



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2019

2019

City of San Diego

State of California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019

2019



Prepared Under the Supervision of:

Rolando Charvel, CPA, Chief Financial Officer

Tracy McCraner, Comptroller

Table of Contents

Fiscal Year Ended June 30, 2019

INTRODUCTORY SECTION (UNAUDITED)

Letter of Transmittal	<u>9</u>
Government Finance Officers Association (GFOA) Award	<u>22</u>
City of San Diego Current Officials	<u>23</u>
City of San Diego Organization Chart	<u>24</u>

FINANCIAL SECTION

Independent Auditor's Report	<u>27</u>
Management's Discussion and Analysis (Required Supplementary Information - Unaudited)	<u>29</u>

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:

Statement of Net Position	<u>46</u>
Statement of Activities	<u>48</u>

Governmental Funds Financial Statements:

Balance Sheet	<u>50</u>
Statement of Revenues, Expenditures and Changes in Fund Balances	<u>52</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

54

Proprietary Funds Financial Statements:

Statement of Fund Net Position	<u>56</u>
Statement of Revenues, Expenses and Changes in Fund Net Position	<u>58</u>
Statement of Cash Flows	<u>60</u>

Fiduciary Funds Financial Statements:

Statement of Fiduciary Net Position	<u>62</u>
Statement of Changes in Fiduciary Net Position	<u>64</u>

Notes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies	<u>65</u>
2. Reconciliation of Government-Wide and Fund Financial Statements	<u>81</u>
3. Cash and Investments	<u>86</u>
4. Capital Assets	<u>114</u>
5. Governmental Activities Long-Term Liabilities	<u>117</u>
6. Business-Type Activities Long-Term Liabilities	<u>123</u>
7. Discretely Presented Component Unit Long-Term Liabilities	<u>130</u>
8. Short-Term Liabilities	<u>134</u>
9. Joint Ventures and Jointly Governed Organizations	<u>136</u>
10. Lease Commitments	<u>137</u>
11. Deferred Compensation Plan	<u>139</u>
12. Pension Plans	<u>140</u>
13. Other Postemployment Benefits	<u>154</u>
14. Interfund Receivables, Payables and Transfers	<u>161</u>

Table of Contents

Fiscal Year Ended June 30, 2019

15. Risk Management	<u>163</u>
16. Fund Balance / Net Position Deficits	<u>165</u>
17. Commitments	<u>166</u>
18. Contingencies	<u>170</u>
19. Debt Without Government Commitment	<u>172</u>
20. Closure and Postclosure Care Cost	<u>176</u>
21. Fund Balances	<u>178</u>
22. Subsequent Events	<u>180</u>
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Defined Benefit Pension Plans and OPEB Plan:	
Schedule of Changes in Net Pension Liability and Related Ratios	<u>185</u>
Preservation of Benefits Plan Schedule of Changes in Total Pension Liability	<u>185</u>
Pension Plans Schedule of Employer Contributions	<u>186</u>
Schedule of Changes in Net OPEB Liability and Related Ratios	<u>187</u>
OPEB Plan Schedule of Employer Contributions	<u>188</u>
General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis)	<u>192</u>
Note to Required Supplementary Information	<u>193</u>
 COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
General Fund:	
Schedule of Revenues and Transfers - Budget and Actual (Budgetary Basis)	<u>199</u>
Schedule of Expenditures and Transfers - Budget and Actual (Budgetary Basis)	<u>201</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	<u>209</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	<u>210</u>
Nonmajor Governmental Funds - Special Revenue:	
Combining Balance Sheet	<u>215</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	<u>216</u>
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis)	<u>217</u>
City of San Diego Combining Balance Sheet	<u>218</u>
City of San Diego Combining Statement of Revenues, Expenditures and Changes in Fund Balances	<u>220</u>
City of San Diego Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual (Budgetary Basis)	<u>222</u>
Nonmajor Governmental Funds - Debt Service:	
Combining Balance Sheet	<u>228</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	<u>229</u>

Table of Contents

Fiscal Year Ended June 30, 2019

Nonmajor Governmental Funds - Capital Projects:	
Combining Balance Sheet	<u>235</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	<u>236</u>
City of San Diego Combining Balance Sheet	<u>238</u>
City of San Diego Combining Statement of Revenues, Expenditures and Changes in Fund Balances	<u>240</u>
City of San Diego Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual (Budgetary Basis)	<u>242</u>
Nonmajor Governmental Funds - Permanent:	
Combining Balance Sheet	<u>246</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	<u>246</u>
Nonmajor Business - Type Funds - Enterprise:	
Combining Statement of Fund Net Position	<u>250</u>
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	<u>252</u>
Combining Statement of Cash Flows	<u>254</u>
Internal Service Funds:	
Combining Statement of Fund Net Position	<u>260</u>
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	<u>261</u>
Combining Statement of Cash Flows	<u>262</u>
Fiduciary Funds:	
Combining Statement of Fiduciary Net Position - Pension Trust Funds	<u>268</u>
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds	<u>270</u>
Combining Statement of Fiduciary Net Position - Agency Funds	<u>272</u>
Combining Statement of Changes in Assets and Liabilities - Agency Funds	<u>273</u>

STATISTICAL SECTION (UNAUDITED)

Table 1: Net Position by Category	<u>278</u>
Table 2: Changes in Net Position	<u>280</u>
Table 3: Fund Balances of Governmental Funds	<u>284</u>
Table 4: Changes in Fund Balances of Governmental Funds	<u>286</u>
Table 5: Assessed Value and Estimated Value of Taxable Property	<u>288</u>
Table 6: Assessed Value of Property Use Code / Assessed Value by Major Component	<u>290</u>
Table 7: Direct and Overlapping Property Tax Rates	<u>292</u>
Table 8: Principal Property Tax Payers	<u>294</u>
Table 9: Property Tax Levies and Collections	<u>295</u>
Table 10: Ratios of Outstanding Debt by Type	<u>296</u>
Table 11: Ratios of General Bonded Debt Outstanding	<u>298</u>
Table 12: Direct and Overlapping Debt	<u>300</u>
Table 13: Legal Debt Margin Schedule	<u>302</u>
Table 14: Pledged-Revenue Coverage - Water Obligations	<u>304</u>
Table 15: Pledged-Revenue Coverage - Sewer Obligations	<u>306</u>
Table 16: Demographic and Economic Statistics	<u>307</u>

Table of Contents

Fiscal Year Ended June 30, 2019

Table 17: Principal Employers	<u>308</u>
Table 18: Full-time and Part-time City Employees by Function	<u>309</u>
Table 19: Operating Indicators by Function	<u>310</u>
Table 20: Capital Asset Statistics by Function	<u>312</u>

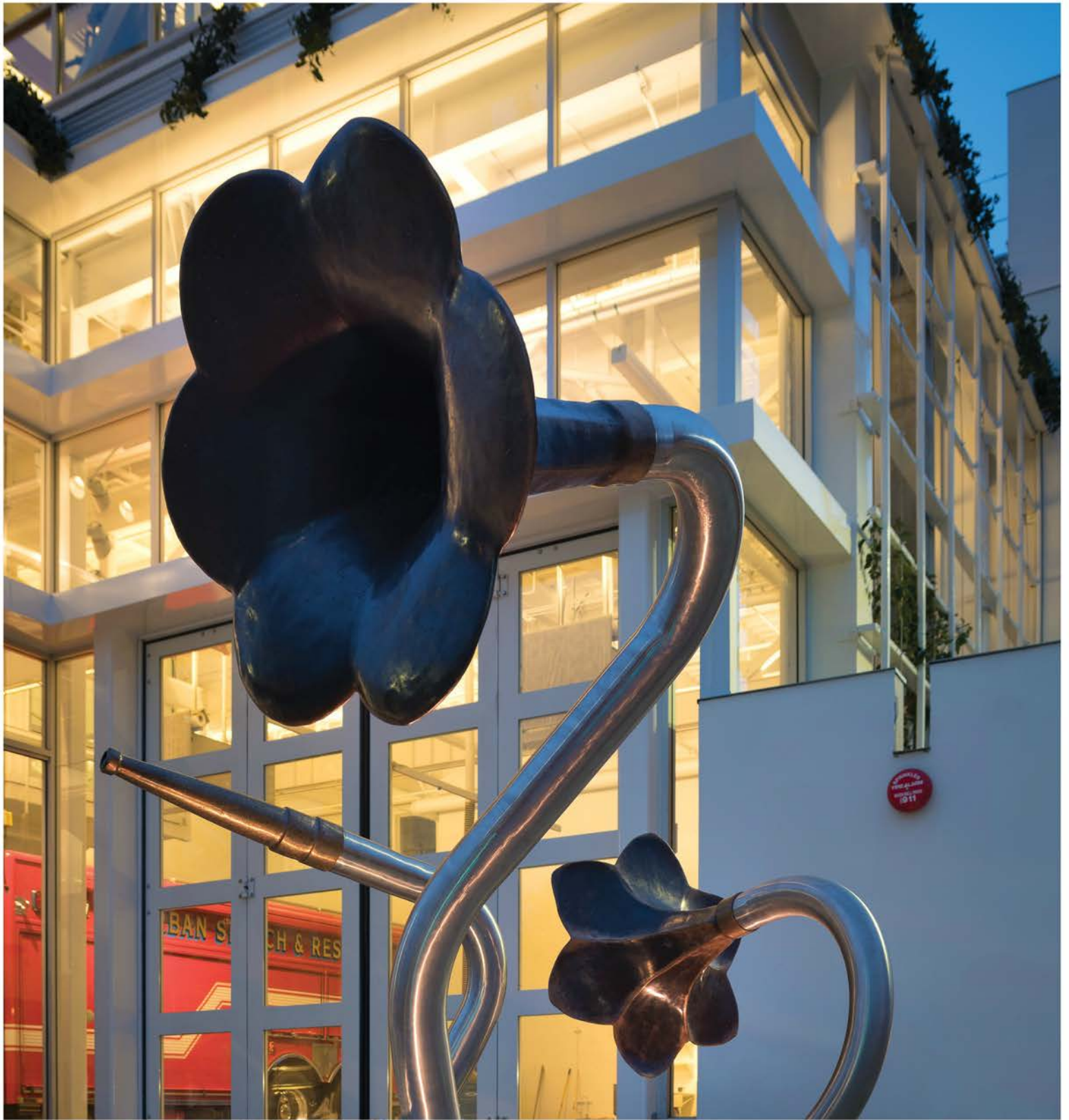
FORWARD-LOOKING STATEMENTS

The Comprehensive Annual Financial Report (CAFR) of the City of San Diego (City) for the fiscal year ended June 30, 2019, including the Letter of Transmittal and Management's Discussion and Analysis, contains forward-looking statements regarding the City's business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in the CAFR. Additionally, statements concerning future matters such as City budgets and the financial outlook for future years, the level of City services, California state matters that may impact the City, contingencies, revenue and expense levels, expected completion dates for projects and other statements regarding matters that are not historical are also forward-looking statements.

Although forward-looking statements in the CAFR reflect the City's good faith judgment, such statements can only be based on facts and factors currently known by the City. Consequently, forward-looking statements are inherently subject to risks and uncertainties. The actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of the CAFR. The City undertakes no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of the CAFR. Readers are urged to carefully review and consider the various disclosures made in the CAFR which attempt to advise interested parties of factors that may affect the business, financial condition, results of operations and prospects of the City.



Page Intentionally Left Blank



**INTRODUCTORY SECTION
(UNAUDITED)**





December 19, 2019

To the Honorable Mayor, Members of the City Council and Residents of the City of San Diego:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of San Diego (City) for the fiscal year ended June 30, 2019, in accordance with Section 111 of the City Charter (Charter).

The CAFR has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The City's management is responsible for the accuracy of the data, the completeness and fairness of the presentation and the adequacy of its disclosures. This includes the design, implementation and maintenance of internal controls over the preparation and fair presentation of financial statements that are free from material misstatement and for assurance that the assets of the City are protected from loss, theft or misuse. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatements. We believe that the information presented is complete and reliable in all material respects.

The independent audit firm of Macias Gini & O'Connell LLP has audited the fiscal year 2019 financial statements of the City and has issued an unmodified opinion on the basic financial statements. The independent auditor's report is located at the front of the financial section of this report.

A narrative introduction, overview and analysis of the financial statements can be found in the Management's Discussion and Analysis (MD&A), which immediately follows the independent auditor's report. The MD&A complements this letter of transmittal and both should be read in conjunction. The notes, along with the other financial and operational data included in the City's CAFR, must be read in their entirety to obtain a complete understanding of the City's financial position as of June 30, 2019 and the respective changes in its financial position. Readers of these financial statements should pay particular attention to Notes 12, 13, 17, and 18, concerning Pension Plans, Other Postemployment Benefits, Commitments, and Contingencies, respectively. These notes address certain issues underlying the City's financial condition as well as future potential or anticipated expenses/expenditures related to regulatory and environmental costs.

The financial statements included in this report present the balances and activity of the City and its blended, discretely presented and fiduciary component units. Blended component units are presented as funds of the City and include not-for-profit public benefit corporations and other financing authorities. In addition, the CAFR includes the San Diego Housing Commission, a discretely presented component unit. Fiduciary component units include the San Diego City Employees' Retirement System (SDCERS) and the Successor Agency of the Redevelopment Agency of the City of San Diego. See Note 1a of the financial statements for more information on the reporting entities of the City.

It is important to note that the General Fund's presentation in the CAFR is different from the presentation in the City's annual budget. The General Fund in the CAFR incorporates the balances and activity of additional special revenue funds which are not included as part of the General Fund

and are reported as separate funds in the budget. All references to the General Fund in the narrative below are based on the General Fund as reported in the CAFR.

PROFILE OF THE CITY OF SAN DIEGO

The City, incorporated in 1850, covers 325 square miles of land area and an additional 47 square miles of water area for an aggregate total 372 square miles. The California Department of Finance estimated the City's population to be 1,420,572 as of January 2019, making it the eighth most populated city in the nation and the second most populated city in California.

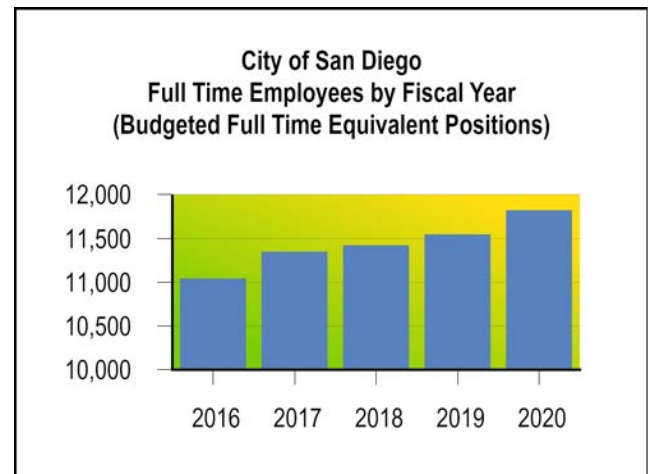
The City operates under and is governed by the laws of the State of California and its own Charter, as periodically amended since its adoption by the electorate in 1931. The City operates under a Strong-Mayor form of government. The Mayor is elected at large to serve a four-year term and may serve up to two consecutive terms. The City Council is composed of nine members who are elected to staggered four-year terms and who are limited to two consecutive terms. The City Council is presided over in open meetings by the Council President, who is selected by a majority vote of the City Council. The Mayor presides over closed session meetings of the City Council. The City Attorney, who is elected to a four-year term, serves as the chief legal advisor and attorney for the City and all departments. The City Attorney is also limited to two consecutive terms in office.

Under the Strong-Mayor form of government, the Mayor is the Chief Executive Officer of the City and has direct oversight of all City functions and services except for the City Council, Personnel, City Clerk, Independent Budget Analyst (IBA), City Attorney, Ethics Commission and City Auditor departments. Under this form of government, the Council has legislative authority; however, all City Council resolutions and ordinances are subject to a veto of the Mayor except for certain ordinances including emergency declarations and the City's annual Salary and Appropriations Ordinances. The City Council may override a Mayoral veto with six votes.

CITY SERVICES

The City, with 11,820 budgeted Full-Time Equivalent (FTE) positions in fiscal year 2020, provides a full range of governmental services. The City has been able to restore and enhance services during the past several years, increasing budgeted staff from fiscal year 2016 to fiscal year 2020 by 780. In the fiscal year 2020 Adopted Budget, the City added 275 positions. The increase in positions is primarily focused on support for Fire-Rescue, 5G next generation technology and the City's multi-billion dollar Capital Improvements Program, including the critical Pure Water Program and Storm Water improvements.

The City provides safety services to its residents and visitors, including police and fire protection, emergency medical treatment and lifeguard services. Neighborhood services include parks and recreation, library, arts and culture, refuse collection, waste management, economic development, and planning. The City operates and maintains the water and sewer utilities, the Montgomery-Gibbs Executive Airport and Brown Field general aviation airports, and the SDCCU Stadium. It also administers the Petco Park joint use and management agreement between the City and the Padres baseball team. The City's public works program improves and adds to the City's existing infrastructure including buildings, parks, roads, sidewalks, street lights, bridges, storm water, and distribution and collection systems for sewer and water.



BUDGETING SYSTEMS AND CONTROLS

The budget is created each fiscal year by the Mayor and presented to the City Council and the public by April 15, as required by the Charter. After a series of public meetings, input from the City Council and City residents, the Mayor proposes revisions to the originally proposed budget, as necessary. The Charter requires that on or before June 15, the City Council approve the budget as submitted by the Mayor or with modifications to the proposed budget. Within five business days of City Council's approval, the Mayor has the discretion to line-item veto any budget modifications approved by the City Council. In turn, the City Council has five business days within which to override the Mayor's veto. The Appropriation Ordinance that enacts the budget into law is based on the approved budget and the adopted Salary Ordinance. The City Charter requires that City Council adopt the Appropriation Ordinance for the following year by June 30. All subsequent amendments to the adopted budget require City Council approval except as delegated in the Appropriation Ordinance.

Budgetary control is established at the highest level by the Charter and further defined by the City Council through the annual Appropriation Ordinance. Budgetary control is exercised at the department level for the General Fund and at the fund level for all other funds. In addition, the budget authorized for personnel expenditures (salaries and wages) for a fund or department may not be used for non-personnel expenditures. The City's financial system incorporates embedded controls in which non-personnel expenditures cannot be incurred if a budget appropriation is not available. The City also uses an encumbrance system of accounting as a mechanism to accomplish effective budgetary control.

The City's Department of Finance (DoF) monitors fund balances, as well as revenue and expenditure projections throughout the fiscal year. The DoF prepares monthly and periodic reports to the City Council that summarize the year-to-date financial activity of the General Fund and other budgeted funds. Additionally, the DoF prepares an analysis of actual and projected financial activity for the entire fiscal year on a quarterly basis by issuing three budget monitoring reports during the year (First Quarter, Mid-Year, and Year-End Budget Monitoring Reports). Subsequent to the end of the fiscal year, the DoF prepares a report analyzing and explaining variances between year-end projections and unaudited year-end actual revenues and expenditures for the General Fund.

LOCAL ECONOMY

The State of California Employment Development Department (EDD) estimates the total civilian labor force for the San Diego/Carlsbad Metropolitan Statistical Area (MSA), which represents San Diego County, is approximately 1.61 million, of which about 1.53 million are non-farm jobs (see footnote on the following page). Between October 2018 and October 2019, total non-farm employment increased by 30,200 jobs, or 2%. The unemployment rate in the San Diego/Carlsbad MSA was 2.8%, up from a revised 2.7% in September 2019, and below the year-ago estimate of 3.2%. This compares with an unadjusted unemployment rate of 3.7% for California and 3.3% for the nation during the same period. The table on the following page provides estimates of total annual civilian non-farm employment by number of employees in each major industry category in the San Diego/Carlsbad MSA for 2017 through 2019.

San Diego / Carlsbad MSA ¹
Civilian Non-Farm Labor Force by Industry Sector

Industry Sector	2017	2018	2019 ³	2019
Professional & Business Services	243,300	251,800	258,900	17.0%
Leisure & Hospitality	196,800	201,200	202,000	13.2%
Government				
State & Local Government	200,600	203,400	211,300	13.9%
Federal Government	47,100	47,000	47,300	3.1%
Healthcare & Social Assistance	177,100	180,000	185,600	12.2%
Trade				
Retail Trade	149,300	147,800	144,700	9.5%
Wholesale Trade	44,100	43,300	42,900	2.8%
Manufacturing	110,200	113,900	118,200	7.7%
Financial Activities	75,700	76,100	75,800	5.0%
Construction	82,500	83,900	89,300	5.9%
Other	141,900	147,000	149,600	9.8%
Total Non-Farm ²	<u>1,468,600</u>	<u>1,495,400</u>	<u>1,525,600</u>	<u>100.0%</u>

¹ Based on California Employment Development Department data for the San Diego/Carlsbad Metropolitan Statistical Area for the month of October of each corresponding year (March 2018 Benchmark). Data excludes military uniformed personnel.

² Non-farm jobs exclude self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

³ Data reflects October 2019 preliminary values.

Federal Government employment in the table above includes approximately 23,000 civilians employed by the United States Department of Defense, but excludes military uniformed personnel. In its 2019 Economic Impact Study, the San Diego Military Advisory Council (SDMAC) estimated a total of 143,000 active duty and civilians work as members of the Navy, Marine Corps, Reserves, Coast Guard, or Veterans Administration in San Diego County, which is home to one out of every six of the nation's sailors as well as over one-fourth of the total United States Marine Corps.

MAJOR INDUSTRIES

San Diego's economic base has evolved from one with a greater reliance on defense spending and tourism to one that includes more high-technology manufacturing and an expanded international trade sector. The City's Economic Development Strategy for 2017 through 2019, prepared by the City's Economic Development Department, identified four economic base industries in San Diego: (1) manufacturing and innovation, (2) international trade and logistics, (3) military installations, and (4) tourism. These are sectors that bring money and wealth into the region by exporting goods and services to the rest of the nation and the world.

The City's economic base is anchored by higher education and major scientific research institutions, including the University of California San Diego, San Diego State University, Scripps Research Institute, the Salk Institute for Biological Studies, and the San Diego Supercomputer Center. This provides a research and development foundation that helps create new products, which can then be manufactured in the region, especially in biotech and high-tech. According to the San Diego Regional Economic Development Corporation, research institutions as well as commercial research and development businesses are one of the largest and most significant economic contributors to the region, generating \$14.4 billion in GRP. San Diego's manufacturing sector is diverse, including several manufacturing clusters: biotech; cleantech; defense and security systems; electronics and telecommunications; and food and beverage production.

With its proximity to Mexico and the Pacific Rim, San Diego is in a unique geographical position that creates opportunities for growth in international trade. The proximity of Mexican manufacturing to the United States often makes "near-sourcing" of manufacturing back to Mexico attractive for U.S. companies. The Port of San Diego, built around one of the world's great natural harbors, also facilitates international trade which provides for the importation of a wide variety of bulk products and large equipment. According to the Department of Commerce, the San Diego area was

the 20th largest exporter among U.S. Metro areas with an export value of \$20.2 billion. Annualized growth rate in exports from the San Diego area has increased by 8.2% from 2017.

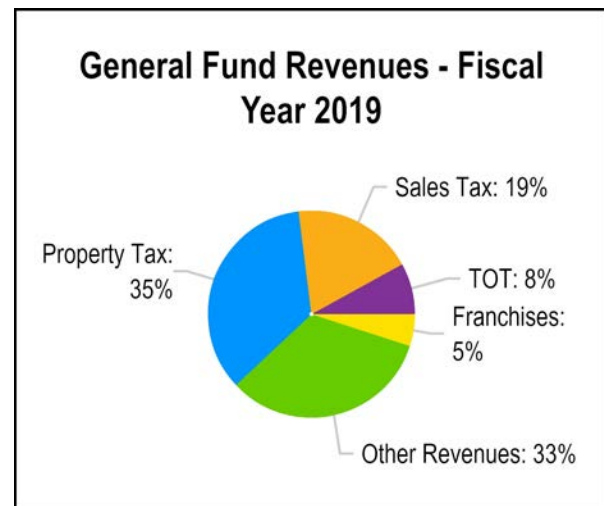
The military continues to play a significant role in the San Diego economy. The San Diego Military Advisory Council (SDMAC) issued a Military Economic Impact Study in November 2019 (SDMAC Study) estimating that in 2019, defense-related activities and spending will generate approximately \$51 billion of Gross Regional Product (GRP) for San Diego County, or 22% of the region's total GRP. The military was responsible for approximately 354,000 jobs in the region, or 22% of all employment in the region. The SDMAC Study further estimates that \$28.1 billion in federal defense funds were allocated to San Diego County, an increase of 8% from the previous year's amount presented in the City's fiscal year 2018 CAFR. The total GRP connected to the military's direct or indirect influence on the region is forecast to increase by 7% in fiscal year 2020.

Tourism continues to be a major economic driver for the City. According to the San Diego Tourism Authority (SDTA) in 2018, the San Diego Convention Center events represented approximately \$733 million in direct spending. The hospitality industry employed approximately 194,000 people as of December 2018 throughout the County. The SDTA further states that San Diego hosted 35.8 million visitors who spent over \$11.5 billion at local businesses and generated \$306 million in Transient Occupancy Tax for the San Diego region during fiscal year 2018.

FINANCIAL AND ECONOMIC TRENDS

In fiscal year 2019, the General Fund's four major operating revenue sources - property tax, sales tax, transient occupancy tax (TOT), and franchise fees (unrestricted) - made up 67% of total General Fund revenues. Based on revenue projections for the first quarter of fiscal year 2020, major revenues for the General Fund are expected to increase by \$34.4 million (3.1%) compared to major revenues reported for the General Fund in the fiscal year 2019 basic financial statements.

The table below shows historical trends for the General Fund major revenues for the past four fiscal years and revenue projections for fiscal year 2020.



General Fund Major Revenues by Fiscal Year
(Dollars in Thousands)

	2016	2017	2018	2019	2020 ¹
Property Tax	\$ 471,321	\$ 506,197	\$ 535,481	\$ 570,627	\$ 604,745
Sales Tax ²	284,448	280,558	282,321	314,362	310,722
TOT ³	107,675	116,869	121,904	131,926	136,571
Franchise Fees ⁴	81,929	73,080	80,215	80,594	79,871
TOTAL	\$ 945,373	\$ 976,704	\$ 1,019,921	\$ 1,097,509	\$ 1,131,910

¹ Source: Fiscal Year 2020 First Quarter Budget Monitoring Report - Department of Finance, City of San Diego.

² Includes Safety Sales Tax.

³ Includes the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy). \$118.9 million was deposited into the TOT Special Revenue Fund in fiscal year 2019.

⁴ Excludes \$16.7 million of SDG&E franchise fee revenue deposited in a special fund due to external restrictions contained in the City Charter to preserve and enhance the natural environment of the City.

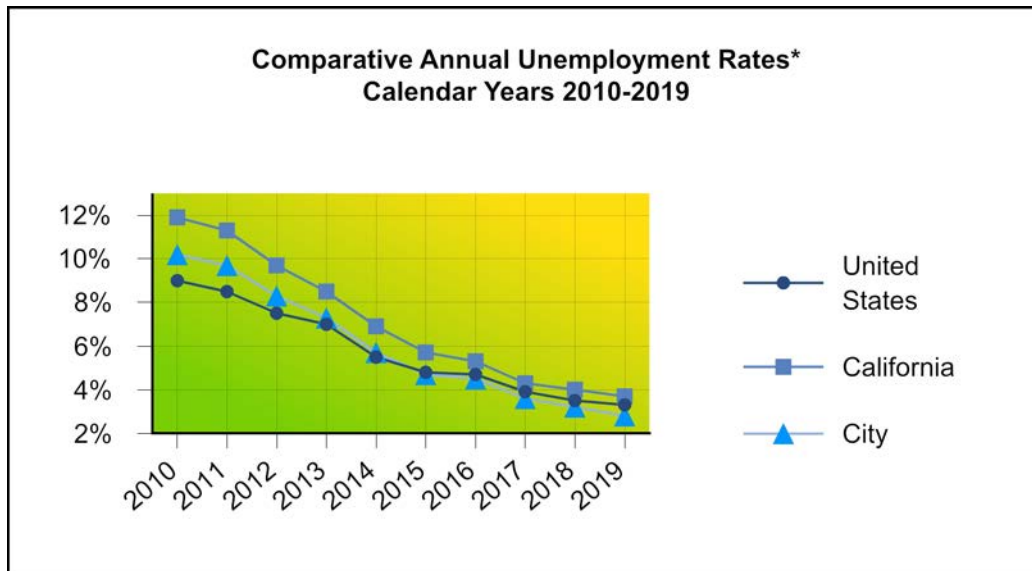
Property Tax

Property Tax revenue is the largest revenue source for the General Fund, representing 34.9% of total General Fund revenue recognized in fiscal year 2019. There is a two-year lag between the time at which property values are assessed by the County of San Diego and the time the property tax revenue is received by the City. Therefore, the property tax revenue received in fiscal year 2019 and the estimated revenue for fiscal year 2020 are based on assessments from January 1, 2018 and 2019, respectively. The 5.25% growth rate projected for property tax revenue in fiscal year 2020 is based on year-over-year increases in the median home price of 1.97% and a decrease in home sales of 2.3%. The fiscal year 2020 assessed valuation of properties not sold or otherwise improved, in accordance with limits established by Proposition 13, is based on the change in the California Consumer Price Index (CCPI) from August 2018 to August 2019. During this period, the CCPI increased by 2.7%. Furthermore, Proposition 13 limits the inflation factor to 2.0%, therefore the assessed valuation of properties not sold or otherwise improved will increase their taxable basis by 2.0%. Additionally, the City receives tax sharing distributions in accordance with redevelopment dissolution laws and a proportional share of residual property tax payments of funds remaining in the Redevelopment Property Tax Trust Fund (RPTTF) after Recognized Obligation Payments are made.

Sales Tax

The City's second largest revenue source for the General Fund is Sales Tax, representing 19.2% of total General Fund revenue recognized in fiscal year 2019. The total citywide sales tax rate in San Diego is 7.75%, of which the City receives approximately 1.0% for general purposes. The City also receives a portion of the 0.5% collected by the San Diego Association of Governments (SANDAG) for the TransNet program to fund transportation improvements throughout the City, and a portion of the 0.5% Safety Sales Tax to fund local public safety needs. General purpose and Safety Sales Tax are deposited in the General Fund, while TransNet sales tax revenue is deposited in the TransNet Capital Projects Fund.

The major local economic drivers of the City's Sales Tax revenue include the unemployment rate, consumer confidence, and consumer spending. The unemployment rate for the City was 2.8% in October 2019, down from 3.2% in October 2018. A lower local unemployment rate generally improves consumer confidence which, in turn, improves the City's sales tax receipts. In fiscal year 2019, actual sales tax revenue was higher than anticipated, which was primarily due to delayed fiscal year 2018 tax distributions of approximately \$16.5 million from the State. While the local economic indicators for sales tax are positive and stable, growth in sales tax will be restrained by online sales. As consumers shift from in-store purchases to online sales, the City receives a smaller portion of sales tax revenues. In another matter, the Supreme Court ruling in South Dakota vs. Wayfair, Inc. allows states to require online retailers to collect and remit sales tax, overruling a long-standing physical presence requirement. Based on the fiscal year 2020 projection, the City estimates a year-over-year decrease in Sales Tax revenue of approximately \$3.6 million (-1.1%) compared to fiscal year 2019 actual revenue recognized, which includes the delayed distribution.



Source: Federal Bureau of Labor Statistics, California Employment Development Department.

* Unemployment rate for 2019 is based on October 2019.

Transient Occupancy Tax

The City's TOT is levied at 10.5% of daily room prices in hotels and motels used by visitors staying in San Diego for fewer than 30 consecutive days. TOT revenue is allocated pursuant to the City Municipal Code. Of the 10.5% collected, 5.5% is allocated to the General Fund and the remaining 5% is allocated to the TOT Special Revenue Fund, 4% of which is allocated to special programs to promote the City's tourism and the remaining 1% is allocated for any purpose approved by the City Council. A portion of the revenue allocated to the TOT special revenue fund can be used to reimburse the General Fund for tourism promotion costs or transferred to the General Fund for any purpose approved by the City Council. TOT allocated to the General Fund of \$131.9 million represented 8.1% of total General Fund revenue recognized in fiscal year 2019. In addition, the General Fund received reimbursements and transfers from the TOT Special Revenue Fund of \$42.5 million and \$23.4 million, respectively, in fiscal year 2019 for a combined total of \$197.8 million.

Tourism Information - County of San Diego

	CY 2016	CY 2017	CY 2018	CY 2019 ¹	CY 2020 ¹
Visitors					
Total Visits (millions)	34.9	35.0	35.8	36.2	37.0
Overnight Visits (millions)	17.4	17.6	18.0	18.2	18.5
Hotel Sector					
Average Occupancy	77.1%	77.2%	78.7%	77.4%	77.2%
Average Daily Rate	\$154.93	\$160.36	\$166.3	\$169.54	\$172.84
Revenue PAR ²	\$119.39	\$123.80	\$130.93	\$131.21	\$133.41
Room Demand (growth)	2.2%	0.9%	3.0%	0.5%	1.8%

Source: San Diego Tourism Authority and Tourism Economics.

¹ Forecast August 2019- Tourism Economics, Inc.

² Revenue per Available Room (Average Occupancy multiplied by Average Daily Rate).

The preceding table reflects the positive trend in tourism growth over the past three calendar years (2016-2018) and the forecast for calendar years 2019 and 2020 for San Diego County. Major economic drivers for TOT revenue include seasonal and non-seasonal tourism, business travel and conventions. Sustained positive tourism growth has occurred since the economic turnaround began in fiscal year 2010, continued through fiscal year 2018, and is expected to continue, though at a slower rate, through fiscal year 2020. The fiscal year 2020 projection estimates

a year-over-year increase in General Fund TOT revenue of approximately \$4.6 million (3.5%) compared to actual revenue recognized in fiscal year 2019.

Franchise Fees

San Diego Gas and Electric (SDG&E), the single largest generator of franchise fee revenues for the General Fund, remits 3% of the gas and electricity gross sales within the City, 75% of which is unrestricted and 25% of which is restricted by the Charter to preserve and enhance the natural environment of the City. Both restricted and unrestricted SDG&E franchise fee revenues are recorded in the General Fund. The City also collects 5% of gross revenues from Cox Communications, Spectrum (formally Time Warner Cable), and AT&T for cable and broadband. Other franchise fee revenues include refuse hauler fees based on the total amount of refuse hauled annually, and fees from the Police Department vehicle tow program. Unrestricted franchise fee revenues of approximately \$80.6 million represented 4.9% of total General Fund revenues recognized in fiscal year 2019. The fiscal year 2020 projection estimates a year-over-year decrease of \$0.7 million in unrestricted franchise fee revenues.

LONG-TERM FINANCIAL PLANNING AND FINANCIAL POLICIES

FIVE-YEAR OUTLOOK

Each year the City develops a Five-Year Financial Outlook (Outlook), which is the guiding document for long-range fiscal planning and serves as the framework for development of the next adopted budget. The Outlook is published annually and incorporates a range of information on items that influence projected revenues and anticipated appropriation needs over the next five fiscal years. These projections inform the City Council and the public of the long-term costs of programs in the context of the City's overall General Fund budget and projected revenue growth. The Fiscal Year 2021-2025 Five-Year Outlook released on November 6, 2019, can be obtained online at <https://www.sandiego.gov/finance/financialrpts>.

MULTI-YEAR CAPITAL IMPROVEMENT PROGRAM AND INFRASTRUCTURE

In January 2019, the City's Public Works Department released its Five-Year Capital Infrastructure Planning Outlook (CIP Outlook) report. The CIP Outlook presents a comprehensive overview of the City's CIP including current driving factors, reviews of service level standards, a discussion of condition assessment impacts, and a cost analysis which spans over multiple fiscal years. The CIP Outlook is released on an annual basis and will be used as a guide in developing the City's Annual Capital Improvement Program Budget.

Numerous factors affect what triggers a capital asset need, such as public health and safety, federal and state laws and mandates. Per the Fiscal Year 2020 CIP Adopted Budget Volume III (CIP budget), the total CIP project to date budget citywide is \$9.55 billion, with 47.9% supporting our Water and Sewer CIP. This includes every active (Council-approved) CIP project citywide, approximately 1,500 projects, and the timeline for completion ranges from one to three years to decades into the future, pending identification of eligible funding sources. The CIP Outlook estimates capital costs for fiscal year 2021 through fiscal year 2024 at approximately \$5.62 billion. The CIP outlook includes active CIP projects, which are in the CIP budget, as well as future requests which have not been formally prioritized, or approved by Council, and are not yet in the CIP budget. The projected available funding in the Outlook is estimated at approximately \$3.76 billion, reflecting an estimated funding gap of \$1.86 billion. This estimated funding gap relates to General Fund owned assets and does not assume funding gaps for enterprise funds such as water and sewer utilities. For the purposes of the CIP Outlook, capital programs related to the enterprise funds are assumed self-sufficient and will be supported by rates and fees upon completion of cost of service studies and the City Council approval of rates necessary to meet operational and capital projections. The CIP program has grown significantly, and as that is occurring, the City recognizes it is critical to efficiently manage and deliver capital projects, and build organizational capacity to handle complex and competing CIP priorities. As mentioned previously, the fiscal year 2020 Adopted Budget includes additional positions to support the multi-billion dollar CIP program efforts.

Pure Water San Diego is the City's phased, multi-year program that will provide a safe, secure and sustainable local water supply by turning recycled water into drinkable water through proven purification technology. The first phase is anticipated to produce 30 million gallons per day to reduce the use of imported water once operational by calendar year 2025. The project is funded by both the Water and Sewer Utilities and is budgeted in the water and sewer CIP budget.

The City owns and maintains depreciable assets, including but not limited to, streets, bridges, parks, public facilities, and airports. Over the years, the City deferred maintenance and capital expenditures related to some of these assets, which resulted in deterioration of segments of the City's infrastructure. A financial plan for addressing General Fund deferred capital costs and new facilities has been in place over the last ten years, in part through issuances of Lease Revenue Bonds. Looking forward (FY21-FY25), \$217.4 million in short-term commercial paper notes or long-term financing are anticipated to be issued during the CIP Outlook period. The schedule for issuance of debt, as well as the type of debt financing, is reevaluated each fiscal year as a means towards funding capital and infrastructure needs. Additionally, the DoF prepares semi-annual CIP Budget Monitoring Reports that highlight the effective cash management and streamlining efforts that enhance internal monitoring and execution of the CIP program. These reports are available at <https://www.sandiego.gov/finance/financialrpts>.

Additionally, there are significant additional revenue sources restricted for capital projects and infrastructure, such as TransNet, Gas Taxes, proceeds from real property sales, developer impact fees, and capital grants that are anticipated to be invested in City infrastructure and deferred maintenance. In 2016, San Diego residents passed Proposition H, a Charter amendment measure that establishes an Infrastructure Fund (Fund) to be used exclusively to pay for capital improvements and repair and maintenance of General Fund infrastructure. Beginning in fiscal year 2018, the City is required to deposit 50% of major revenue growth over the base year of fiscal year 2016 into the Fund for five years. The full budgeted amount of \$17.1 million was deposited in the Fund during fiscal year 2019. The fiscal year 2020 adopted budget for the Fund is \$24.1 million. Major revenues are property tax, transient occupancy tax, and unrestricted franchise fees. Thereafter, for the next 20 years, the Infrastructure Fund deposit will be (1) the incremental growth in sales tax from the base year after a CPI allocation to the General Fund, and (2) any savings from a reduction in annual pension payments. Based on forecasted revenue and pension costs used in the 2021-2025 Five Year Outlook, no mandatory deposits are expected in fiscal years 2023 through 2025.

In addition to capital needs, the City has identified significant storm water capital projects in the Watershed Asset Management Plan needed to comply with more stringent water quality regulations (see Note 17). The City has continued to address the new projects and deferred capital costs through its multi-year financing plan and assess the condition of key asset classes.

The City has previously conducted condition assessments on streets, bridges, sidewalks, highest risk storm drains, and most General Fund-owned facilities. These condition assessments are updated on a periodic basis. The current condition assessments and CIP Outlook cover a subset of City assets and represent a portion of the City's deferred maintenance and infrastructure needs. Generally, the City has discretion on the condition levels at which City assets are maintained. Therefore, deferred maintenance on City assets does not constitute a liability of the City. There are, however, significant commitments and contingent liabilities related to infrastructure spending and other requirements disclosed in Notes 17 and 18. Spending priorities on asset maintenance and infrastructure are reassessed annually and incorporated into the budget to ensure that condition level goals are met in a manner that is balanced with other budget priorities and spending requirements.

RESERVES

Strong financial reserves position the City to weather significant economic downturns more effectively and manage the consequences of outside agency actions that may result in revenue reductions. They also serve to address unexpected emergencies such as natural disasters and catastrophic events, unanticipated critical expenditures or legal judgments against the City. The City's approach to establishing and maintaining strong reserves across the spectrum of City operations, including General Fund, Risk Management and enterprise fund (including sewer and water utilities) operations, is contained in the City's Reserve Policy.

The City's Reserve Policy establishes policy goals, which represent the total reserve level that the City is trying to achieve for each of its reserves (Policy Goal). For those reserves that are not at Policy Goal levels, the City's Reserve Policy establishes incremental funding levels for each fiscal year (Target Goal) until arriving at full funding. The following table identifies the Policy Goal, Target Goal (percentage and dollar), and current reserve levels as of the end of fiscal year 2019 for General Fund, Risk Management and Pension Payment Stabilization Reserves.

Reserve	Policy Goal	FY 19 Target %	FY 19 Target \$ (In Millions)	FY 19 Reserve \$ (In Millions)
General Fund Emergency Reserve ¹	8% of the most recent three year average of annual audited General Fund operating revenues (budgetary basis)	8%	\$101.1	\$101.1
General Fund Stability Reserve ¹	8.7% of the most recent three year average of annual audited General Fund operating revenues (budgetary basis)	7.25%	\$91.7	\$91.7
Public Liability Reserve ²	50% of outstanding public liability claims based on the annual actuarial liability valuations for the three most recent fiscal years	50%	\$32.1	\$34.7
Workers' Compensation Reserve ²	12% of outstanding workers' compensation claims based on the annual actuarial liability valuations for the three most recent fiscal years	12%	\$31.3	\$33.7
Long-Term Disability Reserve ²	100% of long-term disability claims based on the annual actuarial liability valuations for the three most recent fiscal years	100%	\$3.9	\$13.1
Pension Payment Stabilization Reserve ³	8% of the average of the three most recent Actuarially Determined Contributions	1.6%	\$4.8	\$4.6

¹ For purposes of the General Fund Reserve Policy, the General Fund is the operational fund as presented in the City's annual budget document and excludes other funds which are consolidated with the General Fund for presentation in the CAFR in accordance with GASB 54.

² Public Liability, Workers' Compensation, and Long-Term Disability Reserves are based on cash on hand plus contributions receivable balances and are all funded in excess of target levels at June 30, 2019.

³ No contribution was made for the Development Services Fund in fiscal year 2019. Full funding is anticipated in fiscal year 2020. This includes enterprise funds reserves.

General Fund Reserves are comprised of two separate components: (1) the Emergency Reserve established for the purpose of sustaining General Fund operations in the case of a public emergency, and (2) the Stability Reserve established to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures. The Emergency Reserve may be expended only if an event is determined to be a public emergency by a two-thirds vote of the City Council, while appropriations from the Stability Reserve require approval by a simple majority of the City Council.

To determine the reserve dollar amount in accordance with the City's reserve policy, the City calculates the average operating revenues for the General Fund (budgetary basis) based on the three most recent years and applies a percentage to that average. In fiscal year 2017, the City increased its Policy Goal for the Stability Reserve from 6% to 8.7%, while maintaining the Emergency Reserve at 8%, to arrive at the total General Fund Reserve Policy Goal of 16.7%. The City met its Stability Reserve Target Goal for fiscal year 2019 of 7.25% or \$91.7 million.

The General Fund's Emergency Reserve of \$101.1 million is reported as restricted fund balance in the financial statements. The General Fund's unassigned fund balance as of June 30, 2019 was \$115.6 million, of which \$91.7 million represents the General Fund's Stability Reserve. The excess unassigned fund balance may be used upon direction of the City Council. The General Fund also reports an additional \$42.8 million of fund balance that has been assigned for expenditures in the fiscal year 2020 budget.

The City also maintains reserves to manage risk, including reserves for the payment of claims and judgments (Public Liability Reserve), a reserve for obligations related to workers' compensation claims (Workers' Compensation Reserve), and a reserve for long-term disability payments for City employees (Long-Term Disability Reserve). Balances exceeding targets are evaluated annually and are available to meet other operating fund needs if necessary. The Fiscal Year 2020 Budget utilized \$4.8 million of excess Long-Term Disability reserves to fund one-time uses in the General Fund. Public liability and workers' compensation reserves are reported in the financial statements as part of the General Fund's

committed fund balance. The Long-Term Disability Reserve is reported as cash in the Miscellaneous Internal Service Fund. Liability claims paid after the end of fiscal year 2019 could reduce risk management reserve balances.

In April 2016, the City created the Pension Payment Stabilization Reserve. The purpose of this reserve is to mitigate service delivery risk by providing a source of funding for increases in the Actuarially Determined Contribution (ADC). The ADC is calculated by SDCERS' actuary as part of its annual Actuarial Valuation Report. Increases in the ADC could be caused by several factors, such as lower than expected investment returns; changes in actuarial assumptions approved by the SDCERS Board, including a reduction in the discount rate; and other significant liability experience losses. The Fiscal Year 2021-2025 Five-Year Financial Outlook Report includes a plan to replenish the Pension Reserve on an incremental basis to achieve the full reserve target by Fiscal Year 2023. The Fiscal Year 2020 Adopted Budget included \$3.6 million, or 20.0%, of the Pension Reserve for the General Fund and \$1.2 million, or 20.0% of the Pension Reserve for the Enterprise funds, for a total of \$4.8 million to meet the cumulative 40% target. The City has made no draws on its primary reserves in fiscal year 2019.

The Fiscal Year 2019 Sewer Utility and Water Utility Funds reported balances of \$72.7 million and \$71.1 million, respectively, in the Rate Stabilization Fund (RSF) Reserves. Both funds are in excess of the reserve policy targets which equal to 5% of prior fiscal year water and wastewater system total operating revenue. Transfers in and out of the RSFs are made to maintain stable debt service coverage ratios for outstanding debt obligations and mitigate major fluctuations in future rate increases. No transfers occurred have in fiscal year 2019. In addition to the RSF reserves, the Water and Sewer utilities maintain various other policy reserves including the Emergency Operating Reserves, Emergency Capital Reserves, and Secondary Purchase Reserves (for Water Utility only), and there were no draws from these reserves in fiscal year 2019.

OTHER FINANCIAL POLICIES

In addition to policies related to reserves, budget development, budget monitoring and the Outlook, the City has adopted a comprehensive set of financial policies including policies on debt management, investments, Capital Improvement Program prioritization and transparency, among others. A summary of these policies can be found within the City's current year adopted budget online at <https://www.sandiego.gov/finance/annual/vol1>.

MAJOR ACCOMPLISHMENTS AND INITIATIVES

The City is investing \$14.1 million in programs and services intended to help people experiencing homelessness through allocation of the State Homeless Emergency Aid Program (HEAP) funds. The funding is the result of efforts by Mayor Faulconer and the other "Big 11" mayors to urge leaders in Sacramento to provide financial assistance to local governments as they address a statewide homeless crisis. This funding is a part of a broader homelessness strategic plan that dedicates approximately \$37.9 million of carryforward and new fiscal year 2020 funding for several programs and services, including the opening of new bridge shelters, safe parking, and transitional housing and storage centers.

In November 2019, The City was ranked first nationally in the latest Digital Cities Survey by the Center for Digital Government, a national research and advisory institute for information technology policies and best practices for state and local governments. In receiving this recognition, the City was praised for its use of technology in responding to homelessness challenges, improving the quality of life in neighborhoods, helping protect the environment for future generations and meeting the City's Strategic Plan goals. The annual survey examines how cities use technology to align with city goals; promote citizen inclusion in important government processes and share government data with the public; proactively address citizen expectations; and boost cybersecurity and increase efficiency.

One of Mayor Faulconer's top initiatives is to repair at least 1,000 miles of City streets in five years or less by fiscal year 2020. The City achieved the 1,000-mile goal in the first quarter of fiscal year 2019, nearly two years ahead of schedule. The City intends to continue its aggressive street

repair program in fiscal year 2020 by repairing approximately 430 miles of streets. The City currently has a network of approximately 3,000 miles of streets which includes asphalt, concrete and paved alleys.

Confirming the City's commitment to being as innovative as the people it serves, *Governing Magazine* ranked San Diego first nationwide for high-performance government. The magazine's annual "Equip to Innovate" report placed the San Diego as the top overall performer based on the City's fiscal responsibility, racial equity, resident engagement and evidence-based policymaking.

The City has continued its progress of Mayor Faulconer's Clean SD initiative by directing the clearing of trash and debris from canyons to reduce the risk of canyon fires and keep residents and firefighters safe. The Clean SD program was launched in 2017 to address litter removal, street sweeping, and graffiti removal requests received through the City's Get It Done application <https://www.sandiego.gov/get-it-done>. Crews have already removed over 4,000 tons of debris from rivers, creeks, city streets and sidewalks. In addition, the equivalent of 2,500 City blocks have been sanitized. The fiscal year 2020 adopted budget includes \$10.2 million in the General Fund for the program, of which \$6.5 million is for the Clean SD expansion.

As a result of modest positive trends in revenue growth, the fiscal year 2020 Adopted Budget preserves a number of service enhancements added in previous years for residents of San Diego focusing on three strategic goals: achieve safe and livable neighborhoods; create an economically prosperous city; and provide high quality public service. Safe and livable neighborhoods are enhanced through funding for General Fund infrastructure support, the neighborhood policing program, brush management and abatement, and Clean SD. The fiscal year 2020 budget also recognizes important funding for bridge shelters, affordable housing, and other homeless initiatives. Public service is enhanced through funding of new libraries and parks and recreation facilities, dockless mobility device enforcement, beach trash collection, and continued street and sidewalk repair and replacement support.

The City continues to preserve and enhance these core services, fully make its pension payment, and fully fund General Fund and Risk Management reserves to policy targets. Balancing the General Fund fiscal year 2020 budget involved making strategic decisions, which support the City's strong commitment to fiscal sustainability. Effective financial oversight promotes a healthy financial future and the ability to provide outstanding service to communities throughout San Diego.

ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its CAFR for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements. In addition, the City has received awards of recognition for its latest budget document from the GFOA and the California Society of Municipal Finance Officers.

A *Certificate of Achievement for Excellence in Financial Reporting* is valid for a period of one year. We believe our current CAFR continues to meet the requirements of the Certificate of Achievement for Excellence in Financial Reporting Program, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the dedication and professionalism of the entire staff of the City's Department of Finance. We wish to thank all City departments for their valuable contributions and thank the staff of Civic San Diego, San Diego Convention Center Corporation, San Diego Housing Commission and San Diego City Employees' Retirement System for providing component unit information which has been incorporated into this report. We also want to thank the City's independent auditors, Macias Gini & O'Connell LLP for their work.

Finally, we would like to thank Mayor Kevin Faulconer for his support in maintaining the highest standards of professionalism in management of the City and the Audit Committee for their governance role over the audit of the CAFR.

Respectfully submitted,



Rolando Charvel
Chief Financial Officer



Tracy McCraner
Department of Finance Director and
City Comptroller



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of San Diego
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

City of San Diego Current Elected Officials
(Holding office as of the issuance date of this report)



Mayor Kevin Faulconer

District 1
Council President Pro Tem Barbara Bry



District 6
Councilmember Chris Cate



District 2
Councilmember Jennifer Campbell



District 7
Councilmember Scott Sherman



District 3
Councilmember Chris Ward



District 8
Councilmember Vivian Moreno



District 4
Councilmember Monica Montgomery



District 9
Council President Georgette Gómez



District 5
Councilmember Mark Kersey



City Attorney
Mara W. Elliott



Other City Officials

Kris Michell, Chief Operating Officer

Rolando Charvel, Chief Financial Officer

Tracy McCraner, Department of Finance Director/City Comptroller

Elizabeth Correia, City Treasurer

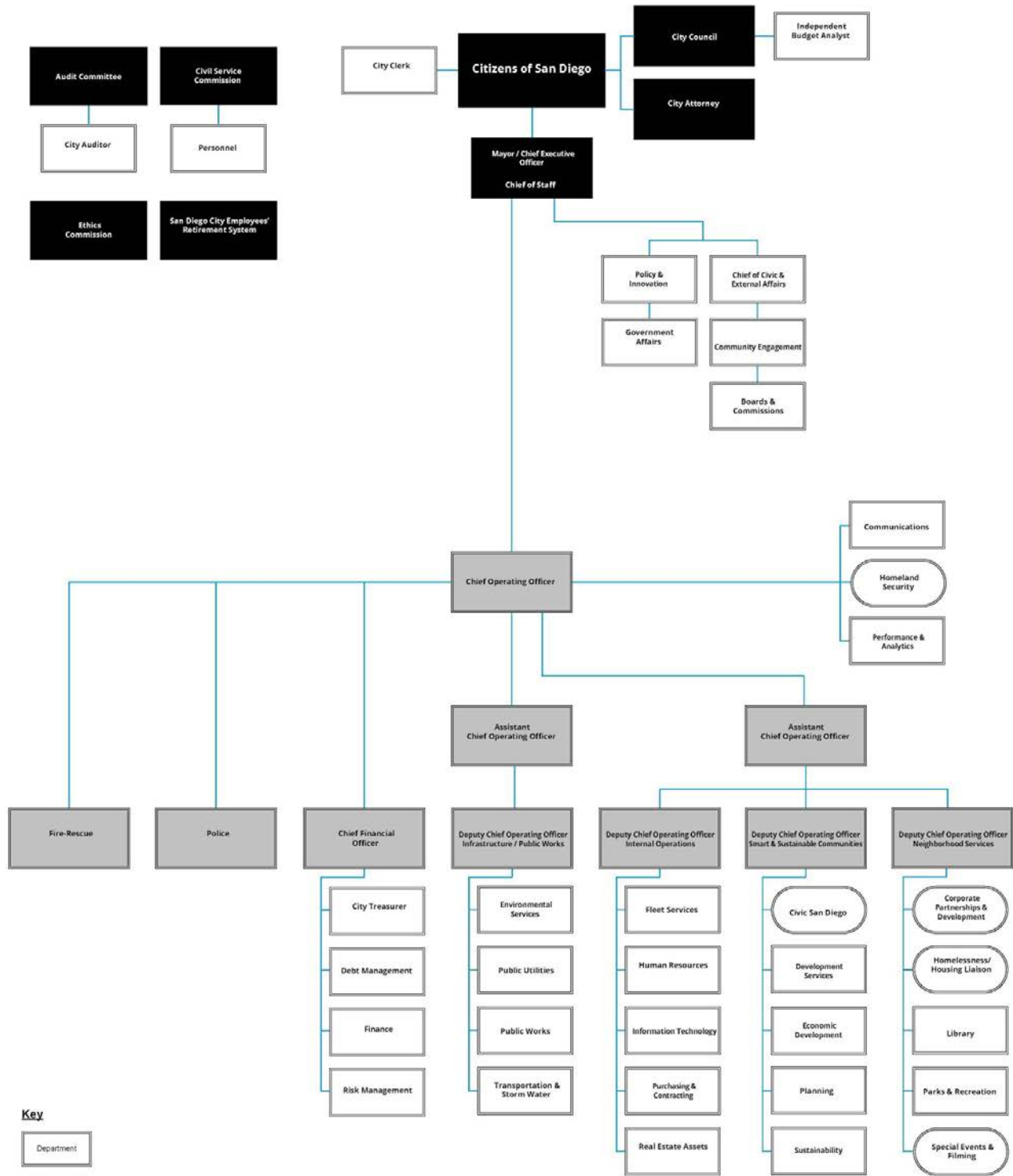
Elizabeth Maland, City Clerk

Andrea Tevlin, Independent Budget Analyst

Kyle Elser, Interim City Auditor



ORGANIZATION (All City Functions)



Key



Revised: 06/07/2019



FINANCIAL SECTION



Flight/Alight/Onward, 2000, By: Ellen Phillips/Mary Lynn Dominguez, Washington Street – Mission Hills
© 2017 Philipp Scholz Rittermann



Independent Auditor's Report

To the Honorable Mayor and Members of the
City Council of the City of San Diego, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of San Diego, California (City), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Diego Housing Commission, a discretely presented component unit, which represent 100% of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the San Diego Housing Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the schedule of changes in net pension liability and related ratios, the preservation of benefits plan schedule of changes in total pension liability, the pension plans schedule of employer contributions, the schedule of changes in the net OPEB liability and related ratios, the OPEB plan schedule of employer contributions; and the general fund schedule of revenues, expenditures and changes in fund balance – budget and actual (budgetary basis) as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Macias Gini & O'Connell LLP

San Diego, California
December 19, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

As management of the City of San Diego (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. We encourage the reader to consider the information presented here in addition to the information presented in the Letter of Transmittal.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The focus of the government-wide financial statements is on reporting the operating results and financial position of the City as an economic entity. These statements are intended to report the City's operational accountability to its readers, giving information about the probable medium and long-term effects of past decisions on the City's financial position.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual amount reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing changes in the City's net position during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The focus is on both gross and net costs of City functions, which are supported by general revenues. This statement also distinguishes functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include: General Government and Support; Public Safety-Police; Public Safety-Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; Neighborhood Services; and Interest on Debt Service. The business-type activities of the City include: Sewer Utility; Water Utility; Airports; Development Services; Environmental Services; Golf Course; Recycling; and the San Diego Convention Center Corporation (SDCCC).

The government-wide financial statements include the City (known as the primary government) and the San Diego Housing Commission (SDHC), a legally separate, discretely presented component unit. Financial information for this component unit is reported separately from the financial information presented for the primary government. The City also reports fiduciary component units which are not included in the government-wide financial statements. Fiduciary component units include the San Diego City Employees' Retirement System (SDCERS) and the Successor Agency of the Redevelopment Agency of the City of San Diego (Successor Agency). Blended component units, also legally separate entities, are considered a part of the City's operations for reporting purposes and are combined with the primary government.

Included within the primary government as blended component units are the following:

- Civic San Diego (CSD)
- Convention Center Expansion Financial Authority (CCEFA)
- Public Facilities Financing Authority (PFFA)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- Tobacco Settlement Revenue Funding Corporation (TSRFC)
- The Enhanced Infrastructure Financing District Public Financing Authority (EIFDPFA)
- San Diego Convention Center Corporation (SDCCC)

The government-wide financial statements can be found beginning on page 46 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statements of Revenues, Expenditures and Changes in Fund Balances for the General Fund, which is a major fund. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the Combining and Individual Fund Financial Statements and Schedules section of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget and is presented as required supplementary information.

The basic governmental funds financial statements can be found beginning on page 50 of this report.

PROPRIETARY FUNDS

The City maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its various business-type activities, such as Sewer and Water Utilities. Internal service funds, such as Central Stores, Fleet Operations, and Publishing Services, are used to report activities that provide centralized supplies and/or services to the City.

Proprietary funds statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Sewer and Water Utility funds, which are considered major funds of the City. Data for the nonmajor enterprise funds are combined into a single, aggregated presentation, and the internal service funds are combined into a single, aggregated presentation as well. Included in the Combining and Individual Fund Financial Statements and Schedules section of this report are individual fund data for the nonmajor enterprise funds and the internal service funds.

The basic proprietary funds financial statements can be found beginning on page 56 of this report.

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found beginning on page 62 of this report.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 65 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information regarding: changes in the City's net pension liability; changes in the City's total pension liability for the Preservation of Benefits (POB) Plan; changes in the City's net other postemployment benefits liability; employer contributions to the pension plan; and employer contributions to the postemployment healthcare benefits plan. The required supplementary information also includes a budgetary comparison schedule for the General Fund. Required supplementary information can be found beginning on page 185 of this report.

The individual fund data referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information beginning on page 209 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

CITY OF SAN DIEGO'S CONDENSED STATEMENT OF NET POSITION
(Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Capital Assets	\$ 5,163,012	\$ 5,077,307	\$ 6,362,962	\$ 6,176,556	\$ 11,525,974	\$ 11,253,863
Other Assets	2,491,495	2,417,166	1,177,452	1,137,582	3,668,947	3,554,748
Total Assets	7,654,507	7,494,473	7,540,414	7,314,138	15,194,921	14,808,611
Deferred Outflows of Resources	592,488	671,068	229,506	261,901	821,994	932,969
Net Long-Term Liabilities	3,811,274	3,819,533	2,769,690	2,706,938	6,580,964	6,526,471
Other Liabilities	204,310	182,938	239,342	220,200	443,652	403,138
Total Liabilities	4,015,584	4,002,471	3,009,032	2,927,138	7,024,616	6,929,609
Deferred Inflows of Resources	109,003	80,135	23,885	18,506	132,888	98,641
Net Position						
Net Investment in Capital Assets	4,370,867	4,308,123	4,414,352	4,383,725	8,785,219	8,691,848
Restricted ¹	1,783,798	1,694,552	6,968	7,208	1,790,766	1,701,760
Unrestricted ¹	(2,032,257)	(1,919,740)	315,683	239,462	(1,716,574)	(1,680,278)
Total Net Position	\$ 4,122,408	\$ 4,082,935	\$ 4,737,003	\$ 4,630,395	\$ 8,859,411	\$ 8,713,330

¹ The Restricted and Unrestricted Amounts for 2018 Net Position, under the headings "Governmental Activities" and "Total Primary Government," have been revised from the corresponding amounts included in the City's Fiscal Year 2018 audited financial statements. There has been no change to the Total Net Position for such year. Under the "Governmental Activities" and "Total Primary Government" headings, the Restricted amount has been increased by \$203,604, and the Unrestricted amount has been decreased by the same amount.

As noted earlier in the overview of the government-wide financial statements, over time, changes in net position may serve as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,859,411 as of June 30, 2019, an increase of \$146,081, or approximately 2%, over fiscal year 2018.

The City's net investment in capital assets is \$8,785,219. This includes land, construction-in-progress, structures and improvements, equipment, distribution and collections systems, and other infrastructure, less any outstanding debt used to acquire these assets and the related deferred outflows/inflows of resources. The City uses these capital assets to provide services to citizens, and consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves generally are not used to liquidate these liabilities.

Restricted Net Position is \$1,790,766, representing resources that are subject to external restrictions on how they may be used. The amount of (\$1,716,574) represents the Unrestricted Net Position deficit. This deficit largely reflects the combined Pension Liabilities of \$2,625,164 reported in accordance with GASB Statement Nos. 68 and 73, and the Net Other Postemployment Benefits (OPEB) Liability of \$462,264 reported in accordance with GASB Statement No. 75. Additional information regarding pension matters, including the City's funding policy, can be found in Note 12, and additional OPEB information can be found in Note 13.

Total Net Position resulting from governmental activities remained stable, with an increase of \$39,473, or approximately 1%. This was comprised of an increase in the Net Investment in Capital Assets of \$62,744, or approximately 1%, an increase in Restricted Net Position of \$89,246, or approximately 5%, and a decrease in Unrestricted Net Position of \$112,517, or approximately 6%.

Total Net Position resulting from business-type activities remained stable as well, with an increase of \$106,608, or approximately 2%. The operating incomes for Sewer Utility and Water Utility were \$51,141 and \$53,254, respectively, which contributed to the increase in Unrestricted Net Position for business-type activities of \$76,221, or approximately 32%.

CITY OF SAN DIEGO'S CONDENSED STATEMENT OF ACTIVITIES
(Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues						
Charges for Services	\$ 530,205	\$ 482,981	\$ 1,114,416	\$ 1,126,500	\$ 1,644,621	\$ 1,609,481
Operating Grants and Contributions	154,764	134,682	6,435	9,958	161,199	144,640
Capital Grants and Contributions	77,952	26,218	30,801	70,109	108,753	96,327
General Revenues						
Property Taxes	586,510	548,509	—	—	586,510	548,509
Transient Occupancy Taxes	250,883	231,863	—	—	250,883	231,863
Sales Taxes - Shared State Revenue	339,609	323,113	—	—	339,609	323,113
Franchises	97,365	96,313	—	—	97,365	96,313
Other Local Taxes	66,375	52,603	—	—	66,375	52,603
Investment Income	52,056	13,337	28,713	8,435	80,769	21,772
Other	115,236	100,484	12,036	13,758	127,272	114,242
Total Revenues	2,270,955	2,010,103	1,192,401	1,228,760	3,463,356	3,238,863
Expenses:						
General Government and Support	383,177	364,533	—	—	383,177	364,533
Public Safety-Police	567,625	542,128	—	—	567,625	542,128
Public Safety-Fire and Life Safety and Homeland Security	339,282	321,016	—	—	339,282	321,016
Parks, Recreation, Culture and Leisure	397,391	383,122	—	—	397,391	383,122
Transportation	279,724	264,278	—	—	279,724	264,278
Sanitation and Health	108,371	101,440	—	—	108,371	101,440
Neighborhood Services	121,036	91,686	—	—	121,036	91,686
Interest on Debt Service	34,265	36,515	—	—	34,265	36,515
Sewer Utility	—	—	356,630	351,145	356,630	351,145
Water Utility	—	—	515,273	532,056	515,273	532,056
Airports	—	—	8,211	7,415	8,211	7,415
Development Services	—	—	81,012	78,287	81,012	78,287
Environmental Services	—	—	38,510	41,397	38,510	41,397
Golf Course	—	—	20,090	21,072	20,090	21,072
Recycling	—	—	24,780	25,002	24,780	25,002
San Diego Convention Center Corporation	—	—	41,898	37,986	41,898	37,986
Total Expenses	2,230,871	2,104,718	1,086,404	1,094,360	3,317,275	3,199,078
Change in Net Position Before Transfers	40,084	(94,615)	105,997	134,400	146,081	39,785
Transfers	(611)	(2,814)	611	2,814	—	—
Change in Net Position	39,473	(97,429)	106,608	137,214	146,081	39,785
Net Position - July 1	4,082,935	4,180,364	4,630,395	4,493,181	8,713,330	8,673,545
Net Position - June 30	\$ 4,122,408	\$ 4,082,935	\$ 4,737,003	\$ 4,630,395	\$ 8,859,411	\$ 8,713,330

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net position by \$39,473 during fiscal year 2019. Variances from fiscal year 2018 exceeding 10% and \$5,000 are discussed below.

- Charges for Services increased by \$47,224, or approximately 10%. This was attributed to several factors, including: increased General Fund reimbursements from the Transient Occupancy Tax Fund for safety and maintenance of visitor-related facilities; increased reimbursements for work performed by the Engineering & Capital Projects Fund due to a higher overhead rate and higher number of billable positions; and an increase in the year-end revenue accrual for Tourism Marketing District (TMD) assessments.
- Operating Grants and Contributions increased by \$20,082, or approximately 15%, primarily due to a large increase in reimbursable expenditures for the Community Development Block Grant (CDBG) program. Several CDBG programs increased, including the Homeless Facility/Permanent Supportive Housing Acquisition/Rehabilitation, the Affordable Housing Revolving Loan Fund, and the Smart Street Light project.
- Capital Grants and Contributions revenue increased by \$51,734, or approximately 197%, primarily due to accrued CalTrans grant reimbursements for the West Mission Bay Drive Bridge project and a large contribution received from the University of California San Diego (UCSD) for the UCSD Fire Station project. These increases were partially offset by a decrease in State grant revenues for the Housing Related Parks Program. This was due to the completion of the Park de la Cruz and Guymon Park/Horton Elementary School projects and closeout of the related grants.
- Other Local Taxes increased by \$13,772, or approximately 26%, primarily due to the new Gas Tax Senate Bill 1 (SB1) which went into effect during fiscal year 2018 to address maintenance on local streets. Fiscal year 2019 was the first full year in which the City received SB1 revenues.
- Investment Income increased by \$38,719, or approximately 290%, primarily due to the change from a net unrealized loss in fiscal year 2018 to a net unrealized gain in fiscal year 2019. In addition, actual investment returns increased due to higher average rates on holdings and a slightly higher average investment pool balance.
- Other Revenue increased by \$14,752, or approximately 15%, primarily due to a one time asset forfeiture received by the Police Department for their role in the investigation of a financial institution.
- Neighborhood Services expense increased by \$29,350, or approximately 32%, primarily due to the increase in CDBG reimbursable expenditures related to homelessness and affordable housing programs (see Operating Grants and Contributions).

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net position by \$106,608 during fiscal year 2019. Variances from fiscal year 2018 exceeding 10% and \$5,000 are discussed below.

- Capital Grants and Contributions revenue decreased by \$39,308, or approximately 56%. This was primarily due to the donated assets reported in fiscal year 2018 for the San Vicente Dam's Emergency Storage Project, a decrease in capacity fees for Sewer and Water Utilities, attributed to a reduction in building permits issued, and a decrease in Airport grant reimbursements as runway rehabilitation projects were winding down during fiscal year 2019.

- Investment Income increased by \$20,278, or approximately 240%, primarily due to the change from a net unrealized loss in fiscal year 2018 to a net unrealized gain in fiscal year 2019. In addition, actual investment returns increased due to higher average rates on holdings and a slightly higher average investment pool balance.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, governmental fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported.

As of the end of fiscal year 2019, the City's governmental funds reported combined ending fund balances of \$2,070,982, an increase of \$62,160 from fiscal year 2018. The General Fund and Other Governmental Funds had unassigned fund balances of \$115,582 and \$(65,721), respectively, with a combined unassigned fund balance of \$49,861. The General Fund unassigned fund balance of \$115,582 includes the Stability Reserve of \$91,700. The restricted, committed, and assigned fund balances are (1) to liquidate contracts and purchase orders of the period, (2) to pay debt service, (3) to generate income to pay for the perpetual funding of various programs, (4) for use in the subsequent year's budget, (5) for emergency reserves, or (6) for a variety of other purposes, and are not available for new spending.

The General Fund is the principal operating fund of the City. Total Fund Balance for the General Fund was \$412,167. General Fund revenues totaled \$1,635,768, which was an increase of \$133,752 over fiscal year 2018. This increase was attributed to several categories, the largest of which were Property Taxes, Sales Taxes, and Charges for Services. General Fund expenditures totaled \$1,585,882, which was an increase of \$47,525. This was mainly due to salary and related fringe increases for general government employees and sworn police officers. Additionally, there were increases in information technology expenditures, election costs, and insurance costs reported in the General Government and Support category.

PROPRIETARY FUNDS

The City's proprietary fund statements provide the same type of information found in business-type activities in the government-wide financial statement, but in more detail.

As of the end of fiscal year 2019, total Net Position for the Sewer Utility Fund remained stable at \$2,537,371, an increase of \$49,455, or approximately 2% over fiscal year 2018. Unrestricted Net Position was \$182,663, an increase of \$42,728 or approximately 31% from fiscal year 2018. This was primarily the result of the fund's operating income of \$51,141.

Total Net position for the Water Utility Fund remained stable as well, at \$2,104,319, an increase of \$48,167, or approximately 2% over fiscal year 2018. Unrestricted Net Position was \$179,304, an increase of \$50,347, or approximately 39% over fiscal year 2018. This was primarily the result of the fund's operating income of \$53,254. However, operating income decreased from fiscal year 2018 by approximately 33%, which was mainly due to a \$25,308 decrease in sales of water. This decrease resulted from the extended rainy season that occurred during fiscal year 2019, combined with conservation efforts of rate payers.

GENERAL FUND BUDGETARY HIGHLIGHTS

The following General Fund budgetary highlights include only those funds associated with General Fund operations as reported in the City's budget, and exclude the additional budgeted funds included with the General Fund for GAAP reporting purposes. The final budget for General Fund expenditures and transfers out was \$14,845 higher than the original budget due to increases in appropriations primarily attributed to the following:

- A \$7,150 increase for Police related to fringe benefits and overtime.
- A \$3,375 increase for Police related to recruitment and retention incentives, as well as unforeseen expenditures in the contracts and supplies categories.
- A \$2,800 increase for Fire-Rescue related to facilities maintenance and an unbudgeted Fire Academy.

In addition to the budget increases mentioned above, \$12,774 was reallocated to Police from other departments within the General Fund. This reallocation was related to salaries and fringe benefits and did not impact the total General Fund budget.

Actual revenues earned in the General Fund were \$42,508 higher than budgeted. Property Taxes were over budget by \$5,327 primarily due to a higher than anticipated distribution from the City's Redevelopment Property Tax Trust Fund and an increase in Motor Vehicle License Fee backfill revenue. Sales Taxes were over budget by \$18,822, primarily due to a delay in fiscal year 2018 distributions from the California Department of Tax and Fee Administration (CDTFA). Transient Occupancy Tax was over budget by \$3,557, primarily due to the continued increase in occupancy and average daily room rates. Licenses and Permits were over budget by \$2,555, primarily due to higher than anticipated Cannabis Business Tax receipts. Revenue from Use of Money and Property was over budget by \$7,811, primarily due to an increase in office space rent from non-General Fund departments, higher investment income, and revenue from Mission Bay Park properties. Revenue from Federal Agencies was over budget by \$1,357, primarily due to higher than expected reimbursements for fire services from the Federal Emergency Management Agency (FEMA). Charges for Current Services were over budget by \$4,393, primarily due to higher than expected reimbursements in the Transportation and Storm Water Department from the Parking Meter Administration Fund and additional Transient Occupancy Tax reimbursements for lifeguard services in the Fire-Rescue Department. These increases were partially offset by Fines, Forfeitures and Penalties coming in under budget by \$2,818, primarily due to a decrease in parking citation revenues.

Actual expenditures for the General Fund were \$10,366 under budget. Higher than anticipated vacancies across various City departments were the predominant cause of savings in salaries and fringe benefits.

CAPITAL ASSET AND DEBT ADMINISTRATION

CITY OF SAN DIEGO'S CAPITAL ASSETS
(Net of Accumulated Depreciation)
(Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land and Rights of Way	\$ 1,890,308	\$ 1,888,957	\$ 106,773	\$ 106,732	\$ 1,997,081	\$ 1,995,689
Easements	6,093	5,684	3,540	2,157	9,633	7,841
Artwork/Historical Treasures	5,052	5,052	1,875	1,875	6,927	6,927
Construction in Progress	430,086	450,536	682,040	567,009	1,112,126	1,017,545
Structures and Improvements	879,192	869,978	1,375,195	1,399,304	2,254,387	2,269,282
Equipment	236,148	191,880	138,239	137,013	374,387	328,893
Intangible Equipment	25,867	24,277	33,231	36,056	59,098	60,333
Distribution and Collection Systems	—	—	4,022,069	3,926,410	4,022,069	3,926,410
Infrastructure	1,690,266	1,640,943	—	—	1,690,266	1,640,943
Totals	<u>\$ 5,163,012</u>	<u>\$ 5,077,307</u>	<u>\$ 6,362,962</u>	<u>\$ 6,176,556</u>	<u>\$ 11,525,974</u>	<u>\$ 11,253,863</u>

CAPITAL ASSETS

In accordance with Governmental Accounting Standards Board (GASB) Statement Nos. 34 and 51, all major assets such as land, structures, streets, signals, bridges, storm drains, distribution and collection systems for water and sewer, and intangible assets are capitalized by the City in the government-wide statements. While capital assets of both governmental and proprietary funds are capitalized at the government-wide level, only the proprietary funds report capital assets at the fund level. Governmental funds are reported on a modified accrual basis. Differences between reporting at the fund level and government-wide level for these governmental assets are explained in both the reconciliation and the accompanying notes to the basic financial statements.

The City's investment in capital assets (including infrastructure) for governmental and business-type activities as of June 30, 2019 was \$11,525,974 (net of accumulated depreciation/amortization), which was an increase of \$272,111 over fiscal year 2018. Readers interested in more detailed information on capital asset activity should refer to Note 4.

HIGHLIGHTS OF FISCAL YEAR 2019 CAPITAL IMPROVEMENT PROGRAM (CIP) ACTIVITIESGovernmental Activities

- Construction continued on the West Mission Bay Drive Bridge over the San Diego River. Construction of the bridge is anticipated to be completed in fiscal year 2023. This project will replace the existing four-lane bridge with a six-lane bridge, sidewalk, bike lanes and shoulder improvements. Fiscal year 2019 expenditures for this project totaled \$30,290.
- The asphalt overlay of approximately 57 miles of roads citywide was completed during fiscal year 2019. These projects provided for resurfacing and reconstruction of City streets, in order to maintain the streets in serviceable condition and mitigate roadway deterioration. These projects were funded primarily with TransNet funds. Fiscal year 2019 expenditures for this project totaled \$22,690.

- Construction began on 101 Ash Street. Tenant improvements include architectural, electrical, plumbing, mechanical, and asbestos mitigation. 101 Ash Street will provide needed office space for several City departments including Development Services, which is currently located in the City Operations Building, and over 500 employees displaced from the 1010 2nd Avenue building. Fiscal year 2019 expenditures for this project totaled \$16,045.
- The annual allocation for drainage projects provides for reconstruction and replacement of failing drainage facilities citywide. There are currently over 900 miles of storm drains in the City of San Diego. Fiscal year 2019 expenditures for drainage projects totaled \$12,026.
- Construction was completed on the Pacific Highlands Ranch Community Park. This project provided for the acquisition, design and construction of a 20 useable acre community park and 17,000 square foot recreational building to serve the communities of Del Mar Mesa and Pacific Highlands Ranch. Fiscal year 2019 expenditures for this project totaled \$8,571.
- Construction continued on the San Ysidro Branch Library. This project provides for a 15,000 square-foot facility to serve the San Ysidro Community, which will replace a 4,089 square-foot library built in 1924. The project is part of the 21st Century System Improvements/Library Department Facility Program. Construction is anticipated to be completed in fiscal year 2020. Fiscal year 2019 expenditures for this project totaled \$7,218.
- Construction was completed on the Mission Hills-Hillcrest Library Branch. This project provided an approximately 15,000 square-foot library for the communities of Mission Hills and Hillcrest. Fiscal year 2019 expenditures for this project totaled \$5,095.

Business-Type Activities

- The Sewer Utility Fund incurred capital expenditures of approximately \$88,195 related to CIP, of which the Metropolitan System CIP incurred approximately \$30,235, and the Municipal System CIP incurred approximately \$57,960. The following major projects continued during fiscal year 2019: Surge Protection and Backup Power of Pump Station 2; North City Water Reclamation Plant Expansion; Enterprise Asset Management (EAM) San Diego Project; and the continued replacement of sewer mains and upgrades to the sewer infrastructure.
- The Water Utility Fund incurred capital expenditures of approximately \$149,200 related to CIP. The following major projects continued during fiscal year 2019: Miramar Clearwell Improvements; Water Operations Buildings; Pacific Beach Pipeline South; and the continued replacement of water mains and upgrades to water infrastructure.
- The Golf Course Fund continued work on the Torrey Pines South course improvements in advance of the 2021 U.S. Open. The fiscal year 2019 expenditures for this project totaled approximately \$9,441.
- The Environmental Services Fund continued working on the Miramar Landfill Gas Recovery Improvement project. The fiscal year 2019 expenditures for this project totaled approximately \$7,245.

COMMITMENTS AND RESTRICTIONS

The City has contractual commitments related to its CIP program which have been encumbered in the applicable funds. The following table provides a breakdown of these commitments:

General Fund ¹	\$ 3,739
Nonmajor Governmental Funds	156,511
Sewer Utility	82,382
Water Utility	139,479
Nonmajor Enterprise Funds	12,894
Internal Service Funds	88
Total Contractual Commitments	<u>\$ 395,093</u>

¹ General Fund amount includes funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB 54.

Total Contractual Commitments at the end of fiscal year 2019 were \$395,093, which was a decrease of \$66,888, or 14%, from fiscal year 2018, primarily due to the timing of contract awards and progress of continuing projects.

In addition, there are restrictions on City financial resources externally imposed by creditors, grantors, contributors, laws or regulation of other governments, or constraints imposed by law through constitutional provision or enabling legislation, including the City Charter. Note 21 identifies restrictions on governmental fund balances. Additional restrictions exist related to revenues of Enterprise Funds which can only be used for costs related to the particular enterprise.

LONG-TERM DEBT

At the end of fiscal year 2019, the City, including blended component units, had total debt outstanding of \$2,667,638 as follows:

CITY OF SAN DIEGO'S OUTSTANDING DEBT (Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Capital Lease Obligations	\$ 219,147	\$ 197,649	\$ 3,123	\$ 4,624	\$ 222,270	\$ 202,273
QECCB Lease Obligations	6,708	7,578	—	—	6,708	7,578
Contracts Payable	—	—	1,481	2,194	1,481	2,194
Notes Payable	—	—	8	11	8	11
Loans Payable	2,861	3,511	223,896	203,273	226,757	206,784
Section 108 Loans Payable	2,527	2,872	—	—	2,527	2,872
Commercial Paper Notes Payable	15,889	—	38,883	168,213	54,772	168,213
Revenue Bonds/Lease Revenue Bonds	516,960	543,195	1,554,985	1,402,850	2,071,945	1,946,045
Tobacco Settlement Asset-Backed Bonds	81,170	89,195	—	—	81,170	89,195
Totals	<u>\$ 845,262</u>	<u>\$ 844,000</u>	<u>\$ 1,822,376</u>	<u>\$ 1,781,165</u>	<u>\$ 2,667,638</u>	<u>\$ 2,625,165</u>

Governmental Activities

Total principal payments on long-term debt were \$54,118. Included in this amount was \$34,260 for outstanding bond principal payments, \$995 for loans payable, \$870 for qualified energy conservation bonds, and \$17,993 for capital lease obligation payments. Readers interested in more detailed information regarding governmental activities long-term liabilities should refer to Note 5.

Business-Type Activities

The City's Sewer Utility Fund received the following State Revolving Fund (SRF) loan disbursements from the California State Water Resources Control Board:

- \$1,209 for the MBC Dewatering Centrifuge Replacement Project
- \$24,365 for the Pump Station 2 Power Reliability and Surge Protection Project

The City's Water Utility Fund received the following SRF loan disbursements from the California State Water Resources Control Board:

- \$311 for the University Avenue Pipeline Replacement Project
- \$6,632 for the 69th Street and Mohawk Pump Station Project

On January 3, 2019, the PFFA issued \$243,180 of 2018 Water Revenue Bonds, of which \$205,889 was to refund all outstanding Water Commercial Paper Notes (Water CP Notes). This was comprised of \$36,754 to refund Water CP Notes Series A (reported in Note 8), and \$169,135 to refund Water CP Notes Series B (reported in Note 6).

Total principal payments on long-term debt were \$274,291. Included in this amount was \$91,045 for outstanding bond principal payments, \$11,894 for loans payable, \$1,501 for capital lease obligation payments, \$713 for contracts payable, \$169,135 for Water CP Notes refunding, and \$3 for SDCCC's notes payable.

Readers interested in more detailed information regarding business-type activities long-term liabilities should refer to Note 6.

As of the issuance of this report, the City's Implied General Obligation (GO) / Issuer Credit Ratings and credit ratings on outstanding Lease Revenue Bonds and Revenue Bonds are as follows:

	Fitch Ratings	Moody's Investors Service	Standard & Poor's
Implied GO/Issuer Credit Rating	AA	Aa2	AA
Outlook	Stable	Stable	Stable
Lease Revenue Bonds	AA-	—	AA-
Outlook	Stable	—	Stable
Wastewater System Bonds (Senior Bonds)	AA	Aa2	AA+
Outlook	Stable	Stable	Stable
Water System Bonds (Subordinate Bonds)	AA-	Aa3	—
Outlook	Stable	Stable	—

Additional information on the City's long-term debt can be found in the accompanying notes to the financial statements.

OTHER INFORMATION

San Diego Gas & Electric (SDG&E) Franchise Agreement

The City of San Diego's existing electric and gas franchise agreement is set to expire in January 2021, but may be extended as necessary in accordance with City Charter Section 103. The Charter requires a competitive bidding process for the next electric and gas franchise agreement. A new agreement may affect the City's franchise fee revenues, which are the fourth highest revenue source for the General Fund.

Recognized Employee Organization (REO) Agreements

City employees are represented by six collective bargaining units. On October 15, 2015, the San Diego Municipal Employee Association (MEA), the labor group that represents technical, office, professionals, and supervisory City employees, voted to ratify a tentative labor agreement between MEA and the City for fiscal years 2017 through 2020. Likewise, on or about April 22, 2016, the City reached agreements with American Federation of State, County and Municipal Employees (AFSCME) Local 127, International Association of Fire Fighters Local 145, and California Teamsters Local 911 effective for fiscal years 2017 through 2020. The Deputy City Attorneys Association of San Diego (DCAA) has a new agreement as of July 2019 that extends through fiscal year 2020. On December 5, 2017, the City Council ratified an agreement with the San Diego Police Officers Association (POA) to increase pensionable compensation for represented employees totaling 25.6% to 30.6%, depending on the length of sworn service, beginning July 1, 2018. Increases range from 5.0% to 8.3% semi-annually through the end of the term on June 30, 2020, with an additional 5% in fiscal year 2020 for employees with 20 or more years of sworn service. Each non-POA labor agreement increased pensionable pay for fiscal years 2019 and 2020 by 3.3% for each fiscal year, with the exception of DCAA, with an increase of 3.3% in fiscal year 2019 and 7.5% or 8.5% in fiscal year 2020, depending on job classification.

The City is currently in negotiations with each REO to reach new agreements beginning in fiscal year 2021. Negotiations are anticipated to be completed and agreements ratified in time for the fiscal year 2021 budget process. The fiscal impact is not known as of the issuance date of this report while negotiations continue.

Stadium and San Diego State University (SDSU) Negotiations

In November 2018, local voters approved Measure G, the SDSU West Citizens' Initiative, the main substance of which is now codified in San Diego Municipal Code (SDMC) section 22.0908. SDMC section 22.0908(a) does not require, but allows, the City to sell the approximately 132 acres in the Mission Valley Site (Site) to SDSU or its affiliate, only if the San Diego City Council approves the City's sale. The City's Water Utility Fund owns approximately 37% of the Site, water rights in an aquifer beneath the Site, and additional land and public facilities adjacent to the Site.

On November 18, 2019, SDSU officials presented an updated offer of \$86.2 million, plus a time value adjustment on the Water Utility Fund portion. The City will no longer be responsible for Stadium maintenance and operations once the Stadium is sold. Potential impacts will vary based on ongoing negotiations, which are expected to conclude in the Spring of 2020.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be sent to the Department of Finance at DOF@sandiego.gov. This financial report, and several other finance related reports, is also available on the City's website at www.sandiego.gov, under the Department of Finance. Additional information intended for the investor community is available on the Investor Relations page also located on the City's website listed above.



Page Intentionally Left Blank



BASIC FINANCIAL STATEMENTS





Page Intentionally Left Blank

STATEMENT OF NET POSITION
June 30, 2019
(Dollars in Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	San Diego Housing Commission
ASSETS				
Cash and Investments	\$ 1,673,822	\$ 806,609	\$ 2,480,431	\$ 167,283
Receivables:				
Taxes - Net of Allowance for Uncollectibles	164,553	—	164,553	—
Accounts - Net of Allowance for Uncollectibles	52,095	177,650	229,745	17,047
Claims	29,654	—	29,654	—
Contributions	944	—	944	—
Special Assessments	4,201	—	4,201	—
Notes	273,424	—	273,424	335,309
Loans	142,400	—	142,400	—
Accrued Interest	5,023	2,787	7,810	50,633
Grants	49,998	2,995	52,993	—
From Other Agencies	1,805	—	1,805	—
Advances to Other Agencies	2,534	—	2,534	—
Internal Balances	180	(180)	—	—
Prepaid Expenses	431	37,355	37,786	3,361
Inventories	1,183	71,380	72,563	—
Land Held for Resale	20,778	—	20,778	—
Restricted Cash and Investments	68,470	78,298	146,768	7,573
Other Assets	—	558	558	8,545
Capital Assets - Non-Depreciable	2,331,539	794,228	3,125,767	91,346
Capital Assets - Depreciable	2,831,473	5,568,734	8,400,207	221,709
TOTAL ASSETS	7,654,507	7,540,414	15,194,921	902,806
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Refunding	13,913	116,351	130,264	—
Deferred Outflows Related to Other Postemployment Benefits	29,828	7,967	37,795	—
Deferred Outflows Related to Pensions	548,747	105,188	653,935	—
TOTAL DEFERRED OUTFLOWS OF RESOURCES	592,488	229,506	821,994	—
LIABILITIES				
Accounts Payable	124,930	105,074	230,004	15,055
Accrued Wages and Benefits	37,802	7,359	45,161	1,492
Other Accrued Liabilities	3,431	34,004	37,435	11,933
Interest Accrued on Long-Term Debt	5,174	23,137	28,311	6,092
Long-Term Liabilities Due Within One Year	170,548	143,357	313,905	5,834
Due to Other Agencies	15	—	15	—
Unearned Revenue	32,958	31,829	64,787	14,500
Commercial Paper Notes Payable	—	14,714	14,714	—

STATEMENT OF NET POSITION
June 30, 2019
(Dollars in Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	San Diego Housing Commission
LIABILITIES (Continued)				
Liabilities Payable from Restricted Assets:				
Customer Deposits Payable	\$ —	\$ 14,823	\$ 14,823	\$ —
Deposits/Advances from Others	—	8,402	8,402	2,299
Long-Term Liabilities Due After One Year:				
Arbitrage Liability	—	1,107	1,107	—
Compensated Absences	32,812	5,936	38,748	—
Liability Claims	285,072	28,156	313,228	—
Reimbursement Agreement Obligations	4,940	—	4,940	—
Capital Lease Obligations	196,404	1,587	197,991	—
QECC Lease Obligations	5,816	—	5,816	—
Contracts Payable	—	750	750	—
Notes Payable	—	6	6	199,741
Loans Payable	2,408	209,726	212,134	—
Section 108 Loans Payable	2,163	—	2,163	—
Commercial Paper Notes Payable	15,889	38,883	54,772	—
Net Bonds Payable	600,137	1,693,181	2,293,318	—
Estimated Landfill Closure and Postclosure Care	—	54,658	54,658	—
Net Other Postemployment Benefits Liability	358,397	103,867	462,264	—
Pension Liabilities	2,136,688	488,476	2,625,164	—
TOTAL LIABILITIES	4,015,584	3,009,032	7,024,616	256,946
DEFERRED INFLOWS OF RESOURCES				
Gain on Refunding	—	2,366	2,366	—
Deferred Inflows Related to Other Postemployment Benefits	348	99	447	—
Deferred Inflows Related to Pensions	108,655	21,420	130,075	—
TOTAL DEFERRED INFLOWS OF RESOURCES	109,003	23,885	132,888	—
NET POSITION				
Net Investment in Capital Assets	4,370,867	4,414,352	8,785,219	114,532
Restricted for:				
Capital Projects	714,101	—	714,101	—
Debt Service	—	481	481	—
Low-Moderate Income Housing	343,422	—	343,422	—
Nonexpendable Permanent Endowments	18,428	—	18,428	—
Grants	141,489	—	141,489	—
Other	566,358	6,487	572,845	212,640
Unrestricted (Deficit)	(2,032,257)	315,683	(1,716,574)	318,688
TOTAL NET POSITION	\$ 4,122,408	\$ 4,737,003	\$ 8,859,411	\$ 645,860

The accompanying notes are an integral part of the basic financial statements.

STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government and Support	\$ 383,177	\$ 198,942	\$ 18,238	\$ 100
Public Safety - Police	567,625	43,117	3,846	9,284
Public Safety - Fire and Life Safety and Homeland Security	339,282	52,760	17,893	21,138
Parks, Recreation, Culture and Leisure	397,391	125,122	6,173	7,110
Transportation	279,724	53,862	68,087	39,194
Sanitation and Health	108,371	15,778	216	1,126
Neighborhood Services	121,036	40,624	40,311	—
Debt Service - Interest	34,265	—	—	—
TOTAL GOVERNMENTAL ACTIVITIES	2,230,871	530,205	154,764	77,952
Business-Type Activities:				
Sewer Utility	356,630	367,979	—	14,968
Water Utility	515,273	539,128	516	13,046
Airports	8,211	5,619	—	685
Development Services	81,012	74,741	—	—
Environmental Services	38,510	35,329	2,397	1,402
Golf Course	20,090	24,320	—	—
Recycling	24,780	26,055	972	—
San Diego Convention Center Corporation	41,898	41,245	2,550	700
TOTAL BUSINESS-TYPE ACTIVITIES	1,086,404	1,114,416	6,435	30,801
TOTAL PRIMARY GOVERNMENT	\$ 3,317,275	\$ 1,644,621	\$ 161,199	\$ 108,753
Component Unit:				
San Diego Housing Commission	\$ 270,220	\$ 55,775	\$ 215,407	\$ —

General Revenues:				
Property Taxes				
Transient Occupancy Taxes				
Sales Taxes - Shared State Revenue (Unrestricted)				
Franchises				
Other Local Taxes				
Developer Contributions and Fees				
Grants and Contributions not Restricted to Specific Programs				
Investment Income				
Gain on Sale of Capital Assets				
Miscellaneous				
Transfers, Net				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
Net Position at Beginning of Year				
NET POSITION AT END OF YEAR				

Net Revenue/(Expense) and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	San Diego Housing Commission
\$ (165,897)	\$ —	\$ (165,897)	\$ —
(511,378)	—	(511,378)	—
(247,491)	—	(247,491)	—
(258,986)	—	(258,986)	—
(118,581)	—	(118,581)	—
(91,251)	—	(91,251)	—
(40,101)	—	(40,101)	—
(34,265)	—	(34,265)	—
<u>(1,467,950)</u>	<u>—</u>	<u>(1,467,950)</u>	<u>—</u>
—	26,317	26,317	—
—	37,417	37,417	—
—	(1,907)	(1,907)	—
—	(6,271)	(6,271)	—
—	618	618	—
—	4,230	4,230	—
—	2,247	2,247	—
—	2,597	2,597	—
—	<u>65,248</u>	<u>65,248</u>	<u>—</u>
<u>(1,467,950)</u>	<u>65,248</u>	<u>(1,402,702)</u>	<u>—</u>
—	—	—	962
586,510	—	586,510	—
250,883	—	250,883	—
339,609	—	339,609	—
97,365	—	97,365	—
66,375	—	66,375	—
75,101	—	75,101	—
835	—	835	—
52,056	28,713	80,769	15,735
770	—	770	—
38,530	12,036	50,566	—
(611)	611	—	—
<u>1,507,423</u>	<u>41,360</u>	<u>1,548,783</u>	<u>15,735</u>
39,473	106,608	146,081	16,697
4,082,935	4,630,395	8,713,330	629,163
<u>\$ 4,122,408</u>	<u>\$ 4,737,003</u>	<u>\$ 8,859,411</u>	<u>\$ 645,860</u>

The accompanying notes are an integral part of the basic financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019
(Dollars in Thousands)**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 332,016	\$ 1,220,524	\$ 1,552,540
Receivables:			
Taxes - Net of Allowance for Uncollectibles	107,621	56,932	164,553
Accounts - Net of Allowance for Uncollectibles	27,670	20,860	48,530
Claims	—	29,654	29,654
Special Assessments	—	4,201	4,201
Notes	—	273,424	273,424
Loans	—	142,400	142,400
Accrued Interest	1,477	3,461	4,938
Grants	—	49,802	49,802
From Other Funds	31,121	15,332	46,453
From Other Agencies	1,805	—	1,805
Advances to Other Funds	733	—	733
Advances to Other Agencies	—	2,534	2,534
Prepaid Items	421	10	431
Land Held for Resale	—	20,778	20,778
Restricted Cash and Investments	8,945	59,525	68,470
TOTAL ASSETS	<u>\$ 511,809</u>	<u>\$ 1,899,437</u>	<u>\$ 2,411,246</u>
LIABILITIES			
Accounts Payable	\$ 44,338	\$ 75,921	\$ 120,259
Accrued Wages and Benefits	35,514	364	35,878
Other Accrued Liabilities	1,508	1,793	3,301
Due to Other Funds	—	46,453	46,453
Due to Other Agencies	15	—	15
Unearned Revenue	—	32,958	32,958
Advances from Other Funds	—	733	733
TOTAL LIABILITIES	<u>81,375</u>	<u>158,222</u>	<u>239,597</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	13,293	27,047	40,340
Unavailable Revenue - Grants	—	44,703	44,703
Unavailable Revenue - Other	4,974	10,650	15,624
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>18,267</u>	<u>82,400</u>	<u>100,667</u>

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019
(Dollars in Thousands)**

	General Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES			
Nonspendable	\$ 1,154	\$ 18,451	\$ 19,605
Restricted	160,400	1,618,657	1,779,057
Committed	92,189	87,428	179,617
Assigned	42,842	—	42,842
Unassigned	115,582	(65,721)	49,861
TOTAL FUND BALANCES	412,167	1,658,815	2,070,982
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 511,809	\$ 1,899,437	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported at the fund level.	4,993,507
Certain assets and deferred outflows of resources are not financial resources (uses), and therefore, are not reported at the fund level.	576,860
Unavailable revenues are not financial resources, and therefore, are reported as deferred inflows of resources.	100,667
Internal service funds are used by management to charge the costs of activities such as Fleet Operations, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources of internal service funds are included in the governmental activities in the Statement of Net Position.	153,074
Certain liabilities and deferred inflows of resources, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	(3,772,682)
Net Position of Governmental Activities (page 47)	\$ 4,122,408

The accompanying notes are an integral part of the basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property Taxes	\$ 570,627	\$ 14,764	\$ 585,391
Special Assessments	—	70,590	70,590
Sales Taxes - Shared State Revenue	314,362	41,021	355,383
Transient Occupancy Taxes	131,926	118,957	250,883
Franchises	97,259	69,766	167,025
Other Local Taxes	66,375	—	66,375
Licenses and Permits	28,366	87,602	115,968
Fines, Forfeitures and Penalties	28,582	1,478	30,060
Revenue from Use of Money and Property	83,544	59,470	143,014
Revenue from Federal Agencies	1,454	94,918	96,372
Revenue from Other Agencies	8,558	25,829	34,387
Revenue from Private Sources	858	29,304	30,162
Charges for Current Services	291,439	29,121	320,560
Other Revenue	12,418	4,941	17,359
TOTAL REVENUES	1,635,768	647,761	2,283,529
EXPENDITURES			
Current:			
General Government and Support	361,134	31,645	392,779
Public Safety - Police	492,315	9,416	501,731
Public Safety - Fire and Life Safety and Homeland Security	276,253	17,014	293,267
Parks, Recreation, Culture and Leisure	173,627	173,500	347,127
Transportation	119,226	61,532	180,758
Sanitation and Health	94,711	5,236	99,947
Neighborhood Services	34,796	111,574	146,370
Capital Outlay	16,671	210,371	227,042
Debt Service:			
Principal Retirement	9,180	35,255	44,435
Cost of Issuance	—	469	469
Interest	7,969	27,121	35,090
TOTAL EXPENDITURES	1,585,882	683,133	2,269,015
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	49,886	(35,372)	14,514

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	\$ 8,239	\$ 77	\$ 8,316
Transfers from Other Funds	33,836	86,425	120,261
Transfers to Proprietary Funds	(235)	—	(235)
Transfers to Other Funds	(42,904)	(77,357)	(120,261)
Proceeds from the Sale of Capital Assets	53	3,193	3,246
Capital Leases Issued	9,488	10,942	20,430
Commercial Paper Notes Issued	—	15,889	15,889
TOTAL OTHER FINANCING SOURCES (USES)	8,477	39,169	47,646
NET CHANGE IN FUND BALANCES	58,363	3,797	62,160
Fund Balances at Beginning of Year	353,804	1,655,018	2,008,822
FUND BALANCES AT END OF YEAR	\$ 412,167	\$ 1,658,815	\$ 2,070,982

The accompanying notes are an integral part of the basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)**

Net Change in Fund Balances of Governmental Funds (page 53)	\$	62,160
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Donated assets are not financial resources, and therefore, are not reported in the funds. This is the amount by which capital outlays and donated assets exceeded depreciation in the current period.		101,113
The net effect of various miscellaneous transactions involving capital assets (e.g., retirements and transfers) is to decrease net position.		(38,445)
Revenues available to liquidate liabilities of the current period were recognized in the governmental funds during the current year; however, such amounts were recognized as revenue in the Statement of Activities in the prior year.		7,599
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		8,116
Some expenses reported in the Statement of Activities do not require the use of current financial resources (e.g., compensated absences, net pension liability), and therefore, are not accrued as expenditures in governmental funds.		(93,424)
Internal service funds are used to charge the costs of activities such as Fleet Operations, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The net income of certain internal service activities is reported with governmental activities.		<u>(7,646)</u>
Change in Net Position of Governmental Activities (page 49)	\$	<u><u>39,473</u></u>

The accompanying notes are an integral part of the basic financial statements.



Page Intentionally Left Blank

PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
 June 30, 2019
 (Dollars in Thousands)

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	
ASSETS					
Current Assets:					
Cash and Investments	\$ 363,394	\$ 274,871	\$ 167,245	\$ 805,510	\$ 122,381
Receivables:					
Accounts - Net of Allowance for Uncollectibles	58,665	99,310	19,675	177,650	3,565
Contributions	—	—	—	—	944
Accrued Interest	1,155	982	646	2,783	89
Grants	—	469	2,526	2,995	196
Inventories	—	69,340	38	69,378	3,185
Total Current Assets	423,214	444,972	190,130	1,058,316	130,360
Non-Current Assets:					
Restricted Cash and Investments	5,575	19,657	53,066	78,298	—
Prepaid Expenses	7,426	28,148	1,781	37,355	—
Other Assets	—	—	558	558	—
Capital Assets - Non-Depreciable	263,409	485,536	45,283	794,228	8,633
Capital Assets - Depreciable	2,949,257	2,503,301	116,176	5,568,734	160,872
Total Non-Current Assets	3,225,667	3,036,642	216,864	6,479,173	169,505
TOTAL ASSETS	3,648,881	3,481,614	406,994	7,537,489	299,865
DEFERRED OUTFLOWS OF RESOURCES					
Loss on Refunding	64,825	51,526	—	116,351	—
Deferred Outflows Related to Other Postemployment Benefits	3,185	2,069	2,713	7,967	1,175
Deferred Outflows Related to Pensions	40,242	32,800	32,146	105,188	14,453
TOTAL DEFERRED OUTFLOWS OF RESOURCES	108,252	86,395	34,859	229,506	15,628

PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
 June 30, 2019
 (Dollars in Thousands)

	Business-Type Activities - Enterprise Funds				
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	Internal Service Funds
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 26,497	\$ 65,996	\$ 12,355	\$ 104,848	\$ 4,897
Accrued Wages and Benefits	2,506	2,232	2,621	7,359	1,924
Other Accrued Liabilities	24,143	7,023	2,838	34,004	130
Interest Accrued on Long-Term Debt	4,874	18,263	—	23,137	318
Long-Term Liabilities Due Within One Year	83,468	52,741	7,148	143,357	16,333
Unearned Revenue	872	2,920	28,037	31,829	—
Commercial Paper Notes Payable	—	14,714	—	14,714	—
Current Liabilities Payable from Restricted Assets:					
Customer Deposits Payable	—	3,493	11,330	14,823	—
Total Current Liabilities	142,360	167,382	64,329	374,071	23,602
Non-Current Liabilities:					
Non-Current Liabilities Payable from Restricted Assets:					
Deposits/Advances from Others	—	—	8,402	8,402	—
Arbitrage Liability	—	1,107	—	1,107	—
Compensated Absences	1,948	2,042	1,946	5,936	3,430
Liability Claims	9,515	13,040	5,601	28,156	8,860
Capital Lease Obligations	121	281	1,185	1,587	34,667
Contracts Payable	—	—	750	750	—
Notes Payable	—	—	6	6	—
Loans Payable	110,042	74,916	24,768	209,726	—
Commercial Paper Notes Payable	—	38,883	—	38,883	—
Net Revenue Bonds Payable	739,289	953,892	—	1,693,181	—
Estimated Landfill Closure and Postclosure Care	—	—	54,658	54,658	—
Net Other Postemployment Benefits Liability	38,057	35,354	30,456	103,867	17,658
Pension Liabilities	171,845	166,213	150,418	488,476	68,518
Total Non-Current Liabilities	1,070,817	1,285,728	278,190	2,634,735	133,133
TOTAL LIABILITIES	1,213,177	1,453,110	342,519	3,008,806	156,735
DEFERRED INFLOWS OF RESOURCES					
Gain on Refunding	—	2,366	—	2,366	—
Deferred Inflows Related to Other Postemployment Benefits	31	35	33	99	12
Deferred Inflows Related to Pensions	6,554	8,179	6,687	21,420	2,973
TOTAL DEFERRED INFLOWS OF RESOURCES	6,585	10,580	6,720	23,885	2,985
NET POSITION					
Net Investment in Capital Assets	2,354,623	1,924,619	135,110	4,414,352	124,042
Restricted for Debt Service	85	396	—	481	—
Restricted for Closure/Postclosure Maintenance	—	—	6,487	6,487	—
Unrestricted (Deficit)	182,663	179,304	(48,983)	312,984	31,731
TOTAL NET POSITION	\$ 2,537,371	\$ 2,104,319	\$ 92,614	4,734,304	\$ 155,773
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds				2,699	
Net position of business-type activities (page 47)				<u>\$ 4,737,003</u>	

The accompanying notes are an integral part of the basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	
OPERATING REVENUES					
Sales of Water	\$ —	\$ 525,967	\$ —	\$ 525,967	\$ —
Charges for Services	358,919	4,079	170,585	533,583	127,307
Revenue from Use of Property	1,523	7,271	30,343	39,137	—
Other	7,537	1,811	8,931	18,279	210
TOTAL OPERATING REVENUES	367,979	539,128	209,859	1,116,966	127,517
OPERATING EXPENSES					
Salaries and Employee Benefits	86,954	93,729	117,433	298,116	38,374
Materials and Supplies	29,259	208,780	6,387	244,426	22,748
Contractual Services	74,024	108,369	60,148	242,541	9,315
Information Technology	7,196	5,596	3,777	16,569	2,171
Energy and Utilities	20,869	9,093	9,988	39,950	14,424
Depreciation	77,306	57,268	8,724	143,298	23,376
Benefit and Claim Expenses	—	—	—	—	19,288
Other Expenses	21,230	3,039	6,734	31,003	34
TOTAL OPERATING EXPENSES	316,838	485,874	213,191	1,015,903	129,730
OPERATING INCOME (LOSS)	51,141	53,254	(3,332)	101,063	(2,213)
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments	12,625	9,240	6,797	28,662	1,105
Federal Grant Assistance	—	75	16	91	—
Other Agency Grant Assistance	—	441	3,353	3,794	810
Gain (Loss) on Sale/Retirement of Capital Assets	(908)	7,477	(345)	6,224	(698)
Debt Service Interest Expense	(38,835)	(35,964)	(1,118)	(75,917)	(706)
Other	10,033	319	960	11,312	752
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(17,085)	(18,412)	9,663	(25,834)	1,263
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	34,056	34,842	6,331	75,229	(950)
Capital Contributions	14,975	13,470	2,787	31,232	1,532
Transfers from Other Funds	448	181	1,762	2,391	29
Transfers from Governmental Funds	—	—	235	235	—
Transfers to Other Funds	—	(312)	(1,672)	(1,984)	(436)
Transfers to Governmental Funds	(24)	(14)	(18)	(56)	(8,260)
TOTAL CONTRIBUTIONS AND TRANSFERS	15,399	13,325	3,094	31,818	(7,135)
CHANGE IN NET POSITION	49,455	48,167	9,425	107,047	(8,085)
Net Position at Beginning of Year	2,487,916	2,056,152	83,189		163,858
NET POSITION AT END OF YEAR	\$ 2,537,371	\$ 2,104,319	\$ 92,614		\$ 155,773
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds				(439)	
Change in net position of business-type activities (page 49)				\$ 106,608	

The accompanying notes are an integral part of the basic financial statements.



Page Intentionally Left Blank

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 365,460	\$ 521,290	\$ 203,623	\$ 1,090,373	\$ 25,884
Receipts from Interfund Services Provided	3,122	3,852	2,917	9,891	101,742
Payments to Suppliers	(138,196)	(385,004)	(75,043)	(598,243)	(55,917)
Payments to Employees	(89,238)	(60,245)	(111,548)	(261,031)	(49,475)
Payments for Interfund Services Used	(5,321)	(8,048)	(8,703)	(22,072)	(1,464)
NET CASH PROVIDED BY OPERATING ACTIVITIES	135,827	71,845	11,246	218,918	20,770
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	448	181	1,762	2,391	32
Transfers from Governmental Funds	—	—	235	235	—
Transfers to Other Funds	—	(312)	(1,672)	(1,984)	(439)
Transfers to Governmental Funds	(24)	(14)	(18)	(56)	(8,260)
Operating Grants	—	1,274	1,230	2,504	891
Proceeds from Advances and Deposits	—	—	351	351	—
Payments for Advances and Deposits	—	(4,293)	(221)	(4,514)	—
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	424	(3,164)	1,667	(1,073)	(7,776)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Loans	25,325	6,942	—	32,267	—
Proceeds from Commercial Paper	—	91,273	—	91,273	—
Proceeds from Revenue Bonds	—	280,693	—	280,693	—
Proceeds from Capital Contributions	13,292	10,126	6,796	30,214	—
Proceeds from the Sale of Capital Assets	—	9,702	5	9,707	1,805
Acquisition of Capital Assets	(100,243)	(192,119)	(33,468)	(325,830)	(28,671)
Principal Payments on Capital Leases	(113)	(263)	(1,125)	(1,501)	(9,683)
Principal Payments on Notes	—	—	(3)	(3)	—
Principal Payments on Loans	(9,008)	(2,886)	—	(11,894)	—
Principal Payments on Commercial Paper	—	(205,889)	—	(205,889)	—
Principal Payments on Revenue Bonds	(61,210)	(29,835)	—	(91,045)	—
Interest Paid on Long-Term Debt	(38,969)	(35,428)	(1,132)	(75,529)	(621)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(170,926)	(67,684)	(28,927)	(267,537)	(37,170)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales of Investments	148,647	317,693	(1,649)	464,691	—
Purchases of Investments	(82,724)	(317,632)	2,384	(397,972)	—
Interest Received on Investments	11,708	9,482	7,120	28,310	1,222
NET CASH PROVIDED BY INVESTING ACTIVITIES	77,631	9,543	7,855	95,029	1,222
Net Increase (Decrease) in Cash and Cash Equivalents	42,956	10,540	(8,159)	45,337	(22,954)
Cash and Cash Equivalents at Beginning of Year	326,010	267,823	223,276	817,109	145,335
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 368,966	\$ 278,363	\$ 215,117	\$ 862,446	\$ 122,381
Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Position:					
Cash and Investments	\$ 363,394	\$ 274,871	\$ 167,245	\$ 805,510	\$ 122,381
Restricted Cash and Investments	5,575	19,657	53,066	78,298	—
Less Investments Not Meeting the Definition of Cash Equivalents	(3)	(16,165)	(5,194)	(21,362)	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 368,966	\$ 278,363	\$ 215,117	\$ 862,446	\$ 122,381

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ 51,141	\$ 53,254	\$ (3,332)	\$ 101,063	\$ (2,213)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	77,306	57,268	8,724	143,298	23,376
Other Nonoperating Revenues	10,033	319	960	11,312	752
(Increase) Decrease in Assets:					
Accounts Receivable - Net	(9,412)	(13,194)	(4,614)	(27,220)	(612)
Claims Receivable - Net	—	2	—	2	—
Contributions Receivable	—	—	—	—	(32)
Inventories	—	(3,327)	—	(3,327)	(1,416)
Prepaid Expenses	(7,426)	(28,148)	1,092	(34,482)	—
Increase (Decrease) in Liabilities and Net Deferred Outflows/Inflows of Resources:					
Accounts Payable	571	(13,501)	291	(12,639)	(3,829)
Accrued Wages and Benefits	8	28	101	137	88
Other Accrued Liabilities	(232)	232	(67)	(67)	—
Due to Other Agencies	14,427	2,423	—	16,850	—
Unearned Revenue	(44)	(1,051)	334	(761)	—
Contract Deposits	26	—	—	26	—
Arbitrage Liability	—	(62)	—	(62)	—
Contracts Payable	—	—	(713)	(713)	—
Compensated Absences	(116)	(371)	74	(413)	291
Liability Claims	553	1,412	301	2,266	1,774
Estimated Landfill Closure and Postclosure Care	—	—	1,655	1,655	—
Net Other Postemployment Benefits Liability and Related Changes in Deferred Outflows/Inflows of Resources	(6,902)	(6,659)	(6,955)	(20,516)	(2,961)
Pension Liabilities and Related Changes in Deferred Outflows/Inflows of Resources	5,894	23,220	13,395	42,509	5,552
Total Adjustments	84,686	18,591	14,578	117,855	22,983
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 135,827	\$ 71,845	\$ 11,246	\$ 218,918	\$ 20,770
Noncash Investing, Capital, and Financing Activities:					
Capital Assets Acquired through Capital Leases	\$ —	\$ —	\$ —	\$ —	\$ 19,061
Developer Contributed and Donated Capital Assets	1,677	2,921	1,050	5,648	101
Capital Contributions Related to Grants Receivable	—	—	(2,328)	(2,328)	—
Capital Asset Acquisitions Related to Accounts Payable	2,763	(1,879)	836	1,720	(348)
Carrying Value of Retired Capital Assets	(502)	(2,224)	(352)	(3,078)	(1,035)
Capitalized Interest and Related Amounts	—	—	15	15	—
Amortization of Bond Premiums, Discounts and Refundings	(290)	3,927	—	3,637	—
Change in Fair Value of Investments	(1,520)	(59)	—	(1,579)	—
Interest and Reserve Fund Credits for Debt Service Payments	(63,147)	(407)	—	(63,554)	—
Transfers of Capital Assets (To) From Governmental Activities	7	18	—	25	(37)
Transfers of Capital Assets (To) From Other Funds	(406)	406	—	—	—
Accrued Loan Interest Converted to Principal	250	—	—	250	—

The accompanying notes are an integral part of the basic financial statements

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019
(Dollars in Thousands)

	Trust Funds		
	Pension	Private-Purpose	Agency
ASSETS			
Cash and Investments	\$ 3,286	\$ 84,894	\$ 30,311
Cash and Investments with Custodian/Fiscal Agent	348,476	—	—
Investments at Fair Value:			
Domestic Fixed Income Securities	2,066,594	—	—
International Fixed Income Securities	642,475	—	—
Domestic Equity Securities	1,479,749	—	—
International Equity Securities	1,436,075	—	—
Global Equity Securities	545,483	—	—
Real Estate	929,908	—	—
Equity Mutual Funds	877,460	—	—
Fixed Income Mutual Funds	414,442	—	—
Private Equity and Infrastructure	1,195,845	—	—
Receivables:			
Accounts - Net	—	—	1,004
Special Assessments	—	—	180
Contributions	3,430	—	—
Accrued Interest	13,576	257	20
Notes and Contracts	—	3,915	—
Loans	33,766	—	—
Securities Sold	552,099	—	—
Prepaid Expenses	221	221	—
Securities Lending Collateral	142,430	—	—
Restricted Cash and Investments	—	45,319	39,279
Capital Assets - Non-Depreciable	—	13,704	—
Capital Assets - Depreciable	4,337	44,324	—
TOTAL ASSETS	10,689,652	192,634	70,794
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Refunding	—	23,553	—

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
 June 30, 2019
 (Dollars in Thousands)

	Trust Funds		
	Pension	Private-Purpose	Agency
LIABILITIES			
Accounts Payable	\$ 4,969	\$ 656	\$ 9,256
Accrued Wages and Benefits	687	—	—
Interest Accrued on Long-Term Debt	—	147,591	—
Deposits/Advances from Others	—	—	28
Sundry Trust/Agency Liabilities	—	441	39,999
Due to Bondholders	—	399,301	21,511
Liability Claims	—	66,721	—
Loans Payable	—	18,365	—
Supplemental Benefits Payable	11,778	—	—
Securities Lending Obligations	142,439	—	—
Securities Purchased	767,552	—	—
TOTAL LIABILITIES	927,425	633,075	70,794
DEFERRED INFLOWS OF RESOURCES			
Gain on Refunding	—	3,040	—
NET POSITION (DEFICIT)			
Restricted for Pension Benefits	9,762,227	—	—
Held in Trust for Other Purposes	—	(419,928)	—
TOTAL NET POSITION (DEFICIT)	\$ 9,762,227	\$ (419,928)	\$ —

The accompanying notes are an integral part of the basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Trust Funds	
	Pension	Private-Purpose
ADDITIONS		
Employer Contributions	\$ 425,294	\$ —
Plan Member Contributions:		
Employee Contributions	134,862	—
DROP Contributions	5,099	—
Retiree Contributions	8,482	—
Redevelopment Property Tax Trust Fund	—	82,237
Earnings on Investments:		
Investment Income	174,631	3,021
Investment Expense	(39,086)	—
Net Appreciation in Fair Value of Investments	462,228	—
Net Investment Income	597,773	3,021
Securities Lending Income:		
Gross Earnings	4,772	—
Borrower Rebates and Bank Charges	(3,967)	—
Net Securities Lending Income	805	—
Capital Contributions	—	3,231
Other Income	987	8,531
TOTAL ADDITIONS	1,173,302	97,020
DEDUCTIONS		
Enforceable Obligation Payments	—	9,480
Interest on Long-Term Debt	—	17,867
DROP Interest Expense	22,549	—
Benefit and Claim Payments	680,313	—
Disposal of Assets	—	5,429
Administration	12,321	—
Depreciation	—	1,811
TOTAL DEDUCTIONS	715,183	34,587
CHANGE IN NET POSITION	458,119	62,433
Net Position (Deficit) at Beginning of Year	9,304,108	(482,361)
NET POSITION (DEFICIT) AT END OF YEAR	\$ 9,762,227	\$ (419,928)

The accompanying notes are an integral part of the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Dollars in Thousands)

The City of San Diego (City) adopted its current charter on April 7, 1931 and operates as a municipality in accordance with State laws. Since adoption, the City Charter has been amended many times.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the City's significant accounting policies:

a. Financial Reporting Entity

As required by GAAP, these financial statements present the primary government and its component units. The City is the primary government, while entities for which the primary government is considered to be financially accountable represent its component units. Component units can be blended with the primary government or discretely presented.

A blended component unit is a legally separate entity whose functions are an integral part of the primary government. A component unit is considered to be an integral part of the primary government, and hence a blended component unit, in any of these circumstances: (1) the entity and the primary government substantively have the same governing body and a financial benefit/burden relationship exists; (2) the entity and the primary government substantially have the same governing body and management of the primary government has operational responsibility for the entity; (3) the entity exists to serve or benefit exclusively (or almost exclusively) the primary government; (4) the total debt of the entity is repayable entirely (or almost entirely) from resources of the primary government; or (5) the entity is organized as a not-for-profit corporation in which the primary government is the sole corporate member, as identified in the entity's articles of incorporation or bylaws. Blended component units are reported as funds of the primary government.

A discretely presented component unit does not function as an integral part of the primary government. It is reported in the government-wide financial statements in a column separate from the primary government. The City also reports fiduciary component units which are not included in the government-wide financial statements. Fiduciary component units are not part of the primary government and are reported as fiduciary funds to account for assets held in a trustee or agency capacity for others that cannot be used to support the government's own programs.

Included within the reporting entity as blended component units are the following:

- Civic San Diego
- Convention Center Expansion Financing Authority
- Public Facilities Financing Authority
- San Diego Convention Center Corporation
- San Diego Facilities and Equipment Leasing Corporation
- Enhanced Infrastructure Financing District Public Financing Authority
- Tobacco Settlement Revenue Funding Corporation

A brief description of each blended component unit follows:

- Civic San Diego (CSD) is a not-for-profit public benefit corporation established upon dissolution of the former San Diego Redevelopment Agency (RDA). One of CSD's primary functions is providing administrative and advisory services to the City as the Successor Agency. CSD also assists the City with downtown parking management administration and affordable housing development. CSD is governed by a nine member board appointed by the Mayor and City Council. CSD's budget and governing board are approved by the City of San Diego and services primarily benefit the City. CSD is reported as a governmental fund. Financial statements are available at www.civicsd.com. See Note 22 for further information regarding changes to CSD functions.
- The Convention Center Expansion Financing Authority (CCEFA) was established in 1996 by the City and the San Diego Unified Port District (Port) to acquire and construct the expansion of the existing convention center. The CCEFA is governed by a board consisting of the Mayor, the City Manager, the President/CEO of the Port, and a member of the Board of Commissioners for the Port. The current working title of the City Manager is the Chief Operating Officer. The CCEFA provides services which primarily benefit the City. CCEFA is reported as a governmental fund.
- The Public Facilities Financing Authority (PFFA) was established in 1991 by the City and the former RDA to acquire and construct public capital improvements. As of June 30, 2019, the members consist of the City, the Successor Agency, and the Housing Authority of the City of San Diego. PFFA is governed by a board of commissioners composed of the members of the City Council. PFFA provides services exclusively to the City. Financing for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity.
- San Diego Convention Center Corporation (SDCCC) is a not-for-profit public benefit corporation, originally organized to market, operate, and maintain the San Diego Convention Center. The City is the sole member of SDCCC and acts through the San Diego City Council in accordance with the City Charter and the City's Municipal Code. The City appoints all seven voting members to the Board of Directors of SDCCC. In accordance with the management agreement with SDCCC, the City allocates to SDCCC approved budgetary amounts for marketing, promotion, and capital projects for the Convention Center. SDCCC is reported as an enterprise fund. Complete stand-alone financial statements are available at www.visitsandiego.com.
- The San Diego Facilities and Equipment Leasing Corporation (SDFELC) is a not-for-profit public benefit corporation established in 1987 for the purpose of acquiring and leasing to the City real and personal property to be used in the municipal operations of the City. SDFELC is governed by a three member board consisting of the City Attorney, the Chief Financial Officer, and the Mayor. Services are provided exclusively to the City. Financing provided through SDFELC for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity.
- The Enhanced Infrastructure Financing District Public Financing Authority (EIFDPFA) was established in 2017 by the City to finance certain public infrastructure and community benefit projects authorized under the Enhanced Infrastructure Financing District (EIFD) Law Government Code sections 53398.50 through 53398.88. The Otay Mesa EIFD governing board consists of three members of the City Council and two members of the public, all of whom are appointed by the City Council. Services provided primarily benefit the Otay Mesa area of the City. Financing is reported as a governmental activity.
- The Tobacco Settlement Revenue Funding Corporation (TSRFC) is a not-for-profit public benefit corporation established in 2006 for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. TSRFC purchased from the City the rights to receive future tobacco settlement revenues due to the City. TSRFC is governed by a board of directors, which consists of the Chief Operating Officer, the Chief Financial Officer,

and one independent director. The independent director is appointed by the Mayor or the remaining directors. TSRFC is reported as a governmental fund.

There are two fiduciary component units:

- The San Diego City Employees' Retirement System (SDCERS) was established in 1927 by the City and administers independent, qualified, single employer governmental defined benefit plans and trusts for the City, the Port and the San Diego County Regional Airport Authority (Airport). SDCERS' Board of Administration (SDCERS Board) adopted a Declaration of Group Trust, effective July 1, 2007. Under the Group Trust, the City, Port and Airport plans are treated as separate plans, with assets pooled for investment purposes only. SDCERS also processes certain postemployment healthcare activities on behalf of the City. SDCERS is a legally separate, fiduciary component unit of the City. It is governed by a 13 member Board of Administration, eight of which are appointed by the City, and a Pension Administrator who does not report to or work under the direction of the elected officials or appointed managers of the City. As such, the City does not maintain direct operational oversight of SDCERS or its financial reports. SDCERS provides services primarily to the City and is reported as a pension trust fund. Complete stand-alone financial statements are available at www.sdcers.org.
- The Successor Agency of the Redevelopment Agency of the City of San Diego (Successor Agency) is a legally separate entity from the City, reported as a fiduciary component unit. It was established to hold the former RDA's assets until they are distributed to other units of state and local government, or where appropriate, to private parties, and to administer the payments of the former RDA's obligations. Pursuant to ABX1 26, redevelopment agencies and their successor agencies in the State of California generally cannot enter into new projects, obligations or commitments. On January 12, 2012, the City was designated to serve as the Successor Agency subject to control of an oversight board. The Successor Agency is reported as a private-purpose trust fund in the fiduciary funds financial statements.

There is one discretely presented component unit:

- The San Diego Housing Commission (SDHC) is a governmental agency, which was formed by the City under Ordinance No. 2515 on December 5, 1978 in accordance with the Housing Authority Law of the State of California. SDHC's priority is to serve low and moderate income persons by providing rental assistance payments, rental housing, loans and grants to families, individuals and not-for-profit organizations to create and preserve affordable housing. SDHC is governed by the San Diego Housing Authority (Housing Authority), which is composed of the nine members of the San Diego City Council. The Housing Authority is assisted by a Board of Commissioners, a seven-member advisory body appointed by the Mayor and confirmed by the City Council. The Housing Authority has final authority over the SDHC's budget and major policy changes. SDHC is discretely presented because the City appoints the voting members of the SDHC Board, is financially accountable for SDHC, and SDHC provides its services directly to the citizens.

SDHC has eight blended component units and twenty-one discretely presented component units which are included in the City's basic financial statements. The discretely presented component units are financially and legally separate entities from SDHC. SDHC's discretely presented component units reflect the financial reporting entity of consolidated Housing Development Partners, which includes the following legal entities: Housing Development Partners of San Diego (HDP); HDP Mason Housing Corporation; Casa Colina, LP; Logan Development II, LP; HDP Broadway, LP; HDP Churchill, LP; HDP Parker Kier, LLC; HDP New Palace, LP; Logan Development Management, LLC; HDP Broadway Management, LLC; HDP Churchill, LLC; HDP Island Village, LLC; HDP New Palace Management, LLC; HDP Village North, LLC; HDP West Park, LP; HDP West Park Management, LLC; HDP Quality Inn, LLC; HDP Town and Country, LP; HDP Town and Country, LLC; HDP Mariner's Village, LP and HDP Mariner's Village

Management, LLC, collectively referred to as the "Corporation". Complete stand-alone financial statements are available at www.sdhc.org.

Each blended and discretely presented component unit of the City has a June 30 fiscal year-end, with the exception of SDHC's discretely presented component units, which have a December 31 fiscal year-end.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City and its blended component units. Governmental activities are normally supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support. The primary government is reported discretely from SDHC, a legally separate component unit for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific function or segment. Direct expenses reported include administrative and overhead charges. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that do not qualify as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, the latter of which are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other interfund services provided and used between functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues which are considered susceptible to accrual include: real and personal property taxes; special assessments collected via property taxes; sales taxes; transient occupancy taxes; other local taxes; franchise fees; fines, forfeitures and penalties; rents and concessions; interest; and state and federal grants and subventions, provided they are received within 60 days from the end of the fiscal year.

Licenses and permits, parking citations, and some miscellaneous revenues are recorded as revenues when received in cash because they generally are not measurable until actually received.

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

The governmental funds financial statements do not present long-term debt, but the related debt is shown in the reconciliation of the governmental funds Balance Sheet to the government-wide Statement of Net Position. Issuance of long-term debt, bond premiums, and discounts are reflected as other financing sources (uses) and recognized in the period in which they are issued.

Permanent funds, commonly referred to as endowment funds, are governmental funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs. The City has received endowments for various programs, a list of which can be found in the Permanent Funds section of the Combining and Individual Fund Financial Statements and Schedules. The corpus of permanent funds is reported as Nonspendable Fund Balance and investment earnings available for expenditure are reported as Restricted Fund Balance in the fund level financial statements, and as Restricted for Nonexpendable Permanent Endowments in the Statement of Net Position. Funds are spent in accordance with the City budget, subject to State law governing the spending of endowment fund investment earnings in California Probate Code Section 18504.

Proprietary funds financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units, and include the pension trust, private-purpose trust, and agency funds. Trust funds are reported using the economic resources measurement focus and the full accrual basis of accounting. Agency funds are reported using the accrual basis of accounting and only report assets and liabilities, and therefore, do not have a measurement focus.

The following is the City's only major governmental fund:

General Fund - The General Fund is the principal operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The following are the City's major enterprise funds:

Sewer Utility Fund - The Sewer Utility Fund is used to account for the operation, maintenance and development of the City's sewer system. The City's Sewer Utility Fund includes activities related to the performance of services for several local municipalities and other utility districts (Participating Agencies).

Water Utility Fund - The Water Utility Fund is used to account for operating and maintenance costs, replacements, betterments, expansion of facilities, and payments necessary in obtaining water from the Colorado River, the State Water Project, and local sources, and supplying water to its customers.

The following are the City's other fund types:

Internal Service Funds - These funds account for fleet vehicles and transportation, printing, and storeroom services provided to City departments on a cost-reimbursement basis. Internal service funds also account for energy conservation, risk management, unemployment insurance, unused compensatory time, unused sick leave, and long-term disability programs, which derive revenues from rates charged to benefiting departments.

Pension Trust Funds - These funds account for SDCERS, the Preservation of Benefits Plan, the Postemployment Healthcare Benefit Plan, the Supplemental Pension Savings Plan (SPSP), the 401(a) Plan and the 401(k) Plan.

Private-Purpose Trust Fund - This fund was established to account for the ongoing activity and obligations of the Successor Agency (former RDA).

Agency Funds - These funds account for assets held by the City as an agent for individuals, private organizations, and other governments, including federal and state income taxes withheld from employees, parking citation revenues on behalf of other agencies, certain employee benefit plans, and special assessments.

d. Property Taxes

The County of San Diego (County) assesses, bills, and collects property taxes on behalf of numerous special districts and incorporated cities, including the City of San Diego. The City receives the current year's taxes 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 January 1. Taxes are levied on July 1, based on the assessed values as of the lien date, 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 ended 1979, general property taxes are based on either (1) a flat 1% rate applied to the 1975-76 full value of the property or (2) 1% of the sales price of any property sold or of the cost of any new construction after the 1975-76 valuation. Taxable values of properties (exclusive of increases related to sales and new construction) can increase by a maximum of 2% per year. The 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).

At the government-wide level, property tax revenue is recognized in the fiscal year for which the taxes have been levied. Property taxes received after the fiscal year which do not meet the 60 day availability criterion are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are recorded as deferred inflows of resources in the governmental funds. The City provides an allowance for uncollectible property taxes, which is analyzed each year against the most recent data from the County. For fiscal year 2019, the allowance amount was \$2,624. Property owners can appeal the assessment value of their property to the County Assessment Appeals Board. If successful, the County Assessor may reduce the taxable value of a property and/or provide a refund to affected property owners. Reductions of taxable property value within the City of San Diego have a negative impact on future tax collections until assessed valuations increase.

e. Cash and Investments

The City's cash and cash equivalents for the Statement of Cash Flows purposes include cash on hand, demand deposits, restricted cash, and investments held in the City Treasurer's Pooled Investment Fund (pool) and are reported at fair value. Cash equivalents reported in the Statement of Cash Flows for the Water and Sewer Utility Funds do not include restricted investments represented as Restricted Cash and Investments with an original maturity date greater than ninety days from the time of purchase.

The City's cash resources are combined to form a cash and investment pool managed by the City Treasurer. The City is not required to register the pool as an investment company with the Securities and Exchange Commission (SEC). The investment activities of the City Treasurer in managing the pool are governed by California Government Code § 53601 and the City of San Diego City Treasurer's Investment Policy, which is reviewed by the City Treasurer's Investment Advisory Committee and presented annually to the City Council. Interest earned on pooled investments is allocated to participating funds and entities based upon their average daily cash balance during the allocation month. Fair value adjustments to the pool are recorded annually; however, the City Treasurer reports on market values monthly. The pool participates in the California State Treasurer's Local Agency Investment Fund (LAIF). Investments in LAIF are governed by State statutes and overseen by a five member Local Investment Advisory Board. The fair value of the City's position in LAIF may be greater or less than the value of the shares. Investments in LAIF are valued in the financial statements using a fair value factor provided by LAIF applied to the value of the City's shares in the investment pool.

Certain governmental funds maintain investments outside of the pool. These funds are supervised and controlled by a five member Funds Commission, which is appointed by the Mayor and confirmed by the City Council. The Funds Commission engages money managers to direct the investments of these funds. Additionally, the City and its component units maintain individual accounts pursuant to bond issuances and major construction contracts, which may or may not be related to debt issuances. The investment of these funds is governed by the policies set forth in the individual indenture and trustee agreements. Certain component units of the City also participate in LAIF separately from the pool.

All City investments are reported at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*. Note 3 contains additional information on permissible investments per the City Treasurer's Investment Policy and other policies applicable to the cash and investments reported herein.

The discharge of fiduciary duties by the SDCERS Board is governed by Section 144 of the City Charter and Article XVI, Section 17 of the California State Constitution. The SDCERS Board has the authority to delegate investment management duties to outside advisors, to seek the advice of outside investment counsel, and to provide oversight and monitoring of the investment managers it hires. Additional discretion beyond the City Charter is provided for under the California State Constitution and other relevant authorities whereby the Board may, at its discretion, invest funds in any form or type of investment, financial instrument, or financial transaction. SDCERS' investment managers manage all investments, which are held in SDCERS' name.

SDCERS' investments are reported at fair value or net asset value (NAV), in accordance with GASB Statement No. 72, in the Statement of Fiduciary Net Position. SDCERS' custodial bank, State Street Bank & Trust Company, provides the fair values of exchange traded assets. Through its agents, SDCERS also holds investments in non-publicly traded institutional investment funds. These institutional investment funds are comprised of exchange traded securities, the fair values of which are provided by the respective investment managers. Directly-owned real estate assets are stated at appraised values as determined by SDCERS' real estate managers and third party appraisal firms. Private equity and infrastructure assets are measured at fair value using the NAV per share or its equivalent by their respective investment managers, giving consideration to the financial

condition and operating results of the portfolio companies, and other factors deemed relevant. These values are reviewed by the real estate, private equity and infrastructure consultants, the underlying investment managers and SDCERS' investments staff. Where fair value information as of June 30, 2019 was not available at the time of these financial statements, SDCERS has estimated fair value by using the most recent fair value information available from the fund manager/general partner and adding any contributions and/or deducting any distributions to/from the investment from the date of the most recent fair value information to June 30, 2019.

f. Receivables

The City's receivables are comprised mainly of notes, loans, accounts and taxes. Long-term notes and loans receivable consist primarily of former RDA agreements with terms that provide for limited cash flows, e.g. residual receipts from Low and Moderate Housing developer loans. These receivables are reported in the governmental fund statements and are recorded with an offset to restricted fund balance as resources are not available for expenditure. Accounts receivable and taxes receivable are reported net of an allowance for uncollectible amounts. The allowance amounts as of June 30, 2019 are as follows:

Fund	Accounts Receivable Allowance	Taxes Receivable Allowance
General Fund	\$ 8,842	\$ 2,566
Nonmajor Governmental Funds	4,561	58
Sewer Utility	2,858	—
Water Utility	3,745	—
Nonmajor Enterprise Funds	3,064	—
Internal Service Funds	1,203	—
Total	\$ 24,273	\$ 2,624

g. Inventories

Inventories reported in the government-wide financial statements and the proprietary funds financial statements, which consist primarily of water in storage intended for resale, are valued at the lower of cost or market. Such inventories are expensed when consumed using primarily the first-in, first-out (FIFO) and weighted-average methods for inventories of water in storage and supplies, respectively. Inventory supplies of governmental funds are recorded as expenditures when purchased.

h. Land Held for Resale

Land Held for Resale is reported in the government-wide and fund financial statements at the lower of cost or net realizable value. In the governmental funds financial statements, fund balances associated with properties held for resale are reported as restricted fund balances as proceeds from the sale of such properties are restricted for the purpose of affordable housing as codified in the California Health and Safety Code. Land is originally recorded at historical cost and adjusted to net realizable value when a property is impaired, when the determination is made that a property will be sold for less than its cost, or when property values decrease due to market conditions.

i. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents the consumption of net position that is applicable to a future reporting period(s) and will

not be recognized as an expense/expenditure until then. The City has three items that qualify for reporting in this category: loss on refunding; deferred outflows related to pension benefits; and deferred outflows related to other postemployment benefits. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents the acquisition of net position that is applicable to a future reporting period(s) and will not be recognized as a revenue until then. The City has two items that qualify for reporting in this category: deferred inflows related to pension benefits, and deferred inflows related to other postemployment benefits. Additionally, in the governmental funds financial statements, deferred inflows of resources represent revenues which have been earned but have not met the recognition criteria based on the modified accrual basis of accounting.

j. Capital Assets

Capital assets, when purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value or estimated acquisition value on the date received. Costs for routine maintenance are expensed as incurred. Capital assets are reported in the applicable Governmental or Business-Type Activities column in the government-wide financial statements, as well as in the proprietary funds and fiduciary funds financial statements.

Non-Depreciable Capital Assets include land, rights of way, easements, and construction in progress. Works of art and historical treasures are also included since they are capitalized, but not depreciated. These assets are maintained for public exhibition, education, or research and are being preserved for future generations. The proceeds from sales of works of art are used to purchase other items for the collection.

Depreciable Capital Assets, which include structures and improvements, equipment, intangible assets, distribution and collection systems, and infrastructure, are reported net of accumulated depreciation/amortization. The City considers capital expenditures as those that result in assets that are used in City operations and have a useful life in excess of one year. The following table shows the City's capitalization thresholds for each asset category:

Asset Category	Capitalization Threshold
Non-Depreciable:	
Land and Rights of Way	\$ —
Easements (Intangible)	50
Artwork/Historical Treasures	5
Depreciable:	
Buildings	50
Building Improvements	50
Equipment/Vehicles	5
Software (Intangible)	100
Distribution and Collection Systems	25
Infrastructure	25

Depreciation of capital assets is computed using the straight-line method over the estimated useful life of the asset as follows:

Asset Category	Useful Life (In Years)
Structures and Improvements:	
Buildings	10 - 50
Building Improvements	3 - 50
Equipment:	
Vehicles	4 - 20
General Machinery and Office Equipment	2 - 50
Intangible Assets	5 - 25
Distribution and Collection Systems:	
Sewer and Water Infrastructure	15 - 75
Dams and Reservoirs	50 - 150
Infrastructure:	
Pavement, Sidewalks, and Lighting	12 - 50
Bridges	30 - 75
Flood Control Assets	40 - 75

k. Unearned Revenue

In the government-wide and fund level financial statements, unearned revenue represents amounts received, which have not been earned. Examples include Development Services' customer accounts with surplus balances, and grant revenues received in advance.

l. Interfund Transactions

The City has the following types of interfund transactions:

Loans represent amounts provided with a requirement for repayment. Interfund loans are normally reported as interfund receivables (i.e. Due from Other Funds) in lender funds and interfund payables (i.e. Due to Other Funds) in borrower funds. The non-current portions of long-term interfund loans receivable are reported as advances.

Services provided and used represent sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds.

Reimbursements represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. The reimbursement is reported as expenditures or expenses in the reimbursing fund and a reduction of expenditures or expenses in the fund that initially incurred the expense.

Transfers represent flows of assets, such as cash or goods, without equivalent flows of assets in return, and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

m. Long-Term Liabilities

In the government-wide, proprietary, and fiduciary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statements of Net Position. Capital appreciation bond accretion and bond premiums and discounts are amortized over the life of the bonds using a method which approximates the effective interest method. Net bonds payable reflects unamortized bond discounts and premiums.

n. Compensated Absences

The City provides combined annual leave to cover both vacation and sick leave. It is the City's policy to permit employees to accumulate between 8.75 weeks and 17.5 weeks of earned but unused annual leave, depending on hire date. Accumulation of these earnings will be paid to employees upon separation from service.

The liability for compensated absences reported in the government-wide and proprietary funds financial statements consists of unpaid accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g. Medicare Tax). The short-term portion is an estimate calculated based on leave taken in the prior year, as a percentage of total outstanding balances. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

o. Claims and Judgments

The costs of claims and judgments are accrued when incurred and measurable in the government-wide, proprietary and fiduciary funds financial statements. In governmental funds, the costs of claims and judgments are recorded as expenditures when payments are due and payable.

p. Non-Monetary Transactions

The City, as part of approving new development in the community planning process, requires that certain public facilities be constructed per the provisions of community financing plans. These facilities are typically funded in whole or part with impact fees collected from new development. The City often enters into reimbursement agreements with developers to construct the facilities. These agreements provide developers with credits (also referred to as FBA/DIF/RTCIP credits) for future permit fees. These credits are earned by the developer upon successful completion of construction phases and when City engineers have accepted the work. The credits are recognized as permit revenue upon issuance and a corresponding capital asset is recorded in the government-wide financial statements. See Note 5 for additional detail on reimbursement agreements.

q. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's SDCERS plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by SDCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value or NAV. See Note 12 for additional detail on Pension Plans.

r. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value or NAV. See Note 13 for additional detail on OPEB.

s. Net Position

In the government-wide and proprietary funds financial statements, Net Position is categorized as follows:

- **Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation, reduced by outstanding debt and deferred outflows/inflows of resources attributed to the acquisition, construction or improvement of these assets.
- **Restricted Net Position** consists of restricted assets reduced by liabilities related to those assets. It is the City's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position components are available. As of June 30, 2019, the amount of restricted net position due to enabling legislation was approximately \$316,282.
- **Unrestricted Net Position** consists of net position that does not meet the definition of Net Investment in Capital Assets or Restricted Net Position.

t. Fund Balances

In the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned or unassigned based on the extent to which the City is bound to observe constraints imposed on the use of resources.

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance** - amounts that can only be used for specific purposes imposed by formal action of the City Council. The City Council uses ordinances or resolutions to commit fund balances. Ordinances and resolutions both meet the criteria to establish a commitment since the limitations on the redeployment of those resources for other purposes is the same. Committed amounts cannot be used for other purposes unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned fund balance** - amounts that are constrained by the City's intent to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. City Council may assign fund balance through approval of budget appropriations. The Mayor and his/her designees are authorized by the City Charter to assign fund balance through

the encumbrance process. Designees generally include the Chief Operating Officer, Assistant Chief Operating Officer, Deputy Chief Operating Officers and Department Directors.

- **Unassigned fund balance** - the residual classification for the City's General Fund that includes amounts not included in other classifications. In funds other than the General Fund, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by committed, assigned and unassigned as they are needed.

u. Reserves

The City's formal reserve policy, which was adopted in fiscal year 2008 via City Council ordinance, last amended in June 2018, was created in accordance with Charter Section 91 and defines the General Fund Reserve. The City's General Fund Reserve is comprised of two separate components: (1) the Emergency Reserve and (2) the Stability Reserve. For the purpose of the policy, the General Fund is the operational fund as presented in the City's annual budget document.

- **Emergency Reserve** - maintained for the purpose of sustaining General Fund operations in the case of a public emergency such as a natural disaster or other unforeseen catastrophic event. This reserve may be expended when an event is determined to be a public emergency by a two-thirds vote of the City Council, when such expenditures are necessary to ensure the safety of the City's residents and their property. This reserve is reported as restricted fund balance.
- **Stability Reserve** - maintained to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures. The purpose of this reserve is to provide budgetary stabilization and not serve as an alternative funding source for new programs. Recommendations to appropriate from the Stability Reserve are brought forward by the Mayor and require approval by a majority of the City Council. This reserve is a component of unassigned fund balance.

The policy level for total General Fund Reserves is 16.7% of the most recent three year average of annual General Fund operating revenues (budgetary basis), as reported in the CAFR. The Emergency Reserve is set at a policy level of 8%, and the Stability Reserve is set at a policy level of 8.7%. The City's reserve policy established funding targets for each fiscal year ending 2016 to 2025 to reach policy levels. For fiscal year 2019, the Emergency Reserve funding target was 8%, and the Stability Reserve funding target was 7.25%. The balances of the Emergency Reserve and the Stability Reserve as of June 30, 2019 were \$101,100 and \$91,700, respectively, meeting policy target levels. In the event either reserve component is reduced below the amount established by this policy, the Mayor will develop a plan to replenish the reserve in a reasonable timeframe. Spendable and unassigned fund balance that is not part of General Fund Reserves is available for appropriation.

The Pension Payment Stabilization Reserve was established to mitigate service delivery risk due to increases in the annual pension payment, the Actuarially Determined Contribution (ADC). The purpose of this reserve is to provide a source of funding for the ADC when these conditions occur and the ADC has increased year over year. The Pension Payment Stabilization Reserve is established at a policy level equal to 8% of the average of the last three ADCs to the pension system. For fiscal year 2019, the Reserve balance is \$4,608, of which \$3,613 is reported as unassigned fund balance in the General Fund. The balance of \$995 was funded by the Sewer Utility, Water Utility and other Enterprise funds. This 8% policy level will be funded in 20% increments each year to achieve the full reserve target by fiscal year 2023.

The City also maintains reserves to manage risk including public liability reserves for the payment of claims and judgments, a reserve for obligations related to workers' compensation claims, and a reserve for long-term disability payments for City employees. In addition, the City maintains reserves for the following enterprise funds: the Water and Sewer Utility Funds; Development Services Fund; Environmental Services Fund; and the Golf Course Fund. Information regarding reserves maintained by the City is contained in Council Policy No. 100-20.

v. Participating Agencies Revenue Recognition

The Regional Wastewater Disposal Agreement between the City and the Participating Agencies (PA) in the Metropolitan Sewerage System allows for quarterly invoicing of local area member municipalities and utility districts to collect and process sewage waste using the City's facilities. The invoicing is based on an estimated allocation of costs associated with each PA and may not represent each PA's proportionate allocation of actual maintenance and operating costs of the sewage system, resulting in an overstatement or understatement of revenue reported in the Sewer Utility Statement of Revenues, Expenses and Changes in Fund Net Position.

w. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

x. New Governmental Accounting Standards Implemented During Year Ended June 30, 2019

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the City, for the year ended June 30, 2019.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. It also establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The City had no reportable impacts for fiscal year 2019.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement requires that additional essential information related to debt be disclosed in the notes to the financial statements, including: unused lines of credit; assets pledged as collateral for the debt; and terms specific in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. See Notes 5,6, and 8 for additional information.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement establishes accounting requirements for interest costs incurred before the end of a construction period. Such interest costs include all interest that was previously accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest costs incurred before

the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest costs incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement is effective in fiscal year 2021, however, the City has elected to early implement in fiscal year 2019 and is no longer capitalizing interest costs on business-type activity debt-financed capital projects in accordance with the Statement.

y. Upcoming Governmental Accounting Standards Implementation

The requirements of the following accounting standards become effective in future periods, if applicable to the City. Management is currently in the process of evaluating the potential impacts to the City's basic financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will become effective in fiscal year 2020.

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use the lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will become effective in fiscal year 2021. The City anticipates reporting impacts after implementation and is actively working on advance preparation.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government entity engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those government entities and funds should measure the majority equity interest at fair value. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. This Statement will become effective in fiscal year 2020.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary

commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement will become effective in fiscal year 2022.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Dollars in Thousands)

Certain adjustments are necessary to reconcile governmental funds to governmental activities (which includes all internal service funds). The reconciliation of these adjustments is as follows:

- a. Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position:

The Governmental Funds Balance Sheet includes a reconciliation between "Total Fund Balances" and "Net Position of Governmental Activities" as reported in the Government-Wide Statement of Net Position. One element of the reconciliation states, "Certain assets and deferred outflows of resources are not financial resources (uses), and therefore, are not reported at the fund level." The details of this \$576,860 difference are as follows:

Loss on Refunding, July 1, 2018	\$ 15,125
Amortization Expense	(1,212)
Loss on Refunding, June 30, 2019	<u>13,913</u>
Deferred Outflows of Resources Related to Other Postemployment Benefits	28,653
Deferred Outflows of Resources Related to Pensions	<u>534,294</u>
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u>\$ 576,860</u>

Another element of the reconciliation states: "Unavailable revenues are not financial resources, and therefore, are reported as deferred inflows of resources." The details of this \$100,667 difference are as follows:

Deferred Inflows of Resources - Unavailable Revenue:	
Taxes Receivable	\$ 40,340
Grants Receivable	44,703
Special Assessments Receivable	4,201
Revenue from Other Agencies	4,868
Charges for Services	4,471
Other	<u>2,084</u>
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u>\$ 100,667</u>

Another element of the reconciliation states: "Certain liabilities and deferred inflows of resources, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds." The details of this \$(3,772,682) difference are as follows:

Interest Accrued on Long-Term Debt	\$ (4,856)
Compensated Absences	(58,483)
Liability Claims	(352,257)
Reimbursement Agreement Obligations	(4,940)
Capital Lease Obligations	(173,684)
QECCB Lease Obligation	(6,708)
Loans Payable	(2,861)
Section 108 Loans Payable	(2,527)
Commercial Paper Notes Payable	(15,889)
Net Bonds Payable	(635,550)
Net Other Postemployment Benefits Liability	(340,739)
Pension Liabilities	<u>(2,068,170)</u>
Total Liabilities	<u>(3,666,664)</u>
Deferred Inflows of Resources:	
Deferred Inflows Related to Other Postemployment Benefits	(336)
Deferred Inflows Related to Pensions	<u>(105,682)</u>
Total Deferred Inflows of Resources	<u>(106,018)</u>
Net adjustment to decrease "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u><u>\$ (3,772,682)</u></u>

Another element of the reconciliation states: "Internal service funds are used by management to charge the costs of activities such as Fleet Operations, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are included in the governmental activities in the Statement of Net Position." The details of this \$153,074 difference are as follows:

Assets:	
Capital Assets - Non-Depreciable	\$ 8,633
Capital Assets - Depreciable	160,872
Internal Balances	180
Current Assets	127,255
Total Assets	<u>296,940</u>
Deferred Outflows of Resources	<u>15,628</u>
Liabilities:	
Compensated Absences	(6,826)
Liability Claims	(11,001)
Capital Lease Obligations	(45,463)
Net Other Postemployment Benefits Liability	(17,658)
Pension Liabilities	(68,518)
Current Liabilities	(7,043)
Total Liabilities	<u>(156,509)</u>
Deferred Inflows of Resources	<u>(2,985)</u>
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u>\$ 153,074</u>

- b. Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities:

The Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between "Net Change in Fund Balances of Governmental Funds" and "Change in Net Position of Governmental Activities" as reported in the Government-Wide Statement of Activities. One element of that reconciliation explains: "Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Donated assets are not financial resources, and therefore, are not reported in the funds." The details of this \$101,113 difference are as follows:

Capital Outlay	\$ 227,042
Donated Capital Assets	20,201
Depreciation Expense	<u>(146,130)</u>
Net adjustment to increase "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ 101,113</u>

Another element of the reconciliation states: "The net effect of various miscellaneous transactions involving capital assets (e.g., retirements and transfers) is to decrease net position." The details of this \$(38,445) are as follows:

In the Statement of Activities, only the net loss on the sale/retirement of capital assets is reported. However, in the governmental funds, the proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the net book value of the capital assets sold/retired.	\$ (38,457)
Transfers of capital assets from business-type activities increase net position on the Statement of Activities, but do not appear in the governmental funds because they are not financial uses.	<u>12</u>
Net adjustment to decrease "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ (38,445)</u>

Another element of the reconciliation states: "Internal service funds are used to charge the costs of activities such as Fleet Operations, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The net income of certain internal service activities is reported with governmental activities." The details of this \$(7,646) are as follows:

Allocated Operating Loss	\$ (1,723)
Nonoperating Revenues:	
Gain on Sale/Retirement of Capital Assets	770
Other Agency Grant Assistance	810
Other Nonoperating Revenues, net	1,100
Capital Contributions	101
Capital Asset Transfers, net	(37)
Transfers, net	<u>(8,667)</u>
Net adjustment to decrease "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ (7,646)</u>

Another element of the reconciliation states: "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position." The details of this \$8,116 difference are as follows:

Debt Issued or Incurred:	
Capital Lease Obligations	\$ (20,430)
Commercial Paper Notes Payable	(15,889)
Total Debt Issued or Incurred	<u>(36,319)</u>
Principal Repayments:	
Capital Lease Obligations	8,310
QECB Lease Obligations	870
Loans Payable	650
Section 108 Loans Payable	345
Lease Revenue Bonds	26,235
Tobacco Settlement Asset-Backed Bonds	8,025
Total Principal Repayments	<u>44,435</u>
Net adjustment to increase "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ 8,116</u>

Another element of the reconciliation states: "Some expenses reported in the Statement of Activities do not require the use of current financial resources (e.g., compensated absences, net pension liability), and therefore, are not accrued as expenditures in governmental funds." The details of this \$(93,424) difference are as follows:

Compensated Absences	\$ 97
Liability Claims	15,109
Reimbursement Agreement Obligations	1,809
Net Other Postemployment Benefit Obligation and Related Deferred Outflows/Inflows of Resources	72,267
Pension Liabilities and Related Deferred Outflows/Inflows of Resources	(184,237)
Interest Accrued on Long-Term Debt	(150)
Current Year Premiums and Loss on Refunding Less Amortization of Bond Premiums, Discounts, and Loss on Refunding	<u>1,681</u>
Net adjustment to decrease "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ (93,424)</u>

3. CASH AND INVESTMENTS (Dollars in Thousands)

The following is a summary of the carrying amount of cash and investments as of June 30, 2019:

	Governmental Activities	Business-Type Activities	Fiduciary Funds other than SDCERS	Subtotal	SDCERS Fiduciary Fund	Grand Total
Cash or Equity in Pooled Cash and Investments	\$ 1,685,573	\$ 856,472	\$ 115,784	\$ 2,657,829	\$ 2,707	\$ 2,660,536
Cash and Investments with Custodian, Fiscal Agents, and Trustees	24,652	28,435	84,613	137,700	348,461	486,161
Investments at Fair Value	32,067	—	1,291,902	1,323,969	8,296,129	9,620,098
Securities Lending Collateral	—	—	—	—	142,430	142,430
Total	<u>\$ 1,742,292</u>	<u>\$ 884,907</u>	<u>\$ 1,492,299</u>	<u>\$ 4,119,498</u>	<u>\$ 8,789,727</u>	<u>\$ 12,909,225</u>

a. Cash or Equity in Pooled Cash and Investments

Cash or Equity in Pooled Cash and Investments represents petty cash and cash held with banks in demand deposit and/or savings accounts. Furthermore, it represents equity in pooled cash and investments, which is discussed in further detail below.

As provided for by California Government Code, the cash balances of substantially all funds and certain outside entities 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 table above, under the caption Cash or Equity in Pooled Cash and Investments.

The following represents a summary of the items included in the Cash or Equity in Pooled Cash and Investments line item:

Cash on Hand - Petty Cash	\$ 199
Deposits - Other Cash and Cash Equivalents	16,648
City Treasurer's Pooled Investments and Deposits	2,640,982
SDCERS Cash Deposits	2,707
Total Cash or Equity in Pooled Cash and Investments	<u>\$ 2,660,536</u>

A summary of the investments held by the City Treasurer's Investment Pool as of June 30, 2019 is presented in the table below:

Investment	Fair Value	Book Value	Interest Rate % Range	Maturity Range
Agency Discount Notes	\$ 125,600	\$ 124,917	2.00-2.42% ¹	7/1/2019
Agency Notes and Bonds	346,105	344,778	0.88-3.63%	7/19/2019-11/15/2021
Asset Backed Securities	432,975	429,266	1.14-3.11%	7/15/2019-8/20/2021
Commercial Paper	386,272	384,761	2.33-2.73%	7/1/2019-11/15/2019
Medium Term Notes and Bonds	664,051	658,993	1.20-3.40%	7/12/2019-2/15/2023
State Local Agency Investment Fund (LAIF) ²	62,608	62,501	2.55%	12/22/2019
Supranationals	74,967	75,273	1.63-2.41%	7/1/2019-11/9/2020
U.S. Treasury Obligations - Bills	46,909	46,800	1.98-2.32%	7/11/2019-11/21/2019
U.S. Treasury Obligations - Notes	507,292	500,638	1.00-2.75%	10/15/2019-6/30/2022
Total	<u>\$ 2,646,779</u>	<u>\$ 2,627,927</u>		

¹ Discount Rates

² LAIF - The State Treasurer's pooled investment program values participants' shares based on amortized cost. This has been adjusted to fair value using the LAIF Factor. Maturity range is based on weighted average maturity of 173 days as of June 30, 2019.

b. Cash and Investments with Custodian, Fiscal Agents, and Trustees

Cash and Investments with Custodian, Fiscal Agents, and Trustees include cash and investments held by trustees resulting from bond issuances. These funds represent bond funds, including but not limited to, debt service reserve funds, construction funds, costs of issuance funds, and liquid investments held by trustees as legally required by bond issuances. In the Fiduciary Statement of Net Position, Cash with Custodian/Fiscal Agent includes construction contract retention deposits held in escrow accounts and the City's balance for the Preservation of Benefits Plan (POB Plan). The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under Internal Revenue Code (IRC) section 415(m) and is discussed in further detail in Note 12. Additionally, Cash with Custodian/Fiscal Agent includes SDCERS' transaction settlements, held in each investment manager's portfolio, which are invested overnight by SDCERS' custodial bank. Furthermore, it represents the SDCERS portion of funds held as cash collateral for SDCERS' cash overlay program.

c. Investments at Fair Value

Investments at Fair Value represents investments of SDCERS, the Supplemental Pension Savings Plan, 401(a) Plan, 401(k) Plan, investments managed by the City Treasurer (which are not part of the City Treasurer's Investment Pool) and investments managed by the Funds Commission. Investments under the management of the Funds Commission are reported in the Permanent funds (Cemetery Perpetuity Fund, Los Penasquitos Canyon Preserve Fund, Effie Sergeant Library Fund, and the Phillip L. Green Memorial Fund) and in the Other Special Revenue-Unbudgeted funds (Edwin A. Benjamin Fund, Jane Cameron Estate, and the Gladys Edna Peters Fund).

d. Investment Policy

In accordance with City Charter Section 45, the City Treasurer is responsible for the safekeeping and investment of the unexpended cash in the City Treasury. The City Treasurer is also responsible for maintaining the City of San Diego City Treasurer's Investment Policy (Investment Policy), which is presented to City Council annually. This Investment Policy applies to all of the investment activities of the City except for the pension trust funds, the proceeds of certain debt issues (which are managed and invested at the direction of the City Treasurer in accordance with the applicable indenture or by Trustees appointed under indenture agreements or by fiscal agents), and the assets of funds placed in the custody of the Funds Commission by Council action.

City staff reviews the Investment Policy annually and may make revisions based upon changes to the California Government Code and the investment environment. These suggested revisions are presented to the City Treasurer's Investment Advisory Committee (IAC) for review and comment. The IAC consists of two City finance experts and three outside investment professionals with market and portfolio expertise not working for the City. The City Council reviews the Investment Policy and considers acceptance on an annual basis.

The Investment Policy is governed by the California Government Code (CGC), § 53600 et seq. The following table presents the authorized investments, requirements, and restrictions per the CGC and the Investment Policy:

Investment Type	Maximum Maturity ¹		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating ²	
	CGC	City Policy	CGC	City Policy	CGC	City Policy	CGC	City Policy
U.S. Treasury Obligations (bills, bonds, or notes)	5 years	5 years	None	None	None	None	None	None
U.S. Agencies	5 years	5 years	None	⁽³⁾	None	⁽³⁾	None	None
Supranationals ⁴	5 years	5 years	30%	30%	30%	10%	AA	AA
Bankers' Acceptances ⁵	180 days	180 days	40%	40%	30%	10%	None	⁽⁵⁾
Commercial Paper ⁶	270 days	270 days	25%	25%	10%	10%	P-1	P-1
Negotiable Certificates of Deposit ⁶	5 years	5 years	30%	30%	None	10%	None	⁽⁵⁾
Repurchase Agreements	1 year	1 year	None	None	None	None	None	None
Reverse Repurchase Agreements ⁷	92 days	92 days	20%	20%	None	None	None	None
Local Agency Investment Fund	N/A	N/A	None	None	None	None	None	None
Non-Negotiable Time Deposits ^{6,8}	5 years	5 years	None	25%	None	10%	None	⁽⁵⁾
Medium Term Notes/Bonds ⁶	5 years	5 years	30%	30%	None	10%	A	A
Municipal Securities of California Local Agencies ⁶	5 years	5 years	None	20%	None	10%	None	A
Mutual Funds	N/A	N/A	20%	20%	10%	5%	AAA	AAA
Notes, Bonds, or Other Obligations	5 years	5 years	None	None	None	None	None	AA
Mortgage and Asset-Backed Securities	5 years	5 years	20%	20%	None	None	AA	AAA
Financial Futures ⁹	N/A	None	N/A	None	N/A	None	N/A	None

¹ In the absence of a specified maximum, the maximum is 5 years.

² Minimum credit rating categories include modifiers (+/-).

³ No more than one-third of the cost value of the total portfolio at time of purchase can be invested in the unsecured debt of any one agency.

⁴ International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

⁵ Credit and maturity criteria must be in accordance with the City Treasurer's Investment Policy.

⁶ Investment types with a 10% maximum with one issuer are further restricted per the City's Investment Policy: 5% per issuer and an additional 5% with authorization by the City Treasurer.

⁷ Maximum % of portfolio for Reverse Repurchase Agreements is 20% of base value.

⁸ Time deposits with the Certificate of Deposit Account Registry Service (CDARS) are further restricted per the City's Investment Policy: 1 year maximum maturity and 2% maximum of the portfolio.

⁹ Financial futures transactions would be purchased only to hedge against changes in market conditions for the reinvestment of bond proceeds.

In the event a discrepancy exists between the CGC and City Policy, the more restrictive parameters will take precedence. Percentage holding limits listed in the table apply to the cost value of the portfolio at the time the security is purchased.

According to the Investment Policy, the City may enter into repurchase and reverse repurchase agreements only with primary dealers of the Federal Reserve Bank of New York with which the City has entered into a master repurchase agreement.

Additionally, the Investment Policy authorizes investment in other specific types of securities. The City may invest in floating rate notes with coupon resets based upon a single fixed income index (which would be representative of an eligible investment), provided that the security is not leveraged or has a coupon that resets inversely to the underlying index. Securities issued by U.S. Government agencies that contain embedded calls or options are authorized as long as those securities are not inverse floaters, range notes, interest only strips derived from a pool of mortgages, or a security that could result in zero or negative accretion of interest if held to maturity. A maximum of 8% of the "cost value" of the pooled portfolio may be invested in structured notes.

Ineligible investments prohibited from use in the portfolio include, but are not limited to, common stocks and long-term corporate notes/bonds. The Investment Policy is available online at the following website address: www.sandiego.gov/treasurer/investments/invpolicy.shtml.

Other Investment Policies

The City Funds Commission was established by the City Charter to supervise and control all trust, perpetuity, and investment funds of the City and such pension funds as shall be placed in its custody. The statutory authority for the Funds Commission is created in City Charter Article V, Section 41(a). While the duties described in the creation document form broad authority for the Funds Commission, in practice, the Funds Commission only oversees investments related to a small number of endowment funds. The allowable investments for these funds are different than those prescribed in the City of San Diego City Treasurer's Investment Policy and are governed by its respective investment policy.

The City and its component units have funds invested in accordance with various bond indenture and trustee agreements. The investment of these bond issuances is in accordance with the Permitted Investments section and applicable account restrictions outlined in the Indenture of each bond issuance. The Permitted Investments section in each Indenture will vary based upon the maturity, cash flow demands, and reserve requirements associated with each issuance. In general, the Permitted Investments section of each Indenture will closely resemble the Investment Policy, but may include certain investment options not authorized by applicable law for the Investment Policy (CGC § 53601).

e. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the City's custodian banks. The City does not value any of its investments using Level 3 inputs.

The table below represents the City's fair value hierarchy as of June 30, 2019:

Investment Type	Fair Value	Level 1	Level 2
Asset Backed Securities	\$ 432,975	\$ —	\$ 432,975
Commercial Paper	416,392	—	416,392
Exchange Traded Funds	4,302	4,302	—
Government Mortgage Backed Securities	5	—	5
Medium Term Notes and Bonds	666,163	—	666,163
Mutual Funds	1,305,451	—	1,305,451
Negotiable Certificates of Deposit	3,301	—	3,301
Stocks	2,971	2,971	—
Supranationals	74,967	—	74,967
U.S. Agencies	471,705	—	471,705
U.S. Treasury Obligations - Bills, Bonds and Notes	599,468	—	599,468
Total Investments & Cash Equivalents by Fair Value Level	\$ 3,977,700	\$ 7,273	\$ 3,970,427

Asset backed securities, commercial paper, government mortgage backed securities, medium term notes and bonds, mutual funds, supranationals, investments in U.S. Agencies, and U.S. Treasury obligations are all classified in Level 2 of the fair value hierarchy. These investments are valued using either bid evaluation or matrix pricing techniques. Bid evaluation may include

market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value the securities based on the securities' relationship to benchmark quoted prices which are maintained by various pricing vendors.

Investments in guaranteed investment contracts are valued at cost and exempt from the fair value hierarchy. Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) are not classified in the fair value hierarchy. The City values investments in money market mutual funds at NAV based on amortized cost. The City also has investments in LAIF which are reported based upon the application of a fair value factor to each one dollar share invested, and therefore are not included in the fair value hierarchy.

City of San Diego - Disclosures for Specific Risks

f. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk for the City Treasurer's Investment Pool is intended to be mitigated by establishing two portfolios: a liquidity portfolio and a core portfolio. Target durations are based upon the expected short and long-term cash needs of the City. The liquidity portfolio is structured with an adequate mix of highly liquid securities and maturities to meet major cash outflow requirements for at least six months (per CGC § 53646). The liquidity portfolio uses the Bank of America Merrill Lynch 3-6 month Treasury Index as a benchmark with a target duration of plus or minus 40% of benchmark.

The core portfolio uses the Bank of America Merrill Lynch 1-3 year Treasury Index as a benchmark with a target duration of plus or minus 20% of the benchmark. It consists of high quality liquid securities with a maximum maturity of five years and is structured to meet the longer-term cash needs of the City. Information about the sensitivity of the fair value of the City's investments to market interest rate fluctuations is presented in the table on the following page.

As of June 30, 2019, the City's investments (dollars in thousands) by maturity are as follows:

	Years				Fair Value
	Under 1	1-3	3-5	Over 5	
City Treasurer's Investment Pool:					
Asset Backed Securities	\$ 232,767	\$ 200,208	\$ —	\$ —	\$ 432,975
Commercial Paper	386,272	—	—	—	386,272
Medium Term Notes and Bonds	206,668	410,170	47,213	—	664,051
State Local Agency Investment Fund	62,608	—	—	—	62,608
Supranationals - IADB ¹	—	25,062	—	—	25,062
Supranationals - IBRD ²	25,000	24,905	—	—	49,905
U.S. Agencies - Federal Farm Credit Bank	—	35,481	—	—	35,481
U.S. Agencies - Federal Home Loan Bank	150,568	75,869	—	—	226,437
U.S. Agencies - Federal Home Loan Mortgage Corporation	64,925	19,932	—	—	84,857
U.S. Agencies - Federal National Mortgage Association	74,830	50,100	—	—	124,930
U.S. Treasury Obligations - Bills and Notes	71,829	482,372	—	—	554,201
	<u>1,275,467</u>	<u>1,324,099</u>	<u>47,213</u>	<u>—</u>	<u>2,646,779</u>
Non-Pooled Investments with City Treasurer:					
U.S. Treasury Obligations - Notes	8,143	—	—	—	8,143
Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units:					
Commercial Paper	30,120	—	—	—	30,120
Exchange Traded Funds - Equity ³	808	—	—	—	808
Exchange Traded Funds - Fixed Income	—	—	1,114	2,380	3,494
Government Mortgage Backed Securities	—	—	—	5	5
Guaranteed Investment Contracts	—	—	9,223	—	9,223
Medium Term Notes and Bonds	153	1,128	—	831	2,112
Money Market Mutual Funds	22,779	—	—	—	22,779
Mutual Funds - Equity ³	885,827	—	—	—	885,827
Mutual Funds - Fixed Income	—	402,876	—	16,748	419,624
Negotiable Certificates of Deposit	3,301	—	—	—	3,301
Repurchase Agreement	5,400	—	—	—	5,400
Stocks - Common Stock ³	2,856	—	—	—	2,856
Stocks - Preferred Stock ³	115	—	—	—	115
U.S. Treasury Obligations - Bonds and Notes	36,704	226	—	194	37,124
	<u>988,063</u>	<u>404,230</u>	<u>10,337</u>	<u>20,158</u>	<u>1,422,788</u>
Total Investments	<u>\$ 2,271,673</u>	<u>\$ 1,728,329</u>	<u>\$ 57,550</u>	<u>\$ 20,158</u>	<u>4,077,710</u>
Cash on Hand - Petty Cash					199
Deposits - Pooled and Other Cash and Cash Equivalents					10,851
Deposits - Cash with Fiscal Agents/Trustees					12,200
Deposits - Cash with Fiscal Agents/Trustees Held in Escrow Accounts					18,538
Total Investments, Cash on Hand, and Deposits					<u>\$ 4,119,498</u>

¹ Inter-American Development Bank.

² International Bank for Reconstruction and Development.

³ Equity exchange traded funds, equity mutual funds, and stocks do not have maturities.

g. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill their obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The City mitigates credit risk through its Investment Policy. Section (d) outlines the authorized investments, requirements, and restrictions per the City's Investment Policy. As of June 30, 2019, the City's investments and corresponding credit ratings are as follows:

	Moody's	S&P	Fair Value	Percentage
City Treasurer's Investment Pool:				
Asset Backed Securities	Aaa	Not Rated	\$ 196,466	7.42%
Asset Backed Securities	Not Rated	AAA	236,509	8.94%
Commercial Paper	P-1	Not Provided	386,272	14.59%
Medium Term Notes and Bonds	Aaa	Not Provided	35,453	1.34%
Medium Term Notes and Bonds	Aa1	Not Provided	40,899	1.55%
Medium Term Notes and Bonds	Aa2	Not Provided	32,111	1.21%
Medium Term Notes and Bonds	Aa3	Not Provided	84,411	3.19%
Medium Term Notes and Bonds	A1	Not Provided	239,732	9.06%
Medium Term Notes and Bonds	A2	Not Provided	179,227	6.77%
Medium Term Notes and Bonds	A3	Not Provided	52,218	1.97%
State Local Agency Investment Fund	Not Rated	Not Rated	62,608	2.37%
Supranationals - IADB ²	Aaa	Not Provided	25,062	0.95%
Supranationals - IBRD ³	Aaa	Not Provided	24,905	0.94%
Supranationals - IBRD ³	P-1	Not Provided	25,000	0.94%
U.S. Agencies - Federal Farm Credit Bank	Aaa	Not Provided	35,481	1.34%
U.S. Agencies - Federal Home Loan Bank ¹	P-1	Not Provided	125,600	4.75%
U.S. Agencies - Federal Home Loan Bank ¹	Aaa	Not Provided	100,837	3.81%
U.S. Agencies - Federal Home Loan Mortgage Corporation	Aaa	Not Provided	84,857	3.21%
U.S. Agencies - Federal National Mortgage Association	Aaa	Not Provided	124,930	4.72%
U.S. Treasury Obligations - Bills and Notes	Exempt	Exempt	554,201	20.93%
			<u>2,646,779</u>	<u>100.00%</u>
Non-Pooled Investments with City Treasurer:				
U.S. Treasury Obligations - Notes	Exempt	Exempt	8,143	100.00%
Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units:				
Commercial Paper	P-1	Not Provided	27,478	1.93%
Commercial Paper	Not Provided	A-1+	998	0.07%
Commercial Paper	Not Provided	A-1	1,197	0.08%
Commercial Paper	Not Provided	A-2	447	0.03%
Exchange Traded Funds - Equity	Not Rated	Not Rated	808	0.06%
Exchange Traded Funds - Fixed Income	Not Rated	Not Rated	3,494	0.25%
Government Mortgage Backed Securities	Not Rated	Not Rated	5	0.01%
Guaranteed Investment Contracts	Not Rated	Not Rated	9,223	0.65%
Medium Term Notes and Bonds	Aa2	Not Provided	308	0.02%
Medium Term Notes and Bonds	Aa3	Not Provided	153	0.01%
Medium Term Notes and Bonds	A1	Not Provided	619	0.04%
Medium Term Notes and Bonds	A2	Not Provided	467	0.03%
Medium Term Notes and Bonds	A3	Not Provided	412	0.03%
Medium Term Notes and Bonds	Baa1	Not Provided	153	0.01%
Money Market Mutual Funds	Aaa	Not Provided	22,752	1.60%
Money Market Mutual Funds	Not Rated	Not Rated	27	0.01%
Mutual Funds - Equity	Not Rated	Not Rated	885,827	62.25%
Mutual Funds - Fixed Income	Not Rated	Not Rated	419,624	29.49%
Negotiable Certificates of Deposit	Not Provided	A-1+	2,901	0.20%
Negotiable Certificates of Deposit	Not Provided	A-1	400	0.03%

	Moody's	S&P	Fair Value	Percentage
Repurchase Agreement	Not Rated	Not Rated	\$ 5,400	0.38%
Stocks - Common Stock	Not Rated	Not Rated	2,856	0.20%
Stocks - Preferred Stock	Not Rated	Not Rated	115	0.01%
U.S. Treasury Obligations - Bonds and Notes	Exempt	Exempt	37,124	2.61%
			1,422,788	100.00%
Total Investments			\$ 4,077,710	

"Exempt" - Per GASB Statement No. 40, U.S. Treasury Obligations do not require disclosure of credit quality.

¹ More than 5% of total investments are with U.S. Agencies-Federal Home Loan Bank whose debt is not backed by the full faith and credit of the U.S. Government.

² Inter-American Development Bank.

³ International Bank for Reconstruction and Development.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. GASB Statement No. 40 requires disclosure of certain investments in any one issuer that represents 5% or more of total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt. As of June 30, 2019, the City exceeded the 5% limit of total investments in issuers of U.S. Agencies-Federal Home Loan Bank. Investments exceeding the 5% limit are referenced in the credit ratings table above.

h. Custodial Credit Risk

Custodial credit risk is the risk that if a financial institution or counterparty fails, the City would not be able to recover the value of its deposits or investments. The City does not have a specific policy relating to custodial credit risk. The City's exposure to custodial credit risk is further discussed below.

Deposits

At June 30, 2019, the carrying amount of the City's cash on hand and deposits was approximately \$23,250 and the bank balance was \$44,474; the difference is substantially due to outstanding checks. For the balance of cash deposits in financial institutions, approximately \$1,752 was covered by federal depository insurance and approximately \$42,722 was uninsured. Pursuant to the California Government Code, California banks and savings and loan associations are required to secure the City's deposits not covered by federal depository insurance by pledging government securities as collateral. As such, \$42,709 of the City's deposits are pledged at 110% and held by a bank acting as the City's agent in the City's name.

The City also has deposits held in escrow accounts with a carrying amount and bank balance of approximately \$18,538. For the balance of deposits in escrow accounts, approximately \$2,161 was covered by federal depository insurance. The remaining balance of \$16,377 was uninsured, but collateralized and pledged at 110%.

Investments

At June 30, 2019, all of the City's investments were held in the City's name and were not exposed to custodial credit risk.

i. Restricted Cash and Investments

Cash and investments at June 30, 2019 that are restricted by legal or contractual requirements are comprised of the following:

Governmental Funds	
General Fund	\$ 8,945
Special Revenue	2,571
Debt Service	11,842
Capital Projects	23,612
Permanent Endowments	21,500
Total Governmental Funds	<u>68,470</u>
Sewer Utility Enterprise Fund	
Interest and Redemption Funds	5,575
Water Utility Enterprise Fund	
Customer Deposits	3,493
Interest and Redemption Funds	16,164
Total Water Utility Enterprise Fund	<u>19,657</u>
Nonmajor Enterprise Funds	
Airports Fund - Deposits and Advances	78
Development Services Fund - Deposits and Advances	8,324
Environmental Services Fund - Funds set aside for landfill site closure and maintenance costs	33,334
Recycling Fund - Customer deposits	11,330
Total Nonmajor Enterprise Funds	<u>53,066</u>
Private-Purpose Trust Fund	45,319
Miscellaneous Agency Funds	
Special Assessment Funds and Retention Held in Escrow Accounts	39,279
Total Restricted Cash and Investments	<u>\$ 231,366</u>

Summary of Total Cash and Investments

Total Unrestricted Cash and Investments	\$ 12,677,859
Total Restricted Cash and Investments	<u>231,366</u>
Total Cash and Investments	<u>\$ 12,909,225</u>
Total Governmental Activities	\$ 1,742,292
Total Business-Type Activities	884,907
Total Fiduciary Activities	<u>10,282,026</u>
Total Cash and Investments	<u>\$ 12,909,225</u>

San Diego City Employees' Retirement System (SDCERS) - Disclosures for Policy and Specific Risks

Narratives and tables presented in the following sections (j. through u.) are taken directly from the comprehensive annual financial report of the San Diego City Employees' Retirement System as of June 30, 2019 (certain terms have been modified to conform to the City's CAFR presentation).

Summary of Cash and Investments - SDCERS	
Cash on Deposit with Wells Fargo Bank	\$ 2,707
Cash and Cash Equivalents on Deposit with Custodial Bank and Fiscal Agents	348,461
Investments at Fair Value:	
Domestic Fixed Income Securities	2,066,594
International Fixed Income Securities	642,475
Domestic Equity Securities	1,479,749
International Equity Securities	1,436,075
Global Equity Securities	545,483
Real Estate	929,908
Private Equity and Infrastructure	1,195,845
Securities Lending Collateral	142,430
Total Cash and Investments for SDCERS	<u>\$ 8,789,727</u>

j. Investment Policy and Portfolio Risk

The SDCERS Board has exclusive authority over the administration and investment of SDCERS' Trust Fund assets pursuant to Section 144 of the City Charter and the California State Constitution Article XVI, Section 17. The SDCERS Board is authorized to invest in bonds, notes or other obligations, derivative instruments, common stock, preferred stock, real estate investments, private equity, infrastructure and pooled vehicles. The risks and correlations of each asset class and investment manager are considered relative to an entire portfolio. Investment policies permit the SDCERS Board to invest in financial futures contracts provided the contracts do not hedge SDCERS' Trust Fund portfolio. Financial futures contracts are recorded at fair value each day and must be settled at expiration date. Changes in the fair value of the contracts result in the recognition of a gain or loss.

Net investment income includes the net appreciation (depreciation) in the fair value of investments, interest income, dividend income, and other income not included in the appreciation (depreciation) in the fair value of investments, less total investment expenses, including investment management and custodial fees and all other significant investment-related costs. SDCERS' net realized gains totaled \$594,200 for the fiscal year ended June 30, 2019. Realized gains and losses are independent of the calculation of net appreciation (depreciation) in the fair value of investments. Unrealized gains and losses on investments sold in the current year that had been held for more than one year were included in net appreciation (depreciation) in the fair value of the investments reported in the prior year and current year. Pursuant to the City, Port and Airport plan documents, realized gains and losses determine whether certain contingent benefits will be paid each fiscal year. Realized gains and losses are reported in the net appreciation (depreciation) in the fair value of investments in the financial statements.

SDCERS' Policy in regard to the allocation of invested assets is established and may be amended by the SDCERS Board. The asset allocation policy is reviewed and approved on an annual basis. Through its investment objectives and policies, the SDCERS Board emphasizes generating a rate of return above inflation and the preservation of capital. Investments are made only after the risk/reward trade-offs are evaluated. SDCERS' assets are managed on a total return basis, which takes into consideration both investment income and capital appreciation. While SDCERS recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns.

The following was SDCERS' adopted asset allocation policy as of June 30, 2019:

Asset Class	Target Allocation
Domestic Equity	18%
International Equity	15%
Global Equity	8%
Domestic Fixed Income	22%
Emerging Market Debt	5%
Real Estate	11%
Private Equity and Infrastructure	13%
Opportunity Fund	8%
Total	100%

For the fiscal year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 6.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

SDCERS' investment portfolio includes fixed income strategies to diversify the investment portfolio. The percentage allocated to these strategies is based on information derived from the Asset/Liability Study performed every three years. The returns of fixed income strategies vary less than equity returns. SDCERS' target asset allocation policy is reviewed each year. SDCERS' long-term target allocation to fixed income strategies as of June 30, 2019, was 27%, which includes domestic fixed income and emerging market debt. The fixed income allocation is externally managed and is comprised as follows: 22% to core domestic fixed income, which is benchmarked to the Barclays Capital Intermediate Aggregate Bond Index; and 5% to emerging market debt, which is benchmarked 40% to JP Morgan Emerging Market Bond Index Global Diversified and 60% to JP Morgan Government Bond Index-Emerging Market Global Diversified. A 2% target allocation to convertible bond securities, which is benchmarked to the Merrill Lynch All Convertibles All Qualities Index, is not included in the fixed income allocation, but instead is included in the domestic equity allocation. However, given that these convertible securities have fixed income attributes, the convertible bond allocation is included in the investment risk disclosures. SDCERS' overall portfolio diversification limits the fixed income invested in the debt security of any one issuer to 10% of the portfolio at the time of the initial commitment, except for U.S. Government obligations (or agencies and instruments of the U.S. Government) to minimize overall market and credit risk.

A copy of the SDCERS' investment policy and additional details on the results of SDCERS' investment activities are available at 401 West A Street, Suite 400, San Diego, CA 92101 or online at: <https://www.sdcers.org/Investments/Overview.aspx>.

k. Fair Value Hierarchy

SDCERS categorizes their fair value measurements within the fair value hierarchy established by GAAP set forth in GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1: Unadjusted quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3: Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

Where inputs used to measure fair value fall into different fair value levels, fair value measurements are categorized based on the lowest level input that is significant to the valuation. SDCERS' assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The table below shows the fair value leveling of the investments for the pension system.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

The following table represents SDCERS' fair value hierarchy as of June 30, 2019:

Investments	Fair Value	Level 1	Level 2	Level 3
Short-Term Securities	\$ 164	\$ —	\$ 164	\$ —
Fixed Income Securities:				
Asset-Backed Securities	40,931	—	40,931	—
Commercial Mortgage-Backed Securities	13,630	—	13,630	—
Collateralized Mortgage Obligations	60,417	—	60,417	—
Corporate Bonds	443,645	—	443,645	—
Government & Agency Obligations	294,747	—	294,747	—
Mortgage-Backed Securities	359,119	—	359,119	—
Total Fixed Income Securities	<u>1,212,489</u>	<u>—</u>	<u>1,212,489</u>	<u>—</u>
Equity Securities:				
Consumer Discretionary	89,401	89,401	—	—
Consumer Staples	52,687	52,687	—	—
Energy	44,816	44,816	—	—
Financials	88,680	88,680	—	—
Healthcare	115,822	115,822	—	—
Industrials	66,686	66,686	—	—
Information Technology	104,168	104,168	—	—
Materials	24,619	24,619	—	—
Real Estate Investment Trust	10,133	10,133	—	—
Telecommunication Services	10,330	10,330	—	—
Utilities	18,808	18,808	—	—
Total Equity Securities	<u>626,150</u>	<u>626,150</u>	<u>—</u>	<u>—</u>
Real Estate	66,935	—	—	66,935
Investment Derivative Instruments				
Fixed Income Securities:				
Credit Default Swaps	(1,108)	—	(1,108)	—
Foreign Currency Forwards	(585)	—	(585)	—
Interest Rate Swaps	(1,019)	—	(1,019)	—
Options - Fixed Income	3	—	3	—
Total Investment Derivative Instruments	<u>(2,709)</u>	<u>—</u>	<u>(2,709)</u>	<u>—</u>
Total Investments by Fair Value Level ¹	<u>\$ 1,903,029</u>	<u>\$ 626,150</u>	<u>\$ 1,209,944</u>	<u>\$ 66,935</u>

¹ Total Investments measured at fair value plus total investment derivatives differs from the total investments including securities lending collateral on the Fiduciary Statement of Net Position because of investment receivables and payables unrealized gains and losses. Total investments at fair value excludes \$11,000 of unrealized losses as of June 30, 2019.

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt and fixed income derivative securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the relationship of the securities to benchmark quoted prices. Index linked fixed income securities are valued by multiplying the external market price by the applicable day's Index Ratio. Level 2 fixed income securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities.

Real estate assets classified in Level 3 are real estate investments generally valued using the income approach or appraisal approach by SDCERS' real estate managers and third-party appraisal firms. SDCERS' policy is to obtain an external appraisal a minimum of every three years for properties or portfolios that the retirement system has some degree of control or discretion. Appraisals are performed by an independent appraiser with preference for Member Appraisal Institute (MAI) designated appraisers. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments Measured at NAV	NAV	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity Investments:				
Commingled Domestic Equity Funds	\$ 1,369,231	\$ —	Daily	0-5 Days
Commingled International Equity Funds	1,205,383	—	Daily, Monthly	0-30 Days
Commingled Global Equity Funds	260,548	—	Daily	None
Total Equity Investments Measured at NAV	2,835,162	—		
Fixed Income Investments:				
Commingled Domestic Fixed Income Funds	856,953	—	Daily	None
Commingled International Fixed Income Funds	642,156	46,721	Daily	0-5 Days
Total Fixed Income Investments Measured at NAV	1,499,109	46,721		
Real Estate Investments:				
Real Estate Limited Partnerships	184,855	185,296	Not Eligible	N/A
Commingled Real Estate Funds	678,118	23,201	Monthly	None
Total Real Estate Investments Measured at NAV	862,973	208,497		
Private Equity & Infrastructure Investments:				
Commingled Private Equity & Infrastructure Funds	1,195,845	783,178	Not Eligible	N/A
Invested Securities Lending Collateral:				
Commingled Equity Securities	7,353	—	Daily	3 Days
Commingled Fixed Income Securities	135,077	—	Daily	3 Days
Total Invested Securities Lending Collateral Measured at NAV	142,430	—		
Total Investments Measured at NAV	\$ 6,535,519	\$ 1,038,396		

Investments that are measured at NAV are not classified in the fair value hierarchy but are disclosed in the table above.

Commingled Domestic Equity Funds consist of two large cap passive index funds, a large cap growth passive index fund, a small cap growth passive index fund, and a fund that invests in U.S. small cap value equities, and a passive index fund overlaid with an options trading strategy. The Commingled International Equity Funds consist of broad international equity passive index funds with exposure to both developed and emerging markets, two funds that invest in emerging market equities, and two funds that invest in international small cap equities. The Commingled Global Equity Funds consist of two funds that invest in both international

and U.S. equities. The fair values of the investments in these types have been determined using the NAV per share (or its equivalent).

The Commingled Domestic Fixed Income Funds consist of three funds that invest in domestic fixed income securities and one broad based domestic fixed income passive index fund. The Commingled International Fixed Income Funds consist of three emerging market debt funds and three funds that invest in global credit strategies. The fair values of the investments in these types have been determined using the NAV per share (or its equivalent).

The Commingled Real Estate Funds consist of 11 open-ended commingled funds and 21 real estate limited partnerships that are invested in apartments, retail, industrial, and office assets throughout the United States, Europe and Asia. Although the open-ended commingled funds are private investments, they can be redeemed on a monthly basis, subject to available liquidity, and the fair value of these investments has been determined using the NAV per share (or its equivalent). Investments in the limited partnerships can never be redeemed with the funds. Instead, the nature of these investment funds is that distributions from each investment will be received as the underlying investments are liquidated. Because it is not probable that any individual investment will be sold, the fair value of SDCERS' ownership interest in partner's capital has been determined using the NAV per share (or its equivalent).

The Commingled Private Equity and Infrastructure Funds consist of two limited partnerships that are managed by two discretionary advisors. Generally, the limited partnerships invest in venture capital, growth equity, buyouts, special situations, mezzanine, and distressed debt. These investments are considered illiquid and cannot be redeemed during the lives of the partnerships. Instead, the nature of these investments is that distributions from each investment will be received as the underlying investments are liquidated. Because it is not probable that any individual investment will be sold, the fair value of SDCERS' ownership interest in partner's capital has been determined using the NAV per share (or its equivalent).

I. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Fixed income portfolios use duration to measure how a change in interest rates will affect the value of the portfolio. SDCERS does not have a general investment policy that addresses interest rate risk. Rather, each investment manager's specific investment guidelines place limits on each portfolio to manage interest rate risk.

Convertible bonds are generally less sensitive to changes in interest rates and more sensitive to the profitability of the underlying issuer. Company fundamentals are the overriding factor in the bond's return, while fluctuations in interest rates have significantly less impact.

The following table identifies the durations of SDCERS' domestic and international fixed income strategies based on portfolio holdings as of June 30, 2019:

Type of Security	Effective Duration (in years) ⁴	Fair Value ¹
Asset-Backed Securities	0.32	\$ 40,931
Commercial Mortgage-Backed Securities	3.16	13,630
Collateralized Mortgage Obligations ²	1.01	60,395
Corporate Bonds ³		
Bank Loans	0.12	10,462
Corporate Bonds	2.70	244,219
Government and Agency Obligations		
Municipal Securities	0.64	1,104
Foreign Securities	2.06	29,231
Treasury Securities	5.35	264,412
Mortgage-Backed Securities	3.34	359,119
Total		\$ 1,023,503

¹ Fair Value does not include convertible bonds, mutual funds and derivative instruments of \$1,685,566. These securities do not exhibit interest rate risk and/or duration cannot be calculated.

² Collateralized Mortgage Obligations do not include bonds of \$22 as duration was not available for these securities.

³ Corporate Bonds do not include convertible securities of \$188,964.

⁴ Duration could not be calculated for the derivative instruments, short-term instruments and mutual funds of \$1,496,580 within the Short-Term/Other category. Although the duration was not available for these securities, the weighted average maturity was calculated for the mutual funds.

The following table depicts the weighted average maturity for the commingled fixed income mutual fund investments:

Name of Institutional Mutual Fund	Fair Value	Weighted Average Maturity (in years)
BlackRock U.S. Debt NL Fund	\$ 835,970	4.57
Davidson Kempner Special Opportunities Fund III ¹	21,802	—
Davidson Kempner Special Opportunities Fund IV ¹	32,810	—
GCM WindandSea Fund	159,584	1.80
Investec Emerging Market Debt	145,918	8.05
Metropolitan West Floating Rate	5,221	4.70
Metropolitan West High Yield Bond Fund	3,573	3.60
PIMCO PAPS Short-Term Floating NAV II Portfolio	12,189	0.09
Stone Harbor	150,150	9.40
Wellington Trust Company CIF II Opportunistic	131,892	11.47
Total	\$ 1,499,109	

¹ This fund is early in its life cycle and the weighted average maturity is not applicable for the current underlying investments.

m. Investments Highly Sensitive to Interest Rate Changes

Certain terms in fixed income securities may increase the sensitivity of their fair values to changes in interest rates. The Portfolio Duration Analysis table on the previous page discloses the degree to which SDCERS' investments are sensitive to interest rate changes due simply to the remaining term to maturity. The total value of securities, as of June 30, 2019, that are highly sensitive to interest rate changes due to factors other than term to maturity are shown in the following table.

Type of Security	Fair Value	Percent of Fixed Income Portfolio
Adjustable Rate Notes	\$ 6,939	0.3%
Asset-Backed Securities	11,873	0.4%
Floating Rate Notes	127,070	4.7%
Range Notes	4,619	0.2%
Total	\$ 150,501	5.6%

Although SDCERS does not have an investment policy that pertains directly to investments that are highly sensitive to interest changes, this risk is mitigated by diversification of issuer, credit quality, maturity and security selection.

n. Credit Risk

Credit risk is the risk that an issuer or other underlying borrower to a debt instrument will not fulfill its obligations. Nationally recognized statistical rating organizations (NRSROs) assign ratings to measure credit risk. These rating agencies assess a firm's or government's willingness and ability to repay its debt obligations based on many factors.

SDCERS employs two core bond managers that invest primarily in U.S. fixed income and derivative securities, fixed income mutual funds, and some non-U.S. fixed income securities. SDCERS also invests in three emerging market debt commingled funds, one passive core fixed income index fund, and three opportunistic global credit funds. The investment management agreements between SDCERS and its two core bond managers contain specific investment guidelines that identify permitted fixed income investments. One of SDCERS' domestic core fixed income managers has limited tactical discretion to invest in non-U.S. fixed income securities.

The permitted securities and derivatives for the two domestic core fixed income managers include U.S. Government and agency obligations, collateralized mortgage obligations, U.S. corporate securities, commercial mortgage-backed securities, asset-backed securities, futures, forwards, options, interest rate swaps and credit default swaps. Investment guidelines include minimum average portfolio quality of AA- rating (fair value weighted) for SDCERS' domestic fixed income manager and minimum average portfolio quality of A+ for SDCERS' domestic fixed income manager with limited tactical discretion to invest in non-U.S. fixed income securities and a minimum credit quality at time of purchase of BBB- for the two domestic fixed income managers.

The permitted securities for SDCERS' domestic convertible bond portfolio include convertible bonds, convertible preferred stocks, common stocks (due to forced conversions) and synthetic convertibles. SDCERS' domestic convertible bond portfolio will generally maintain an average quality rating of at least B.

The following table identifies the credit quality of SDCERS' fixed income strategies based on portfolio holdings as of June 30, 2019.

S&P Quality Rating ¹	Total Fair Value	Asset-Backed Securities	Commercial Mortgage-Backed Securities	Collateralized Mortgage Obligations	Corporate Bonds ²	Government and Agency Obligations ³	Mortgage-Backed Securities	Short-Term/Other
U.S. Treasuries	\$ 216,748	\$ —	\$ —	\$ —	\$ —	\$ 216,748	\$ —	\$ —
GNMA Securities	44,214	—	—	2,506	—	—	41,708	—
AAA	29,944	20,228	4,244	5,472	—	—	—	—
AA+	102,359	4,471	479	4,823	—	—	92,586	—
AA	1,399	1,043	—	356	—	—	—	—
AA-	15,745	—	914	111	10,502	4,218	—	—
A+	21,307	—	—	1,752	18,155	1,400	—	—
A	23,400	1,584	—	1,800	20,016	—	—	—
A-	36,715	433	899	18	35,365	—	—	—
BBB+	66,620	—	—	—	66,554	66	—	—
BBB	55,716	—	—	—	55,716	—	—	—
BBB-	42,671	—	—	—	42,671	—	—	—
BB+	3,558	—	—	—	3,558	—	—	—
BB-	11,605	1,241	—	481	8,288	1,595	—	—
B+	9,794	—	—	—	9,794	—	—	—
B	7,631	3,116	—	—	4,515	—	—	—
B-	3,030	—	—	20	3,010	—	—	—
CCC+	4,378	—	—	—	4,378	—	—	—
NR ⁴	2,012,235	8,815	7,094	43,078	161,123	70,720	224,825	1,496,580 ⁵
Totals	<u>\$ 2,709,069</u>	<u>\$ 40,931</u>	<u>\$ 13,630</u>	<u>\$ 60,417</u>	<u>\$ 443,645</u>	<u>\$ 294,747</u>	<u>\$ 359,119</u>	<u>\$ 1,496,580</u>

¹ Credit ratings with qualifiers and rating outlooks have been combined to show the credit rating as of June 30, 2019.

² Corporate Bonds include convertible bonds from SDCERS' convertible bond manager.

³ Includes international and municipal holdings.

⁴ NR represents those securities that are not rated by one of the NRSROs.

⁵ Includes fixed income commingled mutual fund investments of \$1,499,109. These institutional quality fund investments are not directly rated by major credit rating agencies.

Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk.

o. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. As of June 30, 2019, SDCERS had no single issuer that exceeded 5% of total investments or that exceeded 5% of plan net position (excluding investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments). With respect to the concentration of credit risk by issuer, SDCERS' Investment Policy states that not more than 10% of the fixed income portfolio shall be invested in the debt security of any one issuer at the time of initial commitment, except for U.S. Government and Agency obligations. While SDCERS does not have a general investment policy on the concentration of credit risk by issuer, each manager's specific investment guidelines place limitations on the maximum holdings in any one issuer.

p. Custodial Credit Risk

Custodial credit risk is the risk that if a financial institution or counterparty fails, SDCERS would not be able to recover the value of its deposits, investments, or securities. SDCERS' exposure to custodial credit risk is further discussed in the following paragraphs.

Deposits

As of June 30, 2019 SDCERS' cash balance was \$2,700. Cash and cash equivalents on deposit with custodial bank and fiscal agents was \$348,500, which includes cash collateral for SDCERS' cash overlay program of \$48,800 and residual cash held in each manager's portfolio of \$299,700, which is invested overnight by SDCERS' custodial bank. SDCERS does not have a target allocation to cash; any cash or cash equivalent balances on deposit are reserved for paying benefits and SDCERS' operational expenses.

SDCERS' un-invested cash balances held in a demand deposit account (DDA) are subject to custodial credit risk. Such a balance or deposit with the bank establishes a debtor-creditor relationship and is not subject to the protection afforded SDCERS' other investments. Cash balances held in Short-Term Investment Funds (STIF) at State Street Bank and Trust Company (State Street) are held in SDCERS' name and are not subject to custodial credit risk. As of June 30, 2019, SDCERS held \$220,900 in STIF and a cash balance of \$127,500 on deposit with the custodial bank. SDCERS does not have a specific policy relating to custodial credit risk because the majority of SDCERS' assets are held in SDCERS' name and are not available to satisfy the obligations of State Street to its creditors.

Investments

As of June 30, 2019, 100% of SDCERS' investments were held in SDCERS' name. SDCERS is not exposed to custodial credit risk related to these investments.

Securities Lending Collateral

SDCERS' custodial bank acts as its securities lending agent. SDCERS is exposed to custodial credit risk for the securities lending collateral such that certain collateral is received in the form of letters of credit, tri-party collateral or securities collateral. The fair value of non-cash collateral totaled \$72,700 as of June 30, 2019. The non-cash collateral is not held in SDCERS' name and cannot be sold without a borrower default. The cash collateral held by SDCERS' custodian in conjunction with the securities lending program, which totaled \$142,400 as of June 30, 2019, is also at risk as it is invested in pooled vehicles managed by the custodian. The investment characteristics of the collateral pools are disclosed in the Securities Lending section of this note.

q. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The table on the following page represents SDCERS' securities held in a foreign currency as of June 30, 2019.

Local Currency Name	Cash	Equity	Fixed Income	Total
Argentine Peso	\$ 36	\$ —	\$ —	\$ 36
Australian Dollar	274	8,851	851	9,976
Brazilian Real	—	—	1,595	1,595
British Pound	858	70,204	7,494	78,556
Canadian Dollar	(1,235)	8,827	9,713	17,305
Danish Krone	—	6,001	—	6,001
Euro Currency	(12)	118,278	15,021	133,287
Hong Kong Dollar	1	18,838	—	18,839
Japanese Yen	2,924	61,261	14,860	79,045
Mexican Peso	—	1,546	—	1,546
Norwegian Krone	—	1,495	—	1,495
Singapore Dollar	—	844	—	844
South Korean Won	—	2,365	—	2,365
Swedish Krona	—	2,049	—	2,049
Swiss Franc	—	33,058	—	33,058
Taiwanese Dollar	—	1,529	—	1,529
Total	\$ 2,846	\$ 335,146	\$ 49,534	\$ 387,526

This schedule does not include the foreign currency exposure of three international equity, one global equity, two emerging market equity and two emerging market debt (fixed income) institutional commingled mutual fund investments.

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is not held by SDCERS as an investment. Foreign currency is held temporarily in foreign accounts until it is able to be repatriated or expended to settle trades. An important component of the diversification benefit of non-domestic investments comes from foreign currency exposure. SDCERS does not have a general investment policy in place to manage foreign currency risk or to hedge against fluctuations in foreign currency exposure. Instead, SDCERS' investment managers may hedge currencies at their discretion pursuant to their specific investment guidelines included in each of their investment management agreements.

r. Derivative Instruments

As of June 30, 2019, the derivative instruments held by SDCERS are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized in the Statement of Changes in Fiduciary Net Position.

SDCERS' investment managers, as permitted by their specific investment guidelines, may enter into transactions involving derivative financial instruments, consistent with the objectives established by the SDCERS' Investment Policy Statement. These instruments include futures, options, swaps, forwards, warrants and rights. By Board policy, these investments may not be used to leverage SDCERS' portfolio, i.e., use derivatives to increase the portfolio's notional exposure to any given asset class. These instruments are used in an attempt to enhance the portfolio's performance and/or reduce the portfolio's risk.

All investment derivatives discussed on the following page are included in the investment risk discussion (section j). Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

The following table provides a summary of the derivative instruments outstanding as of June 30, 2019:

Investment Derivative Instruments	Net Appreciation (Depreciation) in Fair Value	Fair Value at June 30, 2019		
		Classification	Amount	Notional (Dollars)
Credit Default Swaps	\$ (63)	Domestic Fixed Income	\$ (1,108)	\$ 55,311
Fixed Income Futures	4,340	Domestic Fixed Income	—	192,283
Fixed Income Options	109	Domestic Fixed Income	3	(33,000)
Foreign Currency Futures	(21)	Domestic Fixed Income	—	1,100
Futures Options	56	Domestic Fixed Income	—	—
Foreign Currency Forwards	2,045	Domestic Fixed Income	(585)	99,163
Index Futures	(5,100)	Domestic Fixed Income	—	27
Interest Rate Swaps	(1,147)	Domestic Fixed Income	(1,019)	222,577
Rights	109	Domestic Equity	—	—
Total Derivative Instruments	\$ 328		\$ (2,709)	\$ 537,461

Some derivative instruments, such as credit default swaps and interest rate swaps, are not exchange traded and are priced using quarterly Over-the-Counter trading data.

Futures contracts are financial instruments that derive their value from underlying indices or reference rates and are marked-to-market at the end of each trading day. Daily settlement of gains and losses occur on the following business day. As a result, the futures contracts do not have a fair value as of June 30, 2019. Daily settlement of gains and losses is a risk control measure to limit counterparty credit risk. Futures variation margin amounts are settled each trading day and recognized in the financial statements under net appreciation (depreciation) in fair value of investments as they are incurred.

Foreign currency forward contracts are obligations to buy or sell a currency at a specified exchange rate and quantity on a specific future date. The fair value of the foreign currency forwards is the unrealized gain or loss calculated based on the difference between the specified exchange rate and the closing exchange rate at June 30, 2019.

Counterparty Credit Risk

The following table illustrates the counterparty credit ratings of SDCERS' non-exchange traded investment derivative instruments outstanding and subject to loss at June 30, 2019:

Counterparty Name	Fair Value	S&P Rating
Bank of America N.A.	\$ 13	A+
BNP Paribas SA	76	A+
Citibank N.A.	29	A+
Citigroup Global Markets CME	506	BBB+
Credit Suisse FOB ICE	19	A+
HSBC Bank USA	8	AA-
Morgan Stanley CME	153	BBB+
Morgan Stanley ICE	2	BBB+
Morgan Stanley LCH	1,545	BBB+
UBS AG	1	A+
Total	\$ 2,352	

The aggregate fair value of investment derivative instruments in an asset position subject to counterparty credit risk at June 30, 2019, was \$2,352. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. At June 30, 2019, SDCERS did not have any significant exposure to counterparty credit risk with any single party. SDCERS does not have any specific policies relating to the posting of collateral or master netting agreements.

Custodial Credit Risk

At June 30, 2019, all of SDCERS' investments in derivative instruments were held in SDCERS' name and were not exposed to custodial credit risk.

Interest Rate Risk

At June 30, 2019, SDCERS was exposed to interest rate risk on its investments in interest rate swaps, options, and credit default swaps. The table below illustrates the maturity periods of these derivative instruments.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Credit Default Swaps	\$ (1,108)	\$ 2	\$ (1,110)	\$ —	\$ —
Fixed Income Options	3	3	—	—	—
Interest Rate Swaps	(1,019)	17	423	(1,680)	221
Total	<u>\$ (2,124)</u>	<u>\$ 22</u>	<u>\$ (687)</u>	<u>\$ (1,680)</u>	<u>\$ 221</u>

Derivative Instruments Highly Sensitive to Interest Rate Changes

Credit default swaps, fixed income futures, options and interest rate swaps are highly sensitive to changes in interest rates. The table below reflects the fair value and notional amount of these derivative instruments as of June 30, 2019.

Investment Type	Fair Value	Notional
Credit Default Swaps	\$ (1,108)	\$ 55,311
Fixed Income Futures	—	192,283
Fixed Income Options	3	(33,000)
Interest Rate Swaps	(1,019)	222,577
Total	<u>\$ (2,124)</u>	<u>\$ 437,171</u>

Foreign Currency Risk

At June 30, 2019, SDCERS was exposed to foreign currency risk on its investments in options, currency forward contracts and interest rate swaps denominated in foreign currencies.

Currency Name	Options/ Rights/ Warrants	Foreign Currency Forwards			Total
		Net Receivables	Net Payables	Swaps	
Australian Dollar	\$ —	\$ —	\$ (12)	\$ —	\$ (12)
Brazilian Real	—	—	27	—	27
Canadian Dollar	—	—	(96)	18	(78)
Euro Currency	—	41	(248)	1,535	1,328
Pound Sterling	—	36	(86)	(313)	(363)
Japanese Yen	—	(1)	(246)	(1,570)	(1,817)
Subtotal	—	76	(661)	(330)	(915)
Investments Denominated in USD	3	—	—	(1,797)	(1,794)
Total	\$ 3	\$ 76	\$ (661)	\$ (2,127)	\$ (2,709)

In addition to the investments listed in the above table, SDCERS has investments in foreign futures contracts with a total notional value of (\$55,500) and in foreign index futures with a total notional value of \$1,600. As indicated previously, futures variation margin amounts are settled each trading day and recognized as realized gains/losses as they are incurred. As a result, the foreign futures contracts have no fair value at June 30, 2019.

Contingent Features

At June 30, 2019, SDCERS did not hold any positions in derivatives containing contingent features.

s. Private Equity and Infrastructure

Private Equity assets are generally defined as direct investments in projects or companies that are privately negotiated and typically do not trade in a capital market. The risk is that these instruments are usually equity interests, generally illiquid and long-term in nature.

Infrastructure is a subset of Private Equity, defined as permanent essential assets society requires to facilitate the orderly operation of the economy, such as roads, water supply, sewers, power and telecommunications. The risk is that these investments are usually equity interests that are generally illiquid and long-term in nature.

SDCERS' target allocation to private equity and infrastructure is 13%, with a portfolio composition focused on value and current income producing strategies. Unfunded capital commitments as of June 30, 2019, totaled \$783,200 and private equity and infrastructure investments totaled \$1,196,000.

t. Real Estate

SDCERS' long-term target allocation to real estate is 11%. In July 2018, the target allocation to real estate was increased to 13% over the next four to five years. The Board has established that the composition of the real estate portfolio is 100% to private real estate investments. The portfolio is diversified with a target of 70% in core real estate and 30% in value-add and opportunistic real estate. No more than 40% of SDCERS' real estate portfolio is allocated to non-U.S. real estate investment opportunities.

Certain real estate investments are leveraged. In those cases, partnerships have been established to purchase properties through a combination of equity contributions from SDCERS, other investors and through the utilization of debt. SDCERS engages real

estate advisors and operating partners who are responsible for managing a portfolio's daily activities, performance and reporting. As of June 30, 2019, real estate investments totaled \$929,900 and unfunded capital commitments totaled \$208,500. Pursuant to a policy, SDCERS has established a maximum leverage limit of 50% at the portfolio level. As of June 30, 2019, SDCERS' real estate portfolio had leverage of 30.0%.

u. Securities Lending

SDCERS has entered into an agreement with State Street, its custodial bank, to lend domestic and international equity and fixed income securities to broker-dealers and banks in exchange for pledged collateral that will be returned for the same securities plus a fee in the future. All securities loans can be terminated on demand by either the lender or the borrower.

State Street manages SDCERS' securities lending program and receives cash and/or securities as collateral. Borrowers are required to deliver collateral for each loan equal to at least 102% for domestic loans and 105% for international loans. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default. During fiscal year 2019, SDCERS had no credit risk exposure to borrowers because the amounts provided to State Street on behalf of SDCERS, in the form of collateral plus accrued interest, exceeded the amounts broker-dealers and banks owed to State Street on behalf of SDCERS for securities borrowed. State Street has indemnified SDCERS by agreeing to purchase replacement securities or return cash collateral if a borrower fails to return or pay distributions on a loaned security. SDCERS incurred no losses during the fiscal year resulting from any reported default of the borrowers or State Street. Non-cash collateral (securities and letters of credit) are not reported in SDCERS' financial statements.

When lending its securities on a fully collateralized basis, SDCERS may encounter various risks related to securities lending agreements. These risks include operational risk, borrower or counterparty default risk, and collateral reinvestment risk. State Street is required to maintain its securities lending program in compliance with applicable laws of the United States and all countries in which lending activities take place, as well as all rules, regulations, and exemptions from time to time promulgated and issued under the authority of those laws.

As of June 30, 2019, securities on loan collateralized by cash had a fair value of \$139,700 and SDCERS received cash collateral of \$142,400, which was reported as securities lending obligations in the accompanying Statement of Fiduciary Net Position. The collateral value exceeds the fair value of the securities on loan because borrowers are required to deliver collateral for each loan up to 102% for domestic loans and 105% for international loans. As of June 30, 2019, securities on loan collateralized by securities, irrevocable letters of credit, or tri-party collateral had a fair value of \$68,700 and a collateral value of \$72,700, which were not reported as assets or liabilities in the accompanying Statement of Fiduciary Net Position. The total collateral pledged to SDCERS at June 30, 2019, for its securities lending activities was \$215,100.

SDCERS and the borrowers maintain the right to terminate securities lending transactions upon notice. The cash collateral received for lent securities was invested by State Street, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment fund, or collateral pool. State Street maintains two collateral pools: a liquidity pool and a duration pool. As of June 30, 2019, these collateral pools were not rated by the NRSROs.

As of June 30, 2019, SDCERS had \$141,700 invested in the Quality D liquidity collateral pool, which had an average duration of 22.6 days and an average weighted final maturity of 105.4 days. SDCERS had \$700 invested in the Quality D duration pool, which had an average duration of 19.9 days and an average weighted final maturity of 1,696.7 days. Duration is the weighted time average until cash flows are received in the collateral pool and is measured in days. Alternatively, the weighted average final maturity measures when all final maturities in the portfolio will occur. The duration of the investments made with cash

collateral does not generally match the duration of the loans. This is because the loans are terminable at any time by SDCERS or the borrower.

Discretely Presented Component Unit - Disclosures for Policy and Specific Risks

Narratives and tables presented in the following section are taken directly from the audited comprehensive annual financial report of the San Diego Housing Commission (SDHC) as of June 30, 2019 (certain terms have been modified to conform to the City's CAFR presentation)

v. San Diego Housing Commission

Cash, cash equivalents, and investments at June 30, 2019 consisted of the following:

	SDHC	Component Units ¹	Total
Deposits and Petty Cash	\$ 18,318	\$ 8,619	\$ 26,937
U.S. Agency Bonds	100,054	—	100,054
Negotiable Certificates of Deposit	3,434	—	3,434
San Diego County Investment Pool	21,439	—	21,439
State Local Agency Investment Fund	15,419	—	15,419
Total cash and investments	<u>158,664</u>	<u>8,619</u>	<u>167,283</u>
Restricted cash and cash equivalents	<u>3,714</u>	<u>3,859</u>	<u>7,573</u>
Total	<u>\$ 162,378</u>	<u>\$ 12,478</u>	<u>\$ 174,856</u>

¹ Disclosures for San Diego Housing Commission's Discretely Presented Component Units are not included in the narratives following this table.

Deposits

The carrying amount of the SDHC's cash deposits and petty cash was \$18,318 at June 30, 2019. The bank balances were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250. For amounts over \$250, bank balances were collateralized with securities held by the pledging financial institutions in SDHC's name. The California Government Code requires California financial institutions to secure cash deposits of public institutions not covered by federal deposit insurance by pledging securities as collateral. California Government Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. As a result, for the purpose of custodial credit risk, the collateral for cash deposits is considered to be held in SDHC's name.

The fair value of pledged securities must equal at least 110% of SDHC's cash deposits. California law also allows financial institutions to secure SDHC's deposits by pledging first trust deed mortgage notes having a value of 150% of SDHC's total cash deposits.

Investment Policy

In accordance with state statutes and Housing and Urban Development (HUD) regulations, SDHC has authorized its Chief Financial Officer or designee to invest in obligations of the U.S. Treasury, U.S. Government agencies or other investments as outlined in the SDHC Investment Policy.

SDHC utilizes the services of an experienced financial advisor to aid in making investment decisions. The advisor provides guidance on creating a diversified portfolio and a secure investment mix. The advisor's ongoing role is to provide staff with sound investment opportunities that will maximize liquidity and yield without sacrificing principal value and safety of the investment securities.

Investments in the San Diego County Investment Pool (SDCIP) and California State Local Agency Investment Fund (LAIF) represent SDHC's equity in pooled investments. Other investments such as certificates of deposit, bonds, government agency securities and demand deposit accounts are safe kept with commercial banking institutions.

Investments

As of June 30, 2019, SDHC had investments in agency bonds, negotiable certificates of deposit, SDCIP and LAIF. The following paragraphs provide further detail for each investment.

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a hierarchy for ranking the quality and reliability of information used to determine fair values of assets and liabilities. SDHC's management has determined, through implementation of GASB Statement No. 72, those investments in SDCIP and LAIF are reported based upon the application of a fair value factor to each one dollar share invested and is not included in the fair value hierarchy. The following table summarizes the valuation of SDHC's fair value measurements in accordance with authoritative guidance at June 30, 2019:

Investment Type	Level 2 Fair Value
U.S. Agency Bonds	\$ 100,054
Negotiable Certificates of Deposit	984
Total Investments	\$ 101,038

Investments in U.S. Agency bonds and negotiable certificates of deposit are classified as Level 2 as there are no quoted market prices published. The valuation technique used to determine the fair value on the actively traded secondary market is the pricing provided on the secondary market.

SDHC's investments under U.S. Government Agency bonds are Mortgage Backed Security (MBS) bonds and debentures traded on an active secondary market. MBS Bonds are a security or debt obligation that represents a claim on the monthly cash flows from mortgage loans. They represent investments in securities that are backed by pools of high quality consumer or commercial mortgages guaranteed by a government agency or Government Sponsored Enterprises (GSE). Government Agency Debentures are also bonds traded on an active secondary market and represent a security or debt obligation of the issuer. While Standard & Poor's and Moody's do not specifically rate MBS, they carry an implied rating based on the credit worthiness of FNMA and FHLMC. Moody's rates FNMA and FHLMC GSE as AAA while Standard and Poor's rates FNMA and FHLMC as AA+. At June 30, 2019, SDHC had \$100,054 invested in Agency MBS bonds.

SDHC had a total of \$3,434 in negotiable certificates of deposit in its investment portfolio. Each certificate of deposit is issued through a separate legal entity and purchased in an amount under the FDIC insured limit of \$250. As of June 30, 2019, \$2,450 of negotiable certificates of deposit are valued at amortized cost.

SDHC voluntarily participates in the SDCIP. SDCIP is a Standard & Poor's AAA- rated fund managed by the San Diego County Treasurer-Tax Collector. The fair value of SDCIP's investment portfolio at June 30, 2019 was \$10,135,946. The investment

portfolio had a weighted average yield to maturity of 2.39%, weighted average days to maturity of 528 days and an effective duration of 0.95 years. As of June 30, 2019, SDHC had \$21,439 invested in SDCIP.

In addition to SDCIP, SDHC participates in the State's LAIF. LAIF is part of the State of California Pooled Money Investment Account (PMIA) and is protected by statute ensuring invested funds remain SDHC's assets. PMIA is not registered with the SEC but is required to invest in accordance with California Government Code. As of June 30, 2019, the average maturity of PMIA investments was 173 days and the balance of the investment portfolio of PMIA was approximately \$105,814,483. SDHC had \$15,419 invested with LAIF as of June 30, 2019.

Investment Risk Factors

SDHC's investment policy allows the agency to invest surplus funds in accordance with the provisions of HUD Notice PIH 96 - 33 and California Government Code Sections 5922 and 53601. The investment policy's foremost objective is the safety of principal, which is achieved by mitigating credit risk and interest rate risk. These risks, along with custodial risk, concentration of credit risk and market risk, all affect the value of investments to a varying degree. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risk and changes in interest rates.

Market Risk

Market risk is the risk that the value of an investment will change due to changes in the financial market. Changes in market conditions can increase Interest Rate Risk, Liquidity Risk and Reinvestment Risk.

- *Interest Rate Risk* is the risk associated with declines or rises in interest rates, which cause an investment in a fixed-income security to increase or decrease in value. The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. SDHC does not have a formal policy related to interest rate risk.
- *Liquidity Risk* is the risk of being unable to liquidate an investment prior to maturity. Related to liquidity risk is the concept of marketability, or the ability to sell an instrument on short notice without incurring a meaningful loss in price.
- *Reinvestment Risk* is the risk that the proceeds from a fixed income security cannot be reinvested at less than the same rate of return currently generated by that holding. This risk is common with securities that are callable.

In accordance with its investment policy, SDHC manages market risk by matching portfolio maturities to projected liabilities and monitoring the weighted average maturity of its portfolio. This is done by maintaining a portion of the portfolio in readily available funds and investing in securities with limited call features and an active secondary market. These measures ensure that appropriate liquidity is maintained in order to meet ongoing operations, maximize return and limit exposure to changing market conditions.

SDHC's exposure to interest rate risk as of June 30, 2019 is shown in the following table:

	Maturities as of June 30, 2019			Total Fair Value
	Less Than 3 Months	4-12 Months	1-5 Years	
Cash and Cash Equivalents: ¹				
Deposits	\$ 18,305	\$ —	\$ —	\$ 18,305
Petty Cash	13	—	—	13
Restricted Cash and Cash Equivalents	3,714	—	—	3,714
Total Cash and Cash Equivalents	<u>22,032</u>	<u>—</u>	<u>—</u>	<u>22,032</u>
Short-Term Investments:				
U.S. Agencies - Freddie Mac Home Loan Mortgage Corp.	—	1,575	—	1,575
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program	—	11,998	—	11,998
Negotiable Certificates of Deposit	490	494	—	984
San Diego County Investment Pool	—	—	21,439	21,439
State Local Agency Investment Fund	—	15,419	—	15,419
Total Short-Term Investments	<u>490</u>	<u>29,486</u>	<u>21,439</u>	<u>51,415</u>
Long-Term Investments:				
U.S. Agencies - Freddie Mac Federal Home Loan Mortgage Corp.	—	—	17,719	17,719
U.S. Agencies - Fannie Mae Alternative Credit Securities Guaranteed Multifamily Structures	—	—	6,926	6,926
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program	—	—	61,836	61,836
Negotiable Certificates of Deposit	—	—	2,450	2,450
Total Long-Term Investments	<u>—</u>	<u>—</u>	<u>88,931</u>	<u>88,931</u>
Total Cash, Cash Equivalents, and Investments	<u>\$ 22,522</u>	<u>\$ 29,486</u>	<u>\$ 110,370</u>	<u>\$ 162,378</u>

¹ Cash and Cash Equivalents do not have maturities.

Credit Risk

Fixed income securities are subject to credit risk, which is the risk that an issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. Certain fixed income securities, including obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government are considered to have minimal credit risk. SDHC minimizes credit risk by limiting investments to those listed in the investment policy. In addition, SDHC pre-qualifies the financial institutions, broker/dealers, intermediaries, and advisors with which SDHC will do business in accordance with the investment policy. SDHC diversifies the investment portfolio to minimize potential losses from any one type of security or issuer.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing SDHC to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Investments issued or guaranteed by the U.S. government and investments in external investment pools such as LAIF and SDCIP are not considered subject to concentration of credit risk.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the custodian, the investments may not be returned. All bonds are purchased through SDHC's primary financial institution's clearing account in SDHC's name where all securities are held in safekeeping.

The exposure of SDHC's debt securities to credit risk as of June 30, 2019 is as follows:

	Standard & Poor's Credit Rating		Total Fair Value
	AA+	Rating Not Provided	
Short-Term Investments			
U.S. Agencies - Freddie Mac Home Loan Mortgage Corp. ¹	\$ 1,575	\$ —	\$ 1,575
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program ¹	11,998	—	11,998
Negotiable Certificates of Deposit	—	984	984
San Diego County Investment Pool	21,439	—	21,439
State Local Agency Investment Fund	—	15,419	15,419
Total Short-Term Investments	35,012	16,403	51,415
Long-Term Investments			
U.S. Agencies - Freddie Mac Federal Home Loan Mortgage Corp. ¹	17,719	—	17,719
U.S. Agencies - Fannie Mae Alternative Credit Securities Guaranteed Multifamily Structures ¹	6,926	—	6,926
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program ¹	61,836	—	61,836
Negotiable Certificates of Deposit	—	2,450	2,450
Total Long-Term Investments	86,481	2,450	88,931
Total Investments	\$ 121,493	\$ 18,853	\$ 140,346

¹As of June 30, 2019, SDHC exceeded the 5% limit of total investments for issuers of various U.S. Agencies.

4. CAPITAL ASSETS (Dollars in Thousands)

Capital asset activities for the year ended June 30, 2019 are as follows:

	Primary Government				Ending Balance
	Beginning Balance	Increases	Decreases	Transfers	
GOVERNMENTAL ACTIVITIES					
Non-Depreciable Capital Assets:					
Land and Rights of Way	\$ 1,888,957	\$ 1,368	\$ (3,074)	\$ 3,057	\$ 1,890,308
Easements (Intangible)	5,684	616	—	(207)	6,093
Artwork/Historical Treasures	5,052	—	—	—	5,052
Construction in Progress	450,536	186,433	(32,016)	(174,867)	430,086
Total Non-Depreciable Capital Assets	2,350,229	188,417	(35,090)	(172,017)	2,331,539
Depreciable Capital Assets:					
Structures and Improvements	1,501,793	19,279	(770)	29,624	1,549,926
Equipment	465,478	50,503	(22,764)	30,347	523,564
Equipment (Intangible)	61,044	1,520	75	1,661	64,300
Infrastructure	4,074,889	35,007	(1,949)	110,360	4,218,307
Total Depreciable Capital Assets	6,103,204	106,309	(25,408)	171,992	6,356,097
Less Accumulated Depreciation:					
Structures and Improvements	(631,815)	(40,543)	96	1,528	(670,734)
Equipment	(273,598)	(33,000)	20,649	(1,467)	(287,416)
Equipment (Intangible)	(36,767)	(1,666)	—	—	(38,433)
Infrastructure	(2,433,946)	(94,297)	263	(61)	(2,528,041)
Total Accumulated Depreciation	(3,376,126)	(169,506)	21,008	—	(3,524,624)
Total Depreciable Capital Assets - Net of Depreciation	2,727,078	(63,197)	(4,400)	171,992	2,831,473
Governmental Activities Capital Assets, Net	\$ 5,077,307	\$ 125,220	\$ (39,490)	\$ (25)	\$ 5,163,012
BUSINESS-TYPE ACTIVITIES					
Non-Depreciable Capital Assets:					
Land and Rights of Way	\$ 106,732	\$ 18	\$ (2)	\$ 25	\$ 106,773
Easements (Intangible)	2,157	1,326	—	57	3,540
Artwork/Historical Treasures	1,875	—	—	—	1,875
Construction in Progress	567,009	268,023	(2,016)	(150,976)	682,040
Total Non-Depreciable Capital Assets	677,773	269,367	(2,018)	(150,894)	794,228
Depreciable Capital Assets:					
Structures and Improvements	2,050,459	3,544	(1,304)	12,763	2,065,462
Equipment	463,990	4,495	(1,818)	11,113	477,780
Equipment (Intangible)	51,485	284	—	266	52,035
Distribution and Collection Systems and Other Infrastructure	5,300,294	55,066	(2,144)	126,777	5,479,993
Total Depreciable Capital Assets	7,866,228	63,389	(5,266)	150,919	8,075,270
Less Accumulated Depreciation:					
Structures and Improvements	(651,155)	(39,945)	1,233	(400)	(690,267)
Equipment	(326,977)	(13,685)	1,416	(295)	(339,541)
Equipment (Intangible)	(15,429)	(3,375)	—	—	(18,804)
Distribution and Collection Systems and Other Infrastructure	(1,373,884)	(86,293)	1,558	695	(1,457,924)
Total Accumulated Depreciation	(2,367,445)	(143,298)	4,207	—	(2,506,536)
Total Depreciable Capital Assets - Net of Depreciation	5,498,783	(79,909)	(1,059)	150,919	5,568,734
Business-Type Activities Capital Assets, Net	\$ 6,176,556	\$ 189,458	\$ (3,077)	\$ 25	\$ 6,362,962

Depreciation expense was charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES

General Government and Support	\$ 8,811
Public Safety - Police	11,944
Public Safety - Fire and Life Safety and Homeland Security	10,099
Parks, Recreation, Culture and Leisure	45,566
Transportation	78,050
Sanitation and Health	14,947
Neighborhood Services	89
Total Depreciation Expense	<u>\$ 169,506</u>

BUSINESS-TYPE ACTIVITIES

Sewer Utility	\$ 77,306
Water Utility	57,268
Airports	2,864
Development Services	66
Environmental Services	1,358
Golf Course	1,642
Recycling	125
San Diego Convention Center Corporation	2,669
Total Depreciation Expense	<u>\$ 143,298</u>

Capital asset activities for the City's Successor Agency for the fiscal year ended June 30, 2019 are as follows:

	Successor Agency Private-Purpose Trust Fund			
	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Capital Assets:				
Land and Rights of Way	\$ 13,279	\$ —	\$ —	\$ 13,279
Construction in Progress	159	266	—	425
Total Non-Depreciable Capital Assets	<u>13,438</u>	<u>266</u>	<u>—</u>	<u>13,704</u>
Depreciable Capital Assets:				
Structures and Improvements	64,281	144	—	64,425
Equipment	819	—	—	819
Total Depreciable Capital Assets	<u>65,100</u>	<u>144</u>	<u>—</u>	<u>65,244</u>
Less Accumulated Depreciation for:				
Structures and Improvements	(18,290)	(1,811)	—	(20,101)
Equipment	(819)	—	—	(819)
Total Accumulated Depreciation	<u>(19,109)</u>	<u>(1,811)</u>	<u>—</u>	<u>(20,920)</u>
Total Depreciable Capital Assets - Net of Depreciation	<u>45,991</u>	<u>(1,667)</u>	<u>—</u>	<u>44,324</u>
Capital Assets, Net	<u>\$ 59,429</u>	<u>\$ (1,401)</u>	<u>\$ —</u>	<u>\$ 58,028</u>

Discretely Presented Component Unit - San Diego Housing Commission

Capital asset activities for SDHC for the fiscal year ended June 30, 2019 are as follows:

	Discretely Presented Component Unit - San Diego Housing Commission			
	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Capital Assets:				
Land	\$ 70,081	\$ 6,795	\$ —	\$ 76,876
Construction in Progress	878	5,052	(5,398)	532
Total Non-Depreciable Capital Assets	<u>70,959</u>	<u>11,847</u>	<u>(5,398)</u>	<u>77,408</u>
Depreciable Capital Assets:				
Structures and Improvements	185,443	—	5,398	190,841
Equipment	4,747	141	(647)	4,241
Total Depreciable Capital Assets	<u>190,190</u>	<u>141</u>	<u>4,751</u>	<u>195,082</u>
Less Accumulated Depreciation for:				
Structures and Improvements	(45,435)	(7,850)	—	(53,285)
Equipment	(3,909)	(268)	606	(3,571)
Total Accumulated Depreciation	<u>(49,344)</u>	<u>(8,118)</u>	<u>606</u>	<u>(56,856)</u>
Total Depreciable Capital Assets - Net of Depreciation	<u>140,846</u>	<u>(7,977)</u>	<u>5,357</u>	<u>138,226</u>
Capital Assets, Net	<u>\$ 211,805</u>	<u>\$ 3,870</u>	<u>\$ (41)</u>	<u>\$ 215,634</u>

Capital assets for the discretely presented component units of SDHC as of December 31, 2018 are as follows:

Non-Depreciable Capital Assets:	
Land	\$ 4,232
Construction in Progress	9,706
Total Non-Depreciable Capital Assets	<u>13,938</u>
Depreciable Capital Assets:	
Structures and Improvements	94,143
Equipment	2,467
Total Depreciable Capital Assets	<u>96,610</u>
Less Accumulated Depreciation	<u>(13,127)</u>
Total Depreciable Capital Assets - Net of Depreciation	<u>83,483</u>
Capital Assets, Net	<u>\$ 97,421</u>

5. GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES (Dollars in Thousands)

a. Long-Term Liabilities

The composition of the governmental long-term liabilities as of June 30, 2019 is reflected in the table below:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2019
Compensated Absences				\$ 65,309
Liability Claims				363,258
Reimbursement Agreement Obligations				4,940
Capital Lease Obligations:				
Equipment Vehicle Financing Program (EVFP)	1.26- 2.79%	2029		87,837
101 Ash, LLC	5.55	2037	\$ 77,440	71,765
CCP 1200, LLC	6.47	2035	44,000	41,609
Other Capital Leases	0.0-2.29	2033	20,449	17,936
Total Capital Lease Obligations				<u>219,147</u>
Qualified Energy Conservation Bonds (QECCB) Lease Obligation	6.16 ¹	2026	13,142	6,708
Loans Payable - California Energy Resources Conservation and Development Commission:				
Issued December 2011	3.0	2024	2,987	1,446
Issued December 2012	1.0	2029	1,986	1,415
Total Loans Payable				<u>2,861</u>
Section 108 Loans Payable		2025	5,910	2,527
General Fund CP Notes ⁴	1.28 - 1.38	2022		15,889
Lease Revenue Bonds:				
CCEFA Refunding Bonds, Series 2012A	2.0 - 5.0 ²	2028	140,440	90,430
PFFA CIP Bonds, Series 2012A	2.0 - 5.0 ²	2042	72,000	63,520
PFFA Fire and Life Safety Refunding Bonds, Series 2012B	2.0 - 5.0 ²	2032	18,745	13,995
PFFA CIP/Old Town Light Rail Extension Refunding Bonds, Series 2013A	3.0 - 5.0 ²	2043	43,245	34,650
PFFA Balboa Park/Mission Bay Park Refunding Bonds, Series 2013B	3.0 - 5.0 ²	2024	6,285	3,260
PFFA CIP Bonds, Series 2015A	5.0	2045	62,260	62,260
PFFA CIP Bonds, Series 2015B	5.0	2033	45,030	38,125
PFFA Ballpark Refunding Bonds, Series 2016	2.0 - 5.0 ²	2032	103,255	88,845
PFFA Refunding Bonds, Series 2018A	2.57 - 4.23 ²	2039	129,320	121,875
Total Lease Revenue Bonds				<u>516,960</u>
Tobacco Settlement Bonds:				
TSRFC Bonds, Series 2018A	2.13-4.02 ²	2028	70,510	58,320
TSRFC Bonds, Series 2018C	4.0	2032 ³	25,345	22,850
Total Tobacco Settlement Bonds				<u>81,170</u>
Total Bonds Payable				<u>598,130</u>
Net Other Postemployment Benefits Liability				358,397
Net Pension Liability (Retirement)				2,126,057
Total Pension Liability (POB)				<u>10,631</u>
Total Governmental Activities Long-Term Liabilities				<u>\$ 3,773,854</u>

¹ Nominal interest rate of 6.16% with a net effective rate of 2.63% inclusive of QECCB federal subsidy and 6.2% subsidy sequestration calculated by the Federal Office of Management and Budget for fiscal year 2019.

² Interest rates are fixed and reflect the range of coupon rates for various maturities from the date of issuance to maturity.

³ Final maturity date is June 1, 2032. The date listed reflects final turbo redemption payment date projected at the time of issuance.

⁴ Amount authorized is \$88,500. Maturity date of 2022 represents the expiration date of the Letter of Credit (LOC) which is November 26, 2021.

Liability claims are primarily liquidated by the General Fund, Long-Term Disability Internal Service Fund, and Enterprise Funds. Compensated absences are generally liquidated by the General Fund, Enterprise Funds, and certain Internal Service Funds. Pension and other postemployment healthcare liabilities are paid out of operating funds based on a percentage of covered payroll.

Reimbursement Agreements have contractual provisions whereby a developer either constructs or provides funding towards a public improvement project, which is included as part of an approved City Public Facilities Financing Plan. Typical improvements constructed under this program include transportation projects, parks, fire stations and libraries. A developer is obligated to provide the infrastructure and is later reimbursed with cash or provided program credits against future Facilities Benefit Assessment (FBA), Development Impact Fees (DIF), or Regional Transportation Congestion Improvement Program (RTCIP) payments up to the amount of the eligible infrastructure costs as stated in an approved reimbursement agreement. Reimbursement agreements do not have annual repayment schedules and instead only allow for FBA/DIF/RTCIP cash reimbursement based on the availability of funds.

Capital Lease Obligations are direct borrowing agreements with lenders to finance the acquisition of governmental assets including equipment, vehicles, and buildings for City staff and operations. Repayments are secured from revenues of the General Fund, which primarily benefits from the leased assets.

Taxable QECBs were issued pursuant to the American Recovery and Reinvestment Act of 2009. QECB financing is eligible for the direct interest subsidy payment from the U.S. Department of the Treasury within Section 54(D)a of the Internal Revenue Code of 1986, as amended. The QECBs were issued to fund the Broad Spectrum Street Lighting Conversion Program and are paid from annual appropriations of any source of legally available funds.

Loans Payable represent obligations owed for energy conservation loans received for qualifying energy efficiency retrofits and improvements for certain City facilities. Repayments are secured from the General Fund functions that benefit from the facility improvements.

Section 108 loans are the loan guarantee provisions of the Community Development Block Grant (CDBG) program. Section 108 loans provide the community with a source of financing for economic development, housing rehabilitation, public facilities, and capital improvement and infrastructure projects. The loans are arranged through the U.S. Department of Housing and Urban Development (HUD) and a fixed repayment schedule is provided that allocates a portion of the total obligation issued to each borrower, including the City, as well as other municipalities. Although no interest rate is stated on the repayment schedule, the City pays a portion of the interest as allocated by HUD.

The General Fund Commercial Paper Notes (General Fund CP Notes) are used to finance the costs of the acquisition, design, construction, installation, improvement, replacement, and equipping of certain capital improvement projects of the City. The General Fund CP Notes are payable from the base rental payments to be made by the City pursuant to the lease between the City and the PFFA. These base rental payments are derived from the funds and accounts pledged under the Indenture.

Lease revenue bonds are lease obligations secured by a lease-back arrangement with a public entity. The general operating revenues are pledged to make the lease payments, which are in turn used to pay debt service on the bonds. Lease revenue bonds provide long-term financing through a lease agreement and accordingly, do not constitute indebtedness under the state constitutional debt limitation and are not subject to other statutory requirements applicable to bonds.

Tobacco Settlement Bonds are limited obligations of the Tobacco Settlement Revenue Funding Corporation (TSRFC), which is a separate legal entity established by the City. The TSRFC purchased from the City the rights to receive future tobacco settlement revenues (TSRs) due to the City. The Tobacco Settlement Bonds are payable from and secured solely by pledged TSRs.

b. Amortization Requirements

The annual requirements to amortize the long-term debt outstanding as of June 30, 2019, including interest payments to maturity, are as follows:

Year Ending June 30	Equipment Vehicle Financing Program (EVFP)		101 Ash, LLC		CCP 1200, LLC		Other Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 17,846	\$ 1,868	\$ 2,499	\$ 3,917	\$ 918	\$ 2,666	\$ 1,480	\$ 417
2021	15,643	1,515	2,642	3,775	1,071	2,602	1,152	501
2022	14,176	1,185	2,792	3,625	1,237	2,528	1,188	465
2023	13,450	872	2,951	3,466	1,417	2,443	1,225	427
2024	11,050	581	3,119	3,298	1,610	2,345	1,264	389
2025-2029	15,672	774	18,465	13,619	11,539	9,774	6,939	1,324
2030-2034	—	—	24,350	7,733	19,219	4,894	4,688	253
2035-2039	—	—	14,947	1,095	4,598	150	—	—
Total	\$ 87,837	\$ 6,795	\$ 71,765	\$ 40,528	\$ 41,609	\$ 27,402	\$ 17,936	\$ 3,776

Year Ending June 30	Qualified Energy Conservation Bonds (QECB) Lease Obligation		Loans Payable		Section 108 Loans Payable		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 892	\$ 413	\$ 453	\$ 55	\$ 364	\$ 139	\$ 26,450	\$ 23,407
2021	913	358	465	44	385	117	27,850	22,261
2022	935	302	475	33	406	94	29,090	21,014
2023	957	244	486	22	430	69	29,710	19,707
2024	980	186	325	10	457	43	29,995	18,359
2025-2029	2,031	189	657	16	485	14	147,140	70,318
2030-2034	—	—	—	—	—	—	92,035	41,698
2035-2039	—	—	—	—	—	—	78,335	23,277
2040-2044	—	—	—	—	—	—	49,625	7,259
2045-2049	—	—	—	—	—	—	6,730	168
Total	\$ 6,708	\$ 1,692	\$ 2,861	\$ 180	\$ 2,527	\$ 476	\$ 516,960	\$ 247,468

Year Ending June 30	Tobacco Settlement Bonds	
	Principal ¹	Interest
2020	\$ 6,070	\$ 2,973
2021	6,175	2,803
2022	6,290	2,613
2023	6,420	2,410
2024	6,465	2,189
2025-2029	26,900	7,246
2030-2034	22,850	2,742
Total	\$ 81,170	\$ 22,976

¹ The Tobacco Settlement Bonds principal debt service requirements shown reflect turbo redemption payments made on the Series 2018C Bonds since the issue date.

c. Change in Long-Term Liabilities

The following is a summary of changes in governmental activities long-term liabilities for the year ended June 30, 2019. The effect of bond issuance premiums and discounts are reflected as adjustments to the carrying value of long-term liabilities.

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 65,115	\$ 64,920	\$ (64,726)	\$ 65,309	\$ 32,497
Liability Claims	376,593	68,232	(81,567)	363,258	78,186
Reimbursement Agreement Obligations	6,749	18,145	(19,954)	4,940	—
Capital Lease Obligations:					
Equipment Vehicle Financing Program (EVFP)	71,135	30,642	(13,940)	87,837	17,846
101 Ash, LLC	74,130	—	(2,365)	71,765	2,499
CCP 1200, LLC	42,385	—	(776)	41,609	918
Other Capital Leases ¹	9,999	8,849	(912)	17,936	1,480
Total Capital Lease Obligations ²	197,649	39,491	(17,993)	219,147	22,743
QECB Lease Obligation ²	7,578	—	(870)	6,708	892
Loans Payable ²	3,511	—	(650)	2,861	453
Section 108 Loans Payable	2,872	—	(345)	2,527	364
General Fund CP Notes	—	15,889	—	15,889	—
Lease Revenue Bonds	543,195	—	(26,235)	516,960	26,450
Unamortized Bond Premiums and Discounts	40,313	—	(2,893)	37,420	2,893
Net Lease Revenue Bonds	583,508	—	(29,128)	554,380	29,343
Tobacco Settlement Bonds	89,195	—	(8,025)	81,170	6,070
Net Other Postemployment Benefits Liability	427,481	28,744	(97,828)	358,397	—
Net Pension Liability (Retirement)	2,049,676	527,839	(451,458)	2,126,057	—
Total Pension Liability (POB)	9,606	2,543	(1,518)	10,631	—
Total	\$ 3,819,533	\$ 765,803	\$ (774,062)	\$ 3,811,274	\$ 170,548

¹ Other Capital Leases include GE Government Finance Lease.

² City's direct borrowings.

During fiscal year 2019, the City lease-purchased various public safety and support vehicles, as well as other operational equipment. Under various agreements with Banc of America Public Capital Corp, the leases totaled \$30,642, to be financed over periods ranging from five to ten years at rates between 2.26% and 2.79%.

On February 10, 2017, the City executed a GE Government Finance, Inc. (GEGF) California Master Lease Agreement for a tax exempt equipment lease-purchase financing of the GE Intelligent Cities Project for energy efficient street lighting and adaptive controls. Proceeds of approximately \$30,274 will be used to reimburse previously incurred eligible project expenses. The lease term is for thirteen years at a fixed interest rate that reflects the ten-year swap rate less 0.68%. On June 26, 2019, the City received \$9,625 for eligible project expenditures. Under a special financing promotion, the City received a credit of \$776 on June 26, 2019, with the remaining \$8,849 payable in semi-annual installments beginning January 1, 2020 through the term of the lease. The total draws to date over the two-year program for the GE Intelligent Cities Project are \$19,046.

On May 22, 2018, the City adopted a resolution authorizing tax-exempt lease revenue commercial paper notes in an amount not-to-exceed \$80,500. On August 14, 2018, the City adopted a resolution increasing the not-to-exceed amount to \$88,500. The PFFA adopted a resolution to effectuate the same increase on October 30, 2018. The General Fund CP Notes are secured by an irrevocable direct-pay LOC issued by Well Fargo Bank, N.A., which expires on November 26, 2021. Under this program, the PFFA is able to issue notes at prevailing short-term interest rates for periods of maturity of up to 270 days. Upon maturity, the notes can be rolled over for additional intervals of up to 270 days with new short-term interest rates until the notes are refinanced using a long-term bond or cash repayment option. As of June 30, 2019, the City has issued General Fund CP Notes of \$15,889 at rates between 1.28% and 1.38%, which are classified as long-term debt based on the expiration date of the LOC.

d. Defeasance and Redemption of Debt

During fiscal year 2018, the Lease Revenue Refunding Bonds Series 2018A (Series 2018A Refunding) were issued to refund the Authority's outstanding Lease Revenue Refunding Bonds, Series 2010A (Master Refunding Project). The 2010A Refunding Bonds will be fully redeemed on September 1, 2020.

As of June 30, 2019, principal amounts payable from escrow funds established for defeased bonds are as follows:

<u>Defeased Bonds</u>	<u>Amount</u>
Lease Revenue Refunding Bonds Series 2010A	<u>\$ 126,270</u>

e. Legal Debt Margin

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation for each City. As of June 30, 2019, the limit for the City of San Diego was \$33,296,151, and the amount of City debt subject to the limit was \$0 (See Statistical Table 13). The limit is only applicable to General Obligation Bonds, of which the City of San Diego has none outstanding as of June 30, 2019.

f. Event of Default Provisions

The City's outstanding Capital Lease Obligations of \$219,147 contain provisions that in the event of default, the landlord or lessor may recover unpaid rents or payments and terminate the lease(s). The lease revenue bond obligations of \$516,960 contain provisions that in the event of default, bondholders may bring suit against the City and receive any funds held by the Trustee to pay principal and interest on the bonds when due. The bonds are secured by lease payments made under leases of various governmental assets, including but not limited to, certain fire and police stations, libraries, and leases of City-owned land. The outstanding Tobacco Settlement Revenue Bonds of \$81,170 contain event of default provisions that all revenues held or thereafter received by the Trustee shall be applied in order of lien priority, however, as these bonds are payable from pledged TSRs, bondholders have no recourse to any income, or revenues of the City. There are no clauses to accelerate payment of principal amounts with any of the governmental direct borrowing and direct placement obligations.

The General Fund CP Notes of \$15,889 do not contain any acceleration provision. The LOC banks may, in their sole discretion, either terminate or suspend the authority to issue additional commercial paper notes, terminate the LOC, or enforce the rights and obligations of the City, or exercise any other remedies available at law or in equity.

g. Long-Term Pledged Liabilities

Governmental long-term pledged liabilities as of June 30, 2019 are comprised of the following:

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Pledged Development Impact Fee (DIF) Revenue:				
Quarry Falls (Civita) Neighborhood Parks Reimbursement Agreement		\$ 2,775	\$ 1,841	\$ 1,841
Pledged Facilities Benefit Assessment (FBA) Revenue:				
Facilities Financing Reimbursement Agreement Obligations		1,571	17,965	17,965
Pledged Regional Transportation Congestion Improvement Program (RTCIP):				
Quarry Falls (Civita) Neighborhood Parks Reimbursement Agreement		594	148	148
Naval Training Center Civic, Arts and Cultural Center (Section 108)	2025	3,002	504	504
Pledged Tobacco Settlement Revenue:				
TSRFC Bonds, Series 2018 A,C	2032	104,146	11,233	10,616
Total		\$ 112,088	\$ 31,691	\$ 31,074

6. BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES (Dollars in Thousands)

a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2019 are comprised of the following:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount ³	Balance Outstanding June 30, 2019
Arbitrage Liability			\$	1,107
Compensated Absences				13,339
Liability Claims				35,936
Equipment Vehicle Financing Program (EVFP) Capital Lease Obligations	1.67% - 1.84% ¹	2022	\$ 2,590	784
Other Capital Lease Obligations	2.6 ¹	2021	5,694	2,339
Contracts Payable	2.6 ¹	2021	3,606	1,481
Notes Payable	—	2023	22	8
Loans Payable:				
San Diego Convention Center Corporation (SDCCC)				
California Infrastructure and Economic Development Bank (I-Bank)	3.59 ¹	2042	25,500	25,500
Sewer Utility - State Water Resources Control Board				
Point Loma Digesters 7 and 8, February 9, 2000	1.80 ²	2020	10,606	626
Point Loma Central Boilers, February 9, 2000	1.80 ²	2022	6,684	1,162
South Bay Water Reclamation Plant Package 3, March 30, 2001	1.80 ²	2022	33,720	5,846
South Bay Sewers and Pump Station Package A, May 17, 2001	1.80 ²	2022	7,742	1,345
Point Loma Main Building Expansion, May 17, 2001	1.80 ²	2021	860	102
South Bay Water Reclamation Plant Package 2, June 11, 2001	1.80 ²	2021	2,525	294
South Bay Sewers and Pump Station Package B, October 3, 2002	1.99 ²	2020	3,767	247
Point Loma Digesters Project C1 and C2, October 3, 2002	1.80 ²	2023	8,068	1,850
Environment Monitoring and Technical Svcs, December 14, 2005	1.89 ²	2024	10,093	3,015
Point Loma 4th Sludge Pump Project, October 15, 2006	1.99 ²	2024	3,858	1,212
Point Loma Digesters S1 and S2, February 28, 2007	1.89 ²	2026	11,068	4,541
Point Loma Digesters Grit Processing, February 17, 2012	2.70 ¹	2036	31,514	27,739
Sewer Pipeline Rehab Project MNOP, July 10, 2012	2.20 ¹	2033	18,914	11,909
Metro Biosolids Center Storage Silos, August 6, 2015	1.70 ¹	2035	7,204	5,953
MBC Odor Control Facilities Upgrades, July 15, 2015	1.70 ¹	2035	6,840	5,923
MBC Dewatering Centrifuge Replacement, July 8, 2015	1.70 ¹	2039	8,329	8,329
Sewer Pipeline Rehab Project-Q, June 26, 2013	2.20 ¹	2034	4,792	1,908
Sewer Pipeline Rehab Project-RS, August 22, 2013	2.20 ¹	2034	8,924	6,443
Sewer Pipeline Rehab Project-T, July 12, 2016	1.70 ¹	2036	2,314	1,996
MBC Chemical Systems Improvement Phase II, July 12, 2016	1.70 ¹	2037	5,284	4,778
Pump Station 2 Power Reliability and Surge Protection, September 12, 2018	1.80 ¹	2052	24,365	24,365
Total Sewer Utility Loans Payable				119,583

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount ³	Balance Outstanding June 30, 2019
Water Utility - State Water Resources Control Board				
Alvarado Water Treatment Plant, May 30, 2011	2.31 ¹	2032	\$ 12,000	\$ 8,131
Miramar Water Treatment Plant, September 26, 2011	2.31 ¹	2032	20,000	13,548
Otay Water Treatment Plant, December 22, 2011	2.50 ¹	2032	18,000	12,689
Harbor Drive Pipeline Replacement Project, January 29, 2013	2.09 ¹	2036	10,561	9,284
Lindbergh Field Pipeline Replacement Project, January 29, 2013	2.09 ¹	2036	3,262	2,861
University Avenue Pipeline Replacement Project, June 7, 2016	2.09 ¹	2041	23,104	23,104
69th Street & Mohawk Pump Station Project, June 14, 2018	1.70 ¹	2050	9,196	9,196
Total Water Utility Loans Payable				78,813
Total Loans Payable				223,896
Water CP Notes, Series B ⁴	1.30-1.52	2022		38,883
Revenue Bonds Payable:				
Subordinated Water Revenue Bonds, Refunding Series 2012 A	2.0-5.0 ¹	2033	188,610	119,360
Senior Sewer Revenue Refunding Bonds, Series 2015	2.0-5.0 ¹	2027	313,620	308,435
Senior Sewer Revenue Refunding Bonds, Series 2016 A	4.0-5.0 ¹	2039	403,280	396,605
Subordinated Water Revenue Bonds, Series 2016 A	3.0-5.0 ¹	2046	40,540	39,115
Subordinated Water Revenue Bonds, Refunding Series 2016 B	5.0 ¹	2040	523,485	448,290
Subordinated Water Revenue Bonds, Refunding Series 2018 A	5.0-5.25 ¹	2048	243,180	243,180
Total Revenue Bonds Payable				1,554,985
Estimated Landfill Closure and Postclosure Care				54,658
Net Other Postemployment Benefits Liability				103,867
Net Pension Liability (Pension)				487,462
Total Pension Liability (POB)				1,014
Total Business-Type Activities Long-Term Liabilities				\$ 2,519,759

¹ Interest rates are fixed and reflect the range of rates for various maturities from the date of issuance to maturity.

² Effective rate.

³ For Loans Payable, the Original Amount is based on the amount disbursed to date and may include capitalized interest.

⁴ Amount authorized is \$175,000. Maturity date of 2022 represents the expiration date of the direct-pay LOC which is December 31, 2021. See Note 8 for information on the Water CP Notes, Series A.

b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2019, including interest payments to maturity, are as follows:

Year Ending June 30	Equipment Vehicle Financing Program (EVFP) Capital Lease Obligations		Other Capital Lease Obligations		Contracts Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 382	\$ 12	\$ 1,154	\$ 61	\$ 731	\$ 39	\$ 2	\$ —
2021	389	5	1,185	31	750	20	2	—
2022	13	—	—	—	—	—	2	—
2023	—	—	—	—	—	—	2	—
Total	<u>\$ 784</u>	<u>\$ 17</u>	<u>\$ 2,339</u>	<u>\$ 92</u>	<u>\$ 1,481</u>	<u>\$ 59</u>	<u>\$ 8</u>	<u>\$ —</u>

Year Ending June 30	Loans Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2020	\$ 14,170	3,939	\$ 96,245	\$ 75,589
2021	13,584	3,664	100,860	70,993
2022	13,658	3,414	106,010	66,190
2023	11,082	3,128	105,780	61,323
2024	10,849	2,905	91,835	56,000
2025-2029	51,323	11,336	418,520	213,343
2030-2034	47,711	6,070	237,490	131,969
2035-2039	23,350	2,147	249,225	72,900
2040-2044	4,608	252	86,225	25,685
2045-2049	—	—	62,795	6,522
Unscheduled ¹	33,561	—	—	—
Total	<u>\$ 223,896</u>	<u>\$ 36,855</u>	<u>\$ 1,554,985</u>	<u>\$ 780,514</u>

¹ Loans payable to the State Water Resources Control Board in the amount of \$33,561 do not have fixed annual repayment schedules until construction of the projects are completed and final billing submitted.

c. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2019. The effects of bond premiums and discounts are reflected as adjustments to long-term liabilities.

	Business-Type Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Arbitrage Liability	\$ 1,169	\$ —	\$ (62)	\$ 1,107	\$ —
Compensated Absences	13,752	13,135	(13,548)	13,339	7,403
Liability Claims	33,670	16,261	(13,995)	35,936	7,780
Capital Lease Obligations:					
Equipment Vehicle Financing Program (EVFP)	1,160	—	(376)	784	382
Other Capital Lease Obligations	3,464	—	(1,125)	2,339	1,154
Total Capital Lease Obligations ¹	4,624	—	(1,501)	3,123	1,536
Contracts Payable ¹	2,194	—	(713)	1,481	731
Notes Payable ¹	11	—	(3)	8	2
Loans Payable ¹	203,273	32,517	(11,894)	223,896	14,170
Water CP Notes, Series B	154,459	53,559	(169,135)	38,883	—
Revenue Bonds Payable	1,402,850	243,180	(91,045)	1,554,985	96,245
Unamortized Bond Premiums and Discounts	227,908	37,513	(15,490)	249,931	15,490
Net Revenue Bonds Payable	1,630,758	280,693	(106,535)	1,804,916	111,735
Estimated Landfill Closure/Postclosure Care	53,003	1,655	—	54,658	—
Net Other Postemployment Benefits Liability	122,963	7,946	(27,042)	103,867	—
Net Pension Liability (Pension)	472,381	104,223	(89,142)	487,462	—
Total Pension Liability (POB)	927	215	(128)	1,014	—
Totals	\$ 2,693,184	\$ 510,204	\$ (433,698)	\$ 2,769,690	\$ 143,357

¹ City's direct borrowings.

On August 27, 2018, the Sewer Utility Fund executed Amendment No. 2 to the State Revolving Fund (SRF) loan agreement with the SWRCB in the amount of \$70,000 for the Pump Station 2 Power Reliability and Surge Protection Project. The original loan agreement was executed on October 13, 2017. The first funding for the project was received by the Sewer Utility Fund on September 12, 2018. This project will improve the overall power reliability and provide standby power at Pump Station 2. The system will be in compliance with Environmental Protection Agency guidelines, thus protecting against surges during power outages and preventing sewage spills. The interest rate on the loan is 1.8% and the repayment period is 30 years from completion of construction, which is estimated to be November 23, 2021. As of June 30, 2019, \$24,365 was received by the Sewer Utility Fund for this project. The remaining additions to loans payable of \$8,152 resulted from various SRF Loan Fund proceeds received by the Sewer and Water Utility Funds.

On December 16, 2016, the City and PFFA adopted resolutions authorizing the issuance of \$250,000 tax-exempt subordinate Water CP Notes in one or more series. The funds are used to (i) provide short-term financing for design, acquisition, construction, installation, or improvements of components of the City's water system, and various improvements related to the City, (ii) reimburse the City's Water Utility Fund for eligible expenditures and (iii) pay costs of issuance for the Water CP Notes. Water CP Notes have been issued periodically since January 2017, and are payable from subordinate installment payments by revenues of the City's Water Utility Fund. The Water CP Notes are secured by irrevocable direct-pay LOCs from the Bank of the West, which expire on January 31, 2020 for Series A, and Bank of America, N.A. which expire on December 31, 2021 for Series B. Under this program, PFFA is able to issue notes at prevailing short-term interest rates for periods of maturity up to 270 days. Upon maturity, the notes can be rolled over for additional intervals of up to 270 days with new short-term interest rates until the notes

are refinanced using a long-term bond or cash repayment option. During fiscal year 2019, the City issued long-term Water CP Notes Series B of \$53,559, and based on the expiration date of the LOC, Series B is classified as long-term debt. In June 2019, City Council adopted a resolution for the continued use of the Water CP Notes program for additional Water Utility capital projects.

On January 3, 2019, the PFFA issued \$243,180 of 2018 Water Revenue Bonds, of which \$205,889 was to refund all outstanding Water CP Notes (\$36,754 of short-term Series A, and \$169,135 of long-term Series B). See Note 8 for additional information on the Water CP Notes Series A which are reported as short-term based on the expiration date of the LOC for Series A.

In November 2018, the City and the USEPA executed the Water Infrastructure Finance and Innovation Act (WIFIA) Program loan in the amount of \$614 million payable from Net System Revenues of the Water Utility. The WIFIA loan will fund a portion of the Water Utility cost of the first phase of Pure Water. As of June 30, 2019 the City has not yet requested disbursements from the WIFIA loan.

d. Defeasance of Debt

As of June 30, 2019, principal amounts payable from escrow funds established for defeased bonds are as follows:

Water Revenue Defeased Bonds 2016 Escrow (June 23, 2016)	Amount	Redemption Date
Water Revenue Bonds, Series 2009B	\$ 273,540	August 1, 2019
Water Revenue Bonds, Refunding Series 2010A	123,075	August 1, 2020
Total Defeased Bonds Outstanding	\$ 396,615	
<u>Sewer Revenue Defeased Bonds 2015 Escrow (September 24, 2015)</u>		
Senior Sewer Revenue Bonds, Refunding Series 2010A	\$ 99,075	May 15, 2020
<u>Sewer Revenue Defeased Bonds 2016 Escrow (March 30, 2016)</u>		
Senior Sewer Revenue Bonds, Refunding Series 2010A	\$ 62,855	May 15, 2020

e. Event of Default Provisions

The governing documents of the City's outstanding capital lease obligations of \$3,123 contain provisions that in the event of default, the lessor may recover unpaid payments and terminate the lease(s). The governing documents of the loans payable of \$223,896 contain event of default provisions allowing the lenders to terminate the funding agreements if not cured within 30 days, and are subject to acceleration clauses making outstanding amounts immediately payable. The governing documents of the Revenue Bonds Payable of \$1,554,985 contain provisions that in the event of default, the trustee may declare that all principal and interest accrued to be immediately due and payable, or bondholders may bring suit against the City and receive any funds held by the Trustee to pay principal and interest on the bonds.

The outstanding Water CP Notes, Series B of \$38,883 contain provisions that in the event of default, the principal of all outstanding notes may be declared due and payable. In the Water CP Notes program, the LOC banks may, in their sole discretion, either terminate or suspend the authority to issue additional commercial paper notes, terminate the LOC, or enforce the rights and obligations of the City, or exercise any other remedies available at law or in equity.

f. Long-Term Pledged Liabilities

Business-type activities long-term pledged liabilities as of June 30, 2019 are comprised of the following:

<u>Type of Pledged Revenue</u>	<u>Fiscal Year Maturity Date</u>	<u>Pledged Revenue to Maturity</u>	<u>Debt Principal & Interest Paid</u>	<u>Pledged Revenue Recognized</u>
Pledged Net Sewer Systems Revenue:				
Loans - State Water Resources Control Board				
Point Loma Digesters 7 and 8, February 9, 2000	2020	\$ 637	\$ 636	\$ 636
Point Loma Central Boilers, February 9, 2000	2022	1,204	402	402
South Bay Water Reclamation Plant Package 3, March 30, 2001	2022	6,074	2,024	2,024
South Bay Sewers and Pump Station Package A, May 17, 2001	2022	1,394	464	464
Point Loma Main Building Expansion, May 17, 2001	2021	103	52	52
South Bay Water Reclamation Plant Package 2, June 11, 2001	2021	303	152	152
South Bay Sewers and Pump Station Package B, October 3, 2002	2020	251	251	251
Point Loma Digesters Project C1 and C2, October 3, 2002	2023	1,936	484	484
Environment Monitoring and Technical Svs, December 14, 2005	2024	3,187	638	638
Point Loma 4th Sludge Pump Project, October 15, 2006	2024	1,286	258	258
Point Loma Digesters S1 and S2, February 28, 2007	2026	4,893	699	699
Point Loma Digesters Grit Processing, February 17, 2012	2036	34,957	2,056	2,056
Sewer Pipeline Rehab Project MNOP, July 10, 2012	2033	13,966	998	998
Metro Biosolids Center-Storage Silos, August 6, 2015	2035	6,849	428	428
MBC Odor Control Facilities Upgrades, July 15, 2015	2035	6,815	426	426
MBC Dewatering Centrifuge Replacement, July 8, 2015	2039	9,894	—	—
Sewer Pipeline Rehab Project-Q, June 26, 2013	2034	2,261	150	150
Sewer Pipeline Rehab Project-RS, August 22, 2013	2034	7,634	509	509
Sewer Pipeline Rehab Project-T, July 12, 2016	2036	2,317	137	137
MBC Chemical Systems Improvement Phase II, July 12, 2016	2037	5,586	310	310
Pump Station 2 Power Reliability and Surge Protection, September 12, 2018	2052	24,365	—	—
Revenue Bonds				
Senior Sewer Revenue Bonds, Series 2009 A	2019	—	9,836	—
Senior Sewer Revenue Refunding Bonds, Series 2009 B	2019	—	54,298	989
Senior Sewer Revenue Refunding Bonds, Series 2015	2027	380,253	14,659	14,658
Senior Sewer Revenue Refunding Bonds, Series 2016 A	2039	591,053	19,315	19,315
Total Pledged Net Sewer Systems Revenue		1,107,218	109,182	46,036
Pledged Net Water Systems Revenue:				
Loans - State Water Resources Control Board				
Alvarado Water Treatment Plant, May 30, 2011	2032	9,407	752	741
Miramar Water Treatment Plant, September 26, 2011	2032	15,670	1,254	1,235
Otay Water Treatment Plant, December 22, 2011	2032	14,941	1,149	1,132
Harbor Drive Pipeline Replacement Project, January 29, 2013	2036	11,081	651	646
Lindbergh Field Pipeline Replacement Project, January 29, 2013	2036	3,417	201	132
University Avenue Pipeline Replacement Project, June 7, 2016	2041	28,371	433	433
69th Street & Mohawk Pump Station Project, June 14, 2018	2050	9,196	46	46

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Water CP Notes, Series B ¹	2022	\$ —	\$ 1,704	\$ 1,676
Revenue Bonds				
Subordinated Water Revenue Bonds, Refunding Series 2012 A	2033	165,648	11,836	11,571
Subordinated Water Revenue Bonds, Series 2016 A	2046	70,546	2,615	2,595
Subordinated Water Revenue Bonds, Refunding Series 2016 B	2040	663,316	46,312	46,312
Subordinated Water Revenue Bonds, Refunding Series 2018 A	2048	464,684	957	957
Total Pledged Net Water Systems Revenue		<u>1,456,277</u>	<u>67,910</u>	<u>67,476</u>
Total Pledged Revenues		<u>\$ 2,563,495</u>	<u>\$ 177,092</u>	<u>\$ 113,512</u>

¹ Does not include interest paid on the Water CP Notes, Series A, which are classified as a short-term obligation (See Note 8)

7. DISCRETELY PRESENTED COMPONENT UNIT LONG-TERM LIABILITIES (Dollars in Thousands)

Narratives and tables presented in the following sections are taken from the audited comprehensive annual financial report of the San Diego Housing Commission as of June 30, 2019.

San Diego Housing Commission

Long-term liabilities of SDHC as of June 30, 2019 are comprised of the following:

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2019 ¹	Due Within One Year
Compensated Absences				\$ 2,443	\$ 2,443
Direct Borrowing Debts of the Commission					
Debts of SDHC:					
Key Bank Real Estate Capital (Smart Corner) dated November 2011 ²	6.08%	2027	\$ 15,000	3,891	964
City of San Diego Successor Agency, dated March 1992	0.00 forgivable	2022	696	696	—
City of San Diego Successor Agency, dated March 2010	1.00 forgivable	2065	6,095	5,843	—
State of California, Housing Loan Conversion Program dated March 2013	3.00	2068	4,555	4,555	—
Red Capital Mortgage, LLC-Courtyard Apartments	4.92	2030	4,169	4,109	62
Debts of the LLCs:					
Greystone Servicing Corp, Inc. FNMA (Belden)	7.32	2040	12,320	10,785	234
Greystone Servicing Corp, Inc. FNMA (Northern)	7.32	2040	10,810	9,463	205
Greystone Servicing Corp, Inc. FNMA (Central)	7.32	2040	14,010	12,264	266
PNC Bank, NA FHA (Southern)	3.76	2046	25,017	21,441	489
PNC Bank, NA FHA (Northern)	3.76	2046	17,500	14,999	342
PNC Bank, NA FHA (Central)	3.65	2046	15,726	13,463	310
Total Notes Payable				101,509	2,872
Less: unamortized debt issuance costs				(1,455)	—
Total Notes Payable, Net				100,054	2,872
Total Long-Term Liabilities				\$ 102,497	\$ 5,315

¹ Long-term liabilities of the discrete component units of SDHC are not included

² Converts to variable interest rate after November 2021

As of June 30, 2019, the current portion of notes payable was \$2,872, and the noncurrent portion was \$98,637.

Debt issuance costs associated with the LLC loans totaled \$2,120, less accumulated amortization of \$665 at June 30, 2019. For fiscal year 2019, amortization totaled \$80. Under guidance issued by the GASB, these fees would be expensed as incurred. However, as the LLCs are not governmental agencies, they follow the standards issued by the Financial Accounting Standards Board. In accordance with ASU 2015-13, debt issuance costs are capitalized and presented as a direct reduction of notes payable. In addition, the debt issuance costs are amortized over the life of the loan using the effective interest method.

The Direct Borrowing Debts of the Commission and the LLCs contain various event of default provisions, subjective acceleration clauses, and termination events. For more detailed information please refer to the complete stand-alone financial statements are available at www.sdhc.org.

The American Recovery and Reinvestment Act of 2009 created the new Build America Bonds (BABs) program. State and local governments receive subsidy payments directly from the U.S. Treasury for a portion of their borrowing costs on BABs equal to 35% of the total coupon interest paid less reductions in federal appropriations. The subsidy stream is paid for the full term of the bonds. The Belden SDHC FNMA, LLC, the Northern SDHC FHA, LLC and the Southern SDHC FHA, LLC loans have been approved as qualified direct subsidy BABs loans. SDHC received subsidy payments of \$700 in fiscal year 2019.

The projected annual principal and interest payment requirements for all of SDHC's notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 2,872	\$ 4,623	\$ 7,495
2021	3,034	4,460	7,494
2022	3,204	4,288	7,492
2023	3,036	4,110	7,146
2024	2,343	3,976	6,319
2025-2029	13,761	17,825	31,586
2030-2034	20,756	12,951	33,707
2035-2039	23,009	7,199	30,208
2040-2044	14,700	2,044	16,744
2045-2049	3,700	178	3,878
2050-2068	4,555	6,942	11,497
Subtotal	94,970	68,596	163,566
Forgivable loans ¹	6,539	—	6,539
Total Notes Payable	<u>\$ 101,509</u>	<u>\$ 68,596</u>	170,105
Less: unamortized debt issuance costs			(1,455)
Total Notes Payable, Net			<u>\$ 168,650</u>

¹ This amount includes forgivable loans of \$696 and \$5,843 which are forgiven at maturity in 2022 and 2065, respectively. There was accrued interest of \$0 and \$481, respectively, as of June 30, 2019.

Discretely Presented Component Units of the San Diego Housing Commission

The long-term liabilities for the discretely presented component units of SDHC as of December 31, 2018 are as follows:

Type of Obligation	Interest Rate	Maturity Date	Original Amount	Balance Outstanding December 31, 2018	Due Within One Year
Notes Payable:					
HDP Mason Housing Corporation:					
SDHC	3.00%	2068	\$ 2,365	\$ 2,365	\$ —
City of San Diego Successor Agency	3.00	2066	1,319	1,319	—
California Housing Finance Agency	3.00	2066	1,181	1,181	—
SDHC	3.00	2057	226	69	—
SDHC - Debt Forgiveness	0.00	2023	230	92	23
Casa Colina, L.P. :					
Red Mortgage Capital, Inc	5.68	2039	3,465	2,736	75
SDHC	3.00	2059	1,600	1,318	—
Logan Development II, L.P.:					
Housing Authority of the City of San Diego / Serviced by JP Morgan Chase, N.A.	5.58	2032	5,300	3,077	57
SDHC	6.00	2050	1,400	1,400	—
City of San Diego Successor Agency	3.00	2050	150	150	—
HDP Broadway, L.P. :					
Housing Authority of the City of San Diego / Serviced by Berkadia Commercial Mortgage	4.49	2044	17,825	16,904	257
HDP Churchill, LP:					
SDHC	3.00	2071	3,800	3,800	—
City of San Diego Successor Agency	3.00	2070	3,000	3,000	—
California Housing Finance Agency	3.00	2070	1,800	1,800	—
SDHC	3.00	2071	2,307	2,232	—
HDP New Palace, L.P.:					
Housing Authority of the City of San Diego / Serviced by Citibank, Series B-1	4.42	2050	2,107	4,910	—
Housing Authority of the City of San Diego / Serviced by Citibank, Series B-2	Variable	2020	5,224	5,224	—
SDHC	4.00	2073	2,945	2,945	—
California Housing Finance Agency	3.00	2072	2,240	2,240	—
HDP Town & Country L.P.:					
Housing Authority of the City of San Diego / Serviced by Citibank, Series E-1	4.54	2054	11,487	15,600	—
Housing Authority of the City of San Diego / Serviced by Citibank, Series E-2	Variable	2020	10,561	10,561	—
SDHC	6.80	2073	13,250	13,250	—
HDP Village North LLC:					
Red Mortgage Capital, LLC	4.54	2033	9,100	9,005	107
Housing Development Partners (New Palace Hotel):					
Local Initiative Support Cooperation	2.60-6.00	2017	5,200	—	—
Local Initiative Support Cooperation	5.25	2017	599	—	—
Total Notes Payable				105,178	519
Less: unamortized debt issuance costs				(2,100)	—
Total Notes Payable, Net				\$ 103,078	\$ 519

The future principal payments on the notes payable are as follows:

Year Ending December 31	Principal
2019	\$ 519
2020	16,468
2021	829
2022	870
2023	889
Thereafter	<u>85,603</u>
Total Mortgages and Notes Payable	105,178
Less: Unamortized Debt Issuance Costs	<u>(2,100)</u>
Total Mortgages and Notes Payable, Net	<u>\$ 103,078</u>

Interest capitalized into project development costs and property, equipment and improvements totaled \$288 for the year ended December 31, 2018.

The liability of the Corporation under the mortgages and notes is limited to the underlying value of the real estate collateral plus other amounts deposited with the lenders.

8. SHORT-TERM LIABILITIES (Dollars In Thousands)

a. Water Revenue Commercial Paper Notes (Water CP Notes)

On December 16, 2016, the City and PFFA adopted resolutions authorizing the issuance of \$250,000 tax-exempt subordinate water revenue commercial paper notes in one or more series. The funds are used to (i) provide short-term financing for design, acquisition, construction, installation, or improvements of components of the City's water system, and various improvements related to the City, (ii) reimburse the City's Water Utility Fund for eligible expenditures and (iii) pay costs of issuance for the Water CP Notes. Water CP Notes have been issued from time to time since January 2017, and are payable from subordinate installment payments by revenues of the City's Water Utility Fund. The Water CP Notes are secured by irrevocable direct-pay LOCs from the Bank of the West (which expires on January 31, 2020 for Series A), and Bank of America, N.A. (which expires on December 31, 2021 for Series B). Under this program, PFFA is able to issue notes at prevailing short-term interest rates for periods of maturity up to 270 days. Upon maturity, the notes can be rolled over for additional intervals of up to 270 days with new short-term interest rates until the notes are refinanced using a long-term bond or cash repayment option. In June 2019, City Council adopted a resolution for the continued use of the Water CP Notes program for additional Water Utility capital projects. As of June 30, 2019, the interest rates on outstanding amounts under Series A were 1.35% to 1.38%. Based on the expiration date of the LOC, the Water CP Notes Series A are classified as short-term liabilities.

As of June 30, 2019, the status of short-term Commercial Paper Notes is as follows:

Type of Obligation	Authorized Amount	Balance Outstanding June 30, 2019	LOC Expiration Date
Business-Type Activities:			
Water Commercial Paper Notes, Series A	\$ 75,000	\$ 14,714	01/31/2020

b. Changes in Short-Term Liabilities

The following is a summary of changes in short-term liabilities for the year ended June 30, 2019:

Type of Obligation	Beginning Balance	Additions	Reductions	Ending Balance
Water Commercial Paper Notes, Series A	\$ 13,754	\$ 37,714	\$ (36,754)	\$ 14,714

During fiscal year 2019, the City issued short-term Water CP Notes Series A of \$37,714. Based on the expiration date of the LOC, Series A is classified as a short-term liability. On January 3, 2019, the PFFA issued \$243,180 of 2018 Water Revenue Bonds, of which \$205,889 was to refund all outstanding Water CP Notes (\$36,754 of short-term Series A, and \$169,135 of long-term Series B). See Note 6 for additional information on Water CP Notes Series B, which are classified as long-term based on the expiration date of the LOC.

c. Event of Default Provisions

The Water CP Notes contain provisions that in the event of default, the principal of all outstanding notes may be declared due and payable. In the Water CP Notes, the LOC banks may, in their sole discretion to either terminate or suspend the authority to issue additional Commercial Paper notes, terminate the LOC, or enforce the rights and obligations of the City, or exercise any other remedies available at law or in equity.

9. JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Dollars in Thousands)

San Diego Geographic Information Source (SanGIS)

SanGIS was created in 1997 as a joint powers agreement between the City and the County of San Diego. The agreement was amended and restated in 2016 to update its provisions and to reflect the current status of the structure and operations of SanGIS. SanGIS objectives are to create and maintain a geographic information system, to market and license digital geographic data and software, to provide technical services, and to publish geographical and land-related information for the City and County, other public agencies, and the private sector. SanGIS is governed by a Board of Directors consisting of one voting member from the City and one from the County. The Board approves the annual budget and fiscal audit, sets long range plans and strategic goals, and authorizes major project funding. All initiatives and decisions must be approved by a consensus of both members of the Board before being implemented. The SanGIS fiscal year 2019 annual budget of \$1,490 was funded primarily by equal contributions from the City and County. In its latest audited report, SanGIS reported an increase in net position of \$67 and an ending net position of \$326 for the fiscal year ended June 30, 2018. Complete stand-alone financial statements are available at www.sangis.org.

San Diego Workforce Partnership (SDWP)

In 1974, the City and County of San Diego jointly formed a Consortium to provide regional employment and training services throughout San Diego County. In 2016, a revised Joint Powers Authority (JPA) agreement was approved to achieve compliance with Workforce Innovation and Opportunity Act federal legislation. The City and County jointly govern the Consortium. The Consortium's Board of Directors consists of two members of the City Council, two members from the County Board of Supervisors, and one member of a charitable organization. The Consortium is empowered to make applications for and receive grants from governmental or private sources. The Board assigned the non-profit San Diego Workforce Partnership, Inc. as the grant recipient and administrative entity to operate the Consortium. To the extent that law mandates any responsibility upon the City and County for debt obligation or liability, the City and the County have agreed to share equally the payment of such an obligation. In its latest audited report, SDWP reported a decrease in net position of \$31 and ending net position of \$589 for the fiscal year ended June 30, 2018. Complete stand-alone financial statements can be requested from San Diego Workforce Partnership, Inc. 9246 Lightwave Ave., San Diego, CA 92123.

San Dieguito River Valley Regional Open Space Park

The San Dieguito River Valley Regional Open Space Park Joint Powers Authority (JPA) was formed in 1989 by the City and County of San Diego and the Cities of Del Mar, Escondido, Poway, and Solana Beach to create, preserve and enhance the San Dieguito River Valley Regional Open Space Park for the benefit of the public. In 2015, an amended and restated agreement was executed, continuing the JPA for fifty years. The JPA Board is composed of two elected officials each from the County and the City, one elected official each from the Cities of Del Mar, Escondido, Poway, and Solana Beach, and one public member representing the Citizens Advisory Committee. The JPA's funding is primarily comprised of operating grants, contributions, and agency assessments based on population and jurisdictional area. The JPA's fiscal year 2019 annual budget for agency contributions was \$1,029, of which the City's share was \$329, or 32%. In its latest audited report for the fiscal year ended June 30, 2018, the JPA reported a decrease in net position of \$500 and an ending net position of \$55,305. The debts, liabilities, and obligations of the JPA belong to the JPA, and not the agencies. Upon termination of the agreement or existence of the JPA, real property owned by the JPA will be distributed to the jurisdiction on which the land is located, while remaining assets and liabilities will be divided among the agencies based on the contribution calculation percentages. Complete stand-alone financial statements are available at www.sdrp.org.

10. LEASE COMMITMENTS (Dollars in Thousands)

The City leases various properties and equipment. Leased property having elements of ownership are recorded as capital leases and reported as capital assets in the government-wide and proprietary funds financial statements, along with a corresponding capital lease obligation. Leased property that does not have elements of ownership is reported as an operating lease and is expensed when paid.

Capital Leases

The City has entered into various capital leases for equipment, structures, infrastructure, and intangible assets. These capital leases have maturity dates ranging from July 1, 2019 through December 31, 2036 and interest rates ranging from 0.00% to 6.47%. A schedule of future minimum lease payments under capital leases as of June 30, 2019 is provided in Notes 5 and 6. The value of the City's capital leased assets as of June 30, 2019 is \$219,953, net of accumulated depreciation of \$45,426. These amounts are categorized by fund type and major asset class in the table below.

Values of Capital Leased Assets by Major Asset Class			
	Gross Value	Depreciation	Net Book Value
Governmental Activities			
Equipment	\$ 127,607	\$ (38,863)	\$ 88,744
Structures & Improvements	83,457	(4,954)	78,503
Land	33,049	—	33,049
Equipment (Intangible)	11,402	(957)	10,445
Construction in Process	2,053	—	2,053
Total Governmental Activities	\$ 257,568	\$ (44,774)	\$ 212,794
Business-Type Activities			
Intangible	\$ 5,221	\$ (32)	\$ 5,189
Infrastructure	2,590	(620)	1,970
Total Business-Type Activities	\$ 7,811	\$ (652)	\$ 7,159

Operating Leases

The City's operating leases consist primarily of rental property occupied by City departments. Lease obligations for City-leased space include rent, utility charges, common area maintenance, storage, and parking. If a department pays for parking, storage, etc. that is not contracted for in the lease, those charges are not included. Departments are allocated charges based on the percentage of the total lease space occupied. 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-cancellable lease terms in excess of one year as of June 30, 2019:

Year Ending June 30	Amount
2020	\$ 21,241
2021	15,780
2022	15,028
2023	10,374
2024	9,613
2025-2029	31,791
2030-2034	5,729
2035-2039	993
Total	\$ 110,549

Rent expense, as related to operating leases, was \$19,979 for the fiscal year ended June 30, 2019, of which \$13,299 was reported for governmental activities, and \$6,680 for business-type activities.

Lease Revenues

The City has operating leases for certain land, buildings, and facilities with tenants and concessionaires. Leased capital asset carrying values of approximately \$306,562, as well as depreciation, are reported in Note 4 and are consolidated with non-leased assets. This amount includes \$176,685 for the Petco Park Facility. Minimum annual lease revenues are reported in the following schedule:

Year Ending June 30	Amount
2020	\$ 46,730
2021	44,268
2022	43,093
2023	42,023
2024	39,868
2025-2029	189,047
2030-2034	175,304
2035-2039	163,047
2040-2044	148,874
2045-2049	130,921
2050-2054	64,781
2055-2059	38,403
2060-2064	24,612
2065-2069	14,699
Total	<u>\$ 1,165,670</u>

This amount does not include contingent rentals, which may be received under certain leases of property on the basis of percentage returns. Rental income as related to operating leases was \$77,585 for the fiscal year ended June 30, 2019, which includes contingent rentals of \$29,094.

11. DEFERRED COMPENSATION PLAN (Dollars in Thousands)

The City, SDCCC, and SDHC each offer their employees a deferred compensation plan, created in accordance with Internal Revenue Service Code Section 457, State and Local Government Deferred Compensation Plans. These plans permit eligible employees to defer, pre-tax, a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, disability, or an unforeseeable emergency. All assets and income of the deferred compensation plans are held in trust for the exclusive benefit of plan participants and their beneficiaries.

In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the deferred compensation plans are not considered part of the City's financial reporting entity.

12. PENSION PLANS (Dollars in Thousands)

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

On June 5, 2012, City of San Diego voters approved Proposition B, a pension reform initiative amending the San Diego City Charter. As a result, employees hired on or after July 20, 2012, other than sworn police officers, are no longer eligible to participate in the City's defined benefit plan and are only eligible to participate in a defined contribution plan.

In December 2015, the Public Employment Relations Board (PERB) issued a decision (PERB Order) in an Unfair Practice Charge (UPC) filed by certain Recognized Employee Organizations (REOs), ruling that the City had violated the Meyers-Milias-Brown Act (MMBA) when it failed to meet and confer with the REOs over the language of Proposition B prior to placing it on the June 2012 ballot.

Between January 2016 and March 2019, the matter was adjudicated at both the California Appellate Court and Supreme Court levels. The California Supreme Court ultimately upheld PERB's determination of an MMBA violation, and remanded the matter back to the Court of Appeal for further proceedings to determine the appropriate judicial remedy. The City sought review with the United States Supreme Court, however, it was denied.

On March 25, 2019, the Court of Appeal affirmed the PERB Order with the following modifications (Modified PERB Order): (1) The City must meet and confer with the REOs over the effects of Proposition B. (2) Until the completion of the bargaining process (including the exhaustion of impasse measures, if an impasse occurs), the City must pay the affected current and former employees represented by the REOs the difference, plus seven percent annual interest between the compensation (including retirement benefits) the employees would have received prior to when Proposition B took effect and the compensation those employees received after Proposition B took effect (Make-Whole Provision). (3) The City must meet and confer at the REOs' request and is precluded from placing a charter amendment on the ballot that is advanced by the City that affects employee pension benefits and/or other negotiable subjects until the bargaining process is complete.

The REOs had requested that the Court of Appeal invalidate Proposition B, however, the court declined to do so, concluding that the question of Proposition B's validity would be more appropriately decided in a separate *quo warranto* proceeding. On June 25, 2019, the REOs served the California Attorney General with an Application for Leave to Sue in *quo warranto*. The Attorney General granted the REOs leave to sue and on September 27, 2019, the REOs filed their complaint in Superior Court. Depending on the nature of the Proposition B proponents' opposition and potential appeals, it could take until 2024 before there is final resolution of Proposition B's validity if the *quo warranto* action is ultimately reviewed by the California Supreme Court.

Neither PERB nor the Appellate Court clearly defined how the value of the benefits under the Make-Whole Provision should be calculated; meaning the ultimate cost to the City, if any, will likely be the subject of negotiations between the City and the REOs. The City's preliminary analysis and work performed by SDCERS' actuary has provided a preliminary understanding of what disparity exists between the benefits provided under Proposition B versus what employees would have otherwise received under the City's defined benefit plan. That preliminary analysis identified several assumptions that would be the subject of negotiations between the City and REOs including, but not limited to, the investment rate of return, the discount rate, and how interest earnings are calculated. Any one of these assumptions could significantly alter the estimated one-time and ongoing costs to the City. A further consideration in implementing any compensatory remedy is compliance with federal tax laws and regulations, which may also restrict the remedies available through labor negotiations. Accordingly, it would not be meaningful or informative for the City to provide any such preliminary cost estimates at this time. The Fiscal Year 2020 Adopted Budget does not include any potential costs associated with implementation of the remedy.

DEFINED BENEFIT PLAN

a. Pension Plan Description and Benefits Provided

SDCERS is a public employee retirement system established in fiscal year 1927 by the City, authorized by Article IX of the City Charter. SDCERS administers independent, qualified, single employer governmental defined benefit plans and trusts for the City, the San Diego Unified Port District (Port), and the San Diego County Regional Airport Authority (Airport). The assets of the three separate plans and trusts are pooled in the SDCERS Group Trust for investment purposes. These plans are administered by the SDCERS Board of Administration (SDCERS Board) to provide retirement, disability, death and survivor benefits for its members. Amendments to the City's benefit provisions require City Council approval and amendments to retirement benefits require a majority vote by those SDCERS members who are also eligible City employees or retirees. Benefit increases also require a majority vote of the public. All approved benefit changes are codified in the City's Municipal Code.

The plans cover all eligible employees of the City, the Port, and the Airport. All City employees initially hired before July 20, 2012 working half-time or greater, all sworn police officers of the City irrespective of hire date, and full-time employees of the Port and Airport are eligible for membership and are required to join SDCERS. The Port and Airport are not component units of the City; however, the financial statements of the SDCERS Pension Trust do include the Port and Airport activity and are reported in the fiduciary funds section of this report.

The information disclosed in this note relates solely to the City's participation in SDCERS. City employment classes participating in the City's Pension Plan are elected officers, general employees and safety employees (including police, fire and lifeguard members). These classes are represented by various REOs depending on the type and nature of work performed, except for elected officials, unclassified and unrepresented employees.

As a defined benefit plan, retirement benefits are determined under the Pension Plan primarily by a member's class, hire date, age at retirement, number of years of creditable service, and the member's final compensation. The Pension Plan provides annual cost-of-living adjustments not to exceed 2% to retirees, which is factored into the actuarial assumptions. Increases in retirement benefits due to cost-of-living adjustments do not require voter approval.

Final compensation is based upon either the highest salary earned over a consecutive twelve month period, the highest average salary earned over three one-year periods, or the highest salary earned over a consecutive 36 month period, depending on the member's hire date. To qualify for a service retirement benefit, the Pension Plan requires ten years of service at age 62 for general members (55 for safety members) or 20 years of service at age 55 for general members (50 for safety members), which could include certain service purchased or service earned at a reciprocating government entity. Under Proposition B, sworn police officers hired after July 1, 2013 have a reduction of 3.0% per year if retiring earlier than age 55. Retirement benefits are awarded at various rates, ranging from 1.0% to 3.5% per year of service multiplied by final compensation depending on the member's plan and hire date. The actual percentage of final compensation per year served component of the calculation rises as the employee's retirement age increases, with the exception of some safety employees and all elected officials, and depends on the retirement option selected by the employee. Some safety members also have the option to elect 3.0% per year of service at age 50 and above, not to exceed 90% of final compensation, as part of the formula to calculate their retirement benefits. The maximum percentage of final compensation per year served is 2.8% for general members, 3.0% for safety members and 3.5% for elected officers. Depending on the number of years of service, participants of the Elected Officer's Retirement Pension component of the Pension Plan can retire earlier than the age of 55; however, their retirement allowance is reduced by 2.0% for each year under the age of 55.

At June 30, 2018, the most recent actuarial valuation, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits ¹	10,024
Inactive (Terminated) Employees Entitled to but not yet Receiving Benefits	2,921
Active Employees	5,967
Total	<u>18,912</u>

¹ Inactive employees include Disabled, Retired, and DROP participants.

Deferred Retirement Option Plan (DROP)

DROP is a program designed to allow members an alternate method of accruing additional retirement benefits from the Pension Plan while they continue to work for the City. Only members hired before July 1, 2005 are eligible to participate in DROP. A member must be eligible for a service retirement to enter DROP. In addition, the member may only participate in the program up to a maximum of five years. Members of Local 145 are permitted to extend the five year period by the amount of post-2002 annual leave not converted to service credits. A DROP participant must agree to end employment with the City on or before the end of the selected DROP participation period. The member's decision to enter DROP is irrevocable.

Upon entering DROP, the participant stops making pension contributions to SDCERS and stops earning service credit. Instead, amounts equivalent to the participant's retirement benefit plus additional DROP contributions are credited to an interest bearing individual account held in the participant's name. While participants were employed by the City, the quarterly interest credited to the DROP participant accounts was 2.0% in the first half of fiscal year 2019 and 2.7% in the second half. When the participant leaves DROP and retires from City service, the participant's DROP account balance may be paid in a lump sum, rolled over to another plan, or converted to monthly payments. The DROP annuity factor used to calculate the monthly payments for fiscal year 2019 was 3.0%. During the period of participation, the participant continues to receive employer offered benefits available to regular employees with exception to earning service credit, as previously discussed.

Purchase of Service Credits

Pension Plan members hired prior to July 1, 2005 are permitted to purchase service credits to be used in determining retirement allowances. Members hired after July 1, 2005 are only permitted to purchase service credits related to certain employee absences such as military leave, long-term disability leave and leave taken under the Family and Medical Leave Act. The cost of purchased service credits is determined by the SDCERS Board consistent with the requirements of the San Diego Municipal Code (SDMC).

Supplemental Cost-of-Living Benefit

On August 5, 2013, the City Council amended the SDMC to provide a method for funding a supplemental cost-of-living benefit (the "Supplemental COLA") previously given to a closed group of retirees who retired on or before June 30, 1982. SDCERS holds a reserve within the plan assets, and pays Supplemental COLA benefits from this reserve. On a yearly basis, the City cash funds the Supplemental COLA reserve based on an estimate of benefits to be paid during the fiscal year. In fiscal year 2019, the City contributed \$1,728 towards the Supplemental COLA reserve and paid approximately \$1,720 in benefits. As of June 30, 2019, the City's Supplemental COLA reserve had an unspent balance of \$155.

b. Funding Policy and Contribution Rates

City Charter Article IX Section 143 requires employees and employers to contribute to the Pension Plan. The Charter section stipulates that funding obligations of the City shall be determined by the SDCERS Board and are not subject to modification by the City. The section also stipulates that under no circumstances may the City and SDCERS Board enter into any multi-year funding agreements that delay full funding of the Pension Plan. The City's Actuarially Determined Contribution (ADC) is calculated by SDCERS' actuary and approved by the SDCERS Board. The Charter requires that employer contributions for normal retirement allowances be substantially equal to employee contributions.

Pursuant to the Charter, City employer contribution rates, adjusted for payment at the beginning of the year, are actuarially determined rates and are expressed as a fixed ADC. The administrative component was assumed to be \$11.8 million for fiscal year 2019, increasing by 2.5% per year, and included as part of the ADC.

The following table shows the City's contribution rates (weighted average of each employee group) for fiscal year 2019, based on the June 30, 2017 actuarial valuation, expressed as percentages of expected payroll:

	Employer Contribution Rates	
	Non-Safety Members	Safety Members
Normal Cost ¹	10.74%	16.42%
Amortization Payment ²	57.65%	63.13%
Administrative Expense ³	2.59%	3.01%
Normal Cost Adjusted for Amortization Payment ³	70.98%	82.56%
City Contribution Rates Adjusted for Payment at the Beginning of the Year	68.67%	79.87%

¹ Normal Cost = The actuarial present value of pension plan benefits allocated to the current year actuarial cost method.

² Amortization Payment = The portion of the pension plan contribution, which is designed to pay interest on and amortize the unfunded actuarial accrued liability.

³ Rates assume that contributions are made uniformly during the Plan year.

Members are required to contribute a percentage of their annual salary to the Pension Plan on a biweekly basis. Rates vary according to entry age. For fiscal year 2019, the City employee weighted average contribution rates as a percentage of annual covered payroll were 10.38% for general members and 15.69% for safety members.

In accordance with Chapter 2, Article 4, Division 15 of the SDMC, earnings in excess of the assumed actuarial rate of return are distributed to various SDCERS system reserves and contingent benefits. The order of distribution and a more detailed discussion of each distribution follows: 1) Pension Plan assets are used to credit interest, at a rate determined by the SDCERS Board, which was 6.75% for fiscal year 2019, to the Employer and Employee Contribution Reserves and between 2.0% - 2.7% to the DROP member accounts; and 2) Pension Plan assets are distributed for supplemental or contingent payments or transfers to reserves. These items include in priority order: 1) Annual Supplement Benefit Payment (13th Check) paid to retirees and their continuances, which ranges from \$30 (whole dollars) times the number of years of service credit; and 2) Corbett Settlement Payment paid to retirees who terminated employment prior to July 1, 2000 (Corbett Settlement payments not paid in any one year accrue and remain an obligation of SDCERS until paid).

In January 2019, the SDCERS Board voted to set minimum annual pension payments of the City's Unfunded Actuarial Liability (UAL). This minimum payment is also referred to as a "floor;" meaning even if the ADC in a given year is less than the floor, the floor amount must still be paid for that year. The ADC for fiscal year 2020 will be \$350,500, based on the June 30, 2018 actuarial valuation. The floor payment for the City was set at \$275,500, representing the UAL component of the fiscal year 2020 ADC, and will remain at that level unless changed by a vote of the SDCERS Board. The floor amount was established based on the June 30, 2018 actuarial valuation and the calculated fiscal year 2020 payment to SDCERS. The SDCERS Board also voted to prospectively limit the long-term impacts of changes to the assumed rate of return (i.e., the discount rate), retirement rates, life expectancy and other assumptions to a 20-year period from the previous 30-year period. Experience gains and losses will continue to be amortized over a 15-year period.

c. Net Pension Liability

The City has relied on the work of the SDCERS actuary (actuary) to determine the City's Net Pension Liability, and considers the underlying assumptions used by the actuary to be reasonable. The Net Pension Liability is measured as of June 30, 2018, based on the plan net position as of June 30, 2018 and the Total Pension Liability as of the valuation date, June 30, 2017, updated to June 30, 2018. On September 8, 2017, the SDCERS Board approved changes to actuarial assumptions, including: a) reductions in the pension system's long-term discount rate from 7.00% to 6.75% effective with the July 1, 2017 actuarial valuation, and from 6.75% to 6.50% effective thereafter; and b) a smoothing of future payments requiring higher City contributions from 2029 to 2033. SDCERS Board decisions are subject to further consideration with other assumptions in the following year's SDCERS Board approval process. There were changes in assumptions as of the measurement date so the updated procedures include the addition of service cost and interest cost offset by actual benefit payments, plus an adjustment due to the assumption changes.

A summary of the updated actuarial assumptions as of the June 30, 2017 actuarial valuation, and the economic experience study is shown below:

Description	Actuarial Assumption
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Funding Method	Entry Age Normal (EAN)
Amortization Method	Closed; Level % (Police), Level \$ (non-Police)
Annual Rate of Return on Investments ¹	6.50% net of investment expense
Inflation Rate	3.05% per year, compounded annually
Cost of Living Adjustment	1.9% per year, compounded annually
Projected Salary Increases due to Inflation ²	3.05%
Mortality	Healthy retired members use CalPERS Mortality Tables

¹ Represents nominal rate of return on investments (includes inflation factor).

² Additional merit salary increases of 0.50% to 8.00% based on a participant's years of service, and membership group are also assumed.

The SDCERS Board has the authority to select economic and demographic assumptions for the Plan. The actuarial assumptions used to determine the total pension liability as of the June 30, 2018 measurement date reflect the results of a full actuarial experience study performed by the actuary covering the period July 1, 2010 through June 30, 2015 and adopted by the SDCERS Board in September 2016, and the results of an economic experience study performed by the actuary and presented to the SDCERS Board in November 2017.

GASB 68 permits the use of the assumed annual rate of return on investments (6.50%) as the discount rate to measure the projected benefit payments used to calculate the Net Pension Liability, without regard to the funding level of the pension system, if (i) the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (ii) pension plan assets are expected to be invested using a strategy to achieve that return. In determining whether condition (i) is satisfied, the actuary can incorporate all projected cash flows for contributions from the City and from current active employees.

To determine the Pension Plan's projected fiduciary net position, the actuary has assumed that employees will continue to contribute to SDCERS at the current rates and that the City will continue its historical practice (since 2006) of contributing to SDCERS based on an actuarially determined contribution. Accordingly, the City has calculated its Net Pension Liability using a discount rate of 6.50%.

d. Long-Term Expected Real Rate of Return

The target allocation and the best estimates for long-term expected real rates of return for each major asset class of the Pension Plan, as of the June 30, 2018 measurement date, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	18.0%	4.1%
International Equity	15.0%	5.1%
Global Equity	8.0%	4.8%
Domestic Fixed Income	22.0%	0.7%
Emerging Market Debt	5.0%	3.1%
Real Estate	11.0%	3.6%
Private Equity and Infrastructure	13.0%	6.0%
Opportunity Fund	8.0%	4.0%
Total	100.0%	

Source: SDCERS CAFR Fiscal Year 2018

Expected return estimates for equity and fixed income were developed using a geometric (long-term compounded) building block approach: 1) expected returns are based on observable information in the equity and fixed income markets and consensus estimates for major economic and capital market inputs, such as earnings and inflation, and 2) where necessary, judgment-based modifications are made to these inputs. Return assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment from SDCERS' general investment consultant specialist research teams.

e. Changes in the Net Pension Liability

The following table shows the changes in Net Pension Liability based on the actuarial information provided to the City:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2017	\$ 9,510,892	\$ 6,988,834	\$ 2,522,058
Changes for the Year:			
Service Cost	108,872	—	108,872
Interest	628,499	—	628,499
Differences Between Expected and Actual Experience	58,618	—	58,618
Changes in assumptions	266,606	—	266,606
Contributions - Employer	—	328,922	(328,922)
Contributions - Employee	—	57,937	(57,937)
Net Investment Income	—	594,845	(594,845)
Benefit Payments, Including Refunds of Employee Contributions	(515,078)	(515,078)	—
Administrative Expense	—	(10,570)	10,570
Net Changes	<u>547,517</u>	<u>456,056</u>	<u>91,461</u>
Balances at June 30, 2018	<u>\$ 10,058,409</u>	<u>\$ 7,444,890</u>	<u>\$ 2,613,519</u>

The required schedule of changes in the net pension liability and related ratios immediately following the notes to the financial statements presents the beginning and ending balances of the total pension liability, the plan net position available for pension benefits, and the net pension liability, as well as the itemized changes in those amounts during the fiscal year. The schedule also reports a ratio of plan fiduciary net position divided by the total pension liability, the payroll amount for current employees in the plan (covered payroll), and a ratio of the net pension liability divided by covered payroll. Five years of information is presented and will build to 10 years of information on a prospective basis.

The required schedule of employer contributions immediately following the notes to the financial statements presents the City's actuarially determined contribution to the Pension Plan, the City's actual contribution, the difference between the actual and actuarially determined contributions, and a ratio of actual contributions divided by covered payroll.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - Pursuant to GASB 68, the following table presents the Net Pension Liability of the City, calculated using the discount rate of 6.50% as well as what it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Total Pension Liability	\$ 11,270,783	\$ 10,058,408	\$ 9,061,221
Plan Fiduciary Net Position	7,444,889	7,444,889	7,444,889
Net Pension Liability	<u>\$ 3,825,894</u>	<u>\$ 2,613,519</u>	<u>\$ 1,616,332</u>

Pension Plan Fiduciary Net Position - Detailed information about the Pension Plan's Fiduciary Net Position is available in the separately issued SDCERS financial reports available at www.sdcers.org.

f. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the measurement period ended June 30, 2018, the City recognized pension expense of \$559,020. As of the measurement period June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 326,982	\$ —
Differences Between Expected and Actual Experience	62,787	—
Changes in Assumptions	260,984	—
Net Difference Between Projected and Actual Earnings on Pension Plan Assets	—	129,735
Total	<u>\$ 650,753</u>	<u>\$ 129,735</u>

Pursuant to GASB 68, \$326,982 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date of June 30, 2018, will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense in subsequent measurement periods as follows:

Measurement Year Ending June 30	Amount
2019	\$ 240,527
2020	82,856
2021	(106,032)
2022	(23,315)

g. Preservation of Benefits (POB) Plan

The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of promised pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). As provided in SDMC Section 24.1606 and required by federal tax law, the POB Plan is unfunded within the meaning of the federal tax laws. The City may not pre-fund the POB Plan to cover future liabilities beyond the current year as it can with an IRC section 401(a) pension plan. Because the POB Plan is not administered through trusts that meet the criteria specified in GASB 68, it is reported pursuant to requirements of GASB 73 which extends the approach to accounting and financial reporting established in GASB 68 to pension plans that are not similarly administered. SDCERS facilitates the payment of these benefits on a pay-as-you-go basis, which is funded by the City. The number of participants in any given year for the POB Plan is determined by the number of Pension Plan participants who exceed the current year's section 415(b) limitations as calculated by SDCERS' actuary. The maximum annual participant payment from a defined benefit plan for calendar year 2018 was \$220.

Preservation of Benefits Plan Total Pension Liability

The City's POB Plan pension cost for June 30, 2019 is based on the June 30, 2018 measurement date and on a valuation date of June 30, 2017, updated to June 30, 2018 as prepared by the SDCERS actuary. The Total Pension Liability (TPL) is the actuarial liability calculated under the entry age actuarial cost method. There were changes in the assumptions as of the measurement date, to include the addition of service cost and interest cost offset by actual benefit payments, plus an adjustment due to the change in discount rate.

A summary of the updated actuarial assumptions as of the June 30, 2017 actuarial valuation and economic experience study is shown below:

Description	Actuarial Assumption
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Funding Method	Entry Age Actuarial Cost
Amortization Method	Closed; Level % (Police), Level \$ (non-Police)
Inflation Rate	3.05% per year, compounded annually
Cost of Living Adjustment	1.9% per year, compounded: Active and Deferred Vested 2.0% per year, compounded: Members in Payment Status
Projected Salary Increases due to Inflation ¹	0% FY16-FY18, 3.05% thereafter
Mortality	Healthy retired members use CalPERS Mortality Tables

¹ Additional merit salary increases of 0.50% to 8.00% based on a participant's years of service, and membership group are also assumed.

GASB 73 allows for a discount rate of a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The Municipal Bond yield for the Bond Buyer 20 year GO index was 3.58% as of the measurement date of June 30, 2017, and 3.87% as of June 30, 2018.

Changes in the Total Pension Liability

The following table shows the changes in the total pension liability for POB based on the actuarial information provided to the City (dollars in thousands):

	Total Pension Liability
Balances at June 30, 2017	\$ 10,532
Changes for the Year:	
Service Cost	54
Interest	353
Differences Between Expected and Actual Experience	2,352
Changes in assumptions	(216)
Benefit Payments	(1,430)
Net Changes	1,113
Balances at June 30, 2018	\$ 11,645

The required schedule of changes in the total pension liability immediately following the notes to the financial statements presents the beginning and ending balances of the total pension liability as well as the itemized changes in those amounts during the fiscal year. The schedule also reports the payroll amount for current employees in the plan (covered payroll), and a ratio of the net pension liability divided by covered payroll. Three years of information is presented, and will build to 10 years of information on a prospective basis.

Sensitivity of the Total Pension Liability to Changes in the Discount Rate - Pursuant to GASB 73, the following table presents the Net Pension Liability of the City, calculated using the discount rate of 3.87%, as well as what it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total Pension Liability	\$ 12,434	\$ 11,645	\$ 10,971

Pension Expense and Deferred Outflows/Inflows of Resources Related to POB

For the measurement period ended June 30, 2018, the City recognized pension expense of \$1,664. As of the measurement period June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
POB Contributions Subsequent to Measurement Date	\$ 1,403	\$ —
Differences Between Expected and Actual Experience	1,779	—
Changes in assumptions	—	340
Total	\$ 3,182	340

Pursuant to GASB 73, \$1,403 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date of June 30, 2018, will be recognized as a reduction of the total pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense in subsequent measurement periods as follows:

Measurement Year Ending June 30	Amount
2018	\$ 727
2019	712

DEFINED CONTRIBUTION PLANS

a. Supplemental Pension Savings Plan - City

Pursuant to the City's withdrawal from the Federal Social Security System effective January 8, 1982, the City established the Supplemental Pension Savings Plan (SPSP). Pursuant to the Federal Government's mandate of a Social Security Medicare tax for all employees not covered by Social Security hired on or after April 1, 1986, the City established the Supplemental Pension Savings Plan-Medicare (SPSP-M). The SPSP and SPSP-M were merged into a single plan (SPSP) on November 12, 2004 for administrative simplification, without a change in benefits. Pursuant to the requirements of the Omnibus Budget Reconciliation Act of 1990 (OBRA-90) requiring employee coverage under a retirement system in lieu of coverage under the Federal Insurance Contributions Act (FICA) effective July 1, 1991, the City Council established the Supplemental Pension Savings Plan-Hourly (SPSP-H). These supplemental plans are defined contribution plans administered by Wells Fargo to provide pension benefits for eligible employees. The City Council can amend any provisions of the plans that are not part of any employee's vested retirement benefit. If the City amends any non-legally mandated provisions, it must first comply with procedural requirements, including collective bargaining under the Meyers-Milias-Brown Act and for the SPSP plan, after approval by a simple majority vote of all active members. There are no plan members who belong to an entity other than the City. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings, less investment losses. The City's general members, lifeguard members and elected officers participate in the plan. Eligible employees may participate from the date of employment; however, the SPSP plan was closed to general and lifeguard members hired on or after July 1, 2009 and January 1, 2011, respectively. The following table details plan participation as of June 30, 2019:

Plan	Participants
SPSP	5,659
SPSP-H	8,740

The SPSP requires that both the employee and the City contribute an amount equal to 3% of the employee's total salary each pay period. Participants in the plan hired before July 1, 1986 may voluntarily contribute up to an additional 4.5% and participants hired on or after July 1, 1986 may voluntarily contribute up to an additional 3.05% of total salary, with the City matching each. Hourly employees contribute 3.75% on a mandatory basis, which is matched by City contributions except for employees represented by the MEA and the California Teamsters Local 911. The match for these employees was 6% during fiscal year 2018. Under the SPSP, the City's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service at a rate of 20% for each year of service. Hourly employees are immediately 100% vested. The unvested portion of City contributions and interest forfeited by employees who leave employment before five years of service are used to reduce the City's SPSP cost.

401(a) Plan Under Proposition B - Proposition B amended the City Charter to provide all new City employees initially hired on or after July 20, 2012, except sworn police officers, with a 401(a) plan that is administered along with SPSP but with different contribution rates, vesting periods and employer match. Non-public safety employees contribute an amount equal to 9.2% of salary, and firefighters, lifeguards, and police recruits contribute 11% of salary (including overtime) on a mandatory basis. The City matches all such contributions and contributions are fully vested immediately upon employment. Police recruits participate in SDCERS upon acceptance of full-time police employment. Due to ongoing litigation regarding Proposition B, the City has not established a new plan for eligible employees. Instead, the City has contributed funds to SPSP-H, an existing 401(a) plan, to eligible employees in accordance with the SPSP-H plan provisions. The City will continue to contribute funds for such employees through the SPSP-H, pending resolution of Proposition B litigation and negotiation.

In fiscal year 2019, the City and the covered employees contributed \$35,751 and \$35,424, respectively, including contributions made under the 401(a) Plan under Proposition B. As of June 30, 2019, the plan fiduciary net position totaled \$876,730. SPSP, which includes SPSP-H, is considered part of the City's financial reporting entity and is reported as a pension trust fund.

b. 401(a) Plan - City

The City Council established a 401(a) Plan for all General Member employees hired on or after July 1, 2009 and before July 20, 2012. The 401(a) Plan is a defined contribution plan administered by Wells Fargo to provide pension benefits for eligible employees. Employees are eligible to participate from the date of employment and are immediately 100% vested. Employees contribute 1% on a mandatory basis, which is matched by City contributions. Additionally, employees can make voluntary contributions to their 401(a) Plan accounts through payroll deductions not to exceed IRS limits. Voluntary contributions to the plan are not matched by the City. The City Council can amend any provisions of the plan that are not part of any employee's vested retirement benefit. However, if the City amends any non-vested provisions, it must first comply with procedural requirements, including collective bargaining under the Meyers-Milias-Brown Act.

The City and employees contributed \$382 and \$596, respectively, during the fiscal year ended June 30, 2019. As of June 30, 2019, the plan fiduciary net position totaled \$7,392. The 401(a) Plan is considered part of the City's financial reporting entity and is reported as a pension trust fund.

c. 401(k) Plan - City

The City Council established a 401(k) Plan effective July 1, 1985. The 401(k) Plan is a defined contribution plan administered by Wells Fargo to provide retirement benefits for eligible employees. Employees are eligible to participate from the date of employment. Employees make contributions to their 401(k) Plan accounts through payroll deductions. The City Council can amend any provisions of the plan that are not part of any employee's vested retirement benefit. However, if the City amends any non-vested provisions, it must first comply with procedural requirements, including collective bargaining under the Meyers-Milias-Brown Act.

The employees' 401(k) contributions are based on IRS calendar year limits. Employees contributed \$31,318 during the fiscal year ended June 30, 2019. There is no City contribution towards the 401(k) Plan. As of June 30, 2019, the plan fiduciary net position totaled \$442,087. The 401(k) Plan is considered part of the City's financial reporting entity and is reported as a pension trust fund.

Narratives presented in the following sections (d. through g.) are taken directly from the fiscal year 2019 annual financial reports of the corresponding entity (certain terms have been modified to conform to the City's CAFR presentation).

d. Pension Plan - Civic San Diego

CSD sponsors a 403(b) tax deferred retirement plan (Plan) of the Internal Revenue Code of 1986, which is provided to all regular employees. The Plan is a defined contribution plan under which benefits depend solely on amounts contributed to the Plan by the employer and the employees, plus investment earnings. All regular employees are eligible to participate on their first day of employment with an employer contribution amount equal to 7.5% of their bi-weekly compensation.

Effective on the first payroll following three months of employment, CSD contributes an amount equal to 12% of the total bi-weekly compensation for all regular employees. CSD's contributions for each employee are fully vested at the time of contribution. CSD's contributions were calculated based on the Plan's total defined compensation amounts for all eligible employees, which totaled \$2,689. CSD made its required contribution amounting to \$321 for fiscal year 2019.

CSD defined that an eligible participant is a permanent and full-time employee that normally works at least 30 hours per week. An employee is considered to work at least 30 hours per week, if for the 12-month period beginning on the date the employee's employment commenced, CSD reasonably expects the employee to work at least 1,500 service hours and, for each Plan year ending after the close of that 12-month period, the employee has worked at least 1,500 service hours.

The fiduciary responsibilities of CSD consist of making timely contributions and remitting deposits collected. The Plan is not a component unit of CSD and is therefore not reported in the City's basic financial statements.

e. Pension Plan - San Diego Convention Center Corporation

The SDCCC Money Purchase Pension Plan (SDCCC Plan) is a governmental plan under IRC section 414(d), which was established effective January 1, 1986, by SDCCC's Board of Directors. The SDCCC Plan is administered by SDCCC through a Defined Contribution Committee, represented by the SDCCC Board and staff, who act by a majority of its members in office to carry out the general administration of the SDCCC Plan. Any recommended SDCCC Plan amendments are subject to the approval and adoption by SDCCC's Board of Directors. As part of the SDCCC Plan, SDCCC through Board action selected Wells Fargo & Company as Trustee, to hold and administer the SDCCC Plan assets subject to the terms of the SDCCC Plan. The SDCCC Plan is a qualified defined contribution plan and, as such, benefits depend on amounts contributed to the plan plus investment earnings less allowable plan expenses. The SDCCC Plan covers all employees who have completed at least 1,000 or more hours of service in one year and are not covered through a union retirement plan.

Full-time employees are eligible to participate in the SDCCC Plan on the first day of the month after completion of 1,000 hours of service and receive contributions on a bi-weekly basis thereafter. Part-time employees are eligible to participate in the SDCCC Plan after completion of 1,000 hours and receive contributions annually once they meet the 1,000 hours threshold requirement. For each Plan year, SDCCC contributes 10% of compensation paid after the employee becomes an eligible participant, which is transferred to the trustee on behalf of each qualifying individual.

SDCCC's Plan year is defined as a calendar year. The balance in the SDCCC Plan for each eligible employee is vested gradually over five years of continuing service with an eligible employee becoming fully vested after five years. Forfeitures and SDCCC Plan expenses are allocated in accordance with SDCCC Plan provisions. For the year ended June 30, 2019, pension expense amounted to \$1,304, with no employee contributions made to the SDCCC Plan. No forfeitures were used during the year. SDCCC records pension expense during the fiscal year based upon employee compensation that is included in qualified gross compensation.

The City does not act in a trustee or agency capacity for the SDCCC Plan; therefore, the SDCCC Plan is not reported within the City's basic financial statements.

f. Pension Plan - San Diego Housing Commission

SDHC provides a pension plan through a defined contribution plan intended to be a "governmental plan" as defined by Section 411(s) (1)(A) and 414(d) of the IRC and Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The SDHC pension plan covers all SDHC employees classified as permanent full time and permanent part time hired to work a minimum of 20 hours per week.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Eligible employees participate on their day of hire. SDHC contributes 14% of defined earnings each pay period for each eligible employee. Contributions (and interest allocated to the employee's account) vest ratably over four years of service, with a year of service defined as an employee completing at least 1,000 hours of service. Any forfeited SDHC contributions and related interest are used to fund a future SDHC pay period contribution. For the fiscal year ended June 30, 2019, covered payroll was \$25,148. Pension expense related to SDHC's required contribution was \$3,521 and plan members contributed \$208 for the fiscal year ended June 30, 2019.

At June 30, 2019, there were 400 employees in the plan, including 3 inactives receiving benefits, 92 inactives not yet receiving benefits and 305 active employees.

The retirement pension benefit is available at normal retirement age (62nd birthday) or upon termination or disability. The retirement pension benefits are determined based upon the vested value of the participant's accumulation accounts at the time of distribution. Distributions must commence no later than April 1st of the calendar year following the calendar year in which the participant attains age seventy and one-half (70½) years of age.

The SDHC pension plan has a third party fiduciary, Retirement Benefits Group, and a third party recordkeeper, Transamerica. SDHC has the authority to establish and amend the provisions of the Plan including the contribution requirements with the approval of the Board of Commissioners. The SDHC pension plan is audited by an outside firm, and a copy of the audit report can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, California 92101.

The City does not act in a trustee or agency capacity for the SDHC pension plan; therefore, these assets are not reported within the City's basic financial statements.

13. OTHER POSTEMPLOYMENT BENEFITS (Dollars in Thousands)

The City provides postemployment healthcare benefits, also known as other postemployment benefits (OPEB), to qualifying general, safety and elected members through a variety of defined benefit and defined contribution plans. OPEB benefits are established pursuant to the SDMC. Plan determination is based on several factors including hire date, termination date and individual employee election as provided for in SDMC Sections 24.1201 through 24.1204 and 29.0101 through 29.0105 (OPEB Plan).

In fiscal year 2012, the City entered into a 15-year memorandum of understanding with REOs through fiscal year 2027 (Healthcare MOU). Pursuant to the Healthcare MOU, members retiring after April 1, 2012 were required to make an irrevocable election between three retiree healthcare benefit plan options, Options A, B, and C. Options A and B are defined benefit plans and Option C is a defined contribution plan. A significant group of participants elected Option C, substantially reducing the City's OPEB Plan's unfunded actuarially accrued liability in fiscal year 2012. Beginning in fiscal year 2015, the terms of the Healthcare MOU could be renegotiated by either the City or the employees' collective bargaining units, subject to a six-vote approval by the City Council. Any modification of the Healthcare MOU would apply only to active employees and not to retirees or those who have already had the Option C defined contribution plan funded by the City.

The City's defined benefit plans and the Option C defined contribution plan are closed to employees hired on or after July 1, 2005. For general members hired on or after July 1, 2009, the City established a new defined contribution plan through a trust vehicle (Retiree Medical Trust Plan).

As of the June 30, 2018 actuarial valuation, the following table shows the active and retired employee composition of the defined benefit OPEB Plan:

Inactive Employees or Beneficiaries Currently Receiving Benefits	6,212
Inactive (Terminated) Employees Entitled to but not yet Receiving Benefits	349
Active Employees	<u>453</u>
Total	<u><u>7,014</u></u>

The City has pre-funded future postemployment healthcare benefits for defined benefit plan costs through the California Employers' Retiree Benefit Trust (CERBT), an investment trust administered by the California Public Employees' Retirement System (CalPERS). The CERBT is an agent multiple-employer plan as defined by GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, with pooled administrative and investment functions. The purpose of the trust is to receive contributions from participating employers and establish separate employer prefunding accounts to pay for retiree healthcare benefits in accordance with the terms of the participating employer's plans, including the City's defined benefit plans. Contributions to the CERBT are voluntarily determined by each participating employer, and there are no long-term contracts for contributions to the CERBT. CalPERS issues a publicly available CAFR that includes financial statements and required supplementary information for the CERBT, which can be found online at www.calpers.ca.gov. The City's OPEB Plan does not issue a separate annual financial report.

DEFINED BENEFIT PLANS

a. Plan Description

Pursuant to the SDMC, SDCERS processes health insurance premium payments and healthcare reimbursement requests pertaining to the City's retiree healthcare defined benefit plans for eligible retirees. This activity and related balances are reported in the SDCERS basic financial statements as an agency fund. Postemployment healthcare benefits for members retiring from City employment are based on their health eligibility status. Members receiving defined retiree healthcare benefits can be categorized into four main groups as described below:

- I. Limited Retiree Health Benefit - Members who retired before October 6, 1980 and are eligible to receive a retirement allowance from SDCERS are entitled to be reimbursed up to \$1,200¹ per year for health insurance costs. The retired members are not reimbursed more than the actual health premium or medical costs he or she incurs. This amount does not increase.
- II. Plan for members who retired between 1980 and 2012 - Members who retired between October 6, 1980 and March 31, 2012 require 10 years of service with the City to receive 50% of the retiree health reimbursement allowance and receive an additional 5% per year of service in excess of 10 years, resulting in a maximum benefit of 100% at 20 years of service. Reimbursement allowances vary based on retirement date and Medicare eligibility. Medicare eligible retirees under this plan are entitled to receive reimbursement of healthcare premiums, ranging from approximately \$8,400¹ to \$15,300¹ per year. Retirees who are not eligible for Medicare are entitled to receive reimbursement of healthcare premiums, ranging from approximately \$8,900¹ to \$14,400¹ per year. Retirees under this plan can obtain health insurance coverage with the plan of their choice, including any City sponsored, REO sponsored, or privately secured health plan. Reimbursements for certain retirees under this plan are adjusted annually based upon the projected increase for National Health Expenditures by the Centers for Medicare and Medicaid Services (Annual Inflation). Annual adjustments may not exceed 10% for any plan year. In addition, 100% of Medicare Part B premiums are reimbursed, including income related increases to the standard Part B premium amount. Disabled retirees are eligible for the maximum allowance regardless of years of eligible service credit.
- III. Option A Plan - Members not retired by April 1, 2012 who elected Option A under the Healthcare MOU are paid or reimbursed for health insurance premiums by the City up to \$10,204¹ annually. Option A was available only to those members who had 25 years of service or were eligible to retire as of April 1, 2012. This benefit amount increases 2% per year. Employees under the Option A Plan are required to pay bi-weekly contributions annually totaling \$835¹ for General Members and \$877¹ for Safety Members while active or in DROP status in order to receive retiree medical benefits. Employee contribution amounts do not change and cannot be refunded.
- IV. Option B Plan - Members not retired by April 1, 2012 who elected Option B under the Healthcare MOU are paid or reimbursed for health insurance premiums by the City up to \$5,500¹ annually. The benefit amount for Option B does not change. Option B retirees with 10 years of service receive 50% of the retiree health reimbursement allowance and receive an additional 5% per year of service in excess of 10 years, resulting in a maximum benefit of 100% at 20 years of service. Employees under the Option B Plan are required to pay bi-weekly contributions annually totaling \$417¹ for General Members and \$443¹ for Safety Members while active or in DROP status in order to receive retiree medical benefits. Employee contribution amounts do not change and cannot be refunded.

¹ Reported as whole dollars.

b. Contributions and Reserves

In accordance with SDMC Section 24.1204, postemployment healthcare benefits are to be paid directly by the City from any source available to it other than the Pension Plan. Each year, the City establishes a retiree healthcare employer contribution amount through the annual budgetary process (Annual Employer Contribution), allocating these costs to various City funds based on employee payroll. Member contributions for the Option A and Option B Plans are collected by the City and deposited in the Postemployment Healthcare Benefit Plan trust fund. Member contributions are not refundable and can be used by the City to cover a portion of the City's defined benefit plan costs.

Other than the amounts pre-funded through the CERBT, the City pays for retiree healthcare costs on a pay-as-you-go basis. If the Annual Employer Contribution and employee contributions for the Option A and B Plans do not fully cover the annual costs of the defined benefit plans and Option C Plan, the City withdraws funds from the CERBT to cover the difference.

In fiscal year 2019, the City's Annual Employer Contribution was \$63,781. The following table provides the fiscal year 2019 contribution breakdown by fund:

General Fund	\$ 47,771
Nonmajor Governmental Funds	585
Sewer Utility	5,386
Water Utility	3,477
Nonmajor Enterprise Funds	6,562
Total Healthcare MOU Contributions	<u>\$ 63,781</u>

Contributions from the various City funds are recorded in the Postemployment Healthcare Benefit Plan trust fund to pay for defined benefit plan costs or in the Employee Benefits agency fund to pay for Option C plan costs (Retiree Medical Trust Plan contributions are funded separately). In fiscal year 2019, employees contributed \$463 for Options A and B.

As of June 30, 2019, the fair value of the City's investments in the CERBT was approximately \$118,904. This balance is net of all plan activity during fiscal year 2019, including net annual investment earnings and administrative expenses amounting to approximately \$8,044 and \$97, respectively.

The following table summarizes the sources used to satisfy fiscal year 2019 pay-as-you-go costs of the defined benefit plans, including a portion of the Annual Employer Contribution, Option A and B contributions from employees and a withdrawal from the CERBT:

Annual Employer Contribution ¹	\$ 37,436
Employee Contributions - Options A&B	463
CERBT Withdrawal	1,806
Total Defined Benefit Pay-as-you-go Costs ²	<u>\$ 39,705</u>

¹ The remaining \$26,345 of the total \$63,781 Annual Employer Contribution is used for Option C Plan costs, which is a defined contribution plan.

² Includes administrative costs of \$1,052.

c. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018, based on the following actuarial methods and assumptions:

Description	June 30, 2018
Actuarial Cost Method	Entry Age Normal, Level Percent of Pay
Discount Rate	6.57%
Consumer Price Index	2.50%
Salary Increases	3.05%, and additional merit scale that varies by service.
Healthcare Cost Trend Rates	8.0% pre-65 and 6.0% post-65 initial trend rates for fiscal year 2019. Decreasing ultimate rate of 4.5% is reached in fiscal year 2027 pre-65 and fiscal year 2025 post-65.
Mortality	The base mortality rates are based on an experience study performed for SDCERS in September 2016.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the City and plan members through June 30, 2018. Additionally, actuarial calculations reflect a long-term perspective and include methods and assumptions that are designed to reduce short-term volatility of actuarial accrued liabilities and the relative value of plan assets. The City has relied on the work of the City's actuary to determine the City's net OPEB Liability, and considers the underlying assumptions used by the actuary to be reasonable.

To determine the OPEB Plan's projected fiduciary net position, the City's actuary has assumed that the City will continue to contribute to the OPEB Plan at the current rates defined in the Healthcare MOU until additional funding for the defined benefits valued in the actuarial report is no longer needed. At this point the projected City contribution will be reduced to the projected contribution required for Option C participants.

d. Long-Term Expected Rate of Return

The valuation uses a discount rate of 6.57% per year, net of investment expenses and including inflation. This is the long-term rate of return assumption on plan assets. This rate is based on the general inflation rate and expected real rate of return required for CalPERS reporting for use by employers who elect certain investment strategies as participants in CERBT. The target allocation and best estimates for long-term expected real rates of return for each major asset class, as of the June 30, 2018 measurement date, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Real Rate of Return
Global Equity	40.0%	5.98%
Fixed Income	43.0%	2.62%
REITs	8.0%	5.00%
TIPS	5.0%	1.46%
Commodities	4.0%	2.87%
Total	100.0%	

Source: CERBT

e. Changes in the Net OPEB Liability

The following table shows the changes in the Net OPEB Liability as of the measurement date of June 30, 2018, based on the actuarial information provided to the City. The OPEB Plan's Fiduciary Net Position (FNP) as a percentage of the Total OPEB Liability is 19.61%.

	Increase/Decrease		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2017	\$ 666,330	\$ 115,886	\$ 550,444
Changes for the Year:			
Service Cost	1,010	—	1,010
Interest	43,543	—	43,543
Differences between Expected and Actual Experience	(3,432)	—	(3,432)
Changes in Assumptions	(91,058)	—	(91,058)
Contributions - Employer	—	30,379	(30,379)
Contributions - Employee	—	577	(577)
Net Investment Income	—	7,348	(7,348)
Benefit Payments	(41,360)	(41,360)	—
Administrative Expense	—	(61)	61
Net Changes	(91,297)	(3,117)	(88,180)
Balances at June 30, 2018	\$ 575,033	\$ 112,769	\$ 462,264

The required schedule of changes in the net OPEB liability and related ratios immediately following the notes to the financial statements presents the beginning and ending balances of the total OPEB liability, the plan fiduciary net position available for OPEB benefits, and the net OPEB liability, as well as the itemized changes in those amounts during the fiscal year. The schedule also reports a ratio of plan fiduciary net position as a percentage of the total OPEB liability, the payroll amount for current employees in the plan (covered-employee payroll), and a ratio of the net OPEB liability as a percentage of the covered-employee payroll. Two years of information is presented and will build to 10 years of information on a prospective basis.

The required schedule of employer contributions immediately following the notes to the financial statements presents the City's actuarially determined contribution to the OPEB Plan, the City's actual contribution, the difference between the actual and actuarially determined contributions, and a ratio of actual contributions as a percentage of covered-employee payroll.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - Pursuant to GASB 75, the following table presents the net OPEB liability of the City, calculated using the current discount rate of 6.57% as well as what it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.57%)	Current Discount Rate (6.57%)	1% Increase (7.57%)
Net OPEB Liability	\$ 522,223	\$ 462,264	\$ 411,350

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Pursuant to GASB 75, the following table presents the net OPEB liability of the City, calculated using the current health care cost trend rate of 8.00% as well as what it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (7.00% pre-65 / 5.00% post-65 decreasing to 3.50% pre-65 / post-65)	Current Healthcare Cost Trend Rate (8.00% pre-65 / 6.0% post-65 decreasing to 4.50% pre-65 / post-65)	1% Increase (9.00% pre-65 / 7.00% post-65 decreasing to 5.50% pre-65 / post-65)
Net OPEB Liability	\$ 416,139	\$ 462,264	\$ 513,255

f. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the measurement period ended June 30, 2018, the City recognized OPEB expense of \$(58,309). As of the measurement period June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 37,436	\$ —
Net Difference Between Projected and Actual Investment Earnings	359	447
Total	\$ 37,795	\$ 447

Pursuant to GASB 75, \$37,436, reported as deferred outflows of resources related to OPEB contributions made subsequent to the measurement date of June 30, 2018, will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred inflows of resources will be recognized as OPEB expense as follows:

Year Ending June 30	Amount
2020	\$ (59)
2021	(59)
2022	(60)
2023	90

DEFINED CONTRIBUTION PLAN

The City provides two defined contribution plans to eligible employees as described below:

- a. Option C Plan - For employees hired prior to July 1, 2005 and who elected to participate in the Option C Plan, the City provides a lump sum distribution, estimated by an actuary to yield approximately \$8,500 (whole dollars) annually during the member's life expectancy after retirement. The distribution is made when the member first becomes eligible to retire, based on age and Service Credit. There is no member contribution to this plan. Retirees with 10 years of service receive 50% of the distribution, with additional City annual contributions each year thereafter until reaching 20 years. Contributions to the Option C Plan are reported in an agency fund, as the City does not administer them and simply passes through contribution amounts to the plan administrators. Option C is administered by various third parties depending on employee classification and/or membership in REOs. Total City contributions for the Option C Plan in fiscal year 2019 were \$26,345.
- b. Retiree Medical Trust Plan - For general members hired on or after July 1, 2009, the City established a trust vehicle for a defined contribution plan, which requires a mandatory employee contribution of 0.25% of gross salary with a corresponding 0.25% match by the City. Contributions to the Retiree Medical Trust Plan are reported in an agency fund, as the City does not administer them and simply passes through contribution amounts to the plan administrators. The Retiree Medical Trust Plan is administered by Voya Financial on behalf of the City. Elected and safety members are ineligible for this plan. The City and employees each contributed \$511 to the Retiree Medical Trust Plan in fiscal year 2019.
- c. Southern California Firefighters Benefit Trust - The City and International Association of Firefighters ("IAFF") Local 145 agreed to amend the Post-Employment Health Benefits MOU for the purpose of adding a City contribution of \$25 per pay period for each active IAFF Local 145 member (except Fire Recruits) to the Southern California Firefighters Benefit Trust ("Firefighters Benefit Trust"), effective July 1, 2016. The Firefighters Benefit Trust is not managed by the City. The City contributed \$594 to the Firefighters Benefit Trust in Fiscal Year 2019.

14. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Dollars in Thousands)

Interfund receivable and payable balances are the result of short-term loans between funds that are expected to be repaid during the next fiscal year, as well as amounts due for services provided. The \$46,453 balance is comprised of several items, including:

- A \$3,100 loan from the General Fund to the PFFA capital projects fund, in order to fund expenditures related to the PFFA Lease Revenue Bonds until eligible costs are reimbursed from trustee held funds
- A \$6,425 loan from the General Fund to the Transient Occupancy Tax (TOT) Fund to cover a cash deficit resulting from the timing of TOT receipts
- Loans made from the General Fund to the Grants Special Revenue Fund and the Capital Grants Fund of \$20,133 and \$1,249, respectively, in order to cover negative cash resulting from deferred inflows of resources (unavailable grant revenue)
- A \$15,332 loan made from the Budgeted Capital Outlay Fund to the Capital Grants Fund to cover negative cash resulting from deferred inflows of resources (unavailable grant revenue)

Contributing Fund (Receivable)	Benefiting Fund (Payable)
	Nonmajor Governmental
General Fund	\$ 31,121
Nonmajor Governmental	15,332
Total	<u>\$ 46,453</u>

Interfund Working Capital Advance (WCA) balances are the result of loans between funds (recorded as advances to/from other funds) that are expected to be repaid in excess of one year. The \$733 balance consists of an advance from the General Fund to Civic San Diego, mainly for administrative costs.

Contributing Fund (Receivable)	Benefiting Fund (Payable)
	Nonmajor Governmental
General Fund	<u>\$ 733</u>

Interfund transfers result from the transfer of assets without the expectation of repayment. Transfers are most commonly used to (1) move revenues from the fund in which it is legally required to collect them into the fund which is legally required to expend them, including TOT and TransNet funds collected in said funds but legally spent within the General Fund, (2) utilize unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, in accordance with budgetary authorizations, and (3) move tax revenues collected in the special revenue funds to capital projects and debt service funds to pay for capital projects and debt service needs during the fiscal year. Interfund transfer balances for the year ended June 30, 2019 are as follows:

Contributing Fund	Benefiting Fund						Total
	General Fund	Nonmajor Governmental	Sewer Utility	Water Utility	Nonmajor Enterprise	Internal Service	
General Fund	\$ —	\$ 42,904	\$ —	\$ —	\$ 235	\$ —	\$ 43,139
Nonmajor Governmental	33,836	43,521	—	—	—	—	77,357
Sewer Utility	—	24	—	—	—	—	24
Water Utility	—	14	312	—	—	—	326
Nonmajor Enterprise	—	18	—	—	1,672	—	1,690
Internal Service	8,239	21	136	181	90	29	8,696
Total	\$ 42,075	\$ 86,502	\$ 448	\$ 181	\$ 1,997	\$ 29	\$ 131,232

15. RISK MANAGEMENT (Dollars in Thousands)

The City is exposed to various risks of loss related to torts, including theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, cybersecurity and natural disasters. The City is self-insured for general liability, workers' compensation and long-term disability (LTD) claims, and also maintains contracts with various insurance companies to manage excessive risks.

The City's Self Insurance Retention (SIR) amount for general liability is \$3,000 per occurrence. Above the SIR, the City has a \$2,500 individual corridor deductible (annual aggregate). The City maintains excess general liability insurance policies in collaboration with a statewide joint powers authority risk pool, the California State Association of Counties-Excess Insurance Authority (CSAC-EIA) for amounts up to \$50,000 per occurrence (inclusive of the \$3,000 self-insured retention and the \$2,500 individual corridor deductible).

The City is fully self-insured for its long-term disability program. The City is self-insured up to \$5,000 for its workers' compensation program with statutory excess limits above that. Workers' compensation activity is reported within the General Fund. All operating funds of the City contribute an amount equal to a specified rate multiplied by the gross salaries of the fund. These payments are treated as operating expenses in the contributing funds and operating revenues in the General Fund. The Long-Term Disability Fund is reported in the Miscellaneous Internal Service Fund. Similarly, all operating departments of the City contribute an amount equal to a specified rate multiplied by the gross salaries of the fund. These payments are treated as operating expenses in the contributing funds and operating revenues in the Miscellaneous Internal Service Fund.

Estimated liabilities for general liability, workers' compensation, and long-term disability as of June 30, 2019 were determined based on results of independent actuarial valuations and include amounts for claims incurred but not reported. Claims liabilities were calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Non-incremental claims adjustment expenses have been included in the actuarial calculations for general liability. Estimated liabilities for general liability claims have been reported in the government-wide financial statements, Sewer Utility Fund, Water Utility Fund, and the Successor Agency Private-Purpose Trust Fund. Estimated liabilities for workers' compensation claims have been recorded in the government-wide financial statements, the Water Utility Fund, Sewer Utility Fund, Nonmajor Enterprise Funds, and Internal Service Funds. Estimated liabilities for long-term disability claims are recorded in the Miscellaneous Internal Service Fund.

A reconciliation of total liability claims for the City's general liability, workers' compensation, and long-term disability obligations, showing current and prior year activity is presented below:

	General Liability	Workers' Compensation & Long-Term Disability	Total
Balance, July 1, 2017	\$ 200,866	\$ 268,577	\$ 469,443
Claims and Changes in Estimates	44,552	41,346	85,898
Claim Payments	(44,336)	(32,445)	(76,781)
Balance, June 30, 2018	201,082	277,478	478,560
Claims and Changes in Estimates	37,059	47,434	84,493
Claim Payments	(61,934)	(35,204)	(97,138)
Balance, June 30, 2019	<u>\$ 176,207</u>	<u>\$ 289,708</u>	<u>\$ 465,915</u>

The City, in collaboration with CSAC-EIA, maintains an "All Risk" policy, which includes flood coverage for amounts up to \$25,000 per occurrence under the primary policy and with access to additional excess limits. The policy is subject to a \$25 deductible. Additional excess limits are available as part of the City's insurance property program through CSAC-EIA, where coverage "towers" with designated coverage limits are provided. Coverage towers are groups of properties, which are diversified based on occupancy (risk-pool members) and geographical location. The City participates in four coverage towers with dedicated coverage limits of \$300,000 for "All Risk" and Flood. If tower limits are exhausted, additional coverage may be accessible by any of the towers in the risk-pool. These additional coverage limits are shared by all towers in the risk-pool and may not exceed an aggregate amount of \$300,000 for "All Risk" and Flood, for all claims made by all towers during the coverage period. Limits include coverage for business interruption losses for designated leased properties for various financings. There is no sharing of limits among the City and member counties of the CSAC-EIA pool, unless the City and member counties are mutually subject to losses from the same occurrence. Limits and coverage may be adjusted periodically in response to the requirements of bond financed projects, grant requirements, acquisitions, and in response to changes in the insurance marketplace.

CSAC-EIA's insurance property program structure of dedicated tower limits also applies to earthquake coverage. The City participates in four coverage towers. Earthquake coverage is provided for designated buildings/structures in the amount of \$100,000 under primary policies per tower. If tower limits are exhausted, additional coverage may be accessible by any of the towers in the risk pool. The additional coverage limits are shared by all towers in the risk-pool and may not exceed an aggregate amount of \$440,000 for all claims made by all towers during the coverage period, including coverage for business interruption caused by earthquake at certain designated locations. Earthquake coverage is subject to a deductible of 2% of total insured values per unit per occurrence, subject to a \$100 minimum. The City's earthquake coverage is purchased jointly and limits are shared with the member counties in the CSAC-EIA pool. Due to the potential for geographically concentrated earthquake losses, the CSAC-EIA pool is geographically diverse to minimize any potential sharing of coverage in the case of an individual earthquake occurrence. Depending upon the availability and affordability of earthquake insurance, the City may elect not to purchase such coverage in the future, or the City may elect to increase the deductible or reduce the coverage from present levels.

The City is a public agency subject to liability for the dishonest and negligent acts or omissions of its officers and employees acting within the scope of their duty ("employee dishonesty" and "faithful performance"). The City participates in the joint purchase of insurance covering employee dishonesty and faithful performance through the CSAC-EIA pool. Coverage is provided in the amount of \$15,000 per occurrence, subject to a \$25 deductible.

During fiscal year 2019, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements which were covered by insurance have not exceeded the City's insurance coverage limits. However, some losses may not be covered by insurance and would need to be funded by the City. The City can give no assurance that particular losses will be covered or that coverage providers will be able to pay recorded losses.

See Note 18 for additional information.

16. FUND BALANCE / NET POSITION DEFICITS (Dollars in Thousands)

The Capital Grants Capital Projects Fund has a fund balance deficit of \$23,685, which represents deferred inflows of resources related to grant revenue which did not meet the City's availability criteria. The deficit is attributable to the Mission Bay Bridge Replacement Project funded primarily from a Federal transportation grant.

The Public Facilities Financing Authority Capital Projects Fund has a fund balance deficit of \$4,619, which represents capital expenditures pending reimbursement from other financing sources.

The implementation of GASB 68 and GASB 75 resulted in a significant impact to the net position of most proprietary funds. The Development Services Fund has a net position deficit of \$72,925. The Central Stores and Publishing Services Internal Service Funds have net position deficits of \$3,062 and \$2,001, respectively. The Miscellaneous Internal Service Fund has a net position deficit of \$3,854. These deficits are primarily due to the Net Pension Liability (NPL) and Net Other Postemployment Benefits (OPEB) Liability expected to be repaid over the long-term. Generally, the NPL changes annually as the City continues to fully pay its ADC for the Pension Plan, which includes amortized payments of the unfunded portion of the accrued liability (see Note 12). Similarly, the City continues to pay the annual defined benefit OPEB allocation per the authorized agreement (see Note 13). The cost recovery rates for these funds are developed to fully fund the respective Pension ADC and OPEB obligations on a yearly basis. As the City continues to fully pay its ADC for the Pension Plan, the net position deficit of these funds are anticipated to be corrected over the long-term.

The Private-Purpose Trust Fund (Successor Agency) has a net position deficit of \$419,928, which represents unfunded liabilities of the former RDA, primarily related to long-term debt obligations. On an annual basis, the Successor Agency submits funding requests to the County of San Diego, through Recognized Obligation Payment Schedules (ROPS). Funding is then allocated to the Successor Agency from the County's Redevelopment Property Tax Trust Fund (RPTTF) to satisfy obligations of the corresponding twelve month period. As obligations are funded twice annually and liabilities are paid, the net position deficit will continue to decrease. Once all the obligations of the Successor Agency are fully satisfied, the deficit will be eliminated.

17. COMMITMENTS (Dollars in Thousands)Encumbrances

The City uses encumbrances to control expenditures for the year which generate contractual and regulatory commitments that will result in expenses/expenditures in future years. Encumbrances represent commitments related to contracts not fully performed and purchase orders not yet filled. It is the City's policy to pay for operating encumbrances remaining at the end of the fiscal year from the following year's appropriations, not from fund balance. Encumbrances related to capital projects are funded through the current year appropriated budget, which carries over to the following fiscal year. Operating and capital contractual commitments for which funds have been encumbered as of June 30, 2019 are reflected in the table below.

General Fund	\$ 21,626
Nonmajor Governmental Funds	228,855
Sewer Utility	101,804
Water Utility	185,311
Nonmajor Enterprise Funds	<u>69,072</u>
Total Contractual Commitments	<u>\$ 606,668</u>

California Regional Water Quality Control Board Administrative Proceeding - Municipal Storm Water Permit

The State Water Resources Control Board (SWRCB) is the State agency charged with implementing the federal Clean Water Act (Clean Water Act). The SWRCB delegates its authority to nine regional boards, which implement the Clean Water Act and the California Water Code in their respective regions. The Regional Water Quality Control Board San Diego Region (RWQCB) has jurisdiction over the San Diego area. The RWQCB issues the Municipal Storm Water National Pollutant Discharge Elimination System Permit (Municipal Permit) as required by the Clean Water Act. Under the Municipal Permit, the City must comply with water quality requirements established by the RWQCB by maintaining and operating storm drain systems, eliminating dry weather flows and reducing pollutants in storm water runoff. The RWQCB has established specific numeric limitations on the maximum amount of pollutants that can be received by some of the City's six watersheds. The RWQCB periodically conducts water quality tests to determine if the receiving waters are meeting water quality requirements.

The Municipal Permit also requires the City to develop Water Quality Improvement Plans (Improvement Plans) to identify and address the highest priority water quality problems, including all of the City's existing storm water quality regulatory deadlines between fiscal year 2012 and fiscal year 2035 for each of the six watersheds within the City's jurisdiction. These Improvement Plans were reviewed and accepted by the RWQCB in March 2016. In October 2019, the City updated its estimate for implementation costs for the period between fiscal years 2020-2035 as follows:

Operating Cost Estimate	\$ 1,189,176
Capital Cost Estimate	<u>1,856,930</u>
Total	<u>\$ 3,046,106</u>

These estimates, based on 2013 dollars, could be higher or lower depending on numerous factors, including but not limited to: changes in regulatory standards; science and technology advancements; and new impairments that could be identified by the RWQCB as future water quality tests are conducted. In June 2017, the RWQCB adopted Order No. R9-2017-0077 which directs Municipal Permit holders to control trash discharges to water bodies (State Trash Policy). The State Trash Policy will be included in the next Municipal Permit reissuance, which is anticipated to be adopted in fiscal year 2021. The estimated funding needed to comply ranges from a combined total of \$12,000 to \$17,000 over 10 years beginning in fiscal year 2021. Most of these compliance activities represent pollution

prevention or control obligations with respect to current storm water operations and are not subject to accrual in the basic financial statements.

The City Storm Water Division's estimated costs to implement the Improvement Plans are higher compared to current spending levels and projected budget allocations. Operating expenses budgeted for fiscal year 2020 are approximately \$51,968. The estimated carry-forward plus adopted Capital Improvement Program budget for fiscal year 2020 is approximately \$52,236, which is funded primarily with General Fund revenues, TransNet, impact fees, and debt financing proceeds. The City's storm water fees of 95 cents per month per residence generated approximately \$5,497 in fiscal year 2019 and cover only a small portion of the City's annual storm water expenses. This current level of funding is not sufficient to meet the estimated costs to implement the Improvement Plans necessary to comply with ongoing requirements.

The City has continued to employ a multi-faceted strategy to comply with Municipal Permit requirements and reduce estimated costs to implement the Improvement Plans. First, the City is continuing to work collaboratively with the RWQCB to evaluate, and where justified with scientific data, amend regulations to reduce or eliminate certain program elements that are not needed to meet water quality targets. The City is also evaluating the possibility of extending compliance schedules to reduce annual funding needs through the U.S. Environmental Protection Agency's (USEPA) Integrated Planning Framework (IPF) program. Extending the compliance schedules may likely increase the costs of implementing the Improvement Plans. The IPF program provides a framework for municipalities to extend compliance schedules and focus on the highest priority water quality issues when Clean Water Act funding need obligations exceed specified ratepayer affordability thresholds. The RWQCB retains discretion whether to allow municipalities to utilize the IPF program, therefore the City is actively seeking RWQCB approval to incorporate the IPF program into the next five-year Municipal Permit issuance expected to be adopted during the latter part of 2020. Subsequent to adoption of the Municipal Permit, the City must develop, submit, and obtain RWQCB approval of an Integrated Plan before any compliance schedules can be extended. Second, the City is pursuing a combination of alternative funding and financing strategies, such as grants and State Revolving Fund loans. Third, the City continues to implement pilot studies, such as studies of street sweeping, storm drain cleaning and business inspection programs, to identify cost-saving improvements to operations. Absent an increase in storm water fees or other new funding sources discussed above, the unfunded or increased compliance funding needs would continue to be paid from the General Fund.

The Municipal Permit imposes numerous obligations and requirements on the City, including requirements to ensure that the City's various water bodies, and the storm drains discharging into them, do not contain pollutants in excess of USEPA and State-mandated numeric limits. These numeric limits, referred to as "receiving water limitations" are enforced without regard to fault, and the City can be held liable if samples collected in water bodies downstream of any City storm drain outfalls exhibit exceedances of these receiving water limitations. Both the RWQCB and citizen stakeholders can file enforcement actions and lawsuits for violations of the receiving water limitations, with penalties for state lawsuits not to exceed \$10 per violation, per day, and penalties for federal lawsuits not to exceed \$54 per violation per day. Additionally, the Municipal Permit contains several regulatory requirements related to Total Maximum Daily Load (TMDL). Each TMDL requirement contains both interim deadlines and final deadlines to attain certain prescribed water quality standards through fiscal year 2035. Interim deadlines typically require attainment of a partial portion of the water quality standards that would be required by the final deadline and are designed to ensure that progress is being made toward attaining the final deadline. Compliance is required with both the interim and final compliance deadlines such that the City can be held liable for not attaining the prescribed water quality standards within the respective time-frames.

The City is projected to meet its interim regulatory deadline related to the Sediment TMDL in the Los Peñasquitos watershed in 2020, but is currently not meeting its interim dry weather regulatory deadline (April 2019) related to the Bacteria TMDL in some watersheds based on updated water quality monitoring data. The City is also not projected to meet the rigorous final dry weather regulatory deadline (April 2021) for each creek and river outfall compliance monitoring locations related to the Bacteria TMDL due to insufficient funding and the time requirements to implement essential capital projects. However, the City is currently engaged in multiple efforts to comply with these onerous requirements. First, the City is ramping up efforts to identify and eliminate human sources of bacteria, which are most harmful to human health. The City's efforts are being documented in a draft Bacteria Tactical Plan that describes the

collaboration among three City departments to capture current and potential new activities that can be initiated to address bacteria sources. Efforts include addressing homeless encampments, initiating an interdepartmental abatement team, and increased trash removal. Using the implementation activities in the draft Bacteria Tactical Plan as a basis, the City is negotiating with the RWQCB as a pathway to demonstrate the commitment in meeting the Bacteria TDML requirements in the next Municipal Permit reissuance. The City is also developing a strategy to implement the San Diego River Investigative Order (See Note 18) and use those results to consider whether amendments to the Bacteria TMDL, contingent on RWQCB approval, are warranted which may reduce the City's estimates of funding needs.

Additionally, the City will not be able to meet interim deadlines for the Chollas Creek Dissolved Metals TMDL while the USEPA reviews revisions to critical calculations related to compliance. These revisions were approved by the RWQCB in February 2017 and by the SWRCB in September 2019, but still must be approved by both the California Office of Administrative Law (CAOAL) and the USEPA before they can be fully adopted. These revisions are being routed to the CAOAL to confirm that all public noticing requirements were met, and lastly to the USEPA for final approval (anticipated January 2020). The City is projected to meet the Chollas Creek Dissolved Metal TMDL interim compliance deadlines given these revisions, however, the City is exposed to litigation from third parties during the time period between the first deadline (October 2018) and final approval of the revisions (anticipated January 2020). As discussed above, the City is currently pursuing a multi-faceted strategy to meet these regulatory deadlines that includes seeking regulatory adjustments, pursuing alternative funding sources, and reducing funding needs through program improvements. If the City does not meet these required storm water regulations by the compliance deadlines, it is possible that the RWQCB could levy fines and penalties on the City of \$10 per day per violation and the USEPA could levy penalties of up to \$54 per day per violation. Each storm drain outfall that flows to a receiving water body may be assessed as a separate violation and, therefore, there could be more than one violation on any particular day. Additionally, if the City were to fall out of compliance, it would be exposed to litigation from third parties.

Los Peñasquitos Lagoon Sedimentation TMDL

The City is listed as a responsible party regarding the sedimentation of Los Peñasquitos Lagoon. This TMDL was adopted by the State of California in July 2014. The TMDL included requirements for sediment reductions in the Los Peñasquitos Watershed and the establishment of 84 acres of new salt marsh habitat in the Los Peñasquitos Lagoon by July 2034. There is no measurable pollution remediation that can be identified. The City has initiated Phase I of this required restoration, which involves sediment and freshwater management, as well as a pilot salt marsh restoration component that will result in approximately 23 acres of restoration. Phase I is estimated to be completed in 2026. The estimated cost for Phase I is approximately \$36,000, which will be borne by the responsible parties named in this TMDL. A cost sharing agreement is currently being negotiated and the City's portion of the costs has not yet been finalized. Phase II of the restoration will be designed based on the results of various restoration techniques implemented during Phase I and will result in the restoration of the remaining acres required; however, any estimated costs cannot be reasonably determined at this time pending the development of the final concept design for Phase II.

California Department of Public Health Compliance Order

In 1997, the State of California Department of Public Health issued a Compliance Order requiring the City to correct operational deficiencies and begin necessary capital improvements related to the City's water system. The Compliance Order was last amended in May 2007 and included additional items that were not in the original Compliance Order. As amended, the Compliance Order will remain in effect until the projects and pipeline replacement requirements are completed.

The Public Utility Department expects to award the remaining water system projects by calendar year 2021, which will fulfill the final requirements of the Compliance Order. For fiscal years 2020 through 2025, the City estimates Compliance Order project costs to total approximately \$36,866. The Public Utilities Department expects to fund these commitments through a combination of existing net position, present and future system revenues, and financing proceeds secured by system revenues.

Agreement Relative to Modified Permit for the Point Loma Wastewater Treatment

In June 2010, the City received a renewal of the Modified Permit for the Point Loma Wastewater Treatment Plant (Pt. Loma) and agreed to identify opportunities to maximize recycling wastewater for potable and non-potable uses. That permit expired in July 2015 and was administratively continued while the regulatory agencies completed work on the renewal application. In August 2017, the USEPA, in conjunction with the RWQCB, issued the final approval renewing the Modified Permit and the waiver from secondary treatment standards for another 5 years. The permit term took effect October 1, 2017 and expires on September 30, 2022.

The Modified Permit renewal was based on the compliance with the Clean Water Act requirements, progress of the Pure Water San Diego Program (Program), and a reduction in permitted emissions from the previous permit level. The Program is designed to reduce discharge into the ocean from Pt. Loma while providing a new local source of potable water for the City. The renewal recognized the value of the Program in the early phases of implementation, and it is anticipated that Program continuance can be reflected in future permits. As of August 2018, the first phase of the Program is estimated to cost approximately \$1,477,000 of which, approximately \$612,000 will be allocated to the Sewer Utility Fund, and approximately \$865,000 will be allocated to the Water Utility Fund. This estimate does not include the estimated facilities relocation costs described in the section below. The first phase of the Program is anticipated to be operational by calendar year 2025.

San Diego Gas and Electric (SDG&E) Reservation of Rights Agreement (Agreement)

In June 2018, SDG&E informed the City that it was stopping all design work on utility relocations for the Pure Water Program, pending advance payment for such work from the City. SDG&E argued that it was not responsible for the costs of relocating any of its facilities under its electric or natural gas franchise agreements with the City, on the basis that such work was proprietary and not governmental. The City Attorney's Office responded to SDG&E, expressing the City's strong disagreement with SDG&E's position based on the plain language in those franchise agreements, which the City believes requires SDG&E to relocate its facilities located in the public right-of-way at its own expense when necessary to accommodate City water projects, including the Pure Water Program.

In January 2019, to avoid project delays, the City and SDG&E entered into an Agreement in which the Public Utilities Department made an advance payment of approximately \$35.7 million to SDG&E for facilities relocation. SDG&E calculated an overall, preliminary cost estimate of approximately \$94.7 million, as of August 2018, of which the City has not performed an independent confirmation. The parties acknowledge the cost estimate may increase or decrease depending on project design changes or other factors, including a mandated Internal Revenue Code Cost in Aide in Construction Tax of approximately 24% that would increase the preliminary cost estimate. SDG&E relocation work will be billed on an actual cost basis. The City maintains its position that SDG&E should bear the costs of its facilities relocations from the public right-of-way for all City water projects and reserves the right to seek reimbursement from SDG&E through all legal means available. All payments made by the City for work performed are made under protest.

18. CONTINGENCIES (Dollars in Thousands)

FEDERAL AND STATE GRANTS

The City recognizes as revenue grant monies received as reimbursement for costs incurred related to certain Federal and State programs it administers. Although the City's Federal grant programs are audited in accordance with the requirements of the Federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and the related U.S. Office of Management and Budget Circular A-133 and 2 CFR 200 Uniform Guidance as applicable based on the date of the award, these programs may be subject to financial and compliance audits by the granting agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Single Audit for fiscal year 2019 is in process.

LITIGATION AND REGULATORY ACTIONS

The City is a defendant in lawsuits pertaining to material matters, including claims asserted, which are incidental to performing routine governmental and other functions. This litigation includes, but is not limited to: actions commenced and claims asserted against the City arising out of alleged torts; alleged breaches of contracts; alleged violations of law; and condemnation proceedings. The City received 2,445 notices of claims in fiscal year 2019.

As of June 30, 2019, the City estimates the amount of tort and non-tort liabilities to be \$176,207, which has been reported in the government-wide statement of net position, the proprietary funds financial statements, and the fiduciary funds financial statements. The liability was actuarially determined and was supplemented by information provided by the City Attorney with respect to certain large individual claims and proceedings. The liability recorded is the City's best estimate based on information available as of the issuance of this report. The City Attorney also estimates that in the event of an adverse ruling, certain pending lawsuits and claims have a reasonable possibility of resulting in an additional liability, in the aggregate, ranging from \$0 to \$167,204. However, the potential liabilities related to these claims are not individually accrued because it is not probable that a loss has been incurred as of June 30, 2019. Additionally, the City has an outstanding litigation case regarding overtime pay under the Fair Labor Standards Act with the Local 145 Labor Union for Firefighters. At this time, the Office of the City Attorney is unable to estimate a range of loss for this action; however, it is probable that a loss to the City will occur.

Additional information on litigation regarding the Pension Plan can be found in the introductory section of Note 12.

POLLUTION REMEDIATION OBLIGATIONS

A pollution remediation obligation is an obligation to address the current or potential detrimental effects of existing pollution by participating in remediation activities. The following items are contingent matters concerning the City.

Boat Channel at Naval Training Center (NTC)

The old Naval Training Center (NTC) was closed and, with the exception of the Boat Channel, the property was conveyed to the City under the Base Realignment and Closure (BRAC) process that culminated in a Memorandum of Agreement (MOA) between the City and the U.S. government (Navy) in 2000. NTC was redeveloped as Liberty Station by the Corky McMillin Companies. The transfer of the NTC Boat Channel was excluded from the conveyance because it was polluted. The MOA requires the Navy to remediate the Boat Channel and obtain appropriate regulatory site closure prior to conveyance. The Navy has completed a limited clean-up of the Boat Channel and has obtained RWQCB approval of the clean-up. Despite the approval, the City believes the clean-up is deficient for a number of reasons including (i) the original site investigation and characterization were inadequate, (ii) the remediation did not address the entirety of the Boat Channel property, and (iii) the remediation did not clean up the Boat Channel to current regulatory

standards. The City has repeatedly made these objections known to the Navy and the RWQCB. The Navy claims the City is partly responsible for discharges which polluted the channel and therefore is responsible to pay a portion of the remediation costs. The City denies the Navy's claim for a number of reasons, including the terms of the MOA and the fact that military facilities (both NTC and the Marine Corps Recruit Depot) surrounded the channel for decades, and most if not all pollutant discharges were Navy-originated. The City cannot estimate its apportioned responsibility for such remediation costs, if any, at this time.

San Diego Bay's Laurel Hawthorne Central and East Embayment Sediment Investigative Order R9-2019-040

On July 25, 2018, the RWQCB released three draft Investigative Orders (IOs) for the assessment of the Laurel Hawthorne Embayment (LHE). The City was named on one of the three IOs as a responsible party to determine the extent and magnitude of sediment contamination in LHE at the terminus of the City's 84-inch outfall. On October 2, 2019, the RWQCB issued the final IO requiring the City to submit a Sediment Assessment Work Plan (SAWP) to assess the extent and magnitude of pollutants in sediments in Laurel Hawthorne Embayment (LHE) caused by discharges from the City's 84-inch storm drain outfall. Additionally, the RWQCB issued two separate, and complimentary IOs to adjacent San Diego Unified Port District tenants, Solar Turbines and General Dynamics. The City's SAWP must be submitted by January 30, 2020, with a schedule to submit the Sediment Assessment Report. The waterside monitoring is projected to occur the summer of 2020 with potential overlap of sampling sites from adjacent IO monitoring events. The landside monitoring is projected to occur from spring 2020 to winter 2020. Remediation costs cannot be estimated until the investigation is completed and the RWQCB compares the results from the three investigations to determine responsibility and cleanup levels are negotiated with and ultimately imposed by the RWQCB. In addition, the responsible parties will then need to negotiate the allocation of cleanup responsibilities.

San Diego Bay Adjacent to Tenth Avenue Marine Terminal Draft Sediment Investigative Order R9-2017-0081 and San Diego Bay Adjacent to Continental Maritime Draft Sediment Investigative Order R9-2017-0082

On August 4, 2017, the RWQCB issued the final IO requiring the responsible parties to submit a Sediment Chemistry Assessment Work Plan in 180 days evaluating the current nature and extent of impairment. On January 31, 2018, the responsible parties submitted the work plans for both land and water that were accepted by the RWQCB. The waterside monitoring occurred in July 2018, and the landside monitoring occurred in the Fall of 2018 and Spring of 2019. Progress reports were submitted to the RWQCB in October 2019, which reviewed activities completed and analytical data. The Sediment Assessment Reports are due on February 25, 2020 for Continental Maritime San Diego, and March 2, 2020 for Tenth Avenue Marine Terminal. Costs of remediation cannot be estimated until the investigations are completed to determine if there are problems, and if so, the cleanup levels will be negotiated with and ultimately imposed by the RWQCB. In addition, the responsible parties will then need to negotiate the allocation of clean up responsibilities.

San Diego River Investigative Order R9-2019-0014

On June 28, 2019, the RWQCB released the final IO R9-2019-0014 that named the City as one of ten responsible parties to identify and quantify the relative contributions of human fecal material in discharges to the San Diego River, how it is transported, and improvements to implementation procedures. Costs to develop the work plan and implement the IO are being analyzed and will be shared among the responsible parties over the term of the five-year project. The cost sharing formula has not been negotiated at this time.

19. DEBT WITHOUT GOVERNMENT COMMITMENT (Dollars in Thousands)

The City and/or the former RDA of the City have authorized the issuance of certain Special Assessment/Special Tax Bonds, Parking Revenue Bonds, Tax Allocation Bonds, and Loans. The City has no legal obligation to make payment on these bonds or loans and has not pledged any City assets as a guarantee to the bondholders/lenders. These bonds and loans do not constitute indebtedness of the City. The bonds are payable solely from payments made on and secured by a pledge of the acquired funds, other monies held for the benefit of the bondholders pursuant to the bond indentures, property liens and other loans. Accordingly, no liability has been recorded in the City's government-wide statement of net position. Long-term liabilities of the former RDA are reported in the Successor Agency Private-Purpose Trust Fund. The following sections describe the outstanding debt without government commitment.

a. Special Assessment/Special Tax Bonds

The City, on behalf of the Special Assessment Districts (AD) and the Community Facilities Districts (CFD), have issued debt to finance infrastructure improvements and facilities necessary to facilitate development of the properties within the respective districts located in the City. The special assessment and special tax bonds are secured by special assessment and special tax liens, respectively, on the real property within the districts and are not direct liabilities of the City. The City has no fiscal obligation beyond the balances in designated AD and CFD funds for any related bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. The City acts solely as the agent in the collection and remittance of the assessments and special taxes for these ADs and CFDs and initiates foreclosure proceedings as required under the bond covenants. As of June 30, 2019, the status of each of the special assessment/special tax bonds issued is as follows:

	Original Amount	Balance Outstanding June 30, 2019
Community Facilities District No.2 (Santaluz), Improvement Area No. 1, Series 2011 A	\$ 51,680	\$ 35,385
Community Facilities District No.1 (Miramar Ranch North), Series 2012	24,795	6,900
Community Facilities District No.3 (Liberty Station), Series 2013	15,770	13,360
Assessment District No.4096 (Piper Ranch), Issued July 2013	3,830	3,155
Community Facilities District No.2 (Santaluz), Improvement Area No. 3, Series 2015	3,380	2,815
Community Facilities District No.2 (Santaluz), Improvement Area No. 4, Series 2015	6,215	5,475
Community Facilities District No.4 (Black Mountain Ranch Villages), Series 2016	16,435	15,240
Total Special Assessment / Special Tax Bonds	<u>\$ 122,105</u>	<u>\$ 82,330</u>

b. Parking Revenue and Tax Allocation Bonds

The former RDA issued parking revenue bonds for the purpose of financing certain public parking facilities and tax allocation bonds in order to finance or refinance redevelopment activities. The parking revenue and tax allocation bonds are secured by certain pledged revenues of the former RDA and are not direct liabilities of the City. In no event will the bonds be payable out of any funds or properties other than those of the Successor Agency or former RDA, along with any monies held by the Trustee in the funds and accounts established under the Indentures, and any amounts, including proceeds of the sale of the bonds, held in any fund or account established pursuant to the Indentures.

As of June 30, 2019, the status of each of the parking revenue and tax allocation bonds issued is as follows:

	Original Amount	Balance Outstanding June 30, 2019
Revenue Bonds:		
Centre City Parking, Series 1999 A	\$ 12,105	\$ 4,690
Centre City Parking, Series 2003 B	20,515	5,140
Total Revenue Bonds	<u>32,620</u>	<u>9,830</u>
Tax Allocation Bonds:		
Centre City Redevelopment Project, Series 2001 A	58,425	10,534
Successor Agency Redevelopment Refunding, Series 2016 A	145,080	121,980
Successor Agency Redevelopment Refunding, Series 2016 B	30,105	24,755
Successor Agency Redevelopment Refunding, Series 2017 A	64,565	60,600
Successor Agency Redevelopment Refunding, Series 2017 B	155,400	145,900
Total Tax Allocation Bonds	<u>453,575</u>	<u>363,769</u>
Total Bonds	<u>\$ 486,195</u>	<u>\$ 373,599</u>
Accreted Interest Payable on Tax Allocation Bonds:		
Centre City Redevelopment Project, Series 2001 A		<u>\$ 16,756</u>

c. Loans Payable

The former RDA issued loans for the purpose of financing redevelopment activities. The loans are secured by certain pledged revenues of the former RDA. Senate Bill 107 Local Government Section 34173 (h)(1) states "Repayment of loans created under this subdivision shall be applied first to principal, and second interest, and shall be subordinate to other approved enforceable obligations. As of June 30, 2019, the remaining principal balance of \$10,768 on the HUD Settlement Agreement Loan was fully paid off. Additional principal of \$504 was paid towards the Naval Training Center Section 108 Loan and \$10,000 towards miscellaneous loans. An interest payment of \$16,801 was paid towards the HUD Settlement Agreement Loan.

	Original Amount	Balance Outstanding June 30, 2019
Loans Payable:		
City of San Diego - Naval Training Center Section 108, Dated June 2004	\$ 5,910	\$ 1,104
City of San Diego - HUD Settlement Agreement, Various Dates	45,311	—
City of San Diego - Miscellaneous, Various Dates	45,761	17,261
Total Loans Payable	<u>\$ 96,982</u>	<u>\$ 18,365</u>
Accrued Interest Payable:		
City San Diego - Naval Training Center Section 108	\$ 1,899	\$ 1,899
City San Diego - HUD Settlement Agreement	33,476	16,403
City of San Diego - Miscellaneous	105,733	105,733
Total Accrued Interest Payable	<u>\$ 141,108</u>	<u>\$ 124,035</u>

d. Amortization Requirements

The annual requirements to amortize the private-purpose trust fund long-term debt outstanding as of June 30, 2019, including interest payments to maturity, are as follows:

Year Ending June 30	Loans Payable		Revenue Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 15,502	\$ 16,403	\$ 1,635	\$ 524
2021	—	—	1,640	431
2022	—	—	1,730	336
2023	—	—	1,005	256
2024	—	—	1,065	194
2025-2029	—	—	2,755	198
2030-2034	—	—	—	—
Unscheduled ¹	2,863	107,632	—	—
Total	<u>\$ 18,365</u>	<u>\$ 124,035</u>	<u>\$ 9,830</u>	<u>\$ 1,939</u>

Year Ending June 30	Tax Allocation Bonds		
	Principal	Unaccrued Appreciation ²	Interest
2020	\$ 29,576	\$ 2,159	\$ 14,215
2021	28,078	2,297	13,262
2022	24,017	2,443	12,300
2023	22,084	2,576	11,386
2024	22,857	2,713	10,478
2025-2029	106,697	11,003	37,838
2030-2034	67,400	—	19,901
2035-2039	43,160	—	9,005
2040-2044	19,900	—	847
Total	<u>363,769</u>	<u>23,191</u>	<u>129,232</u>
Add: Accrued Appreciation through June 30, 2019	16,756	—	—
Total	<u>\$ 380,525</u>	<u>\$ 23,191</u>	<u>\$ 129,232</u>

¹ The loans payable to the City in the amount of \$2,863 and the associated accrued interest of \$107,632 are payable dependent on each annual approved Recognized Obligation Payment Schedules.

² Unaccrued Appreciation represents the amount to be accrued in future years regardless of the timing of cash flows.

e. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the private-purpose trust fund for the year ended June 30, 2019. The effects of bond accretion, bond premiums and discounts are reflected as adjustments to long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance
Liability Claims	\$ 68,297	\$ —	\$ (1,576)	\$ 66,721
Loans Payable	39,637	—	(21,272)	18,365
Revenue Bonds	11,375	—	(1,545)	9,830
Unamortized Bond Premiums and Discounts	(42)	—	5	(37)
Net Revenue Bonds	11,333	—	(1,540)	9,793
Tax Allocation Bonds	392,331	—	(28,562)	363,769
Interest Accretion	16,221	1,453	(918)	16,756
Balance with Accretion	408,552	1,453	(29,480)	380,525
Unamortized Bond Premiums and Discounts	27,580	174	(2,015)	25,739
Net Tax Allocation Bonds	436,132	1,627	(31,495)	406,264
Interest Accrued on City Loans	140,836	—	(16,801)	124,035
Total	<u>\$ 696,235</u>	<u>\$ 1,627</u>	<u>\$ (72,684)</u>	<u>\$ 625,178</u>

F. Defeased Debt

As of June 30, 2019, the principal amounts payable from escrow funds established for refunding bonds are as follows:

<u>Successor Agency Bonds Refunded in 2017 Escrow Accounts (February 9, 2017)</u>	<u>Amount</u>	<u>Redemption Date</u>
North Park Redevelopment Project Subordinate Tax Allocation Bonds, Series 2009A	\$ 13,930	November 01, 2019
City Heights Redevelopment Project Tax Allocation Bonds, 2010 Series A (Tax Exempt)	5,635	September 01, 2020
City Heights Redevelopment Project Tax Allocation Bonds, 2010 Series B (Taxable)	9,590	September 01, 2020
Crossroads Redevelopment Project Tax Allocation Bonds, 2010 Series A (Tax Exempt)	4,475	September 01, 2020
Naval Training Center Redevelopment Project Tax Allocation Bonds, 2010 Series A	16,865	September 01, 2020
San Ysidro Redevelopment Project Tax Allocation Bonds, 2010 Series A (Tax Exempt)	2,900	September 01, 2020
San Ysidro Redevelopment Project Tax Allocation Bonds, 2010 Series B (Taxable)	4,145	September 01, 2020
Housing Set-Aside Tax Allocation Bonds, 2010 Series A (Taxable)	55,160	September 01, 2020
Total Special Assessment / Special Tax Bonds	<u>\$ 112,700</u>	

20. CLOSURE AND POSTCLOSURE CARE COST (Dollars in Thousands)

State and federal laws and regulations require that the City place a final cover on its Miramar Landfill site when it stops accepting waste and perform certain maintenance and monitoring functions at the site for thirty years after closure. In addition, federal and state regulations require that the City set aside funds annually to fund closure costs and to demonstrate financial resources sufficient to meet certain corrective actions.

Closure and Postclosure Care Liability

The City is currently permitted by the State to keep the landfill open through fiscal year 2025. However, based on recent changes in recycling policies and compaction methods, the City projects the life expectancy of the landfill will be extended through 2030. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each financial statement date.

The \$54,658 reported as landfill closure and postclosure care liability as of June 30, 2019 represents the cumulative amount reported to date based on the use of 87% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$8,534 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care as of June 30, 2019. These cost estimates are subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

Funding Requirements

As of June 30, 2019, the City is in compliance with state and federal laws and regulations requiring annual contributions to finance closure costs. At the end of fiscal year 2019, cash or equity in pooled cash and investments of \$31,675 was held for this purpose. The closure/postclosure care liability amount of \$54,658 reported in the Environmental Services Enterprise Fund includes \$26,948 for closure costs. The amount by which the restricted cash exceeds the closure liability, or \$4,727, is included as a component of restricted net position in the Environmental Services Enterprise Fund. The City has pledged its greenery recycling revenues as financial assurance for postclosure maintenance costs and is not required to advance fund postclosure care costs.

As of June 30, 2019, the City is in compliance with state and federal laws and regulations to demonstrate financial resources sufficient to conduct corrective action for all known or reasonably foreseeable releases from the Miramar Landfill site, meeting the cost estimate approved by the San Diego Regional Water Quality Control Board. At the end of fiscal year 2019, cash or equity in pooled cash and investments of \$1,659 was held for this purpose. This amount is reported as restricted net position in the Environmental Services Fund.

For both closure/postclosure care and corrective action, the City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional closure/postclosure care requirements are imposed (due to changes in technology or applicable laws or regulations, for example), these costs may need to be paid by charges to future landfill users or from other sources. At the end of fiscal year 2019, accrued interest of \$101 is included as a component of restricted net position in the Environmental Services Fund.



Page Intentionally Left Blank

21. FUND BALANCES (Dollars in Thousands)

The following table provides additional detail regarding the City's governmental fund balances:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
NONSPENDABLE			
Legally/Contractually Required to be Maintained Intact	\$ —	\$ 18,441	\$ 18,441
Not in Spendable Form	1,154	10	1,164
Total Nonspendable	<u>1,154</u>	<u>18,451</u>	<u>19,605</u>
RESTRICTED			
Low and Moderate Income Housing	—	343,422	343,422
Facilities Benefit Assessments	—	277,151	277,151
Capital Outlay ¹	—	217,987	217,987
Underground Surcharge	—	200,359	200,359
Impact Fees	—	166,408	166,408
Grants ¹	348	141,489	141,837
Emergency Reserve	101,100	—	101,100
Developer Contributions	636	38,971	39,607
Parking Meter Districts	—	35,558	35,558
Tourism Marketing Districts	—	31,891	31,891
TSRFC	—	24,780	24,780
Maintenance Assessment Districts	—	22,638	22,638
TransNet	—	21,014	21,014
Seized Assets	—	19,917	19,917
Special Gas Tax Street Improvement	16,997	—	16,997
Road Maintenance & Rehabilitation	16,311	—	16,311
Infrastructure Fund (Prop H)	14,074	—	14,074
Library Donations	—	13,518	13,518
Environmental Growth	7,120	—	7,120
Fiesta Island Sludge Mitigation	—	7,005	7,005
Citizens Option for Public Safety (COPS)	—	6,744	6,744
Civic San Diego	—	8,229	8,229
Recreation Advisory Groups	—	4,697	4,697
Parks & Recreation Districts	—	4,420	4,420
Traffic Congestion Relief (Prop 42)	—	3,493	3,493
Successor Agency Property Management	—	3,050	3,050
Section 108	—	3,008	3,008
Miscellaneous Donations	—	2,794	2,794
Los Penasquitos Trust	—	2,334	2,334
Library System Improvements	2,061	—	2,061
Disability Surcharge (SB1186)	—	1,830	1,830
Tierrasanta Ordinance	—	1,380	1,380
Emergency Vehicle Operation Training	—	1,361	1,361
Other ²	1,753	13,209	14,962
Total Restricted	<u>160,400</u>	<u>1,618,657</u>	<u>1,779,057</u>

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
COMMITTED			
Public Liability	\$ 48,075	\$ —	\$ 48,075
Capital Outlay	—	34,612	34,612
Workers' Compensation	33,539	—	33,539
Trench Cut Fees	—	9,500	9,500
SDCCU Stadium Operations	—	8,446	8,446
Civil Penalty Enforcement	—	7,485	7,485
City TV	—	6,114	6,114
Transient Occupancy Tax	—	5,239	5,239
Public Arts	—	4,244	4,244
SAP Support	2,628	—	2,628
Low-Income Housing Lease Revenue	—	2,621	2,621
Economic & Workforce Development	—	2,138	2,138
Information Technology	1,783	—	1,783
Wireless Communications	1,663	—	1,663
Automated Refuse Containers	—	1,406	1,406
Retirement UAAL SDCERS Reserve	1,399	—	1,399
Antenna Lease Revenue	1,027	—	1,027
Other ²	2,075	5,623	7,698
Total Committed	<u>92,189</u>	<u>87,428</u>	<u>179,617</u>
ASSIGNED			
Budgeted Fund Balance	<u>42,842</u>	<u>—</u>	<u>42,842</u>
UNASSIGNED	<u>115,582</u>	<u>(65,721)</u>	<u>49,861</u>
TOTAL FUND BALANCE	<u>\$ 412,167</u>	<u>\$ 1,658,815</u>	<u>\$ 2,070,982</u>

¹ Restricted Fund Balance for Grants and Capital Outlay includes \$139,397 and \$29,654, respectively, for long-term receivables due from the Successor Agency. These amounts are not available to satisfy liabilities of the current period.

² The amounts reported as "Other" are composed of a variety of restrictions and commitments less than \$1,000.

22. SUBSEQUENT EVENTS (Dollars in Thousands)

The following information describes certain events that occurred after the end of the fiscal year.

Loan Agreements

On July 10, 2019 and August 20, 2019, the City's Water Utility Fund received an additional \$1,195 from a \$26,000 State Revolving Fund (SRF) Loan agreement with the California State Water Resources Control Board (SWRCB) for the University Avenue Pipeline Replacement Project. The interest rate on the loan is 2.085% and the loan will be repaid over 40 semi-annual payments from July 2019 through January 2039.

On August 8, 2019 and August 16, 2019, the City's Water Utility Fund received an additional \$1,356 from a \$15,000 SRF Loan agreement with the SWRCB for the 69th Street and Mohawk Pump Station Project. The interest rate on the loan is 1.7% and the loan will be repaid over 60 semi-annual payments from July 2020 through January 2050.

On October 22, 2019, the City's Sewer Utility Fund received an additional \$5,724 from a \$70,000 SRF Loan agreement with the SWRCB for the Pump Station 2 Power Reliability and Surge Protection Project. The interest rate on the loan is 1.8% and the repayment period for the loan is 30 years, beginning one year after completion of construction of the project, which is currently projected to be November 2022.

Commercial Paper Notes

On November 4 and November 5, 2019, PFFA issued tax-exempt Water CP Notes in the amount of \$23,889 (\$12,000 and \$11,889) to finance the design, acquisition, construction, installation and improvements of components of the City's water system. The interest rates on the issued Water CP Notes were 1.09-1.16%.

On November 6, 2019, PFFA issued a tax-exempt General Fund CP Note in the amount of \$9,827 to finance the cost of the acquisition, design, construction, installation, improvement, replacement, and equipping of certain capital improvement projects of the City. The interest rate on the note is 1.06%.

Update to Actuarial Valuation of Net Pension Liability (NPL)

On October 7, 2019, the SDCERS actuary released the GASB 67/68 report identifying changes to the City's NPL as of the measurement date of June 30, 2019. The report indicates the NPL is \$2,658,822, an increase of \$45,303 primarily due to the net results of investment gains, offset with an actuarial liability experience loss during fiscal year 2019. The City reports its NPL one year in arrears, using the measurement date of June 30, 2019. The results of the new report will be included in the fiscal year 2020 financial statements.

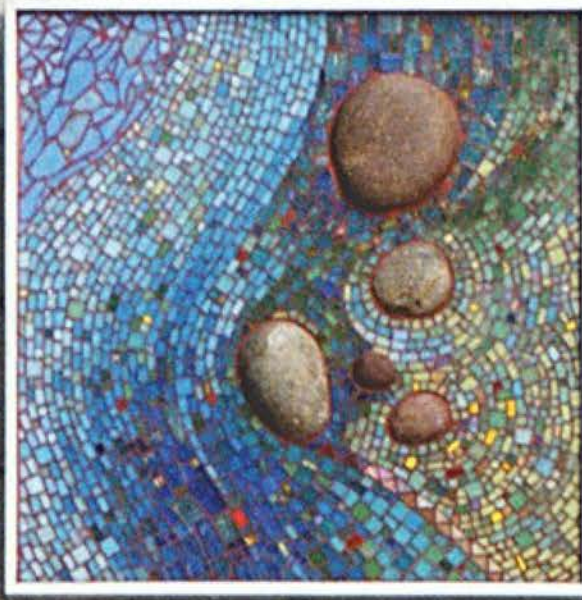
Operating Agreement with Civic San Diego (CSD)

Effective July 29, 2019, the City and CSD executed a new operating agreement resolving two lawsuits brought against CSD that transferred the downtown permitting, planning and downtown parking district management functions and responsibilities from CSD to the City. CSD has amended or restated its Articles of Incorporation and Bylaws such that the City is no longer the sole member of CSD, thereby rendering CSD completely independent and separate from the City. Pursuant to the new agreement, CSD will continue to perform existing services to the City for wind-down and reporting activities related to redevelopment agency dissolution. As of the effective date, CSD will no longer be considered a component unit of the City.

San Diego Community Power (SDCP)

On September 17, 2019, the San Diego City Council approved the Mayor's proposal to create a new joint-powers entity with cities across the region to provide residents and businesses choice in power providers. The regional Community Choice Energy Authority, renamed San Diego Community Power (SDCP), will utilize a collaborative approach expected to allow for greater negotiating and buying power as well as create efficiencies in operations and service. SDCP currently includes five member cities, each with a seat on the Board, representing approximately half of the energy load for the region. An Implementation Plan, a compliance document, was adopted by the SDCP Board on December 9, 2019. The Implementation Plan will be submitted to the California Public Utilities Commission before January 1, 2020, which allows SDCP to reach their goal of delivering power to customers starting in 2021. Next steps include soliciting proposals for an energy services provider, data management, marketing/communications and recruiting the executive-level staff. Component unit analysis will be conducted for subsequent CAFR reporting periods.





**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**
**DEFINED BENEFIT PENSION PLANS
AND OPEB PLAN**



REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

6/30/2019

(Dollars in Thousands)

GASB 67 and 68 Reporting for June 30, 2018 Measurement Date
Schedule of Changes in Net Pension Liability and Related Ratios

Total Pension Liability	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014
Service Cost (Middle of Year)	\$ 108,871	\$ 106,877	\$ 93,804	\$ 102,688	\$ 107,003
Interest (Includes Interest on Service Cost)	628,500	613,529	573,760	554,988	537,875
Differences Between Expected and Actual Experience	58,618	71,123	21,285	46,416	—
Changes in Assumptions	266,606	249,740	620,314	—	—
Benefit Payments, Including Refunds of Member Contributions	(515,078)	(477,039)	(452,781)	(429,238)	(384,980)
Net Change in Total Pension Liability	547,517	564,230	856,382	274,854	259,898
Total Pension Liability, Beginning	9,510,891	8,946,661	8,090,279	7,815,425	7,555,527
Total Pension Liability, Ending	10,058,408	9,510,891	8,946,661	8,090,279	7,815,425
Plan Fiduciary Net Position					
Contributions-Employer	328,922	265,572	259,543	268,061	279,659
Contributions-Member	57,936	57,050	59,377	59,042	65,467
Net Investment Income	594,845	857,923	64,155	207,653	935,051
Benefit Payments, Including Refunds of Member Contributions	(515,078)	(477,039)	(452,781)	(429,238)	(384,980)
Administrative Expense	(10,570)	(10,778)	(10,900)	(8,693)	(10,467)
Net Change in Plan Fiduciary Net Position	456,055	692,728	(80,606)	96,825	884,730
Plan Fiduciary Net Position, Beginning	6,988,834	6,296,107	6,376,713	6,279,888	5,395,158
Plan Fiduciary Net Position, Ending	7,444,889	6,988,835	6,296,107	6,376,713	6,279,888
Net Pension Liability, Ending	\$ 2,613,519	\$2,522,056	\$2,650,554	\$1,713,566	\$1,535,537
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.02%	73.48%	70.37%	78.82%	80.35%
Covered Pensionable Payroll	\$ 448,890	\$ 465,100	\$ 480,662	\$ 480,536	\$ 499,463
Net Pension Liability as a Percentage of Covered Payroll	582.22%	542.26%	551.44%	356.59%	307.44%

GASB 73 Reporting for June 30, 2018 Measurement Date
Preservation of Benefits Plan Schedule of Changes in Total Pension Liability

Total Pension Liability	FYE 2018	FYE 2017	FYE 2016
Service Cost (Middle of Year)	\$ 54	\$ 60	\$ 36
Interest (Includes Interest on Service Cost)	353	312	406
Differences Between Expected and Actual Experience	2,352	635	—
Changes in Assumptions	(216)	(589)	1,588
Benefit Payments	(1,430)	(1,633)	(1,596)
Net Change in Total Pension Liability	1,113	(1,215)	434
Total Pension Liability, Beginning	10,532	11,747	11,313
Total Pension Liability, Ending	\$ 11,645	\$ 10,532	\$ 11,747
Covered Pensionable Payroll	\$ 448,890	\$ 465,100	\$ 480,662
Total Pension Liability as a Percentage of Covered Payroll	2.59%	2.26%	2.44%

Pension Schedules are intended to show information for ten years. Data will be displayed as it becomes available.

Pension Plans Schedule of Employer Contributions**Last 10 Fiscal Years (Dollars in Thousands)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 322,900	\$ 324,500	\$ 261,100	\$ 254,900	\$ 263,600
Contributions in Relation to the Actuarially Determined Contribution	322,900	324,500	261,100	254,900	263,600
Contribution Deficiency/(Excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered Payroll ¹	\$ 455,753	\$ 448,890	\$ 465,100	\$ 480,662	\$ 480,536
Contributions as a Percentage of Covered Payroll	70.85%	72.29%	56.14%	53.03%	54.86%
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially Determined Contribution	\$ 275,400	\$ 231,100	\$ 231,200	\$ 229,100	\$ 154,200
Contributions in Relation to the Actuarially Determined Contribution	275,400	231,143	231,200	229,297	192,533
Contribution Deficiency/(Excess)	<u>\$ —</u>	<u>\$ (43)</u>	<u>\$ —</u>	<u>\$ (197)</u>	<u>\$ (38,333)</u>
Covered Payroll ¹	\$ 499,463	\$ 511,091	\$ 514,265	\$ 530,238	\$ 536,591
Contributions as a Percentage of Covered Payroll	55.14%	45.23%	44.96%	43.24%	35.88%

Valuation Date: 6/30/2016

Key Methods and Assumptions Used to Determine Contributions:

Actuarial Cost Method	Entry Age Normal.
Asset Valuation Method	Expected Value Method. The actuarial value of assets was set to the market rate for the 2006 valuation, with the new smoothing method first applying to investment experience for the 2007 fiscal year.
Amortization Method	Closed periods. Payments are a level percentage of payroll (Police) or level dollar (non-Police). In the 2007 valuation, the amortization period was reduced from 27 to 20 years, with subsequent gains or losses amortized over different periods depending on the source. In the 2012 valuation, as a result of Proposition B, the UAL for the non-Police portion of the plan was re-amortized over a closed 15-year period with level dollar payments.
Discount Rate	7.00%. The discount rate was reduced from 8.00% to 7.75% in the 2008 valuation, from 7.75% to 7.50% in the 2011 valuation, from 7.50% to 7.25% in the 2013 valuation, from 7.25% to 7.125% in the 2015 valuation, and 7.125% to 7.00% in the 2016 valuation.
Amortization Growth Rate	3.05%. Same pattern of changes described below for salary increase assumption (excluding freezes).
Wage Inflation	3.05%. Same pattern of changes described below for salary increase assumption.
Salary Increases	3.05% (following assumed freezes in fiscal years 2013-2018) plus merit component based on employee classification and years of service. The across-the-board salary increase assumption was reduced from 4.25% to 4.00% in the 2008 valuation, from 4.00% to 3.75% in the 2011 valuation, and from 3.75% to 3.30% in the 2013 valuation, from 3.30% to 3.175% in the 2015 valuation, and from 3.175% to 3.05% in the 2016 valuation. In the 2011 valuation, a two-year salary freeze assumption (for fiscal years 2013-2014) was added and in the 2013 valuation an additional four-year freeze was assumed (fiscal years 2015-2018).
Cost-Of-Living Adjustments	1.9%, combined annually. The COLA assumption was reduced from 2.0% to 1.9% in the 2016 valuation.
Mortality	Retired healthy members use the CalPERS Post-Retirement Healthy Mortality Table base rates from the CalPERS January 2014 Experience Study, with a 10% increase to female rates, with projection for improvement. From 2005-2007 (valuation years), the UP-1994 table was used, with a two-year setback for males and females. From 2008-2010, the RP-2000 Combined Mortality Table was used, with a two-year set forward for males and females. From 2011-2015, healthy retired members used the RP-2000 Combined Mortality Table (male and female), with rates set forward one year for Safety female members.

A complete description of the methods and assumptions used to determine contribution rates for the year ended June 30, 2018 can be found in the June 30, 2016 Actuarial Valuation Report.

The annual money-weighted rate of return on pension plan investments can be found in the separately issued SDCERS financial report available at www.sdcers.org.

¹ Covered Payroll is pensionable payroll for SDCERS members as of the beginning of the measurement year.

OPEB TRUST FUND**GASB 75 Reporting for June 30, 2018 Measurement Date****Schedule of Changes in the Net OPEB Liability and Related Ratios (Dollars in Thousands)**

<u>Total OPEB Liability</u>	<u>FYE 2018</u>	<u>FYE 2017</u>
Service Cost	\$ 1,010	\$ 1,237
Interest on the Total OPEB Liability	43,543	43,617
Differences Between Expected and Actual Experience	(3,432)	(4,915)
Changes in Assumptions	(91,058)	—
Benefit Payments	(41,360)	(40,280)
Net Change in Total OPEB Liability	<u>(91,297)</u>	<u>(341)</u>
Total OPEB Liability, Beginning	<u>666,330</u>	<u>666,671</u>
Total OPEB Liability, Ending	<u><u>\$ 575,033</u></u>	<u><u>\$ 666,330</u></u>
<u>Plan Fiduciary Net Position</u>		
Contributions-Employer	\$ 30,379	\$ 30,326
Contributions-Member	577	719
Net Investment Income	7,348	8,590
Benefit Payments	(41,360)	(40,280)
Administrative Expense	(61)	(59)
Net Change in Plan Fiduciary Net Position	<u>(3,117)</u>	<u>(704)</u>
Plan Fiduciary Net Position, Beginning	<u>115,886</u>	<u>116,590</u>
Plan Fiduciary Net Position, Ending	<u>112,769</u>	<u>115,886</u>
Net OPEB Liability, Ending	<u><u>\$ 462,264</u></u>	<u><u>\$ 550,444</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	19.61%	17.39%
Covered-Employee Payroll	\$ 51,372	\$ 61,397
Net OPEB Liability as a Percentage of Covered-Employee Payroll	899.84%	896.53%

OPEB Schedules are intended to show information for ten years. Data will be displayed as it becomes available.

OPEB Plan Schedule of Employer Contributions**Last 10 Fiscal Years (Dollars in Thousands)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 43,411	\$ 51,084	\$ 48,475	\$ 46,976	\$ 41,740
Contributions in Relation to the Actuarially Determined Contributions	37,436	30,380	30,326	39,254	31,515
Contribution Deficiency/(Excess)	<u>\$ 5,975</u>	<u>\$ 20,704</u>	<u>\$ 18,149</u>	<u>\$ 7,722</u>	<u>\$ 10,225</u>
Covered-Employee Payroll ¹	\$ 46,073	\$ 51,483	\$ 61,397	\$ 74,002	\$ 87,252
Contributions as a Percentage of Covered-Employee Payroll	81.25%	59.01%	49.39%	53.04%	36.12%
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially Determined Contribution	\$ 38,097	\$ 35,348	\$ 49,061	\$ 120,324	\$ 113,426
Contributions in Relation to the Actuarially Determined Contributions	31,540	37,464	23,857	33,868	31,689
Contribution Deficiency/(Excess)	<u>\$ 6,557</u>	<u>\$ (2,116)</u>	<u>\$ 25,204</u>	<u>\$ 86,456</u>	<u>\$ 81,737</u>
Covered-Employee Payroll ¹	\$ 98,742	\$ 112,782	\$ 124,675	\$ 455,537	\$ 472,561
Contributions as a Percentage of Covered-Employee Payroll	31.94%	33.22%	19.14%	7.43%	6.71%

Valuation Date: June 30, 2017

Key Methods and Assumptions Used to Determine Contributions:

Actuarial Cost Method	Entry Age Normal, Level Dollar
Asset Valuation Method	Market Value.
Amortization Method/Period	Closed 20 year period.
Discount Rate	6.73%.
Inflation	2.75%
Health Care Cost Trend Rates	8.00% pre-65 and 5.30% post-65 initial trend rates for FY 2017. Decreasing 0.5% per year pre-65 and 0.2% per year post-65 until ultimate is reached in FY 2024 pre-65 and FY 2021 post-65.
Retirement Age	Varies by age, service, and type of employee. Rates are based on an experience study performed for the San Diego City Employees' Retirement System in June 2011.
Mortality	The base mortality rates are based on an experience study performed for the San Diego City Employees' Retirement System in June 2011. These rates are projected on a fully generational basis using Scale BB to reflect more recently published information about future mortality improvement.

¹ Covered-Employee Payroll includes payroll for active employees in Options A and B only.

A complete description of the methods and assumptions used to determine the contribution for the fiscal year ended June 30, 2017 can be found in the June 30, 2016 Actuarial Valuation Report.



**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

GENERAL FUND



General Fund

The General Fund is the chief operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

General Fund revenues are derived from such sources as: Taxes; Franchise Fees, Licenses and Permits; Fines, Forfeitures, and Penalties; Revenue from the Use of Money and Property; Revenue from Federal and Other Agencies; Revenue from Private Sources; Charges for Current Services; and Other Revenue.

Current expenditures are classified by the following functions: General Government and Support; Public Safety - Police; Public Safety - Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; Neighborhood Services; Capital Outlay; and Debt Service Principal and Interest. This fund is appropriated annually.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Original Budget	Final Budget	Actual Amounts ¹	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 560,025	\$ 565,300	\$ 570,627	\$ 5,327
Sales Taxes	282,062	285,562	304,384	18,822
Transient Occupancy Taxes	128,369	128,369	131,926	3,557
Franchise Fees	78,821	80,821	80,556	(265)
Other Local Taxes	11,010	11,010	10,786	(224)
Licenses and Permits	25,811	25,811	28,366	2,555
Fines, Forfeitures and Penalties	31,364	31,364	28,546	(2,818)
Revenue from Use of Money and Property	59,981	59,981	67,792	7,811
Revenue from Federal Agencies	—	—	1,357	1,357
Revenue from Other Agencies	5,546	6,572	6,914	342
Revenue from Private Sources	2,147	647	858	211
Charges for Current Services	160,287	166,410	170,803	4,393
Other Revenue	911	2,411	3,851	1,440
TOTAL REVENUES	1,346,334	1,364,258	1,406,766	42,508
EXPENDITURES				
Current:				
General Government and Support	275,529	260,910	255,136	5,774
Public Safety - Police	473,122	496,421	495,770	651
Public Safety - Fire and Life Safety and Homeland Security	268,908	273,292	273,176	116
Parks, Recreation, Culture and Leisure	170,726	167,625	167,622	3
Transportation	68,005	67,047	66,559	488
Sanitation and Health	96,067	94,308	94,184	124
Neighborhood Services	32,090	30,471	29,445	1,026
Capital Outlay	2,114	2,155	1,165	990
Debt Service:				
Principal Retirement	7,830	8,551	7,730	821
Interest	1,745	8,315	7,942	373
TOTAL EXPENDITURES	1,396,136	1,409,095	1,398,729	10,366
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES ..	(49,802)	(44,837)	8,037	52,874
OTHER FINANCING SOURCES (USES)				
Transfers from Proprietary Funds	—	8,152	8,152	—
Transfers from Other Funds	90,208	78,975	76,709	(2,266)
Transfers to Proprietary Funds	(754)	(235)	(235)	—
Transfers to Other Funds	(62,336)	(64,741)	(63,620)	1,121
TOTAL OTHER FINANCING SOURCES (USES)	27,118	22,151	21,006	(1,145)
NET CHANGE IN FUND BALANCE	(22,684)	(22,686)	29,043	51,729
FUND BALANCE AT BEGINNING OF YEAR	227,492	227,492	227,492	—
FUND BALANCE AT END OF YEAR	\$ 204,808	\$ 204,806	\$ 256,535	\$ 51,729

See accompanying note to required supplementary information.

¹ Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Fiscal Year Ended June 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Data

Each year, the Mayor submits to the City Council and the public a proposed operating and capital improvements budget by April 15 for the fiscal year commencing July 1. This budget includes annual budgets for the following governmental funds:

- **General Fund**
- **Special Revenue Funds**
 - City of San Diego:
 - Acquisition, Improvement and Operations
 - SDCCU Stadium Operations
 - Transient Occupancy Tax
 - Underground Surcharge
 - Zoological Exhibits
 - Other Special Revenue
 - Civic San Diego
- **Capital Projects Funds**
 - City of San Diego:
 - TransNet
 - Capital Outlay

Included in the budget are funds that include appropriations for personnel expenses and capital projects and certain funds that collect restricted or committed revenue sources. For those funds not specifically included in the budget, the Appropriation Ordinance includes authorization to appropriate funds for the purpose established by applicable laws and/or in accordance with provisions of agreements authorized by the City Council.

Public hearings are conducted to obtain residents' comments on the proposed budget. A budget resolution legally adopting the budget for the next fiscal year is passed prior to June 15. During the month of July, the Appropriation Ordinance is passed by the City Council, appropriating funds according to the budget resolution. Budgets are prepared on the modified accrual basis of accounting, with the exception that any increase/decrease in advances to other funds and agencies are considered as additions/deductions of expenditures. The City budget is prepared excluding unrealized gains or losses resulting from the change in fair value of investments.

Budgetary control is established at the highest level by the City Charter and further defined by the City Council in the Appropriation Ordinance. The level of budgetary control for all City funds is exercised at the salaries and wages and non-personnel expenditures level. Budgetary control for the General Fund is at the department level, while control for 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 except as delegated in the Appropriation Ordinance.

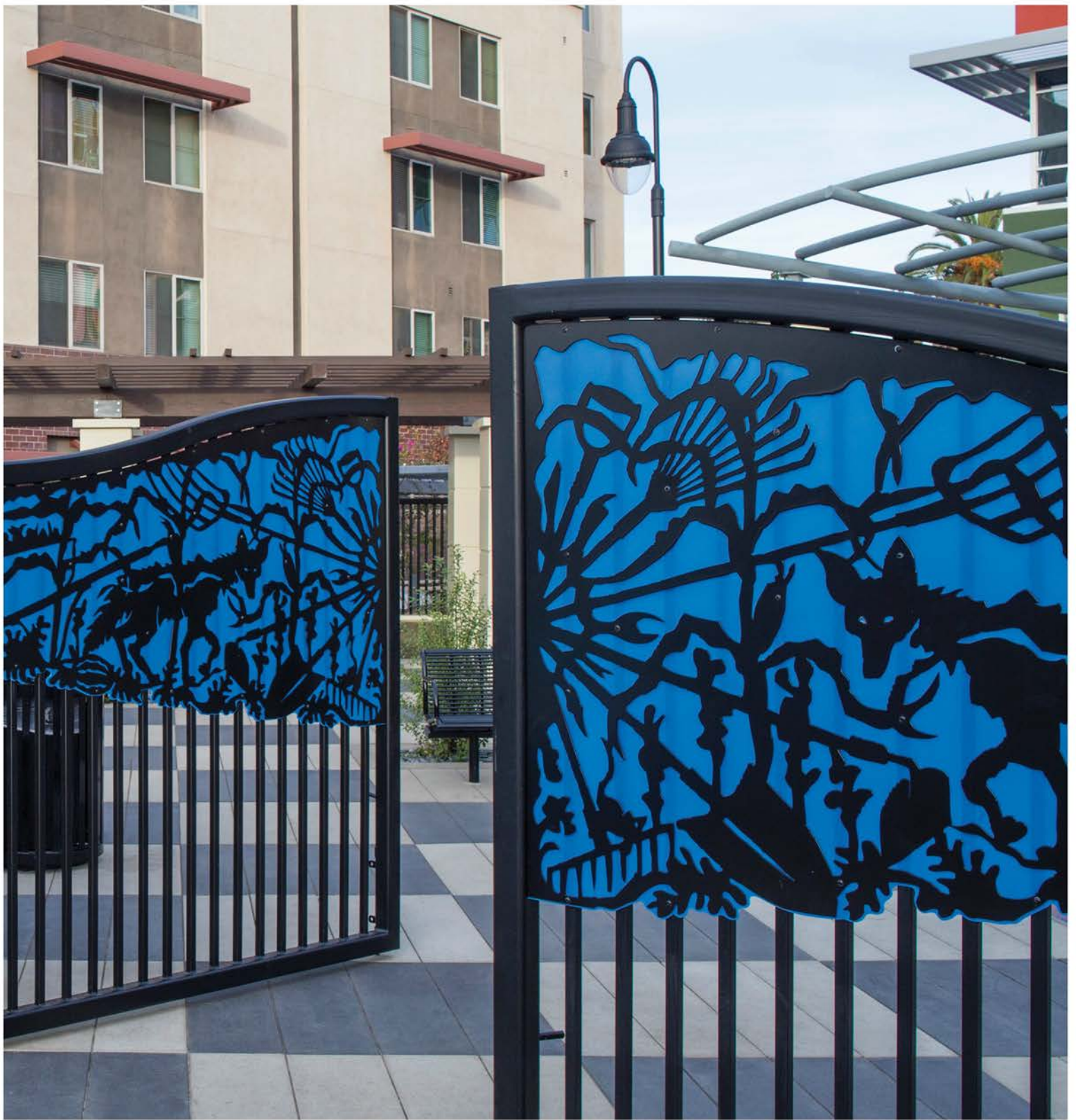
Reported budget figures are as originally adopted or subsequently amended. Appropriations lapse at year-end to the extent that they have not been expended except for those of a capital nature, which continue to subsequent years.

The following is a reconciliation of the net change in fund balance for the General Fund prepared on a GAAP basis to that prepared on the budgetary basis for the year ended June 30, 2019 (dollars in thousands):

	General Fund
Net Change in Fund Balance - GAAP Basis	\$ 58,363
Add (Deduct):	
Unrealized Gain, June 30, 2019	(2,900)
Unrealized Loss, June 30, 2018	(2,529)
Other Perspective Differences ¹	(2,416)
Other Fund Activity ²	(21,475)
Net Change in Fund Balance - Budgetary Basis	<u>\$ 29,043</u>

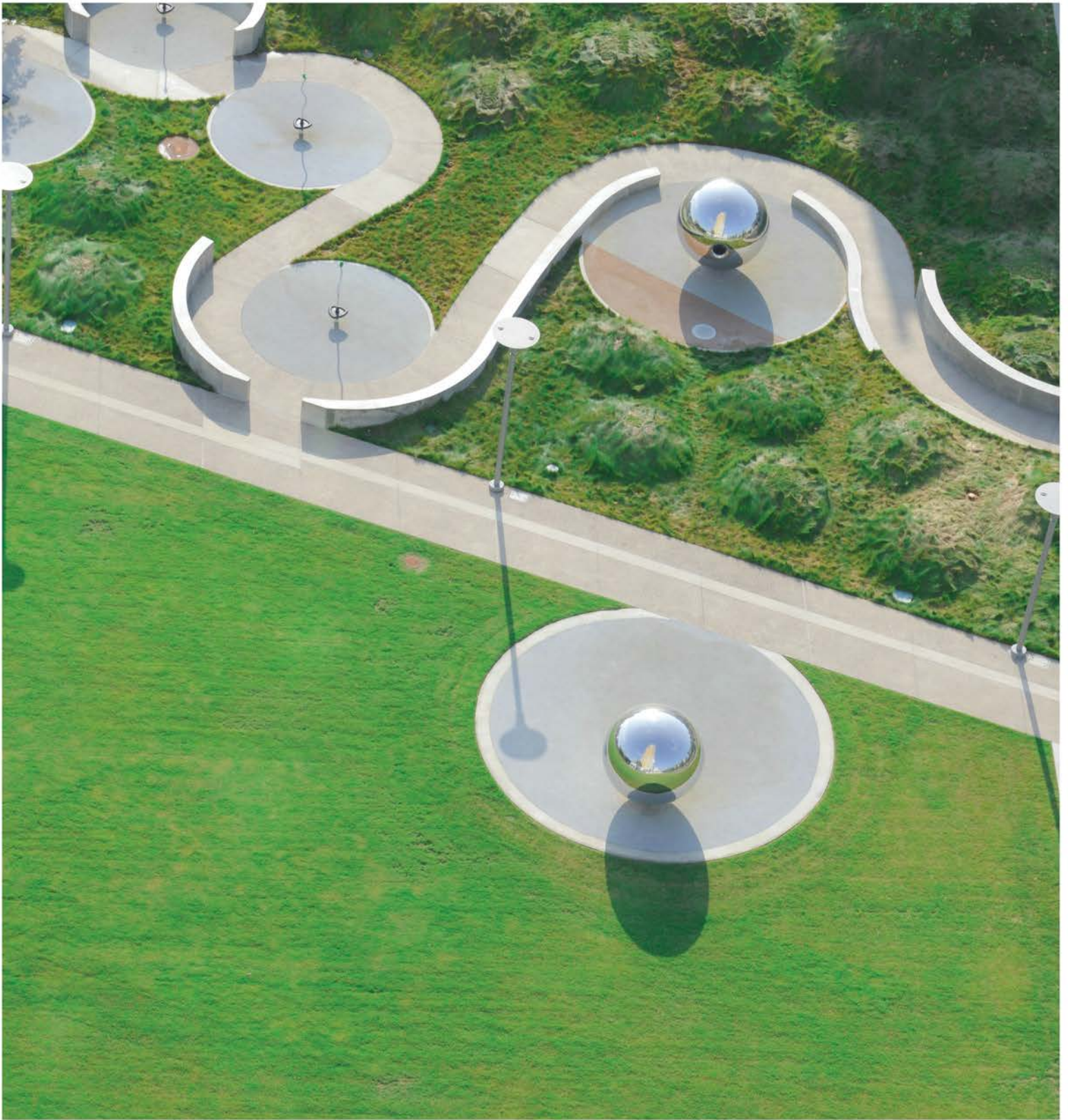
¹ The City budgets and expends property management fees annually at a set monthly amount. This amount is then reconciled to monthly expenses for the property on a GAAP basis.

² The General Fund budgetary schedule includes funds associated with General Fund operations as reported in the City's budget. General Fund financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as a special revenue fund, pursuant to GASB Statement No. 54. The City administers a number of these funds as separate budgetary entities.



COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES





GENERAL FUND



GENERAL FUND
SCHEDULE OF REVENUES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Actual on Budgetary Basis ¹	Final Budget	Variance with Final Budget Positive (Negative)
PROPERTY TAXES			
Current Year - Secured (One Percent Allocation)	\$ 362,180	\$ 393,489	\$ (31,309)
Current Year Supplemental - Secured	5,068	—	5,068
Current Year - Unsecured	11,404	—	11,404
Current Unsecured Supplemental Roll	52	—	52
Homeowners' Exemptions - Secured	2,484	—	2,484
Homeowners' Exemptions - Unsecured	1	—	1
Prior years' - Secured	(163)	—	(163)
Prior years' - Unsecured	(280)	—	(280)
In-Lieu Vehicle License Fees	145,855	144,527	1,328
Interest and Penalties on Delinquent Taxes	695	—	695
Escapes - Secured	5,497	—	5,497
Escapes - Unsecured	665	—	665
Other Property Taxes	30,477	27,284	3,193
State Secured Unitary	6,692	—	6,692
TOTAL PROPERTY TAXES	570,627	565,300	5,327
SALES TAXES	304,384	285,562	18,822
TRANSIENT OCCUPANCY TAXES	131,926	128,369	3,557
FRANCHISE FEES	80,556	80,821	(265)
OTHER LOCAL TAXES			
Property Transfer Tax	10,786	11,010	(224)
LICENSES AND PERMITS			
General Business Licenses	7,822	7,501	321
Refuse Collection Business Licenses	1,223	1,100	123
Rental Unit Tax	7,271	7,460	(189)
Other Licenses and Permits	12,050	9,750	2,300
TOTAL LICENSES AND PERMITS	28,366	25,811	2,555
FINES, FORFEITURES AND PENALTIES			
California Vehicle Code Violations	24,638	27,211	(2,573)
Other City Ordinance Code Violations	3,908	4,153	(245)
TOTAL FINES, FORFEITURES AND PENALTIES	28,546	31,364	(2,818)
REVENUE FROM USE OF MONEY AND PROPERTY			
Interest on Investments	3,875	650	3,225
Balboa Park Rents and Concessions	282	284	(2)
Mission Bay Park Rents and Concessions	31,439	30,142	1,297
Other Rents and Concessions	32,196	28,905	3,291
TOTAL REVENUE FROM USE OF MONEY AND PROPERTY	67,792	59,981	7,811
REVENUE FROM FEDERAL AGENCIES	1,357	—	1,357
REVENUE FROM OTHER AGENCIES			
State Motor Vehicle License Fees	683	—	683
Local Relief	138	110	28
Other	6,093	6,462	(369)
TOTAL REVENUE FROM OTHER AGENCIES	6,914	6,572	342

(Continued on Next Page)

GENERAL FUND
SCHEDULE OF REVENUES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Actual on Budgetary Basis ¹	Final Budget	Variance with Final Budget Positive (Negative)
REVENUE FROM PRIVATE SOURCES	\$ 858	\$ 647	\$ 211
CHARGES FOR CURRENT SERVICES			
Cemetery Revenue	802	694	108
Fire Services	15,647	14,483	1,164
Library Revenue	694	540	154
Police Services	7,864	8,728	(864)
Swimming Pools Revenue	938	1,156	(218)
Miscellaneous Recreation Revenue	4,283	5,159	(876)
Other Services	2,372	2,727	(355)
Services Rendered to Other Funds for:			
General Government and Financial	138,044	132,591	5,453
Miscellaneous Services	159	332	(173)
TOTAL CHARGES FOR CURRENT SERVICES	<u>170,803</u>	<u>166,410</u>	<u>4,393</u>
OTHER REVENUE			
Other Refunds of Prior Years' Expenditures	611	89	522
Repairs and Damage Recoveries	745	454	291
Sale of Personal Property	87	47	40
Miscellaneous Revenue	2,408	1,821	587
TOTAL OTHER REVENUE	<u>3,851</u>	<u>2,411</u>	<u>1,440</u>
TOTAL REVENUES	<u>1,406,766</u>	<u>1,364,258</u>	<u>42,508</u>
TRANSFERS FROM PROPRIETARY FUNDS			
Enterprise Funds:			
Golf Course	4,752	4,752	—
Internal Service Funds:			
Fleet Operations	3,400	3,400	—
TOTAL TRANSFERS FROM PROPRIETARY FUNDS	<u>8,152</u>	<u>8,152</u>	<u>—</u>
TRANSFERS FROM OTHER FUNDS			
Special Revenue Funds:			
City of San Diego:			
Interfund Transfers	42,873	45,139	(2,266)
Transient Occupancy Tax	23,391	23,391	—
Other Special Revenue - Unbudgeted	91	91	—
Capital Projects Funds:			
TransNet - Budgeted	9,916	9,916	—
Permanent Funds:			
Cemetery Perpetuity	438	438	—
TOTAL TRANSFERS FROM OTHER FUNDS	<u>76,709</u>	<u>78,975</u>	<u>(2,266)</u>
TOTAL REVENUE AND TRANSFERS	<u>\$ 1,491,627</u>	<u>\$ 1,451,385</u>	<u>\$ 40,242</u>

¹ Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. Transfers between the General Fund and these additional funds are titled "Interfund Transfers."

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Actual on Budgetary Basis ¹	Final Budget	Variance with Final Budget (Negative)
GENERAL GOVERNMENT AND SUPPORT			
Office of the Mayor			
Salaries and Wages	\$ 2,178	\$ 2,178	\$ —
Non-Personnel	1,603	1,665	62
Total Office of the Mayor	<u>3,781</u>	<u>3,843</u>	<u>62</u>
City Council District 1			
Salaries and Wages	624	702	78
Non-Personnel	607	680	73
Total City Council District 1	<u>1,231</u>	<u>1,382</u>	<u>151</u>
City Council District 2			
Salaries and Wages	606	661	55
Non-Personnel	578	787	209
Total City Council District 2	<u>1,184</u>	<u>1,448</u>	<u>264</u>
City Council District 3			
Salaries and Wages	646	732	86
Non-Personnel	455	588	133
Total City Council District 3	<u>1,101</u>	<u>1,320</u>	<u>219</u>
City Council District 4			
Salaries and Wages	585	654	69
Non-Personnel	646	730	84
Total City Council District 4	<u>1,231</u>	<u>1,384</u>	<u>153</u>
City Council District 5			
Salaries and Wages	587	656	69
Non-Personnel	383	578	195
Total City Council District 5	<u>970</u>	<u>1,234</u>	<u>264</u>
City Council District 6			
Salaries and Wages	675	718	43
Non-Personnel	457	527	70
Total City Council District 6	<u>1,132</u>	<u>1,245</u>	<u>113</u>
City Council District 7			
Salaries and Wages	679	698	19
Non-Personnel	389	482	93
Total City Council District 7	<u>1,068</u>	<u>1,180</u>	<u>112</u>
City Council District 8			
Salaries and Wages	678	678	—
Non-Personnel	678	786	108
Total City Council District 8	<u>1,356</u>	<u>1,464</u>	<u>108</u>
City Council District 9			
Salaries and Wages	650	663	13
Non-Personnel	740	742	2
Total City Council District 9	<u>1,390</u>	<u>1,405</u>	<u>15</u>
Council Administration			
Salaries and Wages	1,324	1,385	61
Non-Personnel	1,137	1,246	109
Total Council Administration	<u>2,461</u>	<u>2,631</u>	<u>170</u>

(Continued on Next Page)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Actual on Budgetary Basis ¹	Final Budget	Variance with Final Budget (Negative)
City Clerk			
Salaries and Wages	\$ 2,523	\$ 2,631	\$ 108
Non-Personnel	3,118	3,244	126
Total City Clerk	<u>5,641</u>	<u>5,875</u>	<u>234</u>
Independent Budget Analyst			
Salaries and Wages	1,111	1,183	72
Non-Personnel	882	947	65
Total Independent Budget Analyst	<u>1,993</u>	<u>2,130</u>	<u>137</u>
City Attorney			
Salaries and Wages	31,502	32,154	652
Non-Personnel	25,125	25,452	327
Total City Attorney	<u>56,627</u>	<u>57,606</u>	<u>979</u>
Personnel			
Salaries and Wages	4,670	4,670	—
Non-Personnel	4,310	4,310	—
Total Personnel	<u>8,980</u>	<u>8,980</u>	<u>—</u>
Ethics Commission			
Salaries and Wages	575	575	—
Non-Personnel	465	635	170
Total Ethics Commission	<u>1,040</u>	<u>1,210</u>	<u>170</u>
Office of the City Auditor			
Salaries and Wages	1,994	2,118	124
Non-Personnel	1,605	1,732	127
Total Office of the City Auditor	<u>3,599</u>	<u>3,850</u>	<u>251</u>
Assistant Chief Operating Officer			
Salaries and Wages	270	371	101
Non-Personnel	654	655	1
Total Assistant Chief Operating Officer	<u>924</u>	<u>1,026</u>	<u>102</u>
Performance and Analytics			
Salaries and Wages	1,395	1,471	76
Non-Personnel	1,959	1,960	1
Total Performance and Analytics	<u>3,354</u>	<u>3,431</u>	<u>77</u>
Human Resources			
Salaries and Wages	2,667	2,667	—
Non-Personnel	2,274	2,363	89
Total Human Resources	<u>4,941</u>	<u>5,030</u>	<u>89</u>
Department of Information Technology			
Non-Personnel	1,138	1,139	1
Office of the Chief Operating Officer			
Salaries and Wages	591	594	3
Non-Personnel	640	654	14
Total Office of the Chief Operating Officer	<u>1,231</u>	<u>1,248</u>	<u>17</u>
Internal Operations			
Salaries and Wages	129	131	2
Non-Personnel	144	150	6
Total Internal Operations	<u>273</u>	<u>281</u>	<u>8</u>

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Actual on Budgetary Basis ¹	Final Budget	Variance with Final Budget (Negative)
Communications			
Salaries and Wages	\$ 2,283	\$ 2,405	\$ 122
Non-Personnel	2,156	2,219	63
Total Communications	<u>4,439</u>	<u>4,624</u>	<u>185</u>
Office of Boards & Commissions			
Salaries and Wages	874	874	—
Non-Personnel	585	585	—
Total Office of Boards & Commissions	<u>1,459</u>	<u>1,459</u>	<u>—</u>
Government Affairs			
Salaries and Wages	460	539	79
Non-Personnel	292	292	—
Total Government Affairs	<u>752</u>	<u>831</u>	<u>79</u>
Chief Financial Officer			
Salaries and Wages	301	301	—
Non-Personnel	274	313	39
Total Chief Financial Officer	<u>575</u>	<u>614</u>	<u>39</u>
Debt Management			
Salaries and Wages	1,590	1,707	117
Non-Personnel	1,050	1,086	36
Total Debt Management	<u>2,640</u>	<u>2,793</u>	<u>153</u>
Purchasing and Contracting			
Salaries and Wages	2,916	3,332	416
Non-Personnel	13,198	13,252	54
Total Purchasing and Contracting	<u>16,114</u>	<u>16,584</u>	<u>470</u>
City Treasurer			
Salaries and Wages	6,873	7,361	488
Non-Personnel	9,254	9,317	63
Total City Treasurer	<u>16,127</u>	<u>16,678</u>	<u>551</u>
Department of Finance			
Salaries and Wages	8,891	8,891	—
Non-Personnel	7,896	8,021	125
Total Department of Finance	<u>16,787</u>	<u>16,912</u>	<u>125</u>
Smart and Sustainable Communities			
Salaries and Wages	265	265	—
Non-Personnel	142	143	1
Total Smart and Sustainable Communities	<u>407</u>	<u>408</u>	<u>1</u>
Real Estate Assets			
Salaries and Wages	2,428	2,445	17
Non-Personnel	3,553	3,655	102
Total Real Estate Assets	<u>5,981</u>	<u>6,100</u>	<u>119</u>
General Services			
Salaries and Wages	10,863	10,863	—
Non-Personnel	13,307	13,659	352
Total General Services	<u>24,170</u>	<u>24,522</u>	<u>352</u>

(Continued on Next Page)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Actual on Budgetary Basis ¹	Final Budget	Variance with Final Budget (Negative)
Public Works/Infrastructure			
Salaries and Wages	\$ 286	\$ 286	\$ —
Non-Personnel	121	121	—
Total Public Works/Infrastructure	<u>407</u>	<u>407</u>	<u>—</u>
Citywide Expenses			
Non-Personnel	58,632	58,636	4
TOTAL GENERAL GOVERNMENT AND SUPPORT	<u>255,136</u>	<u>260,910</u>	<u>5,774</u>
PUBLIC SAFETY - POLICE			
Salaries and Wages	238,038	238,038	—
Non-Personnel	257,732	258,383	651
TOTAL PUBLIC SAFETY - POLICE	<u>495,770</u>	<u>496,421</u>	<u>651</u>
PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY			
Fire - Rescue			
Salaries and Wages	135,506	135,506	—
Non-Personnel	134,852	134,887	35
Total Fire - Rescue	<u>270,358</u>	<u>270,393</u>	<u>35</u>
Office of Homeland Security			
Salaries and Wages	1,327	1,403	76
Non-Personnel	1,491	1,496	5
Total Office of Homeland Security	<u>2,818</u>	<u>2,899</u>	<u>81</u>
TOTAL PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY	<u>273,176</u>	<u>273,292</u>	<u>116</u>
PARKS, RECREATION, CULTURE AND LEISURE			
Library			
Salaries and Wages	20,448	20,448	—
Non-Personnel	33,014	33,016	2
Total Library	<u>53,462</u>	<u>53,464</u>	<u>2</u>
Parks and Recreation			
Salaries and Wages	38,216	38,216	—
Non-Personnel	72,958	72,959	1
Total Parks and Recreation	<u>111,174</u>	<u>111,175</u>	<u>1</u>
Reservoir Concessions			
Non-Personnel	2,986	2,986	—
TOTAL PARKS, RECREATION, CULTURE AND LEISURE	<u>167,622</u>	<u>167,625</u>	<u>3</u>
TRANSPORTATION			
Salaries and Wages	22,822	23,114	292
Non-Personnel	43,737	43,933	196
TOTAL TRANSPORTATION	<u>66,559</u>	<u>67,047</u>	<u>488</u>

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

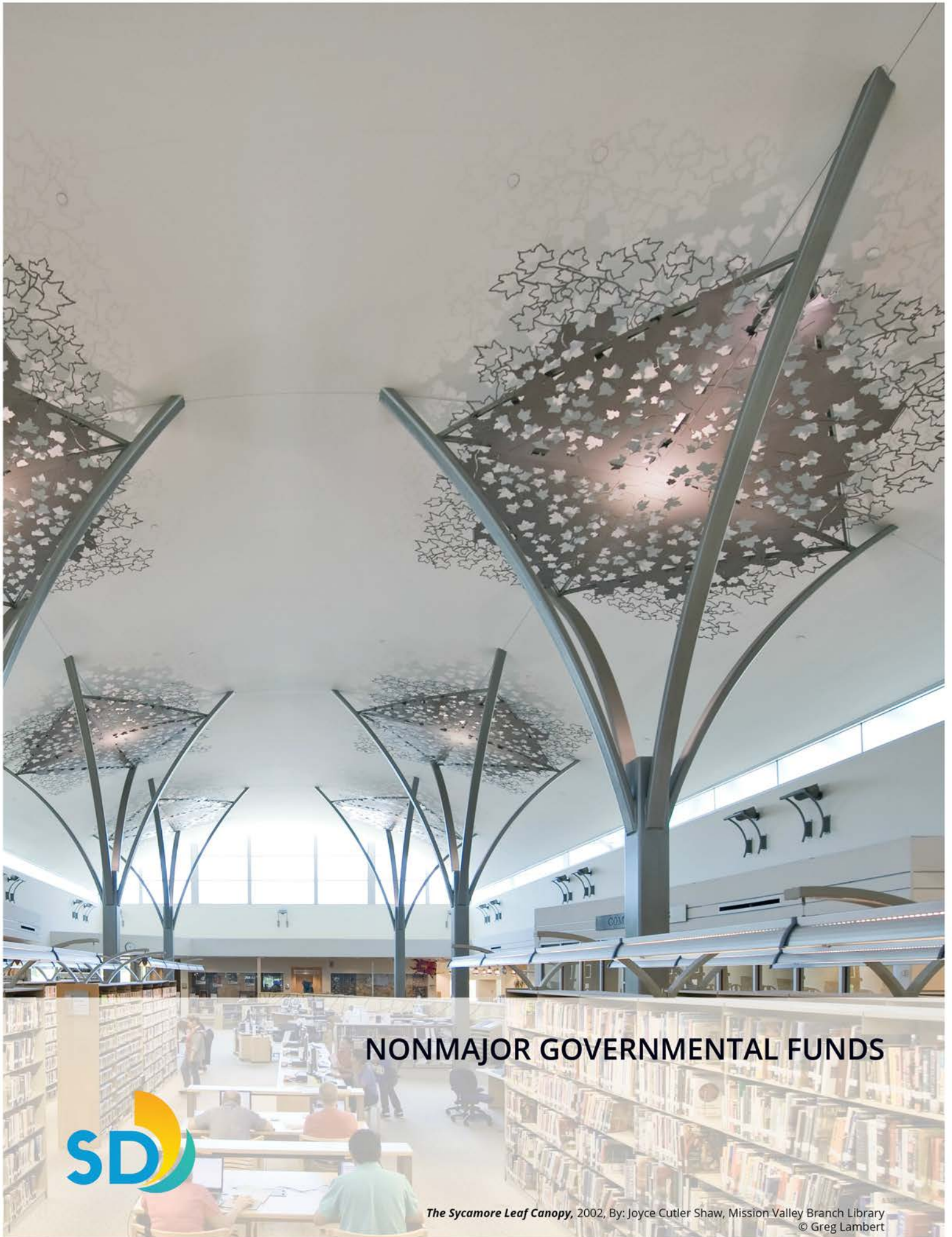
	Actual on Budgetary Basis ¹	Final Budget	Variance with Final Budget (Negative)
SANITATION AND HEALTH			
Environmental Services			
Salaries and Wages	\$ 9,491	\$ 9,491	\$ —
Non-Personnel	33,769	33,818	49
Total Environmental Services	<u>43,260</u>	<u>43,309</u>	<u>49</u>
Storm Water			
Salaries and Wages	11,970	11,970	—
Non-Personnel	38,954	39,029	75
Total Storm Water	<u>50,924</u>	<u>50,999</u>	<u>75</u>
TOTAL SANITATION AND HEALTH	<u>94,184</u>	<u>94,308</u>	<u>124</u>
NEIGHBORHOOD SERVICES			
Development Services			
Salaries and Wages	3,888	4,381	493
Non-Personnel	3,399	3,496	97
Total Development Services	<u>7,287</u>	<u>7,877</u>	<u>590</u>
Economic Development			
Salaries and Wages	4,235	4,343	108
Non-Personnel	7,400	7,438	38
Total Economic Development	<u>11,635</u>	<u>11,781</u>	<u>146</u>
Neighborhood Services			
Salaries and Wages	708	708	—
Non-Personnel	481	503	22
Total Neighborhood Services	<u>1,189</u>	<u>1,211</u>	<u>22</u>
Planning			
Salaries and Wages	4,585	4,688	103
Non-Personnel	4,749	4,914	165
Total Planning	<u>9,334</u>	<u>9,602</u>	<u>268</u>
TOTAL NEIGHBORHOOD SERVICES	<u>29,445</u>	<u>30,471</u>	<u>1,026</u>
CAPITAL OUTLAY	<u>1,165</u>	<u>2,155</u>	<u>990</u>
DEBT SERVICE			
Principal Retirement	7,730	8,551	821
Interest	7,942	8,315	373
TOTAL DEBT SERVICE	<u>15,672</u>	<u>16,866</u>	<u>1,194</u>
TOTAL EXPENDITURES	<u>1,398,729</u>	<u>1,409,095</u>	<u>10,366</u>

(Continued on Next Page)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Actual on Budgetary Basis ¹	Final Budget	Variance with Final Budget (Negative)
TRANSFERS TO PROPRIETARY FUNDS			
Enterprise Funds:			
Development Services	\$ 235	\$ 235	\$ —
TRANSFERS TO OTHER FUNDS			
Special Revenue Funds:			
City of San Diego:			
Interfund Transfers	22,285	23,406	1,121
Acquisition, Improvement and Operations	1,116	1,116	—
Transient Occupancy Tax	3,950	3,950	—
Other Special Revenue - Unbudgeted	2,304	2,304	—
Total Special Revenue Funds	<u>29,655</u>	<u>30,776</u>	<u>1,121</u>
Debt Service Funds:			
Public Facilities Financing Authority	20,078	20,078	—
Capital Projects Funds:			
City of San Diego:			
Capital Outlay - Budgeted	11,452	11,452	—
Capital Outlay - Unbudgeted	2,435	2,435	—
Total Capital Projects Funds	<u>13,887</u>	<u>13,887</u>	<u>—</u>
TOTAL TRANSFERS TO OTHER FUNDS	<u>63,620</u>	<u>64,741</u>	<u>1,121</u>
TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 1,462,584</u>	<u>\$ 1,474,071</u>	<u>\$ 11,487</u>

¹ Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. Transfers between the General Fund and these additional funds are titled "Interfund Transfers."



NONMAJOR GOVERNMENTAL FUNDS



The Sycamore Leaf Canopy, 2002, By: Joyce Cutler Shaw, Mission Valley Branch Library
© Greg Lambert

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2019
(Dollars in Thousands)**

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
ASSETS					
Cash and Investments	\$ 544,427	\$ 6	\$ 676,091	\$ —	\$ 1,220,524
Receivables:					
Taxes - Net of Allowance for Uncollectibles	29,315	—	27,617	—	56,932
Accounts - Net of Allowance for Uncollectibles	8,090	4,868	7,902	—	20,860
Claims	—	—	29,654	—	29,654
Special Assessments	4,201	—	—	—	4,201
Notes	273,424	—	—	—	273,424
Loans	142,400	—	—	—	142,400
Accrued Interest	1,575	8	1,863	15	3,461
Grants	26,096	—	23,706	—	49,802
From Other Funds	—	—	15,332	—	15,332
Advances to Other Agencies	2,534	—	—	—	2,534
Land Held for Resale	20,778	—	—	—	20,778
Prepaid Items	10	—	—	—	10
Restricted Cash and Investments	2,571	11,842	23,612	21,500	59,525
TOTAL ASSETS	<u>\$ 1,055,421</u>	<u>\$ 16,724</u>	<u>\$ 805,777</u>	<u>\$ 21,515</u>	<u>\$ 1,899,437</u>
LIABILITIES					
Accounts Payable	\$ 47,560	\$ —	\$ 28,357	\$ 4	\$ 75,921
Accrued Wages and Benefits	364	—	—	—	364
Other Accrued Liabilities	1,793	—	—	—	1,793
Due to Other Funds	26,594	—	19,859	—	46,453
Unearned Revenue	15,955	—	17,003	—	32,958
Advances from Other Funds	733	—	—	—	733
TOTAL LIABILITIES	<u>92,999</u>	<u>—</u>	<u>65,219</u>	<u>4</u>	<u>158,222</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Taxes	234	—	26,813	—	27,047
Unavailable Revenue - Grants	21,018	—	23,685	—	44,703
Unavailable Revenue - Other	5,133	4,868	649	—	10,650
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>26,385</u>	<u>4,868</u>	<u>51,147</u>	<u>—</u>	<u>82,400</u>
FUND BALANCES					
Nonspendable	23	—	—	18,428	18,451
Restricted	902,375	11,856	701,343	3,083	1,618,657
Committed	52,816	—	34,612	—	87,428
Unassigned (Deficit)	(19,177)	—	(46,544)	—	(65,721)
TOTAL FUND BALANCES	<u>936,037</u>	<u>11,856</u>	<u>689,411</u>	<u>21,511</u>	<u>1,658,815</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,055,421</u>	<u>\$ 16,724</u>	<u>\$ 805,777</u>	<u>\$ 21,515</u>	<u>\$ 1,899,437</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Fiscal Year Ended June 30, 2019
 (Dollars in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
REVENUES					
Property Taxes	\$ 14,764	\$ —	\$ —	\$ —	\$ 14,764
Special Assessments	70,590	—	—	—	70,590
Sales Taxes	—	—	41,021	—	41,021
Transient Occupancy Taxes	118,957	—	—	—	118,957
Franchises	69,766	—	—	—	69,766
Licenses and Permits	14,894	—	72,708	—	87,602
Fines, Forfeitures and Penalties	1,478	—	—	—	1,478
Revenue from Use of Money and Property	36,372	591	21,138	1,369	59,470
Revenue from Federal Agencies	91,702	—	3,216	—	94,918
Revenue from Other Agencies	8,124	10,616	7,089	—	25,829
Revenue from Private Sources	3,187	—	26,116	1	29,304
Charges for Current Services	29,017	—	—	104	29,121
Other Revenue	3,969	—	972	—	4,941
TOTAL REVENUES	462,820	11,207	172,260	1,474	647,761
EXPENDITURES					
Current:					
General Government and Support	25,891	—	5,754	—	31,645
Public Safety - Police	9,416	—	—	—	9,416
Public Safety - Fire and Life Safety and Homeland Security	16,981	—	33	—	17,014
Parks, Recreation, Culture and Leisure	170,991	—	2,477	32	173,500
Transportation	48,182	—	13,350	—	61,532
Sanitation and Health	3,837	—	1,329	70	5,236
Neighborhood Services	111,555	—	19	—	111,574
Capital Outlay	26,312	—	184,059	—	210,371
Debt Service:					
Principal Retirement	345	34,260	650	—	35,255
Cost of Issuance	—	152	317	—	469
Interest	159	26,831	131	—	27,121
TOTAL EXPENDITURES	413,669	61,243	208,119	102	683,133
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	49,151	(50,036)	(35,859)	1,372	(35,372)
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	16	—	61	—	77
Transfers from Other Funds	22,199	49,781	14,445	—	86,425
Transfers to Other Funds	(66,762)	(45)	(9,916)	(634)	(77,357)
Proceeds from the Sale of Capital Assets	—	—	3,193	—	3,193
Capital Leases Issued	—	—	10,942	—	10,942
Commercial Paper Notes Issued	—	—	15,889	—	15,889
TOTAL OTHER FINANCING SOURCES (USES)	(44,547)	49,736	34,614	(634)	39,169
NET CHANGE IN FUND BALANCES	4,604	(300)	(1,245)	738	3,797
Fund Balances at Beginning of Year	931,433	12,156	690,656	20,773	1,655,018
FUND BALANCES AT END OF YEAR	\$ 936,037	\$ 11,856	\$ 689,411	\$ 21,511	\$ 1,658,815



**NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE**



SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than those for debt service or major capital projects) that are restricted or committed to expenditures for specified purposes.

CITY OF SAN DIEGO

ACQUISITION, IMPROVEMENT AND OPERATIONS - BUDGETED

This fund accounts for various operating activities including business improvement areas, lighting and landscape maintenance areas, facilities financing, and the City's public art program. Revenues are derived from business tax surcharges, special assessments on property, various rents, concessions and fees.

SDCCU STADIUM OPERATIONS - BUDGETED

This fund accounts for the operations of the SDCCU Stadium. The Stadium is host to San Diego State University Aztecs football, the San Diego County Credit Union Holiday Bowl, and other special events. Revenues are derived from rents, concessions, parking, and advertising.

TRANSIENT OCCUPANCY TAX - BUDGETED

This fund was established to receive and expend transient occupancy taxes. Since 1964, a tax has been imposed on transients of hotel and motel rooms in the City of San Diego. Effective since August 1994, the tax rate is 10.5%.

UNDERGROUND SURCHARGE - BUDGETED

This fund was established to account for activities related to the undergrounding of utilities. This fund receives and disburses undergrounding surcharge revenue in accordance with the City's franchise agreements with SDG&E.

ZOOLOGICAL EXHIBITS - BUDGETED

This fund was established to collect monies from a fixed property tax levy authorized by Section 77a of the City Charter for the maintenance of zoological exhibits. These funds are remitted in accordance with a contractual agreement with the San Diego Zoological Society, a not-for-profit corporation independent from the City.

OTHER SPECIAL REVENUE - BUDGETED

This fund was established to account for revenues derived specifically for a variety of budgeted special programs administered by City departments such as Development Services, Planning and Police. Revenues in this fund are derived from service charges, revenues from other agencies, and fines.

GRANTS - UNBUDGETED

This fund was established to account for revenue received from federal, state and other governmental agencies. Expenditures are made and accounted for as prescribed by appropriate grant provisions/agreements.

LOW-MODERATE INCOME HOUSING - UNBUDGETED

This fund was established to account for affordable housing assets transferred from the Successor Agency to the Successor Housing Entity, which is the City, as required by California Health and Safety Code Section 34176(d), due to the dissolution of the Redevelopment Agency. This fund will also account for any future revenues generated from the housing assets.

OTHER SPECIAL REVENUE - UNBUDGETED

This fund was established to account for revenues earmarked for a variety of special programs administered by such City departments as Economic Development, Libraries, Parks and Recreation, and Police. Revenues in this fund are derived from such sources as parking fees, service charges, contributions from other agencies and private sources, and interest earnings.

BLENDED COMPONENT UNITS**CIVIC SAN DIEGO**

Civic San Diego (CSD) is a not-for-profit public benefit corporation resulting from restructuring and reorganizing the former Centre City Development Corporation (CCDC) and the Southeastern Economic Development Corporation (SEDC) into a single corporation. CCDC and SEDC were originally established to administer certain redevelopment project areas throughout the City. Upon dissolution of the former San Diego Redevelopment Agency (former RDA), CSD's main function is now focused on providing administrative and advisory services to the City as the Successor Agency. CSD also assists the City with downtown parking management administration and affordable housing development.

TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION

This fund was established to account for the activities of the TSRFC. TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's special revenue fund is used to account for the expenditures incurred for administrative services provided by the City.

ENHANCED INFRASTRUCTURE FINANCING DISTRICT PUBLIC FINANCING AUTHORITY (EIFDPFA)

This fund was established to finance certain public infrastructure and community benefit projects authorized under the Enhanced Infrastructure Financing District (EIFD) Law Government Code sections 53398.50 through 53398.88.

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
June 30, 2019
(Dollars in Thousands)

	City of San Diego	Civic San Diego	Tobacco Settlement Revenue Funding Corporation	EIFDPFA	Total
ASSETS					
Cash and Investments	\$ 534,082	\$ 10,291	\$ —	\$ 54	\$ 544,427
Receivables:					
Taxes - Net of Allowance for Uncollectibles	29,304	—	—	11	29,315
Accounts - Net of Allowance for Uncollectibles	5,444	2,646	—	—	8,090
Special Assessments	4,201	—	—	—	4,201
Notes	273,424	—	—	—	273,424
Loans	142,400	—	—	—	142,400
Accrued Interest	1,574	—	—	1	1,575
Grants	26,096	—	—	—	26,096
Advances to Other Agencies	2,534	—	—	—	2,534
Land Held for Resale	20,778	—	—	—	20,778
Prepaid Items	8	2	—	—	10
Restricted Cash and Investments	2,380	—	191	—	2,571
TOTAL ASSETS	\$ 1,042,225	\$ 12,939	\$ 191	\$ 66	\$ 1,055,421
LIABILITIES					
Accounts Payable	\$ 47,560	\$ —	\$ —	\$ —	\$ 47,560
Accrued Wages and Benefits	364	—	—	—	364
Other Accrued Liabilities	30	1,763	—	—	1,793
Due to Other Funds	26,592	—	2	—	26,594
Unearned Revenue	15,630	325	—	—	15,955
Advances from Other Funds	—	733	—	—	733
TOTAL LIABILITIES	90,176	2,821	2	—	92,999
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Taxes	234	—	—	—	234
Unavailable Revenue - Grants	21,018	—	—	—	21,018
Unavailable Revenue - Other	5,133	—	—	—	5,133
TOTAL DEFERRED INFLOWS OF RESOURCES	26,385	—	—	—	26,385
FUND BALANCES					
Nonspendable	8	15	—	—	23
Restricted	893,891	8,229	189	66	902,375
Committed	52,816	—	—	—	52,816
Unassigned (Deficit)	(21,051)	1,874	—	—	(19,177)
TOTAL FUND BALANCES	925,664	10,118	189	66	936,037
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,042,225	\$ 12,939	\$ 191	\$ 66	\$ 1,055,421

NONNONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Fiscal Year Ended June 30, 2019
 (Dollars in Thousands)

	City of San Diego	Civic San Diego	Tobacco Settlement Revenue Funding	EIFDPFA	Total
REVENUES					
Property Taxes	\$ 14,193	\$ —	\$ —	\$ 571	\$ 14,764
Special Assessments	70,590	—	—	—	70,590
Transient Occupancy Taxes	118,957	—	—	—	118,957
Franchises	69,766	—	—	—	69,766
Licenses and Permits	14,894	—	—	—	14,894
Fines, Forfeitures and Penalties	1,478	—	—	—	1,478
Revenue from Use of Money and Property	36,301	59	3	9	36,372
Revenue from Federal Agencies	91,702	—	—	—	91,702
Revenue from Other Agencies	7,925	199	—	—	8,124
Revenue from Private Sources	3,187	—	—	—	3,187
Charges for Current Services	16,253	12,764	—	—	29,017
Other Revenue	3,899	70	—	—	3,969
TOTAL REVENUES	449,145	13,092	3	580	462,820
EXPENDITURES					
Current:					
General Government and Support	16,148	9,539	59	145	25,891
Public Safety - Police	9,416	—	—	—	9,416
Public Safety - Fire and Life Safety and Homeland Security	16,981	—	—	—	16,981
Parks, Recreation, Culture and Leisure	170,991	—	—	—	170,991
Transportation	48,182	—	—	—	48,182
Sanitation and Health	3,837	—	—	—	3,837
Neighborhood Services	111,555	—	—	—	111,555
Capital Outlay	26,300	12	—	—	26,312
Debt Service:					
Principal Retirement	345	—	—	—	345
Interest	159	—	—	—	159
TOTAL EXPENDITURES	403,914	9,551	59	145	413,669
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	45,231	3,541	(56)	435	49,151
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	16	—	—	—	16
Transfers from Other Funds	22,154	—	45	—	22,199
Transfers to Other Funds	(66,393)	—	—	(369)	(66,762)
TOTAL OTHER FINANCING SOURCES (USES)	(44,223)	—	45	(369)	(44,547)
NET CHANGE IN FUND BALANCES	1,008	3,541	(11)	66	4,604
Fund Balances at Beginning of Year	924,656	6,577	200	—	931,433
FUND BALANCES AT END OF YEAR	\$ 925,664	\$ 10,118	\$ 189	\$ 66	\$ 936,037

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	City of San Diego		Civic San Diego	
	Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget
REVENUES				
Property Taxes	\$ 30,135	\$ 30,336	\$ —	\$ —
Special Assessments	527	3	—	—
Sales Taxes	9,978	9,957	—	—
Transient Occupancy Taxes	118,957	118,120	—	—
Franchises	86,363	80,498	—	—
Other Local Taxes	55,589	56,093	—	—
Licenses and Permits	14,892	14,392	—	—
Fines, Forfeitures and Penalties	33	—	—	—
Revenue from Use of Money and Property	18,872	11,172	17	1
Revenue from Federal Agencies	21,632	7,058	—	—
Revenue from Other Agencies	3,515	2,347	169	1,892
Revenue from Private Sources	1,486	2,709	—	—
Charges for Current Services	171,025	180,893	12,535	26,502
Other Revenue	1,383	1,760	70	—
TOTAL REVENUES	534,387	515,338	12,791	28,395
EXPENDITURES				
Current:				
General Government and Support	135,359	144,216	9,450	25,524
Public Safety - Police	4,306	9,655	—	—
Public Safety - Fire and Life Safety and Homeland Security....	5,850	8,167	—	—
Parks, Recreation, Culture and Leisure	122,871	164,779	—	—
Transportation	99,831	182,394	—	—
Sanitation and Health	2,209	3,357	—	—
Neighborhood Services	5,462	6,209	—	—
Capital Outlay	30,120	122	12	—
Debt Service:				
Principal Retirement	1,451	1,452	—	—
Interest	27	27	—	—
TOTAL EXPENDITURES	407,486	520,378	9,462	25,524
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)				
EXPENDITURES	126,901	(5,040)	3,329	2,871
OTHER FINANCING SOURCES (USES)				
Transfers from Proprietary Funds	53	—	—	—
Transfers from Other Funds	31,484	67,495	—	—
Transfers to Other Funds	(104,434)	(142,239)	—	—
TOTAL OTHER FINANCING SOURCES (USES)	(72,897)	(74,744)	—	—
NET CHANGE IN FUND BALANCES	54,004	(79,784)	3,329	2,871
Prior Year Encumbrances	22,346	22,346	—	—
Fund Balances at Beginning of Year	239,127	239,127	6,488	6,488
FUND BALANCES AT END OF YEAR	\$ 315,477	\$ 181,689	\$ 9,817	\$ 9,359

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
June 30, 2019
(Dollars in Thousands)

	Budgeted			
	Acquisition, Improvement and Operations	SDCCU Stadium Operations	Transient Occupancy Tax	Underground Surcharge
ASSETS				
Cash and Investments	\$ 28,887	\$ 10,687	\$ 3,034	\$ 195,723
Receivables:				
Taxes - Net of Allowance for Uncollectibles	—	—	12,180	16,770
Accounts - Net of Allowance for Uncollectibles	592	323	2,343	—
Special Assessments	137	—	—	—
Notes	—	—	—	—
Loans	—	—	—	—
Accrued Interest	80	30	6	606
Grants	—	—	—	—
Advances to Other Agencies	641	—	—	—
Land Held for Resale	—	—	—	—
Prepaid Items	—	—	—	—
Restricted Cash and Investments	—	—	—	—
TOTAL ASSETS	\$ 30,337	\$ 11,040	\$ 17,563	\$ 213,099
LIABILITIES				
Accounts Payable	\$ 2,660	\$ 2,274	\$ 4,941	\$ 12,662
Accrued Wages and Benefits	137	11	67	78
Other Accrued Liabilities	—	3	—	—
Due to Other Funds	—	—	6,425	—
Unearned Revenue	—	—	—	—
TOTAL LIABILITIES	2,797	2,288	11,433	12,740
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes	—	—	—	—
Unavailable Revenue - Grants	—	—	—	—
Unavailable Revenue - Other	480	306	891	—
TOTAL DEFERRED INFLOWS OF RESOURCES	480	306	891	—
FUND BALANCES				
Nonspendable	—	—	—	—
Restricted	22,638	—	—	200,359
Committed	4,422	8,446	5,239	—
Unassigned (Deficit)	—	—	—	—
TOTAL FUND BALANCES	27,060	8,446	5,239	200,359
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 30,337	\$ 11,040	\$ 17,563	\$ 213,099

		Unbudgeted					
Zoological Exhibits	Other Special Revenue	Grants	Low-Moderate Income Housing	Other Special Revenue	Total		
\$ 9,257	\$ 36,568	\$ 13,834	\$ 49,798	\$ 186,294	\$ 534,082		
354	—	—	—	—	29,304		
—	12	1	—	2,173	5,444		
—	—	—	—	4,064	4,201		
—	—	—	271,475	1,949	273,424		
—	—	139,397	—	3,003	142,400		
—	133	75	151	493	1,574		
—	—	26,096	—	—	26,096		
—	—	—	—	1,893	2,534		
—	—	—	20,778	—	20,778		
—	—	—	—	8	8		
—	—	900	1,480	—	2,380		
<u>\$ 9,611</u>	<u>\$ 36,713</u>	<u>\$ 180,303</u>	<u>\$ 343,682</u>	<u>\$ 199,877</u>	<u>\$ 1,042,225</u>		
\$ 9,257	\$ 2,724	\$ 4,846	\$ 258	\$ 7,938	\$ 47,560		
—	69	—	—	2	364		
—	—	—	2	25	30		
—	—	20,133	—	34	26,592		
—	—	13,834	—	1,796	15,630		
<u>9,257</u>	<u>2,793</u>	<u>38,813</u>	<u>260</u>	<u>9,795</u>	<u>90,176</u>		
234	—	—	—	—	234		
—	—	21,018	—	—	21,018		
—	12	—	—	3,444	5,133		
<u>234</u>	<u>12</u>	<u>21,018</u>	<u>—</u>	<u>3,444</u>	<u>26,385</u>		
—	—	—	—	8	8		
120	31,293	141,489	343,422	154,570	893,891		
—	2,615	—	—	32,094	52,816		
—	—	(21,017)	—	(34)	(21,051)		
<u>120</u>	<u>33,908</u>	<u>120,472</u>	<u>343,422</u>	<u>186,638</u>	<u>925,664</u>		
<u>\$ 9,611</u>	<u>\$ 36,713</u>	<u>\$ 180,303</u>	<u>\$ 343,682</u>	<u>\$ 199,877</u>	<u>\$ 1,042,225</u>		

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Budgeted			
	Acquisition, Improvement and Operations	SDCCU Stadium Operations	Transient Occupancy Tax	Underground Surcharge
REVENUES				
Property Taxes	\$ —	\$ —	\$ —	\$ —
Special Assessments	16,468	—	—	—
Transient Occupancy Taxes	—	—	118,957	—
Franchises	—	—	—	69,660
Licenses and Permits	26	8	50	—
Fines, Forfeitures and Penalties	—	—	13	—
Revenue from Use of Money and Property	776	5,833	3,261	5,980
Revenue from Federal Agencies	—	—	—	—
Revenue from Other Agencies	—	4	—	—
Revenue from Private Sources	12	—	1,381	93
Charges for Current Services	5,362	—	—	—
Other Revenue	399	635	—	2
TOTAL REVENUES	23,043	6,480	123,662	75,735
EXPENDITURES				
Current:				
General Government and Support	3,549	—	—	—
Public Safety - Police	—	—	—	—
Public Safety - Fire and Life Safety and Homeland Security	—	—	—	—
Parks, Recreation, Culture and Leisure	17,779	10,397	72,966	—
Transportation	—	—	6	44,439
Sanitation and Health	—	—	—	—
Neighborhood Services	2,508	—	—	—
Capital Outlay	305	49	307	5,031
Debt Service:				
Principal Retirement	—	—	—	—
Interest	—	—	—	—
TOTAL EXPENDITURES	24,141	10,446	73,279	49,470
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,098)	(3,966)	50,383	26,265
OTHER FINANCING SOURCES (USES)				
Transfers from Proprietary	1	12	—	—
Transfers from Other Funds	1,857	6,939	3,950	—
Transfers to Other Funds	—	(4,038)	(55,230)	—
TOTAL OTHER FINANCING SOURCES (USES)	1,858	2,913	(51,280)	—
NET CHANGE IN FUND BALANCES	760	(1,053)	(897)	26,265
Fund Balances at Beginning of Year	26,300	9,499	6,136	174,094
FUND BALANCES AT END OF YEAR	\$ 27,060	\$ 8,446	\$ 5,239	\$ 200,359

		Unbudgeted				
Zoological Exhibits	Other Special Revenue	Grants	Low-Moderate Income Housing	Other Special Revenue	Total	
\$ 14,193	\$ —	\$ —	\$ —	\$ —	\$ 14,193	
—	—	—	—	54,122	70,590	
—	—	—	—	—	118,957	
—	—	—	—	106	69,766	
—	14,810	—	—	—	14,894	
—	—	—	—	1,465	1,478	
—	1,327	362	4,349	14,413	36,301	
—	21,632	70,070	—	—	91,702	
—	3,295	4,621	—	5	7,925	
—	—	—	25	1,676	3,187	
—	2,004	—	—	8,887	16,253	
—	3	—	2,005	855	3,899	
<u>14,193</u>	<u>43,071</u>	<u>75,053</u>	<u>6,379</u>	<u>81,529</u>	<u>449,145</u>	
—	4,805	6,934	—	860	16,148	
—	5,252	3,750	—	414	9,416	
—	580	16,040	—	361	16,981	
14,183	230	391	—	55,045	170,991	
—	378	3,347	—	12	48,182	
—	2,153	216	—	1,468	3,837	
—	2,546	73,400	1,785	31,316	111,555	
—	3,726	12,708	—	4,174	26,300	
—	—	—	—	345	345	
—	—	—	—	159	159	
<u>14,183</u>	<u>19,670</u>	<u>116,786</u>	<u>1,785</u>	<u>94,154</u>	<u>403,914</u>	
<u>10</u>	<u>23,401</u>	<u>(41,733)</u>	<u>4,594</u>	<u>(12,625)</u>	<u>45,231</u>	
—	3	—	—	—	16	
—	264	—	—	9,144	22,154	
—	(6,838)	(34)	—	(253)	(66,393)	
—	(6,571)	(34)	—	8,891	(44,223)	
10	16,830	(41,767)	4,594	(3,734)	1,008	
110	17,078	162,239	338,828	190,372	924,656	
<u>\$ 120</u>	<u>\$ 33,908</u>	<u>\$ 120,472</u>	<u>\$ 343,422</u>	<u>\$ 186,638</u>	<u>\$ 925,664</u>	

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Acquisition, Improvement and Operations			SDCCU Stadium Operations		
	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES						
Property Taxes	\$ 15,942	\$ 16,568	\$ (626)	\$ —	\$ —	\$ —
Special Assessments	527	3	524	—	—	—
Sales Taxes	—	—	—	—	—	—
Transient Occupancy Taxes	—	—	—	—	—	—
Franchises	—	—	—	—	—	—
Other Local Taxes	—	—	—	—	—	—
Licenses and Permits	25	50	(25)	8	8	—
Fines, Forfeitures and Penalties	—	—	—	—	—	—
Revenue from Use of Money and Property	436	113	323	5,682	3,623	2,059
Revenue from Federal Agencies	—	—	—	—	—	—
Revenue from Other Agencies	—	—	—	4	—	4
Revenue from Private Sources	12	—	12	—	—	—
Charges for Current Services	5,362	5,709	(347)	—	49	(49)
Other Revenue	399	—	399	635	1	634
TOTAL REVENUES	22,703	22,443	260	6,329	3,681	2,648
EXPENDITURES						
Current:						
General Government and Support	3,548	4,543	995	—	—	—
Public Safety - Police	—	—	—	—	—	—
Public Safety - Fire and Life Safety and Homeland Security ..	—	—	—	—	—	—
Parks, Recreation, Culture and Leisure	18,191	36,292	18,101	10,398	11,820	1,422
Transportation	—	—	—	—	—	—
Sanitation and Health	—	—	—	—	—	—
Neighborhood Services	2,916	3,559	643	—	—	—
Capital Outlay	305	—	(305)	49	1	(48)
Debt Service:						
Principal Retirement	—	—	—	—	—	—
Interest	—	—	—	—	—	—
TOTAL EXPENDITURES	24,960	44,394	19,434	10,447	11,821	1,374
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,257)	(21,951)	19,694	(4,118)	(8,140)	4,022
OTHER FINANCING SOURCES (USES)						
Transfers from Proprietary Funds	1	—	1	12	—	12
Transfers from Other Funds	1,857	5,560	(3,703)	6,939	6,939	—
Transfers to Other Funds	—	(3,895)	3,895	(4,038)	(4,044)	6
TOTAL OTHER FINANCING SOURCES (USES)	1,858	1,665	193	2,913	2,895	18
NET CHANGE IN FUND BALANCES	(399)	(20,286)	19,887	(1,205)	(5,245)	4,040
Prior Year Encumbrances	787	787	—	—	—	—
Fund Balances at Beginning of Year	25,128	25,128	—	9,580	9,580	—
FUND BALANCES AT END OF YEAR	\$ 25,516	\$ 5,629	\$ 19,887	\$ 8,375	\$ 4,335	\$ 4,040

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Transient Occupancy Tax			Underground Surcharge		
	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES						
Property Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Special Assessments	—	—	—	—	—	—
Sales Taxes	—	—	—	—	—	—
Transient Occupancy Taxes	118,957	118,120	837	—	—	—
Franchises	—	—	—	69,660	63,776	5,884
Other Local Taxes	—	—	—	—	—	—
Licenses and Permits	49	75	(26)	—	—	—
Fines, Forfeitures and Penalties	13	—	13	—	—	—
Revenue from Use of Money and Property	3,231	1,848	1,383	3,523	1,320	2,203
Revenue from Federal Agencies	—	—	—	—	—	—
Revenue from Other Agencies	—	—	—	—	—	—
Revenue from Private Sources	1,381	1,430	(49)	93	1,279	(1,186)
Charges for Current Services	—	—	—	—	—	—
Other Revenue	—	41	(41)	2	—	2
TOTAL REVENUES	123,631	121,514	2,117	73,278	66,375	6,903
EXPENDITURES						
Current:						
General Government and Support	—	—	—	—	865	865
Public Safety - Police	—	—	—	—	—	—
Public Safety - Fire and Life Safety and Homeland Security ..	—	—	—	—	—	—
Parks, Recreation, Culture and Leisure	72,967	73,957	990	—	—	—
Transportation	6	6	—	44,439	81,699	37,260
Sanitation and Health	—	—	—	—	—	—
Neighborhood Services	—	—	—	—	—	—
Capital Outlay	325	—	(325)	9,914	—	(9,914)
Debt Service:						
Principal Retirement	—	—	—	—	—	—
Interest	—	—	—	—	—	—
TOTAL EXPENDITURES	73,298	73,963	665	54,353	82,564	28,211
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	50,333	47,551	2,782	18,925	(16,189)	35,114
OTHER FINANCING SOURCES (USES)						
Transfers from Proprietary Funds	—	—	—	—	—	—
Transfers from Other Funds	3,950	36,253	(32,303)	—	—	—
Transfers to Other Funds	(55,230)	(88,043)	32,813	—	—	—
TOTAL OTHER FINANCING SOURCES (USES)	(51,280)	(51,790)	510	—	—	—
NET CHANGE IN FUND BALANCES	(947)	(4,239)	3,292	18,925	(16,189)	35,114
Prior Year Encumbrances	18	18	—	4,958	4,958	—
Fund Balances at Beginning of Year	6,136	6,136	—	170,196	170,196	—
FUND BALANCES AT END OF YEAR	\$ 5,207	\$ 1,915	\$ 3,292	\$ 194,079	\$ 158,965	\$ 35,114

(Continued on Next Page)

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Zoological Exhibits			Other Special Revenue ¹		
	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES						
Property Taxes	\$ 14,193	\$ 13,768	\$ 425	\$ —	\$ —	\$ —
Special Assessments	—	—	—	—	—	—
Sales Taxes	—	—	—	9,978	9,957	21
Transient Occupancy Taxes	—	—	—	—	—	—
Franchises	—	—	—	16,703	16,722	(19)
Other Local Taxes	—	—	—	55,589	56,093	(504)
Licenses and Permits	—	—	—	14,810	14,259	551
Fines, Forfeitures and Penalties	—	—	—	20	—	20
Revenue from Use of Money and Property	—	—	—	6,000	4,268	1,732
Revenue from Federal Agencies	—	—	—	21,632	7,058	14,574
Revenue from Other Agencies	—	—	—	3,511	2,347	1,164
Revenue from Private Sources	—	—	—	—	—	—
Charges for Current Services	—	—	—	165,663	175,135	(9,472)
Other Revenue	—	—	—	347	1,718	(1,371)
TOTAL REVENUES	14,193	13,768	425	294,253	287,557	6,696
EXPENDITURES						
Current:						
General Government and Support	—	—	—	131,811	138,808	6,997
Public Safety - Police	—	—	—	4,306	9,655	5,349
Public Safety - Fire and Life Safety and Homeland Security ..	—	—	—	5,850	8,167	2,317
Parks, Recreation, Culture and Leisure	4,926	13,768	8,842	16,389	28,942	12,553
Transportation	—	—	—	55,386	100,689	45,303
Sanitation and Health	—	—	—	2,209	3,357	1,148
Neighborhood Services	—	—	—	2,546	2,650	104
Capital Outlay	—	—	—	19,527	121	(19,406)
Debt Service:						
Principal Retirement	—	—	—	1,451	1,452	1
Interest	—	—	—	27	27	—
TOTAL EXPENDITURES	4,926	13,768	8,842	239,502	293,868	54,366
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,267	—	9,267	54,751	(6,311)	61,062
OTHER FINANCING SOURCES (USES)						
Transfers from Proprietary Funds	—	—	—	40	—	40
Transfers from Other Funds	—	—	—	18,738	18,743	(5)
Transfers to Other Funds	—	—	—	(45,166)	(46,257)	1,091
TOTAL OTHER FINANCING SOURCES (USES)	—	—	—	(26,388)	(27,514)	1,126
NET CHANGE IN FUND BALANCES	9,267	—	9,267	28,363	(33,825)	62,188
Prior Year Encumbrances	—	—	—	16,583	16,583	—
Fund Balances at Beginning of Year	110	110	—	27,977	27,977	—
FUND BALANCES AT END OF YEAR	\$ 9,377	\$ 110	\$ 9,267	\$ 72,923	\$ 10,735	\$ 62,188

¹ Amounts include funds that do not meet the criteria to be classified as special revenue funds pursuant to GASB Statement No. 54, which are included with the General Fund in the Governmental Funds financial statements prepared on a GAAP basis.



NONMAJOR GOVERNMENTAL FUNDS DEBT SERVICE



DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for general long-term debt principal, interest, and related costs.

BLENDED COMPONENT UNITS

CONVENTION CENTER EXPANSION FINANCING AUTHORITY (CCEFA)

This fund was established to account for the debt service activities of the CCEFA. CCEFA, created by the City and the Port of San Diego, facilitates the financing, acquisition and construction of an expansion to the San Diego Convention Center. CCEFA's debt service fund is used to account for the payment of long-term debt principal and interest.

PUBLIC FACILITIES FINANCING AUTHORITY (PFFA)

This fund was established to account for the debt service activities of the PFFA. PFFA, a joint powers authority consisting of the City, the Successor Agency and the Housing Authority of the City of San Diego, facilitates the financing, acquisition and construction of public capital facility improvements. PFFA's debt service fund is used to account for the payment of long-term debt principal and interest.

TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION (TSRFC)

This fund was established to account for the debt service activities of the TSRFC. TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's debt service fund is used to account for the payment of long-term debt principal and interest.

NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING BALANCE SHEET
 June 30, 2019
 (Dollars in Thousands)

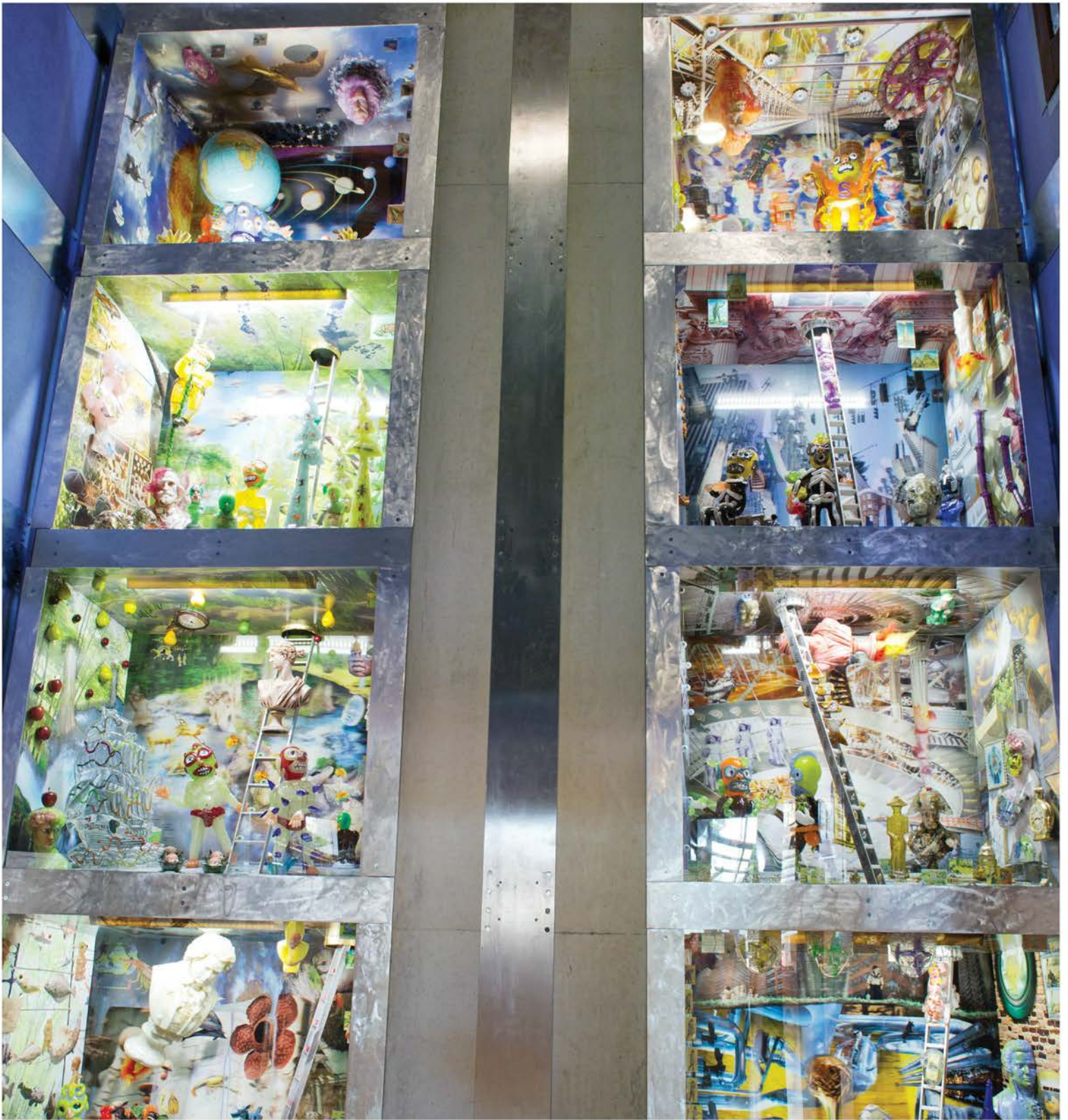
	Convention Center Expansion Financing Authority	Public Facilities Financing Authority	Tobacco Settlement Revenue Funding Corporation	Total
ASSETS				
Cash and Investments	\$ —	\$ 5	\$ 1	\$ 6
Receivables:				
Accounts	—	—	4,868	4,868
Accrued Interest	—	—	8	8
Restricted Cash and Investments	—	31	11,811	11,842
TOTAL ASSETS	\$ —	\$ 36	\$ 16,688	\$ 16,724
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Other	\$ —	\$ —	\$ 4,868	\$ 4,868
FUND BALANCES				
Restricted	—	36	11,820	11,856
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ —	\$ 36	\$ 16,688	\$ 16,724

NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Fiscal Year Ended June 30, 2019
 (Dollars in Thousands)

	Convention Center Expansion Financing Authority	Public Facilities Financing Authority	Tobacco Settlement Revenue Funding Corporation	Total
REVENUES				
Revenue from Use of Money and Property	\$ —	\$ 34	\$ 557	\$ 591
Revenue from Other Agencies	—	—	10,616	10,616
TOTAL REVENUES	—	34	11,173	11,207
EXPENDITURES				
Debt Service:				
Principal Retirement	7,815	18,420	8,025	34,260
Cost of Issuance	—	148	4	152
Interest	4,746	18,877	3,208	26,831
TOTAL EXPENDITURES	12,561	37,445	11,237	61,243
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(12,561)	(37,411)	(64)	(50,036)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	12,561	37,220	—	49,781
Transfers to Other Funds	—	—	(45)	(45)
TOTAL OTHER FINANCING SOURCES (USES)	12,561	37,220	(45)	49,736
NET CHANGE IN FUND BALANCES	—	(191)	(109)	(300)
Fund Balances at Beginning of Year	—	227	11,929	12,156
FUND BALANCES AT END OF YEAR	\$ —	\$ 36	\$ 11,820	\$ 11,856



Page Intentionally Left Blank



NONMAJOR GOVERNMENTAL FUNDS CAPITAL PROJECTS



CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities.

CITY OF SAN DIEGO

TRANSNET - BUDGETED

This fund was established to account for transportation improvements funded by the 2009 extension of a local sales tax approved by voters in the County of San Diego. Funds are used to relieve traffic congestion, increase safety, and improve air quality by performing repairs, restorations, and construction of needed facilities within the public rights-of-way.

CAPITAL OUTLAY - BUDGETED

This fund was established to account for capital improvements per Sections 55.2 and 77 of the City Charter. This fund includes a variety of capital projects including, but not limited to, building improvements to city facilities, park improvements, and street improvements. Revenues in this fund are derived from the sale of City-owned real property and Mission Bay Park lease revenues.

CAPITAL GRANTS - UNBUDGETED

This fund was established to account for capital grants from Federal, State and other governmental agencies.

PARKS & RECREATION DISTRICTS - UNBUDGETED

This fund was established to account for park fees collected at the time of subdivision or permit issuance and is mandated per the City of San Diego Municipal Code. Fee assessments are only to be used for park purposes within a Community Park Service District to purchase land, facilities, or reimburse those who have donated more than their proportionate responsibilities.

FACILITIES BENEFIT ASSESSMENTS - UNBUDGETED

This fund was established to account for building permit fees collected at the time of permit issuance and is mandated by the City Charter. Fee assessments are only to be used in the community the assessments are collected and are the primary source of project funding, excluding maintenance costs.

IMPACT FEES - UNBUDGETED

This fund was established to account for building permit fees collected at the time of permit issuance and has specific State reporting requirements. Fee assessments are only to be used in the community the assessments are collected and are not the primary source of project funding and exclude maintenance costs.

SPECIAL ASSESSMENT/SPECIAL TAX BONDS - UNBUDGETED

This fund was established to account for Community Facilities Districts and Special Assessment Districts, which under various sections of State law, issue limited obligation bonds to finance infrastructure facilities and other public improvements necessary to facilitate development of the properties within each district. The bonds are secured solely by the properties within each district, and are repaid through revenues generated by the annual levy of special taxes or special assessments on the benefiting properties.

TRANSNET - UNBUDGETED

This fund was established to account for transportation improvements funded by local sales tax approved by voters in the County of San Diego, as well as developer impact fees under the SANDAG administered TransNet Program. Funds are used to relieve traffic congestion, increase safety, and improve air quality by performing repairs, restorations, and construction of needed facilities within the public rights-of-way.

CAPITAL OUTLAY - UNBUDGETED

This fund was established to account for the acquisition, construction and completion of permanent public improvements and real property. This fund also accounts for a variety of capital projects including, but not limited to, park and street improvements, and the construction of public facilities in new development areas. Revenues in this fund are derived from developer contributions, private donations, special assessments, special taxes, fees, leases, and interest derived there from.

BLENDED COMPONENT UNITS**PUBLIC FACILITIES FINANCING AUTHORITY (PFFA)**

This fund was established to account for the capital improvement acquisition and construction activities of the Public Facilities Financing Authority (PFFA). PFFA, which was created by the City and the former Redevelopment Agency, facilitates the financing and construction of public capital improvements. PFFA's current members are the City, the Successor Agency and the Housing Authority of the City of San Diego. Revenues are derived from the issuance of bonds and interest earnings on investments.

TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION (TSRFC)

This fund was established to account for the capital improvement activities of the TSRFC. TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement.

ENHANCED INFRASTRUCTURE FINANCING DISTRICT PUBLIC FINANCING AUTHORITY (EIFDPFA)

This fund was established to finance certain public infrastructure and community benefit projects authorized under the Enhanced Infrastructure Financing District (EIFD) Law Government Code sections 53398.50 through 53398.88.

NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
 June 30, 2019
 (Dollars in Thousands)

	City of San Diego	Public Facilities Financing Authority	Tobacco Settlement Revenue Funding Corporation	EIFDPFA	Total
ASSETS					
Cash and Investments	\$ 670,197	\$ 267	\$ 5,258	\$ 369	\$ 676,091
Receivables:					
Taxes - Net of Allowance for Uncollectibles	27,617	—	—	—	27,617
Accounts - Net of Allowance for Uncollectibles	7,902	—	—	—	7,902
Claims	29,654	—	—	—	29,654
Accrued Interest	1,809	2	52	—	1,863
Grants	23,706	—	—	—	23,706
From Other Funds	15,332	—	—	—	15,332
Restricted Cash and Investments	13,985	1,484	8,143	—	23,612
TOTAL ASSETS	\$ 790,202	\$ 1,753	\$ 13,453	\$ 369	\$ 805,777
LIABILITIES					
Accounts Payable	\$ 24,402	\$ 3,272	\$ 683	\$ —	\$ 28,357
Due to Other Funds	16,759	3,100	—	—	19,859
Unearned Revenue	17,003	—	—	—	17,003
TOTAL LIABILITIES	58,164	6,372	683	—	65,219
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Taxes	26,813	—	—	—	26,813
Unavailable Revenue - Grants	23,685	—	—	—	23,685
Unavailable Revenue - Other	649	—	—	—	649
TOTAL DEFERRED INFLOWS OF RESOURCES	51,147	—	—	—	51,147
FUND BALANCES					
Restricted	687,422	782	12,770	369	701,343
Committed	34,612	—	—	—	34,612
Unassigned	(41,143)	(5,401)	—	—	(46,544)
TOTAL FUND BALANCES	680,891	(4,619)	12,770	369	689,411
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 790,202	\$ 1,753	\$ 13,453	\$ 369	\$ 805,777

NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Fiscal Year Ended June 30, 2019
 (Dollars in Thousands)

	City of San Diego	Public Facilities Financing Authority	Tobacco Settlement Revenue Funding Corporation	EIFDPFA	Total
REVENUES					
Sales Taxes	\$ 41,021	\$ —	\$ —	\$ —	\$ 41,021
Licenses and Permits	72,708	—	—	—	72,708
Revenue from Use of Money and Property	20,493	96	549	—	21,138
Revenue from Federal Agencies	3,216	—	—	—	3,216
Revenue from Other Agencies	7,089	—	—	—	7,089
Revenue from Private Sources	26,116	—	—	—	26,116
Other Revenue	972	—	—	—	972
TOTAL REVENUES	171,615	96	549	—	172,260
EXPENDITURES					
Current:					
General Government and Support	5,754	—	—	—	5,754
Public Safety - Fire and Life Safety and Homeland Security	33	—	—	—	33
Parks, Recreation, Culture and Leisure	2,477	—	—	—	2,477
Transportation	13,350	—	—	—	13,350
Sanitation and Health	1,324	5	—	—	1,329
Neighborhood Services	19	—	—	—	19
Capital Outlay	149,886	22,823	11,350	—	184,059
Debt Service:					
Principal Retirement	650	—	—	—	650
Cost of Issuance	—	317	—	—	317
Interest	73	58	—	—	131
TOTAL EXPENDITURES	173,566	23,203	11,350	—	208,119
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,951)	(23,107)	(10,801)	—	(35,859)
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	61	—	—	—	61
Transfers from Other Funds	14,037	39	—	369	14,445
Transfers to Other Funds	(9,916)	—	—	—	(9,916)
Proceeds from the Sale of Capital Assets	3,193	—	—	—	3,193
Capital Leases Issued	10,942	—	—	—	10,942
Commercial Paper Notes Issued	—	15,889	—	—	15,889
TOTAL OTHER FINANCING SOURCES (USES)	18,317	15,928	—	369	34,614
NET CHANGE IN FUND BALANCES	16,366	(7,179)	(10,801)	369	(1,245)
Fund Balances at Beginning of Year	664,525	2,560	23,571	—	690,656
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ 680,891	\$ (4,619)	\$ 12,770	\$ 369	\$ 689,411



Page Intentionally Left Blank

**CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
June 30, 2019
(Dollars in Thousands)**

	Budgeted	
	TransNet	Capital Outlay
ASSETS		
Cash and Investments	\$ 2,476	\$ 74,617
Receivables:		
Taxes - Net of Allowance for Uncollectibles	27,617	—
Accounts - Net of Allowance for Uncollectibles	—	—
Claims	—	—
Accrued Interest	15	155
Grants	—	—
From Other Funds	—	15,332
Advances to Other Agencies	—	—
Restricted Cash and Investments	—	—
TOTAL ASSETS	\$ 30,108	\$ 90,104
LIABILITIES		
Accounts Payable	\$ 1,832	\$ 3,988
Due to Other Funds	—	—
Unearned Revenue	—	—
TOTAL LIABILITIES	1,832	3,988
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Taxes	26,813	—
Unavailable Revenue - Grants	—	—
Unavailable Revenue - Other	—	—
TOTAL DEFERRED INFLOWS OF RESOURCES	26,813	—
FUND BALANCES		
Restricted	1,463	86,116
Committed	—	—
Unassigned	—	—
TOTAL FUND BALANCES (DEFICIT)	1,463	86,116
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 30,108	\$ 90,104

Unbudgeted							
Capital Grants	Parks & Recreation Districts	Facilities Benefit Assessments	Impact Fees	Special Assessment/ Special Tax Bonds	TransNet	Capital Outlay	Total
\$ 3	\$ 4,407	\$ 271,700	\$ 167,920	\$ 440	\$ 21,039	\$ 127,595	\$ 670,197
—	—	—	—	—	—	—	27,617
—	—	5,878	69	—	21	1,934	7,902
—	—	—	—	—	—	29,654	29,654
1	13	843	489	2	54	237	1,809
23,706	—	—	—	—	—	—	23,706
—	—	—	—	—	—	—	15,332
—	—	—	—	—	—	—	—
—	—	—	—	—	—	13,985	13,985
<u>\$ 23,710</u>	<u>\$ 4,420</u>	<u>\$ 278,421</u>	<u>\$ 168,478</u>	<u>\$ 442</u>	<u>\$ 21,114</u>	<u>\$ 173,405</u>	<u>\$ 790,202</u>
\$ 7,126	\$ —	\$ 1,270	\$ 2,001	\$ —	\$ 1,542	\$ 6,643	\$ 24,402
16,581	—	—	—	—	—	178	16,759
3	—	—	—	—	—	17,000	17,003
<u>23,710</u>	<u>—</u>	<u>1,270</u>	<u>2,001</u>	<u>—</u>	<u>1,542</u>	<u>23,821</u>	<u>58,164</u>
—	—	—	—	—	—	—	26,813
23,685	—	—	—	—	—	—	23,685
—	—	—	69	—	21	559	649
<u>23,685</u>	<u>—</u>	<u>—</u>	<u>69</u>	<u>—</u>	<u>21</u>	<u>559</u>	<u>51,147</u>
—	4,420	277,151	166,408	442	19,551	131,871	687,422
—	—	—	—	—	—	34,612	34,612
(23,685)	—	—	—	—	—	(17,458)	(41,143)
<u>(23,685)</u>	<u>4,420</u>	<u>277,151</u>	<u>166,408</u>	<u>442</u>	<u>19,551</u>	<u>149,025</u>	<u>680,891</u>
<u>\$ 23,710</u>	<u>\$ 4,420</u>	<u>\$ 278,421</u>	<u>\$ 168,478</u>	<u>\$ 442</u>	<u>\$ 21,114</u>	<u>\$ 173,405</u>	<u>\$ 790,202</u>

**CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)**

	<u>Budgeted</u>	
	<u>TransNet</u>	<u>Capital Outlay</u>
REVENUES		
Sales Taxes	\$ 40,781	\$ —
Licenses and Permits	—	—
Revenue from Use of Money and Property	109	1,683
Revenue from Federal Agencies	—	—
Revenue from Other Agencies	—	16
Revenue from Private Sources	—	—
Other Revenue	—	—
TOTAL REVENUES	<u>40,890</u>	<u>1,699</u>
EXPENDITURES		
Current:		
General Government and Support	269	161
Public Safety - Police	—	—
Public Safety - Fire and Life Safety and Homeland Security	—	29
Parks, Recreation, Culture and Leisure	—	1,289
Transportation	3,358	—
Sanitation and Health	—	9
Neighborhood Services	—	—
Capital Outlay	25,934	13,349
Debt Service:		
Principal Retirement	—	—
Interest	—	—
TOTAL EXPENDITURES	<u>29,561</u>	<u>14,837</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,329</u>	<u>(13,138)</u>
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary Funds	—	—
Transfers from Other Funds	—	11,452
Transfers to Other Funds	(9,916)	—
Proceeds from the Sale of Capital Assets	—	3,193
Capital Leases Issued	—	—
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,916)</u>	<u>14,645</u>
NET CHANGE IN FUND BALANCES	1,413	1,507
Fund Balances (Deficit) at Beginning of Year	50	84,609
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 1,463</u>	<u>\$ 86,116</u>

Unbudgeted							
Capital Grants	Parks & Recreation Districts	Facilities Benefit Assessments	Impact Fees	Special Assessment/ Special Tax Bonds	TransNet	Capital Outlay	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 240	\$ —	\$ 41,021
—	—	31,556	35,599	—	5,464	89	72,708
3	145	9,049	5,170	15	643	3,676	20,493
3,216	—	—	—	—	—	—	3,216
1,863	—	—	—	—	—	5,210	7,089
—	—	—	—	—	—	26,116	26,116
—	—	—	—	—	—	972	972
<u>5,082</u>	<u>145</u>	<u>40,605</u>	<u>40,769</u>	<u>15</u>	<u>6,347</u>	<u>36,063</u>	<u>171,615</u>
—	—	1,369	3,406	51	270	228	5,754
—	—	—	—	—	—	—	—
—	—	—	—	—	—	4	33
—	—	896	77	—	—	215	2,477
—	—	4,028	—	—	234	5,730	13,350
—	—	853	—	—	—	462	1,324
—	—	—	—	—	—	19	19
26,558	142	23,552	18,817	—	8,202	33,332	149,886
—	—	—	—	—	—	650	650
—	—	—	—	—	—	73	73
<u>26,558</u>	<u>142</u>	<u>30,698</u>	<u>22,300</u>	<u>51</u>	<u>8,706</u>	<u>40,713</u>	<u>173,566</u>
<u>(21,476)</u>	<u>3</u>	<u>9,907</u>	<u>18,469</u>	<u>(36)</u>	<u>(2,359)</u>	<u>(4,650)</u>	<u>(1,951)</u>
—	—	—	—	—	—	61	61
—	—	—	—	—	—	2,585	14,037
—	—	—	—	—	—	—	(9,916)
—	—	—	—	—	—	—	3,193
—	—	—	—	—	—	10,942	10,942
—	—	—	—	—	—	13,588	18,317
<u>(21,476)</u>	<u>3</u>	<u>9,907</u>	<u>18,469</u>	<u>(36)</u>	<u>(2,359)</u>	<u>8,938</u>	<u>16,366</u>
<u>(2,209)</u>	<u>4,417</u>	<u>267,244</u>	<u>147,939</u>	<u>478</u>	<u>21,910</u>	<u>140,087</u>	<u>664,525</u>
<u>\$ (23,685)</u>	<u>\$ 4,420</u>	<u>\$ 277,151</u>	<u>\$ 166,408</u>	<u>\$ 442</u>	<u>\$ 19,551</u>	<u>\$ 149,025</u>	<u>\$ 680,891</u>

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	TransNet			Capital Outlay		
	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES						
Sales Taxes	\$ 40,781	\$ 33,388	\$ 7,393	\$ —	\$ —	\$ —
Revenue from Use of Money and Property	63	—	63	1,040	—	1,040
Revenue from Other Agencies	—	—	—	16	16	—
TOTAL REVENUES	40,844	33,388	7,456	1,056	16	1,040
EXPENDITURES						
Current:						
General Government and Support	269	224	(45)	161	11,069	10,908
Public Safety - Fire and Life Safety and Homeland Security	—	—	—	29	700	671
Parks, Recreation, Culture and Leisure	—	—	—	1,289	1,167	(122)
Transportation	3,358	51,082	47,724	—	66,104	66,104
Sanitation and Health	—	4,309	4,309	9	5,341	5,332
Neighborhood Services	—	—	—	—	1,774	1,774
Capital Outlay	30,103	—	(30,103)	30,065	—	(30,065)
TOTAL EXPENDITURES	33,730	55,615	21,885	31,553	86,155	54,602
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)						
EXPENDITURES	7,114	(22,227)	29,341	(30,497)	(86,139)	55,642
OTHER FINANCING SOURCES (USES)						
Transfers from Other Funds	—	—	—	11,452	10,141	1,311
Transfers to Other Funds	(9,916)	(9,916)	—	—	—	—
Proceeds from the Sale of Capital Assets	—	—	—	3,193	—	3,193
TOTAL OTHER FINANCING SOURCES (USES)	(9,916)	(9,916)	—	14,645	10,141	4,504
NET CHANGE IN FUND BALANCES	(2,802)	(32,143)	29,341	(15,852)	(75,998)	60,146
Prior Year Encumbrances	—	—	—	—	—	—
Fund Balances (Deficit) at Beginning of Year	78	78	—	84,893	84,893	—
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ (2,724)	\$ (32,065)	\$ 29,341	\$ 69,041	\$ 8,895	\$ 60,146



NONMAJOR GOVERNMENTAL FUNDS PERMANENT



PERMANENT FUNDS

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs (i.e., for the benefit of the City or its citizens).

CARROLL CANYON VERNAL POOL MITIGATION

This fund was established to account for an endowment from the San Diego Unified School District (The District). The endowment is to be used to implement a Memorandum of Understanding between the City and the District for biological mitigation, park land and joint use facilities involving Salk Elementary School, McAuliffe Community Park, and the Carroll Canyon Vernal Pool Preserve.

CEMETERY PERPETUITY

This fund was established to account for the Mt. Hope Cemetery endowment. Investment earnings derived from the endowment supplement grave sales revenues in order to finance cemetery operations.

LIBRARY ENDOWMENTS

This fund includes the Effie Sergeant endowment, which was established to account for donations to benefit the North Park Library, and the Scripps Ranch Library endowment. Investment earnings are used to finance library services and programs.

LOS PENASQUITOS CANYON

This fund was established to account for the Los Penasquitos Canyon Preserve Trust Fund. Investment earnings are used to finance operations, land acquisitions, historical restoration, and maintenance of the Penasquitos Preserve Park.

OTHER ENDOWMENTS

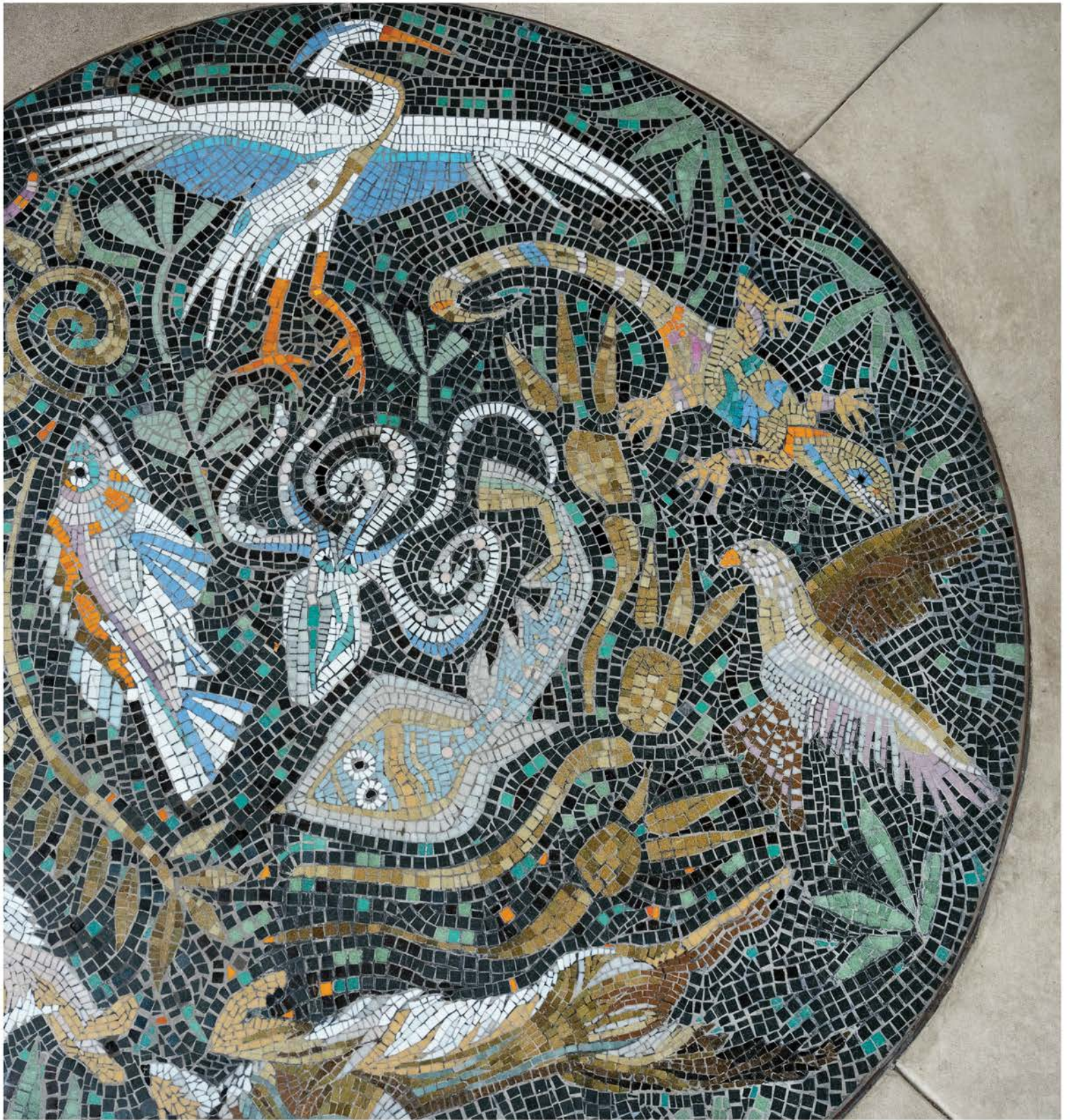
This fund includes several miscellaneous endowments, including, Carmel Valley Sewer Maintenance, Crescent Heights Habitat Management, Environmental Trust Bankruptcy Endowment, Figg Estate, Phillip Green Memorial Trust, Sycamore Estates, and the Zoological Society-Mission Trails.

**CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT
COMBINING BALANCE SHEET
June 30, 2019
(Dollars in Thousands)**

	Carroll Canyon Vernal Pool Mitigation	Cemetery Perpetuity	Library Endowments	Los Penasquitos Canyon	Other Endowments	Total
ASSETS						
Receivables:						
Accrued Interest	\$ 8	\$ 5	\$ 1	\$ —	\$ 1	\$ 15
Restricted Cash and Investments	2,648	12,738	877	3,334	1,903	21,500
TOTAL ASSETS	\$ 2,656	\$ 12,743	\$ 878	\$ 3,334	\$ 1,904	\$ 21,515
LIABILITIES						
Accounts Payable	\$ —	\$ —	\$ 4	\$ —	\$ —	\$ 4
FUND BALANCES						
Nonspendable	2,482	12,743	388	1,000	1,815	18,428
Restricted	174	—	486	2,334	89	3,083
TOTAL FUND BALANCES	2,656	12,743	874	3,334	1,904	21,511
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,656	\$ 12,743	\$ 878	\$ 3,334	\$ 1,904	\$ 21,515

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)**

	Carroll Canyon Vernal Pool Mitigation	Cemetery Perpetuity	Library Endowments	Los Penasquitos Canyon	Other Endowments	Total
REVENUES						
Revenue from Use of Money and Property	\$ 87	\$ 994	\$ 43	\$ 190	\$ 55	\$ 1,369
Revenue from Private Sources	—	—	—	—	1	1
Charges for Current Services	—	104	—	—	—	104
TOTAL REVENUES	87	1,098	43	190	56	1,474
EXPENDITURES						
Current:						
Parks, Recreation, Culture and Leisure	—	—	30	2	—	32
Sanitation and Health	—	70	—	—	—	70
TOTAL EXPENDITURES	—	70	30	2	—	102
EXCESS OF REVENUES OVER EXPENDITURES	87	1,028	13	188	56	1,372
OTHER FINANCING USES						
Transfers to Other Funds	—	(438)	—	(196)	—	(634)
NET CHANGE IN FUND BALANCES	87	590	13	(8)	56	738
Fund Balances at Beginning of Year	2,569	12,153	861	3,342	1,848	20,773
FUND BALANCES AT END OF YEAR	\$ 2,656	\$ 12,743	\$ 874	\$ 3,334	\$ 1,904	\$ 21,511



**NONMAJOR BUSINESS-TYPE FUNDS
ENTERPRISE**



ENTERPRISE FUNDS

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. These funds use full accrual accounting.

CITY OF SAN DIEGO

AIRPORTS

This fund was established to account for the operation, maintenance and development of both City-owned airports: Montgomery-Gibbs Executive Airport and Brown Field Municipal Airport. Airports Fund revenues are derived from such sources as rent/lease revenue, usage fees, earnings on investments, and aid from other governmental agencies.

DEVELOPMENT SERVICES

This fund was established to account for construction management, development project review, permitting, and inspection services for the City.

ENVIRONMENTAL SERVICES

This fund was established to account for refuse disposal, resource management, and other environmental programs.

GOLF COURSE

This fund was established to operate, maintain, and improve physical conditions and initiate capital improvement programs for Torrey Pines, Mission Bay, and Balboa golf courses. Revenues are derived from green fees and leases.

RECYCLING

This fund was established to account for the planning, implementation, operation and management of City recycling and waste diversion programs. Revenues are derived from the recycling fee on all waste generated in the City or disposed of at the City landfill.

BLENDED COMPONENT UNIT

SAN DIEGO CONVENTION CENTER CORPORATION

SDCCC is a not-for-profit public benefit corporation, originally organized to market, operate, and maintain the San Diego Convention Center. Revenues are derived mainly from building rents, food and beverage concessions, ancillary services, and contributions from the City of San Diego. Expenses include maintenance, operations, and capital projects for the Convention Center.

NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF FUND NET POSITION
 June 30, 2019
 (Dollars in Thousands)

	Airports	Development Services	Environmental Services	Golf Course	Recycling	San Diego Convention Center Corporation	Total
ASSETS							
Current Assets:							
Cash and Investments	\$ 14,960	\$ 20,747	\$ 51,197	\$ 24,786	\$ 36,931	\$ 18,624	\$ 167,245
Receivables:							
Accounts - Net of Allowance for Uncollectibles	1,225	2,370	1,119	246	4,672	10,043	19,675
Accrued Interest	47	84	280	79	156	—	646
Grants	100	—	2,397	—	29	—	2,526
Inventories	—	—	—	—	—	38	38
Total Current Assets	16,332	23,201	54,993	25,111	41,788	28,705	190,130
Non-Current Assets:							
Restricted Cash and Investments	78	8,324	33,334	—	11,330	—	53,066
Prepaid Expenses	—	972	—	—	—	809	1,781
Other Assets	—	—	—	—	—	558	558
Capital Assets - Non-Depreciable	2,464	604	28,085	12,350	314	1,466	45,283
Capital Assets - Depreciable	28,016	6,166	17,385	27,145	1,482	35,982	116,176
Total Non-Current Assets	30,558	16,066	78,804	39,495	13,126	38,815	216,864
TOTAL ASSETS	46,890	39,267	133,797	64,606	54,914	67,520	406,994
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Outflows Related to Other Postemployment Benefits							
Deferred Outflows Related to Pensions	82	1,531	446	342	312	—	2,713
Deferred Outflows Related to Pensions	623	17,888	6,794	2,861	3,980	—	32,146
TOTAL DEFERRED OUTFLOWS OF RESOURCES ..	705	19,419	7,240	3,203	4,292	—	34,859
LIABILITIES							
Current Liabilities:							
Accounts Payable	232	769	6,096	2,514	1,107	1,637	12,355
Accrued Wages and Benefits	70	1,532	435	246	338	—	2,621
Other Accrued Liabilities	—	—	—	—	—	2,838	2,838
Long-Term Liabilities Due Within One Year	77	3,487	716	312	464	2,092	7,148
Unearned Revenue	18	18,129	—	53	769	9,068	28,037
Current Liabilities Payable from Restricted Assets:							
Customer Deposits Payable	—	—	—	—	11,330	—	11,330
Total Current Liabilities	397	23,917	7,247	3,125	14,008	15,635	64,329

NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF FUND NET POSITION
 June 30, 2019
 (Dollars in Thousands)

	Airports	Development Services	Environmental Services	Golf Course	Recycling	San Diego Convention Center Corporation	Total
Non-Current Liabilities:							
Non-Current Liabilities Payable from Restricted Assets:							
Deposits/Advances from Others	\$ 78	\$ 8,324	\$ —	\$ —	\$ —	\$ —	\$ 8,402
Compensated Absences	49	1,236	341	163	157	—	1,946
Liability Claims	110	1,205	1,846	705	1,735	—	5,601
Capital Lease Obligations	—	1,185	—	—	—	—	1,185
Loans Payable	—	—	—	—	—	24,768	24,768
Notes Payable	—	—	—	—	—	6	6
Contracts Payable	—	750	—	—	—	—	750
Estimated Landfill Closure and Postclosure Care	—	—	54,658	—	—	—	54,658
Net Other Postemployment Benefits Liability	742	13,041	7,622	4,416	4,635	—	30,456
Pension Liabilities	2,852	78,125	33,596	15,393	20,452	—	150,418
Total Non-Current Liabilities	3,831	103,866	98,063	20,677	26,979	24,774	278,190
TOTAL LIABILITIES	4,228	127,783	105,310	23,802	40,987	40,409	342,519
DEFERRED INFLOWS OF RESOURCES							
Deferred Inflows Related to Other Postemployment Benefits	1	18	5	4	5	—	33
Deferred Inflows Related to Pensions	136	3,810	1,357	557	827	—	6,687
TOTAL DEFERRED INFLOWS OF RESOURCES	137	3,828	1,362	561	832	—	6,720
NET POSITION (DEFICIT)							
Net Investment in Capital Assets	30,480	4,432	45,470	39,495	1,796	13,437	135,110
Restricted for Closure/Postclosure Maintenance	—	—	6,487	—	—	—	6,487
Unrestricted (Deficit)	12,750	(77,357)	(17,592)	3,951	15,591	13,674	(48,983)
TOTAL NET POSITION (DEFICIT)	\$ 43,230	\$ (72,925)	\$ 34,365	\$ 43,446	\$ 17,387	\$ 27,111	\$ 92,614

NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Airports	Development Services	Environmental Services	Golf Course	Recycling	San Diego Convention Center Corporation	Total
OPERATING REVENUES							
Charges for Services	\$ 335	\$ 73,800	\$ 34,363	\$ 22,227	\$ 20,795	\$ 19,065	\$ 170,585
Revenue from Use of Property	5,260	—	208	1,918	777	22,180	30,343
Other	24	941	758	175	4,483	2,550	8,931
TOTAL OPERATING REVENUES	5,619	74,741	35,329	24,320	26,055	43,795	209,859
OPERATING EXPENSES							
Salaries and Employee Benefits	2,232	55,203	16,430	8,443	11,145	23,980	117,433
Materials and Supplies	119	1,210	1,226	1,467	1,811	554	6,387
Contractual Services	2,699	18,892	15,362	6,387	10,915	5,893	60,148
Information Technology	80	2,654	554	148	301	40	3,777
Energy and Utilities	205	752	1,874	1,929	809	4,419	9,988
Depreciation	2,864	66	1,358	1,642	125	2,669	8,724
Other Expenses	6	1,838	1,791	38	34	3,027	6,734
TOTAL OPERATING EXPENSES	8,205	80,615	38,595	20,054	25,140	40,582	213,191
OPERATING INCOME (LOSS)	(2,586)	(5,874)	(3,266)	4,266	915	3,213	(3,332)
NONOPERATING REVENUES (EXPENSES)							
Earnings on Investments	430	783	2,921	865	1,519	279	6,797
Federal Grant Assistance	—	—	16	—	—	—	16
Other Agency Grant Assistance	—	—	2,381	—	972	—	3,353
Loss on Sale/Retirement of Capital Assets	—	—	—	—	—	(345)	(345)
Debt Service Interest Expense	—	(147)	—	—	—	(971)	(1,118)
Other	1	8	71	5	132	743	960
TOTAL NONOPERATING REVENUES (EXPENSES), NET	431	644	5,389	870	2,623	(294)	9,663
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS							
	(2,155)	(5,230)	2,123	5,136	3,538	2,919	6,331
Capital Contributions	685	—	1,402	—	—	700	2,787
Transfers from Other Funds	1	43	35	5	1,678	—	1,762
Transfers from Governmental Funds	—	235	—	—	—	—	235
Transfers to Other Funds	—	—	(1,672)	—	—	—	(1,672)
Transfers to Governmental Funds	(1)	—	(17)	—	—	—	(18)
TOTAL CONTRIBUTIONS AND TRANSFERS	685	278	(252)	5	1,678	700	3,094
CHANGE IN NET POSITION	(1,470)	(4,952)	1,871	5,141	5,216	3,619	9,425
Net Position (Deficit) at Beginning of Year	44,700	(67,973)	32,494	38,305	12,171	23,492	83,189
NET POSITION (DEFICIT) AT END OF YEAR	\$ 43,230	\$ (72,925)	\$ 34,365	\$ 43,446	\$ 17,387	\$ 27,111	\$ 92,614



Page Intentionally Left Blank

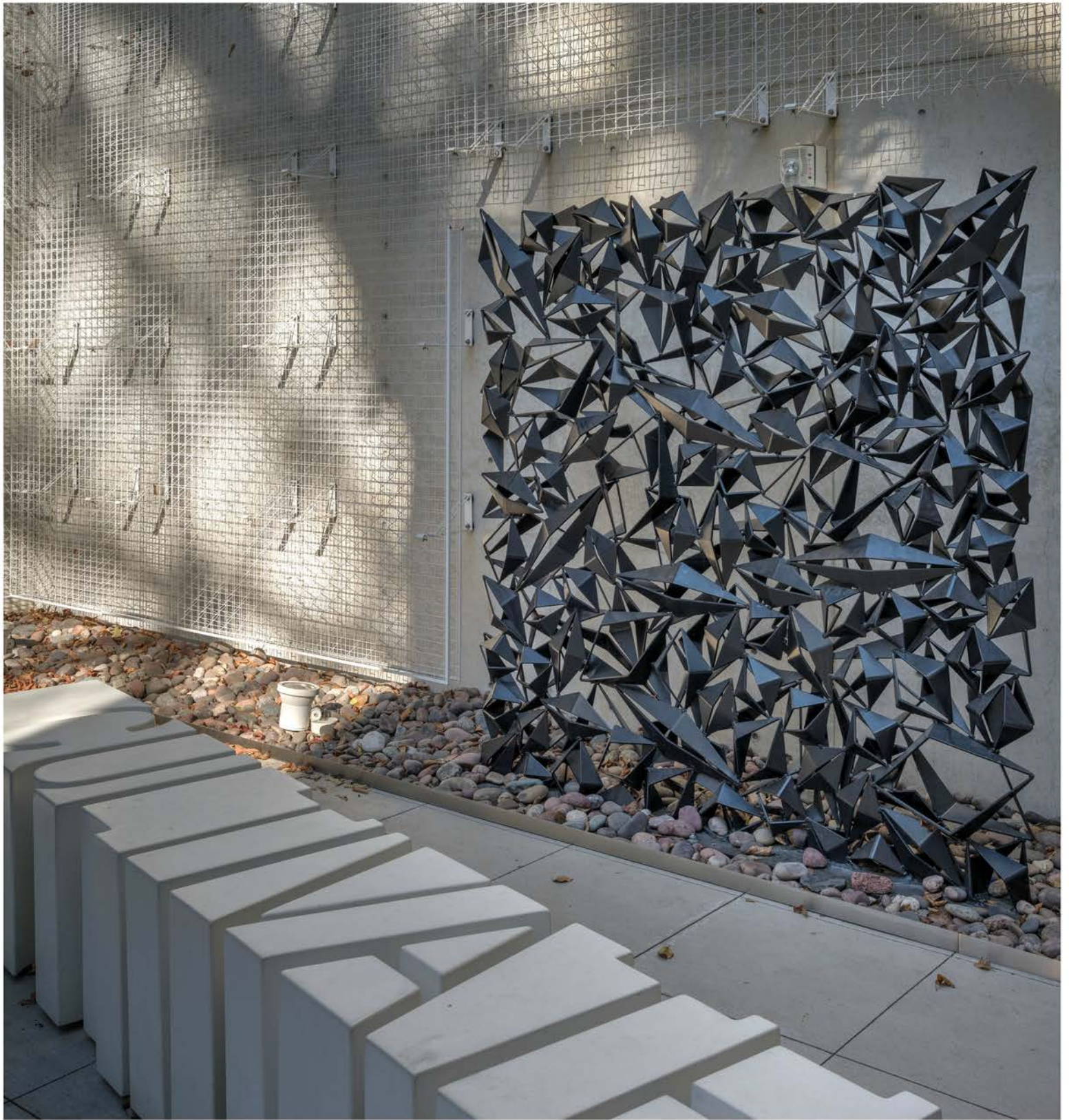
NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF CASH FLOWS
 Fiscal Year Ended June 30, 2019
 (Dollars in Thousands)

	Airports	Development Services	Environmental Services	Golf Course	Recycling	San Diego Convention Center Corporation	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Customers and Users	\$ 5,322	\$ 74,240	\$ 34,156	\$ 24,725	\$ 24,602	\$ 40,578	\$ 203,623
Receipts from Interfund Services Provided	39	897	1,201	—	780	—	2,917
Payments to Suppliers	(2,783)	(21,420)	(12,591)	(9,677)	(14,342)	(14,230)	(75,043)
Payments to Employees	(2,083)	(48,156)	(19,257)	(8,086)	(9,590)	(24,376)	(111,548)
Payments for Interfund Services Used	(393)	(7,397)	(487)	(215)	(211)	—	(8,703)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	102	(1,836)	3,022	6,747	1,239	1,972	11,246
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers from Other Funds	1	43	35	5	1,678	—	1,762
Transfers from Governmental Funds	—	235	—	—	—	—	235
Transfers to Other Funds	—	—	(1,672)	—	—	—	(1,672)
Transfers to Governmental Funds	(1)	—	(17)	—	—	—	(18)
Operating Grants Received	100	—	—	—	1,130	—	1,230
Proceeds from Advances and Deposits	1	350	—	—	—	—	351
Payments for Advances and Deposits	—	—	—	—	(221)	—	(221)
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	101	628	(1,654)	5	2,587	—	1,667
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from Capital Contributions	5,394	—	1,402	—	—	—	6,796
Proceeds from Sale of Capital Assets	—	—	—	5	—	—	5
Acquisition of Capital Assets	(5,630)	(373)	(14,248)	(9,726)	(315)	(3,176)	(33,468)
Principal Payments on Capital Leases	—	(1,125)	—	—	—	—	(1,125)
Principal Payments on Notes	—	—	—	—	—	(3)	(3)
Interest Paid on Long-Term Debt	—	(147)	—	—	—	(985)	(1,132)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(236)	(1,645)	(12,846)	(9,721)	(315)	(4,164)	(28,927)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of Investments	—	—	—	—	—	(1,649)	(1,649)
Proceeds from Restricted Investments	—	—	—	—	—	2,384	2,384
Interest Received on Investments	451	830	3,080	919	1,561	279	7,120
NET CASH PROVIDED BY INVESTING ACTIVITIES ..	451	830	3,080	919	1,561	1,014	7,855
Net Increase (Decrease) in Cash and Cash Equivalents	418	(2,023)	(8,398)	(2,050)	5,072	(1,178)	(8,159)
Cash and Cash Equivalents at Beginning of Year	14,620	31,094	92,929	26,836	43,189	14,608	223,276
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 15,038	\$ 29,071	\$ 84,531	\$ 24,786	\$ 48,261	\$ 13,430	\$ 215,117

NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Airports	Development Services	Environmental Services	Golf Course	Recycling	San Diego Convention Center Corporation	Total
Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Position:							
Cash and Investments	\$ 14,960	\$ 20,747	\$ 51,197	\$ 24,786	\$ 36,931	\$ 18,624	\$ 167,245
Restricted Cash and Investments	78	8,324	33,334	—	11,330	—	53,066
Less Investments Not Meeting the Definition of Cash Equivalents	—	—	—	—	—	(5,194)	(5,194)
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 15,038	\$ 29,071	\$ 84,531	\$ 24,786	\$ 48,261	\$ 13,430	\$ 215,117
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:							
Operating Income (Loss)	\$ (2,586)	\$ (5,874)	\$ (3,266)	\$ 4,266	\$ 915	\$ 3,213	\$ (3,332)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:							
Depreciation	2,864	66	1,358	1,642	125	2,669	8,724
Other Nonoperating Revenue	1	8	71	5	132	743	960
(Increase) Decrease in Assets:							
Accounts Receivable - Net	(277)	(424)	(43)	399	(973)	(3,296)	(4,614)
Prepaid Expenses	—	1,305	—	—	—	(213)	1,092
Increase (Decrease) in Liabilities and Net Deferred Outflows/Inflows of Resources:							
Accounts Payable	(11)	(595)	1,187	223	59	(572)	291
Accrued Wages and Benefits	16	24	—	5	56	—	101
Other Accrued Liabilities	—	—	—	—	—	(67)	(67)
Unearned Revenue	18	812	—	1	168	(665)	334
Contracts Payable	—	(713)	—	—	—	—	(713)
Compensated Absences	7	20	(98)	(3)	(12)	160	74
Liability Claims	12	(57)	211	30	105	—	301
Estimated Landfill Closure and Postclosure Care	—	—	1,655	—	—	—	1,655
Net Other Postemployment Benefits Liability and Related Deferred Outflows/Inflows of Resources.....	(196)	(3,870)	(1,185)	(874)	(830)	—	(6,955)
Pension Liabilities and Related Deferred Outflows/Inflows of Resources	254	7,462	3,132	1,053	1,494	—	13,395
Total Adjustments	2,688	4,038	6,288	2,481	324	(1,241)	14,578
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 102	\$ (1,836)	\$ 3,022	\$ 6,747	\$ 1,239	\$ 1,972	\$ 11,246
Noncash Investing, Capital, and Financing Activities:							
Developer Contributed and Donated Capital Assets	\$ —	\$ 350	\$ —	\$ —	\$ —	\$ 700	\$ 1,050
Capital Contributions Related to Grants Receivable	(4,709)	—	2,381	—	—	—	(2,328)
Capital Asset Acquisitions Related to Accounts Payable ..	(4,606)	54	3,162	1,742	28	456	836
Carrying Value of Retired Capital Assets	—	—	—	(5)	—	(347)	(352)
Capitalized Interest and Related Amounts	—	—	—	—	—	15	15





INTERNAL SERVICE FUNDS



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 and/or funds.

CITY OF SAN DIEGO

FLEET OPERATIONS

This fund was established to account for the acquisition, replacement, maintenance and fueling of the City's motive equipment.

CENTRAL STORES

This fund was established to provide centralized storeroom services to all City departments.

PUBLISHING SERVICES

This fund was established to provide printing and reproduction services to all City departments.

MISCELLANEOUS INTERNAL SERVICE

This fund accounts for various administrative activities including risk management administration, energy conservation, public utilities inventory, and administration and operation of various employee related programs such as unused compensatory time, unused sick leave, unemployment insurance, and long-term disability. Revenues are derived from rates or fees charged to the departments for specific services rendered. All miscellaneous funds are reported with governmental activities in the government-wide financial statements, with the exception of the public utilities inventory fund, which is reported with business-type activities.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF FUND NET POSITION
 June 30, 2019
 (Dollars in Thousands)

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
ASSETS					
Current Assets:					
Cash and Investments	\$ 97,367	\$ 159	\$ 744	\$ 24,111	\$ 122,381
Receivables:					
Accounts - Net of Allowance for Uncollectibles	3,213	33	—	319	3,565
Contributions	—	—	—	944	944
Accrued Interest	11	2	1	75	89
Grants	—	—	—	196	196
Inventories	—	1,183	—	2,002	3,185
Total Current Assets	<u>100,591</u>	<u>1,377</u>	<u>745</u>	<u>27,647</u>	<u>130,360</u>
Non-Current Assets:					
Capital Assets - Non-Depreciable	8,633	—	—	—	8,633
Capital Assets - Depreciable	159,454	111	106	1,201	160,872
Total Non-Current Assets	<u>168,087</u>	<u>111</u>	<u>106</u>	<u>1,201</u>	<u>169,505</u>
TOTAL ASSETS	<u>268,678</u>	<u>1,488</u>	<u>851</u>	<u>28,848</u>	<u>299,865</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows Related to Other Postemployment Benefits...	712	71	34	358	1,175
Deferred Outflows Related to Pensions	8,870	770	264	4,549	14,453
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>9,582</u>	<u>841</u>	<u>298</u>	<u>4,907</u>	<u>15,628</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	3,501	267	305	824	4,897
Accrued Wages and Benefits	702	40	24	1,158	1,924
Other Accrued Liabilities	—	—	—	130	130
Interest Accrued on Long-Term Debt	318	—	—	—	318
Long-Term Liabilities Due Within One Year	12,115	58	44	4,116	16,333
Total Current Liabilities	<u>16,636</u>	<u>365</u>	<u>373</u>	<u>6,228</u>	<u>23,602</u>
Non-Current Liabilities:					
Compensated Absences	477	22	21	2,910	3,430
Liability Claims	4,880	200	45	3,735	8,860
Capital Lease Obligations	34,667	—	—	—	34,667
Net Other Postemployment Benefits Liability	11,655	1,004	837	4,162	17,658
Pension Liabilities	43,432	3,643	1,817	19,626	68,518
Total Non-Current Liabilities	<u>95,111</u>	<u>4,869</u>	<u>2,720</u>	<u>30,433</u>	<u>133,133</u>
TOTAL LIABILITIES	<u>111,747</u>	<u>5,234</u>	<u>3,093</u>	<u>36,661</u>	<u>156,735</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows Related to Other Postemployment Benefits	8	1	—	3	12
Deferred Inflows Related to Pensions	1,815	156	57	945	2,973
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,823</u>	<u>157</u>	<u>57</u>	<u>948</u>	<u>2,985</u>
NET POSITION (DEFICIT)					
Net Investment in Capital Assets	122,624	111	106	1,201	124,042
Unrestricted (Deficit)	42,066	(3,173)	(2,107)	(5,055)	31,731
TOTAL NET POSITION (DEFICIT)	<u>\$ 164,690</u>	<u>\$ (3,062)</u>	<u>\$ (2,001)</u>	<u>\$ (3,854)</u>	<u>\$ 155,773</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
OPERATING REVENUES					
Charges for Services	\$ 84,712	\$ 8,332	\$ 2,004	\$ 32,259	\$ 127,307
Other	19	28	—	163	210
TOTAL OPERATING REVENUES	84,731	8,360	2,004	32,422	127,517
OPERATING EXPENSES					
Salaries and Employee Benefits	22,972	1,723	765	12,914	38,374
Materials and Supplies	13,862	6,059	575	2,252	22,748
Contractual Services	5,343	187	1,215	2,570	9,315
Information Technology	768	50	78	1,275	2,171
Energy and Utilities	14,176	122	105	21	14,424
Depreciation	23,257	22	14	83	23,376
Benefit and Claim Expenses	—	—	—	19,288	19,288
Other Expenses	5	6	—	23	34
TOTAL OPERATING EXPENSES	80,383	8,169	2,752	38,426	129,730
OPERATING INCOME (LOSS)	4,348	191	(748)	(6,004)	(2,213)
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments	215	19	22	849	1,105
Other Agency Grant Assistance	—	—	—	810	810
Gain (Loss) on Sale/Retirement of Capital Assets	770	(322)	—	(1,146)	(698)
Debt Service Interest Expense	(706)	—	—	—	(706)
Other	752	—	—	—	752
TOTAL NONOPERATING REVENUES (EXPENSES), NET	1,031	(303)	22	513	1,263
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS ...	5,379	(112)	(726)	(5,491)	(950)
Capital Contributions	1,532	—	—	—	1,532
Transfers from Other Funds	28	1	—	—	29
Transfers to Other Funds	—	—	—	(436)	(436)
Transfers to Governmental Funds	(3,401)	—	(54)	(4,805)	(8,260)
TOTAL CONTRIBUTIONS AND TRANSFERS	(1,841)	1	(54)	(5,241)	(7,135)
CHANGE IN NET POSITION	3,538	(111)	(780)	(10,732)	(8,085)
Net Position (Deficit) at Beginning of Year	161,152	(2,951)	(1,221)	6,878	163,858
NET POSITION (DEFICIT) AT END OF YEAR	\$ 164,690	\$ (3,062)	\$ (2,001)	\$ (3,854)	\$ 155,773

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

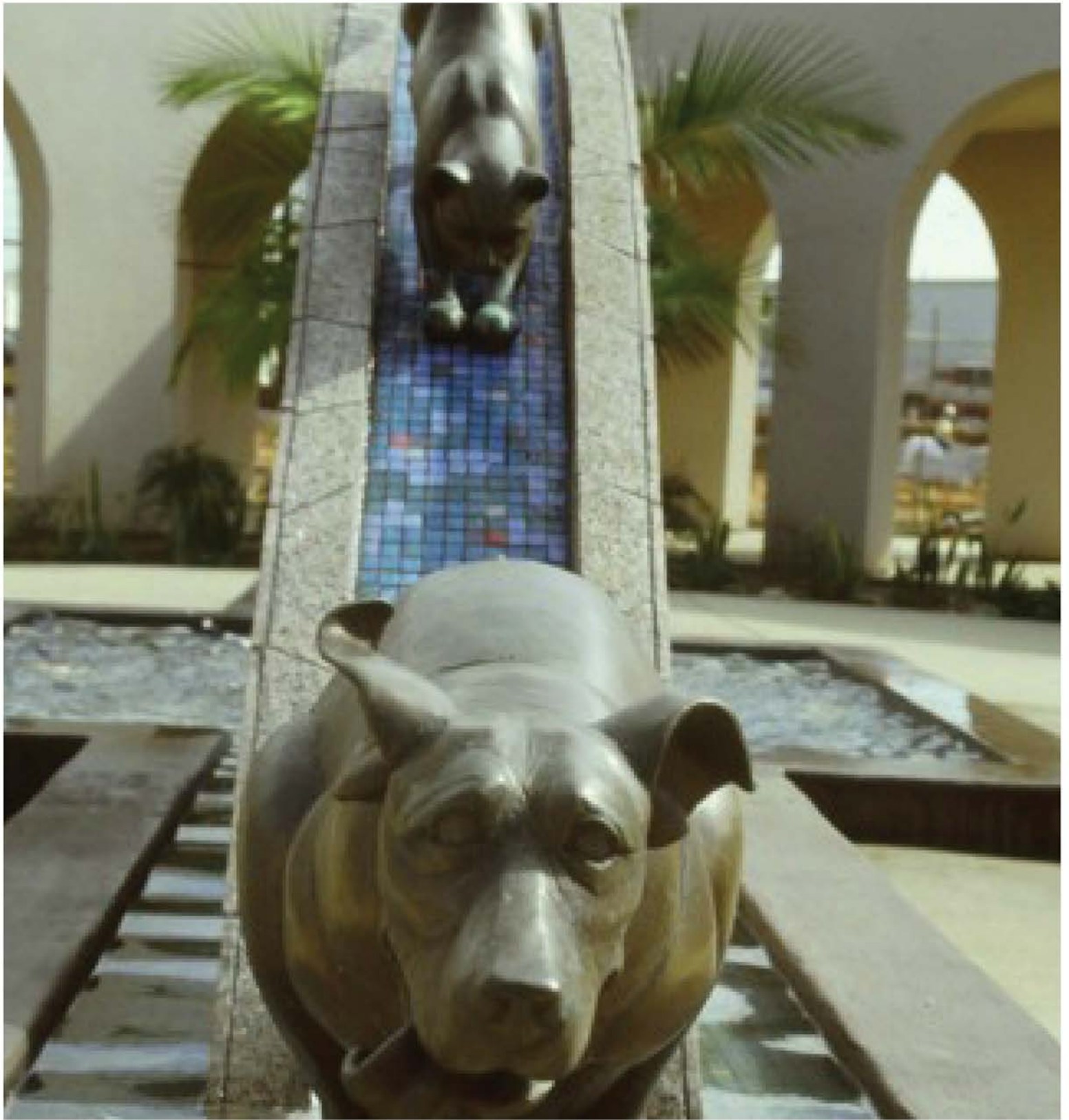
	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ —	\$ —	\$ —	\$ 25,884	\$ 25,884
Receipts from Interfund Services Provided	85,185	8,327	2,005	6,225	101,742
Payments to Suppliers	(38,346)	(6,631)	(1,933)	(9,007)	(55,917)
Payments to Employees	(19,404)	(1,555)	(644)	(27,872)	(49,475)
Payments for Interfund Services Used	(649)	(66)	(33)	(716)	(1,464)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	26,786	75	(605)	(5,486)	20,770
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	28	1	—	—	29
Transfers to Other Funds	—	—	—	(436)	(436)
Transfers to Governmental Funds	(3,401)	—	(54)	(4,805)	(8,260)
Operating Grants Received	—	—	—	891	891
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(3,373)	1	(54)	(4,350)	(7,776)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from the Sale of Capital Assets	1,805	—	—	—	1,805
Acquisition of Capital Assets	(27,848)	(327)	(17)	(479)	(28,671)
Principal Payments on Capital Leases	(9,683)	—	—	—	(9,683)
Interest Paid on Long-Term Debt	(621)	—	—	—	(621)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES ...	(36,347)	(327)	(17)	(479)	(37,170)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received on Investments	249	21	27	925	1,222
NET CASH PROVIDED BY INVESTING ACTIVITIES	249	21	27	925	1,222
Net Decrease in Cash and Cash Equivalents	(12,685)	(230)	(649)	(9,390)	(22,954)
Cash and Cash Equivalents at Beginning of Year	110,052	389	1,393	33,501	145,335
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 97,367	\$ 159	\$ 744	\$ 24,111	\$ 122,381

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
Reconciliation of Operating Income (Loss) to Net Cash					
Provided by (Used For) Operating Activities:					
Operating Income (Loss)	\$ 4,348	\$ 191	\$ (748)	\$ (6,004)	\$ (2,213)
Adjustments to Reconcile Operating Income (Loss) to					
Net Cash Provided By (Used For) Operating Activities:					
Depreciation	23,257	22	14	83	23,376
Other Nonoperating Revenue	752	—	—	—	752
(Increase) Decrease in Assets:					
Accounts Receivable - Net	(298)	(33)	1	(282)	(612)
Contributions Receivable	—	—	—	(32)	(32)
Inventories	—	168	—	(1,584)	(1,416)
Increase (Decrease) in Liabilities and Net Deferred Outflows/Inflows of					
Resources:					
Accounts Payable	(3,478)	(345)	66	(72)	(3,829)
Accrued Wages and Benefits	5	(6)	(1)	90	88
Compensated Absences	40	(5)	(9)	265	291
Liability Claims	503	(23)	(10)	1,304	1,774
Net Other Postemployment Benefits Liability and Related Deferred					
Outflows/Inflows of Resources	(1,790)	(188)	(93)	(890)	(2,961)
Pension Liabilities and Related Deferred Outflows/Inflows of Resources	3,447	294	175	1,636	5,552
Total Adjustments	22,438	(116)	143	518	22,983
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 26,786	\$ 75	\$ (605)	\$ (5,486)	\$ 20,770
Noncash Investing, Capital, and Financing Activities:					
Capital Assets Acquired through Capital Leases	\$ 19,061	\$ —	\$ —	\$ —	\$ 19,061
Developer Contributed and Donated Capital Assets	101	—	—	—	101
Capital Asset Acquisitions Related to Accounts Payable	(3)	—	—	(345)	(348)
Carrying Value of Retired Capital Assets	(1,035)	—	—	—	(1,035)
Transfers of Capital Assets (To) From Governmental Activities	1,431	(322)	—	(1,146)	(37)



Page Intentionally Left Blank



FIDUCIARY FUNDS



The Bridge Fountain, 2002, By: Alber De Matteis/T.J. Dixon/James Nelson, Animal Services Central Shelter – Linda Vista

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The resources of fiduciary funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

CITY OF SAN DIEGO

PENSION TRUST FUNDS

PRESERVATION OF BENEFITS PLAN

The Preservation of Benefits Plan is a qualified governmental excess benefit plan under IRC section 415(m), which was created by Congress to allow for the payment of promised pension benefits that exceed the IRC section 415(b) limits and therefore can't be paid from the City's Pension and Employee Savings Trust Fund. This fund is maintained by the SDCERS Board of Administration to reflect all amounts the City contributes for payment of pension benefits that exceed IRC section 415(b) limits.

POSTEMPLOYMENT HEALTHCARE BENEFIT PLAN

Retiree Health Insurance Trust fund is a separate trust fund used solely for providing retiree health benefits. It is maintained by the Retirement Board of Administration to reflect all amounts the City and retirees contribute to pay retiree health benefits.

SUPPLEMENTAL PENSION SAVINGS PLAN

This fund is used to account for a defined contribution plan, where benefits depend solely on amounts contributed to the plan by both the City and employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

401(a) PLAN

This fund is used to account for a defined contribution plan, where benefits depend solely on amounts contributed to the plan by the City, employees and investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

401(k) PLAN

This fund is used to account for a defined contribution plan, where benefits depend solely on amounts contributed to the plan by City employees, plus investment earnings. Disbursements are made from the fund for terminations, retirements, allowable yearly withdrawals, and loans.

AGENCY FUNDS

These funds were established to account for assets held by the City as an agent for individuals, private organizations, other governments and/or funds, including federal and state income taxes withheld from employees, parking citation revenues, employee benefit plans and special assessments.

FIDUCIARY COMPONENT UNIT

CITY EMPLOYEES' RETIREMENT SYSTEM

SDCERS provides retirement, disability, and death benefits. SDCERS is a defined benefit plan, whereby funds are accumulated from City and employee contributions, plus earnings from fund investments. Currently SDCERS also administers the Port of San Diego and the San Diego County Regional Airport Authority defined benefit plans. It also performs certain administrative functions on other post-employment benefits on behalf of the City.

**FIDUCIARY FUNDS
PENSION TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019
(Dollars in Thousands)**

	City Employees' Retirement System		
	City of San Diego	Unified Port District	Airport Authority
ASSETS			
Cash and Investments	\$ 2,426	\$ 218	\$ 63
Cash and Investments with Custodian/Fiscal Agent	259,723	36,004	52,734
Investments at Fair Value:			
Domestic Fixed Income Securities	1,919,435	109,190	37,969
International Fixed Income Securities	595,619	34,441	12,415
Domestic Equity Securities (Stocks)	1,377,212	77,185	25,352
International Equity Securities (Stocks)	1,333,421	76,060	26,594
Global Equity Securities	505,811	29,241	10,431
Real Estate	862,777	49,467	17,664
Equity Mutual Funds	—	—	—
Fixed Income Mutual Funds	—	—	—
Private Equity and Infrastructure	1,108,296	64,256	23,293
Receivables:			
Contributions	3,082	276	72
Accrued Interest	12,602	717	257
Loans	—	—	—
Securities Sold	510,220	30,030	11,849
Prepaid Expenses	201	13	7
Securities Lending Collateral	131,195	7,875	3,360
Capital Assets - Depreciable	4,038	232	67
TOTAL ASSETS	8,626,058	515,205	222,127
LIABILITIES			
Accounts Payable	4,609	238	84
Accrued Wages and Benefits	632	38	17
Supplemental Benefits Payable	11,423	294	61
Securities Lending Obligations	131,207	7,874	3,358
Securities Purchased	710,384	41,388	15,780
TOTAL LIABILITIES	858,255	49,832	19,300
NET POSITION			
Restricted for Pension Benefits	\$ 7,767,803	\$ 465,373	\$ 202,827

Preservation of Benefits Plan	Postemployment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(a) Plan	401(k) Plan	Total
\$ —	\$ 38	\$ 539	\$ 1	\$ 1	\$ 3,286
15	—	—	—	—	348,476
—	—	—	—	—	2,066,594
—	—	—	—	—	642,475
—	—	—	—	—	1,479,749
—	—	—	—	—	1,436,075
—	—	—	—	—	545,483
—	—	—	—	—	929,908
—	—	571,529	7,128	298,803	877,460
—	—	283,236	263	130,943	414,442
—	—	—	—	—	1,195,845
—	—	—	—	—	3,430
—	—	—	—	—	13,576
—	—	21,426	—	12,340	33,766
—	—	—	—	—	552,099
—	—	—	—	—	221
—	—	—	—	—	142,430
—	—	—	—	—	4,337
15	38	876,730	7,392	442,087	10,689,652
—	38	—	—	—	4,969
—	—	—	—	—	687
—	—	—	—	—	11,778
—	—	—	—	—	142,439
—	—	—	—	—	767,552
—	38	—	—	—	927,425
\$ 15	\$ —	\$ 876,730	\$ 7,392	\$ 442,087	\$ 9,762,227

**FIDUCIARY FUNDS
PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)**

	City Employees' Retirement System		
	City of San Diego	Unified Port District	Airport Authority
ADDITIONS			
Employer Contributions	\$ 324,628	\$ 17,908	\$ 7,783
Plan Member Contributions:			
Employee Contributions	60,355	3,594	3,112
DROP Contributions	4,708	259	132
Retiree Contributions	—	—	—
Earnings on Investments:			
Investment Income	86,924	5,189	2,131
Investment Expense	(36,039)	(2,153)	(894)
Net Appreciation in Fair Value of Investments	425,857	25,540	10,831
Net Investment Income	476,742	28,576	12,068
Securities Lending:			
Gross Earnings	4,400	263	109
Borrower Rebates and Bank Charges	(3,657)	(219)	(91)
Net Securities Lending Income	743	44	18
Other Income	—	—	—
TOTAL ADDITIONS	867,176	50,381	23,113
DEDUCTIONS			
DROP Interest Expense	21,972	518	59
Benefit and Claim Payments	512,051	27,633	6,371
Administration	10,239	669	359
TOTAL DEDUCTIONS	544,262	28,820	6,789
CHANGE IN NET POSITION	322,914	21,561	16,324
Net Position at Beginning of Year	7,444,889	443,812	186,503
NET POSITION AT END OF YEAR	\$ 7,767,803	\$ 465,373	\$ 202,827

Preservation of Benefits Plan	Postemployment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(a) Plan	401(k) Plan	Total
\$ 1,406	\$ 37,436	\$ 35,751	\$ 382	\$ —	\$ 425,294
—	463	35,424	596	31,318	134,862
—	—	—	—	—	5,099
—	8,482	—	—	—	8,482
—	—	52,212	441	27,734	174,631
—	—	—	—	—	(39,086)
—	—	—	—	—	462,228
—	—	52,212	441	27,734	597,773
—	—	—	—	—	4,772
—	—	—	—	—	(3,967)
—	—	—	—	—	805
—	—	634	—	353	987
1,406	46,381	124,021	1,419	59,405	1,173,302
—	—	—	—	—	22,549
1,403	45,329	59,049	216	28,261	680,313
2	1,052	—	—	—	12,321
1,405	46,381	59,049	216	28,261	715,183
1	—	64,972	1,203	31,144	458,119
14	—	811,758	6,189	410,943	9,304,108
\$ 15	\$ —	\$ 876,730	\$ 7,392	\$ 442,087	\$ 9,762,227

**FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019
(Dollars in Thousands)**

	Employee Benefits	Other Miscellaneous Agency	Total
ASSETS			
Cash and Investments	\$ 9,247	\$ 21,064	\$ 30,311
Receivables:			
Accounts - Net of Allowance for Uncollectibles	58	946	1,004
Special Assessments	—	180	180
Accrued Interest	—	20	20
Restricted Cash and Investments	—	39,279	39,279
TOTAL ASSETS	\$ 9,305	\$ 61,489	\$ 70,794
LIABILITIES			
Accounts Payable	\$ 138	\$ 9,118	\$ 9,256
Deposits/Advances from Others	—	28	28
Sundry Agency Liabilities	9,167	30,832	39,999
Due to Bondholders	—	21,511	21,511
TOTAL LIABILITIES	\$ 9,305	\$ 61,489	\$ 70,794

FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Fiscal Year Ended June 30, 2019
(Dollars in Thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Employee Benefits</u>				
ASSETS				
Cash and Investments	\$ 11,011	\$ 166,302	\$ 168,066	\$ 9,247
Receivables:				
Accounts - Net of Allowance for Uncollectibles	96	727	765	58
TOTAL ASSETS	\$ 11,107	\$ 167,029	\$ 168,831	\$ 9,305
LIABILITIES				
Accounts Payable	\$ —	\$ 94,603	\$ 94,465	\$ 138
Sundry Agency Liabilities	11,107	169,764	171,704	9,167
TOTAL LIABILITIES	\$ 11,107	\$ 264,367	\$ 266,169	\$ 9,305
<u>Other Miscellaneous Agency</u>				
ASSETS				
Cash and Investments	\$ 20,968	\$ 232,274	\$ 232,178	\$ 21,064
Receivables:				
Accounts - Net of Allowance for Uncollectibles	666	10,355	10,075	946
Special Assessments	133	305	258	180
Accrued Interest	22	22	24	20
Restricted Cash and Investments	34,292	44,819	39,832	39,279
TOTAL ASSETS	\$ 56,081	\$ 287,775	\$ 282,367	\$ 61,489
LIABILITIES				
Accounts Payable	\$ 10,764	\$ 193,574	\$ 195,220	\$ 9,118
Deposits/Advances from Others	26	2	—	28
Sundry Agency Liabilities	24,006	93,154	86,328	30,832
Due to Bondholders	21,285	38,844	38,618	21,511
TOTAL LIABILITIES	\$ 56,081	\$ 325,574	\$ 320,166	\$ 61,489
<u>Total Agency Funds</u>				
ASSETS				
Cash and Investments	\$ 31,979	\$ 398,576	\$ 400,244	\$ 30,311
Receivables:				
Accounts - Net of Allowance for Uncollectibles	762	11,082	10,840	1,004
Special Assessments	133	305	258	180
Accrued Interest	22	22	24	20
Restricted Cash and Investments	34,292	44,819	39,832	39,279
TOTAL ASSETS	\$ 67,188	\$ 454,804	\$ 451,198	\$ 70,794
LIABILITIES				
Accounts Payable	\$ 10,764	\$ 288,177	\$ 289,685	\$ 9,256
Deposits/Advances from Others	26	2	—	28
Sundry Agency Liabilities	35,113	262,918	258,032	39,999
Due to Bondholders	21,285	38,844	38,618	21,511
TOTAL LIABILITIES	\$ 67,188	\$ 589,941	\$ 586,335	\$ 70,794



Page Intentionally Left Blank



**STATISTICAL SECTION
(UNAUDITED)**



STATISTICAL SECTION

The Statistical Section presents information as required by GASB Statement No. 44. In addition to utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information, the statistical data presented in this section helps users assess the City's economic condition. Ten-year trend information has been provided when available. The statistical tables are footnoted to indicate sources and when accounting data or other information is unavailable.

CONTENTS

FINANCIAL TRENDS

Tables 1 through 4 contain information to help the reader understand how the City's financial performance and well-being have changed over time.

REVENUE CAPACITY

Tables 5 through 9 contain information to help the reader assess the City's ability to generate its most significant local revenue source, property tax.

DEBT CAPACITY

Tables 10 through 15 present information to help the reader assess the affordability of the City's current levels of certain outstanding debt categories.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Tables 16 and 17 offer demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place and to provide comparisons over time with other governments.

OPERATING INFORMATION

Tables 18 through 20 contain information about the City's resources and operations to help the reader understand how the City's financial report relates to the services provided and activities performed by the City.

*Additional financial information (audited and statistical) on the Sewer and Water Utilities can be obtained in the Annual Report Disclosure filings submitted to the Municipal Securities Rulemaking Board, <http://emma.msrb.org>.

CITY OF SAN DIEGO
NET POSITION BY CATEGORY (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Accrual Basis of Accounting)

	Fiscal Year			
	2010	2011	2012	2013
<u>Governmental Activities</u>				
Net Investment in Capital Assets	\$ 3,780,474	\$ 3,812,560	\$ 3,835,923	\$ 3,963,306
Restricted for:				
Capital Projects	260,754	654,126	521,015	456,874
Low-Moderate Income Housing	162,514	84,260	50,988	251,655
Nonexpendable Permanent Endowments	17,514	15,670	18,780	19,689
Grants	—	—	232,249	75,462
Other	131,600	195,171	157,462	202,705
Unrestricted	2,189	(392,384)	(278,413)	(341,390)
Total Governmental Activities Net Position	<u>4,355,045</u>	<u>4,369,403</u>	<u>4,538,004</u>	<u>4,628,301</u>
<u>Business-type Activities</u>				
Net Investment in Capital Assets	3,035,924	3,094,788	3,131,831	3,378,535
Restricted for:				
Debt Service	8,443	11,129	13,346	7,893
Other	43,747	45,217	24,462	24,822
Unrestricted	643,275	685,666	826,386	701,760
Total Business-type Activities Net Position	<u>3,731,389</u>	<u>3,836,800</u>	<u>3,996,025</u>	<u>4,113,010</u>
<u>Primary Government</u>				
Net Investment in Capital Assets	6,816,398	6,907,348	6,967,754	7,341,841
Restricted for:				
Capital Projects	260,754	654,126	521,015	456,874
Debt Service	8,443	11,129	13,346	7,893
Low-Moderate Income Housing	162,514	84,260	50,988	251,655
Nonexpendable Permanent Endowments	17,514	15,670	18,780	19,689
Grants	—	—	232,249	75,462
Other	175,347	240,388	181,924	227,527
Unrestricted	645,464	293,282	547,973	360,370
Total Primary Government Net Position	<u>\$ 8,086,434</u>	<u>\$ 8,206,203</u>	<u>\$ 8,534,029</u>	<u>\$ 8,741,311</u>

¹ Fiscal Year 2018 amounts have been reclassified to conform with current year presentation.

Source: Comprehensive Annual Financial Reports

Table 1

Fiscal Year					
2014	2015	2016	2017	2018 ¹	2019
\$ 3,988,284	\$ 3,988,396	\$ 4,129,002	\$ 4,220,622	\$ 4,308,123	\$ 4,370,867
459,115	575,798	598,215	723,855	665,993	714,101
277,139	286,129	319,022	335,801	338,828	343,422
24,307	21,300	19,900	20,264	17,836	18,428
68,206	67,230	219,216	204,527	179,469	141,489
277,586	358,647	450,885	441,102	492,426	566,358
(274,916)	(1,493,831)	(1,418,869)	(1,577,390)	(1,919,740)	(2,032,257)
<u>4,819,721</u>	<u>3,803,669</u>	<u>4,317,371</u>	<u>4,368,781</u>	<u>4,082,935</u>	<u>4,122,408</u>
3,526,979	3,902,396	4,042,983	4,246,534	4,383,725	4,414,352
1,880	1,531	2,790	505	683	481
25,404	26,245	7,010	7,285	6,525	6,487
637,889	380,283	364,762	293,340	239,462	315,683
<u>4,192,152</u>	<u>4,310,455</u>	<u>4,417,545</u>	<u>4,547,664</u>	<u>4,630,395</u>	<u>4,737,003</u>
7,515,263	7,890,792	8,171,985	8,467,156	8,691,848	8,785,219
459,115	575,798	598,215	723,855	665,993	714,101
1,880	1,531	2,790	505	683	481
277,139	286,129	319,022	335,801	338,828	343,422
24,307	21,300	19,900	20,264	17,836	18,428
68,206	67,230	219,216	204,527	179,469	141,489
302,990	384,892	457,895	448,387	498,951	572,845
362,973	(1,113,548)	(1,054,107)	(1,284,050)	(1,680,278)	(1,716,574)
<u>\$ 9,011,873</u>	<u>\$ 8,114,124</u>	<u>\$ 8,734,916</u>	<u>\$ 8,916,445</u>	<u>\$ 8,713,330</u>	<u>\$ 8,859,411</u>

CITY OF SAN DIEGO
CHANGES IN NET POSITION (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Accrual Basis of Accounting)

	Fiscal Year			
	2010	2011	2012	2013
Expenses				
Governmental Activities				
General Government and Support	\$ 395,344	\$ 361,098	\$ 294,198	\$ 313,800
Public Safety - Police	402,222	427,724	409,374	429,849
Public Safety - Fire and Life Safety and Homeland Security	214,975	223,174	233,635	241,029
Parks, Recreation, Culture and Leisure	266,343	248,668	270,199	270,540
Transportation	190,054	191,402	224,187	202,376
Sanitation and Health	78,171	74,639	73,299	67,623
Neighborhood Services	137,971	85,588	219,499	89,354
Debt Service:				
Interest	72,672	77,443	58,838	37,942
Cost of Issuance	—	—	—	—
Total Governmental Activities Expenses	<u>1,757,752</u>	<u>1,689,736</u>	<u>1,783,229</u>	<u>1,652,513</u>
Business-type Activities				
Sewer Utility	338,688	315,591	311,367	322,431
Water Utility	365,683	362,830	382,314	420,809
Airports	5,671	4,297	3,614	4,759
Development Services	36,640	43,552	43,842	46,024
Environmental Services	33,955	34,904	36,357	32,205
Golf Course	14,618	15,503	15,217	15,689
Recycling	19,265	19,611	18,105	18,895
San Diego Convention Center Corporation	—	—	—	—
Total Business-type Activities Expenses	<u>814,520</u>	<u>796,288</u>	<u>810,816</u>	<u>860,812</u>
Total Primary Government Expenses	<u>2,572,272</u>	<u>2,486,024</u>	<u>2,594,045</u>	<u>2,513,325</u>
Program Revenues				
Governmental Activities				
Charges for Services:				
General Government and Support	179,461	185,696	193,766	191,256
Public Safety - Police	39,636	44,879	38,367	44,723
Public Safety - Fire and Life Safety and Homeland Security	19,916	30,655	31,724	22,539
Parks, Recreation, Culture and Leisure	61,495	65,033	80,673	72,297
Transportation	31,485	27,304	56,742	28,759
Sanitation and Health	11,788	11,784	14,452	13,790
Neighborhood Services	25,959	27,013	22,699	35,792
Operating Grants and Contributions	71,829	81,159	62,181	82,760
Capital Grants and Contributions	60,139	51,674	46,770	152,193
Total Governmental Activities Program Revenues	<u>501,708</u>	<u>525,197</u>	<u>547,374</u>	<u>644,109</u>

Table 2

Fiscal Year						
2014	2015	2016	2017	2018	2019	
\$ 286,798	\$ 271,094	\$ 303,802	\$ 344,484	\$ 364,533	\$ 383,177	
441,803	380,344	412,571	501,314	542,128	567,625	
253,741	221,446	233,688	290,178	321,016	339,282	
267,523	263,127	311,372	355,714	383,122	397,391	
192,928	198,242	224,620	239,099	264,278	279,724	
89,448	92,833	99,079	103,039	101,440	108,371	
70,191	80,299	65,994	82,384	91,686	121,036	
35,226	33,790	41,537	36,943	36,515	34,265	
518	—	—	—	—	—	
<u>1,638,176</u>	<u>1,541,175</u>	<u>1,692,663</u>	<u>1,953,155</u>	<u>2,104,718</u>	<u>2,230,871</u>	
326,437	316,465	296,422	339,189	351,145	356,630	
443,453	466,552	437,304	477,037	532,056	515,273	
4,663	3,740	4,824	6,306	7,415	8,211	
50,825	50,244	54,002	69,949	78,287	81,012	
33,724	30,939	54,385	34,253	41,397	38,510	
16,423	15,827	16,182	19,925	21,072	20,090	
20,475	17,200	18,036	19,444	25,002	24,780	
—	—	—	36,760	37,986	41,898	
<u>896,000</u>	<u>900,967</u>	<u>881,155</u>	<u>1,002,863</u>	<u>1,094,360</u>	<u>1,086,404</u>	
<u>2,534,176</u>	<u>2,442,142</u>	<u>2,573,818</u>	<u>2,956,018</u>	<u>3,199,078</u>	<u>3,317,275</u>	
198,856	249,241	213,490	176,696	176,366	198,942	
42,976	40,304	46,238	45,126	40,738	43,117	
34,984	33,547	36,645	32,491	43,814	52,760	
51,721	53,093	74,531	133,451	114,893	125,122	
30,262	34,459	44,555	47,655	51,422	53,862	
15,342	14,269	14,730	16,629	15,625	15,778	
36,339	49,825	32,982	37,105	40,123	40,624	
60,591	49,049	65,173	46,476	134,682	154,764	
120,538	106,237	140,408	75,694	26,218	77,952	
<u>591,609</u>	<u>630,024</u>	<u>668,752</u>	<u>611,323</u>	<u>643,881</u>	<u>762,921</u>	

(Continued on Next Page)

CITY OF SAN DIEGO
CHANGES IN NET POSITION (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Accrual Basis of Accounting)

	Fiscal Year			
	2010	2011	2012	2013
Program Revenues (Continued)				
Business-type Activities				
Charges for Services:				
Sewer Utility	\$ 382,125	\$ 357,731	\$ 370,299	\$ 361,637
Water Utility	376,461	371,515	408,119	414,508
Airports	4,849	4,749	4,188	4,906
Development Services	37,338	45,743	44,557	50,006
Environmental Services	26,342	28,246	25,123	24,607
Golf Course	15,671	15,715	17,428	18,367
Recycling	16,946	18,592	17,323	18,056
San Diego Convention Center Corporation	—	—	—	—
Operating Grants and Contributions	3,289	8,355	2,939	1,761
Capital Grants and Contributions	45,738	30,692	75,194	91,878
Total Business-type Activities Program Revenues	<u>908,759</u>	<u>881,338</u>	<u>965,170</u>	<u>985,726</u>
Total Primary Government Program Revenues	<u>1,410,467</u>	<u>1,406,535</u>	<u>1,512,544</u>	<u>1,629,835</u>
Net (Expense)/Revenue:				
Governmental Activities	(1,256,044)	(1,164,539)	(1,235,855)	(1,008,404)
Business-type Activities	94,239	85,050	154,354	124,914
Total Primary Government Net Expense	<u>(1,161,805)</u>	<u>(1,079,489)</u>	<u>(1,081,501)</u>	<u>(883,490)</u>
General Revenues and Other Changes in Net Position				
Governmental Activities				
Property Taxes	579,410	560,577	508,938	421,894
Transient Occupancy Taxes	123,332	140,752	148,184	158,105
Sales Taxes - Shared State Revenue	244,406	246,452	253,624	269,504
Franchises	—	—	—	—
Other Local Taxes	183,694	158,797	173,954	166,548
Developer Contributions and Fees	21,022	14,131	55,635	66,312
Grants and Contributions not Restricted to Specific Programs	18,065	10,320	115	705
Investment Income	30,472	25,488	15,708	9,220
Gain on Sale of Capital Assets	1,854	133	—	—
Miscellaneous	20,458	16,207	36,086	14,471
Transfers	(1,218)	6,040	16,739	20,012
Total Governmental Activities General Revenues and Transfers	<u>1,221,495</u>	<u>1,178,897</u>	<u>1,208,983</u>	<u>1,126,771</u>
Business-type Activities				
Investment Income	22,332	13,717	11,519	2,429
Miscellaneous	13,321	12,684	8,225	11,520
Transfers	1,218	(6,040)	(16,739)	(20,012)
Total Business-type Activities General Revenues and Transfers	<u>36,871</u>	<u>20,361</u>	<u>3,005</u>	<u>(6,063)</u>
Total Primary Government General Revenues and Transfers	<u>1,258,366</u>	<u>1,199,258</u>	<u>1,211,988</u>	<u>1,120,708</u>
Extraordinary Gain (Loss)				
Governmental Activities	—	—	195,473	(28,070)
Business-type Activities	—	—	1,866	(1,866)
Change in Net Position:				
Governmental Activities	(34,549)	14,358	168,601	90,297
Business-type Activities	131,110	105,411	159,225	116,985
Total Primary Government Change in Net Position	<u>\$ 96,561</u>	<u>\$ 119,769</u>	<u>\$ 327,826</u>	<u>\$ 207,282</u>

Source: Comprehensive Annual Financial Reports

Table 2

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 364,548	\$ 364,467	\$ 346,950	\$ 353,488	\$ 360,710	\$ 367,979
447,565	455,222	413,008	501,404	569,524	539,128
4,371	4,618	4,691	5,307	4,888	5,619
52,402	56,395	59,808	64,699	70,703	74,741
26,043	30,477	33,048	32,194	34,960	35,329
19,764	20,116	17,987	18,087	23,502	24,320
19,046	20,305	23,203	23,186	27,957	26,055
—	—	—	36,505	34,256	41,245
1,531	1,044	2,629	10,088	9,958	6,435
70,739	386,952	59,226	56,837	70,109	30,801
1,006,009	1,339,596	960,550	1,101,795	1,206,567	1,151,652
1,597,618	1,969,620	1,629,302	1,713,118	1,850,448	1,914,573
(1,046,567)	(911,151)	(1,023,911)	(1,341,832)	(1,460,837)	(1,467,950)
110,009	438,629	79,395	98,932	112,207	65,248
(936,558)	(472,522)	(944,516)	(1,242,900)	(1,348,630)	(1,402,702)
470,905	460,948	489,548	520,186	548,509	586,510
173,376	182,466	200,612	222,228	231,863	250,883
282,345	296,837	319,030	310,935	323,113	339,609
—	—	—	141,942	96,313	97,365
186,747	208,970	204,387	36,310	52,603	66,375
47,765	86,440	104,516	99,075	82,883	75,101
674	653	1,045	700	833	835
13,627	8,786	16,075	7,846	13,337	52,056
—	—	—	28,005	809	770
32,482	47,071	37,751	36,881	15,959	38,530
15,269	(150)	(733)	(3,207)	(2,814)	(611)
1,223,190	1,292,021	1,372,231	1,400,901	1,363,408	1,507,423
8,489	8,012	13,742	3,330	8,435	28,713
12,096	21,285	13,220	7,076	13,758	12,036
(15,269)	150	733	3,207	2,814	611
5,316	29,447	27,695	13,613	25,007	41,360
1,228,506	1,321,468	1,399,926	1,414,514	1,388,415	1,548,783
(14,828)	—	165,382	—	—	—
—	—	—	—	—	—
161,795	380,870	513,702	59,069	(97,429)	39,473
115,325	468,076	107,090	112,545	137,214	106,608
\$ 277,120	\$ 848,946	\$ 620,792	\$ 171,614	\$ 39,785	\$ 146,081

CITY OF SAN DIEGO
FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Modified Accrual Basis of Accounting)

	Pre-GASB 54 Fiscal Year
	2010
General Fund:	
Reserved	\$ 7,996
Unreserved	107,027
Total General Fund	\$ 115,023
Nonmajor Governmental Funds:	
Reserved	\$ 776,324
Unreserved, reported in:	
Special Revenue Funds	219,394
Debt Service Funds	159,737
Capital Projects Funds	368,860
Permanent Funds	2
Total Nonmajor Governmental Funds	\$ 1,524,317

¹ Starting in fiscal year 2011, data is reported in accordance with GASB Statement No. 54.

Source: Comprehensive Annual Financial Reports

Table 3

	Post-GASB 54 ¹								
	Fiscal Year								
	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund:									
Nonspendable	\$ —	\$ 22,140	\$ —	\$ 1,248	\$ 849	\$ 2,502	\$ 783	\$ 863	\$ 1,154
Spendable:									
Restricted	145,880	102,104	60,507	104,885	140,358	146,228	116,253	132,307	160,400
Committed	1,183	44,831	40,953	147,053	130,891	109,474	116,497	100,483	92,189
Assigned	38,153	—	8,717	5,575	6,162	11,189	28,869	24,717	42,842
Unassigned	60,532	109,475	112,321	91,353	99,555	106,508	111,057	95,434	115,582
Total General Fund.....	<u>\$ 245,748</u>	<u>\$ 278,550</u>	<u>\$ 222,498</u>	<u>\$ 350,114</u>	<u>\$ 377,815</u>	<u>\$ 375,901</u>	<u>\$ 373,459</u>	<u>\$ 353,804</u>	<u>\$ 412,167</u>
Nonmajor Governmental Funds:									
Nonspendable	\$ 21,093	\$ 19,502	\$ 115,806	\$ 24,326	\$ 21,427	\$ 19,917	\$ 20,299	\$ 18,042	\$ 18,451
Spendable:									
Restricted	1,378,184	876,460	866,750	1,011,875	1,288,739	1,573,516	1,617,147	1,582,579	1,618,657
Committed	92,783	114,722	87,655	140,268	108,239	106,851	114,692	97,911	87,428
Unassigned	(29,569)	(43,841)	(22,578)	(15,156)	(11,287)	(27,289)	(33,843)	(43,514)	(65,721)
Total Nonmajor Governmental Funds	<u>\$1,462,491</u>	<u>\$ 966,843</u>	<u>\$1,047,633</u>	<u>\$1,161,313</u>	<u>\$1,407,118</u>	<u>\$1,672,995</u>	<u>\$1,718,295</u>	<u>\$1,655,018</u>	<u>\$1,658,815</u>

CITY OF SAN DIEGO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Modified Accrual Basis of Accounting)

	Fiscal Year		
	2010	2011	2012
Revenues			
Property Taxes	\$ 584,342	\$ 569,009	\$ 512,178
Special Assessments	45,606	42,823	46,964
Sales Taxes - Shared State Revenue	192,665	232,077	265,057
Transient Occupancy Taxes	123,879	139,545	148,795
Franchises	—	—	—
Other Local Taxes	183,696	158,797	173,954
Licenses and Permits	33,088	42,668	41,906
Fines, Forfeitures and Penalties	31,836	33,356	64,816
Revenue from Use of Money and Property	91,227	86,720	77,654
Revenue from Federal Agencies	54,056	86,113	70,132
Revenue from Other Agencies	56,136	54,628	46,604
Revenue from Private Sources	21,689	29,126	38,451
Charges for Current Services	191,769	204,782	215,914
Other Revenue	23,187	32,807	41,446
Total Revenues	1,633,176	1,712,451	1,743,871
Expenditures			
Current:			
General Government and Support	391,680	339,782	279,663
Public Safety - Police	399,914	402,328	396,098
Public Safety - Fire and Life Safety and Homeland Security	210,730	210,539	226,623
Parks, Recreation, Culture and Leisure	228,357	205,219	228,255
Transportation	117,545	115,168	149,344
Sanitation and Health	78,351	70,274	72,980
Neighborhood Services	75,772	88,826	218,724
Capital Outlay	134,426	142,136	193,727
Debt Service:			
Principal Retirement	65,928	114,774	70,614
Cost of Issuance	1,881	1,552	880
Interest	74,825	73,093	56,695
Payment to Refunded Bond Escrow Agent	4,172	—	—
Total Expenditures	1,783,581	1,763,691	1,893,603
Excess (Deficiency) of Revenues Over Expenditures	(150,405)	(51,240)	(149,732)
Other Financing Sources (Uses)			
Transfers In	7,706	7,444	274,458
Transfers Out	(13,444)	(6,564)	(286,274)
Payment to Refunded Bond Escrow Agent	(161,194)	—	(152,936)
Contracts, Notes, and Loans Issued	48,710	478	2,700
Bonds Issued	183,396	104,857	153,964
Other Sources	15,341	13,924	12,058
Total Other Financing Sources (Uses)	80,515	120,139	3,970
Extraordinary Gain (Loss)	—	—	(317,084)
Net Change in Fund Balances	\$ (69,890)	\$ 68,899	\$ (462,846)
Debt Service as a Percentage of Noncapital Expenditures	8.5%	11.6%	7.5%

Source: Comprehensive Annual Financial Reports

Table 4

Fiscal Year						
2013	2014	2015	2016	2017	2018	2019
\$ 422,617	\$ 470,960	\$ 460,515	\$ 489,664	\$ 519,386	\$ 548,870	\$ 585,391
50,510	50,796	57,343	54,304	61,736	63,870	70,590
269,929	278,564	293,929	333,821	319,343	314,023	355,383
159,494	170,475	186,690	204,559	222,228	231,863	250,883
—	—	—	—	141,942	160,185	167,025
166,548	186,747	208,907	204,450	36,304	52,608	66,375
51,662	53,329	57,388	78,595	125,087	108,516	115,968
31,261	31,363	33,832	41,465	32,480	32,157	30,060
80,994	87,212	92,452	103,307	97,902	103,746	143,014
59,863	52,504	45,217	44,529	35,149	54,336	96,372
57,770	39,804	87,364	35,748	56,267	35,670	34,387
71,280	78,875	71,581	87,739	13,286	9,348	30,162
189,551	207,101	238,516	260,933	267,708	289,731	320,560
20,829	33,890	49,200	39,718	37,846	16,304	17,359
<u>1,632,308</u>	<u>1,741,620</u>	<u>1,882,934</u>	<u>1,978,832</u>	<u>1,966,664</u>	<u>2,021,227</u>	<u>2,283,529</u>
265,489	299,739	305,594	334,883	335,344	363,126	392,779
406,599	431,531	430,411	445,027	441,999	473,969	501,731
228,128	245,650	254,603	252,608	255,451	285,567	293,267
225,411	216,635	228,157	276,730	293,083	322,467	347,127
120,594	108,836	120,102	144,145	147,397	175,931	180,758
65,969	83,128	92,907	94,982	99,012	95,366	99,947
81,559	63,846	82,812	79,745	90,673	97,978	146,370
158,460	118,187	185,018	194,957	290,550	253,249	227,042
46,323	66,534	42,812	37,077	36,428	40,961	44,435
814	518	1,140	712	28	1,500	469
37,399	36,070	34,135	40,330	39,108	54,994	35,090
1,572	—	—	3,811	—	13,125	—
<u>1,638,317</u>	<u>1,670,674</u>	<u>1,777,691</u>	<u>1,905,007</u>	<u>2,029,073</u>	<u>2,178,233</u>	<u>2,269,015</u>
<u>(6,009)</u>	<u>70,946</u>	<u>105,243</u>	<u>73,825</u>	<u>(62,409)</u>	<u>(157,006)</u>	<u>14,514</u>
302,999	192,049	253,570	173,710	138,412	143,061	128,577
(294,922)	(173,249)	(253,139)	(174,166)	(140,795)	(146,077)	(120,496)
(18,973)	(16,025)	—	(122,186)	—	(183,745)	—
—	761	1,512	—	—	—	—
94,808	51,713	121,200	123,294	—	226,971	—
7,477	29,747	45,120	24,104	107,650	33,864	39,565
<u>91,389</u>	<u>84,996</u>	<u>168,263</u>	<u>24,756</u>	<u>105,267</u>	<u>74,074</u>	<u>47,646</u>
<u>(60,642)</u>	<u>(21,067)</u>	<u>—</u>	<u>165,382</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ 24,738</u>	<u>\$ 134,875</u>	<u>\$ 273,506</u>	<u>\$ 263,963</u>	<u>\$ 42,858</u>	<u>\$ (82,932)</u>	<u>\$ 62,160</u>
5.7%	6.6%	4.8%	4.5%	4.3%	5.0%	3.9%

CITY OF SAN DIEGO
ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

Table 5

Fiscal Year Ended June 30	City				Successor Agency ¹				Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	
2010	\$ 161,637,831	\$ 8,164,394	\$ (7,157,357)	\$ 162,644,868	\$ 17,353,633	\$ 912,524	\$ (1,289,122)	\$ 16,977,035	0.172%
2011	158,803,280	7,873,095	(7,411,231)	159,265,144	17,676,415	953,539	(1,465,748)	17,164,206	0.172%
2012	160,568,111	7,614,792	(7,713,035)	160,469,868	17,354,546	967,108	(1,610,637)	16,711,017	0.172%
2013	159,731,138	7,784,851	(7,883,818)	159,632,171	17,571,696	977,717	(1,683,396)	16,866,017	0.172%
2014	166,492,182	8,229,813	(8,321,763)	166,400,232	18,265,071	984,082	(1,712,162)	17,536,991	0.172%
2015	176,702,157	8,671,311	(8,592,636)	176,780,832	19,634,360	1,015,145	(1,694,855)	18,954,650	0.172%
2016	187,297,981	8,906,099	(9,002,912)	187,201,168	21,169,427	1,032,849	(1,795,081)	20,407,195	0.172%
2017	197,932,308	8,861,982	(9,478,879)	197,315,411	22,939,735	1,078,149	(1,814,669)	22,203,215	0.172%
2018	210,056,793	9,316,411	(9,765,866)	209,607,338	24,856,106	1,127,636	(2,011,257)	23,972,485	0.172%
2019	223,287,219	9,594,809	(10,907,691)	221,974,337	27,179,889	1,165,784	(2,170,961)	26,174,712	0.172%

¹ Pursuant to ABX1 26, the former Redevelopment Agency (RDA) dissolved as of February 1, 2012, at which time the City, as Successor Agency, received the former RDA's assets and assumed the responsibility for winding down the former RDA's operations.

Sources: Avenu Insights and Analytics, LLC and San Diego County Assessor Data



CITY OF SAN DIEGO
ASSESSED VALUE OF PROPERTY BY USE CODE / ASSESSED VALUE BY MAJOR COMPONENT (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

Category	Fiscal Year			
	2010	2011	2012	2013
Residential	\$ 120,621,778	\$ 119,784,031	\$ 122,014,996	\$ 121,392,331
Commercial	24,076,649	22,994,996	22,615,974	23,337,037
Industrial	11,844,884	11,628,925	11,578,295	11,564,607
Institution	1,567,379	1,629,550	1,618,090	1,626,508
Recreation	1,446,525	1,287,482	1,341,813	1,346,278
Government	—	—	—	—
Agriculture	10,837	12,882	14,116	14,853
Rural	267,128	260,106	243,543	239,073
Vacant	2,942,888	2,947,884	2,892,284	2,622,931
Unknown	16,213,396	15,933,839	15,603,546	15,159,216
Gross Secured Value	178,991,464	176,479,695	177,922,657	177,302,834
Unsecured	9,076,918	8,826,634	8,581,900	8,762,568
Less Exemptions	(8,446,479)	(8,876,979)	(9,323,672)	(9,567,214)
Net Taxable Value	<u>\$ 179,621,903</u>	<u>\$ 176,429,350</u>	<u>\$ 177,180,885</u>	<u>\$ 176,498,188</u>

Use code categories are based on San Diego County Assessor's data.

Source: Avenu Insights and Analytics, LLC

Table 6

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 126,493,049	\$ 135,781,072	\$ 144,566,532	\$ 153,836,389	\$ 163,783,938	\$ 174,763,775
24,553,545	25,423,193	26,788,688	42,781,822	45,175,379	47,995,505
11,753,860	12,258,818	12,786,249	13,716,011	14,580,784	16,009,633
1,688,359	1,733,140	1,738,339	4,177,303	4,455,194	4,742,848
1,383,655	1,344,234	1,384,431	1,657,970	1,659,558	1,741,950
—	—	—	1,198,602	1,308,936	1,385,959
15,155	16,607	17,989	472,200	530,505	551,261
199,226	205,324	239,901	202,834	198,630	175,835
2,588,138	2,611,582	3,023,596	2,826,026	3,219,104	3,099,378
16,082,265	16,962,545	17,921,683	2,886	871	964
184,757,252	196,336,515	208,467,408	220,872,043	234,912,899	250,467,108
9,213,896	9,686,457	9,938,948	9,940,131	10,444,047	10,760,593
(10,033,925)	(10,287,491)	(10,797,993)	(11,293,548)	(11,777,123)	(13,078,652)
<u>\$ 183,937,223</u>	<u>\$ 195,735,481</u>	<u>\$ 207,608,363</u>	<u>\$ 219,518,626</u>	<u>\$ 233,579,823</u>	<u>\$ 248,149,049</u>

CITY OF SAN DIEGO
DIRECT AND OVERLAPPING PROPERTY TAX RATES (UNAUDITED)
Last Ten Fiscal Years
(\$1 Per \$100 of Assessed Value)

	Fiscal Year			
	2010	2011	2012	2013
Basic City and County Direct Rates				
County of San Diego	0.15731%	0.15731%	0.15731%	0.15731%
City of San Diego	0.17213%	0.17213%	0.17213%	0.17213%
San Diego Unified School District	0.44679%	0.44679%	0.44679%	0.44679%
San Diego Community College District	0.06463%	0.06463%	0.06463%	0.06463%
County School Service	0.00748%	0.00748%	0.00748%	0.00748%
County School Service - Capital Outlay	0.00189%	0.00189%	0.00189%	0.00189%
Childrens Institution Tuition	0.00160%	0.00160%	0.00160%	0.00160%
Regional Occupational Center	0.00477%	0.00477%	0.00477%	0.00477%
Carlsbad Project	0.00010%	0.00010%	0.00010%	0.00010%
Educational Revenue Augmentation Fund (ERAF)	0.14330%	0.14330%	0.14330%	0.14330%
Total Basic City and County Direct Rates ¹	1.00000%	1.00000%	1.00000%	1.00000%
Overlapping Rates				
City of San Diego	0.01043%	0.00986%	0.00870%	0.00850%
Education	0.09152%	0.09164%	0.10410%	0.10303%
Total Overlapping	0.10195%	0.10150%	0.11280%	0.11153%
Total Direct and Overlapping Tax Rates	1.10195%	1.10150%	1.11280%	1.11153%

¹ Property tax rates in California do not utilize millage rates. Proposition 13, enacted by the voters in 1978-79, held property tax to a maximum of 1% of the assessed value. Rates over 1% are allowable only for voter approved bond indebtedness.

Sources: Avenu Insights and Analytics, LLC and San Diego County Auditor/Controller Data

Table 7

Fiscal Year					
2014	2015	2016	2017	2018	2019
0.15731%	0.15731%	0.15731%	0.15731%	0.15731%	0.15731%
0.17213%	0.17213%	0.17213%	0.17213%	0.17213%	0.17213%
0.44679%	0.44679%	0.44679%	0.44679%	0.44679%	0.44679%
0.06463%	0.06463%	0.06463%	0.06463%	0.06463%	0.06463%
0.00748%	0.00748%	0.00748%	0.00748%	0.00748%	0.00748%
0.00189%	0.00189%	0.00189%	0.00189%	0.00189%	0.00189%
0.00160%	0.00160%	0.00160%	0.00160%	0.00160%	0.00160%
0.00477%	0.00477%	0.00477%	0.00477%	0.00477%	0.00477%
0.00010%	0.00010%	0.00010%	0.00010%	0.00010%	0.00010%
0.14330%	0.14330%	0.14330%	0.14330%	0.14330%	0.14330%
1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
0.00850%	0.00850%	0.00850%	0.00850%	0.00850%	0.00850%
0.17427%	0.17051%	0.16609%	0.16582%	0.16117%	0.16611%
0.18277%	0.17901%	0.17459%	0.17432%	0.16967%	0.17461%
1.18277%	1.17901%	1.17459%	1.17432%	1.16967%	1.17461%

**CITY OF SAN DIEGO
PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)
Current Year and Nine Years Ago
(Dollars in Thousands)**

Table 8

Property Tax Payer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
<u>For the Fiscal Year Ended June 30, 2019</u>		
Qualcomm, Inc.	\$ 2,043,483	0.82%
Irvine Co., LLC	1,285,830	0.52%
Host Hotels Resorts, LP	1,100,548	0.44%
ARE-SD Region, LLC	908,820	0.37%
Kilroy Realty, LP	856,057	0.34%
UTC Venture, LLC	752,768	0.30%
Illumina, Inc.	616,031	0.25%
Bosa Development California II, Inc.	593,081	0.24%
Fashion Valley Mall, LLC	517,693	0.21%
One Park Boulevard, LLC	517,422	0.21%
<u>For the Fiscal Year Ended June 30, 2010</u>		
Irvine Company, LLC	1,719,809	0.96%
Kilroy Realty, LP	1,424,062	0.79%
Qualcomm, Inc.	1,349,687	0.75%
Arden Realty, LP	789,658	0.44%
San Diego Family Housing, LLC	686,255	0.38%
One Park Boulevard, LLC	532,398	0.30%
Pfizer, Inc.	487,054	0.27%
Fashion Valley Mall, LLC	455,175	0.25%
OC SD Holdings, LLC	439,169	0.24%
SeaWorld Parks Entertainment	421,064	0.23%

Sources: Avenu Insights and Analytics, LLC and San Diego County Assessor Data

**CITY OF SAN DIEGO
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)**

Table 9

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year ^{1, 2}	Collected within the Fiscal Year of Levy			Total Collections to Date	
		Amount Collected ²	Percent of Levy	Delinquent Collections ³	Amount	Percent of Levy
2010	\$ 297,217	\$ 286,303	96.33%	\$ 7,670	\$ 293,973	98.91%
2011	293,624	285,913	97.37%	4,793	290,706	99.01%
2012	296,007	289,530	97.81%	4,033	293,563	99.17%
2013	299,332	293,577	98.08%	2,839	296,416	99.03%
2014	315,060	308,606	97.95%	2,581	311,187	98.77%
2015	331,187	325,794	98.37%	2,711	328,505	99.19%
2016	330,483	327,903	99.22%	2,263	330,166	99.90%
2017	349,650	346,510	99.10%	2,531	349,041	99.83%
2018	370,127	367,047	99.17%	1,928	368,975	99.69%
2019	391,665	388,224	99.12%	—	388,224	99.12%

¹ Property tax levies and collections for the General Fund and Zoological Exhibits Fund.

² Taxes levied and collected for the year include local assessment only.

³ Delinquent Collections amounts do not include penalties and interest.

Source: County of San Diego

CITY OF SAN DIEGO
RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year Ended June 30	Governmental Activities				
	Capital Lease Obligations	Qualified Energy Conservation Bonds Lease Obligation	Notes Payable	Loans Payable	Commercial Paper Notes
2010	\$ 84,561	\$ —	\$ 3,301	\$ 110,891	\$ —
2011	68,018	13,142	—	52,963	—
2012	69,638	12,392	—	38,748	—
2013	65,369	11,637	—	27,268	—
2014	58,094	10,864	—	17,633	—
2015	92,539	10,071	—	9,568	—
2016	86,500	9,259	—	8,480	—
2017	165,626	8,429	—	7,341	—
2018	197,649	7,578	—	6,383	—
2019	219,147	6,708	—	5,388	15,889

Fiscal Year Ended June 30	Business-Type Activities				
	Capital Lease Obligations	Contracts Payable	Notes Payable	Loans Payable	Commercial Paper Notes
2010	\$ —	\$ —	\$ —	\$ 84,673	\$ —
2011	—	—	—	91,025	—
2012	—	—	—	125,406	—
2013	—	—	—	145,330	—
2014	2,590	—	—	161,360	—
2015	2,250	—	—	158,241	—
2016	7,588	3,606	—	162,194	—
2017	6,091	2,888	13	191,658	—
2018	4,624	2,194	11	203,273	168,213
2019	3,123	1,481	8	223,896	53,597

¹ Personal income is disclosed in Table 16.

² Debt per Capita is calculated using population data, which is disclosed in Table 16.

Source: Comprehensive Annual Financial Reports

Table 10

General Obligation Bonds	Pooled Financing Bonds	Lease Revenue Bonds Net	Tax Allocation Bonds	Tobacco Settlement-Asset Backed Bonds	Total Government Activities
\$ 4,340	\$ 32,690	\$ 545,082	\$ 551,029	\$ 92,350	\$ 1,424,244
2,240	31,938	529,536	637,247	89,600	1,424,684
—	—	492,532	—	86,195	699,505
—	—	546,884	—	81,635	732,793
—	—	572,008	—	77,785	736,384
—	—	670,977	—	73,705	856,860
—	—	641,832	—	69,440	815,511
—	—	615,280	—	64,570	861,246
—	—	583,508	—	89,195	884,313
—	—	554,380	—	81,170	882,682

Lease Revenue Bonds Payable Net	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ²
\$ 2,127,382	\$ 2,212,055	\$ 3,636,299	8.36%	\$ 2.68
2,060,529	2,151,554	3,576,238	8.87%	2.73
1,989,104	2,114,510	2,814,015	6.58%	2.13
1,915,775	2,061,105	2,793,898	6.42%	2.11
1,851,771	2,015,721	2,752,105	6.00%	2.04
1,771,085	1,931,576	2,788,436	6.02%	2.04
1,843,259	2,016,647	2,832,158	5.94%	2.04
1,735,166	1,935,816	2,797,062	5.53%	1.99
1,630,758	2,009,073	2,893,386	5.33%	2.04
1,804,916	2,087,021	2,969,703	5.18%	2.09

CITY OF SAN DIEGO
RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)
Last Ten Fiscal Years

Table 11

Fiscal Year Ended June 30	General Obligation Bonds (Thousands)	Assessed Valuation (Thousands)	Percentage of Assessed Value ¹	Population	Debt Per Capita ²
2010	\$ 4,340	\$ 162,644,868	0.003%	1,359,132	\$ 3.19
2011	2,240	159,265,144	0.001%	1,311,882	1.71
2012	—	160,469,868	—	1,321,315	—
2013	—	159,632,171	—	1,326,238	—
2014	—	166,400,232	—	1,345,895	—
2015	—	176,780,832	—	1,368,061	—
2016	—	187,201,168	—	1,391,676	—
2017	—	197,315,411	—	1,406,318	—
2018	—	209,607,338	—	1,419,845	—
2019	—	221,974,337	—	1,420,572	—

Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

¹ Ratio is calculated using assessed property values.

² Ratio is calculated using population data.

Sources: Avenu Insights and Analytics, LLC, California Department of Finance, and Comprehensive Annual Financial Reports



Page Intentionally Left Blank

**CITY OF SAN DIEGO
DIRECT AND OVERLAPPING DEBT (UNAUDITED)
June 30, 2019
(Dollars in Thousands)**

	Total Debt June 30, 2019	% Applicable ¹	City's Share of Debt June 30, 2019
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 48,050	8.556%	\$ 4,111
Palomar Community College District	618,719	23.674%	146,475
San Diego Community College District	1,302,610	99.936%	1,301,776
Poway Unified School District School Facilities Improvement District No. 2002-1 & 2007-1	308,475	55.330, 56.019%	171,879
San Diego Unified School District	3,626,410	99.939%	3,624,198
San Dieguito Union High School District	333,920	33.800%	112,865
San Ysidro School District	120,144	84.545%	101,576
Other School, High School and Community College Districts	2,446,614	Various	248,033
Grossmont Healthcare District	258,388	8.019%	20,720
Palomar Pomerado Health System	431,124	27.972%	120,594
City of San Diego Special Assessment/Special Tax Bonds ²	82,330	100%	82,330
Del Mar Unified School District Community Facilities District No. 99-1 & 95-1	22,505	100%	22,505
North City West School District Community Facilities District	45,463	100%	45,463
Poway Unified School District Community Facilities Districts	325,380	100%	325,380
San Dieguito Union High School District Community Facilities Districts	67,550	81.063-100%	61,098
Sweetwater Union High School District Community Facilities Districts	10,342	8.935-100%	6,694
Solana Beach School District Community Facilities Districts	30,185	100%	30,185
Other Special District 1915 Act Bonds	49,416	Various	39,708
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 6,465,590</u>
<u>DIRECT AND OVERLAPPING DEBT:</u>			
San Diego County General Fund Obligations	\$ 255,365	47.453%	\$ 121,178
San Diego County Pension Obligations	508,765	47.453%	241,424
San Diego Superintendent of Schools Certificates of Participation	10,085	47.453%	4,786
Mira Costa Community College District General Fund Obligations	150	21.426%	32
Poway Unified School District Certificates of Participation	61,339	64.745%	39,714
Sweetwater Union High School District Certificates of Participation	39,905	19.677%	7,852
Chula Vista School District General Fund Obligations	136,420	5.200%	7,094
San Ysidro School District Certificates of Participation	53,070	84.545%	44,868
Other School, High School and Community College District Certificates of Participation	134,256	Various	5,275
City of San Diego Obligations ³	882,682	100%	882,682
TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$ 1,354,905</u>
TOTAL OVERLAPPING TAX INCREMENT DEBT	\$ 399,293	0.838-100%	\$ 364,066
TOTAL DIRECT DEBT			882,682
TOTAL OVERLAPPING DEBT			7,301,879
COMBINED TOTAL DEBT ⁴			8,184,561

Table 12Ratios to 2018-19 Assessed Valuations (\$249,614,623):

Total Overlapping Tax and Assessment Debt	2.59%
Total Direct Debt (\$866,793)	0.35%
Combined Total Debt	3.28%

Ratios to Successor Agency Incremental Valuation (\$26,292,314)

Total Overlapping Tax Increment Debt	1.38%
--------------------------------------	-------

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

² Amounts reconcile to Note 19, Total Special Assessment / Special Tax Bonds.

³ Amounts for Total Debt reconcile to Note 5, Total Lease Revenue Bonds, Total QECB Obligations, Total Loans Payable, Section 108 Loans Payable, EVFP Capital Lease Obligations, Tobacco Settlement Asset Backed Bonds, and Other Capital Lease Obligations.

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

Sources: Avenu Insights and Analytics, LLC and Comprehensive Annual Financial Reports

**CITY OF SAN DIEGO
LEGAL DEBT MARGIN SCHEDULE (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)**

	Fiscal Year			
	2010	2011	2012	2013
Assessed valuation	\$ 162,644,868	\$ 159,265,144	\$ 160,469,868	\$ 159,632,171
Debt limit percentage ^{1,2}	25%	25%	25%	25%
Debt limit	40,661,217	39,816,286	40,117,467	39,908,043
Total net debt applicable to limit:				
General Obligation Bonds	4,340	2,240	—	—
Legal debt margin	40,656,877	39,814,046	40,117,467	39,908,043
Total debt applicable to the limit as a percentage of the debt limit	0.01%	0.01%	—	—

¹ The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation.

² For fiscal years 2010-2016, Section 90 of the City Charter provided that the bonded indebtedness for the development, conservation, and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation. These limitations were removed from the City Charter effective in fiscal year 2017.

Sources: Avenu Insights and Analytics, LLC and Comprehensive Annual Financial Reports

Table 13

Fiscal Year						
2014	2015	2016	2017	2018	2019	
\$ 166,400,232	\$ 176,780,832	\$ 187,201,168	\$ 197,315,411	\$ 209,607,338	\$ 221,974,337	
25%	25%	25%	15%	15%	15%	
41,600,058	44,195,208	46,800,292	29,597,312	31,441,101	33,296,151	
—	—	—	—	—	—	
41,600,058	44,195,208	46,800,292	29,597,312	31,441,101	33,296,151	
—	—	—	—	—	—	

CITY OF SAN DIEGO
PLEGGED-REVENUE COVERAGE - WATER OBLIGATIONS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year Ended June 30	Total System Revenues	Total Maintenance and Operation Costs	Net System Revenues ¹	Less: Interest Earnings on Reserve Fund- Senior Obligations	Adjusted Net System Revenues ²
2010	\$ 394,948	\$ 287,361	\$ 107,587	\$ (3,767)	\$ 103,820
2011	397,755	285,059	112,696	(1,436)	111,260
2012	431,188	307,465	123,723	(1,919)	121,804
2013	444,751	342,989	101,762	(363)	101,399
2014	473,908	362,989	110,919	(1,017)	109,902
2015	468,274	381,389	86,885	(897)	85,988
2016	455,055	370,064	84,991	(4,474)	80,517
2017	498,520	402,475	96,045	(4)	96,041
2018 ⁶	589,608	435,673	153,935	(35)	153,900
2019	558,349	428,932	129,417	(73)	129,344

¹ Pursuant to the Amended and Restated Master Installment Purchase Agreement (MIPA), Net System Revenues are defined as "System Revenues" less "Maintenance and Operation Costs" of the Water System for the fiscal year.

² As defined in the MIPA, Adjusted Net System Revenues are the "Net System Revenues" less "an amount equal to earnings from investments in any Reserve Fund or Reserve Account" for the fiscal year.

³ Includes Senior Bonds and Senior State Revolving Fund (SRF) Loans. Utilizes definitions in accordance with the MIPA. Significant decrease in Adjusted Debt Service and increase in Adjusted Debt Service Coverage in FY 2017 because all outstanding Senior Bonds were refunded on a Subordinate lien in June 2016.

⁴ All Obligations consist of Senior and Subordinate Bonds and State Revolving Fund (SRF) Loans. Utilizes definitions in accordance with the MIPA. Effective FY 2017, All Obligations includes debt service paid on Subordinate Water Revenue Commercial Paper Notes program. See Note 6 and 8.

⁵ The coverage calculation as presented in Table 14 is pursuant to the MIPA coverage requirements such as maintaining minimum debt service coverage equal to at least 1.20 for Senior Obligations and 1.00 for All Obligations. Additionally, there are various outstanding State Revolving Loans (SRF Loans) agreements pursuant to which the City has covenanted to maintain other coverage requirements such as maintaining minimum debt service coverage equal to at least 1.10 times the maximum annual debt service for all obligations each Fiscal Year. City verifies loan covenants, including the rate covenant annually.

⁶ Total System Revenues and affected coverage ratios are net of an approximate \$8,000 transfer to the Water Rate Stabilization Fund. Aggregate Debt Service coverage before the transfer was approximately 2.47.

Source: City of San Diego, Department of Finance

Table 14

Senior Obligations ³					All Obligations ⁴			
Principal	Interest	Total	Less: Senior Interest Earnings	Adjusted Debt Service	Adjusted Debt Service Coverage ⁵	Total Debt Service	Aggregate Debt Service Coverage ⁵	
\$ 1,035	\$ 27,268	\$ 28,303	\$ (3,767)	\$ 24,536	4.23	\$ 56,978	1.89	
6,355	27,760	34,115	(1,436)	32,679	3.4	62,784	1.79	
7,164	30,354	37,518	(1,919)	35,599	3.42	66,191	1.87	
8,719	30,988	39,707	(363)	39,344	2.58	64,210	1.58	
8,986	30,935	39,921	(1,017)	38,904	2.82	66,691	1.66	
9,330	30,733	40,063	(897)	39,166	2.20	66,835	1.30	
10,580	30,413	40,993	(4,474)	36,519	2.20	67,389	1.26	
2,703	1,302	4,005	(4)	4,001	24.00	61,842	1.55	
2,820	1,439	4,259	(35)	4,224	36.43	65,613	2.35	
2,887	1,600	4,487	(73)	4,414	29.30	68,136	1.90	

CITY OF SAN DIEGO
PLEDGED-REVENUE COVERAGE - SEWER OBLIGATIONS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

Table 15

Fiscal Year Ended June 30	Total System Revenues	Total Maintenance and Operation Costs (Excludes Depreciation)	Net System Revenues ¹	Senior Obligations ²			Senior Debt Service Coverage ⁴	All Obligations ³	
				Principal	Interest	Total		Total Debt Service	Aggregate Debt Service Coverage ⁴
2010	\$ 406,076	\$ 220,701	\$ 185,375	\$ 43,320	\$ 59,909	\$ 103,229	1.80	\$ 109,288	1.70
2011	380,575	198,773	181,802	42,620	59,868	102,488	1.77	108,547	1.67
2012	391,587	202,132	189,455	44,230	58,253	102,483	1.85	108,542	1.75
2013	385,211	205,215	179,996	46,120	56,368	102,488	1.76	108,547	1.66
2014	396,042	210,981	185,061	48,821	54,473	103,294	1.79	109,353	1.69
2015	382,164	195,358	186,806	51,576	52,461	104,037	1.80	110,096	1.70
2016	368,195	192,185	176,010	66,187	34,633	100,820	1.75	106,879	1.65
2017	382,599	218,336	164,263	58,455	43,974	102,429	1.60	108,489	1.51
2018 ⁵	388,395	223,013	165,382	61,751	41,376	103,127	1.60	109,185	1.51
2019	404,377	239,556	164,821	64,635	38,487	103,122	1.60	109,181	1.51

¹ Pursuant to the Master Installment Purchase Agreement (MIPA), Net System Revenues are defined as "System Revenues" less "Maintenance and Operation Costs" of the Wastewater System for the fiscal year.

² Includes all Senior Bonds and Senior State Revolving Fund (SRF) Loans and utilizes the definitions in accordance with the MIPA.

³ All Obligations consist of Senior Bonds, Senior State Revolving Fund (SRF) Loans and Subordinate SRF Loans. Utilizes definitions in accordance with the MIPA.

⁴ The coverage calculation as presented in Table 15 is pursuant to the MIPA, which requires a minimum debt service coverage should be at least equal to 1.20 for Senior Obligations and 1.00 for All Obligations. Additionally, there are various outstanding State Revolving Fund Loans (SRF Loans) agreements pursuant to which the City has covenanted to maintain other coverage requirements such as maintaining minimum debt service coverage equal to at least 1.20 times the maximum annual debt service for senior obligations and 1.10 times the maximum annual debt service for all obligations in each Fiscal Year. City verifies loan covenants, including the rate covenant annually.

⁵ Total System Revenues and affected coverage ratios are net of an approximate \$7,500 transfer to the Sewer Rate Stabilization Fund. Aggregate Debt Service coverage before the transfer was approximately 1.58.

Source: City of San Diego, Department of Finance

**CITY OF SAN DIEGO
DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)
Last Ten Fiscal Years**

Table 16

Fiscal Year Ended June 30	Population ¹	Personal Income (Thousands)	Per Capita Personal Income ²	City Unemployment Rate ³
2010	1,359,132	\$ 43,522,125	\$ 32,022	9.7%
2011	1,311,882	40,336,436	30,747	10.2%
2012	1,321,315	42,754,529	32,358	9.5%
2013	1,326,238	43,540,765	32,830	8.9%
2014	1,345,895	45,869,488	34,081	6.1%
2015	1,368,061	46,297,920	33,842	4.6%
2016	1,391,676	47,718,552	34,289	4.9%
2017	1,406,318	50,542,056	35,939	4.4%
2018	1,419,845	54,274,285	38,225	3.1%
2019	1,420,572	57,277,776	40,320	3.2%

¹ Population projections are provided by the California Department of Finance Projections.

² Income data is provided by the United States Census Bureau.

³ Unemployment Data is provided by the California Employment Development Department's Bureau of Labor Statistics Department.

Sources: Avenu Insights and Analytics, LLC and California Department of Finance

**CITY OF SAN DIEGO
PRINCIPAL EMPLOYERS (UNAUDITED)
Current Year and Nine Years Ago**

Table 17

Employer	Number of Employees	Percentage of Total Employment ¹
For the Fiscal Year Ended June 30, 2019		
Naval Base San Diego ²	41,607	5.82%
University of California, San Diego ³	38,749	5.42%
Sharp Health Care ⁴	18,736	2.62%
County of San Diego	18,606	2.60%
San Diego Unified School District	12,996	1.82%
Scripps Health ⁵	12,348	1.73%
City of San Diego ⁶	11,598	1.62%
Qualcomm Inc ⁷	10,300	1.44%
San Diego Community College District ⁸	6,246	0.87%
Kaiser Permanente ⁹	5,349	0.75%
Total Top Employers	176,535	24.69%
For the Fiscal Year Ended June 30, 2010		
Naval Base San Diego ²	54,415	7.83%
University of California San Diego ³	20,408	2.94%
San Diego Unified School District	17,024	2.45%
County of San Diego	15,164	2.18%
Sharp Health Care ⁴	14,700	2.11%
City of San Diego ⁶	10,499	1.51%
Kaiser Permanente ⁹	7,028	1.01%
Qualcomm Inc ⁷	6,000	0.86%
UC San Diego Medical Center	5,549	0.80%
San Diego Gas & Electric Co.	5,075	0.73%
Total Top Employers	155,862	22.42%

¹ Percentage based on total employment of 715,200 and 695,200 for fiscal years 2019 and 2010, respectively.

² Includes Active Duty Navy and Marine, and Civil Services employees.

³ Includes full and part-time, academic and support, and UCSD Medical Center, School of Medicine.

⁴ Employee count is countywide.

⁵ Scripps Health employees within city limits, not including Mercy Hospital in Chula Vista.

⁶ As of the last pay-period of the fiscal year.

⁷ Excludes temps and interns.

⁸ Excludes out of state military instructors.

⁹ Count includes physicians.

Sources: Avenu Insights and Analytics, LLC and City of San Diego, Department of Finance - Payroll Division

**CITY OF SAN DIEGO
FULL-TIME AND PART-TIME CITY EMPLOYEES BY FUNCTION (UNAUDITED) ¹
Last Ten Fiscal Years**

Table 18

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government and Support	2,217	2,143	2,101	2,058	2,134	2,283	2,433	2,569	2,611	2,690
Public Safety - Police	2,547	2,409	2,402	2,427	2,489	2,519	2,577	2,540	2,564	2,595
Public Safety - Fire and Life Safety and Homeland Security	1,331	1,265	1,208	1,235	1,283	1,397	1,428	1,433	1,450	1,481
Parks, Recreation, Culture and Leisure	1,675	1,556	1,525	1,646	1,720	1,871	1,908	1,976	1,896	1,880
Transportation	282	280	276	298	325	337	376	409	403	409
Sanitation and Health	156	153	132	121	135	139	144	128	127	132
Neighborhood Services	132	137	127	141	152	162	172	169	185	174
Airports	16	17	17	18	16	18	21	19	17	22
Development Services	258	259	268	293	332	367	408	415	426	412
Environmental Services	172	160	157	153	145	154	145	139	103	163
Golf Course	93	89	100	98	106	106	108	102	114	107
Recycling	97	87	94	97	104	93	85	83	126	91
Sewer Utility	781	762	731	721	775	693	694	660	653	614
Water Utility	742	734	703	720	695	829	888	841	863	828
Total Employees	<u>10,499</u>	<u>10,051</u>	<u>9,841</u>	<u>10,026</u>	<u>10,411</u>	<u>10,968</u>	<u>11,387</u>	<u>11,483</u>	<u>11,538</u>	<u>11,598</u>

¹ As of the last pay-period of the fiscal year.

Source: City of San Diego, Department of Finance - Payroll Division

**CITY OF SAN DIEGO
OPERATING INDICATORS BY FUNCTION (UNAUDITED)
Last Ten Fiscal Years**

Function	Fiscal Year			
	2010	2011	2012	2013
<u>Public Safety - Police</u>				
Calls for Police Services Dispatched	653,086	633,328	583,629	570,628
Calls for 9-1-1 Emergencies	501,094	542,010	572,808	605,015
<u>Public Safety - Fire and Life Safety and Homeland Security</u>				
Fire Department:				
Emergency Calls - Fire	2,740	2,559	2,557	3,659
Emergency Calls - Medical/Rescue	97,049	100,460	104,086	112,864
Emergency Calls - Other	14,295	15,245	16,478	12,698
Lifeguard:				
Water Rescues	5,066	4,187	6,011	5,482
Other Rescues	5,002	5,574	6,094	6,714
Beach Attendance	25,774,465	22,186,170	24,558,435	23,403,527
<u>Parks, Recreation, Culture and Leisure</u>				
Parks and Recreation:				
Number of Aquatic Users	303,200	299,145	304,900	308,025
Number of Youth Served in After School Program Sites	89,790	92,035	78,500	81,889
Library:				
Circulation	7,706,431	7,129,443	6,973,727	6,956,000
Total Attendance - All Libraries	6,143,281	5,771,767	5,602,380	5,818,941
<u>Sewer Utility</u>				
Average Daily Sewage Flow (millions of gallons)	166	170	164	160
Average Daily Peak - Maximum Sewage Flow (millions of gallons)	288	410	226	207
System Daily Capacity (millions of gallons)	255	255	255	255
<u>Water Utility</u>				
Average Daily Production (millions of gallons)	179	171	172	181
Maximum Daily Production (millions of gallons)	243	239	247	249
Total Water Consumption (millions of gallons)	59,567	56,760	60,944	62,501
Total Water Production (millions of gallons)	65,644	62,511	63,240	66,167

¹ Number of Calls for 9-1-1 emergencies is missing calls received during June 4th through June 30th, 2014.

² Number of calls for police dispatch are preliminary for FY18 and FY19 due to implementation of a new computer aided dispatch system.

Source: City Departments

Table 19

Fiscal Year					
2014	2015	2016	2017	2018	2019
583,556	562,360	529,564	515,351	499,309 ²	507,338 ²
583,391 ¹	626,694	615,158	595,309	622,696	655,155
3,184	5,591	5,639	5,845	6,288	6,005
113,858	124,189	136,750	138,632	140,704	140,371
12,838	12,748	11,875	12,024	11,531	12,338
5,299	6,673	7,835	8,611	8,830	5,929
5,486	6,281	5,584	5,265	4,829	6,257
23,414,313	24,928,079	17,939,665	16,266,398	17,723,916	17,490,806
296,000	311,788	304,125	321,751	315,315	286,617
109,670	107,515	108,160	128,774	147,516	143,108
6,877,913	6,923,853	6,840,359	6,322,664	7,743,970	8,047,378
6,170,931	6,654,351	6,940,237	6,591,169	6,772,535	6,996,143
155	149	146	156	146	157
196	187	220	298	196	240
255	255	255	255	255	255
188	171	150	158	166	155
267	243	215	220	218	229
65,552	60,474	54,702	49,209	52,015	47,263
68,457	62,289	54,875	57,709	60,532	56,435

**CITY OF SAN DIEGO
CAPITAL ASSET STATISTICS BY FUNCTION (UNAUDITED)
Last Ten Fiscal Years**

Function	Fiscal Year			
	2010	2011	2012	2013
<u>Public Safety - Police</u>				
Stations ¹	10	10	10	10
<u>Public Safety - Fire and Life Safety and Homeland Security</u>				
Fire Stations	47	47	47	47
<u>Parks, Recreation, Culture and Leisure</u>				
Parks and Recreation Sites	385	385	387	387
<u>Transportation</u>				
Miles of Streets - Concrete and Asphalt ²	2,774	2,774	2,774	2,777
<u>Airports</u>				
Municipal Airports	2	2	2	2
<u>Golf Course</u>				
Municipal Golf Courses ³	10	10	10	10
<u>Sewer Utility</u>				
Miles of Sewers	2,991	3,146	3,017	3,021
Sewer Service Laterals	273,587	274,464	274,788	275,404
<u>Water Utility</u>				
Miles of Water Mains	3,294	3,190	3,277	3,294
Water Meters in Service	276,217	274,310	276,478	276,998
Fire Hydrants	25,044	25,060	25,098	25,157

¹ Includes Headquarters and Traffic.

² Numbers for 2016 - 2019 includes alleys.

³ Includes City operated as well as leased golf courses.

Sources: Comprehensive Annual Financial Reports and City Departments

Table 20

Fiscal Year					
2014	2015	2016	2017	2018	2019
11	11	11	11	11	11
47	47	48	48	49	49
387	387	387	390	395	397
2,777	2,778	2,981	2,964	2,996	2,996
2	2	2	2	2	2
10	10	10	10	10	10
3,020	3,026	3,031	3,031	3,032	3,036
261,632	261,837	264,652	262,275	262,252	262,268
3,376	3,384	3,295	3,294	3,295	3,297
278,241	279,625	280,631	283,751	284,202	284,724
25,195	25,364	25,492	25,533	25,534	25,545

