

RESOLUTION NO. R-271087
ADOPTED JUNE 13, 1988

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 NOT TO EXCEED \$30,000,000 FOR THE FISCAL YEAR 1988-1989; SPECIFYING THE PURPOSES, TERMS AND CONDITIONS OF SAID NOTES; PRESCRIBING THE FORM OF SAID NOTES; APPROVING THE SALE OF THE NOTES TO BANKERS TRUST COMPANY; 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.

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 1988-1989 (commencing on July 1, 1988) 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 not to exceed \$20,000,000, which amount does not exceed the limitation set forth in Section 92; and

WHEREAS, the City wishes to authorize the issuance of tax anticipation notes in two series, with an initial issuance of notes in the amount of \$20,000,000 with authorization to issue and sell up to an additional \$10,000,000 in the event a further

deficit is experienced and a second series can be sold on the terms set forth herein; and

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

WHEREAS, this Council has appointed Bankers Trust Company as such underwriter in accordance with its proposal to underwrite such notes in an initial 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, as amended, 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, 1988-1989 Tax Anticipation Notes" in the aggregate principal amount of not to exceed \$30,000,000 issued hereunder in up to two series.

06/07/88
2593S/2177/025

R 271087

"Note Purchase Agreement" means the Series A note purchase agreement attached hereto as Exhibit B, and with reference to the Series B Notes, any note purchase agreement therefor.

"Paying Agent" means Bankers 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.

"Series A Notes" means the Notes issued hereunder as Series A Notes in an amount not to exceed \$20,000,000.

"Series B Notes" means the Notes issued hereunder as Series B Notes in an amount not to exceed \$10,000,000 in accordance with Section 4B hereof.

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

"Underwriter" means Bankers Trust Company, New York, New York, 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 Series A Notes or Series B Notes, as the case may be.

Section 2. Cumulative Cash Flow Deficit. That as of July 1, 1988, it is anticipated that during the first six months of fiscal 1988-1989, a cumulative cash flow deficit will exist in the amount of not less than \$23,916,026.

Section 3. Budgeted Appropriations. The total budgeted appropriations for fiscal 1988-1989 as shown by the budget heretofore approved by this Council total approximately \$369,253,000; and twenty-five percent (25%) of such appropriations totals \$92,313,250.

Section 4. Approval of Series A Note Purchase Agreement; Sale of Series B Notes.

A. The underwriting of the Series A Notes will be carried out by the Underwriter in accordance with the Note Purchase Agreement therefor, which agreement is hereby approved in the form attached hereto as Exhibit B.

B. The City Manager may execute a Note Purchase Agreement with the Underwriter for the Series B Notes and the Series B Notes will be issued and sold in accordance therewith and herewith provided:

06/07/88

2593S/2177/025

1. The Treasurer certifies that the expected cumulative cash flow deficit equals at least 100% of the principal amount of the Notes to be outstanding following the issuance of the Series B Notes;

2. The Series B Note Purchase Agreement provides substantially equivalent terms of sale as the Series A Note Purchase Agreement and a rate of interest of not to exceed eight percent (8%) per annum payable at maturity, the Treasurer's execution thereof to constitute conclusive evidence of satisfaction of this condition;

3. Receipt of confirmation from Moody's Investors Service that the issuance of the Series B Notes will not cause a reduction in the rating on the Series A Notes.

Section 5. Issuance of Notes; Amount; Terms; Interest Rate; Place of Payment.

A. Pursuant to the Authorizing Law, the Notes shall be issued in the aggregate principal amount of not to exceed \$30,000,000 to enable the City to meet its budgeted cumulative cash flow deficit as set forth in the recitals hereof and shall be issued as Series A Notes in an amount not to exceed \$20,000,000 and Series B Notes in an amount not to exceed \$10,000,000. Said notes shall be designated "City of San Diego, 1988-1989 Tax Anticipation Notes Series A and Series B" and shall be in the denominations of \$25,000 or any integral multiple of \$5,000 in excess thereof. The Series A Notes shall be dated July 1, 1988 and the Series B Notes shall be dated the date of issuance thereof. The Notes shall mature and be payable on June 30, 1989, and shall bear interest at a rate not to exceed eight percent (8%) 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.

B. The Notes shall be initially issued and registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York (hereinafter, Cede & Co. and The Depository Trust Company are referred to collectively as "The Depository Trust Company") and shall be evidenced by a single Note. Registered ownership of the Note, or any portion thereof, may not thereafter be transferred except as set forth in Section 5(C).

C. The Notes shall be initially issued and registered as provided in Section 5(B) hereof. Registered ownership of such Notes, or any portions thereof, may not thereafter be transferred except:

06/07/88
2593S/2177/025

(i) to any successor of The Depository Trust Company, or its nominee, or of any substitute depository designated pursuant to clause (ii) of this subsection (B) ("Substitute Depository"); provided that any successor of The Depository Trust Company or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any Substitute Depository not objected to by the Treasurer, upon (1) the resignation of The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the Treasurer to substitute another depository for The Depository Trust Company (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person as provided below, upon (1) the resignation of The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the Treasurer to discontinue using a depository.

D. In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (C) of this Section 5, upon receipt of all outstanding Notes by the Paying Agent, together with a written request of the Treasurer to the Paying Agent designating the Substitute Depository, a single new Note, which the City shall prepare or cause to be prepared, shall be executed and delivered, registered in the name of such successor or such Substitute Depository, or its nominees, as the case may be, all as specified in such written request of the Treasurer. In the case of any transfer pursuant to clause (iii) of subsection (C) of this Section 5, upon receipt of all outstanding Notes by the Paying Agent, together with a written request of the Treasurer to the Paying Agent, new Notes, which the City shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such written request of the Treasurer, subject to the limitations of Section 5 hereof, provided that the Paying Agent shall deliver such new Notes as soon as practicable after the date of receipt of such written request from the Treasurer.

E. The City and the Paying Agent shall be entitled to treat the person in whose name any Note is registered as the owner thereof for all purposes of the Resolution and for purposes of payment of principal and interest on such Note, notwithstanding any notice to the contrary received by the Paying Agent or the City; and the City and the Paying Agent shall not have responsibility for transmitting payments to,

06/07/88

2593S/2177/025

communicating with, notifying, or otherwise dealing with any beneficial owners of the Notes. Neither the City nor the Paying Agent shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including The Depository Trust Company or its successor (or Substitute Depository or its successor), except to the registered owner of any Notes, and the Paying Agent may rely conclusively on its records as to the identity of the registered owners of the Notes.

F. Notwithstanding any other provision of this Resolution and so long as all outstanding Notes are registered in the name of The Depository Trust Company or its registered assigns, the City and the Paying Agent shall cooperate with The Depository Trust Company, as sole registered owner, and its registered assigns in effecting payment of the principal of and interest on the Notes by arranging for payment in such manner that funds for such payments are properly identified and are made available on the date they are due all in accordance with the Letter of Representations attached hereto as Exhibit F, the provisions of which the Paying Agent may rely upon to implement the foregoing procedures notwithstanding any inconsistent provisions herein.

G. In the case of any transfer pursuant to clause (iii) of subsection (C) of this Section 5, any Note may, in accordance with its terms, be transferred or exchanged for a like aggregate principal amount in authorized denominations, upon the books required to be kept by the Paying Agent pursuant to the provisions hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Note for cancellation, and, in the case of a transfer, accompanied by delivery of a written instrument of transfer, duly executed in form approved by the Paying Agent.

Whenever any Note shall be surrendered for transfer or exchange, the City shall execute and the Paying Agent shall authenticate, if required, and deliver a new Note or Notes of authorized denominations for a like aggregate principal amount. The Paying Agent shall require the owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

H. The Paying Agent will keep or cause to be kept, at its principal office in New York, New York, sufficient books for the registration and transfer of the Notes, which shall at all times be open to inspection by the City. Upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Notes as hereinbefore provided.

06/07/88

2593S/2177/025

-6-

R-271087

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. Bankers 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. Bankers 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 Series A Notes and Series B Notes shall be placed into a fund designated "1988-1989 Tax Anticipation Notes Proceeds Fund, Series A" and "1988-1989 Tax Anticipation Notes Proceeds Fund, Series B", respectively, 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 1988-1989, 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 "1988-1989 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, 1989, 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.

06/07/88
2593S/2177/025

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 Series A Notes and the Series B Notes issued hereunder (including earnings thereon), will be deemed to have been fully expended for the governmental purpose for which such 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 Series A Notes and the Series B Notes, respectively, the cumulative cash flow deficit to be financed with the proceeds from the sale of such series issued hereunder exceeds ninety percent (90%) of the aggregate face amount of such series. The report of the Treasurer referred to in the recitals hereof estimates such date with respect to the Series A Notes to be November 15, 1988, 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 Series A Notes or the Series B 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:

06/07/88
2593S/2177/025

-8-

R-271087

(i) the excess of

(A) the aggregate amount earned from the date of issuance of the Series A Notes or Series B Notes, as the case may be, on all Nonpurpose Investments in which Gross Proceeds of such series 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 such series of 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 respective series of 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.

06/07/88
2593S/2177/025

-9-

R 271087

(3) In determining the amount described in paragraph (i)(B) of Subsection (a), the Yield on each series of Notes shall be determined based on the actual Yield on such series during the period between the date of issuance of such series, 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 Series A Notes or Series B Notes, as the case may be, 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 series of Notes to which such rebate obligation applies. 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 for each series of Notes 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.

06/07/88

2593S/2177/025

(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 for either series of Notes, there shall be deposited in the Excess Earnings Account of the Rebate Fund all Excess Investment Earnings attributable to the applicable series of Notes 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 Series A Notes or Series B 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.

(f) Sections 14 and 15 hereof are intended to provide a mechanism for compliance with the requirements of Section 148(f) of the Code. If in the written opinion of Stradling, Yocca, Carlson & Rauth an alternative method of computing, paying or determining the amount required or permitted under Section 148(f), the City may employ such alternative method without regard to the requirements of these Sections 14 and 15.

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

06/07/88
2593S/2177/025

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 and series, 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 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

06/07/88

2593S/2177/025

-12-

R-271087

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 cancelled 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.

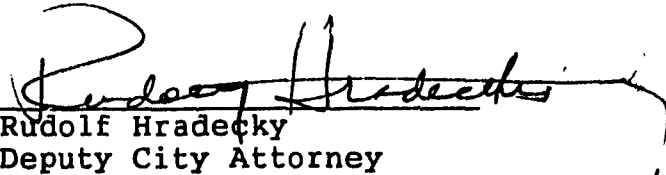
06/07/88

2593S/2177/025

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

06/07/88
2593S/2177/025

-14-

R. 271087

JUN 13 1988

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"/>
Ron Roberts	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gloria McColl	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
H. Wes Pratt	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ed Struiksmma	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
J. Bruce Henderson	<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"/>
Bob Filner	<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 *Ellen Roward*, Deputy.

Office of the City Clerk, San Diego, California

Resolution Number **R-271087** Adopted **JUN 13 1988**

CITY CLERK'S OFFICE

1968 JUN -9 PM 4:08

SAN DIEGO, CALIF.

TABLE OF CONTENTS

	<u>Page No.</u>
City Officials.....	(ii)
Introductory Statement.....	1
1988-89 Short Term Borrowing Program.....	1
The Notes.....	2
Authority for Issuance.....	2
Description of the Notes.....	2
Book-Entry-Only System.....	2
Security for the Notes.....	4
Available Sources of Payment.....	5
Projected and Actual Cash Flows.....	6
Constitutional Limitations on Taxes.....	10
Pending Constitutional Initiatives and City Ordinances.....	12
The City.....	13
General.....	13
Population.....	14
Industry and the Local Economy.....	14
Taxable Sales.....	15
Construction Activity.....	16
City Financial Information.....	17
Assessed Valuation.....	17
Ad Valorem Property Taxation.....	18
Property Tax Levies and Collections.....	19
Financial Statements.....	20
Fiscal Year 1987-88 and 1988-89 Budgets.....	23
Long Term Obligations.....	25
Tax Exemption.....	25
Legality for Investment in California.....	26
Rating.....	26
Litigation.....	26
Underwriting.....	27
Additional Information.....	27
Appendix A -- Audited Financial Statements.....	
Appendix B -- Form of Legal Opinion.....	

CITY OF SAN DIEGO, CALIFORNIA

City Council

Maureen O'Connor
Mayor

Abbe Wolfsheimer
Councilmember

Ed Struiksma
Councilmember

Ron Roberts
Councilmember

J. Bruce Henderson
Councilmember

Gloria D. McColl
Councilmember

Judy McCarty
Councilmember

H. Wespratt
Councilmember

Bob Filner
Councilmember

City Officials

John G. Lockwood
City Manager

John W. Witt
City Attorney

Ed Ryan
City Auditor and
Comptroller

Charles Abdelnour
City Clerk

Conny M. Jamison
City Treasurer

Paying Agent

Bankers Trust Company
New York, New York

Bond Counsel

Stradling, Yocca,
Carlson & Rauth,
A Professional Corporation
Newport Beach, California

Underwriter

Bankers Trust Company
New York, New York

EXHIBIT A

CITY of SAN DIEGO

MEMORANDUM

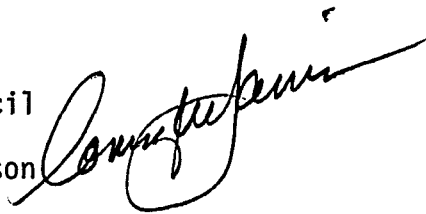
FILE NO. :

DATE : June 8, 1988

TO : Honorable Mayor and City Council

FROM : City Treasurer, Conny M. Jamison

SUBJECT: Tax Anticipation Note Requirement for FY 1988-89



Based upon the estimated Cash Flow Statement provided by the City Auditor and Comptroller on June 2, 1988, I am recommending that Tax Anticipation Notes in the amount of \$20,000,000 be issued on July 1, 1988. I am also recommending that a second series of notes be authorized for an amount not to exceed \$10,000,000. The second series would be issued in November, 1988 only if cash requirements of the General Fund so warrant at that time. All Notes will have a maturity date of June 30, 1989.

CMJ:hd

Attachment

R 271087

CITY OF SAN DIEGO
 TAX SUPPORTED GENERAL FUND AND OBLIGATION BOND FUND
 ESTIMATED CASH FLOW STATEMENT
 Fiscal Year 1988-89

DATE	TAX RECEIPTS	SALES TAXES	OTHER RECEIPTS	TOTAL RECEIPTS	TOTAL DISBURSEMENTS	ESTIMATED ENDING CASH BALANCE
						\$43,469,667
07-15-88	\$ 0	\$ 0	\$ 4,521,182	\$ 4,521,182	\$ 29,842,200	\$18,148,649
07-31-88	2,621,379	0	2,511,738	5,133,117	15,118,976	8,262,791
08-15-88	0	0	7,090,070	7,090,070	12,187,903	3,164,957
08-31-88	0	3,687,309	8,205,510	11,892,819	12,805,694	2,252,082
09-15-88	278,764	0	11,704,054	11,982,817	12,533,589	1,701,310
09-30-88	4,025,012	9,969,617	3,858,135	17,852,763	14,038,457	5,515,616
10-15-88	0	0	6,596,087	6,596,087	29,300,486	-17,188,783
10-31-88	2,332,041	6,623,032	3,722,585	12,677,658	13,355,655	-17,866,781
11-15-88	0	0	6,087,404	6,087,404	12,136,650	-23,916,026
11-30-88	2,793,528	8,830,710	1,947,174	18,671,412	12,987,601	-18,232,215
12-15-88	0	0	13,425,592	13,425,592	17,319,292	-22,125,915
12-31-88	44,004,138	10,106,392	3,834,689	57,945,219	12,157,252	23,662,052
01-15-89	0	0	6,140,543	6,140,543	11,538,069	18,264,526
01-31-89	7,805,137	6,759,806	2,191,314	16,756,257	12,963,725	22,057,058
02-15-89	0	0	7,943,756	7,943,756	13,763,062	18,237,752
02-28-89	5,463,172	9,013,075	4,880,052	19,356,299	12,591,908	25,002,144
03-15-89	1,241,371	0	4,503,376	5,744,747	23,022,224	7,522,967
03-31-89	0	10,324,127	6,227,258	17,551,385	16,766,913	8,008,138
04-15-89	0	0	6,742,549	6,742,549	13,354,811	1,395,876
04-30-89	27,754,866	6,977,541	5,149,259	39,881,666	12,630,039	28,647,503
05-15-89	0	0	3,370,003	3,370,003	11,746,846	20,270,660
05-31-89	7,992,709	9,303,388	8,336,320	25,632,417	15,696,968	30,206,109
06-15-89	0	0	24,183,916	24,183,916	15,696,968	38,693,057
06-30-89	7,992,709	10,620,400	7,222,219	25,835,328	15,696,967	48,831,418
	\$114,304,526	92,215,397	\$168,094,485	\$374,614,708	\$ 369,252,957	

Est. P-T	110,975,559	165,094,485
3% incre	3,329,267	3,000,000
P-Tax To	114,304,826	168,094,485

* Distribution prepared by FM(Doug McCalla)
 ** Increased Revenue Projection by TOT tax increase effective 8/1/88. Actual receipt will begin 9/1/89

R-271(087)

EXHIBIT B

CITY OF SAN DIEGO, CALIFORNIA
\$20,000,000
1988-1989 TAX ANTICIPATION NOTES

NOTE PURCHASE AGREEMENT

June __, 1988

City Council
City of San Diego
San Diego, California, 92101

Ladies and Gentlemen:

The undersigned, Bankers Trust Company (the "Underwriter"), hereby offers to enter into this Note Purchase Agreement with the City of San Diego, California (the "City"). Upon acceptance of this offer by the City, this Note Purchase Agreement will be binding upon the City and the Underwriter. This offer is made subject to acceptance by the City of this Note Purchase Agreement, by the execution and delivery of this Note Purchase Agreement to the Underwriter at or prior to 5:00 p.m. California time on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice to the City at any time prior to acceptance hereof by the City.

The undersigned represents that it is authorized to enter into this Note Purchase Agreement.

1. Purchase and Sale of Notes.

(a) Subject to the terms and conditions hereinafter set forth, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to sell to the Underwriter, all (but not less than all) of the City's \$20,000,000 aggregate principal amount of 1988-1989 Tax Anticipation Notes (the "Notes") at a purchase price of Nineteen Million Nine Hundred Seventy Six Thousand Dollars (\$19,976,000), plus accrued interest, if any, from the date of the Notes to the date of delivery. The Notes shall bear interest at ___% per annum, shall be as described in the Official Statement hereinafter referred to) and shall be executed, delivered and secured under and pursuant to a resolution adopted by the City Council of the City (the "City") on June __, 1988 (the "Resolution").

(b) The City has delivered to Underwriter copies of the Official Statement dated June __, 1988 (the "Official

R 271087

Statement") with respect to the Notes. The City has approved distribution by the Underwriter of the Official Statement and hereby authorizes the Underwriter to use, in connection with the offer and sale of the Notes, the Official Statement and the Resolution and all information contained herein and therein and all other documents, agreements, certificates or statements furnished by the City to Underwriter or entered into in connection with the transactions contemplated by this Note Purchase Agreement.

(c) If at any time prior to the expiration of 90 days from the date hereof or until such time (if earlier) as the Underwriter shall no longer hold any of the Notes for sale, any event known to the City relating to or affecting the City or the Notes shall occur which affects the correctness or completeness of any statement of a material fact contained in the Official Statement, the City will promptly notify the Underwriter in writing of the circumstances and details of such event. If, as a result of such event or any other event, it is necessary, in the opinion of the Underwriter or its counsel, to amend or supplement the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, and either shall have so advised the City, the City will forthwith cooperate furnishing to the Underwriter 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, as amended or supplemented, it will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the cost of preparation and distribution of the amendment or supplement shall be borne by the Underwriter.

2. Closing. At or about 11:00 a.m., New York time, on July 1, 1988 or at such other time or on such later date as shall have been mutually agreed upon by the City and the Underwriter, the City will deliver, or cause to be delivered, to the Underwriter the Notes, together with the other documents hereinbefore or hereinafter mentioned; and the Underwriter will accept such delivery and pay the purchase price of such notes as set forth in Section 1 hereof by delivering to the City a check payable in federal or other immediate available funds to the order of the City or, at the City's discretion, by wire transfer. Delivery and payment as aforesaid shall be made at the offices of Stradling, Yocca, Carlson & Rauth ("Bond Counsel"), 660 Newport Center Drive, Suite 1600, Newport Beach, California 92660, or at such other place as shall be agreed upon between the City and the Underwriter; provided that the Notes shall be delivered at such place in New York, New York or such other place as agreed upon

between the City and the Underwriter. Such time of payment and delivery of the Notes is herein called the "Closing Date."

The notes shall be in registered form and shall be in denominations of \$25,000 and integral multiples, as specified by the Underwriter five days prior to Closing Date. The Notes will be issued in the aggregate principal amount of \$20,000,000 initially in Book-Entry-Only form through the Book-Entry-Only system of the Depository Trust Company, New York, New York ("DTC") in denominations of \$25,000 and integral multiples of \$5,000 in excess of \$25,000.

3. Representations, Warranties, Covenants and Agreements of the City. The City, by its acceptance hereof, represents, warrants, covenants and agrees with the Underwriter as follows:

(a) The City is a legal subdivision and body corporate and politic, duly organized and existing under the laws of the State of California and is empowered to issue the Notes. The City has full power and authority to take all actions required or permitted to be taken by the City by or under, and to perform and observe the covenants and agreements on its part contained in, this Note Purchase Agreement, the Notes, the Resolution, and any other instrument or agreement relating thereto to which the City is a party.

(b) The City has, on or before the date hereof, duly taken all action necessary to be taken by it prior to such date for (i) the execution, delivery and performance of this Note Purchase Agreement, the Notes, the Resolution and any other instrument or agreement to which the City is a party and which has been or will be executed in connection with the transactions contemplated by the foregoing documents; (ii) the distribution of the Official Statement; and (iii) the carrying out, giving effect to, consummation and performance of the transactions and obligations contemplated hereby and by the Official Statement; provided that no representation is made with respect to compliance with the securities or "Blue Sky" laws of the various states of the United States.

(c) The Resolution has been duly adopted by the City, is in full force and effect and has not been modified or supplemented, and this Note Purchase Agreement, and any other instrument or agreement to which the City is a party and which has been or will be executed in connection with the consummation of the transactions contemplated by the foregoing documents have been, or will be on or before the Closing Date, duly executed and delivered by the City, and, assuming the due execution and delivery by the other parties hereto and thereto, will constitute legal, valid and binding obligations of the City, on the date thereof,

enforceable against the City in accordance with their respective terms, except that the binding effect and enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other laws in effect from time to time affecting the rights of creditors generally and except to the extent that the enforceability thereof may be limited by the application of general principles of equity.

(d) The adoption of the Resolutions and the execution and delivery of this Note Purchase Agreement, the Notes and any other instrument or agreement to which the City is a party and which has been or will be executed in connection with the consummation of the transactions contemplated by the foregoing documents, the compliance with the terms, conditions or provisions hereof and thereof, and the consummation of the transactions herein and therein contemplated do not and will not conflict with or constitute a breach of or a default under or result in a violation of any constitutional provision or law (or any regulations, order, writ, injunction or decree of any court or governmental instrumentality applicable to the City) or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the City pursuant to any resolution, agreement or instrument to which the City is a party or by which it or any of its properties is bound, other than the lien created by the Resolution.

(e) All authorizations, consents and approvals of, notices to, registrations or filing with, or actions in respect of any governmental body, agency or other instrumentality or court required in connection with the execution, delivery and performance by the City of this Note Purchase Agreement, the Notes, the Resolution and any other agreement or instrument to which the City is a party and which has been or will be executed in connection with the consummation of the transactions contemplated by the foregoing documents will have been obtained, given or taken and are in full force and effect; provided that, no representation is made with respect to compliance with the securities or "Blue Sky laws of the various states of the United States.

(f) Except as described in the Official Statement, there is no action, suite, proceeding, inquiry or investigation before or by any court, public board or body pending or, to the knowledge of the City, threatened against or affecting the City wherein an unfavorably decision, ruling or finding is likely to have a material adverse effect on the financial condition or solvency of the City or affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under this Note Purchase Agreement, the Notes, and the Resolution, or any other agreement or instrument to which the City is a party

and which is used or contemplated for use in consummation of the transactions contemplated by this Note Purchase Agreement or the Official Statement.

(g) The City will cooperate with the Underwriter in the qualification of the Notes for offering and sale and the determination of the eligibility of the Notes for investment under the laws of such jurisdictions as the Underwriter shall designate and will use its best efforts to continue any such qualification in effect so long as required for the distribution of the Notes by the Underwriter; provided that the City shall not be required to consent to service of process in any jurisdiction and provided that any such action shall not be at the expense of the City. It is understood that the City is not responsible for compliance with or the consequences of failure to comply with applicable "Blue Sky" laws.

(h) The information contained in the Official Statement, as of the date on which the Official Statement is furnished to the Underwriter, did not and will not contain any untrue statement of a material fact and did not and will not omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(i) When the Notes are issued, executed and delivered in accordance with the Resolution, and paid for by the Underwriter as provided for herein, the Notes will be legally valid and binding obligations of the City, enforceable in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by principles of equity if equitable remedies are sought, and the Notes will be entitled to the benefits of, and secured by the Resolution.

(j) Any certificate signed by any official of the City and delivered in connection with the transactions contemplated by the Official Statement and this Note Purchase Agreement shall be deemed to be a representation and warranty by the City to the Underwriter as to the statements made therein.

4. Conditions to the Underwriter's Obligations. The obligations of the Underwriter under this Note Purchase Agreement have been undertaken in reliance on, and shall be subject to, the due performance by the City of its obligations and agreements to be performed hereunder and to the accuracy of and compliance with the respective representations, warranties, covenants and agreements of the City contained herein, in each case on and as of the date of delivery of this Note Purchase Agreement and on and as of the Closing Date. The obligations of the underwriter hereunder

with respect to the Closing Date are also subject in the discretion of the Underwriter, to the following further conditions:

(a) On the Closing Date, (i) the Resolution and this Note Purchase Agreement shall be in full force and effect and shall not have been rescinded, amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and the City shall have adopted and there shall be in full force and effect such additional resolutions, agreements, opinions and certificates (including such certificates as may be required by regulations of the Internal Revenue Service in order to establish the tax exempt character of interest on the Notes), which resolutions, agreements, opinions and certificates shall be satisfactory in form and substance to Bond Counsel and the Underwriter and its counsel, and there shall have been taken in connection therewith and in connection with the issuance of the Notes all such action as shall, in the opinion of each, be necessary in connection with the transactions contemplated hereby; (ii) the Notes shall have been duly authorized, executed, and delivered; (iii) the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter; and (iv) the City shall perform or have performed all of its obligations under or specified in this Note Purchase Agreement and the Resolution to be performed at or prior to the Closing Date and the Underwriter shall have received evidence, in appropriate form, of such actions; and

(b) On or before the Closing Date, the Underwriter shall have received the following documents, in each case satisfactory to the Underwriter:

(1) this Note Purchase Agreement, duly executed and delivered by the respective parties thereto, and certified copies of the Resolution, each with such amendments, modifications or supplements as may have been agreed to by the Underwriter;

(2) an unqualified approving opinion, dated the Closing Date and addressed to the City, of Bond Counsel in a form acceptable to the Underwriter (together with the letter addressed to the Underwriter entitling the Underwriter to rely on such opinion), together with a supplemental opinion in a form acceptable to the Underwriter, dated the Closing Date and addressed to the City and the Underwriter, to the effect that:

(i) the City has full right and lawful authority to enter into and perform its obligations under this Note Purchase Agreement and this Note Purchase Agreement has been duly authorized, executed and delivered by the City and constitutes a legally valid and binding obligation of the City, enforceable against the City in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, reorganization, morator-

ium or other laws relating to or affecting the enforcement of creditors' rights generally and by the principles of equity if equitable remedies are sought;

(ii) the statements contained in the Official Statement in the sections thereof entitled "Introductory Statement," "The Notes," "Tax Exemption" and "Legality for Investment in California," including all subsections thereunder insofar as such statements purport to summarize certain provisions of the Notes or the Resolution, and describe statutory or legislative provisions relating to the exemption from federal income taxes of interest on the Notes and legality of the Notes for investment, present a fair and accurate summary of such provisions, and the statements of law and legal conclusions stated in such sections of the Official Statement are correct;

(iii) the Notes are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and

(iv) based upon information made available to such counsel in the course of such counsel's participation in the transaction as Bond Counsel and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to such counsel's attention which has led them to believe that the Official Statement (excluding therefrom any financial and statistical data included in the Official Statement, as to which no opinion need be expressed) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect;

(3) the opinion of City Attorney, dated the Closing Date and addressed to the City and the Underwriter and Bond Counsel, to the effect that:

(i) the City is a legal subdivision and body corporate and politic, duly organized and validly existing under the laws of the State of California;

(ii) the Resolution was duly adopted at a meeting of the City Council of the City which was called and held pursuant to law with all public notice required by law and at which a quorum was present and acting throughout, and the Resolution is in full force and effect and has not been amended, modified, supplemented, or rescinded;

(iii) the City has full right and lawful authority to deliver the Official Statement and to execute and deliver the Notes and this Note Purchase Agreement; the City has duly authorized and delivered the Official Statement and has duly authorized, executed and delivered the Notes and this Note Purchase Agreement; and the Notes and this Note Purchase Agreement are legally valid and binding obligations of the City enforceable against the City in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium or other laws relating to or affecting creditors' rights generally and the principles of equity if equitable remedies are sought;

(iv) the adoption of the Resolution and the execution and delivery of the Notes and this Note Purchase Agreement and compliance with the provisions hereof and thereof, under the circumstances contemplated hereby and thereby, under the circumstances contemplated hereby and thereby, do not and will not conflict with or constitute on the part of the City a breach of or default under any agreement or other instrument applicable to or binding upon the City or any of its properties or any existing law, regulation, court order or consent decree to which the City or any of its properties is subject;

(v) there is no action, suit or proceeding, inquiry or investigation before or by any court, public board or body, other than as disclosed in the Official Statement pending or, to the knowledge of the City Attorney, threatened against or affecting the City, (x) contesting in any way the completeness or accuracy of the Official Statement, or wherein an unfavorable decision, ruling or finding is likely to have a material adverse effect on the financial condition of the City, the transactions contemplated by this Note Purchase Agreement or by the Official Statement, or (y) which is likely to adversely affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under, the Notes, this Note Purchase Agreement, the Resolution, or any other agreement or instrument to which the City is a party and which is used or contemplated for use in consummation of the transactions contemplated by this Note Purchase Agreement or the Official Statement; and

(vi) the information contained in the Official Statement concerning the City (excluding therefrom any financial and statistical data, as to which no opinion need be expressed) is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(4) the opinion of Saul, Ewing, Remick & Saul, counsel to the Underwriter ("Underwriter's Counsel"), dated the Closing Date, to the effect that:

(i) the Notes are exempt from registration under the Securities Act of 1933, as amended, and the Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended; and

(ii) based upon their participation in the preparation of the Official Statement and without having undertaken to determine independently the accuracy or completeness of the statements in the Official Statement, such counsel does not believe that, as of the date thereof or the Closing Date, the Official Statement (except for the financial statements and other financial and statistical data included in the Official Statement, as to which no view need be expressed) contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(5) A certificate, dated the Closing Date, signed by the appropriate City officials and in form and substance satisfactory to the Underwriter, to the effect that:

(i) the representations and warranties of the City contained in this Note Purchase Agreement are true and accurate on and as of the Closing Date as if made on such date;

(ii) the City has complied or is presently in compliance with all agreements and has satisfied all conditions on its part to be observed or satisfied under this Notes Purchase Agreement and the Resolution at or prior to the Closing Date;

(iii) subsequent to the date of the Official Statement and prior to the date of such certificate, there has been no material adverse change in the condition (financial or otherwise) of the City, whether or not arising from transactions in the ordinary course of business, as described in the Official Statement;

(iv) such officials have examined the Official Statement, and in the opinion of such officials, the Official Statement, as of its date and as of the Closing Date, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(6) A certificate of the Paying Agent, dated the Closing Date, signed by a duly authorized officer of the Paying Agent and in form and substance satisfactory to the Underwriter, to the effect that:

(i) the Paying Agent is authorized to carry out corporate trust powers and has all necessary power and authority to accept and perform its duties under the Resolution and to authenticate the Notes; and

(ii) the Notes have been validly authenticated and delivered by the Paying Agent;

(7) A non-arbitrage certificate for the Notes in form satisfactory to Bond Counsel;

(8) Evidence satisfactory to the Underwriter to the effect that the Notes have received a rating of ___ from Moody's Investors Service;

(9) Two copies signed by Peat, Marwick, Mitchell & Co. of the financial statements included in Appendix A to the Official Statement;

(10) A letter from Peat, Marwick, Mitchell & Co. consenting to the use of their report dated _____, 1988 in the Official Statement and the references to their firm in the Official Statement; and

(11) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter, Bond Counsel, City Attorney or Underwriter's Counsel may reasonably request to evidence compliance by the City with legal requirements, the truth and accuracy, as of the Closing Date, of the representations of the City, and 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 obligations of the Underwriter to be satisfied by it pursuant to this Note Purchase Agreement, this Note Purchase Agreement shall terminate with the effect stated in paragraph (c) of Section 5 hereof.

5. Termination of Agreement.

(a) The Underwriter or the City may terminate this Note Purchase Agreement, with the effect stated in paragraph (c) of this Section, at any time subsequent to the date of this Note Purchase Agreement and at or prior to the Closing Date by

notifying the other party to this Note Purchase Agreement in writing or by telegram of its election so to do, if:

(i) An amendment to the Constitution of the United States or any legislation or any amendment to pending legislation (A) enacted by the United States, (B) recommended to congress, or otherwise endorsed for passage, by press release, other form of notice or otherwise, by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or a member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or (C) pending in either such Committee or favorably reported for passage to either House of the Congress by a Committee of such House to which such legislation has been referred for consideration or a decision by a court established under Article III of the Constitution of the United States, or the Tax Court of the United States, shall be rendered or a ruling, regulation or order of the Treasury Department of the United States or the Internal Revenue Service shall be made or proposed having the purpose or effect of imposing federal income taxation, or any other event shall have occurred which results in the imposition of federal income taxation, upon revenues or other income of the general character to be derived on obligations of the general character of the Notes; or

(ii) Legislation shall be introduced, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate or the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the United States Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the issuance, offering or sale of obligations of the general character of the Notes, as contemplated hereby, is or would be in violation of any provision of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act of 1939, as amended, or with the purpose or effect of otherwise prohibiting the issuance, offering or sale of obligations of the general character of the Notes, or the Notes, as contemplated hereby.

(b) In addition, the Underwriter may terminate this Note Purchase Agreement, with the effect stated in paragraph (c) of this Section, at any time subsequent to the date of this

Note Purchase Agreement and at or prior to the Closing Date by notifying the City in writing or by telegram of their election to do so, if

(i) Any event shall have occurred, or information shall have become known, which, in the reasonable opinion of the Underwriter, makes untrue, incorrect or misleading in any material respect any statement or information contained in the Official Statement or has the effect that the Official Statement contains any untrue, incorrect or misleading statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(ii) Any amendment to the Official Statement is proposed by the City or deemed necessary by Bond Counsel, the Underwriter or Underwriter's Counsel pursuant to Section 1(c) hereof which, in the reasonable opinion of the Underwriter or Underwriter's Counsel, materially and adversely affects the marketability of the Notes or the sale, at the contemplated offering price, by the Underwriter of the Notes to be purchased by it;

(iii) Any legislation, regulation, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State of California, or a decision by any court of competent jurisdiction within the State of California shall be rendered which, in the reasonable opinion of the Underwriter or Underwriter's Counsel, materially adversely affects the marketability of the Notes or the sale, at the contemplated offering price, by the Underwriter of the Notes to be purchased by it;

(iv) The marketability of the Notes or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation or any amendment to pending legislation (A) enacted by the United States, (B) recommended to Congress, or otherwise endorsed for passage, by press release, other form of notice or otherwise, by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or a member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or (C) pending in either such Committee or favorably re-

ported for passage to either House of the Congress by a Committee of such House to which such legislation has been referred for consideration affecting the federal tax status of the City, its property or income, or the interest on its obligations of the general character of the Notes;

(v) Additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

(vi) Any governmental authority or national securities exchange shall impose, as to the Notes, or obligations of the general character of the Notes, any material restrictions not now in force, or increase materially those in force, including those relating to the extension of credit by, or the charge to the net capital requirements of the Underwriter;

(vii) A general banking moratorium shall have been established by federal, New York or California authorities or trading on any national securities exchange is suspended;

(viii) Any rating of the Notes shall have been downgraded or withdrawn by a national rating service, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability of the Notes or the sale, at the contemplated offering price, by the Underwriter of the Notes to be purchased by it; or

(ix) A war involving the United States shall have been declared, or any existing conflict involving the armed forces of the United States shall have escalated, or any other national emergency relating to the effective operation of government or the financial community shall have occurred, which, in the reasonable opinion of the Underwriter or Underwriter's Counsel, materially adversely affects the marketability of the Notes or the sale, at the contemplated offering price, by the Underwriter of the Notes to be purchased by it.

(c) If this Note Purchase Agreement is terminated as herein provided, the parties hereto shall have no obligations to each other except as provided in Sections 6 and 7 hereof.

6. Expenses. The Underwriter shall be under no obligation to pay, and the City shall pay, any expenses incident to the performance of the City's obligations hereunder, including but not limited to (a) the cost of printing and preparation for

printing or other reproduction, for distribution on or after the date of execution of this Note Purchase Proposal of the Note or; (b) the cost of preparing and authenticating the definitive Note and obtaining CUSIP numbers, including the fees of the Paying Agent and costs associated with the Book-Entry-Only registration; (c) the fees and disbursements of Stradling, Yocca, Carlson & Rauth, Bond Counsel to the City and any other attorneys, experts or consultants retained by the City; and (d) fees of rating agencies in connection with the Notes.

The Underwriter shall pay (a) the cost of printing of this Note Purchase Agreement; (b) all advertising expenses in connection with the public offering of the Notes; (c) all other expenses incurred by them or any of them in connection with the public offering and distribution of the Notes, including the fees and disbursements of Underwriter's Counsel; (d) travel expenses of the Underwriter; and (e) California Debt Advisory Commission fees. Whether or not the Underwriter purchases the Notes, the City shall bear responsibility for the following out-of-pocket or other expenses incident to, or in connection with, the offering, issuance and sale of the Notes: (i) the fees and expenses of Bond Counsel and City personnel and staff; (ii) charges made by rating agencies for the rating on the Notes; (iii) the fees and expenses of the personnel and staff of the City designed to cooperate in the issuance and sale of the Notes; and (iv) travel expenses of the City personnel and staff.

7. Indemnification.

(a) To the extent permitted by law, the City agrees to indemnify and hold harmless the Underwriter and its officers and employees (collectively, the "Indemnified Persons", and individually, an "Indemnified Person") from and against any losses, claims, damages or liabilities to which any Indemnified Person may become subject insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of, or are based upon, any untrue statement or alleged untrue statement of a material fact contained in the Official Statement relating to the City, or arise out of, or are based upon, the omission or alleged omission to state therein relating to the City a material fact necessary to make the statements therein relating to the City not misleading, and will reimburse each Indemnified Person for any legal or other expenses reasonably incurred by such Indemnified Person in investigating, defending or preparing to defend any such action or claim; provided, however, that the City shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in the Official Statement, in reliance upon and in conformity with written information furnished to the City by or on behalf of any Indemnified Person specifically for

inclusion therein; and provided further, however, that the indemnity with respect to the Official Statement shall not inure to the benefit of the Underwriter on account of any loss, expenses, liability or claim arising from the sale of the Notes by the Underwriter to any person if a copy of the Official Statement (as amended or supplemented, or as proposed by the City to be amended or supplemented, if the City shall have furnished, or in the case of such proposed amendment or supplement, if the City shall have furnished, to the Underwriter at least one full business day prior to confirmation of such sale by the Underwriter an amended Official Statement or amendments or supplements to the Official Statement relating to the untrue statement or alleged untrue statement or omission or alleged omission for which indemnity is sought, as the case may be) shall not have been sent or given to such person at or prior to the confirmation of the sale of such Notes to such person.

(b) Promptly after receipt by an Indemnified Person under paragraph (a) of this Section of notice of the commencement of any action, such Indemnified Person shall, if a claim in respect thereof is to be made against the City under such paragraph, notify the City in writing of the commencement thereof. In case any such action shall be brought against any Indemnified Person, and such Indemnified Person shall notify the City of the commencement thereof, the City shall be entitled to participate in and, to the extent that it wishes, to assume the defense thereof, with counsel satisfactory to such Indemnified Person, and after notice from the City to such Indemnified Person of its election so to assume the defense thereof, the City shall not be liable to such Indemnified Person under paragraph (a) of this Section for any legal or other expenses subsequently incurred by such Indemnified Person in connection with the defense thereof other than reasonable costs of any investigation; provided, however, that if the named parties to any such action (including any impleaded parties) include both the Indemnified Persons and the City, and the Indemnified Persons or the City shall have reasonably concluded that there may be one or more legal defenses available to it which are different from or additional to those available to the City, the Indemnified Persons shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of the Indemnified Persons and the fees of such counsel shall be paid by the City; provided further, however, that the City shall not, in connection with any one such action or separate but substantially similar or related actions arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys at any point in time for the Indemnified Persons.

(c) The Underwriter agrees to indemnify and hold harmless the City and its officers and employees to the same ex-

tent as the indemnity from the City to the Indemnified Persons described in paragraph (a) of this Section but only with respect to information furnished in writing by the Underwriter or on their behalf, specifically information furnished for the cover and page ___ of the Official Statement and under the caption "Underwriting" on page ___ of the Official Statement. In case any action shall be brought against the City in respect of which indemnity may be sought against the Underwriter, the Underwriter shall have the rights and duties given to the City and the City shall have the rights and duties given to the Underwriter by paragraph (b) of this Section and the term "Indemnified Person" shall include the City and its officers and employees.

8. Miscellaneous.

(a) Except as otherwise specifically provided in this Note Purchase Agreement, all notices, demand and formal actions under this Note Purchase Agreement shall be in writing and mailed first class, postage prepaid, telegraphed or delivered to the Underwriter and the City, respectively, at the following addresses:

Bankers Trust Company
300 S. Grand Avenue, Ste. 4100
Los Angeles, California
Attention: Peter Kelly, Vice President

City of San Diego
202 "C" Street, MS-8C
San Diego, California 92101
Attention: Conny Jamison, City Treasurer

(b) This Note Purchase Agreement will inure to the benefit and be binding upon the City and the Underwriter and their respective successors and assigns.

(c) All of the representations, warranties and covenants of the City and the Underwriter in this Note Purchase Agreement shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of the Underwriter or the City, (ii) delivery of any payment for the Notes hereunder, or (iii) termination or cancellation of this Note Purchase Agreement.

(d) Section headings have been inserted in this Note Purchase Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Note Purchase Agreement and will not be used in the interpretation of any provisions of this Note Purchase Agreement.

(e) If any provision of this Note Purchase Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Note Purchase Agreement invalid, inoperative or unenforceable to any extent whatever.

(f) 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.

(g) This Note Purchase Agreement shall be governed by and construed in accordance with the law of the State of California.

BANKERS TRUST COMPANY

By: _____

ACCEPTED BY:

CITY OF SAN DIEGO, CALIFORNIA

By: _____
[Title]

EXHIBIT C

CITY OF SAN DIEGO
COUNTY OF SAN DIEGO, CALIFORNIA
1988-1989 Tax Anticipation Note, Series _____

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 Bankers Trust Company, New York, New York, (the "Paying Agent"), _____ Dollars (\$_____) in lawful money of the United States of America, on June 30, 1989, 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, 1988-1989 Tax Anticipation Notes" (the "Notes"), in the aggregate principal amount of not to exceed Thirty Million Dollars (\$30,000,000, to be issued in up to two series, consisting of Series A issued in an aggregate principal amount of Twenty Million Dollars (\$20,000,000) and a Series B authorized to be issued in an aggregate principal amount of not to exceed Ten Million Dollars (\$10,000,000) 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 1988-1989 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 Fund (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

06/07/88
2593S/2177/025

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, 1989, 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 ___ day of _____, 1988.

CITY OF SAN DIEGO

By: _____
City Treasurer

(SEAL)

Countersigned:

City Clerk

06/07/88
2593S/2177/025

-21-

R-271087

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: _____

BANKERS TRUST COMPANY
As Paying Agent

By: _____
Authorized Officer

06/07/88
2593S/2177/025

-22-

R-271087

EXHIBIT D



BANKERS TRUST COMPANY

300 SOUTH GRAND AVENUE, LOS ANGELES, CALIFORNIA 90071

PETER R. KELLY, VICE PRESIDENT
INVESTMENT BANKING

May 18, 1988

Ms. Connie Jamison
City Treasurer
City of San Diego
202 "C" Street, MS - 8C
San Diego, California 92101

Dear Ms. Jamison:

Bankers Trust Company is pleased to accept the appointment of our firm as underwriter for the City of San Diego's 1988-1989 Short Term Borrowing Program. Per your request the following confirms the terms and conditions of our mandate:

Underwriting Fee	
Alternative 1 (Municipal Reinvestment)	\$1.00/\$1,000
Alternative 2 (Taxable Reinvestment)	\$1.00/\$1,000 (first -\$20,000,000) \$.75/\$1,000 (thereafter)
Underwriter's Counsel	
Alternative 1	\$20,000
Alternative 2	\$ 3,000

As we discussed, I posed a scenario in which the financing team, in good faith proceeds substantially toward Alternative 1 and subsequently elects Alternative 2. In that event, our legal fees would be the lesser of actual or \$10,000.

Bankers Trust Company's Expenses* (including printing disclosure)	\$ 1,000
--	----------

- * Should a Series A/Series B format be utilized an additional \$1,000 would be payable for out-of-pocket expense incurred at the time of the Series B.

R-271087

As you and Eric discussed Monday, the cost associated with book-entry only registration is approximately \$405.00. Additionally, there is a need to safeguard this first issue with a paying agent. Bankers Trust's fee for such service would be \$500-\$750 depending upon the extent of the paying agent's role.

Please feel free to call either Eric (213-620-8305) or myself (213-620-8286) if you have any questions regarding the above. We look forward to working with you and the City on this important financing.

Sincerely,

Peter R Kelly (ej)

Accepted this 26 day of May, 1988

Comptroller

For the City of San Diego, CA

R-271087

In the opinion of Stradling, Yocca, Carlson & Rauth, a Professional Corporation, Newport Beach, California, 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 not includable in gross income for federal income tax purposes, subject, however, to certain qualifications more particularly described under the caption "Tax Exemption" herein, and interest on the Notes is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the corporate and personal alternative minimum tax. However, under the Code, such interest may be subject to certain other taxes affecting holders of the Notes. Under the laws of the State of California, the interest on the Notes is exempt from personal income taxation imposed by the State of California.

\$20,000,000
CITY OF SAN DIEGO
1988-1989 TAX ANTICIPATION NOTES
SERIES A

Dated: July 1, 1988

Due: June 30, 1989

The Notes will be issued as fully registered Notes, without coupons, and will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York. See "THE NOTES--Book-Entry-Only System" herein. Principal of and interest on the Notes will be payable at maturity at the principal corporate office of Bankers Trust Company, as Paying Agenty.

The Notes are by statute general obligations of the City of San Diego (the "City") but are payable only out of taxes and other moneys of the City attributable to the fiscal year 1988-1989 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, 1988, in an amount equal to the principal amount of the Notes plus interest to 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, INITIAL OFFERING PRICE AND RATING WILL BE CONFIRMED
TO NOTEHOLDERS PRIOR TO DELIVERY

The Notes will be offered when, as and if issued and received by the Underwriter, subject to the receipt of the approving legal opinion of Stradling, Yocca, Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain other legal matters will be passed upon for the City by the City Attorney for the City of San Diego and for the Underwriter by their counsel, Saul, Ewing, Remick & Saul, Philadelphia, Pennsylvania. The Notes will be available for delivery in New York, New York on or about July 1, 1988.

BANKERS TRUST COMPANY

Official Statement Dated June __, 1988

R-271087

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 expression 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.

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 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.

R- 271087

\$20,000,000
CITY OF SAN DIEGO
1988-1989 TAX ANTICIPATION NOTES
SERIES A

INTRODUCTION

This Official Statement, including this Introduction and the Appendices, is provided to furnish information in connection with the sale by the City of San Diego (the "City") of its 1988-1989 Tax Anticipation Notes (The "Notes") in the aggregate principal amount of \$_____. 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 and other moneys of the City attributable to the fiscal year 1988-89 and legally available therefor. The Notes are authorized by a resolution of the City Council of the City of San Diego adopted on June 13, 1988. Proceeds from the sale of the Notes will be used to meet fiscal 1988-89 general fund expenditures, including operating expenses, capital expenditures and the discharge of other obligations of the City.

1988-89 SHORT-TERM BORROWING PROGRAM

In order to finance its General Fund cash flow requirements in fiscal year 1988-89, the City has undertaken a short-term borrowing program which may total up to \$30,000,000. The City expects to issue on July 1, 1988 \$20,000,000 in Tax Anticipation Notes with a maturity of June 30, 1989. If circumstances warrant, the City may issue in fiscal year 1988-89 an additional series of Tax Anticipation Notes in an amount not to exceed \$10,000,000. Such notes, if issued, would also have a maturity date of June 30, 1988 and would be secured by the same pledge of taxes as the Series A Notes. Security for the Notes is described under "THE NOTES - Security for the Notes" herein. Assuming the entire \$30,000,000 of Notes are issued, estimated sources of payment provide a coverage factor for estimated payment requirements of over ___ to one.

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 1987-88, the City sold tax anticipation notes, in the aggregate principal amount of \$5,000,000 secured by a pledge of the City's share of property taxes and other unrestricted moneys received and attributable to the 1987-88 fiscal year. The City has never defaulted on the payment of the principal and interest on any of its short-term obligations.

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-271075 adopted by the City Council of the City on June 13, 1988.

Description of the Notes

The Notes will be issued in the aggregate principal amount of \$20,000,000 initially in Book-Entry-Only form through the Book-Entry-Only system of the Depository Trust Company, New York, New York ("DTC") in denominations of \$25,000 and integral multiples of \$5,000 in excess of \$25,000. The Notes will be dated July 1, 1988 and will mature on June 30, 1989. The Notes will not be subject to redemption prior to maturity. Interest on the Notes will be payable at maturity, computed on the basis of a 360-day year, comprised of twelve 30-day months.

Book-Entry-Only System

The Notes will be initially issued and registered in the name of Cede & Co. ("Cede"), as nominee of DTC and shall be evidenced by a single Note. Registered ownership of the single Note or any portions thereof may not thereafter be transferred except (1) to any successor to Cede as nominee of DTC, or its nominee, or (2) to any substitute depository ("Substitute Depository") designated and not objected to by the City Treasurer upon the resignation or substitution of DTC, or (3) to any person upon the resignation of DTC or Substitute Depository or the determination to discontinue using a depository by the City Treasurer.

In the case of any transfer pursuant to subparagraph 1) or (2) above, upon receipt of the single outstanding Note by Bankers Trust Company as paying agent (the "Paying Agent"), together with a written request of the City Treasurer to the Paying Agent designating the Substitute Depository, a single new Note shall be executed, delivered and registered in the name of the successor or Substitute Depository, or their nominee, all as specified in such written request of the City Treasurer. In the case of any transfer pursuant to subparagraph 3, upon receipt of the single outstanding Note by the Paying Agent, together with a written request of the City Treasurer to the Paying Agent, new Notes shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such written request of the City Treasurer. In such event, the principal of and interest on the Notes will be payable when due in lawful money of the United States of America at the principal corporate trust office of the

Paying Agent or such other office as may be designated by the City.

So long as Cede, as nominee of DTC, is the registered owner of all of the Notes, all note certificates will be immobilized in the custody of DTC. Purchasers of the Notes (the "Beneficial Owners") will not receive physical delivery of certificates. By purchasing a Note, a Beneficial Owner shall be deemed to have waived the right to receive a certificate, except under the circumstances described under this caption "THE NOTES -- Book-Entry-Only System". For purposes of this Official Statement, so long as the note certificates are immobilized in the custody of DTC, references to owners of Notes means DTC or its nominee.

The information under this caption concerning DTC and DTC's Book-Entry-Only System has been obtained from sources the City believes to be reliable, but the City takes no responsibility for the accuracy or completeness thereof. DTC has advised the City that it is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "Participants") and to facilitate the clearance and settlement of securities transactions among Participants in such securities through electronic book-entry changes in accounts of the Participants, thereby eliminating the need for physical movement of securities certificates. Participants include securities brokers and dealers, banks and trust companies, clearing corporations and certain other organizations, some of which (and/or their representatives) own DTC. Access to DTC is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (the "Indirect Participants").

Purchase of Notes by the public may be made through brokers and dealers (who must be or act through Participants) in principal amounts of \$25,000 and integral multiples of \$5,000 in excess of \$25,000. Brokers and dealers are expected to send to each of their purchasers an initial transaction statement regarding such purchaser's purchase of beneficial interest in the Notes and setting forth certain terms of those Notes. The beneficial ownership of Notes and of beneficial interest in such Notes is expected to be shown on, and the transfer of that ownership is expected to be effected through, records maintained by DTC, Participants and Indirect Participants. DTC is expected to maintain records of the positions of its Participants, and the Participants and Indirect Participants are expected to maintain records of the Beneficial Owners. The City is not responsible or liable for

sending transaction statements or for maintaining, supervising or reviewing such records.

The City recognizes DTC or its nominee as the owner of the Notes for all purposes. Principal and interest payments on the Notes are to be made to DTC or its nominee as registered owner of the Notes. Transfer of principal and interest payments to the Participants is the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners by Participants and Indirect Participants is the responsibility of the Participants and Indirect Participants and other nominees of Beneficial Owners. A Beneficial Owner may desire to make arrangements with the Participant or Indirect Participant through which the beneficial ownership interest was purchased to receive a credit balance in the records of such Participant or Indirect Participant, and may desire to make arrangements with such Participant or Indirect Participant to have all notices or other communications to DTC, which may affect such persons, forwarded in writing by such Participant or Indirect Participant and to have notification made of all principal and interest payments. THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE NOTES, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT OR INDIRECT PARTICIPANT OF THE PRINCIPAL OF OR INTEREST ON THE NOTES, OR (C) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE NOTES.

For every transfer and exchange of the Notes, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Security for the Notes

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes and other moneys which are received by the City for the General Fund of the City for Fiscal Year 1988-89. 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, 1988 during or attributable to Fiscal Year 1988-89 an amount equal to the sum of (a) \$10,000,000 plus (b) an amount (net of earnings to the date of deposit on moneys in the Repayment 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 "Repayment Fund". In the event that by June 20, 1989 the aggregate amount of property taxes received by the City and deposited in the Repayment Fund is less than the amount pledged, there shall be deposited in the

Repayment Fund on June 20, 1989 from any other moneys of the City lawfully available therefor the amount of the deficiency. The moneys required to be deposited in the Repayment 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 1988-89 Tax Anticipation Note Repayment Fund for the payment of the principal of and interest on the Notes on June 30, 1989. Amounts deposited in the Repayment Fund shall be applied solely for the purpose of paying the principal of and interest on the Notes.

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, revenues, cash receipts and other moneys of the City attributable to the fiscal year 1988-89 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" herein. 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 amount needed to repay the Notes and the interest thereon is \$_____. The City estimates that funds available for payment of the Notes will be in excess of \$438 million as indicated in the following table:

ESTIMATED GENERAL PURPOSES RESOURCES
AVAILABLE FOR PAYMENT OF 1988-89 NOTES

Source	Amount
Cash Balance--June 30, 1988.....	\$ 43,187,000
Property Taxes.....	114,305,000
Sales Tax.....	92,215,000
Other Revenues.....	146,127,000
Transfers.....	22,918,000
TANs Proceeds.....	<u>20,000,000</u>
 Total.....	 \$438,752,000

Property tax revenues are pledged for the repayment of the Notes.

R 271087

Projected and Actual Cash Flows

Cash flows are computed using the monthly anticipated cash needs and beginning fund cash balances. Since cash outflows 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.

Based upon these cash flow projections, the City's Property Tax-Supported Funds cash balance at July 1, 1988 is expected to be approximately \$43,470,000. The City's Property Tax-Supported Funds are expected to realize a maximum cumulative cash flow deficit of approximately \$24,000,000 on November 15, 1988.

City officials have prepared the following cash flow statements for use in this Official Statement. The 1988-89 cash flows that follow are estimates, based on the best information available to the City when they were prepared in June, 1988.

CITY OF SAN DIEGO
 1988-89 ESTIMATED CASH FLOWS
 (MILLIONS OF DOLLARS)
 (000's)

	1988						1989						
	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE	TOTAL
BEGINNING BALANCE	43,187	28,007	22,038	25,412	2,083	1,772	22,827	21,282	24,315	7,327	28,054	29,713	-----
Receipts													
Property Tax	2,621	--	4,304	2,332	2,794	44,004	7,805	5,463	1,241	27,755	7,993	7,993	114,305
Franchise	--	4,762	1	1	4,715	--	--	4,704	322	3	1	5,890	20,399
Sales Tax	--	3,687	9,970	6,623	8,831	10,106	8,780	9,013	10,324	6,978	9,303	10,620	92,215
Motor Vehicle	2,859	3,204	3,609	2,265	3,245	2,468	2,822	2,989	3,468	2,673	2,919	3,072	35,593
Interest	396	615	1,575	765	768	1,505	866	1,281	89	1,255	1,455	3,031	13,713
Other Revenue	3,905	5,757	10,487	7,341	4,460	13,298	4,704	5,938	7,358	8,037	7,432	19,623	99,340
Loans OthFd													
T.A. Note	20,000	--	--	--	--	--	--	--	--	--	--	--	20,000
Total Receipts	29,871	19,025	29,946	19,327	24,813	71,482	22,957	29,388	22,802	46,712	29,103	50,229	395,555
Disbursements													
Salaries and Benefits	37,662	18,771	19,056	28,810	18,773	18,128	18,840	19,410	29,381	19,441	19,549	20,255	268,106
Services and Supplies	6,959	5,566	7,050	13,669	5,898	8,610	4,589	5,287	6,568	6,020	6,945	10,414	88,705
Capital Outlay	249	667	293	178	112	2,739	352	668	2,568	523	616	725	9,570
Bond Payments	91	--	113	--	341	--	621	--	1,273	--	334	--	2,773
Note Principal	--	--	--	--	--	20,000	--	--	--	--	--	--	20,000
Note Interest	--	--	--	--	--	950	--	--	--	--	--	--	950
Total Disbursements	44,961	24,994	26,572	42,656	25,124	50,427	24,502	26,356	39,790	25,965	27,444	31,394	390,204
Balance	28,007	22,038	25,412	2,083	1,772	22,827	21,282	24,315	7,327	28,054	29,713	48,548	-----
Repayment Fund													
Balance	--	--	--	--	--	--	20,950	20,950	20,950	20,950	20,950	20,950	--
Receipts	--	--	--	--	--	20,950	--	--	--	--	--	--	20,950
Disbursements	--	--	--	--	--	--	--	--	--	--	--	20,950	20,950
Balance	--	--	--	--	--	20,950	20,950	20,950	20,950	20,950	20,950	--	-----

R-271087

CITY OF SAN DIEGO
1987-88 ACTUAL/ESTIMATED CASH FLOWS
(000's)

	ACTUAL						ESTIMATED						TOTAL
	1987 JULY	AUG	SEPT	OCT	NOV	DEC	1988 JAN	FEB	MARCH	APRIL	MAY	JUNE	
Balance	36,418	8,460	--	4,690	1	574	16,029	14,966	18,924	3,224	22,051	24,053	-----
Receipts													
Property Tax	2,333	--	3,830	2,076	2,486	39,165	6,974	4,862	1,106	24,703	7,114	7,114	101,736
Franchise	--	4,926	1	1	4,877	--	--	4,866	333	4	1	6,092	21,100
Sales Tax	--	152	10,688	6,417	8,556	8,267	6,621	8,828	8,828	6,369	8,621	9,726	83,073
Motor Vehicle	1,644	2,963	3,337	2,094	3,001	2,282	2,609	2,764	3,207	2,472	2,699	2,841	32,913
Interest	392	609	1,558	757	760	1,589	858	1,287	88	1,253	1,440	3,000	13,571
Other Rev.	4,046	6,689	10,258	7,095	4,105	12,968	4,508	5,524	7,225	7,780	7,185	18,952	96,336
Loans OthFd	--	613	--	15,934	--	--	--	--	--	--	--	--	16,547
T.A. Note	5,000	--	--	--	--	--	--	--	--	--	--	--	5,000
Total Receipts	14,415	15,951	29,672	34,374	23,785	64,271	21,543	28,111	20,786	42,581	27,060	47,725	370,274
Disbursements													
Salaries and Benefits	34,854	17,372	17,662	26,661	17,373	16,777	17,435	17,963	27,190	17,992	18,092	18,744	248,115
Services and Supplies	7,235	6,563	6,972	12,273	5,402	8,226	4,917	5,712	6,177	5,383	6,520	8,973	84,353
Capital Outlay	180	476	212	129	81	1,983	255	477	1,859	378	446	525	7,001
Bond Payments	104	--	136	--	356	--	--	--	1,261	--	--	349	2,206
Loan Payments	--	--	--	--	--	16,547	--	--	--	--	--	--	16,547
Note Principal	--	--	--	--	--	5,000	--	--	--	--	--	--	5,000
Note Interest	--	--	--	283	--	--	--	--	--	--	--	--	283
Total Disbursements	42,373	24,411	24,982	39,063	23,212	48,816	22,607	24,152	36,487	23,753	25,058	28,591	363,505
Balance	8,460	--	4,690	1	574	16,029	14,966	18,924	3,224	22,051	24,053	43,187	-----
Repayment Fund													
Balance	--	--	--	--	--	--	5,283	5,283	5,283	5,283	5,283	5,283	-----
Receipts	--	--	--	--	--	5,283	--	--	--	--	--	--	5,283
Disbursements	--	--	--	--	--	--	--	--	--	--	--	5,283	5,283
Balance	--	--	--	--	--	5,283	5,283	5,283	5,283	5,283	5,283	--	--

R 274087



CITY OF SAN DIEGO
1986-87 ACTUAL CASH FLOWS
(000' \$)

	1986					1987							TOTAL
	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE	
BALANCE	44,593	62,401	65,790	58,314	40,735	45,046	40,682	32,443	28,297	27,033	31,224	36,064	-----
Receipts													
Property Tax	1,909	180	3,321	0	1,421	2,954	40,560	4,438	1,444	25,599	5,627	3,292	90,745
State Aid	0	0	0	0	0	0	0	0	0	0	0	0	0
Utility Tax	0	4,832	464	1	5,118	200	0	3,114	273	53	4,578	285	18,918
Interest	1	1,718	1,995	1,753	438	1,709	908	1,190	756	4,612	1,880	3,827	20,787
Sales Tax	0	7,900	0	0	8,000	3,268	6,090	8,120	6,049	5,788	7,814	8,419	61,456
Federal Aid	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	5,990	10,301	8,932	10,502	9,837	9,185	8,252	5,573	11,817	7,686	8,072	11,872	108,019
Loans From Other Funds	0	0	0	0	0	0	0	0	0	0	0	0	0
Notes Proceeds	50,000	0	0	0	0	0	0	0	0	0	0	0	50,000
Total Receipts	57,900	24,931	14,712	12,256	24,814	17,316	55,810	22,435	20,339	43,736	27,971	27,705	349,925
Disbursements													
Salaries and Benefits	32,906	15,613	15,684	23,808	14,893	15,569	15,542	15,844	15,917	25,714	16,727	17,874	225,091
Services and Supplies	7,071	5,921	6,319	5,956	5,163	6,050	7,239	5,036	2,492	5,458	6,730	7,580	71,017
Capital Outlay	0	8	26	71	77	61	112	1,263	501	2,491	308	1,896	6,814
Bonds	115	0	159	0	370	0	596	0	1,249	0	364	0	2,853
Note Principal Repayment	0	0	0	0	0	0	40,560	4,438	1,444	3,558	0	0	50,000
Note Interest Repayment	0	0	0	0	0	0	0	0	0	2,324	0	1	2,325
Total Disbursements	40,092	21,542	22,188	39,835	20,503	21,680	64,049	26,581	21,603	39,545	23,131	27,351	358,100
BALANCE	62,401	65,790	58,314	40,735	45,046	40,682	32,443	28,297	27,033	31,224	36,064	36,418	-----
Repayment Fund													
Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts	0	0	0	0	0	0	40,560	4,438	1,444	3,558	0	0	50,000
Disbursements	0	0	0	0	0	0	0	0	0	2,324	0	0	2,324
Balance	0	0	0	0	0	0	40,560	44,998	46,442	62,234	52,324	52,324	-----

R 272087

CONSTITUTIONAL LIMITATIONS ON TAXES

California voters on June 6, 1978 approved a Constitutional Amendment, commonly known as "Proposition 13", which added Article XIII A to the California Constitution restricting the taxing power of California public agencies. Article XIII A of the California Constitution limits the maximum ad valorem taxes on real property to 1 percent of its "full cash value" except for taxes above that level required to pay debt service on certain voter-approved general obligation bonds. The term "full cash value" is defined as "the city 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", subject to exceptions for certain circumstances of transfer or reconstruction. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2 percent 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 public agencies, including the City, 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 A requires a vote of two-thirds of the qualified electors to impose special taxes, while totally precluding the imposition of any additional ad valorem, sales or transaction tax on real property. As recently amended, Article XIII A exempts from the 1 percent tax limitation any taxes above the level required to pay debt service on certain voter-approved general obligation bonds. In addition, Article XIII A requires the approval of two-thirds of all members of the State legislature to change any State laws resulting in increased tax revenues.

The California Supreme Court upheld the validity of Article XIII A against a series of challenges which attacked Proposition 13 as a whole. In Amador Valley Joint Union High School District v. State Board of Equalization, the Court found that it was premature to rule on the claim that Article XIII A impermissibly interfered with contracts in violation of the United States Constitution, stating the such a challenge must come when a specific contract or obligation is impaired. The Court left open for future decision many other questions regarding the implementation and detailed interpretation of Article XIII A.

At a special statewide election held on November 6, 1979, an initiative entitled "Limitation of Government Appropriations" (the "Gann Initiative") was approved by the voters. The

Gann Initiative added provisions including Article XIII B to the California Constitution. Article XIII B of the California Constitution limits the amount of appropriations of "proceeds of taxes" of the State and of local governments, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds, 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 "base year" for establishing such appropriation limit is the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to a public agency from (1) all regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (2) the investment of tax revenues. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. The City does not anticipate any difficulty in holding appropriations below the allowed limit for the fiscal year ending June 30, 1989.

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 necessary to increase taxes imposed by local governments and districts.

The initiative adds provisions to California statutes which require that: (1) any tax for general governmental purposes imposed by local governmental entities, such as the City, 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 services 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.

On June __, 1988, the City Council is expected to approve publication of the annual appropriation limit for the fiscal year 1988-89 in the amount of \$_____. The limitation will apply only to proceeds of taxes and therefore will not apply to service fees and charges, investment earnings on non-proceeds of taxes, fines, revenues from the sale of property and taxes received from the State and federal governments that are tied to special programs. Based on the 1988-89 Proposed Budget, the funds subject to limitation (total General Operating Budget minus non-proceeds of taxes, debt service, and 1987-88 carry over) will be \$_____ million below the Gann limit.

Pending Constitutional Initiatives and City Ordinances

[LANGUAGE TO COME]

Finally Proposition 71 would change the way some State tax revenues are treated for purposes of calculating the appropriations limit. Specifically, the excise tax on motor vehicle fuels, motor vehicle weight fees and vehicle registration fees, which are now dedicated for transportation purposes, would be treated as "user fees" which are not subject to the appropriations limit.

The fiscal effect of Proposition 71 on the City would be to increase the City's appropriations limit as well as enable the City to spend or retain tax proceeds which under current law could be subject to return to taxpayers.

An initiative amendment entitled the "Paul Gann Spending Limit Improvement and Enforcement Act of 1988" ("Proposition 72") has also been qualified for inclusion on the June 7, 1988 general primary ballot. Proposition 72 would require that 3 percent of the total State general fund budget be included in the reserve set aside for emergencies and economic uncertainties; that net revenues from State sales and use taxes on motor vehicle fuels be used only for public streets, highways and mass transit guideways; and that both the reserve and fuel revenues be exempt from the Gann appropriations limit (the "Gann Limit"). Proposition 72 would not reduce the Gann Limit, but would exempt "user fees" from the limit. Currently, net revenue goes into the State

general fund to pay for a wide range of State programs. Should voters approve Proposition 72, those revenues would be lost to the general fund. A partial protection for other programs would come from the 3 percent reserve.

Proposition 72's provisions, if enacted, would be phased in over a 3 year period, increase the State's appropriations limit by about \$1.6 billion and would shift some \$200 million in 1988-89, \$430 million in 1989-90, \$725 million in 1990-91 million and increasing amounts annually thereafter from the State's general fund revenues to transportation expenditures. Although the exact effects of Proposition 72, if enacted, remain to be determined, the City does not believe Proposition 72 would have an adverse effect on the repayment of the Notes.

Since Propositions 71 and 72 overlap to some degree, it is not clear which Proposition would become law if both Propositions were approved by the voters.

The County of San Diego (the "County") has qualified Ordinance No. 1, entitled "San Diego Regional Jails and Justice Facilities Financing Ordinance" ("Ordinance No. 1") for inclusion on the June 7, 1988 County-voters' primary election ballot. Ordinance No. 1, if enacted by County voters, would (1) implement a 1/2 percent County-wide transaction and use tax for a period not to exceed 10 years to be used to finance the development of regional justice facilities in accordance with a master plan developed and approved by the County Board of Supervisors; (2) authorize the San Diego Regional Justice Facility Agency (the "Agency") to issue bonds payable from the proceeds of the transactions and use tax for the financing of regional jails and justice facilities; and (3) establish the constitutional appropriations limit of the Agency.

Ordinance No. 1 will become effective only if approved by a majority of County voters. If approved, Ordinance No. 1 would become effective June 7, 1988 and collection of the transactions and use tax authorized by the Ordinance No. 1 would commence January 1, 1989.

Although the City cannot predict the effect Ordinance No. 1 will have on the City, if enacted, the City believes that Ordinance No. 1 will have no effect on the repayment of the Notes.

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	571,767	1,033,011	15,717,204
1970	696,500	1,357,854	19,953,134
1980	865,000	1,861,846	23,667,902
1987	1,022,400	2,205,900	27,292,300*
1988	1,050,400	2,327,684 ⁺	28,019,000*
1989 Proj.	1,086,200	2,337,700	28,314,800

* Source: U.S. Census for 1960, 1970, and 1980; 1988 figures are State Department of Finance estimates as of January 1, 1988.

+ Source: SANDAG and City Policy Budget

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

R-271087

the Pacific Fleet. During World War II the aircraft industry, and later the aerospace industry, became the first of many 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 electronic, biomedicine, food processing, aerospace and aircraft, apparel and shipbuilding.

[MAJOR EMPLOYERS TABLE TO COME]

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 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.

Taxable Sales

The following table presents retail and total taxable transactions for the City from 1982 through 1986. Revenues are 1% of the total taxable sales. In 1987, taxable sales rose an estimated 5.92 percent.

CITY OF SAN DIEGO*
TOTAL TAXABLE SALES
(000's)

Outlets	1982	1983	1984	1985	1986
Apparel Stores	\$ 229,568	\$ 192,749	\$ 215,672	\$ 241,143	248,477
General Merchandise Stores	564,033	639,033	731,945	809,774	821,830
Drug Stores	82,932	91,667	95,025	101,829	110,507
Food Stores	304,844	337,670	382,230	416,622	438,696
Package Liquor Stores	55,917	56,363	58,064	60,543	60,425
Eating and Drinking Places	556,925	615,959	679,601	757,815	794,338
Home Furnishings and Appliances	185,797	219,226	252,038	265,198	285,117
Building Materials and Farm Impl	127,768	176,517	235,842	866,031	325,470
Auto Dealers and Auto Supplies	494,397	588,368	740,650	665,113	961,501
Service Stations	420,659	384,313	440,877	456,341	401,944
Other Retail Stores	<u>569,095</u>	<u>634,358</u>	<u>697,171</u>	<u>782,979</u>	<u>833,897</u>
 Total Retail Outlets	 \$3,591,935	 \$3,936,856	 \$4,529,115	 \$5,024,141	 <u>5,282,202</u>
 All Other Outlets	 <u>1,638,102</u>	 <u>1,684,853</u>	 <u>1,938,425</u>	 <u>2,154,484</u>	 <u>2,321,317</u>
 Total All Outlets	 <u>\$5,230,038</u>	 <u>\$5,621,749</u>	 <u>\$6,467,540</u>	 <u>\$7,178,625</u>	 <u>7,603,519</u>

* Source: California State Board of Equalization.

Construction Activity

The following table presents the valuation of building permits issued in the City from 1983 through 1987. Total construction valuation for 1987 exceeded _____, and represented a _____ percent increase over 1986. The most notable increase was in residential permit valuation, which increased over _____ percent during this period. The number of new single family units increased _____ percent, while multi-family units increased _____ percent.

CITY OF SAN DIEGO*
BUILDING PERMIT VALUATIONS

Outlets	1983	1984	1985	1986	1987
Valuation (in thousands):					
Residential	\$ 627,829	\$ 897,397	\$ 999,423	\$1,175,530	\$1,000,216
Non-residential	545,277	611,123	730,499	629,626	584,321
Total	<u>\$1,173,106</u>	<u>\$1,508,520</u>	<u>\$1,729,922</u>	<u>\$1,805,157</u>	<u>1,584,537</u>
New Dwelling Units:					
Single Family	4,701	4,447	4,686	5,546	4,556
Multiply Family	5,250	8,968	10,618	13,634	7,956
Total	<u>\$ 9,953</u>	<u>\$ 13,415</u>	<u>\$ 15,304</u>	<u>\$ 19,180</u>	<u>\$12,512</u>

* Source: 1983 through 1985 figures were provided by City of San Diego, Chamber of Commerce and City Building and Inspection Department, City of San Diego.

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. (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 statutes. In lieu of the business inventory tax subvention, the State distributes additional vehicle license fee revenues to California Cities.

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)
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	39,342,520	38,313,937
1987-88	43,766,958	42,569,900

Source: City Auditor and Comptroller

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

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
(000'S)

<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	70,088	66,447	94.81
1986-1987	79,236	74,838	94.45

Source: [TO COME]

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, 1987 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, 1987 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

	<u>General Fund</u>		<u>Debt Service Fund</u>		<u>Total</u>	
	<u>1986</u>	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>	<u>1987</u>
ASSETS						
Cash in Treasury or in Pooled						
Cash Equivalents	\$43,693,900	\$55,500,192	\$217,664	\$135,468	\$43,811,464	\$55,635,660
Cash with Fiscal Agent	--	--	261,610	374,685	261,610	374,685
Accounts Receivable	2,137,565	2,209,308	--	--	2,137,565	2,209,308
Claims Receivable	264,843	395,939	--	--	264,843	395,939
Due From Other Agencies	263,750	70,000	--	--	263,750	70,000
Taxes Receivable	5,302,574	5,071,389	169,851	173,192	5,472,425	5,244,581
Advances Received from						
Redevelopment Agency		208,465		--		208,465
Working Capital Advances	<u>20,859,000</u>	<u>22,062,831</u>	--	--	<u>20,859,000</u>	<u>22,062,831</u>
Total Assets	\$72,421,632	\$86,518,124	\$648,925	\$683,355	\$73,070,557	\$87,201,459
LIABILITIES						
Obligations Under Reverse						
Repurchase Agreements	\$ --	\$20,000,000	\$ --	\$ --	\$ --	\$20,000,000
Accrued Payroll	4,744,160	5,732,003	--	--	4,744,160	6,732,003
Accounts Payable	1,912,144	1,707,890	--	--	1,912,144	1,707,890
Accrued Contributions Payable	--	181,839	--	--	--	181,839
Due to Other Agencies	--	--	--	--	--	--
Deferred Revenue	5,304,344	6,072,010	169,851	173,192	5,474,195	6,245,202
Deferred Revenue-Redev. Agency	--	85,838	--	--	--	85,838
Matured Bonds Payable	--	--	120,000	295,000	120,000	295,000
Matured Interest Payable	--	--	<u>141,510</u>	<u>79,685</u>	<u>141,510</u>	<u>79,685</u>
Total Liabilities	<u>\$11,960,648</u>	<u>\$33,779,580</u>	<u>\$431,361</u>	<u>\$647,877</u>	<u>\$12,392,009</u>	<u>\$34,327,457</u>
FUND BALANCE						
Reserves:						
For Receivables	\$ 2,656,158	\$ 2,675,247	\$ --	\$ --	\$ 2,656,158	\$ 2,675,247
For Encumbrances	6,242,830	7,900,299	--	--	6,242,830	7,900,299
For Advances Receivable From						
Redevelopment Agency	--	122,627	--	--	--	122,627
For Other Advances and Deposits	397,921	417,903	--	--	397,921	417,903
For Advances to Internal						
Serv. Funds	20,539,000	21,732,831	--	--	20,539,000	21,732,831
For Rental Interruption/Debt Serv.	--	--	217,564	135,468	217,564	135,468
Unreserved:						
Designated for Subsequent						
Years Expenditures	\$ 1,225,421	\$ 3,239,098	\$ --	\$ --	\$ 1,225,421	\$ 3,239,098
Undesignated	<u>29,399,654</u>	<u>16,650,539</u>	--	--	<u>29,399,654</u>	<u>16,650,539</u>
Total Reserves and Fund						
Balance	\$50,420,984	\$52,738,544	\$217,564	\$135,468	\$50,678,548	\$52,874,002
Total Liabilities and						
Fund Balance	\$72,421,632	\$86,518,124	\$648,925	\$683,355	\$73,070,557	\$87,201,459

R-271087

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

	Fiscal Year 1986-87	Fiscal Year 1985-86
BEGINNING FUND BALANCE	\$30,625,075	\$ 26,424,653
REVENUES:		
Property Taxes-Current Year		
Secured	\$73,164,098	\$ 64,849,081
Other Property Taxes*	14,432,969	12,920,117
Other Local Taxes	90,227,884	87,537,417
Licenses and Permits	6,842,458	6,508,639
Fines, Forfeitures and Penalties	12,208,858	12,233,114
Interest and Rents	28,513,318	27,316,149
Revenues From Other Agencies	33,625,530	31,986,829
Charges for Current Services	17,797,769	16,277,519
Other Revenue	<u>1,287,537</u>	<u>1,339,875</u>
Total Revenues	\$278,100,421	\$260,968,740
Transfers from Other Funds	<u>20,088,751</u>	<u>18,787,606</u>
Total Revenues and Transfers	<u>298,189,172</u>	<u>\$279,756,346</u>
EXPENDITURES:		
General Government	40,616,288	\$ 36,421,668
Public Safety	158,098,689	140,432,131
Libraries	9,939,595	9,586,070
Park and Recreation	27,721,484	25,707,673
General Services	42,725,616	41,333,963
Engineering and Development	10,760,538	9,600,272
Debt Service	2,853,385	2,909,375
Miscellaneous	<u>6,085,597</u>	<u>6,996,317</u>
Total Expenditures	\$298,947,807	\$272,987,469
Transfers to Other Funds	<u>8,548,055</u>	<u>3,907,184</u>
Total Expenditures and Transfers	<u>307,495,862</u>	<u>\$276,894,653</u>
Increase (Decrease) in Prior Year's Reserves	<u>(1,428,748)</u>	<u>1,338,729</u>
ENDING FUND BALANCE	<u>\$ 19,889,637</u>	<u>\$ 30,625,075</u>

* Includes collections, for homeowners and business inventory exemptions and prior years' property tax collections.

Fiscal 1987-88 and 1988-89 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 1987-88 for property tax-supported funds of the City and the proposed budget for fiscal year 1988-89.

CITY OF SAN DIEGO
COMBINED PROPERTY TAX-SUPPORTED FUNDS BUDGETS

	Fiscal Year 1987-88 (Estimated)	Fiscal Year 1988-89 (Proposed)
REQUIREMENTS:		
Specific Appropriations:		
General Government	\$ 91,297,309	\$ 72,419,529
Public Safety	172,212,119	175,971,631
Libraries	11,724,000	12,008,882
Park and Recreation	33,671,901	35,700,738
General Services	24,058,794	50,060,147
Engineering and Development	11,839,342	13,476,159
Bond Interest & Redemption	<u>3,839,540</u>	<u>3,292,470</u>
Total Specific Appropriations	348,234,065	362,946,576
UNALLOCATED RESERVE	975,000	15,700,000
Total General Government Funds Requirements	<u>\$349,209,065</u>	<u>\$378,646,576</u>
ESTIMATED REVENUES:		
Other Local Taxes	\$ 90,984,758	\$104,291,500
Licenses and Permits	3,801,400	4,797,600
Fines, Forfeitures and Penalties	112,603,300	13,491,700
Interest and Rents	49,190,562	50,784,875
Revenues From Other Agencies	36,556,100	39,974,400
Charges for Current Services	17,688,750	11,453,500
Other Revenue	624,500	942,811
Transfers From Other Funds	<u>25,523,917</u>	<u>\$122,918,000</u>
Total Estimated Revenues	236,971,687	248,814,446
PRIOR YEAR ENCUMBRANCES CANCELLED	915,994	707,000
FUND BALANCE AVAILABLE	<u>12,738,450</u>	<u>17,889,571</u>
Total Non-Property Tax Financing	<u>250,626,131</u> <u>98,582,934</u>	<u>267,671,017</u> <u>110,975,559</u>
PROPERTY TAX REVENUE*		
Total General, and Bond Interest and Redemption Funds Financing	<u>\$349,209,065</u>	<u>\$378,646,576</u>

* Includes homeowner's and business inventory exemptions and

Long Term Obligations

The City has never defaulted on the payment of principal or interest on any of its indebtedness. As of July 1, 1988, the City has \$68,935,000 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.

[LANGUAGE TO COME]

TAX EXEMPTION

In the opinion of Stradling, Yocca, Carlson & Rauth, San Diego, California, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest paid with respect to the Notes is not includable in gross income for purposes of income taxation by the United States of America and is exempt 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.

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.

RATING

The City has applied to Moody's Investors Service, Inc. for a rating on the Notes. 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 Bankers Trust Company, New York, New York (the "Underwriter"). The Underwriter has agreed to purchase the Notes for an amount as described in the Note Purchase Agreement relating to the Notes. The Note Purchase Agreement 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 Note Purchase Agreement. 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 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 1988-89 budget and fiscal year 1987-88 audited financial statements may be obtained from the City, as they become available.

CITY OF SAN DIEGO

BY _____
CITY TREASURER