

(R-92-2084)

RESOLUTION NUMBER R- 280210

ADOPTED ON JUN 23 1992

WHEREAS, the Council of The City of San Diego, California (the "City"), has received a report from the City Treasurer that the City will experience a cumulative cash flow deficit during the forthcoming fiscal year of 1992-1993 (commencing on July 1, 1992); 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 California 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, pursuant to Section 92 of the City Charter, 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 percent (25%) 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 \$150,000,000, 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 one or more series in an aggregate principal amount not to exceed \$150,000,000, 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 Lehman Brothers and Artemis Capital Group, Inc. as such underwriters in accordance with its proposal to underwrite such notes in an initial amount recommended by the Treasurer; NOW, THEREFORE,

BE IT RESOLVED, by the Council of The City of San Diego, as follows:

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

"Additional Notes" means the Notes, other than the Series A Notes, authorized to be executed and delivered hereunder.

"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 California Government Code.

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

"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.

"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 the City.

"Cumulative Cash Flow Deficit" has the meaning given such term in Section 148 of the Code.

"Notes" mean the note or notes executed and delivered hereunder, including the Series A Notes and any Additional Notes, in substantially the form attached hereto as "Exhibit A".

"Note Purchase Agreement" means the Series A note purchase agreement attached hereto as "Appendix 1", and with reference to the Additional Notes, any note purchase agreement therefor.

"Paying Agent" means Bank of America National Trust and Savings Association, San Francisco, California, appointed to act and perform the duties of Paying Agent for the Notes.

"Regulations" means the income tax regulations promulgated or proposed by the Department of the Treasury pursuant to the Code from time to time, including temporary regulations, to the extent applicable.

"Series" means all Notes designated by descriptive title or otherwise as a series and prepared, executed, authenticated and delivered in a simultaneous transaction pursuant to the provisions of this Resolution.

"Series A Notes" means the "City of San Diego 1992-1993 Tax Anticipation Notes, Series A" to be issued hereunder in an amount to be determined by the Treasurer.

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

"Underwriters" mean Shearson Lehman Brothers Inc. and Artemis Capital Group, Inc., San Francisco, California, underwriters of the Notes.

Section 2. Cumulative Cash Flow Deficit. That as of July 1, 1992, it is anticipated that during the first six months of fiscal 1992-1993, a cumulative cash flow deficit will exist in an amount of not less than 90% of the principal amount of the Series A Notes to be issued.

Section 3. Proposed Budgeted Appropriations. The Notes to be issued will not be greater than 25% of the total budgeted appropriations for fiscal 1992-1993 as shown by the budget heretofore approved by this Council.

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

A. The underwriting of the Series A Notes will be carried out by the Underwriters in accordance with the Note Purchase Agreement therefor, which agreement is hereby approved in the form attached hereto as "Appendix 1".

B. The City Manager or an authorized designee may negotiate and execute a Note Purchase Agreement with the Underwriters for any Series of Additional Notes and the Additional Notes of such Series will be issued and sold in accordance therewith and herewith, provided:

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1. The Treasurer certifies that the expected cumulative cash flow deficit equals at least 90% of the principal amount of the Notes to be outstanding following the issuance of the Notes of such Series;

2. The Note Purchase Agreement relating to such Series provides substantially equivalent terms of sale as the Series A Note Purchase Agreement and a rate of interest of not to exceed seven percent (7.00%) per annum payable at maturity, the Treasurer's execution thereof to constitute conclusive evidence of satisfaction of this condition; and

3. Receipt of confirmation from Moody's Investors Service and Standard & Poor's Corporation (but only to the extent each maintains a rating on the Series A Notes) that the issuance of the Additional Notes of such Series will not cause a reduction in the rating on the Notes of any other Series then outstanding.

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 \$150,000,000 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 to be determined by the Treasurer by execution of the Series A Note Purchase Agreement and Additional Notes in one or more Series as determined by the Treasurer in an amount not to exceed the remainder of such authorization. Said notes shall be designated "City of San Diego, 1992-1993 Tax Anticipation Notes, Series _" and shall be in the denominations of \$5,000 or any integral multiple thereof.

The Notes of each Series shall be dated the respective dates of issuance thereof. The Notes of each Series shall mature and be payable on June 30, 1993, or such later date within 13 months of the date of issuance of such Series as determined by the Treasurer by the execution of the Note Purchase Agreement, and shall bear interest at a rate not to exceed seven percent (7.00%) 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 of each Series 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") and shall be evidenced by a single Note. Registered ownership of the Notes, or any portion thereof, may not thereafter be transferred except as set forth in Section 5(C).

C. The Notes of each Series 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:

(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 if 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 for each Series, which the City shall prepare or cause to be prepared, shall be executed, delivered, authenticated and 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 for each

Series, 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 authenticate and 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 whose name appears on the registration books of the Paying Agent as the owner thereof for all purposes of this Resolution and for purposes of payment of principal and interest on such Notes, 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, 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 to be executed by the City and the Paying Agent, 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 of the same Series, 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 of the same Series. 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 San Francisco, California, sufficient books for the registration and transfer of the Notes, which shall at all times, upon reasonable prior notice, 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 herein before provided.

Section 6. Execution of Notes. The Treasurer is hereby authorized and directed to sign, and the City Clerk to attest and to countersign the Notes by their manual, printed, lithographed or engraved facsimile signatures, and to affix thereon the seal of the City.

Section 7. Form of Notes. The Notes shall be issued in substantially the form set forth in "Exhibit A", attached hereto and incorporated herein and may be issued in typewritten form.

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

Section 9. Appointment of Paying Agent. Bank of America National Trust and Savings Association, San Francisco, California, 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 "Appendix 2", which agreement is hereby approved and accepted. The Paying Agent shall execute the Certificate of Authentication on the face of each Note.

Section 10. Use of Proceeds of Notes. The proceeds from the sale of the Notes of each Series shall be held by the City and placed into a fund designated "1992-1993 Tax Anticipation Notes Proceeds Fund, Series _", with the Series designation of the fund matching the Series designation of the Notes, and monies in such Fund may be transferred to the general fund of the City as needed 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. As security for the payment of the principal of and interest on the Notes, the City agrees and covenants to deposit in trust into a special fund to be designated the "1992-1993 Tax Anticipation Notes Repayment Fund" (the "Repayment Fund"), sufficient moneys to enable the City to pay in full such principal and interest on the Notes, as follows: (1) from the first property tax moneys received on or after November 30, 1992, an amount equal to one-half the amount of principal and interest due on the Notes; and (2) from the first property tax moneys received on or after April 10, 1993, an amount equal to the difference between (a) the total principal and interest due on the Notes on their respective maturity dates (which amount is to be deposited by the City with the Paying Agent at least one (1) business day prior to the respective maturity dates), and (b) the amount previously deposited in the Repayment Fund. All property tax moneys are hereby pledged for the payment of the principal of and interest on the Notes. In the event that by the respective maturity dates

the property tax moneys are insufficient to enable the City to make such transfers, the City shall thereafter transfer other legally 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 to pay the principal of and interest on the Notes at maturity. The Repayment Fund and all amounts held therein pursuant hereto are hereby pledged and irrevocably set aside to the payment of the Notes. Amounts deposited in the Repayment Fund may not be used for any purpose other than payment of the Notes and may be invested in legal investments which are permitted by Section 53601 of the California Government Code. The proceeds of any such investment shall be transferred to the City General Fund, except as provided in Section 14 hereof.

Section 12. 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 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 13. 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 principal 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 regulations as the City and Paying Agent may prescribe, and, in the case of a Note claimed to have been destroyed or lost, upon receipt of indemnity satisfactory to the City and Paying Agent, and in the absence of notice to the City or Paying Agent that such Note has been acquired by a bona fide purchaser, the City shall execute and the Paying Agent shall authenticate at the principal 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 and written direction 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 14. 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 15. Execution of Note Purchase Agreement. The Treasurer is hereby authorized and directed to approve the final terms of the sale of the Notes of each Series 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 16. Official Statement. The proposed form of Preliminary Official Statement to be used in connection with the offer and sale of the Series A Notes, a copy of which is attached hereto as "Appendix 3", is hereby adopted and approved and the Treasurer is hereby authorized to execute and deliver the same with such changes therein as said Treasurer, with the advice of counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Treasurer is hereby further authorized to execute and deliver a similar preliminary official statement, with such changes as said Treasurer, with the advice of counsel, may require or approve, in connection with each Series of Additional Notes. Such execution and delivery shall constitute evidence that the City deems the Preliminary Official Statement (or additional preliminary official statement) to be final within the meaning of 17 CFR Section 240.15c2-12(b), except for information which is permitted to be omitted therefrom pursuant to such rule. Thereafter, the Treasurer is authorized to execute and deliver a final Official Statement or official statements with such changes therein as said Treasurer with the advice of counsel may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Underwriters are hereby authorized to distribute copies of the Official Statement and additional official statements as finally executed to persons who may be interested in the purchase of the Notes of the respective Series, and is directed to deliver such copies to all actual purchasers of the Notes.

Section 17. Authority to Execute Documents; Delivery of Notes. The City Manager, Treasurer and City Clerk, and the City Auditor & Comptroller and their designated assistants, upon advice of the City Attorney and Co-Bond Counsel, are hereby authorized and directed, jointly and severally, to do any and all things and to execute, modify and deliver any and all documents herein approved or as may be required, at the request of the City Attorney and Co-Bond Counsel, which they may deem necessary and advisable, in order to effect the issuance, sale and delivery of the Notes and otherwise to effectuate the purposes of this Resolution.

Section 18. Certified Copies. The City Clerk shall provide a certified copy of this document 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 document to the Paying Agent.

APPROVED: JOHN W. WITT, City Attorney

By Mary Kay Jackson
Mary Kay Jackson
Deputy City Attorney

MKJ:mb
06/18/92
Or. Dept: Treas.
R-92-2084
Form=r+t

EXHIBIT A

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE CITY OF SAN DIEGO OR ITS AGENT FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

INTEREST RATE

CUSIP NO.

CITY OF SAN DIEGO
COUNTY OF SAN DIEGO, CALIFORNIA
1992-1993 Tax Anticipation Notes, 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 Cede & Co., at Bank of America National Trust and Savings Association, San Francisco, California (the "Paying Agent"), _____ Million Dollars (\$_____) in lawful money of the United States of America, on June 30, 1993, together with interest thereon at the rate per annum stated above (computed on the basis of a 360-day year, consisting 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, 1992-1993 Tax Anticipation Notes" (the "Notes"), in the aggregate principal amount of not to exceed One Hundred Fifty Million Dollars (\$150,000,000), to be issued in one or more series, consisting of Series A Notes issued in an aggregate principal amount of _____ Million Dollars (\$_____) and additional Notes authorized to be issued in an aggregate principal amount of the remainder thereof, 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 California Government Code, 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.

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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 1992-1993 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 from ad valorem property taxes received by the City after the issuance of the Notes, not less than a sum equal to the principal of and interest on the Notes at maturity (all as more fully described in the Resolution). 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 30, 1993, 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 has caused this Note to be executed by the manual or facsimile signature of its City Treasurer and countersigned by the manual or facsimile signature of the City Clerk and caused a facsimile of the official seal to be imprinted hereon, all as of the 1st day of July, 1992.

CITY OF SAN DIEGO

By: _____
Its: City Treasurer

(SEAL)

Countersigned:

By: _____
Its: City Clerk

CERTIFICATE OF AUTHENTICATION

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

Date of Authentication: _____

BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION,
as Paying Agent

By: _____
Its: Authorized Officer

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CITY OF SAN DIEGO, CALIFORNIA

1992-1993 TAX ANTICIPATION NOTES, SERIES A

NOTE PURCHASE AGREEMENT

June __, 1992

City Council
City of San Diego
City Administration Building
202 "C" Street
San Diego, California 92101

Ladies and Gentlemen:

The undersigned, Shearson Lehman Brothers, Inc. (the "Representative") and Artemis Capital Group, Inc. (collectively, the "Underwriters"), hereby offer 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 Underwriters. 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 Underwriters at or prior to 5:00 pm. California time on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriters 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 Underwriters hereby agree to purchase from the City, and the City hereby agrees to sell to the Underwriters, all (but not less than all) of the City's \$_____ aggregate principal amount of 1992-1993 Tax Anticipation Notes, Series A (the "Notes") at the aggregate purchase price of \$_____ 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 (as hereinafter defined), and shall be executed,

delivered and secured under and pursuant to the Resolution adopted by the City Council (the "Council") on June __, 1992 (the "Resolution"). The Underwriters agree to make a public offering of the Notes at the initial offering price or prices established by the Underwriters, which may be changed from time to time by the Underwriters after the initial date of offering.

(b) The City has delivered to the Underwriters copies of the Preliminary Official Statement dated June __, 1992 (the "Preliminary Official Statement"). As of its date, such Preliminary Official Statement has been "deemed final" by the City for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1) (except for the omission of certain information permitted under such Rule). The City agrees to deliver to the Underwriters a final Official Statement, dated the date hereof (the "Official Statement"). The number of Official Statements so delivered, and the timing of such delivery, will be sufficient to comply with Securities and Exchange Commission Rule 15c2-12 (b) (4) and the Rules of the Municipal Securities Rulemaking Board. The City has approved the distribution by the Underwriters of the Official Statement and hereby authorizes the Underwriters 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 the Underwriters or entered into in connection with the transactions contemplated by this Note Purchase Agreement.

(c) If at any time prior to the expiration of 25 days from the end of the "underwriting period" (as defined in Securities and Exchange Commission Rule 15c2-12(e)(2)), any event known to the City relating to or affecting the City or the Notes shall occur which might affect the correctness or completeness of any statement of a material fact contained in the Official Statement, the City will promptly notify the Underwriters 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 Underwriters or their 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 promptly prepare at its expense and furnish to the Underwriters a reasonable number of copies of an amendment of or a supplement to the Official Statement, in form and substance satisfactory to the Underwriters and their counsel, 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.

2. Closing. At 8:00 a.m., Pacific Daylight Standard time, July [1], 1992 or at such other time or on such earlier or later date as shall have been mutually agreed upon by the City and the Underwriters, the City will deliver, or cause to be delivered to the Underwriters, the Notes, together with the other documents hereinbefore or hereinafter mentioned; the Underwriters 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 immediately available funds to the order of the City or, at the City's discretion, by an interbank debit transfer. Delivery and payment as aforesaid shall be made at the offices of _____, California _____, or at such other place as shall be agreed upon between the City and the Underwriters; 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 Underwriters. Such time of payment and delivery is herein called the "Closing Date".

The Notes shall be delivered in the form of a single fully registered Note, registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York ("DTC"). Ownership interests in the Notes may be purchased in book-entry form only in denominations of five thousand dollars (\$5,000) and any integral multiple thereof as specified by the Underwriters five days before the Closing Date. The Notes shall be made available to DTC or its agent for checking at least twenty-four (24) hours prior to the Closing Date.

3. Representations, Warranties, Covenant and Agreement of the City. The City, by its acceptance hereof, represents, warrants, covenants and agrees with the Underwriters as follows:

(a) The City is a municipal corporation, duly organized and existing under the laws of the State of California and its Charter 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 Closing Date, 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 Resolution 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 the City Charter, 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 filings 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 will be 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, suit, proceeding, inquiry or investigation before or by any court, public board or body pending or threatened against or (a) affecting the City wherein an unfavorable 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 or (b) contesting in any way the completeness or accuracy of Official Statement.

(g) The City will cooperate with the Underwriters 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 Underwriters 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 Underwriters; provided that the City shall not be required to consent to service of process in any jurisdiction or to expend any funds in connection with such qualification. 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 Underwriters, and as of the Closing Date, will not contain any untrue statement of a material fact 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, authenticated and delivered in accordance with the Resolution and paid for by the Underwriters 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 Underwriters as to the statements made therein.

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

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

4. Conditions to the Underwriters' Obligations. The obligations of the Underwriters 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 Underwriters hereunder are also subject, in the discretion of the Underwriters, 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 Underwriters, 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 to the City and the Underwriters and their 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, authenticated 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 Underwriters, 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 Underwriters shall have received evidence, in appropriate form, of such actions.

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

(1) this Note Purchase Agreement duly executed and delivered by the City and the Underwriters and a certified copy of the Resolution, each with such amendments, modifications or supplements as may have been agreed to by the Underwriters;

(2) an unqualified approving opinion, dated the Closing Date and addressed to the City and the Underwriters, of Brown & Wood, Los Angeles, California ("Bond Counsel") in substantially the form attached as Appendix B to the Official Statement, together with a supplemental opinion in a form acceptable to the Underwriters, dated the Closing Date and addressed to the Underwriters, to the effect that:

(i) the City has full right and lawful authority to adopt the Resolution and to enter into and perform its obligations under this Note Purchase Agreement, and the Resolution has been duly adopted by the Council, and this Note Purchase Agreement has been duly authorized, executed and delivered by the City, and the Resolution and (assuming the due authorization, execution and delivery of this Note Purchase Agreement by and the validity of this Note Purchase Agreement against the Underwriters) the Note Purchase Agreement constitute valid and binding obligations of the City, enforceable against the City in accordance with their respective terms, except that no opinion need be expressed with respect to any indemnification or contribution provisions contained in this Note Purchase Agreement;

(ii) the statements contained in the Official Statement in the sections thereof entitled "The Notes," "Tax Exemption," and "Legality for Investment in California," insofar as such statements purport to summarize certain provisions of the Resolution and the Notes, and describe statutory or legislative provisions relating to the exclusion from federal income taxes of Interest on the Notes and the 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; and

(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.

(3) The opinion of the City Attorney, dated the Closing Date and addressed to the Underwriters, to the effect that

(i) the City is a chartered city duly organized and validly existing under the Constitution, the laws of the State of California and its Charter;

(ii) the Official Statement relating to the Notes has been duly approved by the City and the descriptions therein as to the City and the City's obligations with respect to the Notes as set forth in this Note Purchase Agreement and authorized pursuant to the Resolution are correct and do not omit any statement which, in his opinion, should be included and referred to therein in order to make such descriptions not misleading;

(iii) the Resolution was duly adopted at a meeting of the City Council 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 or rescinded;

(iv) 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, and the City has duly authorized, executed and delivered the Official Statement, the Notes and this Note Purchase Agreement;

(v) 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 by principles of equity if equitable remedies are sought;

(vi) 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 thereby and hereby, 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 the City Charter, or any existing law, regulation, court order or consent decree to which the City or any of its properties is subject; and

(vii) 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, (a) 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 the Note Purchase Agreement or by the Official Statement, or (b) 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, the 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 the Note Purchase Agreement or the Official Statement;

(viii) the information contained in the Official Statement concerning the City 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 O'Melveny & Myers, counsel to the Underwriters, dated the Closing Date and addressed to the Underwriters, 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 information made available to such counsel in the course of such counsel's participation in the transaction as counsel to the Underwriters 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.

(5) A certificate, dated the Closing Date, signed by the appropriate City officials and in form and substance satisfactory to the Underwriters, 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 Note Purchase Agreement and the Resolution at or prior to the Closing;

(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; and

(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 non-arbitrage certificate for the Notes in form satisfactory to Bond Counsel and the Underwriters.

(7) Evidence satisfactory to the Underwriters to the effect that the Notes have received a rating of MIG 1 from Moody's Investors Service and SP 1+ from Standard and Poor's Corporation.

(8) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriters, Bond Counsel, the City Attorney, or O'Melveny & Myers, counsel to the Underwriters, may reasonably request to evidence compliance by the City with legal requirements, the

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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 Underwriters 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) In addition, the Underwriters may terminate this Note Purchase Agreement, with the effect stated in paragraph (b) of this Section, at any time subsequent to the date of this Note Purchase Agreement and at or prior to the Closing by notifying the City in writing or by telegram of its election so to do, if

(i) an amendment to the Constitution of the United States or of the State shall have been adopted, or legislation shall have been recommended to the Congress of the United States for passage by the President of the United States, or introduced in the Congress by the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the Chairman or ranking minority member of the Committee of Ways and Means of the House of Representatives or the Chairman or ranking minority member of the Committee on Finance of the Senate, or enacted by the Congress of the United States or enacted by the State, or legislation pending in the Congress of the United States shall have been amended, or a decision shall have been rendered by a court of the United States or the State, including the Tax Court of the United States, or a ruling shall have been made or a regulation shall have been proposed or made or a press release or other form of notice shall have been issued by the Treasury Department of the United States or the Internal Revenue Service or other federal or State authority with respect to federal or State taxation of interest on obligations of the general character of the Notes, which may have the purpose or effect, directly or indirectly, of affecting the tax-exempt status of the Notes or the interest thereon or, in the opinion of the Underwriters, affects materially and adversely the market price for the Notes or the market price generally of obligations of the general character of the Notes;

(ii) the United States shall have become engaged in hostilities, whether or not a war shall have been declared, or there shall have occurred an escalation of

any hostilities involving the armed forces of any country, or any other national or local emergency or other national or local calamity relating to the effective operation of government or of the financial community which, in the Underwriters' opinion, materially adversely affects the market price of the Notes;

(iii) there shall have occurred a general suspension of or material limitation of trading on The New York Stock Exchange or other national securities exchange or minimum prices shall have been established on any such exchange;

(iv) a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission shall be issued or made to the effect that the issuance, offering or sale of the Notes is or would be in violation of any provision of the Securities Act of 1933, as then in effect, or of the Securities Exchange Act of 1934, as then in effect, or of the Trust Indenture Act of 1939, as then in effect;

(v) legislation shall be enacted by the House of Representatives or the Senate of the Congress of the United States of America, or a decision by a court of the United States of America shall be rendered, or a ruling or regulation by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction over the subject matter shall be made or proposed to the effect that the Notes are not exempt from registration, qualification or other similar requirements of the Securities Act of 1933, as then in effect, or of the Trust Indenture Act of 1939, as then in effect;

(vi) in the reasonable judgment of the Underwriters, the market price of the Notes, or the market price generally of obligations of the general character of the Notes, might be materially and adversely affected because 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;

(vii) an event shall have occurred that in the opinion of the Underwriters requires the preparation and distribution of a supplement or amendment to the Official Statement;

(viii) the comptroller of the currency, the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose, as to the Notes

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or obligations of the general character of the Notes, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, or financial responsibility requirements of the Underwriters;

(ix) a general banking moratorium shall have been established by federal, California, or New York authorities;

(x) any rating of the Notes shall have been withheld, downgraded or withdrawn by a national rating service, which, in the Underwriters' opinion, materially adversely affects the market price of the Notes; or

(xi) any legislation, ordinance, rule or regulation shall be introduced in or be enacted by any governmental body, department or agency in the State, or a decision by any court of competent jurisdiction within the State shall be rendered, which, in the opinion of the Underwriters, materially adversely affects the market price of the Notes; and

(b) 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 Underwriters shall pay all expenses incurred by it in connection with the offering of the Notes, including (i) the fees and disbursements of its counsel, and (ii) the cost of qualifying the Notes for sale in various states chosen by the Underwriters and the cost of preparing or printing any "Blue Sky" or legal investment memoranda to be used in connection with such sale. If the Underwriters purchase the Notes, the Underwriters agree that they will pay costs and disbursements incurred by them in connection with the transactions contemplated herein and hereby, including the costs of travel by the Underwriters' personnel, the California Debt Advisory Commission Fee and related out-of-pocket expenses.

Whether or not the Underwriters purchase the Notes, the Underwriters shall have no obligation to pay, and the City shall pay all expenses incident to the performance by the City of its obligations hereunder (other than as set forth in the first paragraph of this Section 6), including but not limited to (i) the fees and expenses of Bond Counsel; (ii) charges made by rating agencies for the rating of the Notes; (iii) the fees and expenses of the personnel and staff of the City designated to cooperate in the issuance and sale of the Notes; (iv) printing and distribution

of the Official Statement; (v) fees and expenses of the Depository Trust Company; and (vi) the fees and expenses of the Paying Agent.

7. Indemnification. (a) To the extent permitted by law, the City agrees to indemnify and hold harmless the Underwriters and their respective officers and employees (collectively, the "Indemnified Persons", and individually, the "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, or arise out of, or are based upon, the omission or alleged omission to state therein a material fact necessary to make the statements therein 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 Underwriters on account of any loss, expense, liability or claim arising from the sale of the Notes by the Underwriters 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 Underwriters at least one full business day prior to confirmation of such sale by the Underwriters 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

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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 such paragraph 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; 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 Underwriters agree to indemnify and hold harmless the City and its officers and employees to the same extent 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 Underwriters or on their behalf, specifically for inclusion in the Official Statement. In case any action shall be brought against the City in respect of which indemnity may be sought against the Underwriters, the Underwriters shall have the rights and duties given to the City and the City shall have the rights and duties given to the Underwriters by paragraph (b) of this Section.

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

Lehman Brothers
One Sansome Street
37th Floor
San Francisco, CA 94104
Attn: Public Finance Dept.

City of San Diego
City Administration Building
202 "C" Street
San Diego, California 92101
Attention: Conny M. Jamison
Treasurer

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

(c) All of the representations, warranties and covenants of the City and the Underwriters 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 Underwriters 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.

R-280210

CITY OF SAN DIEGO
1992-1993 - TRAN - SERIES A

GENERAL OBLIGATION BONDS
FEE AGREEMENT: REGISTRAR, TRANSFER
AGENT AND PAYING AGENT

THIS AGREEMENT is made and entered into this 24th day of June 1992, between the CITY OF SAN DIEGO, hereinafter called "CITY", and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, a national banking association, hereinafter called "BANK".

R E C I T A L S:

- A. CITY has authorized an issue of Tran's, (the "Notes"), and wishes BANK to act as its agent to register, transfer ownership and pay principal and interest on said Notes.
- B. BANK is willing to register, transfer ownership and pay principal and interest on said Notes on the terms set forth in this Agreement.

Agreement

- 1. CITY hereby appoints BANK its Agent to register, transfer ownership and pay principal and interest on the Notes.
- 2. CITY will, on or before the date interest and principal is to be paid on the Notes, deposit the full amount due in immediately available funds with the Corporate Trust Division of BANK in San Francisco; otherwise, BANK will not be required to make any disbursements to the bondholders.
- 3. CITY will deliver or caused to be delivered the documents listed below at least six (6) business days prior to the original issue date of the Notes:
 - Original issuance instructions from Underwriters
 - Initial inventory of blank bond certificates
 - Specimen Notes
 - Certified Bond Resolution(s)
 - Bond Counsel legal opinion(s)
 - Original Debt service schedules

R. 280210

FINAL ACCEPTANCE:

Final acceptance of this appointment is contingent upon the Bank's satisfactory review of the documents.

4.- CITY will pay BANK fees as set forth below:

INITIAL ACCEPTANCE FEE: \$ 300.00

Set up original issue by separate maturities and rates and prepare Notes for delivery at the closing. (Standard document review fees are included in the Initial Acceptance Fee)

ANNUAL ADMINISTRATION FEE: No Charge
(billed semiannually)

REGISTRAR MAINTENANCE AND SERVICING FEE:
(billed semiannually)

Annual minimum No Charge

This fee includes annual maintenance and servicing of the first 100 bondholder accounts or any portion thereof; postings; semiannual interest disbursements; stop payment and replacement of lost or missing interest checks; correspondence and research required; documentary transfers; replacement of lost or stolen notes; and one bondholder list.

Excess of 100 bondholder accounts: No Charge
The annual minimum plus * for each additional bondholder account

Issuance, registration or transfer (each bond) No Charge
Payment of note at maturity or call (each bond) No Charge

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OUT-OF-POCKET EXPENSES:

INDIRECT out of pocket expenses are billed at a flat rate. They include, but are not limited to, telephone calls, postage, insurance, communications by fax, stationery, cost of printing forms or letters, photocopies, etc.

DIRECT out of pocket charges will be billed at cost. These include counsel fees, co-agent fees (if any), publication of redemption notices, Bank personnel traveling to attend closings or meetings and other necessary expenses.

ADDITIONAL SERVICES:

The above schedule of fees is for ordinary services in connection with the items mentioned and should BANK be called upon to render any additional services in connection with the items mentioned or any services not set forth in the above schedule, or services during default, a reasonable additional charge, depending upon the services rendered, will be made.

The above fees are quoted on the basis that float accrues to the benefit of the BANK. Any change in this understanding may result in adjustments to the proposal.

5. The foregoing schedule is subject to change upon providing at least ninety (90) days advance written notice.
6. BANK will submit its statement of fees and expenses to CITY, and CITY will pay said statement within 30 days of the dated date of the statement. Statements unpaid after 30 days are subject to a handling charge of 2% per month (minimum \$10.00).
7. All notices, documents and other correspondence will be mailed or delivered to BANK at:

Bank of America
Corporate Trust Administration #8510
555 South Flower Street, 5th Floor
Los Angeles, CA 90071
Attention: Robert Schneider

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and to CITY at:

City Treasurer
City of San Diego
City Administration Building
202 C Street
San Diego, California 92101

or to such other address as either party shall from time to time indicate in writing to the other.

- 8. CITY, upon ninety (90) days written notice to BANK, may terminate this Agreement.
- 9. BANK, upon ninety (90) days written notice to CITY, may terminate this Agreement.

The terms and condition of this Agreement are intended for the mutual benefit of CITY and BANK exclusively, and are not intended to give any third party any right or claim, contractual or otherwise, hereunder.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first written above.

CITY OF SAN DIEGO

By _____

Title _____

By _____

Title _____

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By R. Schmeck

By _____

R. 280210

NEW ISSUE—BOOK ENTRY ONLY

RATINGS
MOODY'S
STANDARD & POORS
See RATINGS herein

This Preliminary Official Statement and the information contained herein are subject to change, completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

In the opinion of Brown & Wood and Constance Hornig, Esq., Los Angeles, California, Co-Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the City with certain covenants and requirements described herein, interest on the Notes is not includable in the gross income of the owners of the Notes for federal income tax purposes. Interest on the Notes will not be treated as an item of tax preference in calculating the alternative minimum taxable income of individuals or corporations, interest on the Notes may, however, be included as an adjustment to a corporation's alternative minimum taxable income and may therefore affect such corporation's alternative minimum tax and environmental tax liabilities as described under "TAX EXEMPTION" herein. Co-Bond Counsel are further of the opinion that interest on the Notes is exempt from all present State of California personal income taxes. See "TAX EXEMPTION" herein for a description of certain provisions of the Internal Revenue Code of 1986, as amended, that may affect the federal income tax consequences of certain owners of the Notes.

\$67,500,000*

City of San Diego, California
1992-1993 Tax Anticipation Notes
Series A

Dated: July 1, 1992

Due: June 30, 1993

The Notes are being issued in fully registered form only and will be registered in the name of Cede & Co., a nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Notes. Ownership interest in the Notes may be purchased in book-entry form only in denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive physical certificates representing their ownership interest, but will receive a credit balance on the books of the nominees of such purchasers. The Notes will not be transferable or exchangeable, except for transfer to another nominee of DTC as described herein. Principal of and interest on the Notes will be payable at the principal corporate trust office of Bank of America National Trust and Savings Association, as Paying Agent, to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of interests in the Notes as described herein (see "THE NOTES—Book-Entry-Only System" herein).

The Notes are being issued to finance seasonal cash flow requirements of the City of San Diego (the "City") during the fiscal year beginning July 1, 1992 and ending June 30, 1993 ("Fiscal Year 1992-93"). The Notes, in accordance with California law, are general obligations of the City, but are payable only out of the taxes and other revenues of the City attributable to the Fiscal Year 1992-93 and legally available for payment thereof. The Notes (together with any additional notes, as and if issued) are equally and ratably secured by a pledge of (a) an amount equal to one-half the principal of and interest on the Notes and any additional notes from the first property taxes to be received by the City on or after November 30, 1992, and (b) an amount equal to one-half the principal of and interest on the Notes and any additional notes from the first property taxes to be received by the City on or after April 10, 1993.

The rate of interest for the Notes and offering price or yield is shown below.

| <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Price or Yield</u> |
|-----------------------------|--------------------------|---------------------------|
| \$67,500,000* | % | % |

The Notes will be offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Brown & Wood and Constance Hornig, Esq., Los Angeles, California, Co-Bond Counsel, and the approval of certain legal matters for the Underwriters by their counsel, O'Melveny & Myers. Certain other legal matters will be passed upon by the City Attorney for the City. It is expected that the Notes will be available for delivery to DTC in New York, New York on or about July 1, 1992.

LEHMAN BROTHERS

ARTEMIS CAPITAL GROUP, INC.

Dated _____, 1992

* Preliminary, subject to change.

R. 280210

This Official Statement is submitted in connection with the sale of securities as referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose. The delivery of this Official Statement does not imply that information herein is correct as of any time subsequent to its date. No dealer, salesman or any other person has been authorized by the City or the Underwriters to give any information or make any representation other than as contained in this Official Statement in connection with the offering described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. Certain information contained herein has been obtained from the City and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed to be the representation of the Underwriters. Expressions of opinion and estimates herein are subject to change and should not be relied upon as statements of fact. This Official Statement does not constitute an offer of any securities other than those described on the cover page or an offer to sell or a solicitation of an offer to buy in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

THE PRICE AND OTHER TERMS OF THE OFFERING AND SALE OF THE NOTES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER THE NOTES ARE RELEASED FOR SALE, AND THE NOTES MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICE, INCLUDING SALES TO DEALERS WHO MAY SELL THE NOTES INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE NOTES, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE FOR 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 NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE NOTES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

CITY OF SAN DIEGO, CALIFORNIA

CITY COUNCIL

Maureen O'Connor, Mayor

Abbe Wolfsheimer
District 1

Tom Behr
District 5

Ron Roberts, Deputy Mayor
District 2

Valerie Stallings
District 6

John Hartley
District 3

Judy McCarty
District 7

George Stevens
District 4

Bob Filner
District 8

CITY OFFICIALS

Jack McGrory
City Manager

John W. Witt
City Attorney

Ed Ryan
City Auditor and Comptroller

Conny M. Jamison
City Treasurer

Charles Abdelnour
City Clerk

BOND COUNSEL

Brown & Wood
Los Angeles, California

Constance Hornig, Esq.
Los Angeles, California

PAYING AGENT

Bank of America National Trust and Savings Association
San Francisco, California

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OFFICIAL STATEMENT

\$67,500,000*

CITY OF SAN DIEGO, CALIFORNIA

1992-93 Tax Anticipation Notes, Series A

INTRODUCTION

The purpose of this Official Statement (the "Official Statement"), which includes the cover page and attached Appendices, is to provide certain information concerning the sale and delivery of \$67,500,000* in aggregate principal amount of 1992-1993 Tax Anticipation Notes, Series A (the "Notes") by the City of San Diego, California (the "City"). The Notes are general obligations of the City, but are payable only out of the taxes and other revenues of the City attributable to its fiscal year beginning on July 1, 1992 and ending on June 30, 1993 ("Fiscal Year 1992-93") and legally available for the payment thereof.

The Notes are being issued to finance the deficits in the City's General Fund (the "General Fund") cash flow during Fiscal Year 1992-93. The deficits occur because City General Fund expenditures tend to be made in relatively level amounts throughout the year while receipts have generally followed an uneven pattern, primarily as a result of the timing of secured property tax installment payment dates (December and April) and of reimbursements from state and federal government agencies.

City of San Diego Short-Term Borrowing Program

To finance its General Fund cash flow requirements in Fiscal Year 1992-93, the City has undertaken a short-term borrowing program which may total up to \$150,000,000. The City expects to issue a portion of the Notes on July 1, 1992. If circumstances warrant, the City may issue in Fiscal Year 1992-93 one or more additional series of 1992-1993 Tax Anticipation Notes (the "Additional Notes") in an aggregate amount not to exceed \$82,500,000*. See "THE NOTES - Additional Notes."

The City has issued tax anticipation notes every year since fiscal year 1966-67 (except for fiscal year 1978-79) to meet its cash flow requirements. In fiscal year 1991-92, the City sold two series of tax anticipation notes in the aggregate principal amount of \$57,000,000. 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 and Description of the Notes

The Notes are issued under the authority of Section 92 of the Charter of the City of San Diego, Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code and Resolution No. R-279986, adopted by the City Council of the City on May 26, 1992 (the "Resolution").

*Preliminary, subject to change.

The Notes, which will mature on June 30, 1993, will be dated and will bear interest at the rate set forth on the cover of this Official Statement. Interest on the Notes will be computed on a 30-day month, 360-day year basis. Principal of and interest on the Notes will be payable on the maturity date of the Notes upon surrender thereof at the principal corporate trust office of Bank of America National Trust and Savings Association, San Francisco, California, as Paying Agent (the "Paying Agent").

Book-Entry-Only System

Depository Trust Company ("DTC"). DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Note will be issued in the aggregate principal amount of the Notes, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. THE CITY AND THE PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE NOTES.

Neither DTC nor Cede & Co. will consent or vote with respect to the Notes. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Notes are required to be printed and delivered as described in the Resolution.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Notes will be printed and delivered as described in the Resolution.

THE CITY AND THE PAYING AGENT SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, ANY BENEFICIAL OWNER OR ANY OTHER PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE NOTES UNDER OR THROUGH DTC OR ANY DTC PARTICIPANT, OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS AS BEING A NOTEHOLDER, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF AND PREMIUM, IF ANY, OR INTEREST ON THE NOTES; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO NOTEHOLDERS UNDER THE RESOLUTION; THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE NOTES; ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS NOTEHOLDER; OR ANY OTHER PROCEDURES OR OBLIGATIONS OF DTC UNDER THE BOOK-ENTRY SYSTEM.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER FOR THE NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE NOTEHOLDERS OR REGISTERED HOLDERS OF THE NOTES SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

The foregoing description of the procedures and recordkeeping with respect to beneficial ownership interests in the Notes, payment of principal, interest and other payments on the Notes to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Notes and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Additional Notes

The Resolution authorizes the City to issue one or more series of Additional Notes during the Fiscal Year 1992-93 in a total principal amount (including the Notes) not to exceed \$150,000,000. All Additional Notes must mature within 13 months of the date of issuance of such series. The Additional Notes, when, as and if issued, and the Notes will be equally and ratably secured by a pledge of the "Pledged Revenues" (as hereinafter defined). See "Security for the Notes" below.

Security for the Notes

The Resolution specifies that the Notes, together with any Additional Notes, when, as and if issued, (collectively, the "Tax Anticipation Notes") are equally and ratably secured by a pledge of (a) an amount equal to one-half the principal of and interest on the Tax Anticipation Notes from the first property tax moneys to be received by the City on and after November 30, 1992, and (b) an amount equal to one-half the principal of and interest on the Tax Anticipation Notes from the first property tax moneys to be received by the City on and after April 10, 1993 (such pledged property taxes being referred to herein as the "Pledged Revenues"). Accordingly, pursuant to Section 53856 of the Government Code of the State, the Tax Anticipation Notes and interest thereon constitute a first lien and charge against, and each Tax Anticipation Note shall be payable ratably from, the Pledged Revenues.

In accordance with the terms of the Resolution, the City is required to establish the 1992-1993 Tax Anticipation Note Repayment Fund (the "Repayment Fund"), and the City Treasurer is required to deposit into the Repayment Fund the Pledged Revenues for the payment of the Tax Anticipation Notes.

Amounts deposited in the Repayment Fund may not be used for any purpose other than payment of the Tax Anticipation Notes and may be invested in legal investments which are permitted by Section 53601 of the Government Code of the State of California (the "State"). The proceeds of any such investment shall be transferred to the General Fund.

Available Sources of Payment

The Notes, in accordance with California law, are general obligations of the City, but are payable only out of the taxes, income, revenue, cash receipts and other moneys of the City attributable to Fiscal Year 1992-93 and legally available for payment thereof. The City may, under existing law, issue the Notes or any series of Additional Notes only if the total amount of bonds, notes and warrants, including the Notes and any Additional Notes, issued in anticipation of taxes in any fiscal year does not in the aggregate exceed 25% of the City's total appropriations for the current fiscal year and the principal thereof and interest thereon will not exceed 85% of the estimated uncollected moneys available for the payment of the Notes. Total appropriations for the City are approximately \$1.33 billion. The estimated amount needed to repay the Notes and the interest thereon is approximately \$69,694,000. The City estimates that the moneys available for payment of the Notes will be in excess of \$566,964,000 as indicated in the following table.

ESTIMATED UNRESTRICTED REVENUE AVAILABLE FOR PAYMENT OF NOTES (Dollars in Thousands)

| <u>Source</u> | <u>Amount</u> |
|------------------------------|------------------|
| Cash Balance - June 30, 1992 | \$26,784 |
| Property Taxes | 145,469 |
| Sales Tax | 93,792 |
| Other Revenues | 173,893 |
| Transfers | 59,526 |
| TANS Proceeds | <u>67,500</u> |
| Total | <u>\$566,964</u> |

Constitutional Limitation on Taxes and Expenditures

Article XIII A

Article XIII A of the California Constitution limits the taxing powers of California public agencies. Article XIII A provides that the maximum ad valorem tax on real property cannot exceed 1% of the "full cash value" which is defined as "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value" or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1979 assessment, subject to exceptions for certain circumstances of transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases not to exceed 2% per year, or decreases in the consumer price index or comparable local date, or to reflect reduction in property value caused by damage, destruction or other factors.

Article XIII A requires a vote of two-thirds of the qualified electorate to impose special taxes, while totally precluding the imposition of any addition ad valorem, sales or transaction tax on real property. As recently amended, Article XIII A exempts from the 1% tax limitation any taxes above the level required for any debt service on 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.

In January 1989, in Allegheny Pittsburgh Coal Company v. County Commission of Webster County, West Virginia, the United States Supreme Court invalidated a system of assessing property based upon the date of acquisition. The Supreme Court was not presented with and did not decide the constitutionality of Article XIII A of the California Constitution, which implements on a statewide basis a similar property tax assessment system.

The Allegheny decision has led to the filing of several lawsuits renewing attack on the validity of Article XIII A, two of which have been decided at the California Court of Appeal level. In both cases, the California Court of Appeal upheld the constitutionality of Article XIII A. On October 7, 1991, the United States Supreme Court accepted review of one of the cases, Nordlinger v. Lynch. In the event the Supreme Court concludes that Article XIII A violates the federal constitution, it could elect a variety of remedial options. It is not possible to predict whether these challenges to California's present system of assessing property for taxation will be successful or when the ultimate resolution of these cases will occur, nor can there be any evaluation of the ultimate effect that any such decision would have on local property tax collections and the ability of local governments (including the City) to make future payments on outstanding debt obligations.

Article XIII B

Article XIII B limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. This limit is popularly known as the "Gann limit," named after the author and chief proponent of the measure. The "base year" for establishing such appropriation limit was the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population and inflation.

On June 5, 1990, California voters approved Proposition 111, which amended the California Constitution to modify the spending limitation imposed upon state and local governments and the education funding requirement of Proposition 98. Effective July 1, 1990, Proposition 111(a) modified certain cost-of-living and population factors used in calculating the state and local government appropriations limits under Article XIII B, (b) modifies the calculation and allocation of the guaranteed education funding requirements of Proposition 98, (c) changes the calculation period and allocation formula with respect to excess under Article XIII B and (d) excludes certain emergency, transportation and qualified capital outlay expenditures from the calculation of appropriations limits under Article XIII B. The City cannot predict the ultimate impact of the passage of Proposition 111 upon the City's finances although the overall intent of Proposition 111 was to make Article XIII B more flexible and responsive to rapid growth in California.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by the State or other entities of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from (1) 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 to the taxpayers over the subsequent two years.

Article XIII B allows voters to approve a temporary waiver of a government's Article XIIB limit. Such a waiver is often referred to as a "Gann limit waiver." The length of any such waiver is limited to four years. In the June, 1990 election, San Diego voters approved a four-year increase in the City's Article XIII B limit (for fiscal year 1992 through fiscal year 1995). This waiver is expected to allow the City to appropriate \$210 million in tax revenues which would otherwise have been unavailable to fund services. The Gann limit waiver does not provide any additional revenues to the City or allow the City to finance additional services. Rather, it allows the City to maintain current service levels, avoiding the necessity for budget cuts.

Both Article XIII A and XIII B were adopted as measures that qualified for the ballot pursuant to California's constitutional initiative process. From time to time other initiative measures could be adopted, affecting the ability of the City to increase revenues and to increase appropriations.

Proposition 98

At the November 8, 1988 general election, California voters approved an initiative known as Proposition 98. This initiative amends Article XVI of the California Constitution to require that the State of California provide a certain minimum level of funding for public schools and community colleges. The initiative permits the enactment of legislation, by a two-thirds vote, to suspend the minimum funding requirement for one year. As a result of Proposition 98, funds that the State might otherwise make available to the City may be allocated instead to satisfy such minimum funding level. The City cannot predict the ultimate impact of Proposition 98 upon the City's finances. However, the City expects Proposition 98 to have no effect on the repayment of the Notes.

Proposition 62

The late Howard Jarvis, the coauthor of "Proposition 13," an initiative which became Article XIII A, was the proponent of a new initiative, Proposition 62, which was approved by the voters at the November 4, 1986 election and amends certain California statutory provisions to increase legislative approval and voter approval requirements required to increase taxes imposed by local governments and districts.

The initiative adds provisions to California statutes which require that: (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 on 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.

Recent California appellate court decisions have held certain voting requirements of Proposition 62 unconstitutional. The City cannot predict the outcome of any appellate review of these or any other similar decisions. Consequently, the effect, if any, the initiative will have on the City is unclear. However, the City believes that the initiative will have no effect on the repayment of the Notes.

CITY FINANCIAL INFORMATION

Property Taxes

Tax Levies, Collections and Delinquencies

The County of San Diego (the "County") assesses property values and collects and distributes secured and unsecured property taxes to the cities, school districts and other special districts within the county area, including the City.

Taxes are levied for each fiscal year on taxable real property and personal property which is situated in the County as of the preceding March 1. Real property which changes ownership or is newly constructed, is revalued at the time the change occurs or the construction is completed. The current year property tax rate is applied to the reassessed value, and the taxes are then adjusted by a proration factor that reflects the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing property, the taxes on which there is a lien on real property is sufficient, in the opinion of the City Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquent penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County 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 of the fiscal year. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's Office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interest belonging to or assessed to the taxpayer.

The following table summarizes the City's secured tax collections over the past five years. During this period the percentage of current collections averaged 94.45%.

**CITY OF SAN DIEGO
SECURED TAX LEVIES AND COLLECTIONS
Fiscal Years 1986/87 to 1990/91
(Dollars in Thousands)**

| <u>Fiscal Year</u> | <u>Tax Levy</u> | <u>Current Year Collections</u> | <u>Current Year Collections as a Percentage of Tax Levy</u> | <u>Tax Total Collections</u> | <u>Collections as a Percentage of Tax Levy</u> |
|--------------------|-----------------|---------------------------------|---|------------------------------|--|
| 1986-87 | \$ 79,236 | \$ 74,838 | 94.45% | \$ 78,110 | 98.58% |
| 1987-88 | 92,545 | 87,032 | 94.04 | 91,268 | 98.62 |
| 1988-89 | 102,539 | 97,895 | 95.47 | 101,852 | 99.33 |
| 1989-90 | 115,361 | 109,990 | 95.34 | 113,377 | 98.28 |
| 1990-91 | 125,823 | 116,952 | 92.95 | 120,510 | 95.78 |

Source: City of San Diego Comprehensive Annual Financial Report for the year ended June 30, 1991, "Statistical Section", (unaudited), page 149.

Assessed Valuation

Property is assessed by the County Assessor at 100% of full value, which is a change from the prior practice of assessing property at 25% of full value.

California law exempts \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State. As of 1984-85, the business inventory exemption, which formerly was reimbursed 50%, then 100%, by the State, has been repealed. This subvention for counties has been replaced by increased motor vehicle license fees.

Effective July 1, 1988, Assembly Bill 454, Chapter 921, eliminated the reporting of the unitary valuations pertaining to public utilities such as San Diego Gas and Electric and Pacific Telephone. In lieu of the property tax on these previously-included assessed valuations, the City will receive from the State (through the County) an amount of unitary revenue based upon the unitary property tax received in the prior year. This had the effect of reducing assessed values in 1988-89 by approximately \$2.0 billion county-wide and reducing the percentage annual change in new assessed valuation from approximately 11% to 5.34%. However, despite this change in assessed value, revenues are expected to be unaffected.

A five-year history of assessed valuation in the City is provided below.

CITY OF SAN DIEGO ASSESSED VALUATION
(Dollars in Thousands)(1)(2)

| <u>Fiscal Year</u> <u>Ending</u> <u>June 30</u> | <u>Secured</u> <u>Property</u> | <u>Unsecured</u> <u>Property</u> | <u>Gross</u> <u>Total</u> | <u>Less</u> <u>Exemptions(3)</u> | <u>Net</u> <u>Assessed</u> <u>Valuations(4)</u> | <u>Annual</u> <u>Assessed</u> <u>Change</u> |
|---|-----------------------------------|-------------------------------------|------------------------------|-------------------------------------|---|---|
| 1987 | \$37,330,349 | \$2,012,161 | \$39,342,510 | \$1,028,573 | \$38,313,937 | 13.33% |
| 1988 | 41,256,462 | 2,510,496 | 43,766,958 | 1,197,058 | 42,569,900 | 11.11 |
| 1989 | 43,175,133 | 2,923,626 | 46,098,759 | 1,257,738 | 44,841,021 (5) | 5.34 (5) |
| 1990 | 48,203,531 | 3,345,666 | 51,549,017 | 1,492,849 | 50,056,168 | 11.63 |
| 1991 | 53,756,806 | 3,885,132 | 57,641,938 | 1,676,063 | 55,965,875 | 11.81 |
| 1992 | 57,563,431 | 3,946,532 | 61,509,963 | 1,792,948 | 59,717,015 | 6.70 |

- (1) Assessed valuation is based on 100% of full market value.
- (2) Includes both locally assessed and State assessed utility property.
- (3) Excludes homeowners' and business inventory exemptions.
- (4) Net assessed valuation for tax rate purposes. Includes both locally assessed and State assessed utility property.
- (5) As mentioned above, effective July 1, 1988, Assembly Bill 454, Chapter 921, eliminated the reporting of the unitary valuation pertaining to public utilities, making these percentages not comparable in 1988-89. Without such change, growth in net assessed valuations would have been approximately 11%.

Source: City of San Diego Comprehensive Annual Financial Report for the year ended June 30, 1991, "Statistical Section" (unaudited), pages 144 and 145.

Largest Taxpayers

Ten of the largest taxpayers in the City, as shown on the 1990-91 secured tax roll, and the amounts of their property tax payments within the City are shown below. These taxpayers paid a total of \$20,128,000 taxes or about 16% of the City's \$125,823,000 secured roll tax levy, including levies for bond debt service, for the 1990-91 fiscal year. The largest taxpayer in the City, General Dynamics, recently announced its decision to sell its missile division (affecting approximately 4,500 employees). The City does not believe any such sale will materially adversely affect the City's short-term financial position.

CITY OF SAN DIEGO
LARGEST TAXPAYERS IN CITY OF SAN DIEGO
(In Thousands)
June 30, 1991

| <u>Taxpayers</u> | <u>Type of Business</u> | <u>Assessed Valuation</u> | <u>Percentage of Net Assessed Valuation</u> | <u>Approx. Tax Paid</u> |
|------------------------|-------------------------|-------------------------------|---|-----------------------------|
| General Dynamics | Aerospace | \$532,298 | .909% | \$3,833 |
| Pardee Construction | Developer | 209,320 | .358 | 2,639 |
| Equitable | Investment | 223,348 | .381 | 2,395 |
| Sea World, Inc. | Entertainment | 201,789 | .345 | 2,153 |
| Pacific Landmark Hotel | Hotel | 171,930 | .294 | 1,829 |
| Solar | Manufacturing | 161,329 | .276 | 1,781 |
| Emerald-Shapery Center | Hotel/Office/Retail | 142,020 | .243 | 1,437 |
| Aventine | Mixed Use | 134,728 | .230 | 1,425 |
| Fashion Valley Venture | Shopping Center | 123,624 | .211 | 1,320 |
| Plaza LaJolla Village | Shopping Center | <u>123,433</u> | <u>.211</u> | 1,316 |
| <u>Total</u> | | <u>\$2,023,819</u> | <u>3.458%</u> | <u>\$20,128</u> |

(1) Total Net Assessed Valuation of \$58,533,876,000.

Note: This table excludes public utilities, including San Diego Gas & Electric Company, Pacific Bell and American Telephone and Telegraph (AT&T), because valuations within the City of San Diego cannot be readily determined.

Source: County of San Diego Assessor's Office.

Accounting Practices

The City's accounting policies conform to generally accepted accounting principles applicable to governmental units. The City's Governmental Funds and Expendable Trust and Agency Funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when both available and measurable. Certain fines and forfeitures, however, are recorded when received as they are not susceptible to accrual. Expenditures are recognized when the related liability is incurred except for (1) principal of and interest on general long-term debt which are recognized when due; and (2) employee annual leave and claims and judgments for litigation and self-insurance which are recorded in the period due and payable. Proprietary Fund, Pension Trust and Nonexpendable Trust Funds use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred.

The City prepares financial statements annually in conformity with generally accepted accounting principles for governmental entities which are audited by an independent certified public accountant. The annual audit report is generally available about five months after the June 30 close of each fiscal year. The City's most recent general purpose financial statements for the fiscal year ended June 30, 1991 (attached hereto as Appendix A) were audited by Deloitte & Touche.

Summary Financial Statements

The following summary financial statements combine the general fund and other general obligation bond funds from the City's annual financial report. These totals are presented to aggregate financial data only and do not conform with generally accepted accounting principles. A copy of the audited general purpose financial statements of the City of San Diego for the year ended June 30, 1991 is attached to this Official Statement as Appendix A. The City's complete fiscal year 1991 comprehensive annual financial report is available upon request.

CITY OF SAN DIEGO
COMBINED BALANCE SHEET FOR THE GENERAL FUND
AND OTHER GENERAL OBLIGATION BONDS FUNDS

June 30, 1987 through 1991
(In Thousands)

| | <u>1987</u> | <u>1988</u> | <u>1989</u> | <u>1990</u> | <u>1991</u> |
|--|-----------------|--------------------|-----------------|------------------|-----------------|
| ASSETS: | | | | | |
| Cash in Treasury or in Pooled | | | | | |
| Cash Equivalents | \$55,635 | \$60,540 | \$45,709 | \$ 57,826 | \$38,677 |
| Cash with Fiscal Agent | 375 | 341 | 837 | 281 | 98 |
| Accounts Receivable—Net | 2,209 | 1,886 | 1,100 | 4,495 | 5,402 |
| Claims Receivable—Net | 396 | 432 | 393 | 246 | 259 |
| Accrued Interest | 0 | 1,063 | 1,611 | 2,492 | 2,666 |
| Receivables from Other Agencies— | | | | | |
| Net | 70 | 70 | 70 | 70 | 70 |
| Taxes Receivable—Net | 6,245 | 8,110 | 9,721 | 10,037 | 11,835 |
| Loan to Redevelopment Agency— | | | | | |
| Receivable | 208 | 223 | 239 | 0 | 0 |
| From Other Funds—Receivable ... | 0 | 0 | 0 | 0 | 134 |
| Advances to Other Funds | 22,063 | 23,701 | 24,917 | 25,017 | 26,417 |
| Advances to Other Agencies | 0 | 350 | 350 | 350 | 350 |
| Prepaid Reimbursable Items and | | | | | |
| Deposits | 0 | 231 | 272 | 290 | 331 |
| Total Assets | <u>\$87,201</u> | <u>\$96,947</u> | <u>\$85,219</u> | <u>\$101,104</u> | <u>\$86,239</u> |
| LIABILITIES: | | | | | |
| Obligations Under Reverse | | | | | |
| Repurchase Agreements | \$20,000 | \$24,065 | \$15,791 | \$21,047 | \$10,810 |
| Accrued Wages & Benefits | 5,914 | 8,130 | 9,530 | 11,030 | 12,947 |
| Accounts Payable | 1,708 | 1,748 | 2,713 | 2,476 | 3,319 |
| Deferred Revenue | 9,128(1) | 10,732 | 9,218 | 9,652 | 11,396 |
| Matured Bonds and Interest Payable | 375 | 341 | 837 | 281 | 98 |
| Total Liabilities | <u>\$37,125</u> | <u>\$45,016</u> | <u>\$38,089</u> | <u>\$ 44,486</u> | <u>\$38,570</u> |
| FUND BALANCE: | | | | | |
| Reserves: | | | | | |
| For Encumbrances | \$ 7,900 | \$ 9,328 | \$ 9,692 | \$ 10,991 | \$10,559 |
| For Other Advances and | | | | | |
| Deposits | 22,151(1) | 24,131 | 25,346 | 25,447 | 26,847 |
| For Debt Service | 135 | 262 | 197 | 274 | 102 |
| Unreserved: | | | | | |
| Designated for Subsequent | | | | | |
| Years of Expenditure | 3,239 | 3,217 | 2,921 | 4,683 | 4,453 |
| Undesignated | 16,651 | 14,993 | 8,974 | 15,223 | 5,708 |
| Total Fund Equity | <u>\$50,076</u> | <u>\$51,931(1)</u> | <u>\$47,130</u> | <u>\$ 56,618</u> | <u>\$47,669</u> |
| Total Liabilities and Fund Balance | <u>\$87,201</u> | <u>\$96,947</u> | <u>\$85,219</u> | <u>\$101,104</u> | <u>\$86,239</u> |

(1) Restated for the correction of errors of prior periods.

CITY OF SAN DIEGO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE GENERAL FUND AND OTHER GENERAL OBLIGATION BONDS FUNDS

Years Ended June 30, 1987 through 1991
(In Thousands)

| | <u>Fiscal Year 1986-87</u> | <u>Fiscal Year 1987-88</u> | <u>Fiscal Year 1988-89</u> | <u>Fiscal Year 1989-90</u> | <u>Fiscal Year 1990-91</u> |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| REVENUES:(1) | | | | | |
| Property Taxes and Special Assessments Current Year Secured | \$ 73,164 | \$ 81,275 | \$ 89,081 | \$ 98,042 | \$113,059 |
| Other Property Taxes and Special Assessments | 14,433 | 16,956 | 20,838 | 22,173 | 16,517 |
| Other Local Taxes | 90,228 | 111,521 | 124,936 | 135,665 | 130,941 |
| Licenses and Permits | 6,842 | 7,273 | 7,384 | 8,677 | 16,556 |
| Fines, Forfeitures and Penalties | 12,209 | 11,905 | 12,167 | 12,829 | 17,595 |
| Revenues from Use of Money and Property | 28,513 | 26,693 | 26,953 | 29,796 | 30,208 |
| Revenues from Other Agencies | 33,626 | 36,461 | 40,750 | 45,871 | 43,263 |
| Charges for Current Services | 17,798 | 35,568 | 35,000 | 39,760 | 45,028 |
| Other Revenue | 1,287 | 1,337 | 1,759 | 1,888 | 2,354 |
| Total Revenues | <u>\$278,100</u> | <u>\$328,989</u> | <u>\$358,868</u> | <u>\$394,701</u> | <u>\$415,521</u> |
| EXPENDITURES: | | | | | |
| General Government | \$ 40,616 | \$ 49,876 | \$ 59,108 | \$ 62,325 | \$ 71,387 |
| Public Safety | 158,099 | 171,635 | 183,834 | 197,822 | 216,915 |
| Libraries | 9,939 | 11,231 | 12,250 | 12,202 | 13,848 |
| Park, Recreation and Culture | 27,721 | 31,477 | 35,605 | 36,861 | 40,218 |
| General Services | 42,726 | 46,617 | 48,582 | 51,338 | 55,416 |
| Engineering and Development | 10,761 | 11,851 | 13,096 | 14,972 | 17,859 |
| Debt Service | 2,853 | 2,820 | 2,772 | 2,732 | 2,696 |
| Miscellaneous and Unallocated | 6,086 | 6,463 | 9,372 | 11,473 | 15,871 |
| Total Expenditures | <u>\$298,801</u> | <u>\$331,970</u> | <u>\$364,619</u> | <u>\$389,725</u> | <u>\$434,210</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ (20,701)</u> | <u>\$ (2,981)</u> | <u>\$ (5,751)</u> | <u>\$ 4,976</u> | <u>\$ (18,689)</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers from Other Funds | \$ 20,088 | \$ 10,674 | \$ 7,548 | \$ 9,229 | \$ 17,694 |
| Transfers to Other Funds | (8,548) | (6,742) | (6,598) | (4,717) | (7,954) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>\$ 11,540</u> | <u>\$ 3,932</u> | <u>\$ 950</u> | <u>\$ 4,512</u> | <u>\$ 9,740</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | <u>\$ (9,161)</u> | <u>\$ 951</u> | <u>\$ (4,801)</u> | <u>\$ 9,488</u> | <u>\$ (8,949)</u> |
| FUND BALANCE AT JULY 1 | <u>\$ 59,237(1)</u> | <u>\$ 50,076(2)</u> | <u>\$ 51,931</u> | <u>\$ 47,130</u> | <u>\$ 56,618</u> |
| Residual Equity Transfers from Other Funds | — | 904 | — | — | — |
| FUND BALANCE AT JUNE 30 | <u>\$ 50,076</u> | <u>\$ 51,931</u> | <u>\$ 47,130</u> | <u>\$ 56,618</u> | <u>\$ 47,669</u> |

- (1) Includes collections for homeowners and business inventory exemptions and prior year's property tax collections.
- (2) Restated for the correction of errors of prior periods.

Budgeting Procedures

The City's annual budget, which is published in November, is the culmination of the annual budget process which begins in the fall of the preceding year. Public input on service and program priorities is solicited in the fall. This input serves as part of the City Council's priority setting for the City Manager's development of the budget.

Based upon City Council budget priorities, departments submit operating and capital improvement project requests to the City Manager for review by the Financial Management Department. The City Manager evaluates and prioritizes the program requirements, determines funding availability and develops a balanced budget as required by the City Charter. This proposed balanced budget is published and presented to the City Council during April.

Council review of the proposed budget is conducted during May and June. The first two or three meetings are dedicated to public comment, while the balance of the meetings are conducted as Council workshops focusing on policy issues.

The City Council adopts the Annual 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 adoption of the Appropriation Ordinance requires two noticed public hearings which are usually held on consecutive days. The Annual Tax Rate Ordinance is adopted no later than the last Council meeting in August.

The following table shows the City's final adopted budget for Fiscal Year 1991-92 for its general government funds and the proposed budget for Fiscal Year 1992-93.

**CITY OF SAN DIEGO
COMBINED PROPERTY TAX-SUPPORTED FUNDS BUDGET**

| | Fiscal Year <u>1991-92</u> | Fiscal Year <u>1992-93</u> (Proposed) |
|---|----------------------------------|--|
| REQUIREMENTS | | |
| Specific Appropriations: | | |
| General Government | \$121,688,316 | 122,425,999 |
| Public Safety | 233,757,266 | 234,117,154 |
| Libraries | 16,204,829 | 16,984,420 |
| Park and Recreation | 46,267,191 | 46,155,516 |
| General Services | 36,147,996 | 35,009,431 |
| Engineering and Development | <u>24,085,409</u> | <u>24,568,811</u> |
| Total Specific Appropriations | 478,151,007 | 479,261,331 |
| UNALLOCATED RESERVE | <u>1,000,000</u> | <u>10,311,804</u> |
| Total General Fund Requirement | 479,151,007 | 489,573,135 |
| Total General Obligation Bond Funds Requirements (2) | <u>5,142,370</u> | <u>3,659,131</u> |
| Total Combined Requirements | <u>\$484,293,377</u> | <u>\$493,232,266</u> |
| ESTIMATED REVENUES: | | |
| Other Local Taxes | \$123,384,400 | \$121,448,340 |
| Licenses and Permits | 15,136,600 | 15,770,641 |
| Fines, Forfeitures and Penalties | 17,257,100 | 15,633,510 |
| Interest and Rents | 53,983,800 | 57,076,608 |
| Revenues from other Agencies | 50,683,938 | 50,788,301 |
| Charges for Current Services | 18,482,000 | 18,615,887 |
| Other Revenue | 1,296,728 | 1,414,037 |
| Transfers from Other Funds | <u>53,324,202</u> | <u>59,525,811</u> |
| Total Estimated Revenues | \$333,548,768 | \$340,273,135 |
| Prior Year Encumbrances Cancelled | 3,709,226 | 0 |
| FUND BALANCE AVAILABLE | <u>\$ 1,948,713</u> | <u>\$ 2,500,000</u> |
| Total Non-Property Tax Financing | 339,206,707 | 342,773,135 |
| GENERAL FUND | | |
| PROPERTY TAX REVENUE (1) | <u>139,944,300</u> | <u>146,800,000</u> |
| Total General Fund Financing | <u>479,151,007</u> | <u>489,573,135</u> |
| Total General Obligation Bond Financing | <u>5,142,370</u> | <u>3,659,131</u> |
| Total Combined Financing (2) | <u>\$484,293,377</u> | <u>\$493,232,266</u> |

(1) Includes homeowner's exemptions and prior years' delinquent property taxes.

(2) Excluding Zoological Exhibits Fund.

Source: The City of San Diego

Cash Flows

The City has prepared the following cash flow statements for the General Fund and the General Obligation Bond Debt Service Fund showing actual fiscal year 1991-92 amounts through May 31, 1992 and projected amounts for each month in Fiscal Year 1992-93.

The projected Fiscal Year 1992-93 cash flow statement shows that, without the issuance of the Notes or the Additional Notes, the City will experience an estimated maximum cash flow deficit of \$67,500,000 on December 15, 1992. Such a cash flow deficit amounts to approximately 100% of the aggregate principal amount of the Notes.

NAME OF ISSUER: CITY OF SAN DIEGO
 Period Covered: Fiscal Year 1991-92
 Projected after May 31, 1992
 CASH FLOW SUMMARY (in Thousands)

| Month | JULY | AUGUST | SEPT. | OCT. | NOV. | DEC. | JAN. | FEB. | MARCH | APRIL | MAY | JUNE | Totals |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|
| Beg. Balance | \$31,155 | \$45,359 | \$8,342 | \$2,920 | \$0 | \$943 | \$16,212 | \$8,289 | \$8,962 | \$3,668 | \$6,065 | \$11,516 | XXXXXXXX |
| RECEIPTS: | | | | | | | | | | | | | |
| Prop. Tax | 2,619 | 189 | 4,649 | 3,343 | 3,367 | 53,085 | 2,980 | 7,902 | 2,064 | 42,769 | 14,209 | 1,605 | \$138,781 |
| Franchise | 11 | 5,183 | 0 | 1 | 5,173 | 0 | 0 | 5,174 | 419 | 2 | 4,861 | 409 | 21,233 |
| Sales Tax | 0 | 0 | 6,033 | 7,597 | 8,610 | 10,147 | 7,215 | 9,539 | 10,912 | 6,483 | 8,644 | 11,916 | 87,096 |
| Motor Veh | 3,611 | 3,181 | 3,587 | 3,309 | 3,117 | 2,849 | 2,386 | 3,440 | 3,452 | 3,299 | 3,479 | 5,257 | 40,967 |
| Interest | 26 | 162 | 2,841 | 1,153 | 434 | 1,474 | 631 | 687 | 705 | 1,167 | 2,340 | 1,248 | 12,868 |
| Other Rev | 12,880 | 3,607 | 9,603 | 9,823 | 7,718 | 9,049 | 29,457 | 7,112 | 11,894 | 9,853 | 5,363 | 34,245 | 150,604 |
| Loan Other Funds | 0 | 0 | 0 | 5,228 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,228 |
| T A Note | 47,000 | 0 | 0 | 0 | 10,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 57,000 |
| TOTAL RECEIPTS: | 66,147 | 12,322 | 26,713 | 30,454 | 38,419 | 76,604 | 42,669 | 33,854 | 29,446 | 63,573 | 38,896 | 54,680 | \$513,777 |
| DISBURSEMENT: | | | | | | | | | | | | | |
| Sal. & Ben. | 41,092 | 37,749 | 23,641 | 24,269 | 24,164 | 25,062 | 37,873 | 25,187 | 24,647 | 24,929 | 25,395 | 27,712 | 341,720 |
| Svcs/Supp. | 10,410 | 10,956 | 8,157 | 8,883 | 7,928 | 6,159 | 11,673 | 7,249 | 8,079 | 5,413 | 7,871 | 10,136 | 102,914 |
| Cap. Outlay | 392 | 634 | 301 | 222 | 156 | 242 | 377 | 745 | 708 | 960 | 179 | 1,564 | 6,480 |
| Bond Paymts | 49 | 0 | 36 | 0 | 0 | 0 | 669 | 0 | 1,306 | 0 | 0 | 0 | 2,060 |
| Loan payments | 0 | 0 | 0 | 0 | 5,228 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,228 |
| Note Prin | 0 | 0 | 0 | 0 | 0 | 28,500 | 0 | 0 | 0 | 28,500 | 0 | 0 | 57,000 |
| Note Int. | 0 | 0 | 0 | 0 | 0 | 1,372 | 0 | 0 | 0 | 1,374 | 0 | 0 | 2,746 |
| TOTAL DISB: | 51,943 | 49,339 | 32,135 | 33,374 | 37,476 | 61,335 | 50,592 | 33,181 | 34,740 | 61,176 | 33,445 | 39,412 | \$518,148 |
| End. Balance | \$45,359 | \$8,342 | \$2,920 | \$0 | \$943 | \$16,212 | \$8,289 | \$8,962 | \$3,668 | \$6,065 | \$11,516 | \$26,784 | |
| REPAY FUND | | | | | | | | | | | | | |
| Beg. Balance | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$29,872 | \$29,872 | \$29,872 | \$29,872 | \$59,746 | \$59,746 | |
| Receipts | 0 | 0 | 0 | 0 | 0 | 29,872 | 0 | 0 | 0 | 29,874 | 0 | 0 | \$59,746 |
| Disbursement | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 59,746 | 59,746 |
| End. Balance | \$0 | \$0 | \$0 | \$0 | \$0 | \$29,872 | \$29,872 | \$29,872 | \$29,872 | \$59,746 | \$59,746 | \$0 | \$0 |

NAME OF ISSUER: CITY OF SAN DIEGO
 Period Covered: Fiscal Year 1992-93 (Projected)

CASH FLOW SUMMARY (in Thousands)

| Month | JULY | AUGUST | SEPT. | OCT. | NOV. | DEC. | JAN. | FEB. | MARCH | APRIL | MAY | JUNE | Totals |
|-----------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|------------|
| Balance | \$26,784 | \$48,596 | \$25,499 | \$19,001 | \$10,561 | \$6,625 | \$19,258 | \$11,582 | \$16,216 | \$12,226 | \$11,141 | \$17,113 | XXXXXXXXXX |
| RECEIPTS: | | | | | | | | | | | | | |
| Prop. Tax | 2,745 | 198 | 4,873 | 3,504 | 3,530 | 55,643 | 3,124 | 8,283 | 2,163 | 44,831 | 14,894 | 1,681 | \$145,469 |
| Franchise | 12 | 5,286 | 0 | 1 | 5,276 | 0 | 0 | 5,277 | 427 | 2 | 4,960 | 417 | 21,658 |
| Sales Tax | 0 | 0 | 5,996 | 8,181 | 9,271 | 10,927 | 7,770 | 10,272 | 11,751 | 6,982 | 9,309 | 13,333 | 93,792 |
| Motor Veh | 3,715 | 3,272 | 3,190 | 2,904 | 2,707 | 2,931 | 2,455 | 3,539 | 3,551 | 3,394 | 3,579 | 6,908 | 42,145 |
| Interest | 23 | 139 | 2,442 | 991 | 373 | 1,267 | 542 | 591 | 606 | 1,003 | 2,011 | 1,073 | 11,061 |
| Other Rev | 13,259 | 3,716 | 9,888 | 10,114 | 7,946 | 9,317 | 30,327 | 10,822 | 12,247 | 10,143 | 5,520 | 35,256 | 158,555 |
| T A Note | 67,500 | | | | | | | | | | | | 67,500 |
| TOTAL RECEIPTS: | 87,254 | 12,611 | 26,389 | 25,695 | 29,103 | 80,085 | 44,218 | 38,784 | 30,745 | 66,355 | 40,273 | 58,668 | \$540,180 |
| DISBURSEMENT: | | | | | | | | | | | | | |
| Sal. & Ben. | 56,544 | 26,042 | 24,764 | 25,421 | 25,311 | 26,253 | 39,672 | 26,384 | 25,818 | 26,113 | 26,601 | 29,030 | 357,953 |
| Sves/Supp. | 8,407 | 8,928 | 7,764 | 8,456 | 7,547 | 6,071 | 11,109 | 6,899 | 7,688 | 5,362 | 7,491 | 12,647 | 98,369 |
| Cap. Outlay | 457 | 738 | 350 | 258 | 181 | 281 | 439 | 867 | 825 | 1,118 | 209 | 1,822 | 7,545 |
| Bond Payments | 34 | 0 | 9 | 0 | 0 | 0 | 674 | 0 | 404 | 0 | 0 | 0 | 1,121 |
| Note Prin | | | | | | 33,750 | | | | 33,750 | | | 67,500 |
| Note Int | | | | | | 1,097 | | | | 1,097 | | | 2,194 |
| TOTAL DISB: | 65,442 | 35,708 | 32,887 | 34,135 | 33,039 | 67,452 | 51,894 | 34,150 | 34,735 | 67,440 | 34,301 | 43,499 | \$531,682 |
| Balance | \$48,596 | \$25,499 | \$19,001 | \$10,561 | \$6,625 | \$19,258 | \$11,582 | \$16,216 | \$12,226 | \$11,141 | \$17,113 | \$32,282 | |
| REPAY FUND | | | | | | | | | | | | | |
| Beg. Balance | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$34,847 | \$34,847 | \$34,847 | \$34,847 | \$69,694 | \$69,694 | \$69,694 |
| Receipts | | | | | | 34,847 | | | | 34,847 | | | 69,694 |
| Disbursement | | | | | | 0 | | 0 | | 0 | | | |
| End. Balance | \$0 | \$0 | \$0 | \$0 | \$0 | \$34,847 | \$34,847 | \$34,847 | \$34,847 | \$69,694 | \$69,694 | \$0 | \$0 |

Funding by the State of California

For fiscal year 1991-92 approximately 9.5% or \$45,513,900 of the City's General Fund Budget consists of payments from the State of California.

The State of California is currently experiencing serious budgetary difficulties which could result in cutbacks for State local spending and aid. The 1992-93 Governor's Budget, submitted in January 1992, proposes expenditures of \$53.3 billion in general and specific fund budgets for the 1992-93 fiscal year. This represents a 1.6% increase over the budget for fiscal year 1991-92. The Governor's Budget projects a shortfall in revenues of \$5.2 billion over the next 18 months. Such shortfall reflects what is needed to fund a projected \$1.3 billion deficit in the 1991-92 budget, rebuild a \$1.3 billion reserve and continue existing services at current levels for another fiscal year. The Governor's Budget proposes to close the projected budget shortfall by entering fiscal year 1992-93 with a \$100 million reserve and through a combination of new revenues, shifts in funding responsibilities and program cuts.

Recent estimates have increased the projected deficit greatly from that presented in the Governor's Budget. The "May Revise" issued by the State Department of Finance places revenues and transfers at \$42.1 billion for the current year, down \$1.6 billion from the January estimates. Revenues for the budget year are now projected to be \$41.8 billion, or down \$3.8 billion from the January estimates. In contrast, General Fund expenditures have increased by \$493 million in the current year for a total \$4.21 billion. The Budget year expenditure estimates have been dropped by \$60 million to a total of \$43.8 billion. The Department of Finance reports that an additional \$5.7 billion in expenditure reductions will be required beyond that forecast by the Administration in January. Part of this shortfall could be recovered by a reduction in appropriations to the K-14 Education budget to recover the estimated \$2.3 billion overpayment in the current year and the budget year.

It is not possible to predict the measures which ultimately will be adopted to address the State's current budgetary difficulties and what financial effect, if any, such measures will have on cities, counties and other public agencies in the State.

City Debt Structure

Long-Term Obligations. As of June 30, 1991, the City had \$29,105,000 aggregate principal amount of long-term general obligation bonded indebtedness outstanding. Subsequent to that date, the City issued \$11,810,000 1991 Certificates of Participation (Balboa Park and Mission Bay Park), \$8,500,000 1991 Certificates of Participation (Misdemeanor Pre-Arrestment Detention Facility), and \$35,340,000 1991 Mello-Roos Bonds (Miramar Ranch North Project). The City has never defaulted on any of its bonded indebtedness issued or on lease payment obligations incurred. The following table is a schedule, by years, of payments required by the City and its related reporting entities with respect to future obligations, as of June 30, 1991.

**CITY OF SAN DIEGO
FUTURE OBLIGATIONS
(in thousands)**

| <u>Fiscal Year Ending June 30</u> | <u>General Obligation Bonds</u> | <u>Special Assessment Bonds</u> | <u>Tax Allocation Bonds</u> | <u>Contracts Payable</u> | <u>Notes Payable</u> | <u>Capital Lease Obligations</u> |
|---|---|---|-------------------------------------|------------------------------|--------------------------|--|
| 1992 | \$ 19,913 | \$ 8,594 | \$ 5,955 | \$ 2,332 | \$ 3,770 | \$ 56 |
| 1993 | 21,334 | 8,765 | 5,953 | 1,903 | 547 | 39 |
| 1994 | 21,485 | 8,723 | 5,950 | 3,340 | 565 | 15 |
| 1995 | 20,781 | 8,706 | 5,950 | 2,478 | 586 | 15 |
| 1996 | 20,855 | 8,713 | 5,951 | 263 | 608 | 18 |
| 1997-2001 | 103,573 | 40,719 | 29,154 | 1,272 | 1,429 | 0 |
| 2002-2006 | 102,193 | 38,352 | 25,957 | 303 | 784 | 0 |
| Thereafter | <u>33,749</u> | <u>50,911</u> | <u>15,576</u> | <u>378</u> | <u>59,300</u> | <u>0</u> |
| Sub-Total | \$343,883 | \$173,483 | \$100,446 | \$12,269 | \$67,589 | \$143 |
| Less amounts representing interest | <u>141,483</u> | <u>87,441</u> | <u>48,241</u> | <u>2,663</u> | <u>665</u> | <u>19</u> |
| Total | <u>\$ 202,400</u> | <u>\$ 86,042</u> | <u>\$ 52,205</u> | <u>\$ 9,606</u> | <u>\$ 66,924</u> | <u>\$ 124</u> |

Source: City of San Diego Comprehensive Annual Financial Report for year ended June 30, 1991, page 16-30.

Prior-Years' Defeasance of Debt. In prior years, the City, the Redevelopment Agency of the City of San Diego and the Open Space Park defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 1991, \$81,130,000 of such defeased bonds are still outstanding.

Short-Term Borrowings. In 1979 the City began a program of issuing short-term tax and revenue anticipation notes to cure periodic General Fund cash flow deficits. The following table presents a complete history of the City's temporary borrowings:

**CITY OF SAN DIEGO
TEMPORARY BORROWINGS
(in thousands)**

| <u>Fiscal Year Ending June 30</u> | <u>Amount</u> |
|-----------------------------------|---------------|
| 1981 | \$ 27,000 |
| 1982 | 23,000 |
| 1983 | 29,000 |
| 1984 | 34,000 |
| 1985 | 30,000 |
| 1986 | 36,000 |
| 1987 | 50,000 |
| 1988 | 5,000 |
| 1989 | 28,000 |
| 1990 | 40,000 |
| 1991 | 49,000 |
| 1992 | 57,000 |

Source: City of San Diego.

The following table is a schedule by years of future minimum rental payments required under operating leases entered into by the City and other related reporting entities that have initial or remaining noncancelable lease terms in excess of one year, as of June 30, 1991:

**CITY OF SAN DIEGO
FUTURE MINIMUM RENTAL PAYMENTS
(in thousands)**

| <u>Fiscal Year Ending June 30</u> | <u>Amount</u> |
|---|-----------------|
| 1992 | \$ 5,062 |
| 1993 | 3,543 |
| 1994 | 1,639 |
| 1995 | 1,172 |
| 1996 | 675 |
| Thereafter | <u>202</u> |
| Total minimum payments | <u>\$12,293</u> |

Note: Rent expense as related to operating leases was approximately \$7,698,000 for the year ended June 30, 1991.

Source: City of San Diego, Comprehensive Annual Financial Report for year ended June 30, 1991, pages 16-34.

Overlapping Debt and Debt Ratios

The City contains numerous school districts and special purpose districts, such as for water and sanitation, many of which have issued general obligation bonds. A statement of overlapping debt is presented below. Some of the issues may be payable from self-supporting enterprises or revenue sources other than property taxation. Revenue bonds, tax allocation bonds, and special assessment bonds are not included in the tabulation; lease revenue obligations payable from the City General Fund or equivalent sources are included.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
June 30, 1991
(in thousands)

| <u>Jurisdiction</u> | <u>Debt Outstanding San Diego June 30, 1991</u> | <u>Percentage Applicable to City of San Diego</u> | <u>Amount Applicable to City of San Diego</u> |
|---|---|---|---|
| City of San Diego | \$ 29,105 | 100.000% | \$ 29,105(1) |
| City of San Diego Certificates of Participation | 45,320 | 100.000 | 45,320 |
| City of San Diego 1915 Act Bonds | 86,042 | 100.000 | 86,042 |
| City of San Diego Redevelopment Agency | 52,205 | 100.000 | 52,205 |
| City of San Diego Stadium and Planetarium Authorities | 21,980 | 100.000 | 21,980 |
| City of San Diego Light Rail Transit Authority | 30,370 | 100.000 | 30,370 |
| Grossmont Hospital Authority | 7,940 | 8.656 | 687 |
| Metropolitan Water District | 700,020 | 7.591 | 53,139 |
| Northern San Diego Hospital District | 16,648 | 29.237 | 4,867 |
| Poway Unified School District | 7,300 | 72.354 | 5,282 |
| San Diego Community College District | 18,870 | 99.854 | 18,842 |
| San Diego County Building Authorities | 165,540 | 45.412 | 75,175 |
| San Diego County General Fund Obligations | 339,958 | 48.035 | 163,300 |
| San Diego County Water Authority | 165,015 | 47.390 | 78,201 |
| San Diego Open Space Park Facilities District #1 | 68,935 | 100.000 | 68,935 |
| San Diego Unified Port District | 6,470 | 78.275 | 5,064 |
| San Diego Unified School District | 122,155 | 99.870 | 121,996 |
| Other School and Community College Districts | 31,958 | various | 1,266 |
| Other Special Districts | 9,079 | various | <u>624</u> |
| TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT | | | \$ 862,400 (2) |
| Less: Bonds paid by water revenue: | | | |
| Helix, Otay Mesa and Pomerado Water Districts | | 624 | |
| Metropolitan Water District | | 53,139 | |
| San Diego County Water Authority | | 78,201 | |
| City of San Diego Wild Animal Park Bonds (100% self-supporting) | | 850 | |
| City of San Diego Stadium and Planetarium Authorities (100% self-supporting) | | 21,980 | |
| San Diego Open Space Park Facilities District #1 | | 68,935 | |
| San Diego Unified Port District (100% self-supporting) | | <u>5,064</u> | |
| TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT | | | <u>228,793</u> |
| NET DIRECT AND OVERLAPPING BOND DEBT | | | <u>\$ 633,607</u> |

Continued on next page

1990-91 Assessed Valuation (100% Of Full Value):

\$57,690,989 (including the redevelopment tax allocation increment of \$1,725,114)

Ratios to Assessed Valuation

| | |
|---|-------|
| City of San Diego Gross Direct Debt (\$148,610) | 0.26% |
| City of San Diego Net Direct Debt (\$125,780) | 0.22% |
| City of San Diego and Open Space District Gross Direct Debt (\$215,545) | 0.38% |
| City of San Diego and Open Space District Net Direct Debt (\$125,780) | 0.22% |
| | |
| TOTAL GROSS DEBT | 1.49% |
| TOTAL NET DEBT | 1.10% |

(1) Excludes \$17,296 revenue bonds.

(2) Excludes revenue and tax allocation bonds.

Source: City of San Diego, Comprehensive Annual Financial Report for year ended June 30, 1991, statistical section, (unaudited), page 150.

Major Capital Projects

Balboa Park/Mission Bay Park. The Balboa Park and Mission Bay Park Capital Improvements Program is a two phased program, with Phase I scheduled for Fiscal Years 1991 - 1997, and Phase II scheduled to begin in Fiscal Year 1998. Phase I projects total approximately \$63 million and Phase II projects are currently estimated at approximately \$85 million.

The City completed the Phase IA financing for this project in August 1991 with the issuance of approximately \$11.8 million in Certificates of Participation.

Clean Water Program. The City Council has recently been reevaluating the configuration of the Clean Water Program, particularly with regard to water reclamation and capacity requirements. The original court-ordered program was estimated at a capital cost of approximately \$2.5 billion. Subject to court and other regulatory approvals, the City Council has tentatively selected a scaled-down project configuration that would minimize both necessary plants and resulting rate requirements. Following court approval of a financing plan, the San Diego Public Facilities Financing Authority (the "Authority") will be issuing revenue bonds on behalf of the Clean Water Program. The bonds will not be an obligation of the City's General Fund, but will instead involve an Installment Purchase arrangement between the Sewer Revenue Fund, an enterprise fund of the City, and the Authority.

Additional Projects. The City is investigating a number of financing alternatives for funding capital projects, including the issuance of long-term debt supported by non-General Fund revenues. Some of the City's current capital needs include the construction of a new Central Library and branch libraries, the acquisition and development of a landfill disposal site and materials recovery facility, and the acquisition and preservation of open space. While these needs have been identified, financing plans have not been developed for City Council consideration.

Funding for Fiscal Year 1992-93

The estimated Fiscal Year 1992-93 City-funded Capital Improvements Program totals \$502,165,926, a 33% increase from the Fiscal Year 1991-92 Budget of \$376,651,017.

The changes in the Capital Improvements Program between Fiscal Year 1991-92 and Fiscal Year 1992-93 reflect projected scheduling adjustments as well as available funding.

Employees

A summary of City employment levels follows.

CITY OF SAN DIEGO
Permanent Employees
1989 through 1991 (1)

| <u>As of December 31</u> | <u>Permanent Employees</u> |
|--------------------------|----------------------------|
| 1989 | 8,176 |
| 1990 | 8,521 |
| 1991 | 9,186 |

(1) Excludes temporary, limited-term, intermittent, and seasonal employees.
Source: City of San Diego Personnel Department.

Most City employees are represented by one of four labor organizations: The American Federation of State and County Municipal Employees (the "Local 127"), representing approximately 2,200 employees; The Municipal Employees Association (the "MEA"), representing approximately 4,100 employees; The Police Officers Association (the "POA"), representing approximately 1,900 employees; and The International Association of Firefighters (the "Local 145"), representing approximately 900 employees. All four labor organizations have two-year agreements that expire June 30, 1993. MEA and Local 127 are to receive an 8% salary increase over the two-year term, while POA and Local 145 are to receive 7% and 9% salary increases, respectively, over the same period. Approximately 650 employees are not represented by bargaining units.

Retirement Plans

All City full-time employees participate with the full-time employees of the San Diego Unified Port District (the "District") in the City Employees' Retirement System ("CERS"). CERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the City and the District. Through various benefit plans, CERS provides retirement benefits to all general and safety (police and fire) members.

The CERS plans are structured as defined benefit plans in which benefits are based on salary, length of service and age. City employees are required to contribute a percentage of their annual salary to CERS. State legislation requires the City to contribute to CERS at rates determined by actuarial valuations. The system's assets as of April 30, 1992 had a book value of approximately \$987 million and a market value of approximately \$1.1 billion. For additional information concerning CERS and the City's defined contribution plans, see Note 10 of the Notes to the City's General Purpose Financial Statements included in Appendix A.

Insurance

The City is self-insured for general liability claims and for workers' compensation, long-term disability and employee group health coverage. Worker's compensation, long-term disability, and employee group health coverage are accounted for in the Self Insurance Fund, which is one of the Internal Service Funds. For workers' compensation, disability and health coverage, each participating fund contributes an amount equal to an actuarially determined rate multiplied by the gross salaries payable from that fund. The City also maintains within the Self Insurance Fund a reserve for public liability claims. As of May 14, 1992, the Self Insurance Fund had a balance of approximately \$5,126,165 available to pay claims settlements. Beginning December 19, 1991, the City purchased \$22 million of catastrophic liability coverage in excess of the City's self-insured retention.

The City maintains commercial property insurance on selected capital assets. The decision whether to maintain insurance on a particular asset and the amount of any such insurance is based on various factors including the City's assessment of the risks of loss. The City currently carries property and extended loss insurance coverage of \$150 million per occurrence on all City buildings.

THE CITY

Municipal Government

The City is a chartered city and operates under the Council-Manager form of government. The City Council is comprised of eight members elected by district to serve overlapping four year terms. The City 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 City Council. The Mayor, who presides over the City Council, is elected at large to serve a four-year term.

Municipal Services

The City provides a full range of facilities and services. These include police and fire protection, a library system, numerous park and recreational facilities, water utilities, waste management, building inspection, the construction and maintenance of streets, and other community services.

Population

The City of San Diego is the sixth largest city in the United States and the second largest city in California. Population data for both the City and the County are presented below.

■

**CITY AND COUNTY OF SAN DIEGO
POPULATION**

| <u>Calendar Year</u> | <u>City of San Diego(1)</u> | <u>Annual Avg. Change</u> | <u>County of San Diego(2)</u> | <u>Annual Avg. Change</u> |
|----------------------|-----------------------------|---------------------------|-------------------------------|---------------------------|
| 1960 | 571,767 | - | 1,033,011 | 8.5% |
| 1970 | 696,500 | 2.2% | 1,357,854 | 3.1 |
| 1980 | 875,538 | 2.6 | 1,861,846 | 2.7 |
| 1985 | 979,300 | 2.4 | 2,102,502 | 2.6 |
| 1986 | 1,007,000 | 2.8 | 2,240,700 | 3.4 |
| 1987 | 1,031,800 | 2.5 | 2,240,700 | 3.4 |
| 1988 | 1,058,700 | 2.6 | 2,327,700 | 3.9 |
| 1989 | 1,082,900 | 2.3 | 2,417,600 | 3.9 |
| 1990 | 1,101,940 | 1.8 | 2,498,016 | 3.3 |
| 1991 | 1,130,034 | 2.5 | 2,548,728 | 2.0 |

(1) Source: City Planning Department's January 1 estimates which are based on the U.S. Census counts or official State Department of Finance estimates.

(2) Source: U.S. Census 1960-1980; State Department of Finance estimates for 1985-1991.

Industry and Local Economy

The City's economic expansion over the last 20 years has broadened to the point where the City's economy is diversified and well balanced. One way to show the diversity of the economy is in the variety of the large employers (excluding the City, County, Federal and most State government agencies). The following table lists the major employers in San Diego County.

**CITY OF SAN DIEGO
MAJOR EMPLOYERS
As of December, 1991**

| <u>Company</u> | <u>Product/Service</u> |
|--|-----------------------------|
| <u>10,000 or More Employees:</u> | |
| General Dynamics | Aerospace/Defense |
| | Electronics |
| San Diego Unified School District | Education |
| University of California, San Diego | Higher Education |
| <u>5,000-9,999 Employees:</u> | |
| Pacific Bell | Utility |
| San Diego Community College District | Higher Education |
| Sharp Health Care | Health Services |
| <u>3,000-4,999 Employees:</u> | |
| Cubic Corporation | Electronics, Elevators |
| Kaiser Medical Foundation | Health Care |
| National Steel & Ship Building | Ship Building, Repair |
| San Diego Gas & Electric | Utility |
| San Diego State University | Higher Education |
| Scripps Clinic & Research Foundation | Health Services |
| Science Applications International Corp. | Research and Development |
| Solar Turbines, Inc. | Gas Turbine |
| | Manufacturing |
| UCSD Medical Center | Health Care |
| <u>2,000-2,999 Employees:</u> | |
| Atlas Hotels, Inc. | Hotel |
| Bank of America NT & SA | Banking |
| Foodmaker, Inc. | Food Services |
| Mercy Health Care San Diego | Health Care |
| Nordstrom | Retail |
| The Price Co. | Wholesale |
| Scripps Memorial Hospital | Health Care |
| Union Bank | Banking |
| USAIR | Airline |
| Sea World of California | Entertainment |
| Von's Companies, Inc. | Food Services |

Source: City of San Diego Chamber of Commerce

High-tech industries have become an important sector of the area's economy. The City has an environment suited to high-tech companies. The area's high quality of life is an important consideration to high-tech companies locating in the area.

The City's leading high-tech industries include aerospace, computer, biomedical, electronics, instruments and other manufacturers, plus a number of service firms primarily engaged in the research and development of computers and other scientific endeavors.

Numerous centers of higher education are located in the area. The University of California at San Diego ("UCSD") maintains the Center for Molecular Genetics, Center for Magnetics Research and a Supercomputer facility. The Salk Institute for Biological Studies and the Scripps Clinic and Research Foundation, located in the City, are leading biomedical research institutes. San Diego State University conducts research in the areas of computer-aided design and engineering.

Employment

The City lies within the San Diego County labor market area and dominates the County's economic activities. Since the 1960's the City has broadened its economic base to include tourism and high technology as major contributions to area employment. During this period, the largest employment increases have been in such service sectors as retail trade and finance.

The County's unemployment rate averaged 6.3% in 1991. This rate compared favorably to California's average of 9.2% and the nation's average of 8.1% for the same period. The following table shows a breakdown of wage and salaries employment for the various industry groups in the County.

**SAN DIEGO METROPOLITAN AREA
WAGE AND SALARY EMPLOYMENT(1)
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
1987 - 1991**

| | <u>1987</u> | <u>1988</u> | <u>1989</u> | <u>1990(5)</u> | <u>1991(5)</u> |
|---------------------------------------|-------------|-------------|-------------|----------------|----------------|
| Total All Industries(2) | 879,800 | 928,700 | 975,900 | 1,003,400 | 984,700 |
| Agricultural, Forestry & Fisheries | 12,400 | 12,100 | 11,300 | 10,900 | 10,400 |
| Nonagricultural Industries | 867,400 | 916,600 | 964,600 | 992,500 | 974,300 |
| Mining | 800 | 800 | 800 | 700 | 600 |
| Construction | 54,600 | 57,400 | 63,800 | 59,800 | 50,400 |
| Manufacturing | 124,300 | 130,100 | 135,400 | 137,800 | 138,700 |
| Nondurable Goods | 23,400 | 25,700 | 27,000 | 28,800 | 29,300 |
| Durable Goods | 100,900 | 104,500 | 108,400 | 109,000 | 105,400 |
| Transportation, Public Utilities | 33,700 | 35,100 | 35,800 | 37,200 | 36,800 |
| Trade | 207,000 | 223,000 | 233,600 | 238,600 | 230,800 |
| Wholesale | 37,900 | 41,000 | 42,800 | 44,500 | 42,300 |
| Retail | 169,100 | 181,900 | 190,800 | 194,100 | 188,500 |
| Finance, Insurance, Real Estate | 61,400 | 65,000 | 66,500 | 66,400 | 64,300 |
| Services | 229,000 | 242,500 | 259,500 | 274,700 | 277,300 |
| Government | 156,600 | 162,800 | 169,300 | 177,400 | 179,500 |
| Federal | 45,000 | 45,300 | 47,400 | 49,200 | 47,700 |
| State and Local | 111,600 | 117,600 | 121,900 | 128,200 | 131,800 |
| Civilian Labor Force(3) | 1,059,400 | 1,126,300 | 1,172,100 | 1,174,400 | 1,172,400 |
| Employment | 1,011,700 | 1,078,400 | 1,125,900 | 1,121,600 | 1,099,000 |
| Unemployment | 47,700 | 47,900 | 46,200 | 52,800 | 73,400 |
| Unemployment Rate(4) | 4.5% | 4.3% | 3.9% | 4.5% | 6.3% |

(1) Employment reported by place of work. Does not include proprietors, self-employed or persons involved in labor-management trade disputes.

(2) Figures may not add to the Industry Total due to independent rounding.

(3) Labor force data are by place of residence. Employment includes persons involved in labor-management trade disputes.

(4) The unemployment rate is computed from unrounded data, and it may differ from rates using the rounded figures in this table.

(5) Data have not been benchmarked (adjusted).

Source: State of California Employment Development Department.

Military Employment

The following table shows the number of active military personnel stationed in San Diego County since 1980. The Department of Defense announced that no significant military base within the City will be closed.

SAN DIEGO COUNTY ACTIVE MILITARY PERSONNEL STATIONED IN COUNTY 1980-1990

| <u>Calendar Year</u> | <u>Number of Personnel (Rounded)</u> | <u>Percentage of Total Population</u> |
|--------------------------|--|---|
| 1980 | 123,381 | 6.6% |
| 1981 | 119,763 | 6.2 |
| 1982 | 123,623 | 6.3 |
| 1983 | 121,005 | 6.0 |
| 1984 | 123,740 | 6.0 |
| 1985 | 127,364 | 6.0 |
| 1986 | 130,586 | 6.0 |
| 1987 | 130,233 | 5.8 |
| 1988 | 130,614 | 5.6 |
| 1989 | 133,699 | 5.5 |
| 1990 | 133,958 | 5.3 |

Source: City of San Diego Chamber of Commerce

Commercial Activity

In downtown San Diego, significant commercial development has occurred over the last several years as a result of the City's redevelopment efforts. Seaport Village, a 13-acre specialty retail development, was the first significant development to open in 1980 containing 99,000 square feet of specialty retail. Horton Plaza, a major mixed use retail, entertainment and parking complex, opened in August of 1985. Horton Plaza includes approximately 900,000 square feet of retail, containing four major department stores, The Broadway, Robinson's, Mervyn's and Nordstrom, and approximately 150 specialty retail shops and a parking structure containing approximately 2,800 parking spaces. The Paladion opened in February 1992, which is an upscale fashion retail center containing approximately 107,000 square feet adjacent to the Horton Plaza retail center. Planning and design is currently underway for the expansion of Seaport Village, which will add approximately 180,000 square feet of specialty retail.

Also in the downtown area, major hotel developments have occurred and/or are under construction with the opening of the Convention Center in November of 1989. Four hotel developments have opened in the past six years containing approximately 2,600 hotel rooms. Included are the Marriott Hotel adjacent to the Convention Center, the Doubletree Hotel adjacent to the Horton Plaza retail center, Embassy Suites Hotel and the Horton Grand Saddlery Hotel. Other hotels currently under construction or recently completed include the Hyatt Hotel and the Pan Pacific Hotel in the Emerald-Shapery Building, containing an additional 1,300 rooms.

Major office development also has been a significant factor in the redevelopment of the downtown Centre City area over the last ten years. Approximately 4 million square feet of Class A office space has been constructed and completed. Two additional office projects are currently under construction containing approximately 800,000 square feet.

In addition, redevelopment efforts have developed more than 2,400 residential units in the downtown area are with another 2,200 units in the planning stages.

The following table presents retail and total taxable transactions for the City from 1986 through 1990. In 1990, retail sales increased from the previous year's totals by approximately 3%. Total taxable sales increased by approximately 1.39% during the same interval.

**CITY OF SAN DIEGO TAXABLE TRANSACTIONS
1987 THROUGH 1990
(In Thousands)**

| Outlets | <u>1986</u> | <u>1987</u> | <u>1988</u> | <u>1989</u> | <u>1990</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Apparel Stores | \$248,477 | \$279,481 | \$324,339 | \$371,852 | \$390,697 |
| General Merchandise | 821,830 | 900,882 | 928,186 | 1,003,319 | 1,018,429 |
| Drug Stores | 110,507 | 120,242 | 130,015 | 141,155 | 147,324 |
| Food Stores | 438,696 | 414,311 | 447,067 | 496,657 | 524,958 |
| Package Liquor | 60,425 | 72,620 | 71,207 | 72,384 | 73,694 |
| Eating & Drinking Establishments | 794,338 | 877,562 | 954,130 | 1,022,509 | 1,075,433 |
| Home Furnishings & Appliances | 285,117 | 313,797 | 330,174 | 341,548 | 361,754 |
| Building Materials & Farm Implements | 325,470 | 339,198 | 369,261 | 405,645 | 430,212 |
| Auto Dealers & Supplies | 961,501 | 967,753 | 968,231 | 982,230 | 927,867 |
| Service Stations | 401,944 | 483,404 | 474,205 | 548,352 | 580,382 |
| Other Retail Stores & Speciality Stores | <u>833,897</u> | <u>966,830</u> | <u>1,055,836</u> | <u>1,115,994</u> | <u>1,169,448</u> |
| Total Retail Outlets | 5,282,202 | 5,736,080 | 6,052,651 | 6,501,645 | 6,700,198 |
| All Other Outlets | <u>2,321,317</u> | <u>2,464,738</u> | <u>2,695,823</u> | <u>2,958,340</u> | <u>2,891,117</u> |
| Total All Outlets | <u>\$7,603,519</u> | <u>\$8,200,818</u> | <u>\$8,748,474</u> | <u>\$9,459,985</u> | <u>\$9,591,315</u> |

Source: California State Board of Equalization.

Construction Activity

The following table presents the valuation of building permits issued in the City from 1987 through 1991. An interim development ordinance was in effect in the City during a portion of 1988. Subsequently, the interim development ordinance was lifted and a monitoring system established to ensure that the necessary public facilities are in place to service new completed development prior to granting approval on new permits. It should be noted that although 1988 shows a decline in both the number of new dwelling units and valuation, 1988 figures are 10% higher than the average recorded over the last 10 years.

BUILDING PERMIT VALUATIONS 1987 THROUGH 1991

| | <u>1987</u> | <u>1988</u> | <u>1989</u> | <u>1990</u> | <u>1991</u> |
|---------------------|--------------------|--------------------|--------------------|--------------------|-------------------|
| Valuation (\$000s) | | | | | |
| Residential | \$1,478,146 | \$ 739,710 | \$1,104,638 | \$1,092,547 | \$ 516,072 |
| Nonresidential | <u>749,597</u> | <u>796,884</u> | <u>851,591</u> | <u>738,998</u> | <u>421,476</u> |
| Total | <u>\$2,227,743</u> | <u>\$1,536,594</u> | <u>\$1,956,229</u> | <u>\$1,831,545</u> | <u>\$ 937,548</u> |
| New Dwelling Units: | | | | | |
| Single Family | 6,448 | 3,155 | 3,739 | 3,072 | 1,413 |
| Multiple Family | <u>12,183</u> | <u>5,089</u> | <u>6,156</u> | <u>6,318</u> | <u>2,609</u> |
| Total | <u>18,631</u> | <u>8,244</u> | <u>9,895</u> | <u>9,390</u> | <u>4,022</u> |

Source: City of San Diego Department of Building Inspection

Tourism

According to the San Diego Convention and Visitor's Bureau, total visitor spending for 1991 was an estimated \$3.1 billion. The City's tourist attractions include the San Diego Zoo, Balboa Park and Sea World. The City was host to the 1988 Superbowl and was host to the Soviet arts festival in October, 1989. The City is also home to three professional sport franchises for football, baseball and indoor soccer.

San Diego hosted the America's Cup sailboat races in May, 1992, and the U.S. Conference of Mayors in June, 1991, and will host the 1992 All-Star baseball game.

The Convention and Visitor's Bureau provides international publicity for San Diego. Over the past decade the number of conventions held in San Diego increased substantially, owing partly to expanded and improved convention hotel facilities as well as San Diego's climate and many tourist attractions. The San Diego Convention Center opened in late 1989.

**CITY OF SAN DIEGO CONVENTION INDUSTRY
1987 THROUGH 1991
(\$000's)**

| <u>Calendar Year</u> | <u>Delegate Spending</u> | <u>Number of Conventions</u> | <u>Total Delegate Attendance</u> |
|----------------------|--------------------------|------------------------------|----------------------------------|
| 1987 | \$303,604 | 1,681 | 569,613 |
| 1988 | 343,124 | 1,755 | 671,718 |
| 1989 | 365,727 | 1,769 | 672,897 |
| 1990 | 432,961 | 1,698 | 785,224 |
| 1991 | 478,849 | 1,548 | 792,382 |

Source: San Diego Convention and Visitor's Bureau

From relatively minor beginnings, San Diego's cruise ship industry increased dramatically following the organization of a Cruise Industry Consortium in 1983 and renovation of the "B" Street Pier. The following table shows an eleven-year history of cruise ship business.

**SAN DIEGO'S
CRUISE SHIP INDUSTRY
1981-1991**

| <u>Year</u> | <u>Number of Passengers</u> | <u>Total Vessel Calls</u> | <u>Number of Vessels</u> | <u>Number of Cruise Lines</u> |
|-------------|-----------------------------|---------------------------|--------------------------|-------------------------------|
| 1981 | 1,582 | 6 | 2 | 2 |
| 1982 | 1,060 | 5 | 2 | 2 |
| 1983 | 28,436 | 54 | 4 | 4 |
| 1984 | 75,763 | 350 | 7 | 5 |
| 1985 | 104,462 | 276 | 10 | 8 |
| 1986 | 53,895 | 186 | 12 | 10 |
| 1987 | 66,577 | 400 | 18 | 13 |
| 1988 | 123,247 | 530 | 17 | 12 |
| 1989 | 104,623 | 362 | 15 | 13 |
| 1990 | 119,165 | 446 | 20 | 16 |
| 1991 | 515,256 | 654 | 17 | 11 |

Source: San Diego Cruise Ship Consortium

Healthcare Facilities and Education

The City has 19 acute care hospitals. These include the Veterans Administration and the Naval Regional Medical Center.

There are 180 public schools in the San Diego Unified School District, including 108 elementary schools and 72 junior high, senior high, vocational or special schools, with a total enrollment of approximately 122,614 students and a teaching staff of approximately 6,480. There are eleven public and four private colleges and universities in the City. The University of California at San Diego and San Diego State University are the major universities. The City maintains 32 public libraries, complemented by 32 cultural associations.

Research Facilities

Among the more important local research facilities are the Scripps Clinic and Research Foundation, the Naval Electronics Laboratory Center, the Palomar Observatory and the Salk Biological Institute headed by Dr. Jonas Salk.

Transportation

San Diego has a well-developed and relatively uncongested highway system. Access in and out of the region is provided by five major freeways running north and south and three freeways running east and west.

Public transportation through the City and metropolitan surrounding communities is provided by the City of San Diego Metropolitan Transit Development Board Authority (a Joint Powers Agency). The San Diego Trolley, Inc. operates a fleet of electric trolleys that provides transportation for commuters and tourists from downtown San Diego to San Ysidro (adjacent to Tijuana), and from downtown San Diego to South-east San Diego and East County. In addition, the newest expansion of the trolley provides service between downtown San Diego and the waterfront area.

Utilities

Electric power and natural gas are provided by San Diego Gas and Electric Company. The Pacific Bell Telephone Company provides telecommunications service to the San Diego region. The City provides water and sewer service.

CERTAIN LEGAL MATTERS

All legal matters incident to the authorization, issuance and sale of the Notes are subject to the unqualified approval of Brown & Wood, Los Angeles, California, Bond Counsel, whose final approving opinion in substantially the form attached hereto as Appendix B will be delivered with the Notes. Certain legal matters will be passed upon for the City by the City Attorney and for the Underwriters by O'Melveny and Myers.

TAX EXEMPTION

In the opinion of Brown & Wood and Constance Hornig, Esq., Los Angeles, California, Co-Bond Counsel ("Co-Bond Counsel"), based on existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the City with certain covenants in the Resolution and certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the use, expenditure and investment of Note proceeds, interest on the Notes is not includable in the gross income of the owners of the Notes for federal income tax purposes. Failure to comply with such covenants and requirements, however, may cause interest on the Notes to be includable in gross income retroactive to the date of issuance of the Notes.

Interest on the Notes will not be treated as an item of tax preference in calculating the alternative minimum taxable income of individuals or corporations; interest on the Notes will, however, be included as an adjustment to a corporation's alternative minimum taxable income and may therefore affect such corporation's alternative minimum tax and environmental tax liabilities.

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign institutions doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Co-Bond Counsel express no opinion with respect to such collateral consequences. Accordingly, prospective purchasers of the Notes should consult their tax advisors as to the applicability of any such collateral consequences.

In the further opinion of Co-Bond Counsel, interest on the Notes is exempt from all present State of California personal incomes taxes.

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under provisions of the Financial Code of the State, the Notes are legal investments for commercial banks in the State 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 Government Code of the State are eligible to secure deposits of public moneys in the State.

RATINGS

The City has received ratings on the Notes of _____ from Moody's Investors Service, Inc. and _____ from Standard and Poor's Corporation. Such ratings reflect only the views of such rating agencies. An explanation of the significance of such ratings may be obtained from the rating agencies at Moody's Investors Service, Inc. 99 Church Street, New York, New York 10007, (212) 553-0300, and Standard & Poor's Corporation, 25 Broadway, New York, New York 10004, (212) 208-1767. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such organizations if, in the judgment of said organizations, circumstances so warrant. Any such downward revisions or withdrawals of such ratings may have an adverse effect on the market price of the Notes.

LITIGATION

To the knowledge of the City, 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 Underwriters 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 the Lehman Brothers division of Shearson Lehman Brothers Inc. and Artemis Capital Group, Inc. (collectively, the "Underwriters"). The note purchase agreement with respect to purchase of the Notes (the "Note Purchase Agreement") provides that the Underwriters 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.

ADDITIONAL INFORMATION

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

All data contained herein have been taken or constructed from City records and other sources. Appropriate City officials, acting in their official capacity, have reviewed this Official Statement and have determined that as of the date hereof the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are 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 San Diego City Council of the City of San Diego.

By _____
City Treasurer

APPENDIX A

**CITY OF SAN DIEGO
GENERAL PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 1991**

APPENDIX A

**City of San Diego
General Purpose Financial Statements
Table of Contents**

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor, Members of the
City Council and City Manager of the
City of San Diego, California:

We have audited the accompanying general purpose financial statements of the City of San Diego, California as of June 30, 1991 and for the year then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the management of the City of San Diego, California. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such general purpose financial statements present fairly, in all material respects, the financial position of the City of San Diego, California at June 30, 1991, and the results of its operations and the cash flows of its proprietary fund types and similar trust funds for the year then ended in conformity with generally accepted accounting principles.

Our audit also comprehended the supplementary information listed in the foregoing table of contents. In our opinion, such supplementary information, when considered in relation to the general purpose financial statements, presents fairly in all material respects the information shown therein.

Deloitte & Touche

November 12, 1991

THE CITY OF SAN DIEGO

ANNUAL FINANCIAL REPORT

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1991
 (In Thousands)

| | Governmental Fund Types | | | |
|---|-------------------------|-------------------|------------------|-------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| ASSETS AND OTHER DEBITS | | | | |
| Cash or Equity in Pooled | | | | |
| Cash and Investments | \$ 38,653 | \$ 125,686 | \$ 7,377 | \$ 262,966 |
| Cash With Custodian/Fiscal Agent | 0 | 1,412 | 2,756 | 0 |
| Investments at Cost | 0 | 17,377 | 32,435 | 34,363 |
| Receivables: | | | | |
| Taxes - Net | 11,588 | 212 | 247 | 0 |
| Accounts - Net | 5,402 | 2,807 | 0 | 2,224 |
| Claims - Net | 259 | 0 | 0 | 0 |
| Special Assessments - Net | 0 | 518 | 2,252 | 0 |
| Notes | 0 | 19,475 | 0 | 2,634 |
| Contributions | 0 | 0 | 0 | 0 |
| Accrued Interest | 2,666 | 2,075 | 94 | 2,615 |
| Grants | 0 | 8,288 | 0 | 2,213 |
| Loans to Redevelopment Agency | 0 | 325 | 0 | 0 |
| From Other Funds | 134 | 0 | 0 | 0 |
| From Other Agencies | 70 | 27,384 | 0 | 2,435 |
| Advances to Other Funds | 26,417 | 778 | 0 | 331 |
| Advances to Other Agencies | 350 | 889 | 0 | 0 |
| Inventories of Water in Storage | 0 | 0 | 0 | 0 |
| Inventories | 0 | 0 | 0 | 0 |
| Land Held for Resale | 0 | 1,271 | 0 | 13,745 |
| Prepaid and Reimbursable Items and Deposits | 331 | 1,215 | 90 | 0 |
| Restricted Assets: | | | | |
| Cash or Equity in Pooled Cash and Investments - Interest and Redemption Funds | 0 | 2,372 | 0 | 0 |
| Cash with Custodian/Fiscal Agent | 0 | 0 | 0 | 0 |
| Fixed Assets - Net | 0 | 0 | 0 | 0 |
| Amount Available for Payment of General Long-Term Debt | 0 | 0 | 0 | 0 |
| Amount to be Provided for Retirement of Long-Term Debt | 0 | 0 | 0 | 0 |
| TOTAL ASSETS AND OTHER DEBITS | \$ 85,870 | \$ 212,084 | \$ 45,251 | \$ 323,526 |

See Notes to Financial Statements

THE CITY OF SAN DIEGO

ANNUAL FINANCIAL REPORT

| Proprietary Fund Types | | Fiduciary Fund Types | Account Groups | | Total (Memorandum Only) |
|------------------------|------------------|----------------------|----------------------|------------------------|-------------------------|
| Enterprise | Internal Service | Trust and Agency | General Fixed Assets | General Long-Term Debt | |
| \$ 466,419 | \$ 42,209 | \$ 186,593 | \$ 0 | \$ 0 | \$ 1,129,903 |
| 0 | 0 | 179 | 0 | 0 | 4,347 |
| 2,950 | 0 | 976,396 | 0 | 0 | 1,063,521 |
| 0 | 0 | 0 | 0 | 0 | 12,047 |
| 44,187 | 54 | 165 | 0 | 0 | 54,839 |
| 0 | 59 | 0 | 0 | 0 | 318 |
| 34 | 0 | 0 | 0 | 0 | 2,804 |
| 109 | 0 | 0 | 0 | 0 | 22,218 |
| 0 | 0 | 876 | 0 | 0 | 876 |
| 5,218 | 43 | 7,896 | 0 | 0 | 20,607 |
| 13,783 | 0 | 0 | 0 | 0 | 24,284 |
| 0 | 0 | 0 | 0 | 0 | 325 |
| 761 | 0 | 760 | 0 | 0 | 1,655 |
| 0 | 0 | 2,279 | 0 | 0 | 32,168 |
| 14,641 | 26 | 16 | 0 | 0 | 42,209 |
| 0 | 0 | 0 | 0 | 0 | 1,239 |
| 20,021 | 0 | 0 | 0 | 0 | 20,021 |
| 223 | 3,359 | 0 | 0 | 0 | 3,582 |
| 0 | 0 | 0 | 0 | 0 | 15,016 |
| 472 | 40 | 8 | 0 | 0 | 2,156 |
| 5,368 | 0 | 0 | 0 | 0 | 7,740 |
| 210 | 0 | 0 | 0 | 0 | 210 |
| 965,214 | 31,376 | 0 | 683,534 | 0 | 1,680,124 |
| 0 | 0 | 0 | 0 | 56,355 | 56,355 |
| 0 | 0 | 0 | 0 | 416,148 | 416,148 |
| \$ 1,539,610 | \$ 77,166 | \$ 1,175,168 | \$ 683,534 | \$ 472,503 | \$ 4,614,712 |

Continued on next page

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THE CITY OF SAN DIEGO

ANNUAL FINANCIAL REPORT

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1991
 (In Thousands)

| LIABILITIES | Governmental Fund Types | | | |
|--|-------------------------|-------------------|------------------|-------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Obligations Under Reverse | | | | |
| Repurchase Agreements | \$ 10,810 | \$ 16,760 | \$ 1,084 | \$ 32,964 |
| Accounts Payable | 3,319 | 4,375 | 42 | 2,832 |
| Accrued Wages and Benefits | 12,947 | 1,208 | 0 | 0 |
| Other Accrued Liabilities | 0 | 21,536 | 0 | 0 |
| Employees' Deferred Compensation | | | | |
| /401(k) Plans | 0 | 0 | 0 | 0 |
| Liability Claims | 0 | 0 | 0 | 0 |
| Matured Bonds, Notes and Interest Payable | 0 | 0 | 278 | 0 |
| Interest Accrued on Long-Term Debt | 0 | 0 | 0 | 0 |
| Long-Term Debt Due Within One Year | 0 | 0 | 0 | 0 |
| Due to Other Funds | 0 | 760 | 0 | 895 |
| Due to Other Agencies | 0 | 13,216 | 0 | 0 |
| Deferred Revenue | 11,227 | 22,251 | 2,272 | 29,043 |
| Advances from Other Funds | 0 | 604 | 0 | 0 |
| Advances from Other Agencies | 0 | 1,641 | 0 | 0 |
| Deposits/Advances from Others | 0 | 6,882 | 0 | 0 |
| Sundry Trust Liabilities | 0 | 0 | 0 | 1,364 |
| Capital Lease Obligations | 0 | 0 | 0 | 0 |
| Contracts and Notes Payable | 0 | 0 | 0 | 0 |
| General and Special Obligation Bonds | | | | |
| Payable | 0 | 0 | 0 | 0 |
| Revenue Bonds Payable - Net of Current | | | | |
| Portion | 0 | 0 | 0 | 0 |
| TOTAL LIABILITIES | 38,303 | 89,233 | 3,676 | 67,098 |
| FUND EQUITY AND OTHER CREDITS | | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 | 0 |
| Contributed Capital | 0 | 0 | 0 | 0 |
| Retained Earnings (Deficit): | | | | |
| Reserved for Claims and Contingencies | 0 | 0 | 0 | 0 |
| Reserved for General Long-Term Claims | 0 | 0 | 0 | 0 |
| Unreserved | 0 | 0 | 0 | 0 |
| Fund Balances: | | | | |
| Reserved for Land Held for Resale | 0 | 1,271 | 0 | 13,745 |
| Reserved for Encumbrances | 10,559 | 18,057 | 0 | 57,639 |
| Reserved for Advances and Deposits | 26,847 | 1,185 | 0 | 0 |
| Reserved for Nonexpendable Trust | 0 | 0 | 0 | 0 |
| Reserved for Pension Benefits | 0 | 0 | 0 | 0 |
| Reserved for Debt Service | 0 | 14,780 | 41,575 | 0 |
| Reserved for Loan Commitments | 0 | 3,478 | 0 | 0 |
| Reserved for Project Equity/Operations | 0 | 4,368 | 0 | 0 |
| Unreserved: | | | | |
| Designated for Subsequent Years' | | | | |
| Expenditures | 4,453 | 39,100 | 0 | 108,907 |
| Undesignated | 5,708 | 40,612 | 0 | 76,137 |
| TOTAL FUND EQUITY AND OTHER CREDITS | 47,567 | 122,851 | 41,575 | 256,428 |
| TOTAL LIABILITIES AND | | | | |
| FUND EQUITY AND OTHER CREDITS | \$ 85,870 | \$ 212,084 | \$ 45,251 | \$ 323,526 |

See Notes to Financial Statements

THE CITY OF SAN DIEGO

ANNUAL FINANCIAL REPORT

| Proprietary Fund Types | | Fiduciary Fund Types | Account Groups | | Total (Memorandum Only) |
|------------------------|------------------|----------------------|----------------------|------------------------|-------------------------|
| Enterprise | Internal Service | Trust and Agency | General Fixed Assets | General Long-Term Debt | |
| \$ 63,513 | \$ 4,511 | \$ 16,264 | \$ 0 | \$ 0 | \$ 145,906 |
| 35,654 | 1,716 | 42,794 | 0 | 0 | 90,732 |
| 10,038 | 3,881 | 66 | 0 | 34,202 | 62,342 |
| 374 | 0 | 0 | 0 | 0 | 21,910 |
| 0 | 0 | 45,198 | 0 | 0 | 45,198 |
| 5,374 | 25,938 | 0 | 0 | 21,000 | 52,312 |
| 210 | 0 | 0 | 0 | 0 | 488 |
| 319 | 0 | 0 | 0 | 0 | 319 |
| 5,212 | 0 | 0 | 0 | 0 | 5,212 |
| 0 | 0 | 0 | 0 | 0 | 1,655 |
| 0 | 0 | 748 | 0 | 0 | 13,964 |
| 13,825 | 2 | 428 | 0 | 0 | 79,048 |
| 0 | 41,050 | 555 | 0 | 0 | 42,209 |
| 0 | 0 | 0 | 0 | 0 | 1,641 |
| 1,344 | 0 | 9,283 | 0 | 0 | 17,509 |
| 0 | 0 | 8,940 | 0 | 0 | 10,304 |
| 0 | 0 | 0 | 0 | 124 | 124 |
| 9,405 | 0 | 0 | 0 | 76,530 | 85,935 |
| 0 | 0 | 0 | 0 | 340,647 | 340,647 |
| 15,091 | 0 | 0 | 0 | 0 | 15,091 |
| 160,359 | 77,098 | 124,276 | 0 | 472,503 | 1,032,546 |
| 0 | 0 | 0 | 683,534 | 0 | 683,534 |
| 807,400 | 191 | 0 | 0 | 0 | 807,591 |
| 0 | 5,085 | 0 | 0 | 0 | 5,085 |
| 0 | -24,629 | 0 | 0 | 0 | -24,629 |
| 571,851 | 19,421 | 0 | 0 | 0 | 591,272 |
| 0 | 0 | 0 | 0 | 0 | 15,016 |
| 0 | 0 | 1,578 | 0 | 0 | 87,833 |
| 0 | 0 | 149 | 0 | 0 | 28,181 |
| 0 | 0 | 3,842 | 0 | 0 | 3,842 |
| 0 | 0 | 1,037,782 | 0 | 0 | 1,037,782 |
| 0 | 0 | 0 | 0 | 0 | 56,355 |
| 0 | 0 | 0 | 0 | 0 | 3,478 |
| 0 | 0 | 0 | 0 | 0 | 4,368 |
| 0 | 0 | 393 | 0 | 0 | 152,853 |
| 0 | 0 | 7,148 | 0 | 0 | 129,605 |
| 1,379,251 | 68 | 1,050,892 | 683,534 | 0 | 3,582,166 |
| \$ 1,539,610 | \$ 77,166 | \$ 1,175,168 | \$ 683,534 | \$ 472,503 | \$ 4,614,712 |

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THE CITY OF SAN DIEGO

ANNUAL FINANCIAL REPORT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 Year Ended June 30, 1991
 (In Thousands)

| | ----- General ----- |
|---|---------------------------|
| REVENUES | |
| Property Taxes and Special Assessments | \$ 127,052 |
| Other Local Taxes | 130,941 |
| Licenses and Permits | 16,556 |
| Fines, Forfeitures and Penalties | 17,595 |
| Revenue from Use of Money and Property | 30,208 |
| Revenue from Federal Agencies | 68 |
| Revenue from Other Agencies | 43,195 |
| Revenue from Private Sources | 0 |
| Charges for Current Services | 45,028 |
| Other Revenue | 2,354 |
| | ----- |
| TOTAL REVENUES | 412,997 |
| | ----- |
| EXPENDITURES | |
| Current: | |
| General Government | 71,387 |
| Public Safety | 216,915 |
| Libraries | 13,848 |
| Parks, Recreation and Culture | 40,218 |
| General Services | 55,416 |
| Engineering and Development | 17,859 |
| Housing and Community Development | 0 |
| Public Transportation | 0 |
| Employment and Social Service Programs | 313 |
| Miscellaneous and Unallocated | 15,462 |
| Capital Projects | 96 |
| Debt Service: | |
| Principal Retirement | 0 |
| Interest | 0 |
| | ----- |
| TOTAL EXPENDITURES | 431,514 |
| | ----- |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | -18,517 |
| | ----- |
| OTHER FINANCING SOURCES (USES) | |
| Long-Term Debt Proceeds | 0 |
| Transfers from Proprietary/Fiduciary Funds | 4,106 |
| Transfers from Other Funds | 13,588 |
| Transfers to Proprietary Funds | -4,679 |
| Transfers to Other Funds | -3,275 |
| Cost of Issuance, Bonds and Notes | 0 |
| | ----- |
| TOTAL OTHER FINANCING SOURCES (USES) | 9,740 |
| | ----- |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | -8,777 |
| und Balances at July 1, 1990, as restated | 56,344 |
| Residual Equity Transfers from (to) Other Funds | 0 |
| | ----- |
| FUND BALANCES AT JUNE 30, 1991 | \$ 47,567 |
| | ===== |

See Notes to Financial Statements

THE CITY OF SAN DIEGO

ANNUAL FINANCIAL REPORT

| Governmental Fund Types | | | Fiduciary Fund Type | Total (Memorandum Only) |
|-------------------------|--------------|------------------|---------------------|-------------------------|
| Special Revenue | Debt Service | Capital Projects | Expendable Trust | |
| \$ 23,056 | \$ 8,802 | \$ 142 | \$ 0 | \$ 159,052 |
| 61,833 | 0 | 8,822 | 0 | 201,596 |
| 5,185 | 0 | 4,170 | 0 | 25,911 |
| 3,022 | 0 | 0 | 0 | 20,617 |
| 37,092 | 2,975 | 21,466 | 951 | 92,692 |
| 64,624 | 0 | 210 | 0 | 64,902 |
| 6,245 | 0 | 4,782 | 28 | 54,250 |
| 9,039 | 0 | 32,863 | 770 | 42,672 |
| 10,663 | 0 | 0 | 21 | 55,712 |
| 4,797 | 0 | 205 | 105 | 7,461 |
| ----- | ----- | ----- | ----- | ----- |
| 225,556 | 11,777 | 72,660 | 1,875 | 724,865 |
| ----- | ----- | ----- | ----- | ----- |
| 5,038 | 45 | 3,910 | 233 | 80,613 |
| 5,964 | 0 | 0 | 1 | 222,880 |
| 1,603 | 0 | 0 | 90 | 15,541 |
| 47,583 | 0 | 2,728 | 1,078 | 91,607 |
| 10,552 | 0 | 0 | 0 | 65,968 |
| 9,406 | 0 | 353 | 0 | 27,618 |
| 69,213 | 0 | -14 | 100 | 69,299 |
| 3,203 | 0 | 19 | 0 | 3,222 |
| 4,349 | 0 | 0 | 0 | 4,662 |
| 96 | 0 | 0 | 3 | 15,561 |
| 8,265 | 0 | 91,065 | 12 | 99,438 |
| 0 | 13,313 | 0 | 0 | 13,313 |
| 0 | 23,309 | 0 | 0 | 23,309 |
| ----- | ----- | ----- | ----- | ----- |
| 165,272 | 36,667 | 98,061 | 1,517 | 733,031 |
| ----- | ----- | ----- | ----- | ----- |
| 60,284 | -24,890 | -25,401 | 358 | -8,166 |
| ----- | ----- | ----- | ----- | ----- |
| 0 | 2,234 | 36,487 | 0 | 38,721 |
| 1,191 | 0 | 0 | 0 | 5,297 |
| 32,473 | 23,876 | 11,782 | 6,030 | 87,749 |
| 0 | -129 | 0 | 0 | -4,808 |
| -72,417 | -2,043 | -10,014 | 0 | -87,749 |
| 0 | 0 | -417 | 0 | -417 |
| ----- | ----- | ----- | ----- | ----- |
| -38,753 | 23,938 | 37,838 | 6,030 | 38,793 |
| ----- | ----- | ----- | ----- | ----- |
| 21,531 | -952 | 12,437 | 6,388 | 30,627 |
| 76,628 | 57,161 | 254,049 | 1,634 | 445,816 |
| 24,692 | -14,634 | -10,058 | 0 | 0 |
| ----- | ----- | ----- | ----- | ----- |
| \$ 122,851 | \$ 41,575 | \$ 256,428 | \$ 8,022 | \$ 476,443 |
| ===== | ===== | ===== | ===== | ===== |

THE CITY OF SAN DIEGO

ANNUAL FINANCIAL REPORT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED GOVERNMENTAL FUND BUDGES
 Year Ended June 30, 1991
 (In Thousands)

| | General Fund | |
|---|---------------------------------|----------------|
| | Actual on Budgetary Basis | Budget |
| REVENUES | | |
| Property Taxes and Special Assessments | \$ 127,052 | \$ 129,973 |
| Other Local Taxes | 130,941 | 141,614 |
| Licenses and Permits | 16,556 | 16,946 |
| Fines, Forfeitures and Penalties | 17,595 | 15,415 |
| Revenue from Use of Money and Property | 27,767 | 28,455 |
| Revenue from Federal Agencies | 68 | 547 |
| Revenue from Other Agencies | 43,195 | 43,084 |
| Revenue from Private Sources | 0 | 0 |
| Charges for Current Services | 45,028 | 48,265 |
| Other Revenue | 2,354 | 1,813 |
| Excess Revenue Appropriated | 0 | 0 |
| TOTAL REVENUES | 410,556 | 426,112 |
| EXPENDITURES | | |
| Current: | | |
| General Government | 70,275 | 78,332 |
| Public Safety | 220,956 | 225,029 |
| Libraries | 14,048 | 14,520 |
| Parks, Recreation and Culture | 42,096 | 47,217 |
| General Services | 58,231 | 61,748 |
| Engineering and Development | 18,594 | 20,835 |
| Housing and Community Development | 0 | 0 |
| Public Transportation | 0 | 0 |
| Employment and Social Service Programs | 325 | 477 |
| Miscellaneous and Unallocated | 16,411 | 16,611 |
| Capital Projects | 96 | 102 |
| Debt Service: | | |
| Principal Retirement | 0 | 0 |
| Interest | 0 | 0 |
| TOTAL EXPENDITURES | 441,032 | 464,871 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | -30,476 | -38,759 |
| OTHER FINANCING SOURCES (USES) | | |
| Long Term Debt Proceeds | 0 | 0 |
| Transfers from Proprietary/Fiduciary Funds | 4,106 | 3,800 |
| Transfers from Other Funds | 13,588 | 12,533 |
| Transfers to Proprietary Funds | -4,679 | -4,683 |
| Transfers to Other Funds | -3,275 | -3,351 |
| TOTAL OTHER FINANCING SOURCES (USES) | 9,740 | 8,299 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | -20,736 | -30,460 |
| Fund Balances Undesignated at July 1, 1990 | 15,223 | 15,223 |
| Residual Equity Transfer from (to) Other Funds | 0 | 0 |
| Reserved for Encumbrances at July 1, 1990 | 10,991 | 10,991 |
| Reserved for Debt Service at July 1, 1990 | 0 | 0 |
| Reserved for Debt Service at June 30, 1991 | 0 | 0 |
| Designated for Subsequent Years' Expenditures at July 1, 1990 | 4,683 | 4,683 |
| Designated for Subsequent Years' Expenditures at June 30, 1991 | -4,453 | 0 |
| FUND BALANCES UNDESIGNATED AT JUNE 30, 1991 | \$ 5,708 | \$ 437 |

See Notes to Financial Statements

THE CITY OF SAN DIEGO

ANNUAL FINANCIAL REPORT

| Budgeted Special Revenue Funds | | Budgeted Debt Service Funds | | Budgeted Capital Projects Funds | | Total (Memorandum Only) | | Variance Favorable (Unfavorable) |
|-----------------------------------|-----------|---------------------------------|----------|------------------------------------|----------|---------------------------------|------------|--|
| Actual on Budgetary Basis | Budget | Actual on Budgetary Basis | Budget | Actual on Budgetary Basis | Budget | Actual on Budgetary Basis | Budget | |
| \$ 6,281 | \$ 6,419 | \$ 2,526 | \$ 2,422 | \$ 0 | \$ 0 | \$ 135,859 | \$ 138,814 | \$ -2,955 |
| 61,347 | 59,037 | 0 | 0 | 2,700 | 2,700 | 194,988 | 203,351 | -8,363 |
| 612 | 530 | 0 | 0 | 0 | 0 | 17,168 | 17,476 | -308 |
| 0 | 0 | 0 | 0 | 0 | 0 | 17,595 | 15,415 | 2,180 |
| 21,754 | 20,093 | 25 | 0 | 1,978 | 1,144 | 51,524 | 49,692 | 1,832 |
| 0 | 0 | 0 | 0 | 210 | 210 | 278 | 757 | -479 |
| 1,597 | 2,402 | 0 | 0 | 1,985 | 1,485 | 46,777 | 46,971 | -194 |
| 17 | 94 | 0 | 0 | 0 | 0 | 17 | 94 | -77 |
| 4,862 | 4,299 | 0 | 0 | 0 | 0 | 49,890 | 52,564 | -2,674 |
| 859 | 795 | 0 | 0 | 7 | 0 | 3,220 | 2,608 | 612 |
| 0 | 1,298 | 0 | 0 | 0 | 0 | 0 | 1,298 | -1,298 |
| 97,329 | 94,967 | 2,551 | 2,422 | 6,880 | 5,539 | 517,316 | 529,040 | -11,724 |
| 16,779 | 16,768 | 0 | 0 | 0 | 0 | 87,054 | 95,100 | 8,046 |
| 1,581 | 2,014 | 0 | 0 | 0 | 0 | 222,537 | 227,043 | 4,506 |
| 0 | 0 | 0 | 0 | 0 | 0 | 14,048 | 14,520 | 472 |
| 37,864 | 40,880 | 0 | 0 | 0 | 0 | 79,960 | 88,097 | 8,137 |
| 17,651 | 18,878 | 0 | 0 | 0 | 0 | 75,882 | 80,626 | 4,744 |
| 1,227 | 1,328 | 0 | 0 | 371 | 109 | 20,192 | 22,272 | 2,080 |
| 3,514 | 4,035 | 0 | 0 | 0 | 0 | 3,514 | 4,035 | 521 |
| 611 | 9,041 | 0 | 0 | 0 | 0 | 611 | 9,041 | 8,430 |
| 0 | 0 | 0 | 0 | 0 | 0 | 325 | 477 | 152 |
| 0 | 1,735 | 0 | 0 | 0 | 152 | 16,411 | 18,498 | 2,087 |
| 2,418 | 9,597 | 0 | 0 | 31,780 | 66,044 | 34,294 | 75,743 | 41,449 |
| 0 | 0 | 2,925 | 2,925 | 0 | 0 | 2,925 | 2,925 | 0 |
| 0 | 0 | 288 | 288 | 0 | 0 | 288 | 288 | 0 |
| 81,645 | 104,276 | 3,213 | 3,213 | 32,151 | 66,305 | 558,041 | 638,665 | 80,624 |
| 15,684 | -9,309 | -662 | -791 | -25,271 | -60,766 | -40,725 | -109,625 | 68,900 |
| 0 | 0 | 419 | 0 | 0 | 0 | 419 | 0 | 419 |
| 191 | 0 | 0 | 0 | 0 | 0 | 4,297 | 3,800 | 497 |
| 20,092 | 21,548 | 0 | 0 | 1,674 | 620 | 35,354 | 34,701 | 653 |
| 0 | 0 | -129 | 0 | 0 | 0 | -4,808 | -4,683 | -125 |
| -41,608 | -45,445 | 0 | 0 | -1,804 | -35 | -46,687 | -48,831 | 2,144 |
| -21,325 | -23,897 | 290 | 0 | -130 | 585 | -11,425 | -15,013 | 3,588 |
| -5,641 | -33,206 | -372 | -791 | -25,401 | -60,181 | -52,150 | -124,638 | 72,488 |
| 24,476 | 24,476 | 123 | 0 | 21,449 | 21,449 | 61,271 | 61,148 | 123 |
| 10,058 | 10,058 | 0 | 0 | -10,058 | -10,058 | 0 | 0 | 0 |
| 4,166 | 4,166 | 0 | 0 | 12,658 | 12,658 | 27,815 | 27,815 | 0 |
| 0 | 0 | 817 | 817 | 40,030 | 40,030 | 40,847 | 40,847 | 0 |
| 0 | 0 | -568 | -26 | -32,232 | 0 | -32,800 | -26 | -32,774 |
| 6,651 | 6,651 | 0 | 0 | 0 | 0 | 11,334 | 11,334 | 0 |
| -17,256 | -884 | 0 | 0 | 0 | 0 | -21,709 | -884 | -20,825 |
| \$ 22,454 | \$ 11,261 | \$ 0 | \$ 0 | \$ 6,446 | \$ 3,898 | \$ 34,608 | \$ 15,596 | \$ 19,012 |

THE CITY OF SAN DIEGO

ANNUAL FINANCIAL REPORT

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS/FUND BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
Year Ended June 30, 1991
(In Thousands)

OPERATING REVENUES

Table with 1 column: Earnings on Investments, Sale of Water, Charges for Services, Contributions, Revenue from Use of Property, Usage Fees, Other, TOTAL OPERATING REVENUES

OPERATING EXPENSES

Table with 1 column: Benefit and Claim Payments, Maintenance and Operations, Cost of Materials Issued, Cost of Water Purchased, Taxes, Administration, Depreciation and Amortization, Other, TOTAL OPERATING EXPENSES

OPERATING INCOME

NONOPERATING REVENUES (EXPENSES)

Table with 1 column: Earnings on Investments, Federal Grant Assistance, Other Agency Grant Assistance, Bond Interest Payments, Gain on Sale/Retirement of Fixed Assets, Other

TOTAL NONOPERATING REVENUES (EXPENSES)

INCOME BEFORE OPERATING TRANSFERS

Table with 1 column: Operating Transfers In, Transfers from Governmental Funds, Operating Transfers Out, Transfers to Governmental Funds

NET INCOME (LOSS)

Retained Earnings/Fund Balances at July 1, 1990

RETAINED EARNINGS/FUND BALANCES AT JUNE 30, 1991

See Notes to Financial Statements

THE CITY OF SAN DIEGO

ANNUAL FINANCIAL REPORT

| Proprietary Fund Types | | Fiduciary Fund Types | | Total (Memorandum Only) |
|------------------------|---------------------|----------------------|------------------------|-------------------------------|
| Enterprise | Internal Service | Pension Trust | Nonexpendable Trust | |
| \$ 0 | \$ 0 | \$ 96,830 | \$ 325 | \$ 97,155 |
| 98,603 | 0 | 0 | 0 | 98,603 |
| 170,846 | 20,948 | 66 | 33 | 191,893 |
| 0 | 23,506 | 73,088 | 0 | 96,594 |
| 2,812 | 0 | 0 | 0 | 2,812 |
| 25,268 | 18,855 | 0 | 0 | 44,123 |
| 1,117 | 316 | 0 | 17 | 1,450 |
| ----- | ----- | ----- | ----- | ----- |
| 298,646 | 63,625 | 169,984 | 375 | 532,630 |
| ----- | ----- | ----- | ----- | ----- |
| 0 | 17,536 | 58,122 | 0 | 75,658 |
| 114,793 | 16,513 | 0 | 0 | 131,306 |
| 0 | 14,894 | 0 | 0 | 14,894 |
| 47,651 | 0 | 0 | 0 | 47,651 |
| 876 | 0 | 0 | 0 | 876 |
| 55,241 | 6,170 | 3,790 | 0 | 65,201 |
| 20,739 | 5,439 | 0 | 0 | 26,178 |
| 0 | 0 | 0 | 8 | 8 |
| ----- | ----- | ----- | ----- | ----- |
| 239,300 | 60,552 | 61,912 | 8 | 361,772 |
| ----- | ----- | ----- | ----- | ----- |
| 59,346 | 3,073 | 108,072 | 367 | 170,858 |
| ----- | ----- | ----- | ----- | ----- |
| 37,836 | 313 | 0 | 0 | 38,149 |
| 284 | 0 | 0 | 0 | 284 |
| 585 | 0 | 0 | 0 | 585 |
| -1,682 | 0 | 0 | 0 | -1,682 |
| 421 | 453 | 0 | 0 | 874 |
| -5,164 | -7 | 0 | 0 | -5,171 |
| ----- | ----- | ----- | ----- | ----- |
| 32,280 | 759 | 0 | 0 | 33,039 |
| ----- | ----- | ----- | ----- | ----- |
| 91,626 | 3,832 | 108,072 | 367 | 203,897 |
| ----- | ----- | ----- | ----- | ----- |
| 0 | 14 | 0 | 0 | 14 |
| 129 | 4,679 | 0 | 0 | 4,808 |
| -14 | 0 | 0 | 0 | -14 |
| -4,521 | -190 | 0 | -586 | -5,297 |
| ----- | ----- | ----- | ----- | ----- |
| 87,220 | 8,335 | 108,072 | -219 | 203,408 |
| ----- | ----- | ----- | ----- | ----- |
| 484,631 | -8,458 | 930,956 | 4,061 | 1,411,190 |
| ----- | ----- | ----- | ----- | ----- |
| \$ 571,851 | \$ -123 | \$ 1,039,028 | \$ 3,842 | \$ 1,614,598 |
| ===== | ===== | ===== | ===== | ===== |

THE CITY OF SAN DIEGO

ANNUAL FINANCIAL REPORT

COMBINED STATEMENT OF CASH FLOWS
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
 Year Ended June 30, 1991
 (In Thousands)

| | Proprietary Fund Types | | Fiduciary Fund Type | Total (Memorandum Only) |
|--|------------------------|---------------------|------------------------|-------------------------------|
| | Enterprise | Internal Service | Nonexpendable Trust | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | \$ 59,346 | \$ 3,073 | \$ 367 | \$ 62,786 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities: | | | | |
| Earnings on Investments Included in Operating Income | 0 | 0 | -325 | -325 |
| Reverse Repurchase Agreement Expense Included in Operating Income | 0 | 0 | 7 | 7 |
| Depreciation and Amortization | 20,739 | 5,439 | 0 | 26,178 |
| Changes in Assets and Liabilities: | | | | |
| (Increase) Decrease in Receivables: | | | | |
| Accounts and Special Assessments - Net | -5,236 | -6 | 1 | -5,241 |
| Claims - Net | 0 | 2 | 0 | 2 |
| Notes | 59 | 0 | 0 | 59 |
| From Other Funds | -312 | 0 | 0 | -312 |
| (Increase) Decrease in Inventories | 1,203 | 364 | 0 | 1,567 |
| (Increase) Decrease in Prepaid and Reimbursable Items and Deposits | | | | |
| | -200 | -40 | 0 | -240 |
| Increase (Decrease) in Accounts Payable | 24,509 | -189 | 0 | 24,320 |
| Increase (Decrease) in Accrued Wages and Benefits .. | 1,493 | 587 | 0 | 2,080 |
| Increase (Decrease) in Other Accrued Liabilities .. | 301 | 0 | 0 | 301 |
| Increase (Decrease) in Liability Claims | 1,744 | -1,175 | 0 | 569 |
| Increase (Decrease) in Deferred Revenue | -2,657 | -118 | -1 | -2,776 |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | | | |
| | 100,989 | 7,937 | 49 | 108,975 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Operating Transfers from (to) | -14 | 14 | 0 | 0 |
| Transfers from (to) Governmental Funds | -4,392 | 4,489 | -586 | -489 |
| Operating Grants Received | 1,355 | 0 | 0 | 1,355 |
| Other Nonoperating Revenue | 508 | 38 | 0 | 546 |
| Proceeds from (Payments for) Advances and Deposits | -2,787 | 4,392 | 0 | 1,605 |
| NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES | | | | |
| | -5,330 | 8,933 | -586 | 3,017 |

See Notes to Financial Statements

Continued on next page

THE CITY OF SAN DIEGO

ANNUAL FINANCIAL REPORT

COMBINED STATEMENT OF CASH FLOWS
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
 Year Ended June 30, 1991
 (In Thousands)

| | Proprietary Fund Types | | Fiduciary | Total |
|---|------------------------|------------------|---------------------|-------------------|
| | Enterprise | Internal Service | Nonexpendable Trust | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from Issuance of Long-Term Debt | \$ 10,924 | \$ 0 | \$ 0 | \$ 10,924 |
| Cost of Issuance of Long-Term Debt | -556 | 0 | 0 | -556 |
| Proceeds from Contributed Capital | 20,404 | 0 | 0 | 20,404 |
| Acquisition of Fixed Assets | -94,907 | -11,522 | 0 | -106,429 |
| Proceeds from the Sale of Fixed Assets | 428 | 593 | 0 | 1,021 |
| Principal Paid on Long-Term Debt | -7,078 | 0 | 0 | -7,078 |
| Interest Paid on Long-Term Debt | -1,722 | 0 | 0 | -1,722 |
| NET CASH PROVIDED BY (USED FOR) | | | | |
| CAPITAL AND RELATED FINANCING ACTIVITIES | -72,507 | -10,929 | 0 | -83,436 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Net Change of Investments/Obligations Under | | | | |
| Reverse Repurchase Agreements | -46,317 | -3,025 | 98 | -49,244 |
| Interest and Dividends Received on Investments | 36,598 | 295 | 321 | 37,214 |
| Reverse Repurchase Agreement Interest Paid | -5,393 | -45 | -7 | -5,445 |
| NET CASH PROVIDED BY (USED FOR) | | | | |
| INVESTING ACTIVITIES | -15,112 | -2,775 | 412 | -17,475 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 8,040 | 3,166 | -125 | 11,081 |
| Cash and Cash Equivalents at July 1, 1990 | 463,957 | 39,043 | 1,307 | 504,307 |
| CASH AND CASH EQUIVALENTS AT JUNE 30, 1991 | \$ 471,997 | \$ 42,209 | \$ 1,182 | \$ 515,388 |

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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1991

1. SUMMARY OF SIGNIFICANT POLICIES

The City of San Diego (the "City") adopted its charter on April 7, 1931 and operates as a municipality in accordance with State laws. The City is governed by an elected nine member City Council, including the Mayor. Residents of the City are provided with a wide range of services including parks, recreation, police, fire, water and sewer services.

The accounting policies of the City conform to generally accepted accounting principles ("GAAP") applicable to governmental units. The following is a summary of the more significant of such policies:

A. Scope of Financial Reporting Entity

The City has defined its reporting entity in accordance with criteria prescribed by the Governmental Accounting Standards Board ("GASB"), which provide guidance for determining which governmental activities, organizations and functions should be included in the City's reporting entity.

The criteria for inclusion in the Comprehensive Annual Financial Report ("CAFR") of such information is generally based on the ability of the City to exercise oversight responsibility over such activities, organizations and functions. Such oversight responsibility is considered to mean the existence of financial interdependency and the ability to appoint governing boards, to designate management, the ability to significantly influence operations, to approve annual operating budgets or to control day to day operations. In analyzing the City's broad scope of operations, City management has determined that the City exercises such oversight responsibility over the following other entities:

- . Automated Regional Justice Information System (a joint-powers agency)
- . Centre City Development Corporation
- . City of San Diego Metropolitan Transit Development Board ("MTDB") Authority (a joint-powers agency)
- . Redevelopment Agency of the City of San Diego
- . San Diego Convention Center Corporation, Inc.
- . San Diego Data Processing Corporation
- . San Diego Festivals, Inc.
- . San Diego Housing Authority
- . San Diego Industrial Development Authority
- . San Diego Open Space Park Facilities District #1

- . San Diego Planetarium Authority (a joint-powers agency)
- . San Diego Stadium Authority (a joint-powers agency)
- . Southeast Economic Development Corporation
- . San Ysidro Revitalization Project

B. Basis of Presentation

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/retained earnings, revenues and expenditures/expenses. The various funds are summarized by type in the financial statements. The following fund types and account groups are used by the City:

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in Proprietary Fund Types) are accounted for through Governmental Fund Types. The measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination. The following are the City's Governmental Fund Types:

- . General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.
- . Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than those for expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.
- . Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.
- . Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Fund Types and certain trust funds).

PROPRIETARY FUND TYPES

Proprietary Fund Types are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and changes in financial position. The following are the City's Proprietary Fund Types:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

FIDUCIARY FUND TYPES

Fiduciary Fund Types are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds:

Trust and Agency Funds - Trust and Agency Funds include Expendable, Nonexpendable, Pension Trust and Agency Funds. Nonexpendable and Pension Trust Funds are accounted for and reported in the same manner as Proprietary Fund Types since capital maintenance is critical. Expendable Trust and Agency Funds are accounted for and reported similar to Governmental Fund Types.

ACCOUNT GROUPS

Account Groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt. The following are the City's account groups:

· General Fixed Assets Account Group - This account group is established to account for all fixed assets of the City, other than those accounted for in the Proprietary Fund Types.

· General Long-Term Debt Account Group - This account group is established to account for all long-term debt of the City, except for that accounted for in the Proprietary Fund Types.

C. Basis of Accounting

Governmental Fund Types, Expendable Trust and Agency Funds

The modified accrual basis of accounting is followed in the Governmental Fund Types, Expendable Trust and Agency Funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues which are considered susceptible to accrual include real and personal property taxes, interest and state and federal grants and subventures. In applying the susceptible to accrual concept to state and federal revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

Other local taxes, licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Expenditures are recognized when the related fund liability is incurred except for (1) principal and interest in general long-term debt which are recognized when due; and (2) employee annual leave and claims and judgments from litigation and self-insurance which are recorded in the period due and payable since such amounts will not currently be liquidated with expendable available financial resources.

Proprietary Fund Types, Pension Trust and Nonexpendable Trust Funds

The accrual basis of accounting is used in all Proprietary Fund Types, Pension Trust and Nonexpendable Trust Funds. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred. Estimated unbilled revenues from the Water and Sewer Utility (Enterprise) Funds are recognized at the end of each fiscal year. This estimated amount is based on billings during the month following the close of the fiscal year.

D. Property Taxes

The County of San Diego (the "County") bills and collects property taxes on behalf of numerous special districts and incorporated cities, including the City. The City's collection of current year's taxes are received through periodic apportionments from the County.

The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on March 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-79 general property taxes are based either on a flat 1% rate applied to the 1975-76 full value of the property or on 1% of the sales price of any property sold or of the cost of any new construction after the 1975-76 valuation. Taxable values on properties (exclusive of increases related to sales and new construction) can rise at a maximum of 2% per year.

This Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13).

Property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided the taxes are received within 60 days of the end of the fiscal year. Property taxes received after this date are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are not recorded as revenue until collected. The City provides an allowance for uncollected property taxes of 3% of the outstanding balance which is reflective of historical collections.

E. Budgetary Data

General Budget Policies

On or before the first meeting in May of each year the City Manager submits to the City Council a proposed operating and capital improvements budget for the fiscal year commencing July 1. Such budget includes annual budgets for the following funds:

General Fund

Special Revenue Funds:

- Automated Regional Justice Information System
- Centre City Development Corporation
- San Diego Convention Center Corporation
- San Diego Festivals Inc.
- Southeast Economic Development Corporation

City of San Diego Oversight Unit:

- Acquisition, Improvement and Operation

Environmental Growth Funds:

- Two-Thirds Requirement
- One-Third Requirement
- Police Decentralization
- Public Transportation
- San Diego Jack Murphy Stadium Acquisition
- San Diego Jack Murphy Stadium Operations
- Special Gas Tax Street Improvement
- Transient Occupancy Tax
- Zoological Exhibits

Debt Service Funds:

City of San Diego Oversight Unit:

General Obligation Bond Funds:

- Public Safety Communications Project Bonds
- Wild Animal Park Facilities Bonds
- Other General Obligation Bonds
- Penasquitos Sewer Assessment

Capital Projects Funds:

City of San Diego Oversight Unit:

- Capital Outlay
- Special Gas Tax Street Improvement

Public hearings are then conducted to obtain citizen comments on the proposed budget. During the month of July the budget is legally adopted through passage of an appropriation ordinance by the City Council.

The City budget is prepared on the modified accrual basis of accounting except that (1) encumbrances outstanding at year-end are considered as expenditures and (2) the increase/decrease in reserve for advances and deposits to other funds and agencies are considered as additions/deductions of expenditures. Budgets for entities over which the City exercises oversight responsibility (component units) are prepared on the modified accrual basis of accounting plus the recognition of encumbrances outstanding at year-end as expenditures.

The City budget is prepared net of obligations under reverse repurchase agreement interest expense. For budgetary purposes, obligations under reverse repurchase agreement interest expense is considered a reduction of interest earnings.

Budgetary control for the City's General Fund is exercised at the payroll and other expenditures level. Budgetary control for the other budgeted funds, including those of certain component units, is maintained at the total fund appropriation level. All amendments to the adopted budget require City Council approval. However, the Auditor and Comptroller, as directed by the Financial Management Department, is authorized during the year to transfer amounts not exceeding \$25,000 between departments within the General Fund.

Reported budget figures are as originally adopted or subsequently amended by the City Council plus prior year continuing appropriations. Such budget amendments during the year, including those related to supplemental appropriations, did not cause these reported budget amounts to be significantly different than the originally adopted budget amounts. Appropriations lapse at year-end to the extent that they have not been expended or encumbered.

The following is a reconciliation of the excess (deficiency) of revenues over expenditures prepared on the GAAP basis to that prepared on the budgetary basis (in thousands):

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Debt Service Funds</u> | <u>Capital Projects Funds</u> |
|--|-------------------------|--------------------------------------|-----------------------------------|---------------------------------------|
| Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis | \$ (8,777) | \$ 21,530 | \$ (952) | \$ 12,437 |
| Deduct - Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses - GAAP Basis for Non-Budgeted Funds | 0 | (12,640) | 580 | (27,143) |
| Budgeted Funds: | | | | |
| Deduct: | | | | |
| Encumbrances Outstanding, June 30, 1991 | (10,559) | (14,342) | 0 | (10,815) |
| Reserved for Advances and Deposits, June 30, 1991 | (26,847) | (1,177) | 0 | 0 |
| Add - Reserved for Advances and Deposits, June 30, 1990 | <u>25,447</u> | <u>988</u> | <u>0</u> | <u>120</u> |
| Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses - Budgetary Basis | <u>\$ (20,736)</u> | <u>\$ (5,641)</u> | <u>\$ (372)</u> | <u>\$ (25,401)</u> |

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the budgeted Governmental Fund Types.

Encumbrances outstanding at year-end are reported as reservations of fund balances since the commitments will be honored through subsequent years' continuing appropriations. Encumbrances do not constitute expenditures or liabilities for GAAP reporting purposes.

F. Investments

Investments, except for those in the deferred compensation plan (see Note 9), are stated at cost or amortized cost which approximates market. Gains or losses on investments are recognized upon sale of the investments.

G. Inventories

Inventories, which consist of both water in storage and operating supplies, are valued at the lower of cost or market. Such inventories are expensed when consumed.

H. Restricted Assets

Proceeds from debt issuances and funds set aside for payment of Enterprise Fund revenue bonds and San Diego Housing Authority deposits servicing low interest construction and rehabilitation loans made by the bank are classified as restricted assets since their use is limited by applicable bond indentures.

I. Fixed AssetsGeneral Fixed Assets

General fixed assets are those acquired for general governmental purposes. Assets purchased are recorded as expenditures in the Governmental Fund Types and capitalized at cost in the General Fixed Assets Account Group. Donated fixed assets are recorded in general fixed assets at estimated fair market value at the time received. Certain assets for which actual costs are not practically determined have been valued on the basis of a professional valuation which determined their estimated historical cost.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, pools, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City. Therefore, the purpose of stewardship and cumulative accountability for capital expenditures is satisfied without recording these assets.

No depreciation has been provided on general fixed assets.

Proprietary Fund Type Fixed Assets

Fixed assets owned by the Proprietary Fund Types are stated at cost if purchased or constructed, or at estimated fair market value if received as a donation. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

| | |
|--|-------------|
| Structures and improvements | 30-40 years |
| Plants, dams, canals, laterals and equipment | 5-150 years |

J. Short-term Debt

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. On August 1, 1990, the City sold tax anticipation notes in the aggregate principal amount of \$49,000,000 due and repaid on June 28, 1991 and secured by a pledge of the City's share of property taxes and other unrestricted moneys received and attributable to the 1990-91 fiscal year. The City has never defaulted on the payment of the principal and interest on any of its short-term obligations. (See Note 18)

K. Interagency Current Receivables, Payables and Long-Term Debt

For reporting purposes, the City considers interagency long-term loans to be operating transfers. Accordingly, "loans receivable" are classified as "transfers out" while "loans payable" are classified as "transfers in". Interest on loans are recorded only when due. Loan amounts, including interest, are noted in the footnotes to this report. When loans are repaid, such transactions are also recorded as "transfers out" (typically from the Debt Service Fund) and "transfers in," and the loan balance is reduced in the footnotes. Interagency current receivables and payables are classified as accounts "receivable from" and "due to" other funds (See Note 7).

L. Long-term Liabilities

Long-term liabilities expected to be financed in future years from Governmental Fund Types are accounted in the General Long-Term Debt Account Group. Long-term liabilities of all Proprietary Fund Types are accounted for in their respective funds.

M. Employee Annual Leave

The City provides combined annual leave to cover both vacation and sick leave. It is the City's policy to permit employees in the Fire Department to accumulate up to 21 weeks of earned but unused annual leave, employees eligible for the Management Benefits Plan to accumulate up to 17.5 weeks of earned but unused annual leave and all other employees to accumulate up to 15 weeks of earned but unused annual leave. Accumulation of these earnings will be paid to employees upon separation from service. Excess accumulated annual leave amounts not used by employers are forfeited on an annual basis.

In addition, sick leave earned through August 1981 by employees hired prior to July 1, 1975 is payable upon separation under the following conditions: (1) 50% of the employee's accrued amount upon retirement or death, or (2) 25% of the employee's accrued amount upon resignation.

In Governmental Fund Types and Expendable Trust Funds the costs for annual leave are anticipated to be long-term in nature and, accordingly, the liability for accumulated unpaid benefits are recorded in the General Long-Term Debt Account Group which recognizes the City's obligation to fund such costs from future operations. Expenditures of the current year represent payments made to employees. In Proprietary Fund Types, annual leave benefits are recorded as a liability in the period earned.

N. Claims and Judgments

In Governmental Fund Types the costs of claims and judgments are recorded as expenditures when payments are made. The liability for anticipated future claims is recorded in the General Long-Term Debt Account Group in recognition of the City's obligation to fund such costs from future operations. In Proprietary Fund Types the costs of claims and judgments are recorded when the liability is incurred and measurable.

O. Fund Equity

Portions of fund equity have been reserved for specific purposes. Reservations were created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures.

Designated fund balance indicates that portion of fund equity for which the City has made tentative plans.

Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods.

P. Statement of Cash Flows

In 1991, the City adopted, prospectively, Governmental Accounting Standards Board ("GASB") Statement No. 9, "Statement of Cash Flows". All of the related City's "Cash or Equity in Pooled Cash and Investments" and "Cash with Custodian/Fiscal Agent" are classified as cash and cash equivalents.

Q. Total Columns on Combined Statements

Amounts in the "Total - Memorandum Only" column in the combined financial statements are presented to aggregate financial data. The total includes fund types and account groups that use different bases of accounting and the captions "Amount Available for Payment of General Long-Term Debt" and "Amount to be Provided for Retirement of Long-Term Debt" which are not assets in the usual sense. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. PRIOR PERIOD ADJUSTMENT

In accordance with governmental GAAP the financial statements of the Redevelopment Agency of the City of San Diego's Special Revenue fund and Capital Projects fund for the year ended June 30, 1990 have been restated to reflect a change in accounting related to the reclassification of land held for resale from the General Fixed Asset Account Group to "Land Held for Resale" in the respective fund type. A summary of the restatements is as follows (in thousands):

| <u>Fund Type</u> | <u>Beginning Fund Balances As Previously Reported</u> | <u>Adjustment</u> | <u>Beginning Fund Balances, As Restated</u> | <u>Effect on Excess of Revenues Over Expenditures for the year ended June 30, 1990</u> |
|---|---|-------------------|---|--|
| Special Revenue | <u>\$ 75,660</u> | <u>\$ 968</u> | <u>\$ 76,628</u> | <u>\$ 968</u> |
| Redevelopment Agency of the City of San Diego | <u>\$ 4,050</u> | <u>\$ 968</u> | <u>\$ 5,018</u> | <u>\$ 968</u> |
| Capital Projects | <u>\$240,743</u> | <u>\$ 13,306</u> | <u>\$254,049</u> | <u>\$ 13,306</u> |
| Redevelopment Agency of the City of San Diego | <u>\$ 27,219</u> | <u>\$ 13,306</u> | <u>\$ 40,525</u> | <u>\$ 13,306</u> |
| <u>Account Group</u> | | | | |
| General Fixed Assets | <u>\$673,819</u> | <u>\$(14,147)</u> | <u>\$659,672</u> | <u>\$(14,147)</u> |

3. CASH AND INVESTMENTS

As provided for by the Government Code, the cash balance of substantially all funds are pooled and invested by the City Treasurer for the purpose of increasing interest earnings through investment activities. The respective funds' shares of the total pooled cash and investments are included in the accompanying combined balance sheet under the caption "Cash or Equity in Pooled Cash and Investments." Interest earned on pooled investments is deposited to certain of the participating funds based upon each fund's average daily deposit balance during the allocation period with all remaining interest deposited to the General Fund.

"Cash With Custodian/Fiscal Agent" represents funds held by bank trustees on behalf of the City and its component units. For several component units, the purpose of these accounts is to invest cash related to certain outstanding long-term debts and to distribute principal and interest payments to debtholders. For other component units and the City, the purpose of these accounts is solely to distribute principal and interest payments to debtholders.

"Investments at Cost" in the combined balance sheet represent Pension Trust Fund investments, deferred compensation investments, and various special revenue, debt service, capital projects and miscellaneous trust fund investments.

Aggregate cash or equity in pooled cash and investments, cash with custodian/fiscal agent, and investments at cost, is as follows at June 30, 1991 (in thousands):

| | <u>Total</u> |
|---|--------------------|
| Cash or Equity in Pooled Cash and Investments | \$1,129,903 |
| Cash with Custodian/ Fiscal Agent | 4,347 |
| Investments at Cost | 1,063,521 |
| Restricted Assets | <u>7,950</u> |
| Total | <u>\$2,205,721</u> |

Deposits

At June 30, 1991, the carrying amount of the City's cash or equity in pooled cash deposits (cash, non-negotiable certificates of deposit and money market funds) was approximately \$87,412,000 and the balance per various financial institutions was approximately \$98,932,000. Of the balance in financial institutions, approximately \$1,211,000 was covered by federal depository insurance and approximately \$97,721,000 was uninsured. Such uninsured deposits are with financial institutions which are individually legally required to have government deposits collateralized with government securities held by the pledging financial institution, or by its trust department or agent. The market value of such pledged securities must equal at least 110% of the government's deposits. Such collateral is considered to be held in the City's name.

At June 30, 1991, "Cash with Custodian/Fiscal Agent" (approximately \$4,347,000) was held by the trust departments of various banks and was not covered by federal depository insurance or collateralized by securities owned by the bank.

Investments

In accordance with the charter of the City of San Diego and under authority granted by the City Council, the City Treasurer is responsible for investing the unexpended cash in the City treasury. This investment policy applies to all of the investment activities of the City, except for the Pension Trust Funds (for which policies are noted below), the proceeds of certain debt issues which are managed and invested by trustees appointed under indenture agreements and the assets of trust funds which are placed in the custody of the Funds Commission by Council ordinance. All financial assets of all other funds are administered in accordance with the provisions noted here.

The City may transact business only with banks, savings and loans, and investment securities dealers who are primary dealers regularly reporting to the New York Federal Reserve Bank. Exceptions to this rule can be made only upon written authorization of the City Treasurer. Authorized cash deposits and investments are governed by state law, as well as by the City's own written investment policy. Within the context of these limitations, permissible investments include (1) obligations of the U.S. government and federal agencies, (2) commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, (3) bankers' acceptances, (4) negotiable and/or non-negotiable certificates of deposit and non-negotiable time deposits issued by a nationally or state chartered bank or a state or federal savings and loan association, (5) repurchase and reverse repurchase agreements, (6) the local agency investment fund established by the state treasurer, (7) financial futures contracts in any of the other authorized investments which are used to offset an existing financial position and not for outright speculation, (8) mortgage securities purchased under an agreement to resell, (9) medium-term corporate notes of a maximum of five years maturity issued by corporations operating within the United States and (10) shares of beneficial interest issued by diversified management companies, as defined in Section 23701m of the Revenue and Taxation Code.

All non-negotiable time certificates of deposit are to be fully collateralized with mortgages or eligible securities in accordance with state law.

In accordance with the Governmental Accounting Standards Board Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements," the City's investments and investments of the Pension Trust Fund are categorized separately below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the agent's nominee name with subsidiary records listing the City as the legal owner. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.

Investments for the Pension Trust Fund are authorized to be made by the Board of Administration of the City Employees' Retirement System in accordance with the charter of the City. The Board is authorized to invest in any bonds or securities which are allowed by general law for savings banks. The Board has further restricted the authorized investments to those believed by independent investment counsel to be appropriate for investment by trust funds operating under the "prudent man" rule as set forth in state law. These investments include, but are not limited to, bonds, notes or other obligations, real estate investments, common stocks, preferred stocks and pooled vehicles. Investments can also be made in financial futures contracts in any of the other authorized investments which are used to offset an existing financial position and not for outright speculation.

City and Pension Trust Fund investments are categorized as follows at June 30, 1991 (in thousands):

| <u>Category 1</u> | <u>Carrying Amount</u> | <u>Market Value</u> |
|--|----------------------------|-------------------------|
| U.S. government securities | \$ 745,464 | \$ 749,520 |
| Bankers' acceptances | 118,597 | 118,599 |
| Negotiable certificates of deposits | 115,168 | 115,220 |
| Commercial paper | 81,948 | 82,185 |
| Corporate notes/bonds | 367,445 | 368,173 |
| Common stock | 275,927 | 344,446 |
| Mortgage Notes | 19,283 | 19,329 |
| Real Estate | 9,524 | 9,556 |
| Repurchase agreements | 29,980 | 29,980 |
| Other | <u>28,757</u> | <u>30,088</u> |
| Subtotal | <u>1,792,093</u> | <u>1,867,096</u> |

| <u>Category 2</u> | | |
|---|---------------|---------------|
| U.S. government securities | 36,447 | 36,320 |
| Negotiable certificates of deposits | | |
| Corporate notes/bonds | 489 | 484 |
| Common stock | 1,320 | 2,230 |
| Investment in U.S. government securities Futures Contracts | 37,669 | 37,669 |
| Other | <u>3,122</u> | <u>3,122</u> |
| Subtotal | <u>79,047</u> | <u>79,825</u> |

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| <u>Not Categorized</u> | <u>Carrying Amount</u> | <u>Market Value</u> |
|--|----------------------------|-------------------------|
| Investment with California Local Agency Investment Fund | 35,230 | 35,230 |
| Investment held by Brokers-dealers under reverse repurchase agreements: | | |
| U.S. government securities | 147,907 | 148,960 |
| Mutual Funds | 23,775 | 23,775 |
| Deferred Compensation | <u>35,910</u> | <u>35,910</u> |
| Subtotal | <u>242,822</u> | <u>243,875</u> |
| Total Investments | <u>\$2,113,962</u> | <u>\$2,190,796</u> |

Summary of Deposits and Investments

Following is a summary of the carrying amount of deposits and investments at June 30, 1991 (in thousands):

| | |
|--------------------------------------|---------------------|
| Deposits | \$ 87,412 |
| Cash with custodian/ fiscal agent | 4,347 |
| Investments | <u>2,113,962</u> |
| Total | <u>\$ 2,205,721</u> |

Reverse Repurchase Agreements

Investment policies permit the City to enter into reverse repurchase agreements which is a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received providing the dealers a margin against a decline in the market value of the securities. If the dealers default on their obligations to resell these securities to the City or provide securities of cash or equal value, the City could suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the reverse repurchase agreement obligation, including accrued interest payable. There was no such credit exposure at year-end. Interest expense was incurred under reverse repurchase agreements in the amount of \$13,500,000 for the year ended June 30, 1991.

Financial Futures Contracts

Investment policies permit the Pension Trust Fund to invest in financial futures contracts. Financial futures contracts, which are recorded at market value, are not hedges of existing assets, and changes in the market value of the contract result in recognition of a gain or loss. The carrying value at June 30, 1991 of financial futures contracts was \$37,669,000.

The City's obligation under its financial futures contracts totalled \$37,669,000 at June 30, 1991 and are included in accounts payable of the Pension Trust Funds.

4. FIXED ASSETS

General Fixed Assets

A summary of changes in general fixed assets for the year ended June 30, 1991 is as follows (in thousands):

| | Balance July 1, 1990 (as restated) | Additions | Adjustments Transfers | Deletions | Balance June 30, 1991 |
|--------------------------------|--|------------------|--------------------------|-------------------|--------------------------|
| Land | \$ 226,696 | \$ 22,179 | \$ (3,318) | \$ (1,074) | \$ 244,483 |
| Structures and improvements | 295,820 | 7,105 | (1,119) | (339) | 301,467 |
| Equipment | <u>92,063</u> | <u>16,895</u> | <u>(76)</u> | <u>(9,148)</u> | <u>99,734</u> |
| Subtotal | 614,579 | 46,179 | (4,513) | (10,561) | 645,684 |
| Construction in progress | <u>45,093</u> | <u>14,732</u> | <u>66</u> | <u>(22,041)</u> | <u>37,850</u> |
| Total | <u>\$ 659,672</u> | <u>\$ 60,911</u> | <u>\$ (4,447)</u> | <u>\$(32,602)</u> | <u>\$ 683,534</u> |

Proprietary Fund Type Fixed Assets

A summary of Proprietary Fund Type Fixed Assets at June 30, 1991 is as follows (in thousands):

| | Enterprise Funds | Internal Service Funds |
|---|---------------------|---------------------------|
| Land | \$ 3,766 | |
| Structures and improvements | 16,993 | |
| Plants, dams, canals, laterals and equipment | 844,103 | \$ 55,773 |
| Other | 72,566 | |
| Construction in progress | <u>271,179</u> | <u>5,993</u> |
| | 1,208,607 | 61,766 |
| Less - Accumulated depreciation | <u>(243,393)</u> | <u>(30,390)</u> |
| Total, net | <u>\$ 965,214</u> | <u>\$ 31,376</u> |

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5. GENERAL LONG-TERM DEBT

General long-term debt consists of general obligation bonds, special assessment bonds, tax allocation bonds, contracts payable, notes payable, capital lease obligations, liability claims (also see Note 15) and accrued annual leave. A summary of these obligations as recorded in the General Long-Term Debt Account Group as of June 30, 1991 is as follows (in thousands):

| <u>Type of Obligation</u> | <u>Interest Rates</u> | <u>Maturity Date</u> | <u>Original Amount</u> | <u>Balance Outstanding June 30, 1991</u> |
|--|-----------------------|----------------------|------------------------|--|
| <u>General Obligation Bonds:</u> | | | | |
| San Diego Stadium Authority Revenue Bonds issued April 1966 | 3.8-4.0% | 2001 | \$ 27,000 | \$ 13,115 |
| Municipal Improvement Bonds of 1966, Series 1, issued April 1967 | 3.6 | 1992 | 8,000 | 580 |
| San Diego Stadium Authority Revenue Bonds, Series 1983 issued September 1983 | 8.0-11.0 | 2003 | 9,155 | 7,645 |
| Municipal Improvement Bonds of 1966, Series 2, issued April 1968 | 4.5-4.6 | 1993 | 5,000 | 770 |
| Municipal Improvement Bonds of 1966, Series 3, issued December 1968 | 5.0-5.1 | 1994 | 5,000 | 1,120 |
| Municipal Improvement Bonds of 1966, Series 6, issued February 1972 | 5.0 | 1992 | 4,665 | 315 |
| Municipal Improvement of Bonds 1968, issued December 1968 | 4.9-5.1 | 1994 | 3,500 | 820 |
| San Diego Planetarium Revenue Bonds, issued April 1971 | 5.0-7.0 | 1996 | 3,000 | 1,220 |

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| <u>Type of Obligation</u> | <u>Interest Rates</u> | <u>Maturity Date</u> | <u>Original Amount</u> | <u>Balance Outstanding June 30, 1991</u> |
|---|-----------------------|----------------------|--------------------------|--|
| <u>General Obligation Bonds (Cont'd):</u> | | | | |
| Open Space Park Bonds of 1978, Series 79A, issued April 1979 | 6.0-8.0% | 2009 | 15,000 | 15,000 |
| Open Space Park Bonds of 1978, Series 81A, issued March 1981 | 10.0 | 1992 | 15,000 | 400 |
| Open Space Park Bonds of 1978, Series 82A, issued November 1982 | 12.0 | 1994 | 15,000 | 745 |
| Open Space Park Bonds of 1978, Series 86A, issued June 1986 | 7.4-7.6 | 2007 | 20,000 | 20,000 |
| Open Space Park Refunding Bonds of 1986, issued June 1986 | 6.0-7.5 | 2005 | 32,790 | 32,790 |
| Metropolitan Transit Development Board Authority Certificates of Participation of 1988, issued May 1988 | 5.6-7.3 | 2006 | 63,330 | 52,010 |
| Metropolitan Transit Development Board Authority Lease Revenue Bonds of 1989, issued June 1989 | 6.4-6.9 | 2009 | 31,240 | 30,370 |
| Municipal Improvement Bonds of 1991, Issued March 1991 | 5.0-8.0 | 2012 | <u>25,500</u> | <u>25,500</u> |
| Total General Obligation Bonds | | | <u>\$ 283,180</u> | <u>202,400</u> |

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| <u>Type of Obligation</u> | <u>Interest Rates</u> | <u>Maturity Date</u> | <u>Original Amount</u> | <u>Balance Outstanding June 30, 1991</u> |
|---|-----------------------|----------------------|------------------------|--|
| <u>Special Assessment Bonds:</u> | | | | |
| 1915 Act Otay Mesa Road Improvement Bonds, issued June 1966 | 8.2% | 1999 | \$ 1,148 | 555 |
| 1915 Act Via De La Valle Improvement Bonds, issued October 1986 | 6.0-6.8 | 2003 | 2,115 | 1,895 |
| 1915 Act Rio Vista Center Assessment District 1987 Reassessment and Refunding Bonds, issued April 1987 | 6.5-7.7 | 1998 | 1,105 | 650 |
| 1915 Act Alta Vista Annexation Sewer & Water Maintenance 1987 Reassessment & Refunding Bonds, issued April 1987 | 6.0-7.8 | 1999 | 220 | 175 |
| 1915 Act Carroll Canyon Center Assessment District 1987 Reassessment & Refunding Bonds, issued April 1987 | 6.5-7.7 | 1998 | 970 | 290 |
| 1915 Act Lopez Canyon Sewer & Retention Basin 1987 Reassessment & Refunding Bonds, issued April 1987 | 6.5-7.9 | 2000 | 1,750 | 1,325 |
| 1915 Act Mira Mesa Blvd. Assessment District 1987 Reassessment & Refunding Bonds, issued April 1987 | 6.5-7.7 | 1998 | 1,910 | 1,375 |
| 1915 Act Sunset Cliffs Stabilization 1987 Reassessment & Refunding Bonds, issued April 1987 | 6.5-7.7 | 1998 | 560 | 450 |
| 1915 Act First San Diego River Improvement Project Bonds, issued July 1987 | 6.5-7.8 | 2008 | 24,083 | 22,750 |

| <u>Type of Obligation</u> | <u>Interest Rates</u> | <u>Maturity Date</u> | <u>Original Amount</u> | <u>Balance Outstanding June 30, 1991</u> |
|--|-----------------------|----------------------|------------------------|--|
| <u>Special Assessment Bonds (Cont'd):</u> | | | | |
| 1915 Act Otay International Center Improvement Bonds, issued September 1988 | 6.0-8.0% | 2014 | 6,995 | 6,375 |
| 1915 Act De La Fuente Business Park Improvement Bonds, issued April 1989 | 7.0-7.7 | 2014 | 4,897 | 4,820 |
| 1915 Act Sorrento Valley Road Improvement Bonds, issued June 1989 | 6.0-7.0 | 2010 | 1,631 | 1,565 |
| 1915 Act Calle Cristobal Improvement Bonds, issued July 1989 | 6.8-7.0 | 2015 | 19,195 | 19,055 |
| 1915 Act Otay International Center-Phase II Improvement Bonds, issued Sept. 1989 | 6.0-7.4 | 2015 | 12,212 | 12,020 |
| 1915 Act International Business Center Project, issued September 1990 | 6.1-7.4 | 201 | 4,172 | 4,172 |
| 1915 Act Mission Valley Heights, issued September 1990 | 6.5-7.9 | 2016 | <u>8,570</u> | <u>8,570</u> |
| Total Special Assessment Bonds | | | <u>\$ 91,533</u> | <u>86,042</u> |

Tax Allocation Bonds

| | | | | |
|--|---------|------|-----------|--------|
| Horton Plaza Project Tax Allocation Bonds, Series 1977, issued November 1977 | 5.8-6.7 | 2002 | \$ 11,000 | 5,045 |
| Marina Redevelopment Project Tax Allocation Refunding Bonds, Series 1987, issued December 1987 | 6.8-8.8 | 2009 | 19,500 | 18,600 |

| <u>Type of Obligation</u> | <u>Interest Rates</u> | <u>Maturity Date</u> | <u>Original Amount</u> | <u>Balance Outstanding June 30, 1991</u> |
|---|-----------------------|----------------------|------------------------|--|
| <u>Tax Allocation Bonds (Cont'd):</u> | | | | |
| Columbia Redevelopment Project Tax Allocation Refunding Bonds, Series 1987, issued December 1987 | 6.8-8.8% | 2009 | 18,355 | 17,510 |
| Horton Plaza Project Tax Allocation Refunding Bonds Series 1988, issued July 1988 | 5.8-8.1 | 2009 | <u>11,635</u> | <u>11,050</u> |
| Total Tax Allocation Bonds | | | <u>\$ 60,490</u> | <u>52,205</u> |
| Total Bonds Payable | | | | <u>340,647</u> |
| <u>Contracts Payable:</u> | | | | |
| Contract Payable to U.S. Dept. of HUD, dated April 1984 | 7.2-10.2 | 1993 | \$ 6,017 | 1,941 |
| Contract Payable to City of National City, dated March 1987 | 7.5 | 2002 | 3,256 | 4,001 |
| Contract Payable to City of National City, dated March 1987 | 7.5 | 2002 | 2,171 | 1,803 |
| Contract Payable to County of San Diego, dated June 1987 | 11.0 | 2013 | 423 | 106 |
| Contract Payable to DP Partnership, dated May 1988 | 11.0 | 2024 | 389 | 522 |
| Contract Payable to Metropolitan Transit Development Board Authority, dated December 1988 | 11.0 | 1994 | 1,459 | 1,075 |

THE CITY OF SAN DIEGO

ANNUAL FINANCIAL REPORT

| <u>Type of Obligation</u> | <u>Interest Rates</u> | <u>Maturity Date</u> | <u>Original Amount</u> | <u>Balance Outstanding June 30, 1991</u> |
|---|-----------------------|----------------------|------------------------|--|
| <u>Contracts Payable (Cont'd):</u> | | | | |
| Contract Payable to San Diego Convention Center Subcontractor | 0.0% | 1992 | <u>832</u> | <u>158</u> |
| Total Contracts Payable | | | <u>\$ 14,547</u> | <u>9,606</u> |
| <u>Notes Payable:</u> | | | | |
| Note payable to Barratt American, Inc., dated August 1989 | 10.0 | 1992 | \$ 4,999 | 1,178 |
| Notes payable to HUD, Various Dates | Various | Various | 48,351 | 48,500 |
| Note payable to HCD, dated July 1981 | 0.0 | 2013 | 1,405 | 1,405 |
| Note payable to HCD, dated April 1983 | 0.0 | 2015 | 3,149 | 3,149 |
| Mortgage note payable to Bank of America, dated February 1985 | 10.2 | 2025 | 3,656 | 3,598 |
| Mortgage Note Payable to Heartland Savings & Loan Association, dated April 1990 | 10.84 | 1999 | 1,204 | 1,197 |
| Mortgage note payable to First California Bank dated May 1990 | 12.5 | 1991 | 526 | 526 |
| Mortgage note payable to Scripps Bank, dated May 1990 | 12.5 | 1991 | 458 | 458 |
| Mortgage note payable to Scripps Bank, dated May 1990 | 12.5 | 1991 | 457 | 457 |

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ANNUAL FINANCIAL REPORT

| <u>Type of Obligation</u> | <u>Interest Rates</u> | <u>Maturity Date</u> | <u>Original Amount</u> | <u>Balance Outstanding June 30, 1991</u> |
|--|-----------------------|----------------------|------------------------|--|
| <u>Notes Payable (Cont'd):</u> | | | | |
| Mortgage note payable to California Federal, dated June 1990 | 9.75% | 2017 | 410 | 405 |
| Mortgage note payable to Western Financial, dated June 1990 | 10.13 | 2019 | 374 | 374 |
| Balance | | | | |
| Mortgage note payable to World Savings, dated September 1989 | 9.75 | 2018 | 266 | 264 |
| Mortgage note payable to World Savings, dated July 1989 | 9.75 | 2018 | 265 | 264 |
| Mortgage note payable to World Savings, dated July 1989 | 9.75 | 2018 | 265 | 264 |
| Mortgage note payable to California Federal, dated July 1989 | 9.75 | 2016 | 264 | 260 |
| Mortgage note payable to California Federal, dated June 1989 | 9.75 | 2017 | 264 | 259 |
| Mortgage note payable to California Federal, dated July 1989 | 9.75 | 2017 | 262 | 258 |
| Mortgage note payable to World Savings, dated July 1989 | 9.75 | 2018 | 257 | 257 |
| Notes payable to HCD, dated November 1986 | 3.0 | Various | 155 | 155 |
| Notes payable to HCD, dated April 1981 | 3.0 | Various | 20 | 20 |
| Notes payable to HCD, dated November 1980 | 3.0 | Various | 20 | 20 |

THE CITY OF SAN DIEGO

ANNUAL FINANCIAL REPORT

| <u>Type of Obligation</u> | <u>Interest Rates</u> | <u>Maturity Date</u> | <u>Original Amount</u> | <u>Balance Outstanding June 30, 1991</u> |
|---|-----------------------|----------------------|-------------------------|--|
| <u>Notes Payable (Cont'd):</u> | | | | |
| Notes payable to HCD, dated October 1980 | 3.0% | Various | 10 | 10 |
| Notes payable to HCD, dated May 1980 | 3.0 | Various | 6 | 6 |
| Note payable to California Dept. of Transportation, dated June 1987 | 10.5 | 1997 | 2,341 | 1,680 |
| Note payable to GMAC, dated 1988 | 3.0 | Various | 11 | 11 |
| Mortgage note payable to California Federal, dated July 1990 | 9.75 | 2017 | 404 | 401 |
| Mortgage note payable to California Federal, dated July 1990 | 9.75 | 2017 | 259 | 257 |
| Mortgage note payable to California Federal, dated July 1990 | 9.75 | 2017 | 251 | 249 |
| Mortgage note payable to California Federal, dated July 1990 | 9.75 | 2017 | 251 | 249 |
| Note payable to Conrad Prebys, dated July 1990 | 12.0 | 1992 | 248 | 248 |
| Mortgage note payable to Imperial Savings Bank, dated June 1989 | 9.17 | 2016 | 240 | 233 |
| Note payable to Conrad Prebys, dated July 1990 | 12.0 | 1992 | 156 | 156 |
| Note payable to Conrad Prebys, dated July 1990 | 12.0 | 1992 | <u>156</u> | <u>156</u> |
| Total Notes Payable | | | <u>\$ 71,360</u> | <u>66,924</u> |

| <u>Type of Obligation</u> | <u>Interest Rates</u> | <u>Maturity Date</u> | <u>Original Amount</u> | <u>Balance Outstanding June 30, 1991</u> |
|---|-----------------------|----------------------|------------------------|--|
| <u>Capital Lease Obligations:</u> | | | | |
| Capital lease for office equipment, Various Dates | Various | Various | 66 | 66 |
| Capital lease for waste disposal equipment, dated February 1991 | 11.0% | 1993 | <u>102</u> | <u>58</u> |
| Total Capital Lease Obligations | | | <u>\$ 168</u> | <u>124</u> |
| Liability Claims | | | | 21,000 |
| Accrued Annual Leave | | | | <u>34,202</u> |
| Total General Long-Term Debt | | | | <u>\$ 472,503</u> |

The following is a summary of changes in general long-term debt for the year ended June 30, 1991 (in thousands):

| | Balance <u>July 1, 1990</u> | <u>Additions</u> | <u>Retirements</u> | Balance <u>June 30, 1991</u> |
|---------------------------|--------------------------------|----------------------|------------------------|---------------------------------|
| General obligation bonds | \$ 184,545 | \$ 25,500 | \$ (7,645) | \$ 202,400 |
| Special assessment bonds | 75,761 | 12,742 | (2,461) | 86,042 |
| Tax allocation bonds | 54,195 | 0 | (1,990) | 52,205 |
| Contracts payable | 11,227 | 623 | (2,244) | 9,606 |
| Notes payable | 68,251 | 2,926 | (4,253) | 66,924 |
| Capital lease obligations | 1,195 | 60 | (1,131) | 124 |
| Liability claims | 17,881 | 3,119 | 0 | 21,000 |
| Accrued annual leave | <u>32,499</u> | <u>1,923</u> | <u>(220)</u> | <u>34,202</u> |
| Total | <u>\$ 445,554</u> | <u>\$ 46,893</u> | <u>\$ (19,944)</u> | <u>\$ 472,503</u> |

The City is obligated to levy and collect taxes for payment of principal and interest on the General Obligation bonds. Certain bonds may be called at specified premiums.

The special assessment bonds were issued by the City to provide funds to make certain improvements in special assessment districts created by the City. The obligations are payable from property assessments against benefiting property owners for which liens have been attached. In the event of delinquencies in the payment of the property owners' installments, the City, in the absence of any other bidder, is obligated, by deposits from available surplus funds in the applicable Redemption Fund, to purchase at delinquent reassessment sales and pay future delinquent installments of reassessments and interest thereon until the land is resold or the applicable Bonds are redeemed.

The annual requirements to amortize such long-term debt outstanding as of June 30, 1991, including interest payments to maturity, are as follows (in thousands):

| <u>Year Ending June 30,</u> | <u>General Obligation Bonds</u> | <u>Special Assessment Bonds</u> | <u>Tax Allocation Bonds</u> | <u>Contracts Payable</u> | <u>Notes Payable</u> | <u>Capital Lease Obligations</u> |
|--|---|---|-------------------------------------|------------------------------|--------------------------|--|
| 1992 | \$ 19,913 | \$ 8,594 | \$ 5,955 | \$ 2,332 | \$ 3,770 | \$ 56 |
| 1993 | 21,334 | 8,765 | 5,953 | 1,903 | 547 | 39 |
| 1994 | 21,485 | 8,723 | 5,950 | 3,340 | 565 | 15 |
| 1995 | 20,781 | 8,706 | 5,950 | 2,478 | 586 | 15 |
| 1996 | 20,855 | 8,713 | 5,951 | 263 | 608 | 18 |
| 1997-2001 | 103,573 | 40,719 | 29,154 | 1,272 | 1,429 | 0 |
| 2002-2006 | 102,193 | 38,352 | 25,957 | 303 | 784 | 0 |
| Thereafter | <u>33,749</u> | <u>50,911</u> | <u>15,576</u> | <u>378</u> | <u>59,300</u> | <u>0</u> |
| Subtotal | 343,883 | 173,483 | 100,446 | 12,269 | 67,589 | 143 |
| Less-Amounts representing interest | <u>141,483</u> | <u>87,441</u> | <u>48,241</u> | <u>2,663</u> | <u>665</u> | <u>19</u> |
| Total | <u>\$ 202,400</u> | <u>\$ 86,042</u> | <u>\$ 52,205</u> | <u>\$ 9,606</u> | <u>\$66,924</u> | <u>\$ 124</u> |

Prior-Years' Defeasance of Debt

In prior years, the City, the Redevelopment Agency of the City of San Diego and the Open Space Park defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 1991, \$81,130,000 of such defeased bonds are still outstanding.

6. PROPRIETARY FUND TYPE LONG-TERM DEBT

Proprietary Fund Type long-term debt as of June 30, 1991 is comprised of the following (in thousands):

| <u>Type of Obligation</u> | <u>Interest Rates</u> | <u>Maturity Date</u> | <u>Original Amount</u> | <u>Balance Outstanding June 30, 1991</u> |
|--|-----------------------|----------------------|------------------------|--|
| <u>Sewer Revenue Bonds:</u> | | | | |
| Sewer Revenue Bonds of 1961, issued June 1961 | 4.0% | 1998 | \$ 42,500 | \$ 8,711 |
| Sewer Revenue Bonds 1966 Series A, issued May 1968 | 4.8-5.0 | 1998 | 5,000 | 3,505 |
| Sewer Revenue Bonds 1966 Series B, issued September 1968 | 5.1 | 1998 | <u>10,000</u> | <u>5,080</u> |
| Total Sewer Revenue Bonds | | | <u>\$ 57,500</u> | <u>17,296</u> |
| <u>Notes Payable:</u> | | | | |
| Note payable to insurance company, dated August 1980 | 10.0 | 2011 | \$ 1,200 | 707 |
| Note payable to bank, dated February 1990 | 8.0 | 1993 | 316 | 167 |
| Notes payable to bank, dated August 1990 | 8.5 | 1992 | 500 | 21 |
| Note payable to bank, dated March 1991 | 6.8 | 1993 | <u>664</u> | <u>581</u> |
| Total Notes Payable | | | <u>\$ 2,680</u> | <u>1,476</u> |
| <u>General Obligation Bond:</u> | | | | |
| Certificates of Participation dated September 1990 | 7.3 | 1991 | <u>\$ 9,205</u> | <u>9,205</u> |

| <u>Type of Obligation</u> | <u>Interest Rates</u> | <u>Maturity Date</u> | <u>Original Amount</u> | <u>Balance Outstanding June 30, 1991</u> |
|--|-----------------------|----------------------|------------------------|--|
| <u>Contracts Payable:</u> | | | | |
| Installment Purchase Contracts | 7.1% | 1992 | \$ 6,309 | 1,548 |
| Contract payable to U.S. Dept. of Interior, dated October 1934 | 3.0-6.0 | 1993 | 466 | 42 |
| Contract payable to County of San Diego, various dates | Various | Various | 100 | 100 |
| Other contracts payable, various dates | Various | Various | <u>41</u> | <u>41</u> |
| Total Contracts Payable | | | <u>\$ 6,916</u> | <u>1,731</u> |
| Total Proprietary Fund Type Debt | | | | <u>\$ 29,708</u> |

The sewer revenue bonds may be redeemed prior to maturity at specified dates and at certain premiums. A sinking fund has been established for the sewer revenue bonds whereby sufficient funds must be set aside to purchase or call and redeem the bonds in minimum annual principal amounts of \$1,300,000 through 1998. The bond ordinances limit additional revenue debt financing, preclude further encumbering of the sewer user charge revenue and prohibits the disposition or lease of the enterprise plant in service, unless certain conditions are met in each instance. The management of the City is of the opinion that all significant bond covenant requirements have been met.

The City Charter provides that the bonded indebtedness for the development, conservation and furnishing of water cannot exceed 15% of the most recent assessed valuation of all real and personal property of the City subject to direct taxation, and 10% for other municipal improvements. At June 30, 1991 the limits for the City were \$2,098,720 and \$4,399,147, respectively.

Annual requirements to amortize such long-term debt as of June 30, 1991, including interest payments to maturity are as follows (in thousands):

| Year Ending <u>June 30.</u> | Sewer Revenue <u>Bonds</u> | Notes Payable | General Obligation <u>Bond</u> | Contracts <u>Payable</u> | <u>Total</u> |
|--|----------------------------------|------------------|--------------------------------------|-----------------------------|------------------|
| 1992 | \$ 2,951 | \$ 475 | \$ 1,549 | \$ 1,619 | \$ 6,594 |
| 1993 | 2,948 | 375 | 2,201 | 115 | 5,639 |
| 1994 | 2,956 | 71 | 2,201 | 0 | 5,228 |
| 1995 | 2,952 | 120 | 2,187 | 0 | 5,259 |
| 1996 | 2,954 | 87 | 2,184 | 0 | 5,225 |
| 1997-2001 | <u>5,527</u> | <u>348</u> | <u>927</u> | <u>0</u> | <u>6,802</u> |
| Total | 20,288 | 1,476 | 11,249 | 1,734 | 34,747 |
| Less - Amounts representing interest | <u>2,992</u> | <u>0</u> | <u>2,044</u> | <u>3</u> | <u>5,039</u> |
| Total | <u>\$17,296</u> | <u>\$ 1,476</u> | <u>\$ 9,205</u> | <u>\$ 1,731</u> | <u>\$ 29,708</u> |

7. INTERAGENCY LONG-TERM DEBT

Long-term debt between the City and its component units has been eliminated in this report. During the year, the Redevelopment Agency of the City of San Diego has repaid \$1,092,744 principal and \$2,436,354 interest to the City and the City has advanced \$5,978,584 to the Agency. Interest at 12 percent totaling \$9,805,490 was added to the amount owing for the year. At June 30, 1991, interagency loans (including interest) were as follows (in thousands):

| | <u>Loans Receivable</u> | <u>Loans Payable</u> |
|--|-------------------------|----------------------|
| City of San Diego | \$133,351 | |
| Redevelopment Agency of The City of San Diego | _____ | <u>\$133,351</u> |
| Total | <u>\$133,351</u> | <u>\$133,351</u> |

8. LEASE COMMITMENTS

Operating Leases

The following is a schedule of future minimum rental payments required under operating leases entered into by the City for property that has initial or remaining non-cancelable lease terms in excess of one year as of June 30, 1991 (in thousands):

Year Ending June 30,

| | |
|------------|-----------------|
| 1992 | \$ 5,062 |
| 1993 | 3,543 |
| 1994 | 1,639 |
| 1995 | 1,172 |
| 1996 | 675 |
| Thereafter | <u>202</u> |
| Total | <u>\$12,293</u> |

Rent expense as related to operating leases was approximately \$7,698,000 for the year ended June 30, 1991.

Capital Leases

The City has entered into various capital leases for equipment, vehicles and property. A schedule of future minimum lease payments under capital leases together with the present value of future minimum lease payments as of June 30, 1991 is provided in Note 5 for Governmental Fund Types and Note 6 for Proprietary Fund Types.

Lease Revenues

The City has operating leases for certain land, buildings and facilities with tenants and concessionaires who will provide the following minimum annual lease payments (in thousands):

Years Ending June 30,

| | |
|------------|------------------|
| 1992 | \$ 16,323 |
| 1993 | 15,985 |
| 1994 | 15,737 |
| 1995 | 15,460 |
| 1996 | 15,184 |
| Thereafter | <u>438,271</u> |
| Total | <u>\$516,960</u> |

This amount does not include contingent rentals which may be received under certain leases of property on the basis of percentage returns. Contingent rentals amounted to approximately \$18,188,000 in the year ended June 30, 1991.

9. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, disability or an unforeseeable emergency.

The City funds all amounts of compensation deferred under the plan through investments in various mutual funds administered by an insurance company. Such investments and all related earnings thereon are (until paid or made available to employee or other beneficiary) solely the property and right of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants under the plan have only the right to receive benefits in an amount equal to the balance of the participant's book account balance.

The City is of the opinion that it has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that is unlikely that it will use the plan's assets to satisfy the claims of general creditors in the future.

The City accounts for the plan as an Agency Fund. The assets are stated at the market value which is represented by the contract value provided by the City's third party administrator.

10. PENSION PLANS

The City has a defined benefit plan and various defined contribution pension plans covering substantially all of its employees.

DEFINED BENEFIT PLAN

A. Plan Description

All of the City and the San Diego Unified Port District (the "District") full-time employees participate in the City Employees' Retirement System ("CERS"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the City and the District. For the year ended June 30, 1991 the City's payroll for employees covered by CERS was approximately \$277,467,000 while the City's total payroll was approximately \$325,014,000.

The number of employees and covered membership are as follows:

| | |
|--|-------|
| Retiree and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits | 3,499 |
| Fully vested active employees | 2,707 |
| Nonvested active employees | 5,470 |

All full-time City employees are eligible to participate in CERS. Retirement benefits are determined primarily by the member's age at retirement, the length of membership service and the member's final compensation. Final compensation is the members' compensation earnable based on the highest one-year period. Benefits fully vest on reaching 10 years of service. CERS also provides death and disability benefits. Benefits are established by the City's Municipal Code.

City employees are required to contribute a percentage of their annual salary to CERS. The City is required to contribute the remaining amounts necessary to fund CERS, using the actuarial basis specified by statute.

B. Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of CERS on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits, and is independent of the funding method used to determine contributions to CERS.

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1990. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8 percent a year compounded annually, (b) projected salary increases of 5.5 percent a year compounded annually (1.3 percent due to merit and 4.2 percent due to inflation), (c) up to a 2 percent per annum cost of living assumption, and (d) the Group Annuity Mortality Table with a 2 year setback for males.

Accumulated benefits and net assets for the City's defined benefit plan as of June 30, 1990, the most recent actuarial valuation date, are as follows (in thousands):

| | |
|---|------------------|
| Pension benefit obligation: | |
| Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits | \$360,363 |
| Current employees: | |
| Accumulated employee contributions including allocated investment earnings | 114,301 |
| Employer-financed vested | 310,579 |
| Employer-financed nonvested | <u>31,193</u> |
| Total pension benefit obligation | 816,436 |
| Net assets available for benefits, at cost | <u>773,730</u> |
| Unfunded pension benefit obligation | <u>\$ 42,706</u> |

The market value of the net assets was approximately \$830,146,000 at June 30, 1990.

C. Actuarially Determined Contribution Requirements and Contribution Made

Contributions to CERS from City employees vary according to entry age and salary. The City contributes a portion of the employees' share and the remaining amount necessary to fund the system based on an actuarial valuation at the end of the preceding year under the entry age normal cost method. The entry age normal cost method defines the normal cost as the level percent of payroll needed to fund benefits over the period from the date of participation to the date of retirement. Initial prior service costs are being amortized over a period of 30 years. Additional prior service costs due to plan changes in 1965 are being amortized over 30 years.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described above.

The contribution to CERS for 1991 of \$46,207,000 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 1989. (The June 30, 1990 valuation was not received by the City until December 12, 1990.) The contribution consisted of (a) \$45,060,000 normal cost (16.2 percent of current covered payroll) and (b) \$1,147,000 amortization of the unfunded actuarial accrued liability (.41 percent of covered payroll). The City contributed \$35,136,000 (12.7 percent of covered payroll); employees contributed \$11,071,000 (4.0 percent of covered payroll).

D. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten-year trend information may be found on page 17 of the City's Comprehensive Annual Financial Report. For the three fiscal years ended 1988, 1989, and 1990, respectively, available assets were sufficient to fund 95.8, 94.6 and 94.8 percent of the City's pension benefit obligation. Unfunded pension benefit obligation represented 13.3, 13.8, and 16.5 percent of the City's annual payroll for employees covered by CERS for 1988, 1989, and 1990, respectively. Showing unfunded pension benefit obligation as a percentage of annual covered City payroll approximately adjusts for the effects of inflation for analysis purposes. In addition, for the three fiscal years ended 1988, 1989, and 1990, the City's contributions to CERS, all made in accordance with actuarially determined requirements, were 16.1, 10.0, and 11.0 percent respectively of annual covered payroll.

Plan data for the plan year ended June 30, 1991 is not yet available.

DEFINED CONTRIBUTION PLANS

- a. Pursuant to the City's withdrawal from the Federal Social Security System effective January 8, 1982, the City provides pension benefits for eligible full-time employees through a supplemental pension and savings plan, a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. State legislation requires that both the employee and the City contribute an amount equal to 3% of the employee's total salary each month. Participants in the plan hired before April 1, 1986 and on or after April 1, 1986 may voluntarily contribute up to an additional 4.5% and 3.05%, respectively, of total salary. The City also contributes an amount equal to the employee voluntary contributions. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. City contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the City's contribution requirement.

The City's total payroll in fiscal year 1991 was approximately \$325,014,000. The City's contributions were calculated using the salary amount of approximately \$216,676,000. The City and the covered employees each contributed approximately \$12,262,500 (5.7%) or approximately \$24,525,000 in total.

- b. In addition, the City provides pension benefits for all eligible full-time employees through the 401(k) Deferred Compensation Plan, also a defined contribution plan. Employees are eligible to participate twelve months after the date of employment. Employees make contributions to their 401(k) accounts through payroll deductions, and may also elect to have the City contribute to their 401(k) accounts through the City's Employees' Flexible Benefits Program.

The City's total payroll in fiscal year 1991 was approximately \$325,014,000. The City's contributions were calculated pursuant to various combination arrangements with employees. The City and the covered employees contributed approximately \$1,094,000 and approximately \$1,681,000, respectively or approximately \$2,775,000 in total.

- c. Centre City Development Corporation ("CCDC") has a Money Purchase Pension Plan covering all full-time permanent employees. The plan is a defined contribution plan. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During each plan year, CCDC contributes quarterly an amount equal to 8% of the total quarterly compensation for all employees. CCDC's contributions for each employee are fully vested after six years of continuous service.

CCDC's total payroll in fiscal year 1991 was approximately \$1,118,000. CCDC contributions were calculated using the base salary amount of approximately \$1,075,000. CCDC made the required 8% contribution, amounting to approximately \$84,000 (net of forfeitures) for fiscal 1991.

- d. In addition, CCDC has a Tax Deferred Annuity Plan covering current and previous full-time permanent employees. The plan is a defined contribution plan. Employees are eligible to participate the first day of the month following 90 days after their date of employment. During each plan year, CCDC contributes semi-monthly an amount equal to 10% of the total semi-monthly compensation for all employees. CCDC's contributions for each employee are fully vested at time of contribution.

CCDC's total payroll in fiscal year 1991 was approximately \$1,118,000. CCDC contributions were calculated using the base salary amount of approximately \$1,075,000. CCDC made the required 10% contribution amounting to approximately \$107,000 for fiscal 1991.

- e. San Diego Convention Center Corporation, Inc. ("SDCCC") provides pension benefits for eligible employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate at the earlier of the date on which they complete six months of continuous full-time service, or the twelve-month period beginning on the hire date (or any subsequent plan year) during which they complete 1,000 hours of service. For each plan year, which is defined as a calendar year, SDCCC contributes an amount equal to 10% of the total covered compensation of all eligible employees. SDCCC contributions for each employee are vested gradually over five years of continuing service with an eligible employee becoming fully vested after five years. The unvested portion of a terminated employee's account becomes available after a specified waiting period to reduce SDCCC's required contributions.

Total payroll for the plan year ended December 31, 1990 was approximately \$5,100,000. Required contributions were calculated using the covered compensation amount of approximately \$2,600,000. SDCCC had funded \$190,110 of the required \$256,287 (10%) contribution by June 30, 1991. The remaining required contribution was made on July 10, 1991.

For the fiscal year ended June 30, 1991, pension expense amounted to \$371,639. SDCCC records pension expense during the fiscal year based upon estimated covered compensation. A final determination of covered compensation and SDCCC's required contribution for the plan year is made as of December 31. Included in accrued liabilities at June 30, 1991 is approximately \$257,000 for accrued pension expense.

f. San Diego Data Processing Corporation ("SDDPC") has agreed to accrue up to \$25,000 per year for a maximum of thirty years to provide employees who transferred from the City to SDDPC with retirement benefits approximately equal to those under the City's retirement plan. In accordance with this provision, \$-0- was charged to operations during the years ended June 30, 1991. SDDPC had previously invested these funds in a group annuity contract separate from the one covering the pension plan described below. During fiscal year 1991, the annuity contract matured and SDDPC transferred the funds to a money market account held in the Corporation's name separate from the pension plan described below. SDDPC has hired an outside consulting firm to determine if the plan is properly funded for the applicable employees. Subsequent to this evaluation, management of SDDPC intends to transfer the appropriate funds to a trustee. The balance in this money market fund was \$328,482 at June 30, 1991.

g. SDDPC has a Money Purchase Pension Plan covering substantially all employees. The plan is a defined contribution plan. Employees are eligible to participate from the date of employment. During each plan year, SDDPC contributes monthly an amount equal to 20% of the total monthly compensation for all employees. SDDPC's contributions for each employee are fully vested after four years of continuous service.

SDDPC's total payroll in fiscal year 1991 was approximately \$8,107,000. As all employees are substantially covered, SDDPC contributions were calculated using this base salary amount. SDDPC made the required 20% contribution amounting to approximately \$1,600,000 for fiscal year 1991.

h. The Housing Authority ("Housing") provides pension benefits for all of its full-time employees through a defined contribution plan. Employees are eligible to participate on the first day of the month following 90 days from their date of employment. Housing contributes an amount equal to 12% of the employee's base salary semi-monthly. Housing's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. Housing contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Housing's contribution requirement.

Housing's total payroll in fiscal year 1991 was approximately \$6,224,000. Housing's contributions were calculated using the base salary amount of \$6,224,000. Housing made the required 12% contribution, amounting to approximately \$695,000 for fiscal year 1991.

- i. Southeast Economic Development Corporation ("SEDC") has a Simplified Employee Pension Plan covering all full-time, permanent employees. The plan is a defined contribution plan. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During each plan year, SEDC contributes monthly an amount equal to 12% of the employee's base salary. Such contributions are fully vested.

SEDC's total payroll in fiscal year 1991 was approximately \$525,700. SEDC contributions were calculated using the base salary amount of approximately \$497,000. SEDC made the required 12% contribution, amounting to approximately \$60,000 for fiscal year 1991.

Postretirement Health Insurance

In addition to providing pension benefits, the City provides postretirement healthcare benefits to retired general and safety members of CERS who retired on or after October 6, 1980. Currently, expenditures for postretirement healthcare benefits are recognized as they are paid. For the fiscal year ended June 30, 1991, expenditures of approximately \$2,149,000 were recognized for such healthcare benefits.

11. INTERFUND RECEIVABLE AND PAYABLE BALANCES

Individual fund interfund working capital advances balances at June 30, 1991 are as follows (in thousands):

| <u>Fund</u> | <u>Advances to Other Funds</u> | <u>Advances from Other Funds</u> |
|---|------------------------------------|--------------------------------------|
| General Fund | \$ 26,417 | \$ 0 |
| Special Revenue Funds: | | |
| City of San Diego Oversight Unit: | | |
| Acquisition, Improvement and Operation | 151 | 0 |
| Environmental Growth Fund- One-Third Requirement | 226 | 0 |
| Special Gas Tax Street Improvement | 120 | 0 |
| Transient Occupancy Tax | 256 | 0 |
| Grants | 17 | 0 |
| Other Special Revenue | 8 | 0 |
| Centre City Development Corporation | 0 | 200 |
| San Diego Convention Center Corporation | 0 | 256 |
| San Ysidro Revitalization | 0 | 17 |
| Southeast Economic Development Corp. | 0 | 131 |
| Total Special Revenue Funds | <u>778</u> | <u>604</u> |

| <u>Fund</u> | <u>Advances to Other Funds</u> | <u>Advances from Other Funds</u> |
|-----------------------------------|------------------------------------|--------------------------------------|
| Capital Projects Funds: | | |
| Redevelopment Agency | <u>331</u> | <u>0</u> |
| Enterprise Funds: | | |
| City of San Diego Oversight Unit: | | |
| Airports | 41 | 0 |
| Sewerage Utility | 5,571 | 0 |
| Waste Disposal | 1,255 | 0 |
| Water Utility | <u>7,774</u> | <u>0</u> |
| Total Enterprise Funds | <u>14,641</u> | <u>0</u> |
| Internal Service Funds: | | |
| City of San Diego Oversight Unit: | | |
| Central Garage and Machine Shop | 0 | 36,499 |
| Print Shop Revolving | 26 | 0 |
| Self Insurance | 0 | 1,200 |
| Stores Revolving | <u>0</u> | <u>3,351</u> |
| Total Internal Service Funds | <u>26</u> | <u>41,050</u> |
| Trust and Agency Funds: | | |
| City of San Diego Oversight Unit: | | |
| Other Miscellaneous Agency | <u>16</u> | <u>555</u> |
| Total | <u>\$ 42,209</u> | <u>\$ 42,209</u> |

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Individual fund interfund receivable and payable balances at June 30, 1991 are as follows (in thousands):

| <u>Funds</u> | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|--------------------------|---------------------------------|-------------------------------|
| General Fund | \$ 134 | \$ 0 |
| Special Revenue Funds: | | |
| Housing Authority | 0 | 760 |
| Capital Projects Funds: | | |
| Capital Outlay | 0 | 761 |
| Other Construction | 0 | 134 |
| Enterprise Funds: | | |
| Airports | 398 | 0 |
| Water Utility | 363 | 0 |
| Trust and Agency Funds: | | |
| Expendable Trust Funds - | | |
| Housing Authority | <u>760</u> | <u>0</u> |
| Total | <u>\$ 1,655</u> | <u>\$ 1,655</u> |

12. ENTERPRISE FUNDS SEGMENT INFORMATION

The City maintains Enterprise Funds which provide airport, sewer, water and other services. Segment information for the year ended June 30, 1991 is as follows (in thousands):

| | <u>Airports</u> | <u>Building Inspection</u> | <u>Sewerage Utility</u> | <u>Waste Disposal</u> | <u>Water Utility</u> | <u>Subtotal</u> |
|---|-----------------|--------------------------------|-----------------------------|---------------------------|--------------------------|-----------------|
| Operating Revenues | \$1,729 | \$15,119 | \$128,083 | \$24,422 | \$103,768 | \$273,121 |
| Operating Expenses before Depreciation and Amortization | 1,481 | 15,085 | 65,946 | 16,640 | 99,958 | 199,110 |
| Depreciation and Amortization | 211 | 17 | 7,728 | 28 | 6,907 | 14,891 |
| Operating Income (Loss) | 37 | 17 | 54,409 | 7,754 | (3,097) | 59,120 |
| Operating Transfers In | 0 | 0 | 129 | 0 | 0 | 129 |
| Operating Transfers Out | (246) | (2) | (3,274) | (9) | (1003) | (4,534) |
| Nonoperating Revenue | 248 | 522 | 23,079 | 1,688 | 13,376 | 38,913 |
| Nonoperating Expense | (34) | (77) | (3,946) | (162) | (1,922) | (6,141) |
| Net Income | 5 | 460 | 70,397 | 9,271 | 7,354 | 87,487 |
| Grant Revenues | 13 | 0 | 963 | 7 | (114) | 869 |
| Capital Contributions | 0 | (4) | 18,616 | 0 | 18,023 | 36,635 |
| Net Fixed Asset Additions | 178 | 1,485 | 68,477 | 638 | 16,559 | 87,337 |
| Net Working Capital | 2,459 | 1,536 | 247,703 | 22,997 | 167,563 | 442,258 |
| Total Assets | 8,041 | 12,011 | 873,684 | 28,787 | 590,904 | 1,513,427 |
| Total Equity | 7,608 | 7,382 | 785,910 | 24,157 | 543,105 | 1,368,162 |
| Long-Term Liabilities: | | | | | | |
| Bonds Payable | 0 | 0 | 15,091 | 0 | 0 | 15,091 |
| Other | 0 | 0 | 100 | 0 | 14 | 114 |

| | <u>Subtotal</u> <u>(Previous Page)</u> | <u>San Diego Data</u> <u>Processing</u> <u>Corporation</u> | <u>San Diego</u> <u>Festivals,</u> <u>Inc.</u> | <u>Grand Total</u> |
|---|---|--|--|--------------------|
| Operating Revenues | \$ 273,121 | \$ 25,524 | \$ 1 | \$ 298,646 |
| Operating Expenses before Depreciation and Amortization | 199,110 | 19,451 | 0 | 218,561 |
| Depreciation and Amortization | 14,891 | 5,848 | 0 | 20,739 |
| Operating Income (Loss) | 59,120 | 225 | 1 | 59,346 |
| Operating Transfers In | 129 | 0 | 0 | 129 |
| Operating Transfers Out | (4,534) | 0 | (1) | (4,535) |
| Nonoperating Revenue | 38,913 | 341 | 0 | 39,254 |
| Nonoperating Expense | (6,141) | (833) | 0 | (6,974) |
| Net Income (Loss) | 87,487 | (267) | 0 | 87,220 |
| Grant Revenues | 869 | 0 | 0 | 869 |
| Capital Contributions | 36,635 | 0 | 0 | 36,635 |
| Net Fixed Asset Additions | 87,337 | 2,761 | 0 | 90,098 |
| Net Working Capital | 442,258 | 1,649 | 0 | 443,907 |
| Total Assets | 1,513,427 | 26,183 | 0 | 1,539,610 |
| Total Equity | 1,368,162 | 11,089 | 0 | 1,379,251 |
| Long-Term Liabilities: | | | | |
| Bonds Payable | 15,091 | 0 | 0 | 15,091 |
| Other | 114 | 9,291 | 0 | 9,405 |

13. FUND DEFICIT

The Internal Service Funds have a net fund equity of approximately \$68,000 at June 30, 1991. This balance includes a fund equity deficit in the Self Insurance Fund of approximately \$19,555,000 which represents unfunded estimated claims and claim settlements. It is anticipated that individual claim settlements will be funded through user charges subsequent to the filing of a claim and prior to its settlement.

The Special Revenue funds have a net fund equity of approximately \$122,851,000 at June 30, 1991. This balance includes a fund equity deficit in the SEDC fund of approximately \$26,000 which represents unreimbursed funds from the City. It is anticipated that SEDC will be reimbursed by the City in fiscal year 1992.

14. COMMITMENTS

The City is currently obligated to transfer up to two-thirds of the annual franchise tax receipts in the Environmental Growth Fund (a Special Revenue Fund) to the San Diego Open Space Park Facilities District #1 (the "District") Fund (a Debt Service Fund) for the payment of debt service on the District's outstanding general obligation bonds. Such required debt service on the District's outstanding bond obligations of \$68,935,000 at June 30, 1991 is approximately \$6,300,000 for each of the subsequent five years ending June 30, 1996.

The City currently has guaranteed the payment of a revolving line of credit in the maximum amount of \$7,500,000 on behalf of various individuals through Wells Fargo Bank regarding the CDBG Housing Loan Leveraging Program.

The City has stipulated to upgrading its sewer treatment facilities in settlement of a portion of a suit filed by the United States and the State of California against the City. The cost is expected to be in excess of \$2 billion which will be borne by utility users fees.

15. CONTINGENCIES

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. City management believes such disallowances, if any, would not have a material effect on the City's financial statements.

The City is self-insured for workers' compensation, long-term disability and employee group health coverages. These are accounted for in the Internal Service Funds. At June 30, 1991 the City has recorded approximately \$25,938,000 for claims and potential claims related to such coverages. Each participating fund contributes an amount equal to an actuarially determined rate times the gross salaries of the fund. These payments are treated as operating expenditures in the contributing funds and operating revenues in the receiving funds.

The City has catastrophic coverage of \$12,000,000 per occurrence with a \$5,000,000 deductible for general liability claims. At June 30, 1991 the City has recorded approximately \$21,000,000 for the City's exposure in such claims in the General Long-Term Debt Account Group and approximately \$5,374,000 in the Enterprise Funds. These amounts represent the City's determination of the probable ultimate cost of the claims. The City has set up a reserve for liability claims of approximately \$5,085,000 in the Internal Service Funds to indicate funds set aside to pay for claims in excess of the annual appropriations in the General Fund. Property insurance is maintained on selected capital assets based upon various factors including management's assessment of the risks of loss.

The City is co-signer on a \$1,549,871 note and is contingently liable for payment of this amount in the event of a default by the Housing Authority.

In September 1989, legislation was adopted (Assembly Bill No. 2080) which requires the Redevelopment Agency of the City of San Diego to fund Low and Moderate Housing Activity equivalent to at least 20% of tax increment revenue received after fiscal year 1985. In October 1990, the Agency adopted a nine-year plan to fully fund the retroactive 20% requirement (Resolution No.'s 1911, 1912, and 1913). At June 30, 1991 the 20% requirement deficit remaining to be funded in future years is approximately \$4,484,000.

16. THIRD PARTY DEBT

The City has authorized the issuance of certain bonds, in its name, to provide tax exempt status because it perceives a substantial public benefit will be achieved through the use of the proceeds. The following describes the various types of such third party debt:

Mortgage and Revenue Bonds

Single Family Mortgage Revenue Bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single-family residences. The purpose of this program is to provide low interest rate home mortgage loans to persons of low or moderate income who are unable to qualify for conventional mortgages at market rates. Multi-Family Housing Revenue Bonds are issued to provide construction and permanent financing to developers of multi-family residential rental projects located in the City to be partially occupied by persons of low or moderate income.

Hospital Revenue Bonds

Hospital Revenue Bonds have been issued to provide funds to various non-profit health institutions to finance the cost of acquiring and installing equipment. This program provides low interest rate hospital bonds to non-profit hospitals to reduce health costs to citizens of the City of San Diego.

Industrial Development Revenue Bonds

Industrial Development Revenue Bonds have been issued to provide financial assistance for the acquisition, construction, and installation of facilities for industrial, commercial or business purposes to mutually benefit the citizens of the City of San Diego.

1911 Act Special Assessment Bonds

1911 Act Special Assessment Bonds have been issued to provide funds for the construction or acquisition of public improvements, and/or the acquisition of property for public purposes for the benefit of particular property holders within the City. Each bond is secured by a lien on a specific piece of property.

As of June 30, 1991 the status of all third party bonds issued is as follows (in thousands):

| | <u>Authorized</u> | <u>Issued</u> | <u>Outstanding</u> |
|--------------------------------|---------------------------|---------------------------|----------------------------|
| Mortgage Revenue | \$ 747,138 | \$ 637,274 | \$ 463,534 |
| Hospital Revenue | 71,250 | 50,895 | 46,805 |
| Industrial Development Revenue | 596,825 | 595,525 | 592,736 |
| 1911 Act Special Assessment | <u>810</u> | <u>718</u> | <u>718</u> |
| Totals | <u>\$1,416,023</u> | <u>\$1,284,412</u> | <u>\$ 1,103,793</u> |

These bonds do not constitute an indebtedness of the City. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans, certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures, property liens and other loans. In the opinion of the City officials, these bonds are not payable from any revenues or assets of the City, and neither the full faith and credit for the taxing authority of the City, the state or any political subdivision thereof is obligated to the payment of principal or interest on the bonds. In essence the City is acting as an agent for the property owners/bondholders in collecting and forwarding the funds. Accordingly, no liability has been recorded in the City's General Long-Term Debt Account Group.

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17. OPERATING AGREEMENTS

City of San Diego and San Diego Data Processing Corporation

In September 1979, SDDPC entered into an operating agreement with the City. Under the terms of the agreement, as amended, SDDPC has agreed to provide data processing services needed to support the operational and planning requirements of the City. The rates charged for the various services are subject to adjustment each fiscal year. Included in data processing services and equipment sales revenue for the year ended June 30, 1991 is approximately \$12,500,000 for revenue charged to the City under this agreement.

During fiscal 1987, the operating agreement was amended to have SDDPC provide and operate telecommunications services to the City. The rates charged for the various services are subject to adjustment each fiscal year.

Also, the operating agreement requires SDDPC to purchase computer equipment, computer maintenance, various contractual services and other reimbursed expenditures as a part of the services it provides to the City. The City then reimburses SDDPC for the costs associated with these expenditures. The amount of these expenditures for the year ended June 30, 1991 was approximately \$9,574,000.

In addition, the City has undertaken certain expenses in connection with the organization, staffing and commencement of operations of SDDPC and providing SDDPC with certain facilities, equipment and custodial and maintenance. Pursuant to the operating agreement with the City, SDDPC has agreed to pay "facilities rental" annually out of budgetary savings.

SDDPC is required to return annually any remaining "budgetary savings", as defined, pro-rata to each entity with which it has contracted in proportion to their respective billings. In fiscal year 1991, budgetary savings were \$0.

Library System

During fiscal year 1984, SDDPC entered into an agreement with the City of San Diego Public Library and the County of San Diego Public Library (the "Libraries") for a five-year term, subject to annual appropriations, to purchase and operate an automated library system and to provide the related data processing services to support the operational requirements of the Libraries. The Libraries share the cost of operations based upon certain percentages of direct costs plus shared costs. The rates charged for the various services are subject to adjustment each fiscal year.

Included in data processing services and equipment sales revenue are the following amounts for the automated library system for the year ended June 30, 1991 (in thousands):

| | |
|------------------------------------|----------------|
| City of San Diego Public Library | \$ 581 |
| County of San Diego Public Library | <u>481</u> |
| Total | <u>\$1,062</u> |

Regional Urban Information System

During fiscal year 1984, SDDPC entered into an agreement with the City and the County of San Diego (the "County") for a ten-year term, subject to annual appropriations, to provide data processing services to implement and operate a data base system known as the Regional Urban Information System ("RUIS"). The long-range goal of RUIS is to provide the City and County with an information system that monitors, where feasible, all operations (current and future) that affect their jurisdictions.

The City and County share the costs of RUIS. The rates charged for the various services are subject to adjustment each fiscal year.

Included in data processing services and equipment sales revenue are the following amounts for RUIS for the year ended June 30, 1991 (in thousands):

| | |
|--------|----------------|
| City | \$1,957 |
| County | <u>1,351</u> |
| Total | <u>\$3,308</u> |

Automated Regional Justice Information System

During fiscal year 1985, SDDPC renewed, through June 1994, its agreement with a joint powers agency known as the Automated Regional Justice Information System ("ARJIS"). ARJIS was created to assist member agencies by providing and continuing the operation, maintenance, enhancement, and implementation of those telecommunications features initiated under a State Office of Criminal Justice grant agreement and to pursue development of other computerized systems to meet law enforcement needs and requirements in the region. Under the agreement, SDDPC is to provide data processing services to ARJIS at rates which, on an annual basis, are equivalent to those charged to other governmental entity clients.

Included in data processing services and equipment sales revenue are the following amounts for ARJIS for the year ended June 30, 1991 (in thousands):

| | |
|-------------------------------------|----------------|
| City of San Diego Police Department | \$1,651 |
| Other law enforcement agencies | <u>1,798</u> |
| Total | <u>\$3,449</u> |

18. SUBSEQUENT EVENTS

On July 15, 1991, the City issued \$11,810,000 of Certificates of Participation to fund the Balboa Park and Mission Bay Park Capital Improvements Program.

On August 20, 1991 the City issued \$8,500,000 of Certificates of Participation, which mature on June 1, 2002, to fund the Misdemeanor Pre-Arrestment Detention facility.

On July 1, 1991 and November 12, 1991, the City sold tax anticipation notes in the aggregate principal amount of \$47,000,000 and \$10,000,000, respectively due on June 30, 1992 and secured by a pledge of the City's share of property taxes and other unrestricted moneys received and attributable to the 1991-1992 fiscal year.

THE CITY OF SAN DIEGO

ANNUAL FINANCIAL REPORT

TRUST AND AGENCY FUNDS
 PENSION TRUST FUNDS
 CITY EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION - ANALYSIS OF FUNDING PROGRESS
 LAST TEN FISCAL YEARS
 (IN MILLIONS)

| Fiscal Year Ended June 30 | Net Assets Available For Benefits | Pension Benefit Obligation | Percentage Funded | Unfunded Pension Benefit Obligation | Annual Covered Payroll | Benefit Obligation As a Percentage Of Covered Payroll |
|---------------------------|-----------------------------------|----------------------------|-------------------|-------------------------------------|------------------------|---|
| 1982 | \$ 294.9 | \$ 390.1 | 75.6% | \$ 95.2 | \$ 129.1 | 73.7% |
| 1983 | 341.1 | 433.3 | 78.7 | 92.2 | 141.9 | 65.0 |
| 1984 | 378.2 | 462.3 | 81.8 | 84.1 | 144.7 | 58.1 |
| 1985 | 429.7 | 496.5 | 86.6 | 66.8 | 153.7 | 43.5 |
| 1986 | 493.3 | 547.6 | 90.1 | 54.3 | 171.7 | 31.6 |
| 1987 | 590.7 | 616.9 | 95.8 | 26.2 | 195.4 | 13.4 |
| 1988 | 659.0 | 688.1 | 95.8 | 29.1 | 218.1 | 13.3 |
| 1989 | 746.0 | 786.5 | 94.8 | 40.5 | 241.4 | 16.8 |
| 1990 | 806.5 | 847.8 | 95.1 | 41.3 | 271.4 | 15.2 |
| 1991 | N/A | N/A | N/A | N/A | N/A | N/A |

REQUIRED SUPPLEMENTARY INFORMATION - REVENUE SOURCES
 LAST TEN FISCAL YEARS
 (IN THOUSANDS)

| Fiscal Year Ended June 30 | Employee Contributions | Employer Contributions | Investment Income | Charges For Current Services | Total | Employer Contributions As a Percentage Of Covered Payroll |
|---------------------------|------------------------|------------------------|-------------------|------------------------------|-----------|---|
| 1982 | \$ 5,185 | \$ 24,970 | \$ 20,200 | \$ 19 | \$ 50,374 | 21.3% |
| 1983 | 5,772 | 28,058 | 42,704 | 55 | 76,589 | 21.7 |
| 1984 | 5,950 | 27,633 | 29,993 | 35 | 63,611 | 19.5 |
| 1985 | 5,561 | 27,064 | 48,543 | 31 | 81,199 | 18.7 |
| 1986 | 4,917 | 30,051 | 64,922 | 46 | 99,936 | 19.6 |
| 1987 | 4,959 | 31,763 | 92,330 | 47 | 129,099 | 18.5 |
| 1988 | 5,781 | 31,545 | 65,665 | 43 | 103,034 | 16.1 |
| 1989 | 7,262 | 29,291 | 87,676 | 47 | 124,276 | 13.4 |
| 1990 | 10,760 | 30,230 | 63,652 | 71 | 104,713 | 12.5 |
| 1991 | 11,442 | 36,899 | 86,833 | 67 | 135,241 | 13.5 |

REQUIRED SUPPLEMENTARY INFORMATION - EXPENSES BY TYPE
 LAST TEN FISCAL YEARS
 (IN THOUSANDS)

| Fiscal Year Ended June 30 | Benefits | Administrative Expenses | Refunds | Total |
|---------------------------|-----------|-------------------------|----------|-----------|
| 1982 | \$ 18,660 | \$ 614 | \$ 1,771 | \$ 21,045 |
| 1983 | 20,340 | 750 | 3,396 | 24,486 |
| 1984 | 22,687 | 736 | 1,631 | 25,054 |
| 1985 | 24,815 | 1,071 | 1,138 | 27,024 |
| 1986 * | 36,365 | 1,113 | 1,186 | 38,957 |
| 1987 | 29,370 | 1,297 | 997 | 31,664 |
| 1988 | 31,323 | 1,443 | 979 | 33,745 |
| 1989 | 34,093 | 1,951 | 943 | 36,987 |
| 1990 | 38,025 | 3,116 | 1,097 | 42,238 |
| 1991 | 41,685 | 3,789 | 1,094 | 46,568 |

* Includes additional Supplemental Benefit from Andrews class settlement of \$9,944,524.

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APPENDIX B
FORM OF CO-BOND COUNSEL OPINION

July 1, 1992

City Council
City of San Diego
San Diego, California

City of San Diego
County of San Diego
State of California
1992-1993 Tax Anticipation Notes
Series A

We hereby certify that we have examined certified copies of the legal proceedings and other proofs submitted pertaining to the issuance and sale of \$67,500,000* aggregate principal amount of City of San Diego (the "City"), County of San Diego, State of California, 1992-1993 Tax Anticipation Notes, Series A, issued by the City pursuant to Section 92 of the Charter of the City, Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (Sections 53850-53858, inclusive) of the California Government Code and pursuant to a Resolution adopted by the Council of the City on June 16, 1992 (the "Resolution"), designated "City of San Diego, County of San Diego, State of California, 1992-1993 Tax Anticipation Notes, Series A" (the "Series A Notes"). The Series A Notes are dated July 1, 1992 and are due and payable on June 30, 1993.

The City may issue one or more series of additional notes on a parity with the Series A Notes (the "Additional Notes") as provided in the Resolution. The Series A Notes and the Additional Notes are referred to collectively herein as the "Notes". Both the principal of and interest on the Notes are payable at maturity in lawful money of the United States of America at the office of Bank of America National Trust and Savings Association, San Francisco, California.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Series A Notes under the Constitution and laws of the State of California now in force, and the Series A Notes constitute valid and legally binding general obligations of the City. The City has pledged an amount equal to (a) one-half the amount of principal and interest due on the Notes, from the first property tax moneys received by the City on or after November 30, 1992 and (b) the difference between (1) the total principal and interest due on the Notes on their respective maturity dates and (2) the amount previously deposited for payment, from the first property tax moneys received by the City on or after April 10, 1993 (such pledged property taxes being referred to as the "Pledged Revenues"); and the principal of the Notes and the interest thereon shall constitute a first lien and charge against, and shall be payable from, the Pledged Revenues and to the extent not so paid shall be paid from any other moneys of the City lawfully available therefor.

*Preliminary, subject to change.

We are further of the opinion that based on existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the City with certain covenants in the Resolution and certain requirements of the Internal Revenue Code of 1936, as amended, regarding the use, expenditure and investment of Series A Note proceeds, interest on the Series A Notes is not includable in the gross income of the owners of the Series A Notes for federal income tax purposes. Failure to comply with such covenants and requirements, however, may cause interest on the Series A Notes to be includable in gross income retroactive to the date of issuance of the Series A Notes.

Interest on the Series A Notes will not be treated as an item of tax preference in calculating the alternative minimum taxable income of individuals or corporations; interest on the Series A Notes will, however, be included as an adjustment to a corporation's alternative minimum taxable income and may therefore affect such corporation's alternative minimum tax and environmental tax liabilities. We express no opinion regarding other federal income tax consequences resulting from ownership of, or the receipt of interest on, the Series A Notes.

We are of the further opinion that interest on the Series A Notes is exempt from all present State of California personal income taxes.

JUN 23 1992

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"/> |
| John Hartley | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| George Stevens | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Tom Behr | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Valerie Stallings | <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 type="checkbox"/> | <input type="checkbox"/> | <input checked="" 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 *Linda Sugano*, Deputy.

Office of the City Clerk, San Diego, California

Resolution Number **R 280210** Adopted JUN 23 1992

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SAN FRANCISCO, CA