

**SPECIAL MEETING OF  
THE PUBLIC FACILITIES FINANCING AUTHORITY  
OF THE CITY OF SAN DIEGO**

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Pursuant to the provisions of the Ralph M. Brown Act, notice is being given that a Special Meeting of the Board of Commissioners of the Public Facilities Financing Authority of the City of San Diego will be held on Tuesday, February 9, 2016, at 2:00 p.m., or soon thereafter at:

**LOCATION: City Administration Building  
Council Chambers  
202 C Street, 12th Floor  
San Diego, CA 92101**

Members of the public may address the Board of Commissioners on any item for consideration on this agenda.

**FOR INFORMATION CALL: Bret A. Bartolotta at (619) 533-5801**

**APPROVAL OF MINUTES**

The Minutes of the following meeting will be approved by Unanimous Consent unless pulled for discussion:

[08/04/2015 - Special Meeting](#)

**ADOPTION AGENDA, DISCUSSION AND OTHER LEGISLATIVE ITEMS**

**RESOLUTIONS:**

ITEM-FA-1: [Authorizing the distribution of a Preliminary Official Statement for the issuance of the Public Facilities Financing Authority of the City of San Diego's Senior Sewer Revenue Refunding Bonds, Series 2016A.](#)

**ITEM DESCRIPTION:**

Approve the resolution approving the form and authorizing the distribution of the Preliminary Official Statement and final Official Statement for the Authority's Senior Sewer Revenue Refunding Bonds, Series 2016A.

**CITY ATTORNEY'S RECOMMENDATION:**

Adopt the following resolution:

(FA-2016-1)

A 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 a Preliminary Official Statement for Senior Sewer Revenue Refunding Bonds, Series 2016A; authorizing the execution, delivery and distribution of an Official Statement for Senior Sewer Revenue Refunding Bonds, Series 2016A; and approving other documents and actions in connection therewith.

**SUPPORTING INFORMATION:**

**FISCAL CONSIDERATIONS:**

Based on current market conditions approximately all of the outstanding callable 2009A&B and 2010A Bonds are expected to be refunded (\$429.3 million) with the issuance of the 2016A Bonds. This advance refunding scenario provides a cumulative cash flow savings to the Wastewater System of approximately \$74 million over the remaining years of the refunding, an average annual cash flow savings of approximately \$2.3 million in Fiscal Years 2016-2019, \$5.7 million in Fiscal Years 2020-2022, \$2.0 million in Fiscal Years 2023-2026, \$4.6 million in Fiscal Years 2027-2029 and approximately \$2.6 million in Fiscal Years 2030-2039. With the refunding, the new total debt service of the 2016 Bonds is \$654.7 million compared to \$728.8 million of the refunded bonds. The savings are a result of both lower interest rates and release and use of Debt Service Reserve Funds to fund the escrow. The net present value savings is estimated at 11.2%.

**PREVIOUS COUNCIL AND/OR COMMITTEE ACTION:**

On June 16, 2015, the City Council approved Ordinance O-20506 approving the issuance of the Sewer Bonds in an amount not to exceed \$848,080,000 as well as the forms of the financing documents.

On June 16, 2015, the PFFA approved Resolution Number FA-2015-7 authorizing the issuance of up to \$848,080,000 in one or more series of revenue refunding bonds.

Nuesca

Primary Contact\City Attorney\Phone: Bret A. Bartolotta\619-533-5801, MS 59  
Secondary Contact\Phone: Brant C. Will\619-533-5684

**NOTE:** See City Council Agenda of February 9, 2016, Item 333, for a companion item.

ITEM-FA-2: [Authorizing the distribution of a Preliminary Official Statement final Official Statement for the Public Facilities Financing Authority's Lease Revenue Refunding Bonds, Series 2016 \(Ballpark\).](#)

**ITEM DESCRIPTION:**

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).

**CITY ATTORNEY'S RECOMMENDATION:**

Adopt the following resolution:

(FA-2016-2)

A 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.

**SUPPORTING INFORMATION:**

**FISCAL CONSIDERATIONS:** N/A

**PREVIOUS COUNCIL AND/OR COMMITTEE ACTION:** N/A

Nuesca

Primary Contact\City Attorney\Phone: Brant Will\619-533-5684, MS 59

**NOTE:** See City Council Agenda of February 9, 2016, Item 334, for a companion item.

**Office of  
The City Attorney  
City of San Diego**

**MEMORANDUM**

**(619) 236-6220**

**DATE:** February 2, 2016

**TO:** Council President and Members of the City Council

**FROM:** Brant C. Will, Deputy City Attorney 

**SUBJECT:** Disclosure Responsibilities under Federal Securities Laws – Public Facilities Financing Authority of the City of San Diego Lease Revenue Refunding Bonds Series 2016 (Ballpark Refunding)

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**A. Introduction**

On February 9, 2016, the City Council will consider the adoption of a resolution to approve the form of the Preliminary Official Statement (POS) and to authorize the execution, delivery and distribution of an Official Statement for the issuance and sale of the Public Facilities Financing Authority of the City of San Diego Lease Revenue Refunding Bonds Series 2016 (Ballpark Refunding)(Bonds). You previously considered this item on May 19, 2015 but due to delays caused by litigation challenging the validity of the Bonds, the issuance was delayed. The POS and all associated certifications have been updated to account for all changed circumstances, including descriptions of the litigation.

The City Council adopted Ordinance No. O-20469 (Ordinance) on March 17, 2015, and the Ordinance became effective on April 16, 2015. The Ordinance approved the issuance of the Bonds as well as the forms of the financing documents. We recommend that you review the Ordinance as well as Report to City Council No. 15-011, dated February 13, 2015, which accompanied the Ordinance. Defined terms not otherwise defined in this memorandum have the meanings set forth in the POS. This memorandum provides guidance with respect to your disclosure responsibilities under the federal securities laws for the issuance of the Bonds.

Pursuant to the Ordinance, the Council has approved the issuance of bonds in a principal amount not to exceed \$136 million. The proceeds of the Bonds will be used to refund the Public Facilities Financing Authority's Lease Revenue Refunding Bonds, Series 2007A (Ballpark Refunding)(2007 Bonds). As an advance refunding, the Bonds must generated net present value savings of at least 4% pursuant to the City's Debt Policy.

The Bonds will be issued by the Public Facilities Financing Authority (Authority) and are structured as lease revenue bonds. The City will lease the City-owned components of Petco Park to the Authority under a Site Lease. The Authority will then lease Petco Park (Leased Property), back to the City under the Facility Lease. The Bonds are payable by the Authority from rental payments made by the City under the Facility Lease to the Authority for the use and occupancy of the Leased Property. The annual lease payments made by the City are equal to the annual debt service on the Bonds.

**B. Disclosure Responsibilities**

As a Councilmember, you have significant responsibilities imposed upon you by the federal securities laws. The City has taken a number of specific actions to assist you in meeting those responsibilities. The City Council has adopted a comprehensive Disclosure Ordinance (Municipal Code §22.4101 et seq.), established a Disclosure Practices Working Group (DPWG), and has had the benefit of guidance from the City Attorney's Office and the City's outside general Disclosure Counsel, John McNally. You should also bring to bear the disclosure training you received from Mr. McNally, the City Attorney's Office and Debt Management as you consider the POS before you. If you did not participate in the training, it is viewable online.

*Federal Securities Law*

A Memorandum dated July 9, 2008, to the City Council from Deputy City Attorney Brant Will and John McNally, entitled "Federal Securities Law Responsibilities regarding Review of Disclosure Documents," (copy attached), set forth a consensus recommendation for the Council's review of Preliminary and final Official Statements. The Memorandum quoted from the SEC's Orange County 21(a) Report (1996), characterized such report as "the principal authoritative guidance regarding a Council member's review" of Official Statements, and concluded that Council members should "review and approve Official Statements [relating to] the City's . . . financings." We commend that Memorandum to your attention once again.

Outlined below are the key features of the process that the City has implemented for review and approval of the Preliminary Official Statement for the Bonds. Certifications required by the Disclosure Controls and Procedures are attached to this Memorandum. We have also set forth certain questions that you should ask yourself as you consider the approval of the POS.

*Ordinance (O-19320, as amended)*

- |  | <u>Completed</u> |
|--|------------------|
| • Mayor provides written certification to City Council regarding no material mistakes or omissions (Municipal Code § 22.4112(a))         | ✓                |
| • City Attorney provides written certification to City Council regarding no material mistakes or omissions (Municipal Code § 22.4112(a)) | ✓                |
| • CFO provides certification to City Council regarding portions of CAFR in OS (Municipal Code § 22.4112(b))                              | ✓                |

*Disclosure Controls and Procedures*

- Director of Debt Management certifies to DPWG that Disclosure Controls and Procedures were followed by Financing Group in preparation of OS (section 4.3 B.) ✓
- Debt Manager, together with Deputy City Attorney for Finance, shall maintain a log of OS reviewers/preparers (section 4.3.B.3.) ✓
- Directors or other responsible staff members of certain City departments shall provide certification to DPWG regarding portions of OS reviewed in form attached to Controls and Procedures as Ex. D ✓
- SDCERS shall provide a certification regarding portions of the OS relating to pension matters (section 4.3.D) ✓
- City Attorney's Office provides letter regarding litigation in form attached as Ex. H (section 4.3. D) ✓
- CFO provides certification in form attached as Ex. I (section 4.3.E) ✓
- DPWG transmits OS to Mayor and City Attorney using letter in form attached as Ex. L (section 5.3) ✓
- CFO provides certification in form attached as Ex. L(section 5.4) ✓
- DPWG provides certification to City Council (section 5.5) ✓

*Kroll Report*

- "City Council [should] have at least two weeks to review substantially completed drafts of a preliminary offering statement before it is asked to vote to approve the final document." ✓

Your due diligence and disclosure obligations are significant relative to the issuance of the Bonds. As a preliminary matter, each Councilmember should determine whether he or she has a business relationship with any participant connected with this financing (see Report No. 15-011 for a list of participants). It is the position of the Securities and Exchange Commission that the existence of financial and business relationships or arrangements, including political contributions, could indicate the existence of actual or potential conflicts of interest, breaches of duty, or less than arms' length transactions. If there are any such relationships or arrangements these should be discussed with the City Attorney.

Each Councilmember should also consider if he or she has any material information of which the financing team may not be aware. If there is any such information, you should bring such information to the attention of City staff and the appropriate financing professionals. Finally, each Councilmember must develop for himself or herself a basis of knowledge, at a minimum, to answer the following questions (these questions are intended solely as a guide, and you are free to make any other enquiries that you deem relevant):

1. ***For what purpose are the Bonds being issued?*** The proceeds of the Bonds will be used to refund the 2007 Bonds. See Report No. 15-011 p. 2 and the Preliminary Official Statement pp. 7-8.
2. ***What is the term and source of repayment of the Bonds? Is there any City general fund exposure?*** Because the Bonds are refunding bonds and the term of the original ballpark bonds (issued in 2002) is not being extended, the final maturity of the Bonds is in 2031. See pp. 8-9 of the Preliminary Official Statement. The Bonds are special, limited obligations of the Authority secured solely by the lease payments of the City payable under the Facilities Lease and certain funds held under the Indenture. The full faith and credit of the City is not pledged to the payment of the principal of or interest on the Bonds, however, the City does covenant in the Indenture to budget the lease payments so the lease payments are obligations of the General Fund. See the Preliminary Official Statement pp. 9-11.
3. ***What are the types of risks that could cause the source of repayment to be insufficient to repay the Bonds?*** See the Preliminary Official Statement pp. 18-27.
4. ***What rights do Bondholders have in the event of a default on the Bonds?*** See the Preliminary Official Statement under the heading of “Limited Recourse on Default, Re-letting of Leased Property” “Enforcement of Remedies,” and “No Acceleration on Default,” p. 23.
5. ***What is the legal structure of the transaction?*** See Report No. 15-011 pp. 3-5 and the Preliminary Official Statement pp. 9-11.
6. ***What limitations are contained in the authorization for the Bonds?*** See Report No. 15-011 and, generally, section 9 of the Ordinance.
7. ***Are the Bonds considered debt for the purposes of the State Constitution or the City Charter?*** No. The City’s obligation to make lease payments to the Authority is not debt that requires voter approval under either the City Charter or the California Constitution. The City’s obligation to make lease payments is considered a contingent obligation because it is subject to abatement, which means the City is not legally required to make lease payments unless it has the use and occupancy of the Leased Property. The City is required to budget and make lease payments from any general funds legally available to it. However, the City is not obligated to levy or pledge any form of taxation. See the Preliminary Official Statement pp. 9-11.
8. ***Will the Bonds be issued on a tax-exempt basis?*** Yes, the Bonds will be issued on a tax-exempt basis. Bond Counsel will deliver an opinion at closing concluding that under existing statutes and court decisions and assuming continuing compliance with certain tax covenants, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section

103 of the Internal Revenue Code of 1986. See Preliminary Official Statement at pp. 28.

9. ***Has the litigation related to the Authority and the associated risks been appropriately disclosed?*** See Preliminary Official Statement, cover page, pp 1-2, pp. 18-19, and pp 30-33.
10. ***Are there any disclosures you expected to see in the Preliminary Official Statement that were not included?*** If so, please ask for an explanation of any omissions.

**While all components of the POS are important, most of the substantive financial and operational information about the City is contained in Appendix A and particular care should be taken in reviewing the information disclose there.**

*Developments Subsequent to Approval of the Resolution:* Assuming the City Council determines to adopt the resolution approving the form of the Preliminary Official Statement and authorizing the execution, delivery and distribution of the Official Statement for the Bonds, the City Council must ensure that any material information obtained after the approval of the resolution, but prior to the issuance of the Bonds, is provided to the financing team. It is expected that the POS will be printed on or about February 10, 2016 with a closing in March. The closing date of the Bonds has not yet been set. If members of the City Council become aware of information that could have a material bearing on the transaction, they have the responsibility to share such information with the finance team. Any revisions to the form of the Preliminary Official Statement as presented at this meeting will be reviewed by DPWG and provided to Council before printing and distribution to investors.

If you have any questions regarding this memorandum please feel free to contact Brant Will at (619) 533-5684.

cc: Kevin Faulconer, Mayor  
Jan Goldsmith, City Attorney  
Scott Chadwick, Chief Operating Officer  
Mary Lewis, Chief Financial Officer  
Lakshmi Kommi, Director of Debt Management  
Andrea Tevlin, Independent Budget Analyst  
John McNally, Hawkins Delafield & Wood LLP, Outside Disclosure Counsel

Attachment to Disclosure Responsibilities under Federal Securities Laws – the Public Facilities  
Financing Authority of the City of San Diego Lease Revenue Refunding Bonds Series 2016  
(Ballpark Refunding) – Reference Materials

Federal Securities Law Responsibilities regarding Review of Disclosure Documents, July 9,  
2008

MEMORANDUM

July 9, 2008

To: City Council

From: Brant C. Will *BCW*  
Deputy City Attorney, Finance and Disclosure Unit

John M. McNally *JMM*  
Hawkins Delafield & Wood LLP (outside Disclosure Counsel)

Re: Federal Securities Law Responsibilities re Review of Disclosure Documents

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This memorandum is intended to provide guidance to City Council members regarding their responsibilities under the federal securities laws to review disclosure documents. In particular, this memorandum identifies determinations for the Council to make to ensure it is complying with such responsibilities, including determinations as to which responsibilities it wishes to undertake directly and which responsibilities it wishes to delegate to management (i.e., the COO, CFO, financial staff), in coordination with the office of the City Attorney, operating through the Disclosure Practices Working Group ("DPWG"). For purposes of this memorandum, the term "disclosure document" means any document reasonably likely to reach investors or the trading markets and thus includes, among other documents, official statements, financial statements, continuing disclosure reports, rating agency presentation material and other discrete communications to which a reasonable investor could attach significance. (see § 22.4107(a)(1) of the Municipal Code).

The current state of the law, relying principally upon the SEC's Orange County Report<sup>1</sup> and the Disclosure Ordinance<sup>2</sup>, was analyzed in two prior memoranda<sup>3</sup> that were provided to City Council members. Rather than again providing a detailed analysis of the principal legal sources, this memorandum reflects our considered judgment of your responsibilities, taking into account the SEC's interpretive releases and enforcement actions, the

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<sup>1</sup> SEC Rel. No. 34-36761 (Jan. 24, 1996), "Report of investigation in the matter of County of Orange, California as it relates to the conduct of the members of the Board of Supervisors."

<sup>2</sup> Ordinance O-19320 (Oct. 11, 2004), as amended by Ordinances O-19612 (May 2, 2007) and O-19717 (Feb. 19, 2008).

<sup>3</sup> Memorandum from Mark D. Blake to Councilmember Frye, dated April 14, 2008, "Council responsibilities under federal securities laws for Rating Agency Material," and Memorandum from John M. McNally to City Council, dated May 14, 2007, "Federal Securities Law Responsibilities re Review of 2003 CAFR." See also letter from Bryan Cave LLP to Les Girard, dated Oct. 29, 2001, "Re: Review of Disclosure Documents as to Lease Revenue Bonds 2001".

Disclosure Ordinance, and all other relevant sources and guidelines, tempered by the practicalities of establishing an efficient process that does not impede the day-to-day operation of the City.

The principal authoritative guidance regarding a Council member's review of disclosure documents is the SEC's Orange County 21(a) Report (1996). The purpose of the Report was framed by the SEC as follows:

The Commission is issuing this Report to emphasize the responsibilities under the federal securities laws of local government officials who authorize the issuance of municipal securities and related disclosure documents and *the critical roles such officials play* with respect to the representations contained in the Official Statements for those securities. . . . When, for example, a public official has knowledge of facts bringing into question the issuer's ability to repay the securities, it is reckless for that official to approve disclosure to investors without taking steps appropriate under the circumstances to prevent the dissemination of materially false or misleading information regarding those facts . . . *such steps could have included becoming familiar with the disclosure documents and questioning the issuer's officials, employees or other agents about the disclosure of those facts.* (emphasis added)

The SEC staff has advised, in interpreting the Orange County Report, that members of legislative bodies may delegate certain disclosure responsibilities, but are still obligated to exercise "reasonable attention to providing accurate disclosure":

Their responsibilities [members of legislative body approving disclosure documents], however, do include some reasonable attention to providing accurate disclosure to the investors who buy their bonds and notes.

May public officials reasonably rely on lawyers, financial advisors, underwriters and governmental employees? Absolutely - just as officials of public companies do. That reliance however -- must be reasonable.<sup>4</sup>

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<sup>4</sup> Remarks of William R. McLucas, Director, Division of Enforcement, SEC, before the Government Finance Officers Association, addressing the Orange County Report (Jan. 30, 1996).

The Disclosure Ordinance was written with the intent of ensuring full and accurate disclosure *by the City*:

- “new disclosure controls and procedures . . . to ensure [A] the accuracy of *the City’s* disclosures and [B] *the City’s* compliance with all applicable federal and state securities laws” § 22.4105(a)
- “Such disclosure controls and procedures shall address the accuracy of information *disclosed by the City* in connection with securities issued by the related entities.” § 22.4105(b)
- “Disclosure Practices Working Group shall be responsible for . . . reviewing the form and content of all of the City’s documents and materials prepared, issued, or distributed in connection with the City’s disclosure obligations *relating to its securities.*” § 22.4107(a)(1)

In the course of last few years, as the Disclosure Ordinance and the related Controls and Procedures have been implemented, the DPWG, in addition to its primary role to protect the City, has been directed by Council to expand the scope of the documents subject to its review to include those related entities for which Council members serve as directors (e.g., the Housing Authority) or for which Council acts as the legislative body (e.g., Redevelopment Agency or Community Facilities Districts). This memorandum is intended to be responsive to such direction.

In considering the appropriate manner of review for the disclosure documents referenced in Appendix A as part of fulfilling Council’s responsibilities, each Council member should ask himself or herself the following questions:<sup>5</sup>

1. Am I satisfied that the processes followed [assuming compliance with the Disclosure Ordinance and the related Controls and Procedures] in preparing the disclosure document have been reasonably designed to produce accurate and reliable information?
2. Do I have a reasonable basis to have confidence in the integrity and competence of the members of the DPWG (e.g., management, the City Attorney’s disclosure attorneys, and outside disclosure counsel)?

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<sup>5</sup> Adopted from the advice provided by the Independent Consultant to the Audit Committee members regarding their responsibilities in reviewing CAFRs.

3. Do I know anything that would cause me to question the accuracy of the disclosures or that would indicate that there is a risk that those disclosures may be misleading?
4. With reference to the disclosure documents, do I know of any potentially material issues or "red flags" that should be brought to the attention of management or the DPWG or for which I would like a further explanation (that is, is there information of which I have actual knowledge that would lead me to believe that the disclosure document contains materially misleading information)?

As summarized in the attached chart (Appendix A), we are recommending that Council members, *acting in their capacity as Council members*, undertake the following responsibilities: (a) review and approve Official Statements backed by the City's General Fund and Water and Wastewater backed financings, and (b) receive and file the CAFR, upon completion of the audit and transmittal by the Audit Committee (as was done for the 2003-2006 CAFRs). The Council should consider what role is appropriate for it to play regarding review and approval of (1) Rule 15c2-12 annual filings, (2) rating agency presentations, and (3) postings on the City's investor information webpage. The Council may determine to delegate the responsibility to review and approve such documents to the DPWG, but such delegation is only proper if a Councilmember has answered "yes" to questions 1 and 2 above, and "no" to questions 3 and 4. Any different answer would require the Councilmember to reconsider the process that should be followed, including his or her own role in the process.

Pursuant to continuing disclosure agreements the City has executed in accordance with Rule 15c2-12, the City is responsible for filing annual reports for 26 distinct bond financings, resulting in 13 filings each calendar year. The large number of such financings makes it difficult to have both the DPWG and the Council review such documents. More importantly, the content of such filings is largely derived from audited financial statements which, in addition to review by DPWG, are also reviewed by the Audit Committee and Council.

In addition to the financial statements of the City, there are financial statements of blended component units and discretely presented component units. The two discretely presented component units, the Convention Center Corporation and the Housing Commission, have stand-alone financial statements. The blended component units are included within the City's financial statements, although two of such units, RDA and SDCERS, have stand-alone financial statements. The Council also should decide the extent to which it may wish to review, or delegate to the DPWG the review of, any such financial statements. In general, such statements are setting forth financial information that is operational in nature and which may not be material to investors in either the City's securities or the securities of any such units. On the other hand, the Council, *not acting as the Council but acting in the other capacities listed in Appendix A*, receives and files the financial statements of SDHC and RDA. As a result, the Council may determine that it wants such financial statements reviewed by DPWG. If that were to occur, DPWG would need the appropriate personnel of SDHC and RDA to assist in any such review. In addition, in light of the additional burden such reviews could impose upon the DPWG when it is reviewing other City disclosures, the DPWG may properly determine to delegate

review of the SDHC and RDA financial statements to certain of its members, working together with appropriate personnel of such entities.

Should you have a concern about a disclosure issue at any time, your best course of action is to communicate such concern in writing to an appropriate representative of management, with a copy to the City Attorney and outside disclosure counsel. In this way, you can discharge your responsibilities under the federal securities laws, and best assure that steps will be taken to incorporate such information into the City's disclosure material.

This memorandum has been reviewed by, and received the concurrence of, both the City Attorney and the Independent Consultant.

	Approved by <u>DPWG</u>	Approved by <u>City Council</u>
Official Statements		
General Fund Securities	✓	✓
Water/Wastewater	✓	✓
Housing Authority	✓	✓ <sup>1</sup>
Tobacco Corporation	✓	Not Required <sup>2</sup>
Redevelopment Agency	✓	✓ <sup>3</sup>
CFDs/Assessment Districts	✓	✓ <sup>4</sup>
City's Financial Statements (CAFRs)	✓	✓ <sup>5</sup>
Stand-alone Financial Statements		
Discretely Presented Component Units		
SDCCC	No	Not Required
SDHC	TBD	Yes <sup>6</sup>
Blended Component Units		
RDA	TBD	Yes <sup>7</sup>
SDCERS	No	Not Required
15c2-12 Annual Filings	✓	Not Required
Rating Agency Presentations	✓	Not Required
Postings on Investor Information Webpage	✓	Not Required
Press releases and other misc. materials not posted on Investor Information Webpage	No	No

<sup>1</sup> Council acting as the Housing Authority.

<sup>2</sup> By ordinance, the Council "acknowledged" the "execution and delivery by the [Tobacco] Corporation" of the Corporation's Official Statement.

<sup>3</sup> Council acting as the legislative body of the Redevelopment Agency.

<sup>4</sup> Council acting as the legislative body of the Community Facilities Districts.

<sup>5</sup> "Received and filed."

<sup>6</sup> City Council, acting in its capacity as the Housing Authority, approves the financial statements of SDHC.

<sup>7</sup> City Council serves as the governing board of the RDA.

Attachment to Disclosure Responsibilities under Federal Securities Laws – the Public Facilities Financing Authority of the City of San Diego Lease Revenue Refunding Bonds Series 2016 (Ballpark Refunding) – Certifications

1. Certification of Mayor to City Council
2. Certification of City Attorney to City Council
3. Certification of Chief Financial Officer to City Council
4. Transmittal from DPWG to City Council
5. Certification of Debt Management Director to DPWG
6. Certification of Chief Financial Officer to DPWG
7. Certification of City Comptroller to DPWG
8. Certification of Financial Management Director to DPWG
9. Certification of Risk Management Director to DPWG
10. Certification of Chief Investment Officer to DPWG
11. Certification of City Attorney to DPWG
12. Certification of Real Estate Assets Department to DPWG
13. Certification of Public Works Director to DPWG
14. Certification of Transportation and Storm Water Director to DPWG
15. Certification of Human Resources Director to DPWG
16. Certification of SDCERS to DPWG
17. Transmittal from Financing Group to DPWG

CERTIFICATION TO CITY COUNCIL OF THE PRELIMINARY OFFICIAL STATEMENT  
FOR THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO  
LEASE REVENUE REFUNDING BONDS SERIES 2016 (BALLPARK REFUNDING)

City Council:

I have reviewed the Preliminary Official Statement for the Public Facilities Financing Authority of the City of San Diego Lease Revenue Refunding Bonds Series 2016 (Ballpark Refunding) (Disclosure Document), and I hereby certify that, to the best of my knowledge, the Disclosure Document does not make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.



Kevin L. Faulconer, Mayor

2/3/16

Date

**Office of  
The City Attorney  
City of San Diego**

**DATE:** February 3, 2016

**TO:** Council President and Members of the City Council

**FROM:** Jan I. Goldsmith, City Attorney

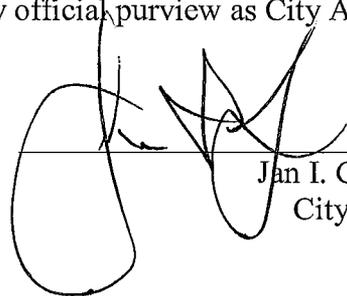
**SUBJECT:** Certification Regarding Preliminary Official Statement for the Public Facilities Financing Authority of the City of San Diego Lease Revenue Refunding Bonds Series 2016 (Ballpark Refunding)

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I hereby certify to the City Council, pursuant to Municipal Code §22.4112(a), to the best of my knowledge as of the date set forth above, the Preliminary Official Statement for the Public Facilities Financing Authority of the City of San Diego Lease Revenue Refunding Bonds Series 2016 (Ballpark Refunding) (Disclosure Document) does not make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

This certification is made subject to the following understandings:

1. I have not participated in any meetings of the Disclosure Practices Working Group (“DPWG”) at which the Disclosure Document was considered.
2. My certification is provided in reliance on the accuracy and veracity of various certifications provided by City staff to DPWG regarding the information included in the Disclosure Document and the procedures followed in its preparation.
3. I have reviewed the Disclosure Ordinance (O-19320, as amended), the DPWG Disclosure Controls and Procedures, and the memorandum to the City Council regarding the Council’s disclosure responsibilities under Federal securities law (Council Memorandum). My certification is provided in reliance on the understanding that the steps outlined in the Council Memorandum were completed as set forth therein.
4. This certification only covers those matters within my official purview as City Attorney.

  
\_\_\_\_\_  
Jan I. Goldsmith  
City Attorney

JIG:bcw

**Certification of Chief Financial Officer Regarding Official Statements**

City Council:

I have reviewed the Official Statement for the Public Facilities Financing Authority's Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding) (Disclosure Document) and compared the City CAFR with the Disclosure Document. In addition, I have reviewed the Disclosure Document in full to identify any misstatement or omission in any sections that contain or omit descriptions of information prepared by or of interest to the Chief Financial Officer. I hereby certify that, to the best of my knowledge:

1. the Disclosure Document fairly presents, in all material respects, the financial condition and results of operations of the City;
2. the Disclosure Document does not make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and
3. that the financial statements and other financial information from the City CAFR included in such Disclosure Document, if any, fairly present in all material respects the financial condition and results of operations of the City as of, and for, the periods presented in the City CAFR.

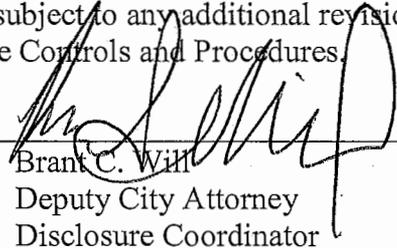
  
\_\_\_\_\_  
Mary Lewis,  
Chief Financial Officer  
  
\_\_\_\_\_  
Date

TRANSMITTAL OF PRELIMINARY OFFICIAL STATEMENT  
RELATED TO THE ISSUANCE OF  
THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO  
LEASE REVENUE REFUNDING BONDS SERIES 2015 (BALLPARK REFUNDING)

City Council:

On December 17, 2015 and January 6, January 20, and January 22, 2016, the Disclosure Practices Working Group (DPWG) reviewed the Preliminary Official Statement with respect to the Public Facilities Financing Authority of the City of San Diego Lease Revenue Refunding Bonds Series 2015 (Ballpark Refunding), including the draft that was provided to the City Council on January 26, 2016 for docketing at the February 9, 2016 meeting of the City Council (Disclosure Document). The Disclosure Document was reviewed in accordance with the procedures set forth in Section 5.2 of the Disclosure Controls and Procedures. In the best judgment of the members of DPWG, to their individual knowledge, the Disclosure Document as of January 22, 2016, was in substantially final form, subject to any additional revisions by DPWG, and DPWG has complied with the Disclosure Controls and Procedures.

Dated: 2/2/16

  
\_\_\_\_\_  
Brant C. Will  
Deputy City Attorney  
Disclosure Coordinator

DPWG:

Scott Chadwick, Chief Operating Officer

Mary Lewis, Chief Financial Officer

Lakshmi Kommi, Director of Debt Management

Bret Bartolotta, Deputy City Attorney

John McNally, Hawkins Delafield & Wood LLP, Outside Disclosure Counsel

**Certification by Director of Debt Management to  
Disclosure Practices Working Group**

Disclosure Practices Working Group:

To the best of my knowledge, the Disclosure Controls and Procedures were followed in the preparation of the Preliminary Official Statement for the Public Facilities Financing Authority's Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding) (Disclosure Document) that will be considered by the City Council at the Council meeting of February 9, 2016.

Dated: Jan 26, 2016



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Lakshmi Kommi,  
Director of Debt Management

**Certification of Chief Financial Officer to DPWG**

DPWG:

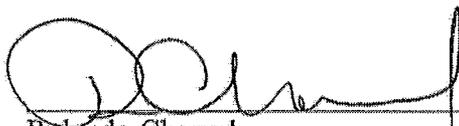
I have reviewed the information in the Official Statement for the Public Facilities Financing Authority's Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding), including particularly the financial disclosures, and I have compared the financial disclosures in the Disclosure Document to the City's Comprehensive Annual Financial Report. I have also read and understand the directions that were provided to me in the letter from the Financing Group. To the best of my knowledge, there are no misstatements or omissions in any sections of the Disclosure Document that contain descriptions of information prepared by or of interest to the Chief Financial Officer. In the event of any material change to the attached disclosure between the date of this letter and March 15, 2016, I shall immediately advise DPWG.

  
\_\_\_\_\_  
Mary Lewis,  
Chief Financial Officer

## Certification from City Comptroller to DPWG

DPWG:

I am City Comptroller. The Comptroller's Office (Department) has provided information for the Preliminary Official Statement for the Public Facilities Financing Authority of the City of San Diego Senior Sewer Revenue Refunding Bonds, Series 2016A (Disclosure Document) and I, along with other individuals in the Department are Contributors as that term is used in Disclosure Controls and Procedures. I, with the assistance of Contributors on my staff, have reviewed the information we have provided or which concerns my area of operational responsibility. Such assistance includes obtaining assurances from the Contributors as to their review and the information contributed. I understand that I am responsible for the information provided by the Department. By this certification, I am representing to DPWG that the information provided by or concerning the Department is, to the best of my knowledge, accurate and complete. I hereby certify that the Department has complied with the requirements of the Disclosure Controls and Procedures and that I have attended the federal securities law training seminar conducted by the City's outside disclosure counsel or viewed a recorded version thereof. This certification is provided as of the date below. In the event of any material change to the information provided between the date of this certification and April 18, 2016, I shall promptly advise DPWG.

  
\_\_\_\_\_  
Rolando Charvel  
City Comptroller/Office of City Comptroller

Date: 1/27/16

Contributors:  
Scott Clark  
Chris Purcell  
Teri Smith

## Certification from Financial Management to DPWG

DPWG:

I am the Director of the Financial Management Department (Department). The Department has provided information for the Preliminary Official Statement for the Public Facilities Financing Authority's Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding) (Disclosure Document) and I, along with other individuals in the Department are Contributors as that term is used in Disclosure Controls and Procedures. I, with the assistance of Contributors on my staff, have reviewed the information we have provided or which concerns my area of operational responsibility. Such assistance includes obtaining assurances from the Contributors as to their review and the information contributed. I understand that I am responsible for the information provided by the Department. By this certification, I am representing to DPWG that the information provided by or concerning the Department is, to the best of my knowledge, accurate and complete. I hereby certify that the Department has complied with the requirements of the Disclosure Controls and Procedures and that I have attended the federal securities law training seminar conducted by the City's outside disclosure counsel or viewed a recorded version thereof. This certification is provided as of the date below. In the event of any material change to the information provided between the date of this certification and March 15, 2016, I shall promptly advise DPWG.



Tracy McCraner  
Director, Financial Management

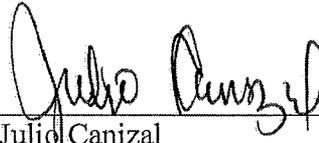
Date: 1/28/15

Contributors:  
Matt Vespi  
Adrian Del Rio  
Raul Gudino

## Certification from Risk Management to DPWG

DPWG:

I am the Director of the Risk Management Department (Department). The Department has provided information for the Preliminary Official Statement for the Public Facilities Financing Authority's Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding) (Disclosure Document) and I, along with other individuals in the Department are Contributors as that term is used in Disclosure Controls and Procedures. I, with the assistance of Contributors on my staff, have reviewed the information we have provided or which concerns my area of operational responsibility. Such assistance includes obtaining assurances from the Contributors as to their review and the information contributed. I understand that I am responsible for the information provided by the Department. By this certification, I am representing to DPWG that the information provided by or concerning the Department is, to the best of my knowledge, accurate and complete. I hereby certify that the Department has complied with the requirements of the Disclosure Controls and Procedures and that I have attended the federal securities law training seminar conducted by the City's outside disclosure counsel or viewed a recorded version thereof. This certification is provided as of the date below. In the event of any material change to the information provided between the date of this certification and March 15, 2016, I shall promptly advise DPWG.



Julio Canizal  
Risk Management Director

Date: 1/29/16

Contributors:

Estella Montoya

Bill Walker

Claudia Castillo del Muro

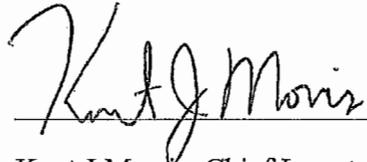
## Certification of Chief Investment Officer to DPWG

DPWG:

I have reviewed Preliminary Official Statement (Disclosure Document) for the Public Facilities Financing Authority's Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding) (Bonds) under the heading "Investment of Funds" in Appendix A thereto. The information provided by our office in the Investment of Funds section has been reviewed by me and/or individuals in my office. I relied on the individuals in my office, as well as other individuals from other City Departments and outside financial and legal professionals engaged by the City, to ensure the accuracy and completeness of the information in the Disclosure Document.

I have reviewed and complied with the procedures set forth in Section 4.3(c) of the Disclosure Controls and Procedures. Also, I attended the federal securities law training conducted by the City's outside disclosure counsel and the City Attorney's office. In the event of any material change to the information under the Investment of Funds section in the Disclosure Document between the date of this letter and March 15, 2016, I shall promptly advise DPWG.

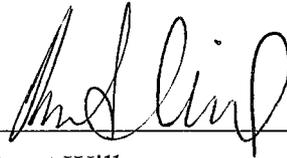
Dated: 2/11/16

  
\_\_\_\_\_  
Kent J Morris, Chief Investment Officer

## Certification from City Attorney's Office Regarding Litigation

DPWG:

The litigation section of the Preliminary Official Statement (Disclosure Document) for the Public Facilities Financing Authority's Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding) (Bonds) has been reviewed by the appropriate attorneys, and the included disclosure reflects all material pending litigation. For purposes of this letter, the term "material" means (i) any litigation commenced against the City seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds, or contesting or affecting the validity or enforceability of, the pledge of revenue for, or the power of the City to issue, the Bonds, (ii) any litigation or pending regulatory action the potential exposure for which is greater than \$10,000,000. In the event of any material change to such information between the date of this letter and the scheduled delivery date for the bonds, I shall immediately advise DPWG.

A handwritten signature in black ink, appearing to read "Brant Will", is written over a horizontal line.

Brant Will,  
Deputy City Attorney for Finance and Disclosure

### Certification from READ to DPWG

DPWG:

I am the Director of the Real Estate Assets Department (Department). The Department has provided information for the Preliminary Official Statement for the Public Facilities Financing Authority's Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding) (Disclosure Document) and I, along with other individuals in the Department are Contributors as that term is used in Disclosure Controls and Procedures. I, with the assistance of Contributors on my staff, have reviewed the information we have provided or which concerns my area of operational responsibility. Such assistance includes obtaining assurances from the Contributors as to their review and the information contributed. I understand that I am responsible for the information provided by the Department. By this certification, I am representing to DPWG that the information provided by or concerning the Department is, to the best of my knowledge, accurate and complete. I hereby certify that the Department has complied with the requirements of the Disclosure Controls and Procedures and that I have attended the federal securities law training seminar conducted by the City's outside disclosure counsel or viewed a recorded version thereof. This certification is provided as of the date below. In the event of any material change to the information provided between the date of this certification and the scheduled delivery date for the bonds, March 15, 2016, I shall promptly advise DPWG.



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Cybele Thompson, Director  
Real Estate Assets Department

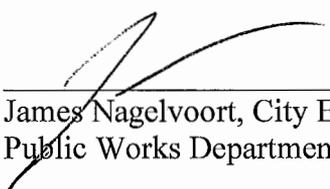
Date: 1/28/16

Contributors:  
John Casey  
Jean Catling

## Certification from Public Works to DPWG

DPWG:

I am the Director of the Public Works Department ("Department"). The Department has provided information for the Preliminary Official Statement for the Public Facilities Financing Authority's Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding) ("Disclosure Document") and I, along with other individuals in the Department are Contributors as that term is used in Disclosure Controls and Procedures. I, with the assistance of Contributors on my staff, have reviewed the information we have provided or which concerns my area of operational responsibility, specifically, the information under the heading "General Fund Infrastructure and Multi-year Capital Program" on pages A-21 and A-22 of the Disclosure Document. Such assistance includes obtaining assurances from the Contributors as to their review and the information contributed. I understand that I am responsible for the information provided by the Department. By this certification, I am representing to DPWG that the information provided by or concerning the Department is, to the best of my knowledge, accurate and complete. I hereby certify that the Department has complied with the requirements of the Disclosure Controls and Procedures and that I have attended the federal securities law training seminar conducted by the City's outside disclosure counsel or viewed a recorded version thereof. This certification is provided as of the date below. In the event of any material change to the information provided between the date of this certification and March 15, 2016, I shall promptly advise DPWG.

  
\_\_\_\_\_  
James Nagelvoort, City Engineer  
Public Works Department, Director

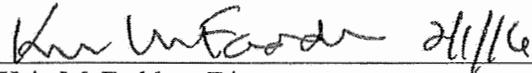
Date: 1/28/16

Contributors:

## Certification from Transportation & Storm Water to DPWG

DPWG:

I am the Director of the Transportation & Storm Water Department (Department). The Department has provided information for the Preliminary Official Statement for the Public Facilities Financing Authority's Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding) (Disclosure Document) and I, along with other individuals in the Department are Contributors as that term is used in Disclosure Controls and Procedures. I, with the assistance of Contributors on my staff, have reviewed the information we have provided or which concerns my area of operational responsibility. Such assistance includes obtaining assurances from the Contributors as to their review and the information contributed. I understand that I am responsible for the information provided by the Department. By this certification, I am representing to DPWG that the information provided by or concerning the Department is, to the best of my knowledge, accurate and complete. I hereby certify that the Department has complied with the requirements of the Disclosure Controls and Procedures and that I have attended the federal securities law training seminar conducted by the City's outside disclosure counsel or viewed a recorded version thereof. This certification is provided as of the date below. In the event of any material change to the information provided between the date of this certification and March 15, 2016, I shall promptly advise DPWG.



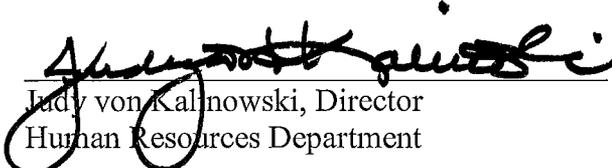
Kris McFadden, Director  
Transportation & Storm Water Department

Contributors:  
Andrew Kleis, Deputy Director  
Storm Water Division  
Transportation & Storm Water Department

## Certification from Human Resources to DPWG

DPWG:

I am the Director of the Human Resources Department ("Department"). The Department has provided information for the Preliminary Official Statement for the Public Facilities Financing Authority's Lease Revenue Refunding Bonds, Series 2015 (Ballpark Refunding) ("Disclosure Document") and I, along with other individuals in the Department are Contributors as that term is used in Disclosure Controls and Procedures. I, with the assistance of Contributors on my staff, have reviewed the information we have provided or which concerns my area of operational responsibility. Such assistance includes obtaining assurances from the Contributors as to their review and the information contributed. I understand that I am responsible for the information provided by the Department. By this certification, I am representing to DPWG that the information provided by or concerning the Department is, to the best of my knowledge, accurate and complete. I hereby certify that the Department has complied with the requirements of the Disclosure Controls and Procedures and that I have attended the federal securities law training seminar conducted by the City's outside disclosure counsel or viewed a recorded version thereof. This certification is provided as of the date below. In the event of any material change to the information provided between the date of this certification and March 15, 2016, I shall promptly advise DPWG.

  
Judy von Kalnowski, Director  
Human Resources Department

Date: 11/20/16

Contributors:

Karen DeCrescenzo, Deputy Director

Abby Jarl-Veltz, Labor Relations Manager



**Mark A. Hovey**  
Chief Executive Officer

**Certification from the San Diego City Employees' Retirement System to DPWG**

DPWG:

I am the Chief Executive Officer of the San Diego City Employees' Retirement System (SDCERS). SDCERS has provided information for the Preliminary Official Statement for the Public Facilities Financing Authority's Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding) ("Disclosure Document") and I, along with other individuals at SDCERS are Contributors as that term is used in Disclosure Controls and Procedures. I, with the assistance of Contributors on my staff, have reviewed the information we have provided under the heading "SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM" on pp. A-28 to A-36, which concerns my area of operational responsibility. To that extent, this certification does not cover information concerning the distribution of pension costs to the City's General Fund nor does it include any information concerning the Proposition B litigation. This excluded information is solely the responsibility of the City. The assistance I have received includes obtaining assurances from the Contributors as to their review and the information contributed. I understand that I am responsible for the information provided by SDCERS. By this certification, I am representing to DPWG that the information provided by or concerning SDCERS is, to the best of my knowledge, accurate and complete.<sup>1</sup> I hereby certify that SDCERS has complied with the requirements of the Disclosure Controls and Procedures, except for the federal securities law training seminar, which has not been conducted for SDCERS Contributors. This certification is provided as of the date below. In the event of any material change to the information provided between the date of this certification and March 15, 2016, I shall promptly advise DPWG.

\_\_\_\_\_  
Mark A Hovey, Chief Executive Officer  
SDCERS

Date: 2-2-16

Contributors:  
Marcelle Voorhies Rossman

<sup>1</sup> Specifically including the changes presented on the attached pages.

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

	<i>General</i>	<i>Safety</i>	<i>Total by Classification</i>
Active Members	4,870	2,180	7,050
Inactive Members	2,329	569	2,958
Retirees	4,861	3,111	7,972
DROP Participants <sup>(1)</sup>	<u>696</u>	<u>435</u>	<u>1,131</u>
Total Members, as of June 30, 2014	12,756	6,295	<del>19,117</del> 19,051

<sup>(1)</sup> 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")<sup>(1)</sup> 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*

*was* 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 *was* 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.

<sup>(1)</sup> 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."

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 *based on actuarial value of assets*

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.

**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)**

<i>Fiscal Year ended June 30</i>	<i>Pension Plan ADC</i>	<i>POB Plan ARC</i>	<i>Total Plan ARC</i>	<i>Pension Plan Contribution</i>	<i>POB Plan Contribution</i>	<i>Total Pension Contribution<sup>(1)</sup></i>	<i>General Fund Pension Contribution<sup>(1)</sup></i>	<i>General Fund Pension Contribution as a Percent of General Fund Revenues<sup>(3)</sup></i>
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 <sup>(2)</sup>	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**

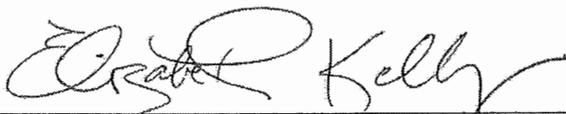
As part of its actuarial valuations for SDCERS, Cheiron prepares projected financial trends to show the City's expected cost progression. The following table uses the actuarial assumptions and methodologies discussed above, including the revised assumptions that will be used for the 2015 Actuarial Valuation. 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

**Transmittal of Preliminary Official Statement  
by Financing Group  
to Disclosure Practices Working Group**

Disclosure Practices Working Group:

The Financing Group has, with respect to the Preliminary Official Statement relating to the issuance of the Public Facilities Financing Authority Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding) ("Disclosure Document"), to the best of the individual knowledge of its members: (i) performed the responsibilities set forth in subsection B. of Section 4.3 of the Disclosure Controls and Procedures; and (ii) in the best judgment of the individual members of the Financing Group and in reliance on the information provided by the City departments listed in the Contributor Log and the certifications to be provided by contributing Department Directors, the Disclosure Document was in substantially final form when it was submitted for review to the Disclosure Practices Working Group, with information to be updated as indicated in the Disclosure Document or as otherwise required.

Dated: 2/2/16



Elizabeth Kelly, on behalf of the Financing Group  
Title: Debt Manager, Debt Management Department

Public Facilities Financing Authority Lease Revenue Refunding Bonds, Series 2016 (Ballpark Refunding) Financing Group:

Chuck Wolf, Nixon Peabody, LLP (Transaction Counsel)  
Brant Will, Deputy City Attorney, City Attorney's Office  
Elizabeth Kelly, Debt Manager, Debt Management  
Baku Patel, Debt Coordinator, Debt Management  
Tracy McCraner, Financial Management Director  
Scott Clark, Deputy Director, Comptroller's Office  
Teri Smith, Principal Accountant, Comptroller's Office  
John Casey, Ballpark Administrator, Real Estate Assets Department