

RESOLUTION NO. R-268558

Adopted June 22, 1987

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN DIEGO AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF TAX ANTICIPATION NOTES OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNT OF \$5,000,000 FOR THE FISCAL YEAR 1987-1988; SPECIFYING THE PURPOSES, TERMS AND CONDITIONS OF SAID NOTES; PRESCRIBING THE FORM OF SAID NOTES; APPROVING THE SALE OF THE NOTES TO SECURITY PACIFIC MERCHANT BANK; APPOINTING A PAYING AGENT FOR THE NOTES; AUTHORIZING CITY OFFICIALS TO TAKE ALL ACTIONS REQUIRED FOR THE ISSUANCE, SALE AND DELIVERY OF SUCH NOTES: AND MAKING CERTAIN OTHER FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH.

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WHEREAS, The City Council of the City of San Diego has received a report from the City Treasurer that the City will experience a cumulative cash flow deficit during the forthcoming fiscal year of 1987-1988, commencing on July 1, 1987 which report is attached hereto as "Exhibit A"; and

WHEREAS, such cumulative cash flow deficit is expected to occur as a result of City expenditures exceeding available funds until such time as the proceeds of taxes of the City for such fiscal year are available; and

WHEREAS, Section 92 of the City Charter of the City together with Article 7.6 (commencing with section 53850) of Chapter 4, Part 1, Division 2, Title 5 of the Government Code, authorize the issuance of bonds, notes or registered warrants on the treasury of the City in anticipation of the collection of taxes; and

WHEREAS, such bonds, notes or warrants are not deemed the creation of debt within the meaning of Section 90 of the City Charter; and

WHEREAS, such Section 92 places a limitation on the amount of bonds, notes or warrants which may be issued, such amount not to exceed twenty-five (25) percent of the total appropriation for such year; and

WHEREAS, such report of the City Treasurer recommends the issuance of tax anticipation notes in the aggregate principal amount of \$5,000,000, which amount does not exceed the limitation set forth in Section 92; and

WHEREAS, the City has taken proposals from banks and investment banking firms to underwrite such notes; and

WHEREAS, this Council has appointed Security Pacific Merchant Bank as such underwriter in accordance with its proposal to underwrite such notes in the amount recommended by the Treasurer.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF SAN DIEGO DOES HEREBY FIND, RESOLVE, DETERMINE AND ORDER, as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this section shall have the meanings herein specified.

"Authorizing Law" means section 92 of the City Charter as supplemented by Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the Government Code of California.

"City" means the City of San Diego, a municipal corporation duly organized and existing pursuant to the Constitution of the State of California and a city charter duly enacted by the electors of the City.

"Charter" means the duly enacted City Charter of City and all later amendments thereto.

"Code" shall mean the Internal Revenue Code of 1986, and the regulations promulgated thereunder.

"Council" means the duly elected or appointed members of the City Council of City.

"Cumulative Cash Flow Deficit" has the meaning given such term in section 148(f)(4)(B)(iii) of the Code.

"Excess Investment Earnings" has the meaning described thereto in section 14 hereof.

"Gross Proceeds of the Notes" has the meaning given such term in section 148(f)(6)(B) of the Code.

"Nonpurpose Investments" has the meaning given such term in section 148(f)(6)(A) of the Code.

"Notes" mean the "City of San Diego, 1987-88 Tax Anticipation Notes" in the aggregate principal amount of \$5,000,000 issued hereunder.

"Paying Agent" means Security Pacific National Trust Company, New York, New York, appointed to act and perform the duties of paying agent for the Notes.

"Rebate fund" means the fund established pursuant to section 15 hereof.

"Treasurer" shall mean the duly elected City Treasurer of City.

"Underwriter" means Security Pacific Merchant Bank, Los Angeles, California, underwriter of the Notes.

"Yield" has the meaning given such term in section 148 of the Code.

"Yield" on the Notes" means the percent per annum payable on the notes.

Section 2. Cumulative Cash Flow Deficit. That as of July 1, 1987, it is anticipated that during the first six months of fiscal 1987-88, a cumulative cash flow deficit will exist in the amount of not less than \$5,000,000.

Section 3. Budgeted Appropriations. That the total budgeted appropriations for fiscal 1987-1988 as shown by the budget heretofore approved by this Council total in excess of \$340,000,000; and twenty-five (25%) percent of such appropriations totals \$85,000,000.

Section 4. Approval of Note Purchase Agreement. That the underwriting of the Notes will be carried out by Underwriter in accordance with the note purchase agreement therefor, a copy of which is attached hereto as "Exhibit B", which agreement is hereby approved in the form attached.

Section 5. Issuance of Notes; Amount; Terms; Interest Rate; Place of Payment. Pursuant to the Authorizing Law, the Notes shall be issued in the aggregate principal amount of \$5,000,000 to enable the City to meet its budgeted cumulative cash flow deficit as set forth in the recitals hereof. Said notes shall be designated "City of San Diego, 1987-88 Tax Anticipation Notes" and shall be in the denominations of \$25,000 and \$100,000 each as follows: Notes numbered 1 to 100, inclusive, shall be of the denomination of \$25,000 each; and Notes numbered 101 to 125, inclusive, shall be of the denomination of \$100,000 each. Said Notes shall be dated July 1, 1987, shall mature and be payable on June 30, 1988, and shall bear interest at a rate not to exceed seven percent (7%) per annum payable at maturity, the actual rate to be set forth in the Note Purchase Agreement. Said Notes and the interest thereon shall be payable at the office of the Paying Agent.

Section 6. Execution of Notes. That the Treasurer is hereby authorized and directed to sign, and the City Clerk to

attest and to countersign the Notes by their printed, lithographed or engraved facsimile signatures, and to affix thereon the seal of the City.

Section 7. Form of Notes. That the Notes shall be issued in substantially the form set forth on "Exhibit C", attached hereto and incorporated herein.

Section 8. Notes Non-Callable. That the Notes are not subject to call and redemption prior to the maturity date thereof.

Section 9. Appointment of Paying Agent. Security Pacific National Trust Company, New York, New York, is hereby appointed to act as paying agent for the Notes in accordance with its agreement to provide services as such, a copy of which is attached hereto as Exhibit "D", which agreement is hereby approved and accepted. Security Pacific National Trust Company shall execute the Certificate of Authentication on the face of each Note.

Section 10. Use of Proceeds of Notes. That the proceeds from the sale of the Notes shall be placed into a fund designated "1987-1988 Tax Anticipation Notes Proceeds Fund" and moneys in such fund may be transferred to the general fund of the City and said proceeds and any investment earnings thereon shall be used to meet the budgeted cumulative cash flow deficit of the City pending the receipt of property taxes in the manner set forth in Section 92 of the Charter.

Section 11. Security for Notes; Pledge of Tax Receipts. There is hereby pledged as security for the payment of the Notes property taxes of the City imposed, levied and collected by the City during fiscal 1987-1988, and the City shall make provision for the payment of such Notes on their maturity date from the proceeds of such taxes. There is hereby pledged to the payment of the Notes the first property tax moneys received by the City which are otherwise available for the payment of current expenses and obligations of the City, such moneys being referred to herein as "unrestricted moneys." The Treasurer shall, upon receipt of unrestricted moneys, segregate and set aside into a special fund to be designated "1987-88 Tax Anticipation Notes, Repayment Fund", sufficient moneys to enable the City to pay in full such principal and interest on the Notes. In the event that the proceeds of taxes are insufficient to enable the City to make such transfers, the City on or prior to June 20, 1988, shall transfer other available income, revenue and cash receipts to the Repayment Fund so that the amounts in such fund are at least equal to the amounts required hereby.

Section 12. Safe Harbor for Determining When Proceeds of Notes Are Expended. Section 148(f)(4)(B)(iii) of the Code provides that the net proceeds from the sale of the Notes issued hereunder (including earnings thereon), will be deemed to have been fully expended for the governmental purpose for which the Notes were issued, and in consequence no rebate would be payable to the United States, if within six (6) months after the date of issuance of the Notes the cumulative cash flow deficit to be financed with the proceeds from the sale of the Notes issued hereunder exceeds ninety percent (90%) of the aggregate face amount of the Notes. The report of the Treasurer referred to in the recitals hereof estimates such date to November 15, 1987, which is a date within such six (6) month period.

Section 13. Covenants to Comply with Code. The City hereby covenants with the holders of the Notes that it will make no use of the proceeds of the Notes or take or fail to take any action which would cause the Notes to become "arbitrage bonds" subject to federal income taxation by reason of Sections 103 and 148 of the Code. To that end, the City shall comply with all requirements of said Section 148 and all regulations of the United States Department of the Treasury issued thereunder, to the extent that such requirements are, at the time, applicable and in effect.

In order to maintain the exemption from federal income taxation of interest with respect to the Notes, and for no other purpose, the City covenants to comply with each applicable requirement of the Code, and any technical corrections made thereto having the same effective date as such requirements.

Section 14. Rebate of Excess Investment Earnings to the United States.

(a) In the event that the City fails to cause the notes to qualify for the "safe harbor" treatment afforded by said section 148(f)(4)(B)(iii) of the Code as set forth in Section 12, above, the City shall calculate or cause to be calculated Excess Investment Earnings in accordance with subsection (b) of this Section and shall pay Excess Investment Earnings to the United States in accordance with subsection (c) hereof. The City shall cause all such calculations to be verified by a certified public accountant. The term "Excess Investment Earnings" means an amount equal to the sum of:

(i) the excess of

(A) the aggregate amount earned from the date of issuance of the Notes on all Nonpurpose Investments in which Gross Proceeds of the Notes are invested (other than amounts attributable to an excess described in this paragraph (1)), over

(B) the amount that would have been earned if such Nonpurpose Investments (other than amounts attributable to an excess described in this paragraph (i)) had been invested at a rate equal to the Yield on the Notes, plus

(ii) Any income attributable to the excess described in paragraph (i).

(b) During the term of the Notes, the City shall calculate the Excess Investment Earnings referenced in paragraph (i) of subsection (a). Thereafter, prior to the sixtieth (60th) day following redemption of the Notes, the City shall calculate the amount of Excess Investment Earnings referenced in paragraphs (i) and (ii) of subsection (a).

(1) Except as provided in clause (2) below in determining the amount described in paragraph (i)(A) of subsection (a), the aggregate amount earned on Nonpurpose Investments shall mean (i) all income realized under federal income tax accounting principles (whether or not the person earning such income is subject to federal income tax) with respect to such Nonpurpose Investments and with respect to the reinvestment of the transaction costs incurred in acquiring, carrying, selling or redeeming such Nonpurpose Investments, including, but not limited to, gain or loss realized on the disposition of such Nonpurpose Investments without regard to when such gains are taken into account under Section 453 of the Code (relating to taxable year of inclusion of gross income) and under Section 1272 of the Code (relating to original issue discount) and (ii) any unrealized gain or loss as of the day on which the Notes are redeemed in the event that any Nonpurpose Investment is retained after such date.

(2) In determining the amount described in paragraph (i)(A) of subsection (a), an obligation or security shall be treated as acquired for its fair market value at the time it becomes a Nonpurpose Investment, so that gain or loss on the disposition of such obligation or security shall be computed with reference to such fair market value as its adjusted basis.

(3) In determining the amount described in paragraph (i)(B) of subsection (a), the Yield on the Notes shall be determined based on the actual Yield on the Notes during the period between the date of issuance of such Notes, and the date the computation is made (with adjustments for discount or premium).

(4) In determining the amount described in paragraph (ii) of subsection (a), all income attributable to the excess described in paragraph (i) of subsection (a) must be taken into account, whether or not that income exceeds the Yield on the Notes and no amount may be treated as "negative arbitrage."

(5) In determining the amount described in subsection (a), there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and debt service (as such terms are defined in the Code) during the term of the Notes, if the gross earnings on all such funds and accounts during such term is less than \$100,000.

(c) The City shall pay Excess Investment Earnings to the United States no later than sixty (60) days after the redemption of the Notes. The City shall remit such payments to the United States at the address prescribed by the applicable regulations of the United States Department of the Treasury, as the same may be from time to time in effect, with such reports and statements as may be prescribed by such regulations.

(d) In order to insure that Excess Investment Earnings are paid to the United States rather than to a third party, the City shall invest moneys on deposit in the Excess Earnings Account established pursuant to Section 15 hereof in certificates of deposit and in investment contracts in accordance with the applicable regulations of the United States Department of Treasury, as from time to time in effect.

(e) The City shall keep, and retain for a period of six (6) years following the redemption of the Certificates, records of the determinations made pursuant to this Section 14.

Section 15. Rebate Fund.

(a) The City shall establish a special fund designated as the "Rebate Fund." The City shall establish and maintain within the Rebate Fund an "Excess Earnings Account" and an "Investment Account." The City shall establish and maintain any such subaccounts within the Excess Earnings Account and Investment Account as may be reasonably required.

(b) Notwithstanding anything contained in this resolution to the contrary, at such time as it is determined that the "safe harbor" provisions of section 148(f)(4)(B)(iii) have not been met, there shall be deposited in the Excess Earnings Account of the Rebate Fund all Excess Investment Earnings determined from time to time pursuant to Section 14 hereof. All

income or other gain from the investment of amounts in the Rebate Fund shall be deposited in the Investment Account of the Rebate Fund.

(c) The City shall apply moneys on deposit in the Rebate Fund, to the extent required to make payments to the United States of America in respect of the Notes, at the times and in the manner required by Section 14 hereof.

(d) In the event that as of the time the calculation is made by the City in accordance with Section 14(b) hereof, the amount required to be deposited in the Rebate Fund for rebate to the United States exceeds the amount then available in the certificates of deposit and investment contracts established pursuant to Section 14 hereof, the City shall promptly deposit in the Excess Earnings Account of the Rebate Fund an amount sufficient to make up the deficiency.

(e) The City agrees to keep and maintain all records required to be maintained by it pursuant to, and as and to the extent required by, the Code.

Section 16. Mutilated, Destroyed or Lost Notes. In case any Note shall become mutilated or defaced in respect to the body of such Note as to impair its value to the owner, or shall be believed by the City and Paying Agent to have been destroyed or lost, upon clear and unequivocal proof of ownership satisfactory to the City and Paying Agent and upon the surrender at the named office of the Paying Agent of such mutilated or defaced Note sufficiently identifiable by number and description, or upon the receipt of evidence satisfactory to the City and Paying Agent of such destruction or loss, and upon payment of all expenses incurred by the City and Paying Agent in the premises and after compliance with such other reasonable regulation as the City and Paying Agent may prescribe, and, in the case of a Note claimed to have been destroyed or lost, upon receipt of indemnity satisfactory to the City and Paying Agent, and in the absence of notice to the City or Paying Agent that such Note has been acquired by a bona fide purchaser, the City shall execute and the Paying Agent shall authenticate at the named office of the Paying Agent a new Note of like principal amount, bearing a number not contemporaneously outstanding, in exchange and substitution for and upon cancellation of the mutilated or defaced Note, or in lieu of and in substitution for the Note so destroyed or lost. If any such mutilated or defaced Note, or any such destroyed or lost Note has become or is about to become due and payable, payment of the amount due thereon may, in the discretion of the City, be made by the Paying Agent upon receipt of like proof, indemnity and payment of expenses and surrender of such Note, if mutilated or defaced, or without the surrender of such Note, if destroyed or lost, in each case without the issuance of a new Note.

Any such replacement Note issued pursuant to this section shall be entitled to equal and proportionate benefits with all other Notes issued hereunder. The City and the Paying Agent shall not be required to treat both the original Note and any replacement Note as being outstanding, but both the original and replacement Note shall be treated as one and the same.

Section 17. Defeasance. The Notes shall no longer be deemed to be outstanding and unpaid if the City shall have made adequate provision for payment, in accordance with the Notes and this resolution, of the principal and interest to become due thereon at maturity. Such provision shall be deemed adequate if the City shall have irrevocably set aside, in the Repayment Fund, moneys or direct obligations of, or obligations guaranteed by, the United States of America, in which the City may lawfully invest or deposit its funds, which when added to the interest earned or to be earned thereon shall be sufficient, together with uninvested or undeposited funds, to make said payments as they become due.

Section 18. Execution of Note Purchase Agreement. The Treasurer is hereby authorized and directed to approve the final terms of the sale of the Notes and to evidence the City's acceptance of the offer made thereby by executing and delivering the Note Purchase Agreement in substantially such form with such changes therein as the Treasurer with the advice of counsel may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 19. Official Statement. That the proposed form of Official Statement to be used in connection with the offer and sale of the Notes, a copy of which is attached hereto as Exhibit E, is hereby adopted and approved and the Treasurer is hereby authorized to execute and deliver the same with such changes therein as said Treasurer, with the advice of counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Underwriter is hereby authorized to distribute copies of the Official Statement as finally executed to persons who may be interested in the purchase of the Notes, and is directed to deliver such copies to all actual purchasers of the Notes.

Section 20. Notification of California Debt Advisory Commission. That bond counsel is hereby authorized and directed to cause a Report of Proposed Debt Issuance to be filed with the California Debt Advisory Commission forthwith.

Section 21. Authority to Execute Documents; Delivery of Notes. That the City Manager, Treasurer and City Clerk and their designated assistants are hereby authorized and directed, jointly and severally, to do any and all things and to execute

and deliver any and all documents at the request of counsel which they may deem necessary and advisable in order to effect issuance, sale, and delivery of the Notes and otherwise to effectuate the purposes of this resolution.

Section 22. Temporary Notes. Until definitive Notes shall be prepared, the City may cause to be executed and delivered in lieu of such definitive Notes and subject to the same provisions, limitations and conditions as are applicable in the case of definitive Notes, except that they may be in any denominations approved by the City Manager or City Treasurer and shall be registrable as to both principal and interest, one or more temporary typed, printed, lithographed or engraved Notes in bearer or registered form, substantially of the same tenor and, until exchanged for definitive Notes, entitled and subject to the same benefits and provisions of this Resolution as definitive Notes. If the City issues temporary Notes it will execute and furnish definitive Notes without unnecessary delay and thereupon the temporary Notes may be surrendered to the Paying Agent, without expense to the holder and in exchange for definitive Notes of like aggregate principal amount, and of the same character. All temporary Notes so surrendered shall be canceled by the Paying Agent.

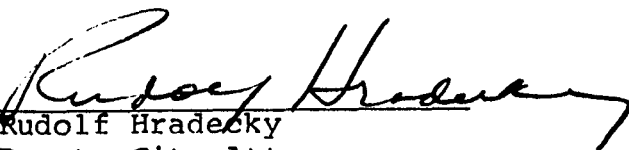
Section 23. Repeal of Inconsistent Resolutions. Any resolution of the City, and any part of such resolution, inconsistent with this resolution, is hereby repealed to the extent of such inconsistency.

Section 24. Certified Copies. The City Clerk shall provide a certified copy of this resolution to the Treasurer who shall take such action as shall be necessary to assure compliance by the City with the terms and conditions hereof. The City Clerk shall further provide a certified copy of this resolution to the Paying Agent.

Section 25. Effective Date. This resolution shall become effective upon the date of its adoption.

APPROVED:

JOHN W. WITT
CITY ATTORNEY

By: 
Rudolf Hradecky
Deputy City Attorney

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Exhibit A
Report of Treasurer

00051 R- 268558

RECEIVED
CITY CLERK'S OFFICE
1987 JUN 19 PM 4: 13
SAN DIEGO, CALIF.

00252

City of San Diego

MEMORANDUM

DATE : June 19, 1987
TO : Honorable Mayor and City Council
FROM : City Treasurer
SUBJECT: 1987-88 Tax Anticipation Note Program

The City Auditor and Comptroller is projecting that the General Fund will experience a cash flow deficit of approximately \$5,000,000 during November 1987. In order to finance this deficit, I am recommending that the City issue Tax Anticipation Notes in the amount of \$5,000,000. The interest rate on these notes will be negotiated with the underwriter, Security Pacific Merchant Banking Group.

The cost of issuance for these Notes has been budgeted in the Proposed FY 1988 Budget. It is anticipated that the cost of issuance will be offset by interest earned on the investment of the Note proceeds.


CONNOR M. JAMISON

CMJ:hd

Attachment

00253

R-268558

CITY OF SAN DIEGO
TAX SUPPORTED GENERAL FUND AND OBLIGATION BOND FUND
ESTIMATED CASH FLOW STATEMENT
Fiscal Year 1987-88

<u>DATE</u>	<u>TAX RECEIPTS</u>	<u>OTHER RECEIPTS</u>	<u>TOTAL RECEIPTS</u>	<u>TOTAL DISBURSEMENTS</u>	<u>ESTIMATED ENDING CASH BALANCE</u>
Beginning Cash Balance					\$39,348,049
07-15-87		\$ 1,516,463	\$ 1,516,463	\$ 29,232,994	\$11,631,518
07-31-87	\$ 2,043,399	4,768,260	6,811,659	11,139,142	7,304,035
08-15-87		6,331,624	6,331,624	10,924,209	2,711,450
08-31-87	204,341	17,375,764	17,580,105	10,640,454	9,651,101
09-15-87		6,237,822	6,237,822	11,059,255	4,829,668
09-30-87	3,575,948	16,468,676	20,044,624	11,064,786	13,809,506
10-15-87		2,907,857	2,907,857	9,721,759	6,995,604
10-31-87	1,532,549	14,841,532	16,374,081	20,302,844	3,066,841
11-15-87		1,938,571	1,938,571	10,456,667	(5,451,255)
11-30-87	3,167,268	21,105,813	24,273,081	12,436,100	6,385,726
12-15-87		3,908,410	3,908,410	11,759,361	(1,465,225)
12-31-87	37,598,538	19,417,812	57,016,350	11,767,302	43,783,823
01-15-88		7,082,039	7,082,039	13,953,357	36,912,505
01-31-88	6,130,196	10,327,806	16,458,002	11,532,622	41,837,885
02-15-88		6,753,732	6,753,732	13,208,724	35,382,893
02-29-87	4,801,987	15,407,396	20,209,383	10,534,622	45,057,654
03-15-87		3,267,431	3,267,431	9,293,270	39,031,815
03-31-87	1,532,549	15,701,442	17,233,991	12,466,331	43,799,475
04-15-87		1,688,433	1,688,433	22,704,519	22,783,389
04-30-87	28,505,413	15,281,204	43,786,617	13,007,664	53,562,342
05-15-87		5,471,774	5,471,774	12,174,019	46,860,097
05-31-87	6,232,366	18,352,322	24,584,688	11,892,538	59,552,247
06-15-87		5,659,378	5,659,378	16,972,739	48,238,886
06-30-87	6,845,386	21,785,930	28,631,316	16,179,149	60,691,053
	<u>\$102,169,940</u>	<u>\$243,597,491</u>	<u>\$345,767,431</u>	<u>\$ 324,424,427</u>	

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Exhibit B
Note Purchase Agreement

00255

R-268558

\$5,000,000
CITY OF SAN DIEGO
STATE OF CALIFORNIA

1987-88 TAX ANTICIPATION NOTES

NOTE PURCHASE AGREEMENT

June , 1987

City of San Diego
Treasurer's Office
202 C Street
San Diego, California 92101

Ladies and Gentlemen:

The undersigned (the "Underwriter"), acting on behalf of ourselves, offers to enter into this agreement with the City of San Diego, California (the "City"), which, upon your acceptance hereof, will be binding upon the City and the Underwriter. This offer is made subject to the written acceptance of this Note Purchase Agreement by the City and delivery of such acceptance to us at or prior to 11:59 P.M., Pacific Time, on the date hereof.

1. **Purchase and Sale of the Notes.** Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the City for reoffering to the public, and the City hereby agrees to sell to the Underwriters for such purpose, all (but not less than all) of \$5,000,000 in aggregate principal amount of the City's 1987-88 Tax Anticipation Notes (the "Notes"). The Notes shall bear interest at a rate of ____% per annum, such interest being payable at maturity. The Underwriter shall purchase the Notes at an aggregate discount of \$_____ from the initial public offering price set forth on the cover page of the Official Statement relating to the Notes.

2. **The Notes.** The Notes shall be dated July 1, 1987, shall mature on June 30, 1988 and shall otherwise be as described in, and shall be issued and secured pursuant to the provisions of the Resolution of the City adopted on June 22, 1987 (the "Note Resolution") and under the authority of Section 92 of the Charter of the City of San Diego and Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act").

3. **Use of Documents.** The City hereby authorizes the Underwriter to use, in connection with the offer and sale of the Notes, this Note Purchase Agreement and an Official Statement in a form to be jointly approved by the City and the Underwriter (which, together with all appendices thereto and with such changes therein and supplements thereto as are consented to by the Underwriter, is herein called the "Official Statement"), the Note Resolution and all information contained herein and therein and all of the documents, certificates or statements furnished by the City to the Underwriter in connection with the transactions contemplated by this Note Purchase Agreement.

4. **Public Offering of the Notes.** The Underwriter agrees to make a bona fide public offering of all the Notes at the initial public offering price or yield to be set forth on the cover page of the Official Statement. Subsequent to such initial public offering, the Underwriter reserves the right to change such initial public offering price or yield as it deems necessary in connection with the marketing of the Notes.

5. **Delivery of Official Statement.** Prior to the Closing, you shall deliver to the Underwriter such reasonable number of the Official Statements as the Underwriter shall request in the form satisfactory to the Underwriter. The Underwriter agrees that it will not confirm the sale of any Notes unless the confirmation of sale is accompanied or preceded by the delivery of a copy of the Official Statement.

6. **Closing.** At 9:00 am, Pacific Time, on July 1, 1987 or at such other time or on such other date as shall have been mutually agreed upon by you and us (the "Closing"), you will deliver to us, in New York, New York, or at such other place as we may mutually agree upon, the Notes in definitive form, duly executed, together with the other documents hereinafter mentioned; and we will accept such delivery and pay the purchase price thereof in immediately available funds to the order of the City. The Notes will be made available for checking and packaging at the place of Closing, two business days prior to the Closing. The Notes shall be in bearer form in denominations designated at least five business days prior to the Closing. Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Notes shall not have been delivered by the City to the Underwriter prior to the close of the business, Pacific Time on July 10, 1987, then the obligation to purchase Notes hereunder shall terminate and be of no further force or effect except with respect to the obligations of the City and the Underwriter under Section 11 hereof.

7. **Representations, Warranties and Agreements of the City.** The City hereby represents, warrants and agrees with the Underwriter that:

(A) The City is a political subdivision duly organized and validly existing under the laws of the State of California, with the power to issue the Notes pursuant to the Act.

(B) (i) At or prior to the Closing, the City will have taken all action required to be taken by it to authorize the issuance and delivery of the Notes; (ii) The City has full legal right, power and authority to enter into this Note Purchase Agreement and to adopt the Note Resolution and full legal right, power and authority to issue and deliver the Notes to the Underwriter and to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Note Purchase Agreement and the Note Resolution; (iii) the execution and delivery or adoption of, and the performance by the City of the obligations contained in the Notes, the Note Resolution and this Note Purchase Agreement have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Note Purchase Agreement constitutes a valid and legally binding obligation of the City; and (v) the City has duly authorized the consummation by it of all transactions contemplated by this Note Purchase Agreement.

(C) No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any person, organization, court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Notes or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions as may be necessary to qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may designate.

(D) The City has complied in all respects with the Tax Reform Act of 1986.

(E) The issuance of the Notes, the execution, delivery and performance of this Note Purchase Agreement, the Note Resolution and the Notes, and compliance with the provisions hereof do not conflict with or constitute on the part of the City a violation of or default under, the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the City is a party or by which it is bound or to which it is subject.

(F) As of the time of acceptance hereof, based on the advice of City Attorney, no action, suit, proceeding, hearing or investigation is pending or (to the knowledge of the City) threatened against the City: (i) in any way affecting the existence of the City or in any way challenging the respective powers of the several offices of the titles of the officials of the City to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Notes, the application of the proceeds of the sale of the Notes, or the collection of revenues or assets of the City pledged or to be pledged or available to pay the principal of and interest on the Notes, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Notes, this Note Purchase Agreement or the Note Resolution or contesting the powers of the City or its authority with respect to the Notes, the Note Resolution or this Note Purchase Agreement; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the City or the consummation of the transactions contemplated by this Note Purchase Agreement or the Note Resolution, (b) declare this Note Purchase Agreement to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exemption of the interest paid on the Notes from Federal income and California personal income taxation.

(G) Between the date hereof and the Closing, without the prior written acknowledgement of the Underwriter, the City will not have issued any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.

(H) The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the City is a bond issuer whose arbitrage certificates may not be relied upon.

(I) Any certificates signed by any officer of the City and delivered to the Underwriter shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein but not of the person signing the same.

8. **Covenants of the City.** The City covenants and agrees with the Underwriter that:

(A) The City will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter if and as the Underwriter may reasonably request in order to qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations or such states and jurisdictions, provided, however, that the City shall not be required to consent to process in any jurisdiction.

(B) The City will apply the proceeds from the sale of the Notes for the purposes specified in the Note Resolution; and

(C) For a period of 90 days after the Closing or until such time (if earlier) as the Underwriter shall no longer hold any of the Notes for sale, the City will (a) not adopt any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Underwriter shall object in writing or which shall be disapproved by the Underwriter and (b) if any event relating to or affecting the City shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in light of the circumstances existing at the time it is delivered to a purchaser, forthwith prepare and furnish (at the expense of the City a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

9. **Conditions and Closing.** The Underwriter has entered into this Note Purchase Agreement in reliance upon the representations and warranties of the City contained herein and the performance by the County of its obligations hereunder, both as a date hereof and as of the date of Closing. The Underwriter's obligations under this Note Purchase Agreement are and shall be subject, at the option of the Underwriter, to the following further conditions at the Closing;

(A) The representations and warranties of the City contained herein shall be true, complete and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the

Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the City shall be in compliance with each of the agreements made by it in this Note Purchase Agreement;

(B) At the time of the Closing, (i) the Official Statement, this Note Purchase Agreement and the Note Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by us; (ii) all actions under the Act which, in the opinion of the firm Jennings, Engstrand & Henrikson, bond counsel ("Bond Counsel"), shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the City shall perform or have performed all of its obligations required under or specified in the Note Resolution, this Note Purchase Agreement or the Official Statement to be performed at or prior to the Closing;

(C) No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Note Purchase Agreement (and not reversed on appeal or otherwise set aside), or to the best knowledge of the City, pending or threatened which has any of the effects described in Section 7 (F) hereof or contesting in any way the completeness or accuracy of the Official Statement.

(D) No order, decree or injunction of any court of competent jurisdiction, nor any order, ruling or regulation of the Securities and Exchange Commission, shall have been issued or made with the purpose or effect of prohibiting the issuance, offering or sale of the Notes as contemplated hereby and no legislation shall have been enacted, or a bill favorably reported for adoption, or a decision by a court established under Article III of the Constitution of the United States rendered, or a ruling, regulation, proposed regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or issued, to the effect that the Notes or any securities of the City or of any similar body of the type contemplated herein are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect;

(E) At or prior to the date of the Closing; the Underwriter shall receive three copies of the following documents in each case dated as of the Closing Date and satisfactory in form and substance to the Underwriter:

(1) An approving opinion of Bond Counsel, as to the Notes, addressed to the City.

(2) A letter setting forth that the underwriter can rely upon the approving opinion of bond counsel.

(3) The opinion of City Attorney addressed to the Underwriter, to the effect that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or public body, pending, or to his or her knowledge, threatened against the City which has any of the effects described in Section 7 (F) hereof or contesting in any way the completeness or accuracy of the Official Statement (but in lieu of or in conjunction with such certification the Underwriter may, at its sole discretion, accept certificates or opinions of the City Attorney or Bond Counsel, that in their opinion the issues raised in any such pending or threatened litigation are without substance and that the contentions of all plaintiffs therein are without merit).

(4) A certificate signed by an appropriate City official to the effect that (i) the representations, agreements and warranties of the City herein are true and correct in all material respects as of the date of Closing; (ii) the City has complied with all the terms of the Note Resolution and this Note Purchase Agreement to be complied with by the City prior to or concurrently with the Closing and such documents are in full force and effect; (iii) such official has reviewed the Official Statement and on such basis certifies that the Official Statement does not contain any untrue statement of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading;

(5) An arbitrage certificate of the City in form satisfactory to Bond Counsel;

(6) Evidence satisfactory to the Underwriter that the Notes shall have been rated MIG-___ by Moody's Investors Services, Inc. (or such other equivalent rating as such rating agency may give) and that such rating has not been revoked or downgraded;

(7) A certificate, together with fully executed copies of the Note Resolution, of the City Clerk to the effect that:

(i) such copies are true correct copies of the Note Resolution; and

(ii) that the Note Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing.

(8) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter may reasonably request to evidence compliance (i) by the City with legal requirements (ii) the truth and accuracy, as of the time of Closing, of the representations of the City herein contained and of the Official Statement and (iii) the due performance or satisfaction by the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the City.

If the City shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Note Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted

by this Note Purchase Agreement, this Note Purchase Agreement may be cancelled by the Underwriter at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given to the City in writing, or by telephone or telegraph confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the City hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

The Underwriter shall also have the right to cancel its obligation to purchase the Notes, by written notice to the City, if between the date hereof and the Closing; (i) any event occurs or information becomes known, which, in the reasonable professional judgment of the Underwriter, makes untrue any statement of a material fact set forth in the Official Statement or results in an omission to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; (ii) the market for the Notes or the market price of the Notes or the ability of the Underwriter to enforce contracts for the sale of the Notes shall have been materially and adversely affected, in the reasonable professional judgment of the Underwriter, by (a) legislation enacted by the Congress of the United States, or passed by either House of the Congress, or favorably reported for passage to either House of the Congress, by any Committee of such House to which such legislation has been referred for consideration, or by the legislature of the State of California (the "State"), or a decision rendered by a court of the United States or the State or by the United States Tax Court, or a ruling, order, or regulation (final or temporary) made by the Treasury Department of the United States or the Internal Revenue Service or other Federal or State authority, which would have the effect of changing, directly or indirectly, the Federal income tax consequences or State tax consequences of interest on obligations of the general character of the Notes in the hands of the holders thereof, or (b) any new outbreak of hostilities or other national or international calamity or crisis, the effect of such outbreak on the financial markets of the United States being such as, in the judgment of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Notes, or (c) a general suspension of trading on the New York Stock Exchange, or fixing of minimum or maximum prices for trading or maximum ranges for prices for securities on the New York Stock Exchange, whether by virtue or a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction, or (d) a general banking moratorium declared by either Federal or State authorities having jurisdiction; or (iii) additional material restrictions not in force or being enforced as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which, in the opinion of the Underwriter, materially adversely affect the market price for the Notes.

10. Conditions to Obligations of the City. The performance by the City of its obligations is conditioned upon (i) the performance by the Underwriter of its obligations hereunder; and (ii) receipt by the City and the Underwriter of opinions and certificates being delivered at the Closing by persons and entities other than the City.

11. **Expenses.** The City shall pay any expenses incident to the performance of its obligations hereunder from the proceeds of the 1987 TRANS issue, including but not limited to the following; (i) the cost of the preparation and reproduction of the Note Resolution; (ii) the fees and disbursements of Bond Counsel; (iii) the cost of the preparation, printing and delivery of the Notes; and (iv) the fees, if any, for Note ratings. The Underwriter shall pay the fees payable to the California Debt Advisory Commission and the fees for printing and distributing the Official Statement.

12. **Notices.** Any notice or other communication to be given under this Note Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing if to the City, to the City Treasurer of the City of San Diego, 202 C Street, San Diego, California 92101, or if to the Underwriter, to Security Pacific Merchant Bank, 300 South Grand Avenue, (HCP211), Los Angeles, California 90071, Attn: Malcolm L. Jones.

13. **Parties in Interest; Survival of Representations and Warranties.** This Note Purchase Agreement when accepted by the City in writing as heretofore specified shall constitute the entire agreement between the City and the Underwriter. This Note Purchase Agreement is made solely for the benefit of the City and the Underwriter (including the successors or assigns of the Underwriter). No person shall acquire or have any rights hereunder or by virtue hereof. All your representations, warranties and agreements of the City in this Note Purchase Agreement shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriter, (b) delivery of and payment by the Underwriters for the Notes hereunder, and (c) any termination of this Note Purchase Agreement.

14. **Execution in Counterparts.** This Note Purchase Agreement may be executed in several counterparts each of which shall be regarded as an original and all of which shall constitute one and the same document.

15. **Applicable Law.** This Note Purchase Agreement shall be interpreted, governed and enforced in accordance with the law of the State of California.

Very truly yours,
Security Pacific Merchant Bank

By: _____

The foregoing is hereby agreed to and accepted as of the date first above written:

The City of San Diego, California

By: _____
City Manager

By: _____
Treasurer

· ·
· ·

Exhibit C
Form of Note

C0264 R-268558

RECEIVED
CITY CLERK'S OFFICE
1987 JUN 19 PM 4:13
SAN DIEGO, CALIF.

00264-1

CITY OF SAN DIEGO
COUNTY OF SAN DIEGO, CALIFORNIA
1987-88 Tax Anticipation Note

FOR VALUE RECEIVED, the City of San Diego, County of San Diego, State of California, acknowledges itself indebted to and promises to pay to Bearer, at Security Pacific National Trust Company, New York, New York, (the "Paying Agent"), _____ Dollars (\$ _____) in lawful money of the United States of America, on June 30, 1988, together with interest thereon at the rate of _____ percent (___ %) per annum (computed on the basis of a 360-day year of twelve 30-day months) in like lawful money from the date hereof until payment in full of said principal sum. The principal of and interest on this Note shall be payable only to the owner hereof upon surrender of this Note as the same shall fall due; provided, however, that no interest shall be payable for any period after maturity during which the owner hereof fails to properly present this Note for payment.

It is hereby certified, recited and declared that this Note is one of an authorized issue of Notes entitled, "City of San Diego, 1987-88 Tax Anticipation Notes" (the "Notes"), in the aggregate principal amount of Five Million Dollars (\$ 5,000,000), all of like tenor, and by authority of Section 92 of the City Charter of the City and Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the Government Code of California, and that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note have existed, happened and been performed in regular and due time, form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the City does not exceed any limit prescribed by the Constitution or laws of the State of California or said City charter.

The principal of and interest on the Notes shall be payable from taxes, income revenue, cash receipts and other moneys which are received by the City for the General Fund of the City for the fiscal year 1987-1988 and which are lawfully available for the payment of current expenses and other obligations of the City.

As security for the payment of the principal of and interest on the Notes, the City has pledged to deposit in the Repayment Account (as established in the Resolution) from the first property taxes received by the City after the issuance of the Notes, not less than a sum equal to the principal of and interest on the Notes at maturity. In the event that the City is not in receipt of tax proceeds in amounts and at the times to enable it to make such deposits, the City is obligated to deposit not later than June 20, 1988, moneys derived from other income, revenues and cash receipts lawfully available to pay principal of and interest on the Notes into the Repayment Fund sufficient to make up any deficient amount.

This Note shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by the Paying Agent.

IN WITNESS WHEREOF, the City of San Diego caused this Note to be executed by the facsimile signature of its City Treasurer and countersigned by the facsimile signature of the City Clerk and caused a facsimile of the official seal to be imprinted hereon, all as of the 1st day of July, 1987.

CITY OF SAN DIEGO

By: _____
City Treasurer

(SEAL)

Countersigned:

City Clerk

CERTIFICATE OF AUTHENTICATION

This Note is one of the Notes described in the within mentioned Resolution, which Note has been authenticated on the date set forth below.

Date of Authentication: _____

SECURITY PACIFIC NATIONAL TRUST
COMPANY
As Paying Agent

By: _____
Authorized Officer

(DEB2:USCSD.C)

. .
. .

Exhibit D
Paying Agent Agreement

00268

R-268558

Agreement to Provide Paying Agent Services
For Tax Anticipation Notes

This Agreement has been entered into by and between the City of San Diego (the "Issuer"), and Security Pacific National Trust Company (the "Paying Agent").

Issuer has authorized the issuance of \$5,000,000 principal amount of Notes, said notes to be designated 1987-88 Tax Anticipation Notes due June 30, 1988 (the "Notes").

Issuer, by resolution, has appointed the Paying Agent to act as Paying Agent for the Notes. This Agreement sets out the terms and conditions of said appointment:

Issuer and Paying Agent agree as follows:

1. Paying Agent will prepare and deliver checks in payment of principal and interest due on the Notes at maturity upon their surrender at the Corporate Trust office of the Paying Agent.
2. Issuer will deposit funds with Paying Agent, which will be sufficient to pay all interest and principal payable on the Notes as said interest and principal become due. Issuer will ensure that immediately available funds are on deposit with Paying Agent on the date said principal and interest is due.
3. Paying Agent shall have no duties with respect to the investment of funds deposited with it nor shall Paying Agent be required to pay interest on said funds.
4. Issuer will compensate Paying Agent for its services as Paying Agent in an amount equal to \$1,500 plus reasonable out-of-pocket expenses.
5. This Agreement shall remain in full force and effect until the Notes mature, Issuer has fulfilled all of its obligations with respect to the Notes, or until this Agreement is terminated by written notice of either party to the other.
6. The Paying Agent shall have no duties or obligations other than those specifically set forth herein.
7. The Paying Agent shall have no obligation to make any payment unless Issuer shall have deposited sufficient funds to pay all such amounts with the Paying Agent.
8. The Issuer agrees to indemnify the Paying Agent and hold it harmless against any loss, liability or expense arising out of or in connection with the performance of its duties hereunder except that Paying Agent shall not be indemnified against any loss, liability or expense arising out of its negligence or wilful misconduct.

CO269

R-268558

9. Issuer shall furnish Paying Agent with the following documents to support this appointment:
- (a) A certified copy of the Resolution authorizing the issuance of the Notes and the appointment of Paying Agent;
 - (b) two specimen Notes;
 - (c) a signed copy of Bond Counsel's legal opinion regarding the issuance and tax-exempt status of the Notes.
 - (d) an Official Statement; and
 - (e) such other documents as Paying Agent may reasonably request.

Date:

By: _____
Security Pacific National Trust
Company (New York) as Paying
Agent

By: _____
City Manager

By: _____
City Treasurer

ACW7ZCSD

00270

R-268558

Exhibit E
Official Statement

00271

R- 268558

Draft Dated 6-15-87

PRELIMINARY OFFICIAL STATEMENT DATED JUNE __, 1987

NEW ISSUE

In the opinion of Jennings, Engstrand & Henrikson, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with certain covenants described herein, interest due with respect to the Notes is presently exempt from gross income for federal income tax purposes, subject, however, to certain qualifications more particularly described under the caption "Tax Exemption" herein, and from personal income taxation imposed by the State of California.

\$5,000,000*

CITY OF SAN DIEGO

1987-88 TAX ANTICIPATION NOTES

Dated: July 1, 1987

Due: June 30, 1988

The Notes will be issued in denominations of \$25,000 and \$100,000 and integral multiples thereof. Principal and interest on the Notes will be payable upon maturity at the office of the Paying Agent, Security Pacific National Trust Company, in New York, New York. The Notes are not subject to redemption prior to maturity. The Notes will be negotiable and nonregistrable.

The Notes are by statute general obligations of the City but are payable only out of taxes, income, revenue, cash receipts and other moneys of the City attributable to the fiscal year 1987-88 and legally available for payment thereof. The Notes are secured by a pledge of the first property taxes to be received by the City after November 30, 1987 in an amount equal to \$5,000,000 plus an amount sufficient to pay interest on the Notes at maturity.

The Notes are direct obligations of the City and, to the extent described herein, are legal investments for commercial banks in California and are eligible to secure deposits of public moneys in California.

INTEREST RATE

_____%

The Notes will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Jennings, Engstrand & Henrikson, San Diego, California, Bond Counsel. Certain other legal matters will be passed upon for the City by the City Attorney for the City of San Diego. The Notes, in temporary or definitive form, will be available for delivery in New York, New York on or about July __, 1987.

Security Pacific Merchant Bank

* Subject to Change

Dated: June __, 1987

00273

R-268558

No dealer, broker, salesperson or other person has been authorized by 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 City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. 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 of San Diego since the date hereof. This Official Statement is submitted in connection with the sale of the Notes 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.

(i)

00274

R-268558

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

(ii)

CITY OF SAN DIEGO, CALIFORNIA

City Council

Maureen O'Connor
Mayor

Abbe Wolfsheimer
Councilmember

Ed Struiksma
Councilmember

Bill Cleator
Councilmember

Mike Gotch
Councilmember

Gloria D. McColl
Councilmember

Judy McCarty
Councilmember

William D. Jones
Councilmember

Celia Ballesteros
Councilmember

City Officials

John G. Lockwood
City Manager

Conny M. Jamison
City Treasurer

Ed Ryan
City Auditor and
Comptroller

Charles Abdelnour
City Clerk

John W. Witt
City Attorney

Managing Underwriter

Security Pacific Merchant Bank
Public Finance Department
300 South Grand Avenue, HCP211
Los Angeles, California 90071

Bond Counsel

Jennings, Engstrand &
Henrikson
A Professional Law Corporation
2255 Camino Del Rio South
San Diego, California 92108

Paying Agent

Security Pacific National Trust Company
New York, New York

OFFICIAL STATEMENT

\$5,000,000*
CITY OF SAN DIEGO, CALIFORNIA
1987-88 TAX ANTICIPATION NOTES

INTRODUCTION

This Official Statement, including this Introduction and the Appendix, is provided to furnish information in connection with the sale by the City of San Diego (the "City") of its 1987-88 Tax Anticipation Notes (the "Notes") in the principal amount of \$5,000,000*. The Notes are issued in full conformity with the Constitution and laws of the State of California and the City Charter of the City and under such statutes are general obligations of the City payable solely from taxes, revenues, cash receipts and other moneys of the City attributable to the fiscal year 1987-88 and legally available therefore. The Notes are authorized by a resolution of the City Council of the City of San Diego adopted on June 22, 1986. Proceeds from the sale of the Notes will be used to meet fiscal 1987-88 general fund expenditures, including operating expenses, capital expenditures and the discharge of other obligations of the City.

1987-88 SHORT-TERM BORROWING PROGRAM

In order to finance its General Fund cashflow requirements in fiscal year 1987-88, the City has undertaken a short-term borrowing program which will total \$5,000,000*. The City expects to issue, on or about July 1, 1987, \$5,000,000* in Tax Anticipation Notes with a final maturity of June 30, 1988. Security for the Notes is described under "THE NOTES - Security for the Notes." Estimated sources of payment provide a coverage factor for estimated payment requirements of over ____ to one.

* Subject to change

THE NOTES

Authority for Issuance

The Notes are issued under the authority of Section 92 of the Charter of the City of San Diego and Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code, and pursuant to Resolution No.R-268558 adopted by the City Council of the City on June 22, 1987.

Purpose of Issue

Issuance of the Notes will provide moneys to be placed in the General Fund of the City to meet the fiscal year 1987-88 general fund budgeted cumulative cash flow deficit of the City pending the receipt of property taxes.

Description of the Notes

The Notes will be issued in the aggregate principal amount of \$5,000,000* in nonregistrable, bearer form without coupons, and in denominations of \$25,000 and \$100,000 or integral multiples thereof. The notes will be dated July 1, 1987 and will mature on June 30, 1988. Interest on the Notes will be payable at maturity, computed on the basis of a 360-day year and 30-day months. Principal of and interest on the notes will be payable at the principal office of the Paying Agent, Security Pacific National Trust Company, New York, New York.

Security for the Notes

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, revenues and other moneys which are received by the City for the General Fund of the City for fiscal year 1987-88. As security for the payment of the principal of and interest on the Notes, the City has pledged from the first property taxes to be received by the City after November 30, 1987 during or attributable to fiscal year 1987-88 an amount equal to the sum of (a) Five Million Dollars (\$5,000,000) plus (b) an amount (net of earnings to the date of deposit on moneys in the Revolving Fund (as defined below) equal to the aggregate amount of interest payable on the Notes at maturity. Such amounts shall be deposited from time to time as received by the City in a special fund established by the City entitled the "Revolving Fund." In the event that by May 29, 1988 the aggregate amount of property taxes received by the City and deposited in the Revolving Fund is less than the amount pledged, there shall be deposited in the Revolving Fund on May 29, 1988 from any other moneys of the City lawfully available therefor the amount of the deficiency. The moneys required to be deposited in the Revolving Fund are called the "Pledged Revenues." The principal of the Notes and the interest thereon shall constitute a first lien and charge against and shall be paid from such Pledged Revenues. All Pledged Revenues, as and when received, shall be deposited by the City Treasurer in the 1987-88 tax anticipation note Repayment Fund (the "Repayment Fund") for the payment of the principal of and interest on the Notes on June 30, 1988. Amounts

* Subject to change

deposited in the Repayment Fund shall be applied solely for the purpose of paying the principal of and interest on the Notes, although such amounts shall be invested in investments permitted by the laws of the State of California pending their disbursement.

Available Sources of Payment

In accordance with California law, the Notes are general obligations of the City, but are payable only out of taxes, income, revenue, cash receipts and other moneys of the City attributable to the fiscal year 1987-88 and legally available for payment thereof. The Constitution of the State of California substantially limits the City's ability to levy ad valorem taxes. See "CONSTITUTIONAL LIMITATIONS ON TAXES." The City may, under existing law, issue the Notes only if the principal of the Notes will not exceed 25% of the total appropriations of the City during the fiscal year in which such Notes are issued. The estimated amount needed to repay the Notes and the interest thereon is approximately \$5.23 million. The City estimates that funds available for payment of the Notes will be in excess of \$ _____ as indicated in the following table:

**ESTIMATED GENERAL PURPOSE RESOURCES
AVAILABLE FOR PAYMENT OF NOTES** 1987-88

Source	Amount
Cash Balance-- June 30, 1987	\$
Property Taxes(1)	
Sales Tax	
Other Revenue	
Transfers	
TANs Proceeds	_____
 Total	 \$ <u> </u>

(1) Property tax revenues are pledged for the repayment of the Notes.

Insert 4 pages [1986-87 and 1987-88 Cash Flow - TO COME]

CONSTITUTIONAL LIMITATIONS ON TAXES

Existing Limitations

Article XIII A of the California Constitution limits the maximum ad valorem tax on real property to 1% of "full cash value" except for taxes above the level required to pay debt service on certain voter-approved general obligation bonds. "Full cash value" is defined as "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

* Subject to change

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annually to reflect inflation at a rate not to exceed 2% per year, or reduction in the consumer price index or comparable local data, or declining property value caused by substantial damage, destruction, or other factors.

After the adoption of Article XIII A, most California cities, applied the two percent inflationary factor to the full cash value for each fiscal year commencing with the 1975-76 fiscal year. This procedure has been judicially upheld.

Article XIII B of the California constitution limits the amount of appropriations of "proceeds of taxes" of the State and of local governments to the amount of appropriations of the entity for the prior year, adjusted for changes in the cost of living, population and services provided. The City does not anticipate any difficulty in holding appropriations below the allowed limit for the fiscal year ending June 30, 1988.

The late Howard Jarvis, the co-author of "Proposition 13," was the proponent of a new initiative which was approved by the voters at the November 4, 1986 election and amends certain California statutory provisions to increase legislative approval and voter approval requirements required to increase taxes imposed by local governments and districts.

The initiative adds provisions to California statutes which require that: (i) any tax for general governmental purposes imposed by local governmental entities, such as the County, be approved by resolution or ordinance adopted by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the electorate of the governmental entity, (ii) any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction, (iii) the use of revenues from a special tax be restricted to the purposes or for the service for which the special tax was imposed, (iv) the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A is prohibited, (v) the imposition of transaction taxes and sales taxes in the sale of real property by local governmental entities be prohibited, and (vi) any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Although the City cannot predict the effect, if any, the initiative will have on the City, the City believes that the initiative will have no effect on the repayment of the Notes. Since the initiative has only recently been enacted and there has been no legislation, implementation or judicial interpretation, questions regarding interpretation necessarily must be left to future judicial decisions and legislative action.

Article XIII A and Article XIII B were adopted pursuant to measures qualified for the ballot through California's constitutional initiative process. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiatives might cause the County to receive reduced revenues, or to increase expenditures, or both.

THE CITY

General

The City of San Diego was founded in 1769 and was incorporated in 1850 when the State of California was admitted to the Union. San Diego is located in the southwestern corner of the State approximately 125 miles south of Los Angeles and 16 miles north of Mexico. San Diego contains over 320 square miles of land and over 70 square miles of water. San Diego, which is now the seventh largest city in the United States and the second largest city in California, is an important center for manufacturing, international trade, tourism and the military services.

San Diego is a charter city and operates under the Council-Manager form of government. The Council is comprised of eight members elected at large to serve overlapping four year terms. The Council, which acts as the City's legislative and policy-making body, selects the City Manager, who is the City's chief administrator and is responsible for implementing the policies and programs adopted by the Council. The Mayor, who presides over the Council, is elected at large to serve a four year term.

Population

San Diego is one of the fastest growing cities in the State. The City's population increased 71 percent in the 1950's, 18 percent in the 1960's and 25 percent in the 1970's. Since 1980, the City's population has grown by about ____ percent. A summary of the City's population growth since 1960 is set forth below.

POPULATION

Year	City of San Diego	County of San Diego	State of California
1960	573,200	1,033,011	15,717,204
1970	697,000	1,357,854	19,953,134
1980	864,600	1,861,846	23,667,902
1986	1,002,900	2,166,200	26,637,000
1987			

Source: U.S. Census for 1960, 1970, and 1980; 1987 figures are State Department of Finance estimates as of January 1, 1987.

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Industry and the Local Economy

San Diego was primarily an agricultural community and resort area until the 1920's when it became an important military center. Located on San Diego Bay, one of the world's finest natural harbors, the City was ideally situated to become the headquarters of the Eleventh Naval District and home of a portion of the Pacific Fleet. During World War II the aircraft industry, and later the aerospace industry, became the first of many clean, modern manufacturing industries to substantially contribute to the region's economy.

Although military activities continue to have an important economic effect on the area, the City's economic base has experienced unprecedented growth, diversification and expansion over the last 20 years and has now broadened to the point where no one industry dominates the City's economy.

A variety of industries combine to make manufacturing one of the fastest growing sectors of the San Diego economy. Important industries include electronics, biomedicine, food processing, aerospace and aircraft, apparel and shipbuilding.

Over the last several years, a number of high technology and electronics firms have moved to the San Diego region, or have undergone expansion at existing facilities. Major high technology companies in the area include Signal Companies, Inc., Aerojet General, Fujitsu Microelectronics, Northern Telecom Ltd., Oak Industries, Inc., and Alpha Solarco. TRW's Military Electronics and Aviation Division in San Diego currently employs _____ people and is expected to employ between 2000 and 2500 people in the 1990's.

The health science/biomedical field is another growing industry in the San Diego region. Approximately 100 companies in San Diego County are engaged in the research and/or production of a variety of medical-related products. For example, Calbiochem-Behring researches and produces reagents and pharmaceuticals, IMED and IVAC manufacture electronic medical systems, and Johnson & Johnson is supporting a research program conducted by Scripps Clinic and Research Foundation which is seeking to produce new synthetic vaccines. Institutions such as the Salk Institute, Scripps Clinic, the University of California and various government establishments provide San Diego with a strong foundation in scientific research.

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Taxable Sales

The following table presents retail and total taxable transactions for the City from 1982 through 1986. In 1986, retail sales rose _____ percent from the previous year, and total taxable sales rose _____ percent.

**CITY OF SAN DIEGO
TOTAL TAXABLE SALES**

Outlets	1982	1983	1984	1985	1986
Apparel Stores ..	\$ 229,568	\$ 192,749	\$ 215,672	\$ 241,143	
General Merchandise Stores	564,033	639,033	731,945	809,774	
Drug Stores	82,932	91,667	95,025	101,829	
Food Stores	304,844	337,670	382,230	416,622	
Package Liquor Stores	55,917	56,363	58,064	60,543	
Eating and Drinking Places	556,925	615,959	679,601	757,815	
Home Furnishings and Appliances	185,797	219,226	252,038	265,198	
Building Materials and Farm Impl.	127,768	176,517	235,842	866,031	
Auto Dealers and Auto Supplies .	494,397	588,368	740,650	665,113	
Service Stations	420,659	384,313	440,877	456,341	
Other Retail Stores	<u>569,095</u>	<u>634,358</u>	<u>697,171</u>	<u>782,979</u>	
Total Retail Outlets	<u>\$3,591,935</u>	<u>\$3,936,856</u>	<u>\$4,529,115</u>	<u>\$5,024,141</u>	\$ _____
All Other Outlets	<u>1,638,102</u>	<u>1,684,853</u>	<u>1,938,425</u>	<u>2,154,484</u>	_____
Total All Outlets	<u>\$5,230,038</u>	<u>\$5,621,749</u>	<u>\$6,467,540</u>	<u>\$7,178,625</u>	\$ _____

Source: California State Board of Equalization.

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Construction Activity

The following table presents the valuation of building permits issued in the City from 1982 through 1986. Total construction valuation for 1986 exceeded \$_____ billion, and represented a _____ percent increase over 1985. The most notable increase was in non-residential permit valuation, which increased over _____ percent during this period. The number of new single family units increased _____ percent, while multi-family units surged _____ percent.

CITY OF SAN DIEGO BUILDING PERMIT VALUATIONS

	1982	1983	1984	1985	1986
Valuation (in thousands):					
Residential	\$230,959	\$ 627,829	\$ 897,397	\$ 999,423	\$ _____
Non-residential	<u>622,907</u>	<u>545,277</u>	<u>611,123</u>	<u>730,499</u>	<u>_____</u>
Total	<u>\$853,866</u>	<u>\$1,173,106</u>	<u>\$1,508,520</u>	<u>\$1,729,922</u>	<u>\$ _____</u>
New Dwelling Units:					
Single Family	1,421	4,701	4,447	4,686	_____
Multiple Family	<u>2,727</u>	<u>5,250</u>	<u>8,968</u>	<u>10,618</u>	<u>_____</u>
Total	<u>4,148</u>	<u>9,953</u>	<u>13,415</u>	<u>15,304</u>	<u>_____</u>

Source: "California Construction Trends," Security Pacific National Bank

CITY FINANCIAL INFORMATION

Assessed Valuations

The assessed valuation of property in the City is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25% of the full value of property. (See "CONSTITUTIONAL LIMITATIONS ON TAXES.")

The California State Legislature adopted in 1969 the Homeowners Property Tax Relief Program. The State reimbursed exemption currently provides a credit of \$7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies.

The business inventory tax subvention was repealed in 1984 pursuant to Chapter 448 of the 1984 State statues. In lieu of the business inventory tax subvention, the State distributes additional vehicle license fee revenues to California Counties.

In addition, certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

CITY OF SAN DIEGO ASSESSED VALUATION OF PROPERTY SUBJECT TO AD VALOREM TAXATION (000's)

Fiscal Year	Estimated Full Market Valuation	Net Assessed Valuation for Tax Rate(1)
1981-82	\$22,521,497	\$21,948,374
1982-83	25,317,945	24,705,058
1983-84	27,529,976	26,787,213
1984-85	30,865,523	30,033,943
1985-86	34,828,138	33,807,388
1986-87		

(1) Excludes homeowners' and business inventory exemptions. Includes secured property, utility property and unsecured property tax rolls.

Source: City Auditor and Comptroller

Ad Valorem Property Taxation

Taxes are levied by the County of San Diego for each fiscal year on taxable real and personal property which is situated in the City as of the preceding March 1. Effective July 1, 1983, real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

Under prior law, value changes due to changes in ownership and new construction were added to the assessment roll on March 1 following the change of ownership or completion of new construction. As a result, the change in property tax liability was not reflected until the fiscal year following the March 1 lien date.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll containing State-assessed property and property the taxes on which are 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 each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. Beginning with fiscal year 1982-83, the penalty increased to 10% from 6%. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the tax-defaulted property is declared to be subject to the Tax Collector's power of sale and may be subsequently sold within two years by the Tax Collector.

Property taxes on the unsecured roll are due as of the March 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1-1/2% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the City Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the City Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee.

Property Tax Levies and Collections

<u>Fiscal Year</u>	<u>Secured Tax Levy</u>	<u>Current Year Collections</u>	<u>Percent of Secured Levy</u>
1981-82	\$46,153	\$43,164	93.52%
1982-83	51,294	48,232	94.03
1983-84	55,647	52,272	93.94
1984-85	62,204	58,953	94.77
1985-86	66,036		
1986-87			

Financial Statements

The City's financial statements are audited annually by an independent certified public accountant. The City's most recent financial statements for the fiscal year ended June 30, 1986 were audited by Peat, Marwick, Mitchell & Company.

The accompanying financial statements were developed from the Annual Financial Report. A copy of the combined, summary audited financial statements of the City of San Diego for the year ended June 30, 1986 is attached to the Official Statement as an appendix. The specific statements provided are for information purposes only and do not constitute the complete financial statements of the City. The City's complete audited financial statements are available upon request.

CITY OF SAN DIEGO
PROPERTY TAX-SUPPORTED FUNDS
COMBINED BALANCE SHEET

	General Fund		Debt Service Fund		Total	
	1985	1986	1985	1986	1985	1986
ASSETS						
Cash in Treasury or in Pooled						
Cash Equivalents	\$ 39,816,643	\$ 43,593,900	\$192,518	\$ 823,107	\$40,009,161	\$44,417,007
Cash with Fiscal Agent	--	--	178,637	301,956	178,637	301,956
Accounts Receivable	1,660,828	2,137,565	--	--	1,660,828	2,137,565
Claims Receivable	251,265	254,843	--	--	251,265	254,843
Due From Other Agencies	431,549	263,750	--	--	431,549	263,750
Taxes Receivable	4,795,617	5,302,574	177,520	169,851	4,973,137	5,472,425
Working Capital Advances	20,559,950	20,869,000	--	--	20,559,950	20,869,000
Total Assets	\$ 67,515,852	\$ 72,421,632	\$548,675	\$1,294,914	\$68,064,527	\$73,716,546
LIABILITIES						
Accrued Payroll	\$ 3,799,853	\$ 4,744,160	\$ --	\$ --	\$ 3,799,853	\$ 4,744,160
Accounts Payable	1,772,186	1,912,144	--	--	1,772,186	1,912,144
Accrued Contributions Payable ...	112,272	--	--	--	112,272	--
Due to Other Agencies	--	--	--	87,161	--	87,161
Deferred Revenue	31,187	5,304,344	--	169,851	31,187	5,474,195
Matured Bonds Payable	--	--	137,000	145,000	137,000	145,000
Matured Interest Payable	--	--	53,603	156,956	53,603	156,956
Total Liabilities	\$ 5,715,498	\$ 11,960,648	\$190,603	\$ 558,968	\$ 5,906,101	\$12,519,616
FUND BALANCE						
Reserves:						
For Receivables	\$ 6,707,710	\$ 2,656,158	\$177,520	\$ --	\$ 6,707,710	\$ 2,656,158
For Encumbrances	7,618,617	6,242,830	--	--	7,618,571	6,242,830
For Working Capital Advances	20,559,950	--	--	--	20,559,950	--
For Other Advances and Deposits .	489,470	397,921	--	--	489,470	397,921
For Advances to Internal Serv. Funds	--	20,539,000	--	--	--	20,539,000
For Rental Interruption/Debt Serv.	--	--	--	735,946	--	735,946
Unreserved:						
Designated for Subsequent Years						
Expenditures	\$ 3,803,893	\$ 1,225,421	\$180,552	\$ --	\$ 3,984,445	\$ 1,225,421
Undesignated	22,620,760	29,399,654	--	--	22,620,760	29,399,654
Total Reserves and Fund Balance	\$61,800,354	\$ 60,460,984	\$358,072	\$ 735,946	\$62,158,426	\$61,196,930
Total Liabilities and Fund Balance	\$67,515,852	\$ 72,421,632	\$548,675	\$1,294,914	\$68,064,527	\$73,716,546

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**CITY OF SAN DIEGO
PROPERTY TAX-SUPPORTED FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES**

	Fiscal Year 1984-85	Fiscal Year 1985-86
BEGINNING FUND BALANCE	<u>\$ 21,724,582</u>	<u>\$ _____</u>
REVENUES:		
Property Taxes - Current Year		
Secured	\$ 57,627,078	\$ _____
Other Property Taxes(1)	10,710,655	
Other Local Taxes	83,124,141	
Licenses and Permits	5,935,921	
Fines, Forfeitures and Penalties .	12,259,922	
Interest and Rents	27,252,242	
Revenues From Other Agencies	25,978,845	
Charges for Current Services	13,515,077	
Other Revenue	<u>1,038,359</u>	<u>_____</u>
Total Revenues	\$237,442,240	\$ _____
Transfers From Other Funds	<u>17,226,384</u>	<u>\$ _____</u>
Total Revenues and Transfers ...	<u>\$254,668,624</u>	<u>\$ _____</u>
EXPENDITURES:		
General Government	\$ 30,142,830	\$ _____
Public Safety	122,295,482	
Libraries	9,021,852	
Park and Recreation	23,805,635	
General Services	39,052,302	
Engineering and Development	9,702,517	
Debt Service	2,947,015	
Miscellaneous	<u>5,476,525</u>	<u>_____</u>
Total Expenditures	\$242,444,158	\$ _____
Transfers to Other Funds	<u>7,517,554</u>	<u>_____</u>
Total Expenditures and Transfers	<u>\$249,961,712</u>	<u>\$ _____</u>
Increase (Decrease) in Prior Year's Reserves	<u>(6,841)</u>	<u>_____</u>
ENDING FUND BALANCE	<u>\$ 26,424,653</u>	<u>\$ _____</u>

(1) Includes collections for homeowners' and business inventory exemptions and prior years' property tax collections.

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Fiscal 1986-87 and 1987-88 Budgets

The City's annual budget is one of the basic instruments of municipal administration and a requirement of the City Charter. The Charter designates the City Manager as the Chief Budget Officer of the City, assigning that person responsibility for planning the activities of the City government, adjusting such activities to the finances available, submitting an annual budget to the City Council, and administering the budget after its adoption.

The City's fiscal year is from July 1 through June 30. The budgetary process for the succeeding year starts in mid-July, soon after the start of a new fiscal year. By early September, the Financial Management Department forwards budget work papers to departments together with any special budget instructions. From October through December, departments submit their budget requests for review by the City Manager and staff for inclusion in the proposed budget.

The City Manager submits the proposed budget to the City Council and files a copy with the City Clerk no later than the date of the first Council meeting in May. From the date the budget is submitted through July the Council meets to review the details of the proposed budget and to make tentative decisions regarding desired adjustments. During the last part of May the Council adopts a salary rate ordinance for the next fiscal year. At least two public hearings on the budget and the proposed appropriation ordinance are held.

The City Council must adopt the budget and appropriation ordinance no earlier than the date of the first Council meeting in July and no later than the last meeting in July. The City Council may make final amendments to the appropriation ordinance and must adopt the annual tax rate ordinance no later than the last Council meeting in August. The final budget is printed and distributed in September. The Auditor and Comptroller is responsible for controlling expenditures within budgeted appropriations.

The following table shows the City's final (adopted) budget for fiscal year 1986-87 for property tax-supported funds of the City and the proposed budget for fiscal year 1987-88.

**CITY OF SAN DIEGO,
COMBINED PROPERTY TAX-SUPPORTED FUNDS BUDGETS**

	Final 1986-87 Budget	Proposed 1987-88 Budget
REQUIREMENTS:		
Specific Appropriations:		
General Government	\$ 51,672,055	\$
Public Safety	146,014,839	
Libraries	9,930,917	
Park and Recreation	26,977,517	
General Services	44,835,575	
Engineering and Development	10,819,117	
Bond Interest & Redemption	<u>3,371,465</u>	<u> </u>
Total Specific Appropriations	\$293,621,485	\$
UNALLOCATED RESERVE	<u>13,883,400</u>	<u> </u>
Total General Government Funds Requirements	<u><u>\$307,504,885</u></u>	<u><u> </u></u>
ESTIMATED REVENUES		
Other Local Taxes	\$ 76,777,882	\$
Licenses and Permits	6,347,750	
Fines, Forfeitures and Penalties	12,687,000	
Interest and Rents	47,199,261	
Revenue From Other Agencies	30,774,583	
Charges for Current Services	17,270,272	
Other Revenue	540,301	
Transfers From Other Funds	<u>19,192,566</u>	<u> </u>
Total Estimated Revenues	\$210,789,615	\$
FUND BALANCE AVAILABLE	<u>19,168,098</u>	<u> </u>
Total Non-Property Tax Financing	\$229,957,713	\$
PROPERTY TAX REVENUE(1)	<u>84,531,725</u>	<u> </u>
Total General, and Bond Interest and Redemption Funds Financing	<u><u>\$314,489,438</u></u>	<u><u> </u></u>

(1) Includes homeowners' and business inventory exemptions and prior years' delinquent property taxes.

Projected and Actual Cash Flows

Cash flows are computed using the monthly anticipated cash needs and beginning fund cash balances. Since cash out flows are relatively even, on a month to month basis, and taxes and revenues, while predictable, are not as consistent, short-term cash shortfalls occur. The Notes are being issued to ensure a positive cash balance among the City's Property Tax-Supported Funds, including the General Fund, and are an alternative to interfund borrowings from non-tax supported funds or from the City's Water Utilities Fund.

Based upon these cashflow projections, the City's Property Tax-Supported Funds cash balance at July 1, 1987 is expected to be approximately \$_____. The City's Property Tax-Supported Funds are expected to realize a maximum cash flow deficit of approximately \$_____ in the month of November, 1988.

City officials have prepared the following cash flow statements for use in this Official Statement. The 1987-88 cash flows that follow are estimates, based on the best information available to the City when they were prepared in June, 1987.

Short-Term Borrowings

The City has issued tax anticipation notes every year since fiscal year 1967-68 (except for fiscal year 1978-79) to meet its cash flow requirements. In fiscal year 1986-87, the City sold tax anticipation notes in the principal amount of \$50 million secured by a pledge of the City's share of property taxes and other unrestricted moneys received and attributable to the 1986-87 fiscal year. Pledges to retire the 1986-87 tax anticipation notes were met as described in the 1986-87 Official Statement. The City has never defaulted on the payment of the principal and interest on any of its short-term obligations when due.

Long Term Obligations

The City has never defaulted on the payment of principal or interest on any of its indebtedness. As of July 1, 1987, the City has \$52,790,000 in direct general obligation bonded indebtedness. The bonds were issued by the City of San Diego on behalf of San Diego Open Space Park Facilities District No. 1 as part of a \$65,000,000 voter authorization to advance refund certain outstanding Open Space Park Bonds of the District and to finance the acquisition of open space park facilities. The bonds constitute valid general obligations of the District for repayment of which all taxable property in the District is subject to the levy of unlimited (by Article XIII A of the California Constitution or otherwise) ad valorem taxes.

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TAX EXEMPTION

In the opinion of Jennings, Engstrand & Henrikson, San Diego, California, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest paid with respect to the Notes is exempt from income taxation by the United States of America and from personal income taxation imposed by the State of California.

The Internal Revenue Code of 1986, as amended (the "Code") imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations, such as the Notes. The City has covenanted to comply with certain guidelines designed to assure that interest on the Notes will not become includable in gross income. Failure to comply with these covenants may result in interest on the Notes being included in gross income, possibly from the date of issuance of the Notes. The opinion of Bond Counsel assumes compliance with the covenants.

Bond Counsel is further of the opinion that interest on the Notes is not a specific preference item for purposes of the Code's alternative minimum tax provisions. However, interest on the Notes received by corporations will be included in corporate adjusted net book income and adjusted current earnings, a portion of which may increase the alternative minimum taxable income of such corporations.

Although Bond Counsel has rendered an opinion that interest on the Notes is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Notes may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences.

LEGAL OPINION

The opinion of Jennings, Engstrand & Henrikson, San Diego, California, Bond Counsel, approving the validity of the Noteral Fund, and are an alternative to interfund borrowings from non-tax supported funds or from the City's Water Utilities Fund.

Based upon these cashflow projections, the City's Property Tax-Supported Funds cash balance at July 1, 1987 is expected to be approximately \$_____. The City's Property Tax-Supported Funds are expected to realize a maximum cash flow deficit of approximately \$_____ in the month of November, 1988.

City officials have prepared the following cash flow statements for use in this Official Statement. The 1987-88 cash flows that follow are estimates, based on the best information available to the City when they were prepared in June, 1987.

00233

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under the provisions of the State Financial Code, the Notes are legal investments for commercial banks in the State of California to the extent that the Notes, in the informed opinion of the bank, are prudent for the investment of funds of its depositors and under provisions of the State Government Code the Notes are eligible to secure deposits of public moneys in the State.

LIMITATION OF REMEDIES

In addition to the limitation of remedies contained in the Resolution and the Law, the remedies and rights of Noteholders 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 if equitable remedies are sought.

00294

RATING

The City received a MIG-_____ rating on the Notes from Moody's Investors Service, Inc. Certain information was supplied by the City to the rating agency to be considered in evaluating the Notes. The rating issued reflects only the views of the rating agency, and any explanation of the significance of such rating should be obtained from the rating agency. There is no assurance that any rating obtained will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency if, in its judgement, circumstances so warrant. The City undertakes no responsibility either to bring to the attention of the holders of the Notes any downward revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Notes.

LITIGATION

No litigation is pending or threatened concerning the validity of the Notes, and a certificate of the City Attorney to that effect will be furnished to the purchaser at the time of the original delivery of the Notes. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City's ability to levy and collect ad valorem taxes or to collect or receive other pledged revenues or contesting the City's ability to issue and retire the Notes.

There are a number of law suits and claims pending against the City. The aggregate amount of the uninsured liability of the City and the timing of any anticipated payment of judgments which may result from suits and claims will not, in the opinion of the City Attorney, materially affect the City's finances or impair its ability to repay the Notes.

UNDERWRITING

The Notes are being purchased for reoffering by Security Pacific Merchant Bank (the "Underwriter"). The Underwriter has agreed to purchase the Notes at a purchase price of \$_____. The Contract of Purchase provides that the Underwriter will purchase all of the Notes if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase. The Underwriter may offer and sell the Notes to certain dealers and others at prices lower than the public offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Notes. Quotations from and summaries and explanations of the Notes, the resolution authorizing the Notes and of statutes and documents contained herein do not purport to be complete, and reference is made to said resolution, statutes and documents for full and complete statements of their provisions.

All data contained herein have been taken or constructed from City records and other sources. Appropriate City Officials, acting in their official capacity, have reviewed this Official Statement and have determined that as of the date hereof the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. An appropriate City official will execute a certificate to this effect upon delivery of the Notes. This Official Statement and its distribution have been duly authorized and approved by the City Council of the City of San Diego.

Copies of the final fiscal year 1987-88 budget and fiscal year 1986-87 audited financial statements may be obtained from the City, as they become available.

By: _____
City Treasurer

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APPENDIX A
AUDITED FINANCIAL STATEMENTS

A-1

0023/7

R- 268558

54.1

JUN 22 1987

Passed and adopted by the Council of The City of San Diego on.....
by the following vote:

Council Members	Yeas	Nays	Not Present	Ineligible
Abbe Wolfsheimer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bill Cleator	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gloria McColl	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
William Jones	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ed Struiksma	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mike Gotch	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Judy McCarty	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Celia Ballesteros	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mayor Maureen O'Connor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

AUTHENTICATED BY:

MAUREEN O'CONNOR
Mayor of The City of San Diego, California.

(Seal)

CHARLES G. ABDELNOUR
City Clerk of The City of San Diego, California.

By *Barbara Baxter* Deputy.

Office of the City Clerk, San Diego, California

Resolution Number R-268558 Adopted JUN 22 1987

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