with public entities that are not housing authorities. SDOG further argues that the Housing Authority did not have the legal authority to enter into the JPA Agreement because the Authority will issue bonds to fund non-housing capital improvements for another member entity.

SDOG's claim regarding the Housing Authority is without merit. The JPA Act vests the Housing Authority with the power to enter into the JPA Agreement and become a member entity of the Authority. Pursuant to Section 6502 of the JPA Act, two or more public agencies may enter into an agreement to jointly exercise any power common to the contracting parties. The Housing Authority is a public agency covered by Section 6502 because all housing authorities formed and functioning pursuant to the Housing Authorities Law are agencies of the State of California. *Housing Authority of Los Angeles v. Los Angeles*, 38 Cal.2d 853 (1952). Further, the Housing Authorities Law expressly states that nothing in the Housing Authorities Law prohibits the Housing Authority from entering into a joint powers agreement such as the JPA Agreement. Cal. HSC § 34249. Thus, the Housing Authority was authorized to enter into a joint exercise of powers agreement with one or more public entities that has one or more powers in common with the Housing Authority.

Additionally, this Office considers SDOG's claim regarding the Housing Authority to have been finally adjudicated in favor of the San Diego Entities in the Ballpark Refunding Bonds Action Judgment. SDOG presented an identical claim in the Series A Bonds Action. Pursuant to the parties' stipulation in the Ballpark Refunding Bonds Action and the Ballpark Refunding Bonds Action Judgment, the final adjudication

of SDOG's claim regarding the Housing Authority in the Series A Bonds Action is to be dispositive as to the identical claim in the Ballpark Refunding Bonds Action. In the Series A Bonds Action Judgment, the trial court entered judgment in favor of the San Diego Entities as to SDOG's claim regarding the Housing Authority SDOG raised its claim regarding the Housing Authority in its appeal of the Series A Bonds Action Judgment, and the Fourth District rejected the claim. *Series A Bonds* Decision, 242 Cal.App.4th at ___, 195 Cal.Rptr.3d at 141-53. SDOG did not raise its claim regarding the Housing Authority in its petition to the California Supreme Court seeking review of the Fourth District's *Series A Bonds* Decision. Therefore, in accordance with the Ballpark Refunding Bonds Action Judgment, SDOG's claim regarding the Housing Authority in the Ballpark Refunding Bonds Action is deemed finally adjudicated in favor of the San Diego Entities and cannot be raised in the Ballpark Refunding Bonds Appeal.

3. SDOG's Claim that the JPA Agreement is Legally Defective because Section 3C Improperly Delegates a Statutory Duty of the Member Entities to the Authority's Treasurer is without Merit and was Finally Adjudicated in Favor of the San Diego Entities in the Ballpark Refunding Bonds Action Judgment

In the Series A Bonds Action and the Ballpark Refunding Bond Action, SDOG alleges that JPA is legally defective because it improperly delegates certain statutory duties to the Housing Authority's treasurer. The JPA Act requires that any public officer who handles the property of the authority file an official bond in an amount to be fixed by the member entities. Cal. Gov't Code § 6505.1 Section 3C of the JPA Agreement designates the Treasurer of the Authority as such officer and allows that person to set the amount of the bond. SDOG alleges that Section 3C of the JPA Agreement renders the entire agreement legally defective because it allows the Treasurer of the Authority – not the member entities – to fix the amount of the bond.

SDOG's claim regarding Section 3C of the JPA Agreement is without merit. Even if Section 3C of the JPA Agreement improperly delegates a statutory duty of the member entities to the Authority's treasurer, the improper delegation does not render the entire JPA Agreement legally defective or void. Section 16 of the JPA Agreement provides as follows:

> If any one or more of the terms, provisions, promises, covenants or conditions of this Agreement shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, each and all of the remaining terms, provisions, promises, covenants and conditions of this Agreement shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law.

Applying Section 16 of the JPA Agreement, a court would not deem the entire agreement legally defective and void due to the alleged improper delegation set forth in Section 3C of the JPA Agreement.

Additionally, this Office considers SDOG's claim regarding Section 3C of the JPA Agreement to have been finally adjudicated in favor of the San Diego Entities in the Ballpark Refunding Bonds Action Judgment. SDOG presented an identical claim in the Series A Bonds Action. Pursuant to the parties' stipulation in the Ballpark Refunding Bonds Action and the Ballpark Refunding Bonds Action Judgment, the final adjudication of SDOG's claim regarding Section 3C of the JPA Agreement in the Series A Bonds Action is to be dispositive as to the identical claim in the Ballpark Refunding Bonds Action. In the Series A Bonds Action Judgment, the trial court entered judgment in favor of the San Diego Entities as to SDOG's claim regarding Section 3C of the JPA Agreement. SDOG did not raise its claim regarding Section 3C of the JPA Agreement in its appeal of the Series A Bonds Action Judgment. Therefore, in accordance with the Ballpark Refunding Bonds Action Judgment, SDOG's claim regarding Section 3C of the JPA Agreement in the Ballpark Refunding Bonds Action is deemed finally adjudicated in favor of the San Diego Entities and cannot be raised in the Ballpark Refunding Bonds Appeal.

4. SDOG's Claim that the Ballpark Refunding Bonds Approvals are Invalid for Failure to Comply with the Requirements of Article 2 of the JPA Act in the Series A Appeal

is without Merit and was Finally Adjudicated in Favor of the San Diego Entities in the Ballpark Refunding Bonds Action Judgment

In the Series A Bonds Action and the Ballpark Refunding Bond Action, SDOG alleges that the bonds are invalid because they fail to comply with the requirements for revenue bonds issued by a financing authority pursuant to Article 2 of the JPA Act.

SDOG's claim that Ballpark Refunding Bond Approvals are invalid for failure to comply with the Article 2 of the JPA Act is without merit. However, the Ballpark Refunding Bond Approvals expressly state that the Ballpark Refunding Bonds will be issued pursuant to the Marks-Roos Act. Because the Authority will issue the Ballpark Refunding Bonds pursuant to the Marks-Roos Act, the Ballpark Refunding Bonds need not comply with the requirements for revenue bonds issued pursuant to Article 2 of the JPA Act. Cal. Gov't Code § 6587 ("The issuance of bonds, financing, or refinancing under this article need not comply with the requirements of . . . other articles of this chapter.").

Additionally, this Office considers SDOG's claim regarding Article 2 of the JPA Act to have been finally adjudicated in favor of the San Diego Entities in the Ballpark Refunding Bonds Action Judgment. SDOG presented an identical claim in the Series A Bonds Action. Pursuant to the parties' stipulation in the Ballpark Refunding Bonds Action and the Ballpark Refunding Bonds Action Judgment, the final adjudication of SDOG's claim regarding Article 2 of the JPA Act in the Series A Bonds Action is to be dispositive as to the identical claim in the Ballpark Refunding Bonds Action. In the Series A Bonds Action Judgment, the trial court entered judgement in favor of the San Diego Entities as to SDOG's claim regarding Article 2 of the JPA Act. SDOG did not raise its claim regarding Article 2 of the JPA Act in its appeal of the Series A Bonds Action Judgment. Therefore, in accordance with the Ballpark Refunding Bonds Action Judgment, SDOG's claim regarding Article 2 of the JPA Act in the Ballpark Refunding Bonds Action is deemed finally adjudicated in favor of the San Diego Entities and cannot be raised in the Ballpark Refunding Bonds Appeal.

5. SDOG's Claim that the Transaction Contemplated in the Ballpark Refunding Bonds Approvals will Violate the voter assent requirement of the Revenue Bond Law of 1941 is without Merit and was Finally Adjudicated in Favor of the San Diego Entities in the Ballpark Refunding Bonds Judgment

In the Series A Bonds Action and the Ballpark Refunding Bond Action, SDOG alleges that the bonds are invalid because they fail to comply with the Revenue Bond Law of 1941 (Cal. Gov't Code §§ 54300-54700) ("Revenue Bond Law"). When a public entity intends to issue bonds pursuant to the Revenue Bond Law intended to fund public improvements, the entity must first submit the question to the voters. Cal. Gov't Code § 54380.

SDOG's claim that Ballpark Refunding Bond Approvals are invalid for failure to comply with the Revenue Bond Law is without merit. The JPA Act - more specifically the Marks-Roos Act - vests the Authority with the power to issue the Ballpark Refunding Bonds without voter approval. Cal. Gov't Code §§ 6586.5, 6588c, 6595.3. Further, Section 4 of the JPA Agreement authorizes the PFFA to "issue or cause to be issue bonded and other indebtedness, and pledge any property or revenues as security to the extent permitted under the [JPA Act], including Article 4 (the Marks Roos Act)." The Ballpark Refunding Bond Approvals expressly state that the Ballpark Refunding Bonds will be issued pursuant to the Marks-Roos Act.

Because the Authority will issue the Ballpark Refunding Bonds pursuant to the Marks-Roos Act, any other provision of California Law that may require voter approval for a bond issuances will not apply to the Authority's issuance of the Ballpark Refunding Bonds. Cal. Gov't Code § 6587 ("The issuance of bonds, financing, or refinancing under this article need not comply with the requirements of any other state laws applicable to the issuance of bonds. . . ."); *see also Rider,* 18 Cal.4th at 1052 (referring to section 6587 and noting that "[t]he Legislature could hardly have made clearer that a joint powers agency can issue bonds under [the Marks-Roos Act] without complying with the procedural restrictions found elsewhere in state law").

Therefore, the voter assent requirement of the Revenue Bond Law does not apply to Ballpark Refunding Bonds and neither the Authority nor the City are required to obtain voter assent before issuing the Ballpark Refunding Bonds.

Additionally, this Office considers SDOG's claim regarding the Revenue Bond Law to have been finally adjudicated in favor of the San Diego Entities in the Ballpark Refunding Bonds Action Judgment. SDOG presented an identical claim in the Series A Bonds Action. Pursuant to the parties' stipulation in the Ballpark Refunding Bonds Action and the Ballpark Refunding Bonds Action Judgment, the final adjudication of SDOG's claim regarding the Revenue Bond Law in the Series A Bonds Action is to be dispositive as to the identical claim in the Ballpark Refunding Bonds Action. In the Series A Bonds Action Judgment, the trial court entered judgement in favor of the San Diego Entities as to SDOG's claim regarding the Revenue Bond Law. SDOG did not raise its claim regarding the Revenue Bond Law in its appeal of the Series A Bonds Action Judgment. Therefore, in accordance with the Ballpark Refunding Bonds Action Judgment, SDOG's claim regarding the Revenue Bond Law in the Ballpark Refunding Bonds Action is deemed finally adjudicated in favor of the San Diego Entities and cannot be raised in the Ballpark Refunding Bonds Appeal.

6. SDOG's Claim that the Ballpark Refunding Bond Approvals violate Charter Section 99 is without Merit and was Finally Adjudicated in Favor of the San Diego Entities in the Ballpark Refunding Bonds Judgment

In the Series A Bonds Action and the Ballpark Refunding Bond Action, SDOG alleges that bond approvals violate Charter Section 99 because the transaction will cause the City to incur indebtedness exceeding the City's income and revenue for a year without voter approval. Charter Section 99 provides in relevant part that the City shall not incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for such year unless approved by a majority of the voters. SDOG alleges that the bond approvals require the City to do more in future fiscal years than simply make lease payments in exchange for the use and possession of the leased property enjoyed during that year. SDOG argues that the requirement in the leases that members of the City Council commit to take necessary and appropriate actions in future years to allocate and budget enough money to make the lease payments in those years creates an obligation on the part of the City beyond the current fiscal year.

SDOG's claim that Ballpark Refunding Bond Approvals violate Charter Section 99 lacks merit. In a long line of decisions, the California Supreme Court has consistently rejected claims similar to SDOG's claim relating to the annual debt limitation set forth in Charter Section 99 by holding that the annual debt limits applicable to the City do not apply to a city's lease obligations when the liability for each rent payment is contingent on the annual tender of the right to use of the leased property. *City of Los Angeles v. Offner*, 19 Cal.2d 483, 484-87 (1942); *Dean v. Kuchel*, 35 Cal.2d 444, 446-48 (1950); *Rider,* 18 Cal.4th at 1045-47. Further, the *Rider* court found that the lease did not violate the annual debt limitation despite the fact that the lease contained a provision under which the City agreed "to include these rent payments in its budget each year." *Id.* at 1047-1050.

Additionally, this Office considers SDOG's claim regarding Charter Section 99 to have been finally adjudicated in favor of the San Diego Entities in the Ballpark Refunding Bonds Action Judgment. SDOG presented an identical claim in the Series A Bonds Action. Pursuant to the parties' stipulation in the Ballpark Refunding Bonds Action and the Ballpark Refunding Bonds Action Judgment, the final adjudication of SDOG's claim regarding Charter Section 99 in the Series A Bonds Action is to be dispositive as to the identical claim in the Ballpark Refunding Bonds Action. In the Series A Bonds Action Judgment, the trial court entered judgement in favor of the San Diego Entities as to SDOG's claim regarding Charter Section 99. SDOG did not raise its claim regarding Charter Section 99 in its appeal of the Series A Bonds Action Judgment. Therefore, in accordance with the Ballpark Refunding Bonds Action Judgment, SDOG's claim regarding Charter Section 99 in the Ballpark Refunding Bonds Action is deemed finally adjudicated in favor of the San Diego Entities and cannot be raised in the Ballpark Refunding Bonds Appeal.

7. SDOG's Claim that the Ballpark Refunding Bond Approvals violate Charter Section 93 is without Merit and was Finally Adjudicated in Favor of the San Diego Entities in the Ballpark Refunding Bonds Judgment

In the Series A Bonds Action and the Ballpark Refunding Bond Action, SDOG alleges that bond approvals violate Charter Section 93 because the City pledges its faith and credit to the repayment of the Authority's bond debt "under the artifice and subterfuge of leases." The last sentence of Charter Section 93 provides that "[t]he credit of the City shall not be given or loaned to or in aid of any individual, association or corporation."

SDOG's claim that Ballpark Refunding Bond Approvals violate Charter Section 93 lacks merit. The City does not give, loan or pledge the credit of the City to any individual, association or corporation for the indebtedness arising from the Ballpark Refunding Bonds transaction. The transaction documents for the Ballpark Refunding Bonds transaction expressly state that the bonds are not the debt of the City. For example, the form of the Ballpark Refunding Bonds appended to the form of indenture approved by the San Diego Entities provides in relevant part:

> The [Ballpark Refunding] Bonds are special, limited obligations of the Authority and do not constitute a debt, liability or obligation of the City or of the State of California (the "State") or any political subdivision thereof and neither the faith and credit of the City nor the State are pledged to the payment of the principal of or interest on the [Ballpark Refunding] Bonds. The Authority has no taxing power.

Further, in *Rider*, the California Supreme Court established that the bonded indebtedness arising from a financing authority's issuance of lease revenue bonds is not the debt of the affiliated city. *Rider*, 18 Cal.4th at 1043. In rejecting the argument that the City pledged its faith and credit to the financing authority's debt, it was of key importance to the *Rider* Court that "the bonds themselves provided they were not obligations of the City, and bondholders [are therefore required] to look exclusively to the financing authority for payment." *Rider*, 18 Cal.4th at 1045.

Additionally, this Office considers SDOG's claim regarding Charter Section 93 to have been finally adjudicated in favor of the San Diego Entities in the Ballpark Refunding Bonds Action Judgment. SDOG presented an identical claim in the Series A Bonds Action. Pursuant to the parties' stipulation in the Ballpark Refunding Bonds Action and the Ballpark Refunding Bonds Action Judgment, the final adjudication of SDOG's claim regarding Charter Section 93 in the Series A Bonds Action is to be dispositive as to the identical claim in the Ballpark Refunding Bonds Action. In the Series A Bonds Action Judgment, the trial court entered judgement in favor of the San Diego Entities as to SDOG's claim regarding Charter Section 93. SDOG did not raise its claim regarding Charter Section 93 in its appeal of the Series A Bonds Action Judgment. Therefore, in accordance with the Ballpark Refunding Bonds Action Judgment, SDOG's claim regarding Charter Section 93 in the Ballpark Refunding Bonds Action is deemed finally adjudicated in favor of the San Diego Entities and cannot be raised in the Ballpark Refunding Bonds Appeal.

8. SDOG's Claim that the Ballpark Refunding Bond Approvals violate San Diego Municipal Code Section 22.0901 is without Merit and was Finally Adjudicated in Favor of the San Diego Entities in the Ballpark Refunding Bonds Judgment

In the Series A Bonds Action and the Ballpark Refunding Bond Action, SDOG alleges that the leases contemplated in the bond approvals violate San Diego Municipal Code ("SDMC") Section 22.0901. SDMC Section 22.0901 provides as follows: "Except as otherwise provided in the Charter, or by ordinance, the Council shall have the power to lease the real property of the City as follows: (a) No real property belonging to the City shall be leased except in pursuance of a resolution passed by a majority vote of all members of the Council, which shall contain the following" and then three items of information regarding the property that must be identified in the resolution.

SDOG's claim that the lease contemplated in the Ballpark Refunding Bond Approvals violates SDMC Section 22.0901 lacks merit. The requirement set forth in SDMC Section 22.0901 is expressly qualified by the following language: "Except as otherwise provided . . . by ordinance." Therefore, in instances where the City Council passes an ordinance governing a lease of City property, the City Council need not pass a resolution setting forth the details outlined in SDMC Section 22.0901(a)(1)-(3). In such instances, it would be superfluous for the City Council to pass a separate resolution approving the lease. As part of the Ballpark Refunding Bond Approvals, the City Council approved the form and content of the lease associated with the Ballpark Refunding Bonds and authorized and directed the City's execution of the document. The City Council's approval of the lease via ordinance means that the City Council was not required to adopt a resolution setting forth the details enumerated in SDMC Section 22.0901(a).

Additionally, this Office considers SDOG's claim regarding SDMC Section 22.0901(a) to have been finally adjudicated in favor of the San Diego Entities in the Ballpark Refunding Bonds Action Judgment. SDOG presented an identical claim in the Series A Bonds Action. Pursuant to the parties' stipulation in the Ballpark Refunding Bonds Action and the Ballpark Refunding Bonds Action Judgment, the final adjudication of SDOG's claim regarding SDMC Section 22.0901(a) in the Series A Bonds Action is to be dispositive as to the identical claim in the Ballpark Refunding Bonds Action. In the Series A Bonds Action Judgment, the trial court entered judgement in favor of the San Diego Entities as to SDOG's claim regarding SDMC Section 22.0901(a). SDOG did not raise its claim regarding SDMC Section 22.0901(a) in its appeal of the Series A Bonds Action Judgment. Therefore, in accordance with the Ballpark Refunding Bonds Action Judgment, SDOG's claim regarding SDMC Section 22.0901(a) in the Ballpark Refunding Bonds Action is deemed finally adjudicated in favor of the San Diego Entities and cannot be raised in the Ballpark Refunding Bonds Appeal.

E. Claims and Legal Theories Unique to the Ballpark Refunding Bonds Action

1. Section 1090 Claim

In the Ballpark Refunding Bonds Action, SDOG claims that the Ballpark Refunding Bond Approvals are void because the City and/or the Authority violated California Government Code Section 1090 ("Section 1090") when adopting the Ballpark Refunding Bond Approvals. Section 1090 states as follows at subdivision (a):

> Members of the Legislature, state, county, district, judicial district, and city officers or employees shall not be financially interested in any contract made by them in their official capacity, or by any body or board of which they are members. Nor shall state, county, district, judicial district, and city officers or employees be purchasers at any sale or vendors at any purchase made by them in their official capacity.

Section 1090 codifies the State's long-standing rule prohibiting public officials from being personally financially interested in the contracts and financial transactions they authorize in their official capacity. *Lexin v. Super. Ct.*, 47 Cal.4th 1050, 1072 (2010). In order to determine whether Section 1090 has been violated with respect to a contract or transaction, the Court must identify "(1) whether the defendant government officials or employees participated in the making of a contract in their official capacities; (2) whether the defendants had a cognizable financial interest in that contract; and (3) . . . whether the cognizable interest falls within any one of" several statutorily recognized exceptions for remote or minimal interests. *Id.* at 1074 (citations omitted). Unless the first two elements are met, no Section 1090 violation can be found. *Id.*

SDOG's claim regarding Section 1090 lacks merit for two reasons. First, SDOG does not have standing under Section 1090 to ask the Court to void the Ballpark Refunding Bond Approvals. Pursuant to Government Code Section 1091, any contract made in violation of Section 1090 "may be avoided at the instance of any party except the officer interested therein." However, a taxpayer group such as SDOG will only have standing to sue under Section 1090 to have improper contracts declared void if, and only if, the governing body of the public entity has a duty to act to void the contract and has refused to do so. However, absent a law

that specifically requires the public entity to act to void the contract, a non-party to the contract cannot bring a claim to void the contract. *San Bernardino Cnty v. Super. Ct.*, 239 Cal.App.4th 679, 687-88 (4th Dist. Cal. 2015). SDOG is not a party to the transactions contemplated in the Ballpark Refunding Bond Approvals. Therefore, SDOG does not have standing to seek to void the transaction unless it can first prove that one or more of the San Diego Entities had a statutory obligation to bring an action to void the Ballpark Refunding Bond Approvals and failed to comply with that obligation. *Id.* In the Ballpark Refunding Bonds Action, SDOG does not allege that there exists a statutory obligation that requires one or more of the San Diego Entities to initiate a legal action to void the Ballpark Refunding Bond Approvals and we are not aware of any such obligation. Therefore, SDOG does not have standing to void the Ballpark Refunding Bond Approvals even if the transaction involves a violation of section 1090. *Id.* at 684.

Second, even if SDOG is found to have standing to assert the Section 1090 claim, SDOG's Section 1090 claim fails as a matter of law because no public official or employee of any of the San Diego Entities has a financial interest in the contracts contemplated by the Ballpark Refunding Bond Approvals. In the Ballpark Refunding Bonds Action, SDOG argued that one or more of Bond Counsel (Nixon Peabody LLP) and/or the Underwriters (RBC Capital Markets, Bank of America Merrill Lynch, William Blair & Co. and Stern Brothers & Co.) involved in the Ballpark Refunding Bonds transaction have a financial interest in the transaction that violates section 1090. However, SDOG's claim lacks support in the law because not one of the entities identified by SDOG as having a financial interest in the transaction is covered by Section 1090. Section 1090 does not apply to persons or entities that are not city officers or employees of the entities. *Klistoff v. Super. Ct.*, 157 Cal.App.4th 469, 479-82 (2007) (noting that "[t]he prohibition of section 1090 does not reach beyond" city officers and employees). Bond Counsel and the Underwriters are "not legally capable of violating section 1090 because they [are] not public officials or employees." *Id.* at 479-80.

SDOG's Section 1090 claim relies on the handful of decisions where a California Court has ruled that Section 1090 applies to a person who is neither a public official nor an employee of the entity involved in the transaction when the circumstances of the relationship demonstrate that the entity/person "carries the potential to exert 'considerable influence' over the contracting decisions" of the entity. *Cal. Hous. Fin. Agency v. Hanover/California Mgmt. and Accounting Ctr., Inc.*, 148 Cal.App.4th 682, 693 (2007) ("*California Housing*"). However, SDOG's reliance on these decisions is misplaced. Neither Bond Counsel nor any of the Underwriters have a relationship with the City or the Authority that "carries the potential to exert 'considerable influence' over the contracting decisions" of the entity. *Id.* Further, subsequent Court of Appeal decisions have cast serious doubt upon the decision in *California Housing* to extend the scope of Section 1090 to cover contractors who are not public officials or employees of the City. *See People v. Christiansen*, 216 Cal.App.4th 1181, 1188-1190 (2013), *People v. Lofchie*, 229 Cal.App.4th 240, 252-53 (2014).

SDOG appealed that part of the Ballpark Refunding Bonds Judgement that adjudicates SDOG's claim regarding Section 1090 in the favor of the San Diego Entities. Therefore, SDOG's claim regarding Section 1090 will be finally adjudicated in the final appellate decision in the Ballpark Refunding Bonds Appeal.

2. SDOG's Claim that the Ballpark Refunding Bond Approvals violate San Diego Municipal Code Section 22.2704 is without Merit and was Finally Adjudicated in Favor of the San Diego Entities in the Ballpark Refunding Bonds Judgment

In the Ballpark Refunding Bonds Action, SDOG claims that the Ballpark Refunding Bond Approvals violate SDMC Section 22.2704 because one or more of the contracts contemplated in the Ballpark Refunding Bond Approvals fails a required nondiscrimination clause. SDMC Section 22.2704 mandates that every City contract not otherwise exempt from the requirement contain a specific nondiscrimination clause. SDOG failed to identify the offending contract in the complaint initiating the Ballpark Refunding Bonds Action or during the course of the litigation.

This Office considers SDOG's claim regarding SDMC Section 22.2704 waived. SDOG failed to present this legal theory to the trial court for resolution in the Ballpark Refunding Bonds Action. Further,

SDOG failed to identify this as an issue to be tried in the Joint Pretrial Readiness Conference Report submitted to the trial court in the Ballpark Refunding Bonds Action. SDOG did not otherwise present the issue to the trial court for resolution. Therefore, SDOG has waived its claim regarding SDMC Section 22.2704 in the Ballpark Refunding Bonds Action and it cannot be raised in the pending Ballpark Refunding Bonds Appeal.

III. Litigation Challenging Other Authority Lease Revenue Bonds

A. Series A Bonds Action (Capital Improvement Bonds)

On April 1, 2014, SDOG filed a reverse validation lawsuit in the San Diego County Superior Court against the Authority, the City, the Successor Agency and the Housing Authority (collectively, the "San Diego Entities") and all interested parties titled *San Diegans for Open Government v. City of San Diego et al.*, Case No. 37-2014-00009217-CU-MC-CTL (the "Series A Bonds Action"). In the Series A Bonds Action, SDOG sought a judgment declaring that the resolution of the Authority and the ordinance and initial resolution of the City adopted with respect to the Series A Bonds (together, the "Series A Bond Approvals") fail to comply with all applicable laws rendering the Series A Bond Approvals null and void, invalid and without legal effect. SDOG further sought injunctive relief prohibiting the San Diego Entities from taking any action contemplated by the Series A Bond Approvals. The San Diego Entities denied all of SDOG's claims, causes of action and legal theories and requested that the court render a judgment finding that the Series A Bond Approvals and all other resolutions and actions taken by the San Diego Entities approving the Series A Bonds are conclusively valid and binding pursuant to Code of Civil Procedure Section 870 and any other applicable law. After a three-day bench trial, on November 3, 2014, the trial court ruled against SDOG with respect to all the claims, causes of actions and legal theories raised by SDOG in the Series A Bonds Action. On November 20, 2014, the trial court entered judgment in favor of the San Diego Entities in the matter.

On December 12, 2014, SDOG filed a notice of appeal with the Fourth District in the Series A Bonds Action seeking to overturn the trial court judgment in favor of the San Diego Entities. (*San Diegans for Open Government v. City of San Diego et al., Court of Appeal, Fourth Appellate District Case No. D067127*). After briefing and oral argument from the parties, the Fourth District issued an opinion, certified for publication, affirming the trial court judgment in favor of the San Diego Entities in the Series A Bonds Action. *San Diegans for Open Government v. City of San Diego*, 242 Cal.App.4th 416 (4th Dist. Nov. 20, 2015). On December 29, 2015, SDOG filed a petition for review with the California Supreme Court requesting that the Supreme Court review the November 20, 2015 opinion of the Fourth District. (*San Diegans for Open Government v. City of San Diego et al., Supreme Court Case No. S231508*). The San Diego Entities filed an opposition to the petition for review on January 19, 2016. The California Supreme Court has up to 60 days from the date of the petition (which can be extended to not more than 90 days) in which to decide whether to grant review. Therefore, the Supreme Court will decide whether to grant review in the Series A Bonds Action no later than March 28, 2016. If the California Supreme Court overturns the Fourth District's ruling in the Series A Bonds Action, the Fourth District's November 20, 2015 opinion will no longer be citable law. Further, a Supreme Court ruling overturning the Forth District's ruling could cause the 2015 Bonds and the related indenture and leases to be invalid. In that event the Authority would not be obligated to make, and may be precluded from making, principal and interest payments on the affected 2015 Bonds and the City would not be obligated to make, and may be precluded from making, lease payments under the facilities lease related to the affected 2015 CIP Bonds. Even if the ruling on appeal did not preclude the Authority from making payment on the affected 2015 CIP Bonds, the failure of the trustee to receive lease payments as scheduled under the related facilities lease would result in the trustee not having sufficient money available to pay debt service on the affected 2015 CIP Bonds.

B. Series B Bonds Action (Capital Improvement Bonds)

On June 6, 2014, SDOG filed a reverse validation lawsuit in the San Diego County Superior Court against the Authority, the City, the Successor Agency and the Housing Authority (collectively, the "San Diego Entities") and all interested parties titled *San Diegans for Open Government v. Public Facilities Fin. Auth. for*

the City of San Diego, et al., Case No. 37-2014-00018335-CU-MC-CTL (the "Series B Bonds Action"). In the Series B Bonds Action, SDOG sought a judgment declaring that the resolution of the Authority and the ordinance and initial resolution of the City adopted with respect to the Series B Bonds (together, the "Series B Bond Approvals") fail to comply with all applicable laws rendering the Series B Bond Approvals null and void, invalid and without legal effect. SDOG further sought injunctive relief prohibiting the San Diego Entities from taking any action contemplated by the Series B Bond Approvals. The San Diego Entities denied all of SDOG's claims, causes of action and legal theories and requested that the court render a judgment finding that the 201BA Bond Approvals and all other resolutions and actions taken by the San Diego Entities approving the Series B Bonds are conclusively valid and binding pursuant to Code of Civil Procedure Section 870 and any other applicable law. In the Series B Bonds Action, the San Diego Entities moved for summary judgment on alternate grounds: (a) that the Action was procedurally deficient because SDOG failed to timely serve the Attorney General and Treasurer of the State of California; and (b) that the Series B Bonds, the Series B Bond Approvals and all other resolutions and actions taken by the San Diego Entities approving the Series B Bonds are conclusively valid as a matter of law. On January 12, 2015, the trial court in the Series B Bonds Action entered an order of dismissal with prejudice on the grounds that SDOG failed to serve the Attorney General of the State of California and the Treasurer of the State of California with a copy of the complaint in the Series B Bonds Action as required by Government Code Section 6599. SDOG then filed a motion requesting relief from the trial court for SDOG counsel's failure to properly serve the complaint in a timely manner. On January 27, 2015, that motion was denied by the trial court.

On March 3, 2015, SDOG filed a notice of appeal with the Fourth District requesting that the appellate court overturn the trial court's January 27, 2015 order denying relief from dismissal. *San Diegans for Open Government v. Public Facilities Fin. Auth. for the City of San Diego, et al.*, Fourth District Case No. D067682. The parties completed briefing, and oral argument before the Fourth District is scheduled for January 12, 2016. The Fourth District is expected to file a written opinion within 90 days after the oral argument (April 11, 2016) unless the parties are ordered to submit post-argument briefs.

The City and the Authority believe that they will prevail in the pending appeal of the trial court dismissal in the Series B Bonds Action. However, no guarantee can be given as to the outcome of the appeal. In the event that the Fourth District reverses the trial court's dismissal in the Series B Bonds Action, the action will be returned to the trial court for a hearing on the merits of the San Diego Entities' motion for summary judgment. At that time, the San Diego Entities will be entitled to entry of judgment in their favor on the merits because the trial court will be required to follow the law set forth by the Fourth District in the published opinion issued in the Series A Bonds Action. However, if the California Supreme Court grants SDOG's petition for review in the Series B Bonds Action before the trial court in the Series A Bonds Action rules on the San Diego Entities' motion for summary judgment, the trial court in the Series B Bonds Action can be expected to delay ruling on the motion for summary judgment until after the California Supreme Court issues an opinion in the Series A Bonds Action.

IV. Summary of No Merit Opinion

As set forth in detail in the preceding sections, we are of the opinion that all SDOG claims in the Ballpark Refunding Bonds Action are without merit, including all claims surviving in the Ballpark Refunding Bonds Appeal. We believe that under the law as in effect on the date hereof, the California Supreme Court, acting reasonably and properly briefed on the issues, would not conclude that the Ballpark Refunding Bond Approvals are invalid based on SDOG's claims.

In connection with the Ballpark Refunding Bonds Action, we note that a court's decisions regarding the matters raised in Ballpark Refunding Bonds Action would be based on the court's own analysis and interpretation of the factual evidence and the applicable legal principles. The opinion expressed herein with respect to SDOG's claims in the Ballpark Refunding Bonds Action is not intended to be a guaranty as to what the Supreme Court will actually hold if it considers the matter, but an opinion as to the conclusion that the Supreme Court would likely reach if the facts were determined to be as recited in the record for the Ballpark

Refunding Bonds Action presented to the trial court, the issues as to SDOG's claims in the Ballpark Refunding Bonds Action were properly raised, briefed and presented to the Supreme Court and the Supreme Court followed what we believe to be the applicable legal principles in effect on the date hereof. This opinions expressed herein are matters of professional judgment and are not a guaranty or warranty of any result whatsoever.

This opinion may be relied on in connection with the issuance of the Ballpark Refunding Bonds. It may not be used or relied upon for any other purpose. This opinion may be included in the transcript of record of proceedings relating to the issue of the Ballpark Refunding Bonds. This opinion is expressly limited to the matters set forth above, and we render no opinion, whether by implication or otherwise, as to any other matters. This letter speaks only as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that arise after the date of this opinion and come to our attention, or any future changes in laws, rules or regulations.

This opinion is given in an official capacity only, and not personally, and no personal liability shall derive or result from this opinion.

Respectfully Submitted,

JAN I. GOLDSMITH, City Attorney

By:

Meghan Ashley Wharton
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