

City of San Diego

State of California

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2016



City of San Diego

State of California

COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2016

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Table of Contents

Fiscal Year Ended June 30, 2016

INTRODUCTORY SECTION (UNAUDITED)

Letter of Transmittal.....	13
Government Finance Officers Association (GFOA) Award	27
City of San Diego Current Officials.....	28
City of San Diego Legislative Organization Chart	29
City of San Diego Operations Organization Chart.....	30

FINANCIAL SECTION

Independent Auditor's Report.....	33
Management's Discussion and Analysis (Required Supplementary Information - Unaudited).....	37

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:

Statement of Net Position	54
Statement of Activities	56

Governmental Funds Financial Statements:

Balance Sheet	58
Statement of Revenues, Expenditures and Changes in Fund Balances	60
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	61

Proprietary Funds Financial Statements:

Statement of Fund Net Position.....	62
Statement of Revenues, Expenses and Changes in Fund Net Position.....	63
Statement of Cash Flows.....	64

Fiduciary Funds Financial Statements:

Statement of Fiduciary Net Position	66
Statement of Changes in Fiduciary Net Position	67

Notes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies.....	68
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Table of Contents

Fiscal Year Ended June 30, 2016

2. Reconciliation of Government-Wide and Fund Financial Statements	83
3. Cash and Investments	88
4. Capital Assets	121
5. Governmental Activities Long-Term Liabilities	125
6. Business-Type Activities Long-Term Liabilities	130
7. Discretely Presented Component Units Long-Term Liabilities	136
8. Joint Ventures and Jointly Governed Organizations	142
9. Lease Commitments	143
10. Deferred Compensation Plan	145
11. Pension Plans	146
12. Other Postemployment Benefits	160
13. Interfund Receivables, Payables and Transfers	166
14. Risk Management	167
15. Fund Balance / Net Position Deficits	169
16. Commitments	170
17. Contingencies	173
18. Debt Without Government Commitment	175
19. Closure and Postclosure Care Cost	182
20. Operating Agreements	183
21. Fund Balances	184
22. Extraordinary Gain (Loss)	186
23. Subsequent Events	187
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Defined Benefit Pension Plan and OPEB Plan	191
General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budgetary Basis)	198
Note to Required Supplementary Information	199

Table of Contents

Fiscal Year Ended June 30, 2016

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

General Fund:

Schedule of Revenues and Transfers - Budget and Actual (Budgetary Basis)..... 205

Schedule of Expenditures and Transfers - Budget and Actual (Budgetary Basis)..... 207

Nonmajor Governmental Funds:

Combining Balance Sheet 215

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 216

Nonmajor Governmental Funds - Special Revenue:

Combining Balance Sheet 222

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 223

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis) 224

City of San Diego Combining Balance Sheet 226

City of San Diego Combining Statement of Revenues, Expenditures and Changes in Fund Balances 228

City of San Diego Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Budgetary Basis) 230

Nonmajor Governmental Funds - Debt Service:

Combining Balance Sheet 238

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 239

Nonmajor Governmental Funds - Capital Projects:

Combining Balance Sheet 246

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 247

City of San Diego Combining Balance Sheet 248

City of San Diego Combining Statement of Revenues, Expenditures and Changes in Fund Balances 250

City of San Diego Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Budgetary Basis) 252

Nonmajor Governmental Funds - Permanent:

Combining Balance Sheet 258

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 258

Table of Contents

Fiscal Year Ended June 30, 2016

Nonmajor Business-Type Funds - Enterprise:

Combining Statement of Fund Net Position.....	264
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	266
Combining Statement of Cash Flows	268

Internal Service Funds:

Combining Statement of Fund Net Position.....	274
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	276
Combining Statement of Cash Flows	278

Fiduciary Funds:

Combining Statement of Fiduciary Net Position - Pension Trust Funds.....	284
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds.....	286
Combining Statement of Fiduciary Net Position - Agency Funds	288
Combining Statement of Changes in Assets and Liabilities - Agency Funds.....	289

STATISTICAL SECTION (UNAUDITED)

Table 1: Net Position by Category	294
Table 2: Changes in Net Position	296
Table 3: Fund Balances of Governmental Funds	300
Table 4: Changes in Fund Balances of Governmental Funds	302
Table 5: Assessed Value and Estimated Value of Taxable Property.....	304
Table 6: Assessed Value of Property Use Code / Assessed Value by Major Component	306
Table 7: Direct and Overlapping Property Tax Rates.....	308
Table 8: Principal Property Tax Payers.....	310
Table 9: Property Tax Levies and Collections.....	311
Table 10: Ratios of Outstanding Debt by Type	312
Table 11: Ratios of General Bonded Debt Outstanding.....	314
Table 12: Direct and Overlapping Debt.....	316
Table 13: Legal Debt Margin Schedule.....	318

Table of Contents

Fiscal Year Ended June 30, 2016

Table 14: Pledged-Revenue Coverage - Water Obligations	320
Table 15: Pledged-Revenue Coverage - Sewer Obligations	322
Table 16: Demographic and Economic Statistics	324
Table 17: Principal Employers	325
Table 18: Full-time and Part-time City Employees by Function	326
Table 19: Operating Indicators by Function	328
Table 20: Capital Asset Statistics by Function	330

FORWARD-LOOKING STATEMENTS

The Comprehensive Annual Financial Report (CAFR) of the City of San Diego for the fiscal year ended June 30, 2016, including the Letter of Transmittal and Management's Discussion and Analysis, contains forward-looking statements regarding the City of San Diego's (City) 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.

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INTRODUCTORY SECTION (UNAUDITED)





December 6, 2016

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 (FY) ended June 30, 2016, 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. 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 2016 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, 2016 and the respective changes in its financial position. Readers of these financial statements should pay particular attention to Notes 11, 12, 16 and 17, 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, including significant estimated compliance costs related to the City's Municipal Storm Water Permit and the Point Loma Wastewater Treatment Plant.

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 two not-for-profit public benefit corporations, Civic San Diego and the Tobacco Settlement Revenue Funding Corporation, as well as several financing authorities. In addition, the CAFR includes two discretely presented component units, the

San Diego Convention Center Corporation and the San Diego Housing Commission. 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.

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 population to be 1,391,676 as of January 2016, making it the eighth most populated city in the nation and the second most populated city in California.

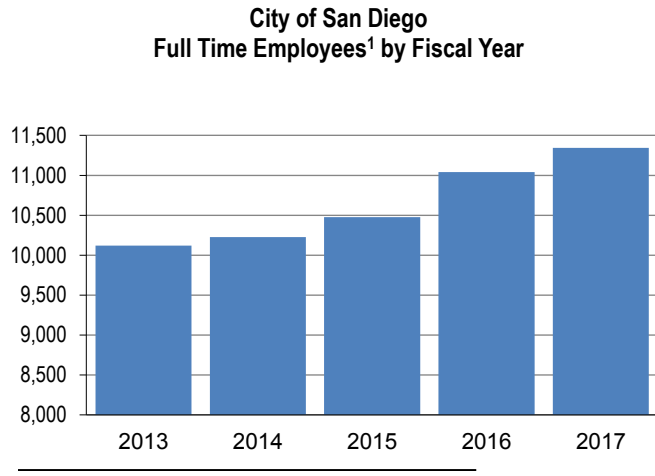
The City operates under and is governed by the laws of the State of California and its own Charter, as periodically amended since its adoption by the electorate in 1931. The City operates under a Strong-Mayor form of government. The Mayor is elected at large to serve a four-year term and may serve up to two consecutive terms. The City Council is comprised 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 over 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 11,345 budgeted Full-Time Equivalent (FTE) positions in fiscal year 2017, 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 2013 to fiscal year 2017 by 1,226. In the fiscal year 2017 Adopted Budget, the City added 304 positions. The increase in positions is mainly due to additions in the Fire-Rescue Department to reduce overtime costs; additions in the Transportation and Storm Water Department for drain channel cleaning and maintenance; additions in the Park and Recreation Department to increase operating hours at eight recreation centers; and additions in the Public Works Department to support the expansion of the City’s Capital Improvements Program and for maintenance of City facilities.



¹ Budgeted Full Time Equivalent Positions

The City provides safety services to its residents and visitors, including police and fire protection, emergency medical treatment and lifeguard services. Neighborhood services include park 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 Qualcomm 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, 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 Financial Management Department and Comptroller’s Office monitor fund balances, as well as revenue and expenditure projections throughout the fiscal year. The Comptroller’s Office prepares monthly and periodic reports to

the City Council that each serve as a summary of the year-to-date financial activity of the General Fund and other budgeted funds. The Financial Management Department 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 Financial Management Department, in collaboration with the Comptroller's Office, 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 1.59 million, of which about 1.42 million are non-farm jobs (see footnote 2 below). The unemployment rate in San Diego/Carlsbad MSA was 4.7% in September 2016, down from a revised 5.0% in August 2016 and below the year-ago estimate of 4.8%. Between September 2015 and September 2016, total non-farm employment increased by 30,900 jobs, or 2.2%. This compares with an unadjusted unemployment rate of 5.3% for California and 4.8% for the nation during the same period. The following table 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 calendar years 2014 through 2016.

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

Industry Sector	2014	2015	2016	2016
Professional & Business Services	225,000	232,200	239,300	16.8%
Leisure & Hospitality	180,800	188,200	195,300	13.7%
Government				
State & Local Government	181,400	185,700	191,300	13.4%
Federal Government	45,700	46,100	46,700	3.3%
Health Care & Social Assistance	157,400	164,800	172,300	12.1%
Trade				
Retail Trade	143,200	145,400	147,100	10.4%
Wholesale Trade	43,600	44,500	45,200	3.2%
Manufacturing	102,300	105,900	105,700	7.4%
Financial Activities	69,200	71,600	72,500	5.1%
Construction	65,300	72,100	71,400	5.0%
Other	134,300	135,600	136,200	9.6%
TOTAL NON-FARM ²	<u>1,348,200</u>	<u>1,392,100</u>	<u>1,423,000</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 September of each corresponding year (March 2015 Benchmark). Data excludes military uniformed personnel.

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

Federal Government employment in the table above includes approximately 22,400 civilians employed by the United States Department of Defense, but excludes military uniformed personnel. In its 2016 Economic Impact Study, the San Diego Military Advisory Council estimated that the military directly employs approximately 112,800 military uniformed personnel in San Diego County, which represents 6.6% of the total civilian and military labor force combined.

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 2014 through 2016, prepared by the City's Economic Development Department and adopted by the City Council in July 2014, 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. 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.

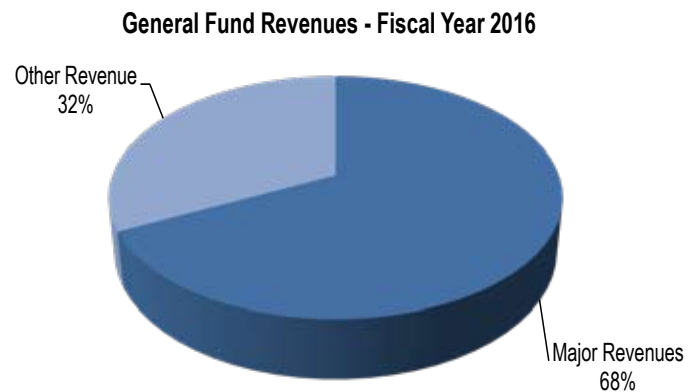
With its proximity to Mexico and the Pacific Rim, San Diego is in a unique geographical position that creates opportunities for growth in international trade. The proximity of Mexican manufacturing to the United States often makes "near-sourcing" of manufacturing back to Mexico attractive for U.S. companies. 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 U.S. Department of Commerce, in 2015, the San Diego area was the 20th largest merchandise exporter in the U.S. Exports have increased \$4.0 billion since 2009, or 30%. On average, exports from the San Diego area have increased by 2.8% annually over the past 10 years.

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 2016 (SDMAC Study) estimating that in 2016 defense-related activities and spending will generate approximately \$44.7 billion of Gross Regional Product (GRP) for San Diego County, or 20% of the region's total GRP. Approximately 112,800 uniformed military and 22,400 U.S. Department of Defense (DoD) civilians work at various locations throughout San Diego County. The SDMAC Study estimates \$23.3 billion in federal defense funds allocated to San Diego County. Approximately 42% representing compensation for active duty, civilian employees and members of the Reserves. Another 38% of funding is related to procurement contracts and other spending. A final 20% represents payment of retirement and other benefits for veterans, retired military and retired DoD employees.

Tourism is a major economic driver for the City. In March 2016, San Diego was ranked as the best domestic travel destination by Time.com because of its combination of outdoor attractions, cultural landmarks, great weather and affordable hotels. According to the San Diego Tourism Authority (SDTA), tourism employed approximately 180,900 people in 2016 throughout the County. The SDTA estimates that San Diego hosted 34.3 million visitors in calendar year 2015 who spent an estimated \$9.9 billion at local businesses and generated \$246 million in Transient Occupancy Tax for the San Diego region.

FINANCIAL AND ECONOMIC TRENDS

In fiscal year 2016, the General Fund's four major operating revenue sources - property tax, sales tax, transient occupancy tax (TOT), and franchise fees (unrestricted) - made up 68% of total General Fund revenues. Based on revenue projections for the first quarter of fiscal year 2017, major revenues for the General Fund are expected to increase by \$33.1 million (3.5%) compared to major revenues reported for the General Fund in the fiscal year 2016 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 2017.

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017 ¹</u>
Property Tax	\$ 412,204	\$ 460,592	\$ 449,244	\$ 471,321	\$ 505,034
Sales Tax ²	240,922	254,219	265,295	284,448	277,866
Transient Occupancy Tax ³	83,904	89,673	98,138	107,675	113,444
Franchise Fees (unrestricted) ⁴	67,723	71,953	81,251	81,929	82,171
TOTAL	<u>\$ 804,753</u>	<u>\$ 876,437</u>	<u>\$ 893,928</u>	<u>\$ 945,373</u>	<u>\$ 978,515</u>

¹ Source: Fiscal Year 2017 First Quarter Budget Monitoring Report – Financial Management Department, City of San Diego.

² Includes Safety Sales Tax.

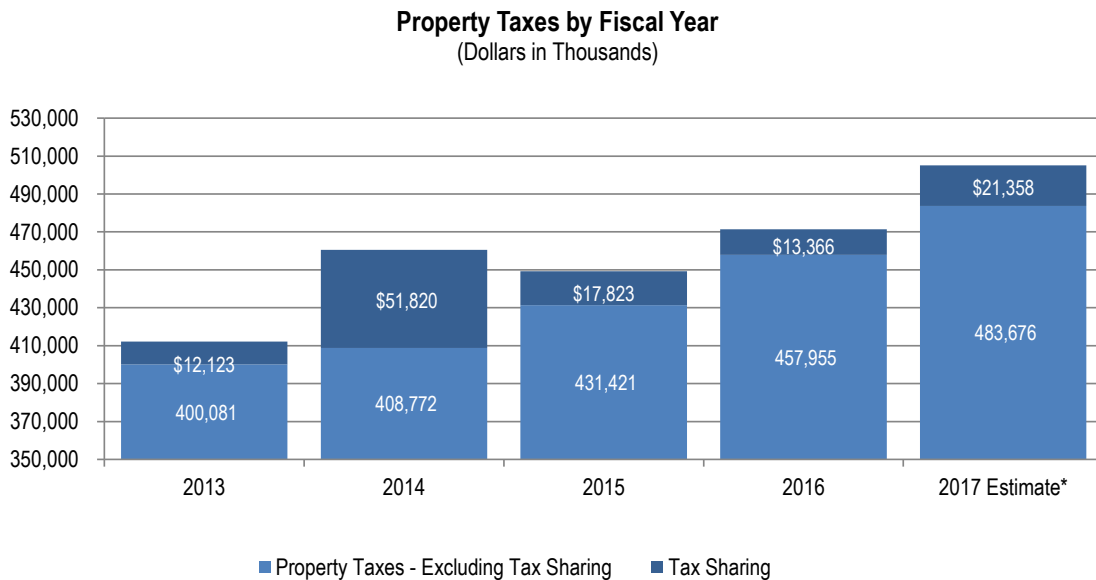
³ Includes the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy). \$96.9 million was deposited into the TOT Special Revenue Fund in fiscal year 2016.

⁴ Excludes SDG&E franchise fee revenue restricted by the Charter to preserve and enhance the environment of the City.

Property Tax

Property Tax revenue is the largest revenue source for the General Fund, representing 33.7% of total General Fund revenue recognized in fiscal year 2016. 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 2016 and the estimated revenue for fiscal year 2017 are based on assessments from January 1, 2014 and 2015, respectively. The 7.2% growth rate projected for property tax revenue in fiscal year 2017, compared to fiscal year 2016, is based on year over year increases in the median home price of 6.3% and an increase in home sales of 6.6%. In calendar year 2015, foreclosures decreased by 9% and notices of default decreased by 12.2% compared to 2014. Assessed valuation of properties in accordance with limits established by Proposition 13 for fiscal year 2017 is based on the change in the California Consumer Price Index (CCPI) from October 2014 to October 2015. During this period the CCPI increased by 1.5% in calendar year 2015 resulting in an increase in the taxable basis of the assessed valuation of properties of the same amount.

Property tax revenue trends have been affected by tax sharing distributions resulting from the dissolution of the former redevelopment agency. 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. The amount of these payments has varied over the last four fiscal years. The graph below shows property taxes, net of tax sharing amounts, for fiscal years 2013 through 2017, and the corresponding tax sharing amounts for each respective fiscal year (projected amounts for fiscal year 2017).



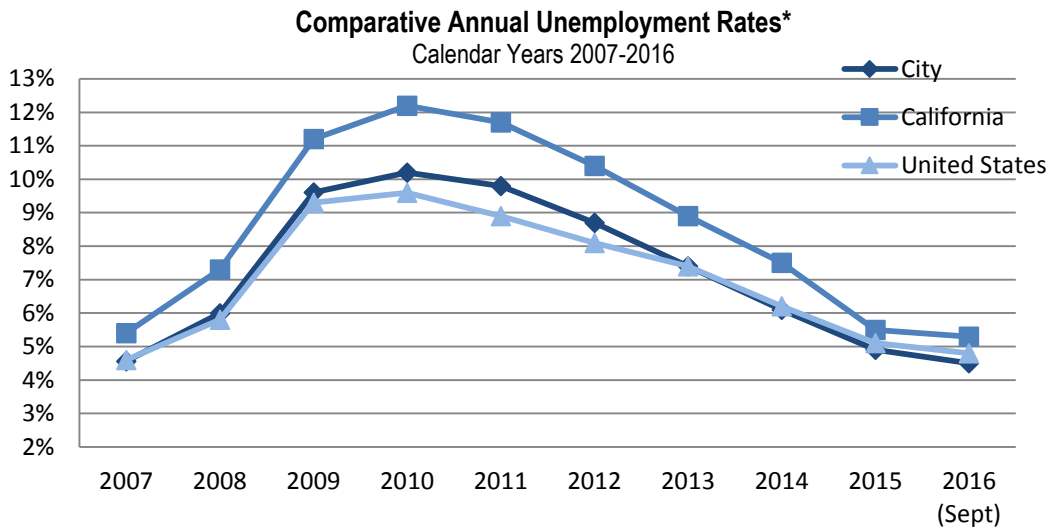
* Source: Fiscal Year 2017 First Quarter Budget Monitoring Report – Financial Management Department, City of San Diego

Sales Tax

The City’s second largest revenue source for the General Fund is Sales Tax, representing 20.4% of total General Fund revenue recognized in fiscal year 2016. The total citywide sales tax rate in San Diego is 8.0%, of which the City receives approximately 1.0% for general purposes. The City also receives a portion of the 0.5% collected by 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 and consumer confidence. The unemployment rate for the City was 4.5% in September 2016, down from 4.6% in September 2015 and 5.8% in September 2014. The unemployment rate has returned to pre-recession levels, when the unemployment rate ranged between 4% and 5%. A lower local unemployment rate generally improves consumer confidence which, in turn, improves the City’s sales tax receipts. In fiscal year 2016, sales tax revenue continued to reflect growth, but at a slower pace, mostly due to decreases in fuel prices and a shift from in-store purchases to online sales (the City receives a smaller portion of sales tax revenues from on-line sales compared to in-store sales). Based on the fiscal year 2017 projection, the City estimates a year-over-year decrease in Sales Tax revenue of approximately \$6.6 million (-2.3%) compared to fiscal year 2016 actual revenue recognized. However, this includes an estimated one-time payment of approximately \$12.3 million received in fiscal year 2016 as a result of the end of the triple-flip, a state funding mechanism that shifted local sales tax to the state for an equivalent amount of property tax revenue (triple-flip

related revenue is recorded as Sales Tax in the General Fund). Not including the triple-flip one-time payment received in fiscal year 2016, sales tax is expected to increase by approximately \$5.7 million (2.1%).



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

* Unemployment rate for 2016 is based on September 2016.

Transient Occupancy Tax

The City’s Transient Occupancy Tax (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 \$107.7 million represented 7.7% of total General Fund revenue recognized in fiscal year 2016. In addition, the General Fund received reimbursements and transfers from the TOT special revenue fund of \$17.4 million and \$19.2 million respectively in fiscal year 2016 for a combined total of \$144.3 million, or approximately 10.3% of total General Fund revenue collected in fiscal year 2016.

Tourism Information - County of San Diego

	CY 2013	CY 2014	CY 2015	CY 2016 ¹	CY 2017 ¹
Visitors					
Total Visits (millions)	33.1	33.8	34.3	34.7	35.4
Overnight Visits (millions)	16.4	16.9	17.2	17.4	17.8
Hotel Sector					
Avg. Occupancy	71.6%	74.6%	76.4%	76.3%	77.3%
Avg. Daily Rate	\$134.94	\$141.38	\$150.03	\$154.77	\$159.16
Revenue PAR ²	\$ 96.61	\$105.48	\$114.58	\$118.09	\$123.10
Room Demand (growth)	2.4%	6.4%	3.4%	1.7%	3.0%

Source: San Diego Tourism Authority and Tourism Economics.

¹ Forecast August 2016– Tourism Economics, Inc.

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

The table on the previous page reflects the positive trend in tourism growth over the past three calendar years (2013-2015) and the forecast for calendar years 2016 and 2017 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 2016, and is expected to continue through fiscal year 2017. The fiscal year 2017 projection estimates a year-over-year increase in General Fund TOT revenue of approximately \$5.7 million (5.4%) compared to actual revenue recognized in fiscal year 2016.

Franchise Fees

Franchise fee revenues are reported as Other Local Taxes in the General Fund's Statement of Revenues, Expenditures and Changes in Fund Balance. 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 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, Time Warner Cable, and AT&T. 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 \$81.9 million represented 5.9% of total General Fund revenues recognized in fiscal year 2016. The fiscal year 2017 projection estimates a year-over-year increase of \$0.2 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 Outlook can be obtained online at <https://www.sandiego.gov/fm/financial>.

MULTI-YEAR CAPITAL IMPROVEMENT PROGRAM AND INFRASTRUCTURE

The City owns and maintains depreciable assets, including but not limited to, streets, bridges, parks, public-facilities, and airports. Over the years, due to competing financial priorities, the City deferred maintenance and capital expenditures related to some of these assets, resulting in deterioration of parts of the City's infrastructure. In addition to deferred 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 16). As the City began to address the deferred capital costs through its multi-year financing plan, it also began to assess the condition of key asset classes:

- A condition assessment for sidewalks was completed in 2015 identifying preliminary cost estimates of total sidewalk damage repair of approximately \$52.7 million in 2015 dollars of which the City is responsible for repairing approximately \$28.3 million. Approximately \$6.7 million in funding was made available to partially address capital needs for sidewalks in fiscal years 2015 and 2016.
- A condition assessment of 560 General Fund City-occupied facilities was completed in 2015. On average, the assessment indicated that these facilities are in fair condition. The current estimated cost to bring these facilities to conditions varying from fair to good is \$403 million in 2016 dollars. Similarly, a condition

assessment of 134 General Fund leased facilities was completed in 2016. On average, the assessment indicated that these facilities are in poor condition. The current estimated cost to bring these facilities to good condition is \$423 million in 2016 dollars. However, these cost estimates could vary depending on the condition goal set for leased facilities. The condition goal for leased facilities has not been determined and is subject to City Council approval.

- A street condition assessment was completed in calendar year 2016. The City rates and monitors the condition of streets using an Overall Condition Index (OCI) indicator. A street with an OCI between 70 and 100 is considered to be in good condition. The 2015-2016 condition assessment survey determined that 60% of City streets are in good condition, 34% are in fair condition, and 6% are in poor condition, with an average OCI of 72. The City plans to repair at least 1,000 miles of City streets over a five-year plan which began in fiscal year 2016. More than 300 miles of streets were repaired in fiscal year 2016.

These assessments cover only a subset of City assets and represent a portion of the City's deferred maintenance and infrastructure needs. As additional assessments are completed, the City will have a better understanding of funding 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 16 and 17. Spending priorities on asset maintenance and infrastructure are reassessed annually and incorporated into the budget process in order to ensure that condition level goals are met in a manner that is balanced with other budget priorities and spending requirements.

A financial plan for addressing General Fund deferred capital needs was initiated in 2009 with the issuance of \$103 million in Lease Revenue Bonds. Since then, an additional \$230 million in Lease Revenue Bonds have been issued for General Fund infrastructure repair, including streets, facilities and storm drains, and for new facilities. In the 2018-2022 Five Year Outlook released in November 2016, the City expects to finance approximately \$270 million for infrastructure spending and deferred capital over the next five years, subject to City Council approval.

There are also additional revenue sources restricted for capital projects and infrastructure, such as TransNet, proceeds from real property sales, developer impact fees and capital grants that are anticipated to be invested in City infrastructure and deferred maintenance. Additionally, on June 7, 2016, San Diego residents passed Proposition H, a Charter amendment measure that establishes an infrastructure fund to be used exclusively to pay for capital improvements and repair and maintenance of City infrastructure. Beginning in fiscal year 2018, the City must deposit 50% of major revenue growth over the base year of fiscal year 2016 into the Infrastructure Fund for five years. Major revenues are sales tax, 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.

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 operations, is documented 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 table below identifies the Policy Goal, Target Goal (percentage and dollar), and current reserve levels as of the end of fiscal year 2016 for General Fund, Risk Management and Pension Payment Stabilization Reserves:

(Dollars in Thousands)					
Reserve	Policy Goal ²	FY16 Target %	FY16 Target \$	FY16 Reserve %	FY16 Reserve \$
General Fund Emergency Reserve ¹	8% of the most recent three year average of annual audited General Fund operating revenues (budgetary basis)	8%	\$90,900	8%	\$90,900
General Fund Stability Reserve ¹	8.7% of the most recent three year average of annual audited General Fund operating revenues (budgetary basis)	6.5%	\$73,844	6.5%	\$73,844
Public Liability Reserve ³	50% of outstanding public liability claims based on the annual actuarial liability valuations for the three most recent fiscal years	40%	\$36,725	40%	\$36,725
Workers' Compensation Reserve ³	25% of outstanding workers' compensation claims based on the annual actuarial liability valuations for the three most recent fiscal years	25%	\$54,522	25%	\$54,522
Long-Term Disability Reserve ³	100% of long-term disability claims based on the annual actuarial liability valuations for the three most recent fiscal years	100%	\$14,900	125%	\$18,634
Pension Payment Stabilization Reserve ⁴	8% of the average of the most recent three year Actuarially Determined Contributions	8%	\$20,536	8%	\$20,536

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 Calculated based on the three most recent years' actuarial valuations for risk management and pension payment stabilization reserves and the three most recent audited financial statements available as of June, 30, 2016 for General Fund reserves (fiscal years 2013-15).

³ Risk Management Reserves based on cash on hand, except for workers' compensation reserve which includes contribution receivable balances.

⁴ The portion of the reserve attributable to the General Fund, Sewer Utility Fund and Water Utility Fund are \$16.0 million, \$1.7 million and \$1.5 million respectively, with the remaining balance attributable to the other enterprise funds. Calculated based on ADC for fiscal years 2013-2015.

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 of the most recent three year operating revenues for the General Fund (budgetary basis) and applies a percentage to that average. In fiscal year 2016, 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 total General Fund Reserve Policy Goal of 16.7%. The City met its Stability Reserve Target Goal for fiscal year 2016 of 6.5% or \$73.9 million, with the remaining \$25 million anticipated to be funded in future years.

The General Fund's Emergency Reserve of \$90.9 million is reported as restricted fund balance in the financial statements. The General Fund's unassigned fund balance as of June 30, 2016 was \$106.5 million, of which \$73.9 million represents the General Fund's Stability Reserve, \$16.0 million represents the General Fund's portion of the Pension Stabilization Reserve (see below) and the remaining \$16.6 million is available for appropriation as of June 30, 2016. The General Fund also reports an additional \$11.2 million of fund balance that has been assigned for expenditures in the fiscal year 2017 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). As of June 30, 2016, the Workers' Compensation Reserve was funded at Policy Goal Levels, while the Long-term Disability Reserve was funded in excess of Policy Goal levels. The City met its Public Liability Target Goal for fiscal year 2016 of 40% or \$36.7 million. The City's Reserve Policy establishes incremental target levels of funding for the Public Liability Reserve through fiscal year 2019 to arrive at full funding. However, the City's contribution to the Public Liability Fund Reserve is reassessed annually and incorporated into the budget process in order to ensure that the targeted goal is met in a manner that is balanced with other budget priorities. 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 2016 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 unanticipated increases in the Actuarially Determined Contribution (ADC). The ADC is calculated by SDCERS' actuary as part of its annual Actuarial Valuation Report. Unanticipated 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 reserve amount for the various funds is prorated based on the most recently adopted budget allocation.

The City also maintains other reserves for the following enterprise funds: the Water and Sewer Utility Funds, Development Services Fund, Environmental Services Fund, and the Golf Course Fund.

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 online at <https://www.sandiego.gov/fm/policies>.

MAJOR ACCOMPLISHMENTS AND INITIATIVES

Beginning with the fiscal year 2015 Adopted Budget, Mayor Faulconer committed at least 50% of the City's new major General Fund revenue growth toward infrastructure and street repairs. During fiscal year 2016, the City passed the 300 mile mark in the first year of Mayor Faulconer's five-year plan to repair at least 1,000 miles of City Streets, including 218 miles of slurry seal and 103 miles of street overlay. The City also awarded 116 construction contracts totaling \$446 million and 23 architectural engineering and other public works-related contracts totaling \$174 million.

To foster the sustainability and health of the environment, the City developed a bold Climate Action Plan, which was unanimously approved by the City Council in December 2015. A highlight of the plan is to use 100% renewable energy

citywide by 2035, making San Diego the largest city in the country to adopt such a standard. This is a key strategy to help meet the City's goal of cutting citywide carbon pollution by 50% by 2035. The City's zero waste plan, its pledge to increase commutes via transit and active transportation, and strategy to achieve a 35% urban tree canopy will also assist in achieving demonstrable benefit for residents, businesses, the environment and neighborhoods.

A section of San Diego was designated by the U.S. Department of Housing and Urban Development as a Promise Zone and will receive targeted investment to address key challenges. The Federal government will work strategically with the City, local leaders, organizations and residents to boost economic activity and job growth, improve educational opportunities, reduce crime, and leverage private investment to improve the quality of life in neighborhoods from East Village and Barrio Logan in the west extending to Encanto and Emerald Hills in the east, with a population of more than 77,000 residents. The City served as the lead applicant with six implementing partners including the County, Civic San Diego, San Diego Housing Commission, Jacobs Center, San Diego Unified School District and San Diego Workforce Partnership. Among its responsibilities as the lead applicant, the City will administer all funding, track and report progress on the program and delegate activities to implementing partners.

In the area of water and wastewater infrastructure, the City is moving forward on a plan to implement a potable water reuse program (Pure Water) to provide future water reliability to San Diego residents, making the City a leader in water sustainability technology. As a result of these efforts, the City received the *Global Water Award for Water Reuse Project of the Year* at the 2016 Global Water Summit. The international honor is bestowed to acknowledge the most important achievements in the international water industry. The first phase of the Pure Water program will be to construct the infrastructure necessary to produce 30 million gallons per day of purified water. This phase is expected to be online providing drinking water to the public by 2021.

The City's Environmental Services Department won the *American Public Works Association Project of the Year* award for the street light retrofitting project. Through the Adaptive Control Street Lighting Project, 3,600 fixtures were retrofitted in Downtown, Little Italy and Balboa Park. The new lights reduce energy consumption by 60% and lessen unnecessary "up light" by 90% focusing light where it is needed on streets and sidewalks. Energy savings are estimated to reach \$0.25 million annually.

In collaboration with the San Diego Unified School District, the City will break ground on 30 new joint-use parks in the next five years as part of its Play All Day program. The program is designed to improve existing fields at school sites and allow for community use during non-school hours. The first Play All Day field opened in March 2016.

As part of its economic development strategy, the City joined and is currently participating in the Global Cities Initiative, a joint use project of the Brookings Institute and JP Morgan Chase, aimed at helping leaders of metropolitan cities strengthen their regional economies by becoming more competitive in the global marketplace. The \$10 million, five-year project will provide an international network of leaders the ability to discuss and foster ideas to promote expansion of cities' economies on a global scale and learn best practices from around the world.

As a result of modest positive trends in revenue growth, the fiscal year 2017 Adopted Budget includes a number of service enhancements for residents of San Diego focusing on four main areas: repairing streets and investing in infrastructure, safe and livable neighborhoods, an economically prosperous city with opportunity in every community, and excellent customer service and open government. The fiscal year 2017 Adopted Budget includes \$21.8 million in new infrastructure expenditures. Public safety programs are enhanced through funding for fire academies, police recruitment and retention, body worn cameras, 911 dispatcher recruitment and retention and additional lifeguard positions. The fiscal year 2017 budget also enhances park and recreation facility staffing, expands recreation center

hours, and provides additional funding for the Library After-School Program and staffing for the implementation of the City's Climate Action Plan. Customer service and open government is enhanced through funding of the 311 Customer Service and Service Delivery Program and new software for tracking and managing the City's land development processes and code enforcement.


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, 2015. 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.

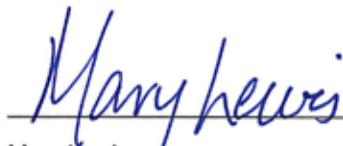
A *Certificate of Achievement for Excellence in Financial Reporting* is valid for a period of one year. We believe that our current CAFR continues to meet the requirements of the Certificate of Achievement for Excellence in Financial Reporting Program, and we are submitting it to the GFOA to determine 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 Comptroller's Office. We wish to thank all City departments for their valuable contributions and thank the staff of Civic San Diego, San Diego Convention Center, 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.

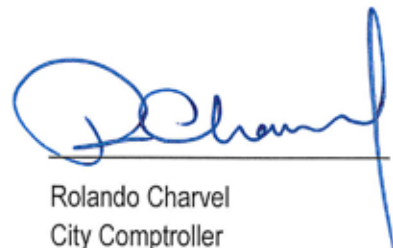
Respectfully submitted,



Scott Chadwick
Chief Operating Officer



Mary Lewis
Chief Financial Officer



Rolando Charvel
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, 2015

A handwritten signature in black ink, which appears to read "Jeffrey R. Emer".

Executive Director/CEO

City of San Diego Current Officials

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



Mayor Kevin Faulconer

District 1
Council President Sherri Lightner



District 6
Councilmember Chris Cate

District 2
Councilmember Lorie Zapf



District 7
Councilmember Scott Sherman

District 3
Councilmember Todd Gloria



District 8
Councilmember David Alvarez

District 4
Councilmember Myrtle Cole



District 9
Council President Pro Tem
Marti Emerald

District 5
Councilmember Mark Kersey

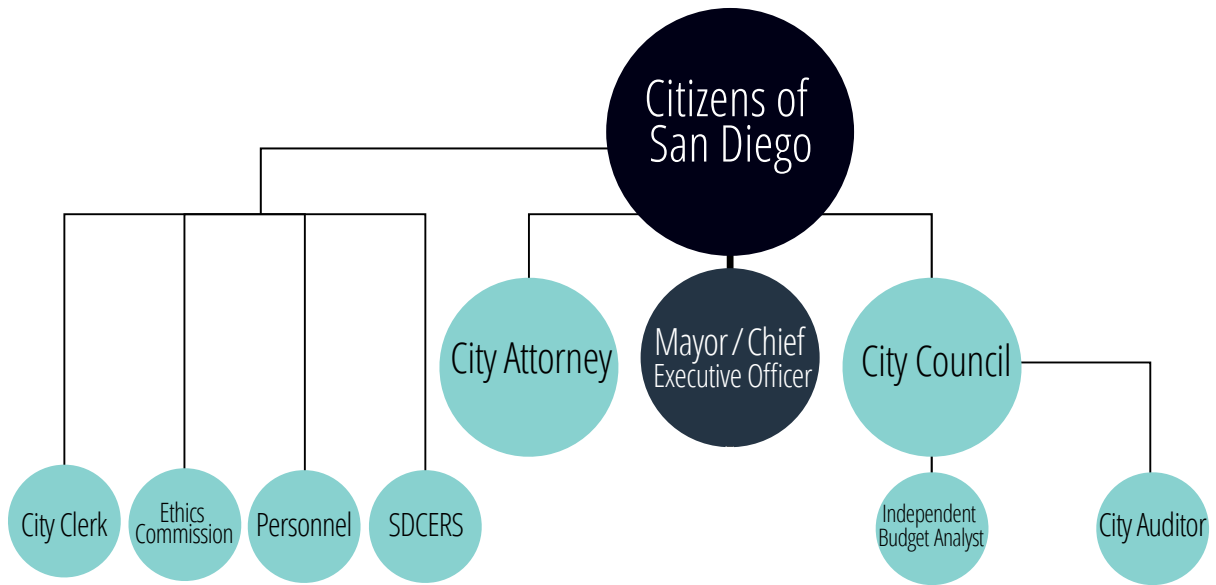


City Attorney
Jan Goldsmith

Other City Officials

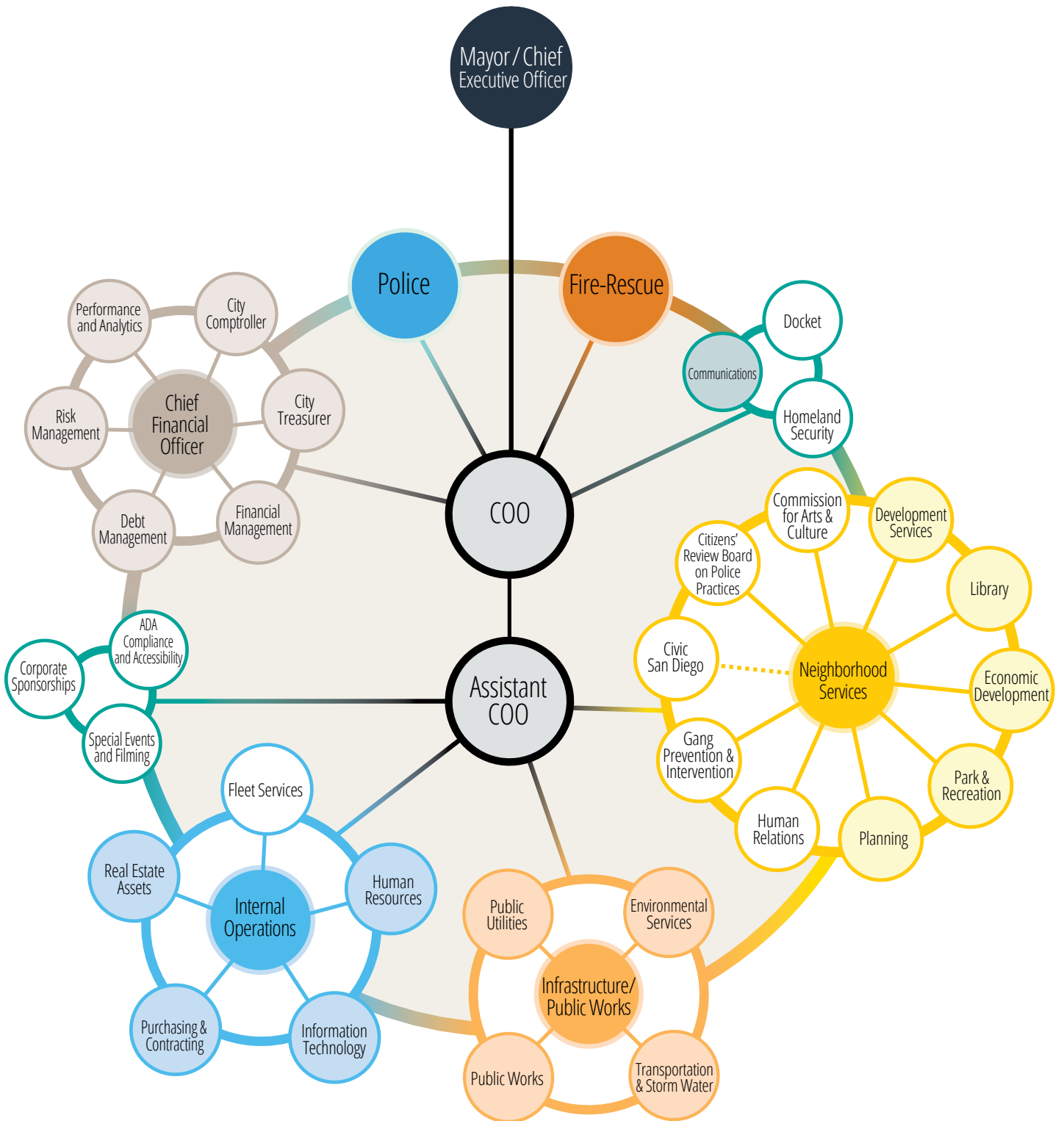
Scott Chadwick, Chief Operating Officer
 Mary Lewis, Chief Financial Officer
 Rolando Charvel, City Comptroller
 Gail R. Granewich, City Treasurer
 Elizabeth Maland, City Clerk
 Andrea Tevlin, Independent Budget Analyst
 Eduardo Luna, City Auditor

City of San Diego Legislative Organization Chart*



*As of the issuance date of this report

City of San Diego Operations Organization Chart*



*As of the issuance date of this report

FINANCIAL SECTION





Certified
Public
Accountants

Century City
Los Angeles
Newport Beach
Oakland
Sacramento
San Diego
San Francisco
Walnut Creek
Woodland Hills

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Diego, California (City), as of and for the year ended June 30, 2016, 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 96%, 97%, and 88%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 3 to the basic financial statements, effective July 1, 2015, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. As a result of the implementation of GASB Statement No. 72, the City disclosed its investments in accordance with the fair value hierarchy. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 35-48; the preservation of benefits plan schedule of funding progress, schedule of changes in net pension liability and related ratios, schedule of employer contributions, other postemployment benefit (OPEB) trust fund schedule of funding progress, and OPEB trust fund schedule of employer contributions on pages 189-191; and the general fund schedule of revenues, expenditures and changes in fund balance – budget and actual (budgetary basis) on page 196, 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 accompanying introductory section, combining and individual fund financial statements and schedules, and statistical section 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, slightly slanted style.

San Diego, California
December 6, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2016
(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, 2016. 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 government 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; and Recycling.

The government-wide financial statements include the City (known as the primary government) and the following legally separate, discretely presented component units: San Diego Convention Center Corporation (SDCCC); and San Diego Housing Commission (SDHC). Financial information for these component units 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 a part of the City's operations 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)
- San Diego Industrial Development Authority (SDIDA)
- Tobacco Settlement Revenue Funding Corporation (TSRFC)

The government-wide financial statements can be found beginning on page 54 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 fund 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 58 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 Fleet Services, Central Stores, and Publishing Services are used to report activities that provide centralized supplies and/or services to the City.

Proprietary fund 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 to be 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 62 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 66 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 68 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's changes in the net pension liability, progress in funding the Preservation of Benefits (POB) Plan and its obligation to provide postemployment healthcare benefits to its employees, employer contributions to the pension plan and postemployment healthcare benefits plan, and the General Fund's budgetary comparison schedule. Required supplementary information can be found beginning on page 191 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 215 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Capital Assets	\$ 4,756,832	\$ 4,597,347	\$ 5,775,729	\$ 5,666,425	\$ 10,532,561	\$10,263,772
Other Assets	2,455,185	2,198,959	1,167,272	1,215,380	3,622,457	3,414,339
Total Assets	7,212,017	6,796,306	6,943,001	6,881,805	14,155,018	13,678,111
Deferred Outflows of Resources	244,179	230,944	203,785	60,850	447,964	291,794
Net Long-Term Liabilities	2,858,285	2,697,999	2,500,765	2,357,340	5,359,050	5,055,339
Other Liabilities	192,239	181,236	195,405	187,680	387,644	368,916
Total Liabilities	3,050,524	2,879,235	2,696,170	2,545,020	5,746,694	5,424,255
Deferred Inflows of Resources	88,301	344,346	33,071	87,180	121,372	431,526
Net Position						
Net Investment in Capital Assets	4,129,002	3,988,396	4,042,983	3,902,396	8,171,985	7,890,792
Restricted	1,607,238	1,309,104	9,800	27,776	1,617,038	1,336,880
Unrestricted	(1,418,869)	(1,493,831)	364,762	380,283	(1,054,107)	(1,113,548)
Total Net Position	\$ 4,317,371	\$ 3,803,669	\$ 4,417,545	\$ 4,310,455	\$ 8,734,916	\$ 8,114,124

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 \$8,734,916 as of June 30, 2016, an increase of \$620,792, or approximately 8%, over fiscal year 2015.

Approximately 94% of Total Net Position, or \$8,171,985, represents the City's net investment in capital assets (e.g., land, structures and improvements, equipment, distribution and collections systems, infrastructure, and construction-in-progress), less any outstanding debt used to acquire these assets and related deferred outflows/inflows of resources. The City uses these capital assets to provide services to citizens; 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 \$1,617,038, or approximately 19% of total Net Position, representing resources that are subject to external restrictions on how they may be used. The amount of (\$1,054,107) represents the Unrestricted Net Position deficit, mainly resulting from the Net Pension Liability of \$1,713,566, reported in accordance with GASB 68. Additional information regarding pension matters, including the City's funding policy, can be found in Note 11.

Total Net Position resulting from governmental activities increased by \$513,702, or approximately 14%. The Net Investment in Capital Assets increased by \$140,606, resulting from a net increase in capital assets for governmental activities of \$159,485, a net increase in debt used to acquire these assets of \$12,368, and a decrease in related deferred outflows of resources of \$6,511 (See Notes 4 and 5). Restricted Net Position increased by \$298,134, or approximately 23%. The most significant item contributing to this increase was the reinstatement of CDBG and Section 108 Successor Agency Loans of approximately \$151,494, as approved by the Department of Finance (See Note 22). This was combined with several smaller increases in various Special Revenue and Capital Projects funds.

Total Net Position resulting from business-type activities increased by \$107,090, or approximately 2%. Both the Net Investment in Capital Assets and the Unrestricted Net Position remained stable, with changes of 4% each. Restricted Net Position decreased

by \$17,976, or approximately 65%. This was primarily the result of the release of \$18,000 held for the advance funding of landfill postclosure care. During fiscal year 2016, California Department of Resources Recycling and Recovery (CalRecycle) approved a revenue pledge for postclosure maintenance and authorized release of the funds being held for this purpose (See Note 19).

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015 ¹	2016	2015	2016	2015 ¹
Revenues:						
Program Revenues						
Charges for Services	\$ 463,171	\$ 432,442	\$ 898,695	\$ 951,600	\$ 1,361,866	\$ 1,384,042
Operating Grants and Contributions	65,173	49,049	2,629	1,044	67,802	50,093
Capital Grants and Contributions	140,408	106,237	59,226	386,952	199,634	493,189
General Revenues						
Property Taxes	489,548	460,948	-	-	489,548	460,948
Transient Occupancy Taxes	200,612	182,466	-	-	200,612	182,466
Sales Taxes - Shared State Revenue	319,030	296,837	-	-	319,030	296,837
Other Local Taxes	204,387	208,970	-	-	204,387	208,970
Grants and Contributions not Restricted to						
Specific Programs	1,045	653	-	-	1,045	653
Investment Income	16,075	8,786	13,742	8,012	29,817	16,798
Other	142,267	133,511	13,220	21,285	155,487	154,796
Total Revenues	2,041,716	1,879,899	987,512	1,368,893	3,029,228	3,248,792
Expenses:						
General Government and Support	303,802	193,285	-	-	303,802	193,285
Public Safety -Police	412,571	386,039	-	-	412,571	386,039
Public Safety -Fire, Life Safety, Homeland Security	233,688	224,037	-	-	233,688	224,037
Parks, Recreation, Culture and Leisure	311,372	289,305	-	-	311,372	289,305
Transportation	224,620	198,564	-	-	224,620	198,564
Sanitation and Health	99,079	93,400	-	-	99,079	93,400
Neighborhood Services	65,994	80,459	-	-	65,994	80,459
Debt Service:						
Interest	41,537	33,790	-	-	41,537	33,790
Sewer Utility	-	-	296,422	316,465	296,422	316,465
Water Utility	-	-	437,304	466,552	437,304	466,552
Airports	-	-	4,824	3,740	4,824	3,740
Development Services	-	-	54,002	50,244	54,002	50,244
Environmental Services	-	-	54,385	30,939	54,385	30,939
Golf Course	-	-	16,182	15,827	16,182	15,827
Recycling	-	-	18,036	17,200	18,036	17,200
Total Expenses	1,692,663	1,498,879	881,155	900,967	2,573,818	2,399,846
Change in Net Position Before Transfers and						
Extraordinary Gain:						
Extraordinary Gain:	349,053	381,020	106,357	467,926	455,410	848,946
Transfers	(733)	(150)	733	150	-	-
Extraordinary Gain	165,382	-	-	-	165,382	-
Change in Net Position	513,702	380,870	107,090	468,076	620,792	848,946
Net Position - July 1	3,803,669	3,422,799	4,310,455	3,842,379	8,114,124	7,265,178
Net Position - June 30	\$ 4,317,371	\$ 3,803,669	\$ 4,417,545	\$ 4,310,455	\$ 8,734,916	\$ 8,114,124

¹ Fiscal Year 2015 amounts have been restated to conform with current year presentation.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net position by \$513,702 during fiscal year 2016. Variances from fiscal year 2015 of more than 10% and \$5,000 are discussed below.

- Operating Grants and Contributions increased by \$16,124, or approximately 33%. This was primarily due to increased expenditures for several reimbursement grants, including Citizens' Option for Public Safety (COPS), Urban Area Security Initiatives (UASI), the Housing Related Parks Program, and Housing and Urban Development (HUD) grants.
- Capital Grants and Contributions revenue increased by \$34,171, or approximately 32%. This was primarily the result of a large donation of land, buildings, and infrastructure to the City from the Successor Agency, offset by a one-time transfer of unspent redevelopment bond proceeds received from the Successor Agency during fiscal year 2015, in accordance with the bond expenditure agreement between the City and the Successor Agency.
- Transient Occupancy Taxes increased by \$18,146, or approximately 10%. This was primarily due to an increase in the average daily hotel rate, which was attributed to continued growth in San Diego's tourism.
- Investment Income increased by \$7,289, or approximately 83%, primarily due to rising interest rates, an increase in the average investment pool balance, and an increase in unrealized gains.
- General Government and Support expense increased by \$110,517, or approximately 57%, due to several factors including: higher public liability claims expense mainly related to the DeAnza and Aglio cases; land that was conveyed to the State related to the SR56 project; increased election costs; and newly budgeted positions filled during the year. Additionally, during fiscal year 2016, the administration of the animal services contract with the County of San Diego was transferred from the Police department to the Financial Management department, resulting in a reclassification of expenditures from Public Safety-Police to General Government and Support.
- Transportation expense increased by \$26,056, or approximately 13%, primarily due to increased slurry seal expenditures, newly budgeted positions filled during the year, and increased IT costs related to the Infrastructure Asset Management (IAM) project. In addition, the proceeds of Communities Facilities District No. 4 Special Tax Bonds were used during fiscal year 2016 to reimburse developers for public improvements in the Black Mountain Ranch area.
- Neighborhood Services expense decreased by \$14,465, or approximately 18%, primarily due to a one-time transfer of housing funds to the Successor Agency in fiscal year 2015, as required by the State Department of Finance.
- Debt Service Interest expense increased by \$7,747, or approximately 23%, primarily due to fiscal year 2016 being the first full year of capital lease payments on two buildings located at 1200 Third Avenue and 201 A Street, as well as the first year of debt service payments on the 2015A and 2015B lease revenue bonds issued during fiscal year 2015.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net position by \$107,090 during fiscal year 2016. Variances from fiscal year 2015 of more than 10% and \$5,000 are discussed below.

- Capital Grants and Contributions revenue decreased by \$327,726, or approximately 85%, primarily due to the conveyance of the San Vicente Dam and Reservoir facilities and infrastructure from the San Diego County Water Authority during fiscal year 2015.
- Investment Income increased by \$5,730, or approximately 72%, primarily due to rising interest rates, an increase in the average investment pool balance, and an increase in unrealized gains.
- Other revenue decreased by \$8,065, or approximately 38%, primarily due to a one-time partial loan forgiveness provided by the State Water Resources Control Board and the repayment from the General Fund for low flow diversion capacity charges, both of which occurred during fiscal year 2015. These decreases were partially offset by the Kinder Morgan litigation settlement received during fiscal year 2016.
- Environmental Services expense increased by \$23,446, or approximately 76%, primarily due to changes in cost estimates for landfill closure and postclosure care, as outlined in a new agreement with CalRecycle (See Note 19).

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 2016, the City's governmental funds reported combined ending fund balances of \$2,048,896, an increase of \$263,963 from fiscal year 2015. The General Fund and Other Governmental Funds had unassigned fund balances of \$106,508 and (\$27,289) respectively, for a total unassigned fund balance of \$79,219. The General Fund unassigned fund balance of \$106,508 includes both the Stability Reserve and Pension Stabilization Reserve of \$73,844 and \$16,000, respectively. 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 \$375,901, a decrease of \$2,455 from fiscal year 2015. General Fund revenues totaled \$1,396,556, which was an increase of \$80,612, primarily due to increased Property Tax and Sales Tax Revenues. In addition, Charges for Current Services increased mainly due to reimbursements for work performed by the Transportation and Storm Water Department related to various capital improvement projects. General Fund expenditures totaled \$1,369,054, which is an increase of \$53,741. This was mainly due to an increase in Full Time Equivalent (FTE) positions and non-pensionable benefit increases outlined in the labor contracts between the City and six employee organizations.

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 2016, total Net Position for the Sewer Utility Fund was \$2,410,720, an increase of \$92,001, or approximately 4% over fiscal year 2015. The Net Investment in Capital Assets increased by \$89,332. This is comprised of a net increase in capital assets of \$36,264, mainly in the construction in progress and infrastructure categories, and an increase in deferred outflows of resources of \$81,982 due to the Loss on Refunding related to the Series 2015 and 2016A Refunding Bonds issued. The loss on refunding results when the cash transferred to escrow exceeds the carrying value of the refunded bonds reported on the City's financial statements. In total, long-term debt increased by \$28,914, which partially offset these increases to Net Position. Total Operating Income was \$82,911, a decrease of approximately 16% from fiscal year 2015. This decrease was primarily due to the reduction of operating revenues caused by the State's conservation requirements.

The Water Utility Fund had total Net Position of \$1,930,121 at the end of fiscal year 2016, an increase of \$9,759, or approximately 1%. The Net Investment in Capital Assets increased by \$32,613. This is comprised of a net increase in capital assets of \$51,897, mainly in the construction in progress and infrastructure categories, and the net impact of deferred outflows/inflows of resources of \$58,524, mainly due to the Loss on Refunding related to the Series 2016 Refunding Bonds issued. In total, long-term debt increased by \$77,808, which partially offset these increases to Net Position. The Unrestricted Net Position was \$120,227, a decrease of \$23,640, or approximately 16% from fiscal year 2015. This decrease was primarily caused by the use of Unrestricted Net Position to fund additions to capital assets and an operating loss of \$2,812, which was primarily attributed to the reduction in water sales due to the State's conservation requirements.

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 \$28,949 higher than the original budget due to increases/(decreases) in appropriations primarily attributed to the following:

- \$16,000 increase to create a Pension Stabilization Reserve
- \$8,800 increase for Public Liability Reserve contributions, in order to meet the 40% reserve target, due to an increase in claims and settlement payments during fiscal year 2016. This was partially offset with (\$2,500) in expenditure savings within Parks and Recreation due to reduced water and sewer costs as a result of water conservation efforts.
- \$2,842 increase for additional transfers to the Mission Bay Reserve and Regional Parks funds, due to a legal opinion clarifying the application of City Charter Section 55.2.
- \$2,500 increase for Workers' Compensation Reserve contributions, in order to meet the 25% reserve target.
- \$1,300 increase for high priority capital projects.

Actual revenues received in the General Fund were \$20,050 higher than budgeted. Fines, Forfeitures and Penalties were over budget by \$8,715, primarily due to the settlement of the Kinder Morgan litigation. Transient Occupancy Taxes were over budget by \$5,511, primarily due to the continued increase in room rates. Revenue from Use of Money and Property was over budget by \$8,126 primarily due to an increase in rents and concessions revenue. These increases were partially offset by Sales Tax revenue coming in under budget due to a decrease in brick and mortar sales, automobile sales, and lower fuel prices.

Actual expenditures for the General Fund were \$10,371 under budget. General Government and Support and Transportation had appropriation savings of \$4,357 and \$2,244 respectively, primarily due to vacant positions not filled as anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
	Land and Rights of Way	\$ 1,834,363	\$ 1,783,398	\$ 97,212	\$ 96,685	\$ 1,931,575
Easements	4,190	1,266	2,280	2,174	6,470	3,440
Construction in Progress	348,937	275,187	301,133	257,869	650,070	533,056
Structures and Improvements	827,356	835,363	1,418,604	1,437,235	2,245,960	2,272,598
Equipment	152,452	143,505	145,168	160,240	297,620	303,745
Intangible Equipment	11,708	11,951	12,945	15,935	24,653	27,886
Distribution and Collection Systems	-	-	3,798,387	3,696,287	3,798,387	3,696,287
Infrastructure	1,577,826	1,546,677	-	-	1,577,826	1,546,677
Totals	\$ 4,756,832	\$ 4,597,347	\$ 5,775,729	\$ 5,666,425	\$ 10,532,561	\$ 10,263,772

CAPITAL ASSETS

In accordance with Governmental Accounting Standards Board (GASB) Statement Nos. 34 and 51, all major assets such as 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 capital assets are reported at the fund level. Governmental funds are reported on a modified accrual basis at the fund level. 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, 2016 was \$10,532,561 (net of accumulated depreciation/amortization). There was an overall increase in the City's investment in capital assets over fiscal year 2015 of approximately \$268,789. Readers interested in more detailed information on capital asset activity should refer to Note 4.

HIGHLIGHTS OF FISCAL YEAR 2016 CAPITAL IMPROVEMENT ACTIVITIES (CIP)Governmental Activities

- A significant conveyance of land, buildings, and infrastructure was received by the City from the Successor Agency, valued at approximately \$86,421. These assets included Horton Plaza Park and Tailgate Park, as well as land intended for the future development of East Village Green West Block and St. Joseph Park.

- The asphalt overlay of approximately 75 miles of roads citywide was completed during fiscal year 2016. These projects provide for the resurfacing and reconstruction of City Streets which are necessary to maintain the streets in serviceable condition and mitigate roadway deterioration. This project is funded primarily with deferred capital bonds. Fiscal year 2016 expenditures for this project totaled \$21,258.
- Construction continued on the Skyline-Paradise Hills Library. This project replaces the existing library with a new 15,000 square-foot library adjacent to the existing library. The new facility includes reading areas, a community room, computer lab, teen space, and public art. Fiscal year 2016 expenditures for this project totaled \$6,677. The library was completed during fiscal year 2017 and opened to the public on October 14, 2016.
- The Phase 1 design of the SR 163/Friars Road project was completed and the Right of Way Acquisition continued. This project will provide for the construction of a new southbound 163 to westbound Friars Road off-ramp, and the widening of the Friars Road overcrossing to eight lanes. Fiscal year 2016 expenditures for this project totaled \$26,343.
- The City began the blueprint phase of the IAM San Diego Project to develop and implement an integrated software solution that will improve the City's management of infrastructure assets. The go-live date is anticipated for fiscal year 2018. Fiscal year 2016 expenditures for this project totaled \$8,455.
- Construction began on Fire Station No. 2 (Bayside) in the Centre City-Little Italy area, west of the railroad tracks. The new fire station will provide approximately 24,680 square feet of work and living space, underground parking, three apparatus bays to accommodate the 24-hour crew of 12, and the acquisition of a new fire apparatus. Fiscal year 2016 capital expenditures for this project totaled \$2,952.
- Construction began on the South Chollas Landfill Improvements project. This project provides for cover material, grading, drainage, and site improvements for the inactive South Chollas Landfill. Improvements to the Chollas Operations Yard are required by the Regional Water Quality Control Board in order to bring the site into compliance. Fiscal year 2016 expenditures for this project totaled \$7,423.

Business-Type Activities

- The Sewer Utility Fund incurred capital expenditures of approximately \$65,400 related to CIP, of which the Metropolitan System CIP incurred approximately \$17,850, and the Municipal System CIP incurred approximately \$47,550. The following major projects continued during fiscal year 2016: MBC Chemical Systems Improvements Phase 2; Pipeline Rehabilitation AB-1; Pipeline Rehabilitation AH-1B; I AM San Diego Project; and the continued replacement of sewer mains and upgrades to the sewer infrastructure. Capital write-offs (net) for fiscal year 2016 totaled approximately \$2,300 and were primarily related to losses on abandoned projects and retirements of distribution and collection system assets.
- The Water Utility Fund incurred capital expenditures of approximately \$75,650 related to CIP. The following major projects continued during fiscal year 2016: University Avenue Pipeline Replacement; North City Pure Water Facility; Miramar Clearwell Improvement; Upas Street Pipeline Replacement; and the continued replacement of water mains and upgrades to water infrastructure. Capital asset write-offs (net) for fiscal year 2016 totaled approximately \$900 and were primarily related to losses on abandoned projects and retirements of equipment and distribution and collection system assets.
- Design began for the Torrey Pines North Golf Course project. This project will provide improvements and updates to the golf course including: rebuilding greens; practice greens and greens complex sand bunkers; improving fairway sand bunkers and tournament tees; installing replacement irrigation systems; and reducing turf in selected areas. Fiscal year 2016 expenditures for this project totaled \$8,601.

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	\$ 1,776
Nonmajor Governmental Funds	114,219
Sewer Utility	51,401
Water Utility	62,765
Nonmajor Enterprise Funds	7,551
Internal Service Funds	67
Total Contractual Commitments	<u>\$ 237,779</u>

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

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 enterprise funds when revenues of the fund can only be used for costs related to the particular enterprise.

LONG-TERM DEBT

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
	Capital Lease Obligations	\$ 86,500	\$ 92,539	\$ 7,588	\$ 2,250	\$ 94,088
QECCB Lease Obligations	9,259	10,071	-	-	9,259	10,071
Contracts Payable	-	-	3,606	-	3,606	-
Loans Payable	4,973	5,767	162,194	158,241	167,167	164,008
Section 108 Loans Payable	3,507	3,801	-	-	3,507	3,801
Revenue Bonds/ Lease Revenue Bonds	594,045	634,010	1,579,965	1,702,940	2,174,010	2,336,950
Tobacco Settlement Asset-Backed Bonds	69,440	73,705	-	-	69,440	73,705
Totals	<u>\$ 767,724</u>	<u>\$ 819,893</u>	<u>\$ 1,753,353</u>	<u>\$ 1,863,431</u>	<u>\$ 2,521,077</u>	<u>\$ 2,683,324</u>

At the end of fiscal year 2016, the City, including blended component units, had total debt outstanding of approximately \$2,521,077. This amount represents lease revenue bonds, tobacco settlement asset-back bonds, loans payable, Section 108 loans, state revolving fund (SRF) loans, qualified energy conservation bonds (QECCBs), capital lease obligations, and contracts payable.

Governmental Activities

PFFA issued \$103,255 of Revenue Refunding Bonds, Series 2016 (Ballpark Refunding) to refund the Lease Revenue Bonds, Series 2007A (Ballpark Refunding). The series 2016 Bonds are payable from revenues derived from base rental payments paid by the City for the use and occupancy of the leased property and certain funds established under the indenture.

On December 7, 2015 the City entered into a five year Master Lease/Purchase agreement with Banc of America Leasing & Capital, LLC for the procurement of SAP OpenText Licenses in the amount of \$2,900 at 0% interest rate. The lease is recognized as a capital lease since it is an acquisition of the software and nonexclusive perpetual licenses to SAP HANA, SAP Archiving and SAP Invoice Management, provided by SAP Public Services, Inc.

Total principal payments or reductions of long-term debt were \$163,957. Of this amount, \$147,485 was for outstanding bond principal payments. Also included were \$794 for loans payable and \$15,678 for Section 108 loans, qualified energy conservation bonds and 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 SRF loan disbursements from the California State Water Resources Control Board:

- \$6,724 for the Point Loma Grit Processing Improvement Project
- \$7,204 for the MBC Storage Silos Project
- \$3,597 for the MBC Dewatering Centrifuge Replacement Project
- \$707 for the MBC Odor Control Facilities Upgrades Project

The City's Water Utility Fund received the following SRF loan disbursements from the Department of Health Services:

- \$241 for the Lindbergh Field Cast Iron Main Replacement Project
- \$1,620 for the Harbor Drive Pipeline Replacement Project
- \$5,366 for the University Avenue Pipeline Replacement Project

Total principal payments or reductions of long-term debt were \$1,425,762. Of this amount, \$1,403,900 was for outstanding bond principal payments. Also included were \$21,506 for loans payable, comprised of \$9,942 in scheduled principal payments and \$11,564 of refunded loans. Capital lease obligation payments were \$356.

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	Positive	Stable	Stable
Lease Revenue Bonds	A+	Aa3	AA-
Outlook	Positive	Stable	Stable
Wastewater System Bonds	AA	Aa2	AA+
Outlook	Stable	Stable	Stable
Water System Bonds (Senior/Subordinate)	AA/AA-	Aa2/Aa3	AA-/Not Rated
Outlook	Stable	Stable	Stable

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

OTHER INFORMATION

Labor Agreements

On July 1, 2015, the San Diego Police Officers Association (SDPOA), the labor group that represents sworn safety officers, entered into a Memorandum of Understanding (MOU) with the City for fiscal years 2016 through 2020. Also, on October 15, 2015, the San Diego Municipal Employee Association (MEA), the labor group that represents technical, office, professional, and supervisory City employees, voted to ratify a tentative labor agreement between MEA and the City for fiscal years 2017 through 2020. SDPOA and MEA employees represent approximately 18% and 45%, respectively, of the City's labor force, based on fiscal year 2017 budgeted positions. Likewise, on April 22, 2016, the City reached agreements with AFSCME Local 127, DCAA and Teamsters Local 911 effective for fiscal years 2017 through 2020 (except DCAA which expires at the end of fiscal year 2019). Collectively, these three labor groups represent approximately 22% of the City's labor force, based on fiscal year 2017 budgeted positions.

Each labor agreement increased pensionable pay for fiscal years 2019 and 2020 by 3.3% for each fiscal year, with the exception of DCAA which was for fiscal year 2019 only.

State I-Bank Loan

During June 2016, the California Infrastructure and Economic Development Bank (I-Bank) approved a loan application jointly submitted by SDCCC and the City. Proceeds from the loan will pay for several large capital infrastructure projects at the Convention Center. Loan documents are expected to be executed by December, 2016, for a total of approximately \$25,500 financed over a 25-year term at a 3.59 percent rate per annum.

Election Results

On November 8, 2016, voters in the City of San Diego approved Measure N, Non-Medical Cannabis Business Tax. This measure amends the San Diego Municipal Code to authorize the City to impose a tax of up to 15% on the gross receipts of non-medical cannabis businesses operating in the City of San Diego. This tax was contingent on whether voters also approved a statewide initiative, Proposition 64, Marijuana Legalization Initiative Statute, which also appeared on the November 8, 2016 ballot and was approved by voters.

On November 8, 2016, voters in the City of San Diego elected Mara Elliot as the new City Attorney, and voters in their respective districts elected new Councilmembers Barbara Bry in District 1 and Georgette Gomez in District 9. On June 7, 2016, voters in District 3 elected new Councilmember Chris Ward.

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 Office of the City Comptroller at comptroller@sandiego.gov. This financial report is also available on the City's website at www.sandiego.gov, under the Office of the City Comptroller. Additional information intended for the investor community is available on the Investor Information web page also located on the City's website listed above.

BASIC FINANCIAL STATEMENTS



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STATEMENT OF NET POSITION
June 30, 2016
(Dollars in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
ASSETS					
Cash and Investments	\$ 1,443,067	\$ 792,560	\$ 2,235,627	\$ 12,544	\$ 141,257
Receivables:					
Taxes - Net of Allowance for Uncollectibles	191,051	-	191,051	-	-
Accounts - Net of Allowance for Uncollectibles	40,579	107,541	148,120	7,659	15,107
Claims	30,909	-	30,909	-	-
Contributions	2,636	-	2,636	-	-
Special Assessments	386	-	386	-	-
Notes	244,504	-	244,504	-	267,490
Loans	232,556	-	232,556	-	-
Accrued Interest	3,385	2,151	5,536	-	37,901
Grants	21,967	5,026	26,993	-	-
From Other Agencies.....	8,030	-	8,030	-	-
Advances to Other Agencies	4,806	-	4,806	-	-
Internal Balances	(3,313)	3,313	-	-	-
Inventories	2,051	63,666	65,717	38	-
Land Held for Resale	32,212	-	32,212	-	-
Prepaid Expenses	1,708	6,384	8,092	822	841
Restricted Cash and Investments	198,651	186,631	385,282	-	6,638
Other Assets	-	-	-	113	7,106
Capital Assets - Non-Depreciable	2,187,490	400,625	2,588,115	1,397	90,218
Capital Assets - Depreciable	2,569,342	5,375,104	7,944,446	10,310	134,217
TOTAL ASSETS	7,212,017	6,943,001	14,155,018	32,883	700,775
DEFERRED OUTFLOWS OF RESOURCES					
Loss on Refunding	3,014	154,540	157,554	-	-
Pension Contributions	215,605	43,863	259,468	-	-
Unamortized Experience Loss.....	25,560	5,382	30,942	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	244,179	203,785	447,964	-	-

STATEMENT OF NET POSITION
June 30, 2016
(Dollars in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
LIABILITIES					
Accounts Payable	\$ 98,222	\$ 99,527	\$ 197,749	\$ 744	\$ 11,057
Accrued Wages and Benefits	64,219	14,643	78,862	-	1,381
Other Accrued Liabilities	2,183	17,901	20,084	1,613	9,808
Interest Accrued on Long-Term Debt	7,164	9,653	16,817	-	2,949
Long-Term Liabilities Due Within One Year	120,979	130,869	251,848	1,322	4,697
Unearned Revenue	20,451	27,389	47,840	10,882	2,469
Liabilities Payable from Restricted Assets:					
Customer Deposits Payable	-	18,365	18,365	-	-
Deposits/Advances from Others	-	7,927	7,927	-	2,104
Long-Term Liabilities Due After One Year:					
Arbitrage Liability	-	1,395	1,395	-	-
Compensated Absences	39,199	6,753	45,952	-	-
Liability Claims	316,720	24,133	340,853	-	-
Reimbursement Agreement Obligations	27,512	-	27,512	-	-
Capital Lease Obligations	75,326	6,091	81,417	-	-
QECC Lease Obligations	8,429	-	8,429	-	-
Contracts Payable.....	-	2,888	2,888	-	-
Notes Payable	-	-	-	13	137,268
Loans Payable	4,144	151,881	156,025	-	-
Section 108 Loans Payable	3,197	-	3,197	-	-
Net Bonds Payable	678,520	1,735,166	2,413,686	-	-
Estimated Landfill Closure and Postclosure Care	-	47,220	47,220	-	-
Net Other Postemployment Benefit Obligation	204,822	58,918	263,740	-	-
Net Pension Obligation	1,202	120	1,322	-	-
Net Pension Liability	1,378,235	335,331	1,713,566	-	-
TOTAL LIABILITIES	3,050,524	2,696,170	5,746,694	14,574	171,733
DEFERRED INFLOWS OF RESOURCES					
Gain on Refunding	-	2,912	2,912	-	-
Unamortized Actuarial Gains	88,301	30,159	118,460	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	88,301	33,071	121,372	-	-
NET POSITION					
Net Investment in Capital Assets	4,129,002	4,042,983	8,171,985	11,692	73,122
Restricted for:					
Capital Projects	598,215	-	598,215	-	-
Debt Service	-	2,790	2,790	-	-
Low-Moderate Income Housing	319,022	-	319,022	-	-
Nonexpendable Permanent Endowments	19,900	-	19,900	-	-
Grants	219,216	-	219,216	-	-
Other	450,885	7,010	457,895	-	176,981
Unrestricted	(1,418,869)	364,762	(1,054,107)	6,617	278,939
TOTAL NET POSITION	\$ 4,317,371	\$ 4,417,545	\$ 8,734,916	\$ 18,309	\$ 529,042

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

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016
(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	\$ 303,802	\$ 213,490	\$ 13,764	\$ 722
Public Safety - Police	412,571	46,238	7,563	291
Public Safety - Fire and Life Safety and Homeland Security	233,688	36,645	21,664	2,527
Parks, Recreation, Culture and Leisure	311,372	74,531	3,098	79,277
Transportation	224,620	44,555	178	49,889
Sanitation and Health	99,079	14,730	1,133	2,377
Neighborhood Services	65,994	32,982	17,773	5,325
Debt Service - Interest	41,537	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	1,692,663	463,171	65,173	140,408
Business-Type Activities:				
Sewer Utility	296,422	346,950	-	25,705
Water Utility	437,304	413,008	2,264	24,412
Airports	4,824	4,691	-	8,936
Development Services	54,002	59,808	-	-
Environmental Services	54,385	33,048	-	-
Golf Course	16,182	17,987	-	173
Recycling	18,036	23,203	365	-
TOTAL BUSINESS-TYPE ACTIVITIES	881,155	898,695	2,629	59,226
TOTAL PRIMARY GOVERNMENT	\$ 2,573,818	\$ 1,361,866	\$ 67,802	\$ 199,634
Component Units:				
San Diego Convention Center Corporation	\$ 34,051	\$ 31,292	\$ 3,405	\$ 84
San Diego Housing Commission	223,627	43,825	200,120	6,827
TOTAL COMPONENT UNITS	\$ 257,678	\$ 75,117	\$ 203,525	\$ 6,911
General Revenues:				
Property Taxes				
Transient Occupancy Taxes				
Sales Taxes - Shared State Revenue				
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				
Extraordinary Gain				
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 Units	
Governmental Activities	Business-Type Activities	Total	San Diego Convention Center Corporation	San Diego Housing Commission
\$ (75,826)	\$ -	\$ (75,826)	\$ -	\$ -
(358,479)	-	(358,479)	-	-
(172,852)	-	(172,852)	-	-
(154,466)	-	(154,466)	-	-
(129,998)	-	(129,998)	-	-
(80,839)	-	(80,839)	-	-
(9,914)	-	(9,914)	-	-
(41,537)	-	(41,537)	-	-
<u>(1,023,911)</u>	<u>-</u>	<u>(1,023,911)</u>	<u>-</u>	<u>-</u>
-	76,233	76,233	-	-
-	2,380	2,380	-	-
-	8,803	8,803	-	-
-	5,806	5,806	-	-
-	(21,337)	(21,337)	-	-
-	1,978	1,978	-	-
-	5,532	5,532	-	-
<u>-</u>	<u>79,395</u>	<u>79,395</u>	<u>-</u>	<u>-</u>
<u>(1,023,911)</u>	<u>79,395</u>	<u>(944,516)</u>	<u>-</u>	<u>-</u>
-	-	-	730	-
-	-	-	-	27,145
-	-	-	730	27,145
489,548	-	489,548	-	-
200,612	-	200,612	-	-
319,030	-	319,030	-	-
204,387	-	204,387	-	-
104,516	-	104,516	-	-
1,045	-	1,045	-	-
16,075	13,742	29,817	4	9,995
-	-	-	-	3,845
37,751	13,220	50,971	798	-
(733)	733	-	-	-
<u>1,372,231</u>	<u>27,695</u>	<u>1,399,926</u>	<u>802</u>	<u>13,840</u>
<u>165,382</u>	<u>-</u>	<u>165,382</u>	<u>-</u>	<u>-</u>
513,702	107,090	620,792	1,532	40,985
<u>3,803,669</u>	<u>4,310,455</u>	<u>8,114,124</u>	<u>16,777</u>	<u>488,057</u>
<u>\$ 4,317,371</u>	<u>\$ 4,417,545</u>	<u>\$ 8,734,916</u>	<u>\$ 18,309</u>	<u>\$ 529,042</u>

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

**GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2016
(Dollars in Thousands)**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Investments	\$ 320,081	\$ 985,071	\$ 1,305,152
Receivables:			
Taxes - Net of Allowance for Uncollectibles	127,026	64,025	191,051
Accounts - Net of Allowance for Uncollectibles	20,291	17,533	37,824
Claims	8	30,901	30,909
Special Assessments	-	386	386
Notes	-	244,504	244,504
Loans	-	232,556	232,556
Accrued Interest	1,109	2,165	3,274
Grants	-	21,794	21,794
From Other Funds	18,340	-	18,340
From Other Agencies	8,030	-	8,030
Contributions	2,636	-	2,636
Advances to Other Funds	811	-	811
Advances to Other Agencies	1,103	3,703	4,806
Land Held for Resale	-	32,212	32,212
Prepaid Items	1,691	17	1,708
Restricted Cash and Investments	229	198,422	198,651
TOTAL ASSETS	<u>\$ 501,355</u>	<u>\$ 1,833,289</u>	<u>\$ 2,334,644</u>
LIABILITIES			
Accounts Payable	\$ 32,870	\$ 59,965	\$ 92,835
Accrued Wages and Benefits	61,468	754	62,222
Other Accrued Liabilities	1,550	503	2,053
Due to Other Funds	4,042	18,340	22,382
Unearned Revenue	-	20,451	20,451
Advances from Other Funds	-	811	811
TOTAL LIABILITIES	<u>99,930</u>	<u>100,824</u>	<u>200,754</u>

**GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2016
(Dollars in Thousands)**

	General Fund	Other Governmental Funds	Total Governmental Funds
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	15,747	38,126	53,873
Unavailable Revenue - Grants	-	9,410	9,410
Unavailable Revenue - Other	9,777	11,934	21,711
TOTAL DEFERRED INFLOWS OF RESOURCES	25,524	59,470	84,994
FUND BALANCES			
Nonspendable	2,502	19,917	22,419
Restricted	146,228	1,573,516	1,719,744
Committed	109,474	106,851	216,325
Assigned	11,189	-	11,189
Unassigned	106,508	(27,289)	79,219
TOTAL FUND BALANCES	375,901	1,672,995	2,048,896
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
	\$ 501,355	\$ 1,833,289	

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.	4,643,075
Certain assets and deferred outflows of resources are not financial resources (uses), and therefore, are not reported at the fund level.	237,660
Unavailable revenues are not financial resources, and therefore, are reported as deferred inflows of resources.	84,994
Internal service funds are used by management to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The assets and liabilities of internal service funds are included in governmental activities on the Statement of Net Position.	153,472
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.	(2,850,726)
Net Position of governmental activities (page 55)	\$ 4,317,371

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

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2016
(Dollars in Thousands)

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 471,321	\$ 18,343	\$ 489,664
Special Assessments	-	54,304	54,304
Sales Taxes - Shared State Revenue	284,448	49,373	333,821
Transient Occupancy Taxes	107,675	96,884	204,559
Other Local Taxes	131,010	73,440	204,450
Licenses and Permits	24,929	53,666	78,595
Fines, Forfeitures and Penalties	40,183	1,282	41,465
Revenue from Use of Money and Property	66,305	37,002	103,307
Revenue from Federal Agencies	240	44,289	44,529
Revenue from Other Agencies	9,526	26,222	35,748
Revenue from Private Sources	2,335	85,404	87,739
Charges for Current Services	231,825	29,108	260,933
Other Revenue	26,759	12,959	39,718
TOTAL REVENUES	<u>1,396,556</u>	<u>582,276</u>	<u>1,978,832</u>
EXPENDITURES			
Current:			
General Government and Support	305,993	28,890	334,883
Public Safety - Police	436,540	8,487	445,027
Public Safety - Fire and Life Safety and Homeland Security	236,835	15,773	252,608
Parks, Recreation, Culture and Leisure	146,190	130,540	276,730
Transportation	88,797	55,348	144,145
Sanitation and Health	89,695	5,287	94,982
Neighborhood Services	39,310	40,435	79,745
Capital Outlay	12,948	182,009	194,957
Debt Service:			
Principal Retirement	9,004	28,073	37,077
Cost of Issuance	-	712	712
Interest	3,742	36,588	40,330
Refunding Escrow	-	3,811	3,811
TOTAL EXPENDITURES	<u>1,369,054</u>	<u>535,953</u>	<u>1,905,007</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>27,502</u>	<u>46,323</u>	<u>73,825</u>
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	288	63	351
Transfers from Other Funds	41,304	132,055	173,359
Transfers to Proprietary Funds	(807)	-	(807)
Transfers to Other Funds	(77,366)	(95,993)	(173,359)
Payment to Refunded Bond Escrow Agent	-	(122,186)	(122,186)
Proceeds from the Sale of Capital Assets	-	15,571	15,571
Capital Lease Proceeds	6,624	1,909	8,533
Lease Revenue Bonds Issued	-	103,255	103,255
Premium on Bonds Issued	-	20,039	20,039
TOTAL OTHER FINANCING SOURCES (USES)	<u>(29,957)</u>	<u>54,713</u>	<u>24,756</u>
Extraordinary Gain	-	165,382	165,382
NET CHANGE IN FUND BALANCES	<u>(2,455)</u>	<u>266,418</u>	<u>263,963</u>
Fund Balances at Beginning of Year	<u>378,356</u>	<u>1,406,577</u>	<u>1,784,933</u>
FUND BALANCES AT END OF YEAR	<u>\$ 375,901</u>	<u>\$ 1,672,995</u>	<u>\$ 2,048,896</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016
(Dollars in Thousands)**

Net Change in Fund Balances of Governmental Funds (page 60)	\$ 263,963
<p>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.</p>	
	179,321
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., retirements and transfers) is to decrease net position.</p>	
	(24,926)
<p>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.</p>	
	(16,044)
<p>The issuance of long-term debt (i.e., 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.</p>	
	45,789
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension liability), and therefore are not accrued as expenditures in governmental funds.</p>	
	51,351
<p>Internal service funds are used to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The net income of certain internal service activities is reported with governmental activities.</p>	
	<u>14,248</u>
Change in Net Position of Governmental Activities (page 57)	<u>\$ 513,702</u>

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

PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
June 30, 2016
(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	\$ 425,493	\$ 211,038	\$ 156,029	\$ 792,560	\$ 137,915
Receivables:					
Accounts - Net of Allowance for Uncollectibles	39,480	62,537	5,524	107,541	2,755
Accrued Interest	1,174	470	507	2,151	111
Grants	-	825	4,201	5,026	173
From Other Funds	4,042	-	-	4,042	-
Inventories	-	63,666	-	63,666	2,051
Total Current Assets	<u>470,189</u>	<u>338,536</u>	<u>166,261</u>	<u>974,986</u>	<u>143,005</u>
Non-Current Assets:					
Restricted Cash and Investments	70,240	65,783	50,608	186,631	-
Prepaid Expenses	-	-	6,384	6,384	-
Capital Assets - Non-Depreciable	162,307	196,514	41,804	400,625	5,336
Capital Assets - Depreciable	2,941,916	2,384,167	49,021	5,375,104	108,421
Total Non-Current Assets	<u>3,174,463</u>	<u>2,646,464</u>	<u>147,817</u>	<u>5,968,744</u>	<u>113,757</u>
TOTAL ASSETS	<u>3,644,652</u>	<u>2,985,000</u>	<u>314,078</u>	<u>6,943,730</u>	<u>256,762</u>
DEFERRED OUTFLOWS OF RESOURCES					
Loss on Refunding	92,318	62,222	-	154,540	-
Pension Contributions	13,816	16,680	13,367	43,863	5,779
Unamortized Experience Loss	1,727	1,997	1,658	5,382	740
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>107,861</u>	<u>80,899</u>	<u>15,025</u>	<u>203,785</u>	<u>6,519</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	25,614	63,903	10,010	99,527	5,387
Accrued Wages and Benefits	5,326	4,521	4,796	14,643	1,997
Other Accrued Liabilities	10,884	7,017	-	17,901	130
Interest Accrued on Long-Term Debt	5,740	3,913	-	9,653	164
Long-Term Liabilities Due Within One Year	78,733	47,799	4,337	130,869	10,902
Unearned Revenue	1,969	4,617	20,803	27,389	-
Current Liabilities Payable from Restricted Assets:					
Customer Deposits Payable	-	7,542	10,823	18,365	-
Total Current Liabilities	<u>128,266</u>	<u>139,312</u>	<u>50,769</u>	<u>318,347</u>	<u>18,580</u>
Non-Current Liabilities:					
Non-Current Liabilities Payable from Restricted Assets:					
Deposits/Advances from Others	-	-	7,927	7,927	-
Arbitrage Liability	-	1,395	-	1,395	-
Compensated Absences	2,217	2,412	2,124	6,753	3,610
Liability Claims	9,062	10,298	4,773	24,133	6,988
Capital Lease Obligations	765	765	4,561	6,091	18,639
Loans Payable	94,991	56,890	-	151,881	-
Contracts Payable	-	-	2,888	2,888	-
Net Revenue Bonds Payable	947,889	787,277	-	1,735,166	-
Estimated Landfill Closure and Postclosure Care	-	-	47,220	47,220	-
Net Other Postemployment Benefit Obligation	20,947	20,285	17,686	58,918	9,764
Net Pension Obligation	117	3	-	120	-
Net Pension Liability	<u>122,882</u>	<u>108,375</u>	<u>104,074</u>	<u>335,331</u>	<u>48,449</u>
Total Non-Current Liabilities	<u>1,198,870</u>	<u>987,700</u>	<u>191,253</u>	<u>2,377,823</u>	<u>87,450</u>
TOTAL LIABILITIES	<u>1,327,136</u>	<u>1,127,012</u>	<u>242,022</u>	<u>2,696,170</u>	<u>106,030</u>
DEFERRED INFLOWS OF RESOURCES					
Gain on Refunding	-	2,912	-	2,912	-
Unamortized Actuarial Gains	14,657	5,854	9,648	30,159	4,508
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>14,657</u>	<u>8,766</u>	<u>9,648</u>	<u>33,071</u>	<u>4,508</u>
NET POSITION					
Net Investment in Capital Assets	2,146,723	1,808,351	87,909	4,042,983	88,874
Restricted for Debt Service	1,247	1,543	-	2,790	-
Restricted for Closure/Postclosure Maintenance	-	-	7,010	7,010	-
Unrestricted (Deficit)	<u>262,750</u>	<u>120,227</u>	<u>(17,486)</u>	<u>365,491</u>	<u>63,869</u>
TOTAL NET POSITION	<u>\$ 2,410,720</u>	<u>\$ 1,930,121</u>	<u>\$ 77,433</u>	<u>4,418,274</u>	<u>\$ 152,743</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds				(729)	
Net position of business-type activities (page 55)				<u>\$ 4,417,545</u>	

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

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2016
(Dollars in Thousands)

	Business-Type Activities - Enterprise Funds				Internal Service Funds
	Sewer Utility	Water Utility	Other Enterprise Funds	Total	
OPERATING REVENUES					
Sales of Water	\$ -	\$ 401,907	\$ -	\$ 401,907	\$ -
Charges for Services	341,840	3,586	125,578	471,004	116,510
Revenue from Use of Property	761	6,003	6,063	12,827	-
Other	4,349	1,512	7,096	12,957	134
TOTAL OPERATING REVENUES	346,950	413,008	138,737	898,695	116,644
OPERATING EXPENSES					
Benefit and Claim Payments	-	-	-	-	12,059
Maintenance and Operations	132,503	84,364	113,853	330,720	49,127
Cost of Materials Issued	-	-	-	-	6,714
Cost of Purchased Water Used	-	201,098	-	201,098	-
Taxes	-	2,165	-	2,165	-
Administration	59,659	72,311	30,822	162,792	13,109
Depreciation	71,877	55,882	3,789	131,548	19,790
TOTAL OPERATING EXPENSES	264,039	415,820	148,464	828,323	100,799
OPERATING INCOME (LOSS)	82,911	(2,812)	(9,727)	70,372	15,845
NONOPERATING REVENUES (EXPENSES)					
Earnings on Investments	5,762	5,825	2,155	13,742	1,084
Other Agency Grant Assistance	-	2,264	365	2,629	358
Loss on Sale/Retirement of Capital Assets	(2,405)	(1,104)	(52)	(3,561)	(869)
Debt Service Interest Expense	(31,246)	(20,731)	-	(51,977)	(488)
Other	1,071	11,915	234	13,220	830
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(26,818)	(1,831)	2,702	(25,947)	915
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	56,093	(4,643)	(7,025)	44,425	16,760
Capital Contributions	25,705	24,438	9,109	59,252	445
Transfers from Other Funds	10,227	90	795	11,112	-
Transfers from Governmental Funds	-	-	807	807	-
Transfers to Other Funds	-	(10,110)	(710)	(10,820)	(292)
Transfers to Governmental Funds	(24)	(16)	(17)	(57)	(294)
TOTAL CONTRIBUTIONS AND TRANSFERS	35,908	14,402	9,984	60,294	(141)
CHANGE IN NET POSITION	92,001	9,759	2,959	104,719	16,619
Net Position at Beginning of Year	2,318,719	1,920,362	74,474		136,124
NET POSITION AT END OF YEAR	\$ 2,410,720	\$ 1,930,121	\$ 77,433		\$ 152,743
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds				2,371	
Change in net position of business-type activities (page 57)				<u>\$ 107,090</u>	

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

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2016
(Dollars in Thousands)**

	<u>Business-Type Activities - Enterprise Funds</u>				
	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 352,166	\$ 429,344	\$ 136,524	\$ 918,034	\$ 25,830
Receipts from Interfund Services Provided	4,267	3,731	3,127	11,125	91,707
Payments to Suppliers	(109,646)	(275,721)	(41,278)	(426,645)	(42,637)
Payments to Employees	(84,805)	(80,465)	(79,906)	(245,176)	(46,480)
Payments for Interfund Services Used	(7,282)	(7,981)	(5,771)	(21,034)	(1,166)
NET CASH PROVIDED BY OPERATING ACTIVITIES	154,700	68,908	12,696	236,304	27,254
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	10,227	90	795	11,112	-
Transfers from Governmental Funds	-	-	807	807	-
Transfers to Other Funds	-	(10,110)	(710)	(10,820)	(292)
Transfers to Governmental Funds	(24)	(16)	(17)	(57)	(294)
Operating Grants Received	-	1,518	365	1,883	441
Proceeds from Advances and Deposits	-	254	726	980	-
Payments for Advances and Deposits	-	-	(5)	(5)	-
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .	10,203	(8,264)	1,961	3,900	(145)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Loans	18,232	7,227	-	25,459	-
Proceeds from Revenue Bonds	-	48,726	-	48,726	-
Repayment of Refunding Bonds to Escrow Agent	(11,082)	(21,629)	-	(32,711)	-
Proceeds from Capital Contributions	18,434	14,453	4,744	37,631	-
Acquisition of Capital Assets	(102,720)	(95,000)	(16,350)	(214,070)	(26,822)
Proceeds from the Sale of Capital Assets	-	-	-	-	1,453
Principal Payments on Capital Leases	(178)	(178)	-	(356)	(6,380)
Principal Payments on Loans	(6,737)	(3,205)	-	(9,942)	-
Principal Payments on Revenue Bonds	(64,735)	(26,380)	-	(91,115)	-
Increase in Arbitrage Liability	-	1,273	-	1,273	-
Interest Paid on Long-Term Debt	(35,425)	(37,962)	-	(73,387)	(533)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(184,211)	(112,675)	(11,606)	(308,492)	(32,282)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales of Investments	97,416	321,170	-	418,586	-
Purchases of Investments	(85,804)	(307,704)	-	(393,508)	-
Interest Received on Investments	5,651	6,668	1,943	14,262	1,032
NET CASH PROVIDED BY INVESTING ACTIVITIES	17,263	20,134	1,943	39,340	1,032
Net Increase (Decrease) in Cash and Cash Equivalents	(2,045)	(31,897)	4,994	(28,948)	(4,141)
Cash and Cash Equivalents at Beginning of Year	432,707	250,477	201,643	884,827	142,056
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 430,662	\$ 218,580	\$ 206,637	\$ 855,879	\$ 137,915
Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Position:					
Cash and Investments	\$ 425,493	\$ 211,038	\$ 156,029	\$ 792,560	\$ 137,915
Restricted Cash and Investments	70,240	65,783	50,608	186,631	-
Less Investments Not Meeting the Definition of Cash Equivalents	(65,071)	(58,241)	-	(123,312)	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 430,662	\$ 218,580	\$ 206,637	\$ 855,879	\$ 137,915

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2016
(Dollars in Thousands)**

	<u>Business-Type Activities - Enterprise Funds</u>				
	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash					
Provided by Operating Activities:					
Operating Income (Loss)	\$ 82,911	\$ (2,812)	\$ (9,727)	\$ 70,372	\$ 15,845
Adjustments to Reconcile Operating Income (Loss) to Net Cash					
Provided By Operating Activities:					
Depreciation	71,877	55,882	3,789	131,548	19,790
Other Nonoperating Revenue	1,071	11,915	234	13,220	830
(Increase) Decrease in Assets:					
Accounts Receivable - Net	6,799	6,299	(602)	12,496	63
Claims Receivable - Net	-	3	-	3	-
Due from Other Funds	1,011	-	-	1,011	-
Inventories	-	(6,784)	-	(6,784)	194
Increase (Decrease) in Liabilities:					
Accounts Payable	1,636	11,287	629	13,552	(4,025)
Accrued Wages and Benefits	533	616	787	1,936	293
Due to Other Agencies	(4,890)	(435)	-	(5,325)	-
Unearned Revenue	596	1,488	1,307	3,391	-
Contract Deposits	5	361	(25)	341	-
Compensated Absences	(129)	(58)	123	(64)	248
Liability Claims	343	24	(1,000)	(633)	(3,109)
Estimated Landfill Closure and Postclosure Care	-	-	23,951	23,951	-
Net OPEB Obligation	938	1,079	958	2,975	400
Net Pension Obligation	(56)	(64)	-	(120)	(13)
Net Pension Liability and Related Changes in Deferred Outflows/Inflows of Resources	(7,945)	(9,893)	(7,728)	(25,566)	(3,262)
Total Adjustments	71,789	71,720	22,423	165,932	11,409
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 154,700	\$ 68,908	\$ 12,696	\$ 236,304	\$ 27,254
Noncash Investing, Capital, and Financing Activities:					
Capital Assets Acquired through Capital Leases	\$ -	\$ -	\$ 5,694	\$ 5,694	\$ -
Developer Contributed Assets	7,271	9,959	529	17,759	-
Acquisition of Capital Assets	-	-	173	173	55
Capital Contributions Related to Grants Receivable	-	-	3,663	3,663	-
Capital Asset Acquisitions Related to Accounts Payable	(704)	1,366	5,016	5,678	(65)
Carrying Value of Retired Capital Assets	(2,300)	(1,104)	(27)	(3,431)	(583)
Capitalized Interest and Related Amounts	1,260	2,532	-	3,792	-
Amortization of Bond Premiums, Discounts and Refundings	2,120	(2,677)	-	(557)	-
Proceeds of Refunding Bonds Issued.....	853,134	630,123	-	1,483,257	-
Repayment of Refunding Bonds to Escrow Agent.....	(853,134)	(618,559)	-	(1,471,693)	-
Repayment of Refunding Loans to Escrow Agent.....	-	(11,564)	-	(11,564)	-
Change in Fair Value of Investments	61	727	-	788	-
Interest Fund Credits for Debt Service Payments	(672)	(3,776)	-	(4,448)	-
Transfers of Capital Assets (To) From Governmental Activities	(79)	(205)	(25)	(309)	(1,349)
Transfers of Capital Assets (To) From Other Funds	(26)	26	-	-	-

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

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016
(Dollars in Thousands)

	Trust Funds			
	Pension	Investment	Private-Purpose	Agency
ASSETS				
Cash and Investments	\$ 1,330	\$ -	\$ 82,708	\$ 22,638
Cash with Custodian/Fiscal Agent	154,846	-	-	-
Investments at Fair Value:				
Domestic Fixed Income Securities	1,734,602	-	-	-
International Fixed Income Securities	446,847	-	-	-
Domestic Equity Securities	1,510,118	-	-	-
International Equity Securities	1,096,429	-	-	-
Global Equity Securities	323,946	-	-	-
Real Estate Equity	829,319	-	-	-
Equity Mutual Funds	576,527	-	-	-
Fixed Income Mutual Funds	399,505	-	-	-
Private Equity and Infrastructure	882,732	-	-	-
Receivables:				
Accounts - Net	-	-	-	999
Special Assessments	-	-	-	203
Contributions	6,269	-	-	-
Accrued Interest	9,524	-	197	34
Notes and Contracts	-	-	4,900	-
Loans	36,244	-	-	-
Securities Sold	189,507	-	-	-
Due from Other Agency	-	-	46	-
Land Held for Resale	-	-	3,823	-
Prepaid Expenses	131	-	1,990	-
Securities Lending Collateral	184,192	-	-	-
Restricted Cash and Investments	-	-	78,149	28,350
Capital Assets - Non-Depreciable	-	-	44,273	-
Capital Assets - Depreciable	6,274	-	52,153	-
TOTAL ASSETS	8,388,342	-	268,239	52,224
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Refunding	-	-	548	-
LIABILITIES				
Accounts Payable	7,012	-	3,645	11,376
Accrued Wages and Benefits	869	-	-	-
Interest Accrued on Long-Term Debt	-	-	168,053	-
Deposits/Advances from Others	-	-	-	155
Sundry Trust/Agency Liabilities	-	-	424	18,111
Due to Bondholders	-	-	493,023	22,582
Liability Claims	-	-	69,527	-
Loans Payable	-	-	88,031	-
Supplemental Benefits Payable	11,616	-	-	-
Securities Lending Obligations	184,420	-	-	-
Securities Purchased	364,095	-	-	-
TOTAL LIABILITIES	568,012	-	822,703	52,224
DEFERRED INFLOWS OF RESOURCES				
Gain on Refunding	-	-	2,395	-
NET POSITION (DEFICIT)				
Restricted for Pension Benefits	7,820,330	-	-	-
Held in Trust for Other Purposes	-	-	(556,311)	-
TOTAL NET POSITION (DEFICIT)	\$ 7,820,330	\$ -	\$ (556,311)	\$ -

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

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2016
(Dollars in Thousands)

	Trust Funds		
	Pension	Investment	Private-Purpose
ADDITIONS			
Employer Contributions	\$ 338,937	\$ -	\$ -
Plan Member Contributions:			
Employee Contributions	107,626	-	-
DROP Contributions	5,407	-	-
Retiree Contributions	7,908	-	-
Contributions to Pooled Investments	-	18	-
Redevelopment Property Tax Trust Fund	-	-	103,097
Earnings on Investments:			
Investment Income	96,445	5	3,585
Investment Expense	(32,355)	-	-
Net Appreciation (Depreciation) in Fair Value of Investments	10,926	-	-
Net Investment Income	<u>75,016</u>	<u>5</u>	<u>3,585</u>
Securities Lending Income:			
Gross Earnings	1,529	-	-
Borrower Rebates	(643)	-	-
Net Securities Lending Income	<u>886</u>	<u>-</u>	<u>-</u>
Other Income	1,082	-	6,015
TOTAL ADDITIONS	<u>536,862</u>	<u>23</u>	<u>112,697</u>
DEDUCTIONS			
Enforceable Obligation Payments	-	-	27,511
Interest on Long-Term Debt	-	-	30,930
DROP Interest Expense	23,168	-	-
Benefit and Claim Payments	565,935	-	-
Distributions from Pooled Investments	-	1,395	-
Disposal of Assets	-	-	85,081
Administration	12,488	-	-
Depreciation	-	-	1,744
TOTAL DEDUCTIONS	<u>601,591</u>	<u>1,395</u>	<u>145,266</u>
Extraordinary Loss	-	-	(98,815)
CHANGE IN NET POSITION	(64,729)	(1,372)	(131,384)
Net Position (Deficit) at Beginning of Year	<u>7,885,059</u>	<u>1,372</u>	<u>(424,927)</u>
NET POSITION (DEFICIT) AT END OF YEAR	<u>\$ 7,820,330</u>	<u>\$ -</u>	<u>\$ (556,311)</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2016

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 have operational responsibility for the entity; (3) if the entity exists to serve or benefit exclusively (or almost exclusively) the primary government; or (4) the total debt of the entity is repayable entirely (or almost entirely) from resources of the primary government. Blended component units are reported as funds of the primary government.

Discretely presented component units are those component units that do not function as an integral part of the primary government. They are 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 (CSD)
- Convention Center Expansion Financing Authority (CCEFA)
- Public Facilities Financing Authority (PFFA)
- San Diego Facilities and Equipment Leasing Corporation (SDFELC)
- San Diego Industrial Development Authority (SDIDA)
- Tobacco Settlement Revenue Funding Corporation (TSRFC)

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.

- 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 Director 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, 2016, the members are 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.
- 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 San Diego Industrial Development Authority (SDIDA) was established in 1983 by the City for the purpose of providing an alternate method of financing to participating parties for economic development purposes. The City Council is the governing board and the City has operational responsibility. SDIDA is reported as a governmental fund.
- 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:

- 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 (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 of the City. 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 are two entities which are discretely presented component units:

- San Diego Convention Center Corporation (SDCCC)

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 discretely presented because the City appoints the voting members of the Board of Directors of SDCCC, is financially accountable for SDCCC, and SDCCC provides the majority of its services directly to the citizens. Complete stand-alone financial statements are available at www.visitsandiego.com.

- San Diego Housing Commission (SDHC)

SDHC is a government 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 primarily serves low-and-moderate-income families by providing rental assistance payments, rental housing, loans and grants to individuals and not-for-profit organizations and other services. SDHC is governed by the San Diego 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 seven blended component units and eleven discretely presented component units which are included in the City's basic financial statements. The eleven discretely presented component units are financially and legally separate entities from SDHC: Housing Development Partners of San Diego (HDP); HDP Mason Housing Corporation (Mason); Casa Colina, LP (Casa Colina); Logan Development II, LP (Logan II); HDP Broadway, LP (Broadway); HDP Churchill, LLC (Churchill); HDP Parker Kier, LLC (Parker Kier); Logan Development Management, LLC (Logan Mgmt); and HDP Broadway Management, LLC (Broadway Mgmt), HDP Churchill, LP (Churchill LP) and HDP Island Village, LLP (Island Village). 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, 2015 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 certain legally separate component units 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, as are the proprietary and fiduciary funds financial statements. 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. The endowment principal is reported 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 distinguish operating revenues and expenses 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 pension trust, investment trust, private-purpose trust and agency funds. Trust funds are reported using the same measurement focus and basis of accounting as proprietary funds. 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 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 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 and 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 2016, the allowance amount was \$3,069.

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 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 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 Treasury

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 these financial statements using a fair value factor provided by LAIF applied to the value of the City's shares in the investment pool.

It has been the City's policy to allow the General Fund to receive interest earned by certain governmental funds, internal service funds, and agency funds, unless otherwise expressly stated in the resolutions creating the individual funds. These transactions cause an increase in the "Transfers from Other Funds" amount for the General Fund and a corresponding increase in the "Transfers to Other Funds" amount for the funds earning the interest. In the case of negative interest, these transactions cause an increase to the "Transfers from Other Funds" amount for the funds transferring the negative interest and a like increase to the "Transfers to Other Funds" amount for the General Fund. During fiscal year 2016, interest of \$1,031 was assigned from various funds to the General Fund.

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 SDCERS' Board is governed by Section 144 of the City Charter and Article XVI, Section 17 of the California State Constitution. Investment decisions are made on a risk versus return basis in a total portfolio context. 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. Furthermore, under the California State Constitution and other relevant authorities, SDCERS' Board may, at its discretion, and when prudent in the informed opinion of the Board, invest funds in any form or type of investment, financial instrument, or financial transaction. SDCERS' agents, in SDCERS' name, manage all investments.

SDCERS' investments are reported at fair value or net asset value (NAV), in accordance with GASB Statement No. 72, in the accompanying Statement of Fiduciary Net Position. SDCERS' custodian, 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 custodians. 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 SDCERS' Private Equity and Infrastructure Consultants.

f. Receivables

The City's receivables are comprised mainly of taxes, accounts and grants. Accounts receivable and taxes receivable are reported net of an allowance for uncollectible amounts. The allowance amounts as of June 30, 2016 are as follows:

Fund	Accounts Receivable Allowance	Taxes Receivable Allowance
General Fund	\$ 10,069	\$ 3,009
Nonmajor Governmental Funds	28,623	60
Sewer Utility	943	-
Water Utility	2,068	-
Nonmajor Enterprise Funds	3,997	-
Internal Service Funds	523	-
Total	\$ 46,223	\$ 3,069

g. Inventories

Inventories reported in the government-wide financial statements and the proprietary funds financial statements, which consist primarily of water in storage, 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

Deferred Outflows of Resources represent the consumption of net position that is applicable to a future reporting period. Similarly, Deferred Inflows of Resources represent the acquisition of net position that is applicable to a future reporting period. The City reports Deferred Outflows/Inflows of Resources in the basic financial statements as follows:

Unavailable Revenues - 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.

Gain/Loss on Refunding - In the government-wide, proprietary fund, and private-purpose trust fund financial statements, deferred outflows/inflows of resources represent the difference between the reacquisition price of refunded bonds and its net carrying amount, which is amortized and recognized as a component of interest expense over the remaining life of the old refunded bonds or the new refunding bonds, whichever is shorter.

Pension Contributions - In the government-wide and proprietary fund financial statements, deferred outflows of resources for pension contributions represent the deferral of the City's fiscal year 2016 contributions to the pension plan. Using the measurement date of June 30, 2015 per the actuarial report produced by SDCERS' actuary, the fiscal year 2016 contributions were not factored into the calculation of the Net Pension Liability.

Actuarial Gains/Losses - In the government-wide and proprietary fund financial statements, the deferred outflows/inflows of resources for unamortized actuarial gains/losses represent the impact of experience and investment gains or losses as of the measurement date of June 30, 2015 per the actuarial report produced by SDCERS' actuary. Actuarial investment gains and losses are amortized and recognized over a period of five years. Actuarial experience gains and losses are amortized and recognized over a period of three years. Additional gains and losses on investments and actuarial experience will also be deferred in future years and recognized over their respective amortization periods. See Note 11 for additional detail on actuarial gains/losses.

j. Capital Assets

Non-Depreciable Capital Assets, which include land, rights of way, easements, and construction in progress, 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.

Depreciable Capital Assets, which include structures and improvements, equipment, intangible assets, distribution and collection systems, and infrastructure, are reported net of accumulated depreciation/amortization 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. The City considers capital expenditures those that result in assets that are used in City operations and have a useful life in excess of one year. It is the City's policy to capitalize structures and improvements, equipment outlay, distribution and collection systems and infrastructure that meet or exceed a capitalization threshold of five thousand dollars and to capitalize intangible assets that meet or exceed a capitalization threshold of one hundred thousand dollars. Land is capitalized regardless of cost. Subsequent improvements are capitalized to the extent that they extend the initial estimated useful life of the capitalized asset, or improve the functionality, efficiency or capacity of that asset. Costs for routine maintenance are expensed as incurred. Interest expense incurred during the construction phase of business-type capital assets is reflected in the capitalized value of the asset constructed. During fiscal year 2016, \$3,792 of interest expense incurred was capitalized. There was no related interest revenue to net against capitalized interest expense.

Capital assets, when purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair value on the date of donation. Depreciation/amortization of capital assets is computed using the straight-line method over the estimated useful life of the asset as follows:

<u>Assets</u>	<u>Years</u>
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. Unpaid amounts are reported as interfund receivables and payables in the fund Balance Sheets or fund Statements of Net Position.

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 applicable 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 amortized bond accretion and 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 vacation 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. 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, 2016, the amount of restricted net position due to enabling legislation was approximately \$306,333.
- Unrestricted Net Position consists of net position that does not meet the definition of Net Investment in Capital Assets or Restricted Net Position.

r. 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 spendable in 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.

s. Reserves

The City's formal reserve policy, which was adopted in fiscal year 2008 via City Council ordinance, last amended in April 2016, 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 audited General Fund operating revenues (budgetary basis). 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 2021 to reach policy levels. For fiscal year 2016, the Emergency Reserve funding target was 8%, and the Stability Reserve funding target was 6.5%. The balances of the Emergency Reserve and the Stability Reserve, as of June 30, 2016, were \$90,900 and \$73,844 respectively, meeting policy target levels. In the event either reserve component is reduced below the amount established by this policy, the Mayor will prepare a plan as promptly as conditions warrant to replenish the reserve to the policy level. Spendable and unassigned fund balance that is not part of General Fund Reserves is available for appropriation.

The April 2016 amendment to the reserve policy created the Pension Payment Stabilization Reserve. This reserve was established to mitigate service delivery risk due to the unanticipated 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 funded at a level equal to 8% of the average of the last three ADCs to the pension system. The balance of the Pension Stabilization Reserve, as of June 30, 2016 was \$20,536, of which \$16,000 is reported as Unassigned fund balance in the General Fund. The balance of \$4,536 was funded by the Water, Sewer, and Enterprise funds.

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.

t. 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.

u. 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.

v. New Governmental Accounting Standards Implemented During Year Ended June 30, 2016

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, 2016.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. See Note 3 for more information.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement establishes the hierarchy of GAAP for all state and local governments. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. This statement does not impact the City's financial statements.

w. 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 February 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this statement extend the approach to accounting and financial reporting established in GASB 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in GASB 68 should not be considered pension plan assets. It also requires that information similar to that required by GASB 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities. This statement also clarifies the application of certain provisions of GASB 67 and 68. Certain requirements of this statement are effective in fiscal year 2016 while others will become effective in fiscal year 2017. The City did not have any circumstances applicable during fiscal year 2016.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74), which establishes financial reporting standards for state and local governmental OPEB plans—defined benefit OPEB plans and defined contribution OPEB plans—that are administered through trusts or equivalent arrangements. It applies to entities that have all of the characteristics of an OPEB plan, as defined by GASB 74. GASB 74 replaces previously issued statements related to accounting and financial reporting for OPEB. This statement will become effective in fiscal year 2017.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), which applies to state and local government employers who provide OPEB to employees, such as the City. GASB 75 replaces previously issued statements related to accounting and financial reporting for OPEB and establishes new accounting and financial reporting requirements for OPEB plans. GASB 75 details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet specific criteria, and for employers whose employees are provided with defined contribution OPEB. For OPEB that is administered through trusts, GASB 75 requires the liability of employers to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. GASB 75 requires implementation by fiscal year 2018.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. For financial reporting purposes, this statement requires certain disclosures when a government enters into tax abatement agreements with a third party. This statement defines tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This statement will become effective in fiscal year 2017.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The specific criteria address (1) how the external investment pool transacts with participants, (2) requirements for portfolio maturity, quality, diversification, and liquidity, and (3) calculation and requirements of a shadow price. Certain requirements of this statement became effective in fiscal year 2016 while others will become effective in fiscal year 2017. The City did not have any circumstances applicable during fiscal year 2016.

In January 2016, GASB issued Statement No. 80, *Blending Components for Certain Component Units-An Amendment of GASB Statement No. 14*. For financial reporting purposes, this statement amends the blending requirements for the presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement will become effective in fiscal year 2017.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Examples include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows at the inception of the agreement. It further requires that a government recognize revenue when the resources become applicable to the reporting period. This statement will become effective in fiscal year 2017.

In March 2016, GASB issued Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses the specific issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the select assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Certain requirements of this statement are effective in fiscal year 2017 while others will become effective in fiscal year 2018.

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 "Total 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 \$237,660 difference are as follows:

Prepaid Insurance, July 1, 2015	\$ 1,810
Expense due to Bond Refunding	<u>(1,810)</u>
Prepaid Insurance, June 30, 2016	<u>-</u>
Deferred Outflows of Resources - Loss on Refunding	
Loss on Refunding, July 1, 2015	9,525
Loss on Refunding for Bonds Issued	2,396
Amortization Expense	<u>(8,907)</u>
Loss on Refunding, June 30, 2016	<u>3,014</u>
Deferred Outflows of Resources - Pension Contributions	209,826
Deferred Outflows of Resources - Unamortized Experience Loss	<u>24,820</u>
Net Adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u>\$ 237,660</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 \$84,994 difference are as follows:

Deferred Inflows of Resources - Unavailable Revenue:	
Taxes Receivable	\$ 53,873
Grants Receivable	9,410
Special Assessments Receivable	386
Revenue from Other Agencies	6,422
Charges for Services	12,270
Other	<u>2,633</u>
Net Adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u>\$ 84,994</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 (\$2,850,726) difference are as follows:

Interest Accrued on Long-Term Debt	\$ (7,000)
Compensated Absences	(64,227)
Liability Claims	(351,519)
Reimbursement Agreement Obligations	(27,512)
Capital Lease Obligations	(61,618)
QECB Lease Obligation	(9,259)
Loans Payable	(4,973)
Section 108 Loans Payable	(3,507)
Net Bonds Payable	(711,272)
Net Other Postemployment Benefits Obligation	(195,058)
Net Pension Obligation	(1,202)
Net Pension Liability	(1,329,786)
Deferred Inflows of Resources - Unamortized Actuarial Gains	<u>(83,793)</u>
Net adjustment to decrease "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u>\$ (2,850,726)</u>

Another element of the reconciliation states: "Internal service funds are used by management to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The assets and liabilities of internal service funds are included in the governmental activities in the Statement of Net Position." The details of this \$153,472 difference are as follows:

Assets:	
Capital Assets - Non-Depreciable	\$ 5,336
Capital Assets - Depreciable	108,421
Internal Balances	729
Current Assets	<u>143,005</u>
Total Assets	<u>257,491</u>
Deferred Outflows of Resources	<u>6,519</u>
Liabilities:	
Compensated Absences	(6,512)
Liability Claims	(8,745)
Capital Lease Obligations	(24,882)
Net Other Postemployment Benefits Obligation	(9,764)
Net Pension Liability	(48,449)
Other Liabilities	<u>(7,678)</u>
Total Liabilities	<u>(106,030)</u>
Deferred Inflows of Resources - Unamortized Actuarial Gains	<u>(4,508)</u>
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u>\$ 153,472</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 \$179,321 difference are as follows:

Capital Outlay	\$ 194,957
Donated Capital Assets	127,954
Depreciation/Amortization Expense	<u>(143,590)</u>
Net Adjustment to increase "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ 179,321</u>

Another element of the reconciliation states: "The net effect of various miscellaneous transactions involving capital assets (i.e., retirements and transfers) is to decrease net position." The details of this (\$24,926) 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 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.	\$ (26,584)
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 resources.	<u>1,658</u>
Net adjustment to decrease "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ (24,926)</u>

Another element of the reconciliation states: "Internal service funds are used to charge the costs of activities such as Fleet Services, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The net expense of certain internal service activities is reported with governmental activities." The details of this \$14,248 are as follows:

Allocated Operating Income	\$ 13,474
Nonoperating Revenues:	
Gain on Sale/Retirement of Capital Assets	925
Other Agency Grant Assistance	358
Other Nonoperating Revenues, net	1,426
Capital Asset Transfers, net	(1,349)
Transfers, net	<u>(586)</u>
Net adjustment to increase "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ 14,248</u>

Another element of the reconciliation states: "The issuance of long-term debt (i.e., 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 \$45,789 difference are as follows:

Debt Issued or Incurred:	
Capital Lease Obligations	\$ (8,533)
Lease Revenue Bonds	(103,255)
Principal Repayments:	
Capital Lease Obligations	8,192
QECCB Lease Obligations	812
Loans Payable	794
Section 108 Loans	294
Lease Revenue Bonds	22,720
Tobacco Settlement Asset-Backed Bonds	4,265
Refundings:	
Lease Revenue Bonds	<u>120,500</u>
Net adjustment to increase "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ 45,789</u>

Another element of the reconciliation states: "Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e., compensated absences, net pension liability), and therefore, are not accrued as expenditures in governmental funds." The details of this \$51,351 difference are as follows:

Compensated Absences	\$ (585)
Liability Claims	(37,425)
Reimbursement Agreement Obligations	(9,797)
Net Pension Obligation/Net OPEB Obligation	(9,245)
Net Pension Liability and Related Deferred Outflows/Inflows of Resources	125,474
Interest Accrued on Long-Term Debt	2,070
Current Year Premiums and Loss on Refunding	
Less Amortization of Bond Premiums, Discounts, and Loss on Refunding	(17,331)
Current Year Amortization of Prepaid Insurance	<u>(1,810)</u>
Net adjustment to increase "Net Change in Fund Balances of Governmental Funds" to arrive at "Change in Net Position of Governmental Activities"	<u>\$ 51,351</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, 2016:

	Governmental Activities	Business-Type Activities	Fiduciary Statement of Net Position other than SDCERS	Subtotal	SDCERS Fiduciary Statement of Net Position	Grand Total
Cash or Equity in Pooled Cash and Investments	\$ 1,481,438	\$ 855,820	\$ 105,477	\$ 2,442,735	\$ 1,191	\$ 2,443,926
Cash and Investments with Custodian, Fiscal Agents, and Trustees	140,362	123,371	106,520	370,253	154,833	525,086
Investments at Fair Value	19,918	-	976,032	995,950	6,823,993	7,819,943
Securities Lending Collateral	-	-	-	-	184,192	184,192
Total	<u>\$ 1,641,718</u>	<u>\$ 979,191</u>	<u>\$ 1,188,029</u>	<u>\$ 3,808,938</u>	<u>\$ 7,164,209</u>	<u>\$ 10,973,147</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	\$ 202
Deposits - Other Cash and Cash Equivalents	7,805
Deposits - Pooled Cash and Cash Equivalents	5,517
City Treasurer's Investment Pool	2,429,211
SDCERS Cash Deposits	1,191
Total Cash or Equity in Pooled Cash and Investments	<u>\$ 2,443,926</u>

A summary of the investments held by the City Treasurer's Investment Pool as of June 30, 2016 is presented in the table below:

Investment	Fair Value	Book Value	Interest Rate % Range	Maturity Range
Agency Discount Notes	\$ 304,582	\$ 304,011	0.26-0.67% ¹	7/1/2016-5/5/2017
Agency Notes and Bonds	435,620	434,318	0.43-1.40%	7/1/2016-6/21/2019
Asset Backed Securities	70,438	70,319	0.69-1.62%	6/15/2017-7/15/2020
Commercial Paper	50,000	49,805	0.57-0.76%	7/1/2016
Medium Term Notes and Bonds	151,745	150,692	0.87-1.65%	1/30/2017-3/1/2019
Negotiable Certificates of Deposit	225,030	225,000	0.54-1.20%	7/1/2016-6/8/2017
Repurchase Agreements	166,600	166,600	0.35%	7/1/2016
State Local Agency Investment Fund (LAIF) ²	60,108	60,071	0.46%	1/15/2017
Supranationals	135,713	134,690	0.88-1.35%	8/28/2018-7/26/2019
U.S. Treasury Obligations - Notes	829,375	823,983	0.63-1.25%	6/15/2017-5/15/2019
Total	<u>\$ 2,429,211</u>	<u>\$ 2,419,489</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 167 days.

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 11. Additionally, Cash with Custodian/Fiscal Agent includes the SDCERS portion of funds held as cash collateral from market neutral portfolios (domestic fixed income investment strategy). Furthermore, it represents transaction settlements, held in each investment manager's portfolio, which are invested overnight by SDCERS' custodial bank.

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 permanent funds (Cemetery Perpetuity Fund, Los Penasquitos Canyon Preserve Fund, Jane Cameron Estate and Effie Sergeant Library Fund) and in other special revenue - unbudgeted funds (Edwin A. Benjamin Fund and 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 ordinance.

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 representatives and three outside financial 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 ⁸	
	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	(2)	None	(2)	None	None
Supranationals ⁹	5 years	5 years	30%	30%	30%	30%	AA	AA
Bankers' Acceptances ⁶	180 days	180 days	40%	40%	30%	10%	None	(3)
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	(3)
Repurchase Agreements	1 year	1 year	None	None	None	None	None	None
Reverse Repurchase Agreements ⁴	92 days	92 days	20%	20%	None	None	None	None
State Local Agency Investment Fund	N/A	N/A	None	None	None	None	None	None
Non-Negotiable Time Deposits ^{6,7}	5 years	5 years	None	25%	None	10%	None	(3)
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 ⁵	N/A	None	None	None	None	None	None	None

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

² 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.

³ Credit and maturity criteria must be in accordance with Section X of the City's Investment Policy.

⁴ Maximum % of portfolio for Reverse Repurchase Agreements is 20% of base value.

⁵ Financial futures transactions would be purchased only to hedge against changes in market conditions for the reinvestment of bond proceeds.

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 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.

⁸ Minimum credit rating categories include modifications (+/-).

⁹ International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

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 security is not leveraged or has a coupon that resets inversely to the underlying index. Structured notes issued by U.S. government agencies that contain imbedded calls or options are authorized as long as those securities are not inverse floaters, range notes, or interest only strips derived from a pool of mortgages. 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 currently has a Funds Commission whose role is 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 permanent endowments. The allowable investments for these funds are different than those as prescribed in the City of San Diego City Treasurer's Investment Policy. Each permanent endowment fund has its own separate 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 fair values 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. 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, 2016:

Investments by Fair Value Level	Fair Value	Level 1	Level 2
Asset Backed Securities	\$ 70,438	\$ -	\$ 70,438
Commercial Paper	82,130	-	82,130
Corporate Notes and Bonds	155,481	-	155,481
Exchange Traded Funds	2,175	2,175	-
Government Mortgage Backed Securities	8	-	8
Mutual Funds	985,455	-	985,455
Negotiable Certificates of Deposit	225,030	-	225,030
Repurchase Agreements	166,600	-	166,600
Stocks	3,467	3,467	-
Supranationals	135,713	-	135,713
U.S. Agencies	830,080	-	830,080
U.S. Treasury Obligations - Notes	912,878	-	912,878
Total Investments & Cash Equivalents by Fair Value Level	<u>\$ 3,569,455</u>	<u>\$ 5,642</u>	<u>\$ 3,563,813</u>

Investments classified in Level 1 of the Fair Value Hierarchy, valued at \$5,642 are valued using quoted prices in active markets.

Asset backed securities, commercial paper, corporate notes and bonds, government mortgage backed securities, mutual funds, negotiable certificates of deposit, repurchase agreements, supranationals, investments in U.S. Agencies, and U.S. Treasury notes 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. 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 our custodian banks.

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 of San Diego values the investment 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 duration of plus or minus 40% of the duration of that benchmark.

The core portfolio uses the Bank of America Merrill Lynch 1-3 year Treasury Index as a benchmark with a rolling three year period. It consists of high quality liquid securities with a maximum maturity of 5 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, 2016, the City's investments (dollars in thousands) by maturity are as follows:

	Years				Fair Value
	Under 1	1-3	3-5	Over 5	(In Thousands)
City Treasurer's Investment Pool:					
Asset Backed Securities	\$ 1,011	\$ 60,833	\$ 8,594	\$ -	\$ 70,438
Commercial Paper	50,000	-	-	-	50,000
Medium Term Notes and Bonds	20,010	131,735	-	-	151,745
Negotiable Certificates of Deposit	225,030	-	-	-	225,030
Repurchase Agreements	166,600	-	-	-	166,600
State Local Agency Investment Fund	60,108	-	-	-	60,108
Supranationals - IADB ¹	-	50,238	-	-	50,238
Supranationals - IBRD ²	-	60,179	25,296	-	85,475
U.S. Agencies - Federal Farm Credit Bank	139,843	35,096	-	-	174,939
U.S. Agencies - Federal Home Loan Bank	159,448	45,312	-	-	204,760
U.S. Agencies - Federal Home Loan Mortgage Corporation	100,039	115,220	-	-	215,259
U.S. Agencies - Federal National Mortgage Association	99,879	45,365	-	-	145,244
U.S. Treasury Obligations - Notes	50,113	779,262	-	-	829,375
	<u>1,072,081</u>	<u>1,323,240</u>	<u>33,890</u>	<u>-</u>	<u>2,429,211</u>
Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units:					
Commercial Paper	32,130	-	-	-	32,130
Corporate Notes and Bonds	620	1,648	926	542	3,736
Exchange Traded Funds - Equity ³	688	-	-	-	688
Exchange Traded Funds - Fixed Income	-	-	1,487	-	1,487
Government Mortgage Backed Securities	-	-	-	8	8
Guaranteed Investment Contracts	-	-	-	9,222	9,222
Money Market Mutual Funds	140,300	-	-	-	140,300
Mutual Funds - Equity ³	582,542	-	-	-	582,542
Mutual Funds - Fixed Income	-	391,432	-	11,481	402,913
Stocks - Common Stock ³	3,113	-	-	-	3,113
Stocks - Preferred Stock ³	354	-	-	-	354
U.S. Agencies - Federal Farm Credit Bank	1,329	-	-	-	1,329
U.S. Agencies - Federal Home Loan Bank	16,320	9,666	-	-	25,986
U.S. Agencies - Federal Home Loan Mortgage Corporation	26,631	4,879	-	-	31,510
U.S. Agencies - Federal National Mortgage Association	16,648	14,405	-	-	31,053
U.S. Treasury Obligations - Bonds and Notes	36,340	36,166	10,503	494	83,503
	<u>857,015</u>	<u>458,196</u>	<u>12,916</u>	<u>21,747</u>	<u>1,349,874</u>
Total Investments	<u>\$ 1,929,096</u>	<u>\$ 1,781,436</u>	<u>\$ 46,806</u>	<u>\$ 21,747</u>	<u>\$ 3,779,085</u>
Cash on Hand - Petty Cash					\$ 202
Deposits - Other Cash and Cash Equivalents					7,805
Deposits - Pooled Cash and Cash Equivalents					5,517
Deposits - Cash with Fiscal Agents/Trustees					8,991
Deposits - Cash with Fiscal Agents/Trustees Held in Escrow Accounts					7,338
Total Investments, Cash on Hand, and Deposits					<u>\$ 3,808,938</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, 2016, the City's investments and corresponding credit ratings are as follows:

	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	<u>Percentage</u>
City Treasurer's Investment Pool:				
Asset Backed Securities	Aaa	Not Rated	\$ 55,543	2.29%
Asset Backed Securities	Not Rated	AAA	14,895	0.61%
Commercial Paper	P-1	Not Provided	50,000	2.06%
Medium Term Notes and Bonds	Aaa	Not Provided	15,118	0.62%
Medium Term Notes and Bonds	Aa1	Not Provided	20,105	0.83%
Medium Term Notes and Bonds	Aa2	Not Provided	24,084	0.99%
Medium Term Notes and Bonds	Aa3	Not Provided	5,031	0.21%
Medium Term Notes and Bonds	A1	Not Provided	76,297	3.14%
Medium Term Notes and Bonds	A2	Not Provided	11,110	0.46%
Negotiable Certificates of Deposit	P-1	Not Provided	225,030	9.26%
Repurchase Agreements ¹	Not Rated	Not Rated	166,600	6.86%
State Local Agency Investment Fund	Not Rated	Not Rated	60,108	2.47%
Supranationals - IADB ²	Aaa	Not Provided	50,238	2.07%
Supranationals - IBRD ³	Aaa	Not Provided	85,475	3.52%
U.S. Agencies - Federal Farm Credit Bank ¹	P-1	Not Provided	99,808	4.11%
U.S. Agencies - Federal Farm Credit Bank ¹	Aaa	Not Provided	75,131	3.09%
U.S. Agencies - Federal Home Loan Bank ¹	P-1	Not Provided	49,969	2.06%
U.S. Agencies - Federal Home Loan Bank ¹	Aaa	Not Provided	154,791	6.37%
U.S. Agencies - Federal Home Loan Mortgage Corporation ¹	P-1	Not Provided	49,980	2.06%
U.S. Agencies - Federal Home Loan Mortgage Corporation ¹	Aaa	Not Provided	165,279	6.80%
U.S. Agencies - Federal National Mortgage Association ¹	P-1	Not Provided	74,873	3.08%
U.S. Agencies - Federal National Mortgage Association ¹	Aaa	Not Provided	70,371	2.90%
U.S. Treasury Obligations - Notes	Exempt	Exempt	<u>829,375</u>	<u>34.14%</u>
			<u>2,429,211</u>	<u>100.00%</u>

	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	<u>Percentage</u>
Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units:				
Commercial Paper	P-1	Not Provided	\$ 32,130	2.38%
Corporate Notes and Bonds	Aa2	Not Provided	636	0.05%
Corporate Notes and Bonds	Aa3	Not Provided	434	0.03%
Corporate Notes and Bonds	A1	Not Provided	743	0.06%
Corporate Notes and Bonds	A2	Not Provided	335	0.02%
Corporate Notes and Bonds	A3	Not Provided	617	0.05%
Corporate Notes and Bonds	Baa1	Not Provided	971	0.07%
Exchange Traded Funds - Equity	Not Rated	Not Rated	688	0.05%
Exchange Traded Funds - Fixed Income	Not Rated	Not Rated	1,487	0.11%
Government Mortgage Backed Securities	Not Rated	Not Rated	8	0.01%
Guaranteed Investment Contracts	Not Rated	Not Rated	9,222	0.68%
Money Market Mutual Funds	Aaa	Not Provided	140,300	10.39%
Mutual Funds - Equity	Not Rated	Not Rated	582,542	43.15%
Mutual Funds - Fixed Income	Not Rated	Not Rated	402,913	29.85%
Stocks - Common Stock	Not Rated	Not Rated	3,113	0.23%
Stocks - Preferred Stock	Not Rated	Not Rated	354	0.03%
U.S. Agencies - Federal Farm Credit Bank	P-1	Not Provided	1,329	0.10%
U.S. Agencies - Federal Home Loan Bank	Aaa	Not Provided	19,316	1.43%
U.S. Agencies - Federal Home Loan Bank	P-1	Not Provided	6,670	0.49%
U.S. Agencies - Federal Home Loan Mortgage Corporation	P-1	Not Provided	2,793	0.21%
U.S. Agencies - Federal Home Loan Mortgage Corporation	Aaa	Not Provided	28,717	2.13%
U.S. Agencies - Federal National Mortgage Association	P-1	Not Provided	16,648	1.23%
U.S. Agencies - Federal National Mortgage Association	Aaa	Not Provided	14,405	1.07%
U.S. Treasury Obligations - Bonds and Notes	Exempt	Exempt	83,503	6.18%
			<u>1,349,874</u>	<u>100.00%</u>
Total Investments			<u>\$ 3,779,085</u>	

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

"Not Provided" - S&P rating not provided, Moody's rating disclosed.

¹ More than 5% of total investments are with U.S. Agencies 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 represent 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, 2016, the City exceeded the 5% limit of total investments for issuers of various U.S. Agencies. 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 in the following paragraph:

Deposits

At June 30, 2016, the carrying amount of the City's cash on hand and deposits was approximately \$22,515 and the bank balance was approximately \$24,756; the difference is substantially due to outstanding checks. For the balance of cash deposits in financial institutions, approximately \$778 was covered by federal depository insurance and approximately \$23,978 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, \$23,978 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 \$7,338. For the balance of deposits in escrow accounts, approximately \$2,045 was covered by federal depository insurance. The remaining balance of \$5,293 was uninsured, but collateralized and pledged at 110%.

Investments

At June 30, 2016, the City had investments exposed to custodial credit risk. Investments within the Cemetery Perpetuity Fund's portfolio were held by Northern Trust Bank, and were not in the City's name. The following summarizes the investment types and amounts that are exposed to custodial credit risk:

<u>Investment Type</u>	<u>Fair Value</u>
Corporate Notes and Bonds	\$ 3,736
Exchange Traded Funds - Equity	688
Exchange Traded Funds - Fixed Income	1,487
Government Mortgage Backed Securities	8
Stocks - Common Stock	3,113
Stocks - Preferred Stock	354
U.S. Treasury Obligations -Bonds and Notes	954
Total	<u>\$ 10,340</u>

i. Restricted Cash and Investments

Cash and investments at June 30, 2016 that are restricted by legal or contractual requirements are comprised of the following:

Governmental Funds	
General Fund	\$ 229
Special Revenue	6,876
Debt Service	25,319
Capital Projects	142,528
Permanent Endowments	23,699
Total Governmental Funds	<u>198,651</u>
Sewer Utility Enterprise Fund	
Interest and Redemption Funds	70,240
Water Utility Enterprise Fund	
Customer Deposits	7,542
Interest and Redemption Funds	58,241
Total Water Utility Enterprise Fund	<u>65,783</u>
Nonmajor Enterprise Funds	
Airports Fund - Deposits and advances	74
Development Services Fund - Deposits and advances	7,853
Environmental Services Fund - Funds set aside for landfill site closure and maintenance costs	31,858
Recycling Fund - Customer deposits	10,823
Total Nonmajor Enterprise Funds	<u>50,608</u>
Trust Fund	
Private-Purpose Trust Fund	78,149
Miscellaneous Agency Funds	
Special Assessment Funds and Retention Held in Escrow Accounts	<u>28,350</u>
Total Restricted Cash and Investments	<u>\$ 491,781</u>

Summary of Total Cash and Investments

Total Unrestricted Cash and Investments	\$ 10,481,366
Total Restricted Cash and Investments	<u>491,781</u>
Total Cash and Investments	<u>\$ 10,973,147</u>
Total Governmental Activities	\$ 1,641,718
Total Business-Type Activities	979,191
Total Fiduciary Activities	<u>8,352,238</u>
Total Cash and Investments	<u>\$ 10,973,147</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, 2016 (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	\$ 1,191
Cash and Cash Equivalents on Deposit with Custodial Bank and Fiscal Agents	154,833
Investments at Fair Value	
Domestic Fixed Income Securities	1,734,602
International Fixed Income Securities	446,847
Domestic Equity Securities	1,510,118
International Equity Securities	1,096,429
Global Equity Securities	323,946
Real Estate	829,319
Private Equity and Infrastructure	882,732
Securities Lending Collateral	184,192
Total Cash and Investments for SDCERS	<u>\$ 7,164,209</u>

j. Investment Policy and Portfolio Risk

The Board of Administration of 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 Board is authorized to invest in bonds, notes or other obligations, 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 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 results 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' realized gains totaled \$124,200 for the year ended June 30, 2016. 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 San Diego Municipal Code, 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 Board. The asset allocation policy is reviewed and approved on an annual basis. Through its investment objectives and policies, the 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, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Equity	21.00%
Non-U.S. Equity	15.00%
Global Equity	5.00%
U.S. Fixed Income	22.00%
Emerging Market Debt	5.00%
Real Estate	11.00%
Private Equity and Infrastructure	13.00%
Opportunity Fund	8.00%
Total	<u>100.00%</u>

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 1.0%. 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, 2016 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 (benchmarked to the Barclays Capital Intermediate Aggregate Bond Index) and 5% to emerging market debt (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 (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 Portfolio Risk analysis. 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.

k. Fair Value Hierarchy

Pursuant to the requirements of GASB Statement No. 72, *Fair Value Measurement and Application*, SDCERS has provided a summary of the measures of fair value as of the end of the reporting period. SDCERS categorizes their fair value measurements within the fair value hierarchy established by generally accepted accounting principles 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 give 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, which approximates fair value.

The following table represents SDCERS' fair value hierarchy as of June 30, 2016:

Investments by Fair Value Level:	Fair Value	Level 1	Level 2	Level 3
Short-Term Securities	\$ 6,619	\$ -	\$ 6,619	\$ -
Fixed Income Securities:				
Asset-Backed Securities	62,560	-	62,560	-
Commercial Mortgage-Backed Securities	20,576	-	20,576	-
Collateralized Mortgage Obligations	50,622	-	50,622	-
Corporates	354,710	-	354,710	-
Government & Agency Obligations	296,242	-	296,242	-
Mortgage Backed Securities	291,482	-	291,482	-
Total Fixed Income Securities	1,076,192	-	1,076,192	-
Equity Securities:				
Consumer Discretionary	107,579	107,579	-	-
Consumer Staples	48,433	48,433	-	-
Energy	64,818	64,818	-	-
Financials	125,639	125,639	-	-
Healthcare	132,403	132,403	-	-
Industrials	53,778	53,778	-	-
Information Technology	122,687	122,687	-	-
Materials	23,228	23,228	-	-
Real Estate Investment Trust	99,948	99,948	-	-
Telecommunication Services	17,164	17,164	-	-
Utilities	13,768	13,768	-	-
Total Equity Securities	809,445	809,445	-	-
Real Estate	373,395	-	-	373,395
Investment Derivative Instruments:				
Credit Default Swaps	(309)	-	(309)	-
Foreign Currency Forwards	319	-	319	-
Interest Rate Swaps	(12,370)	-	(12,370)	-
Options - Foreign Currency	(5)	-	(5)	-
Options - Fixed Income	29	-	29	-
Options - Futures	(16)	-	(16)	-
Total Investment Derivative Instruments	(12,352)	-	(12,352)	-
Total Investments by Fair Value Level	\$ 2,253,299	\$ 809,445	\$ 1,070,459	\$ 373,395

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 pension 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	\$ 1,143,032	\$ -	Daily	0-5 Days
Commingled International Equity Funds	905,665	-	Daily, Monthly	0-30 Days
Commingled Global Equity Funds	159,213	-	Daily	None
Total Equity Investments Measured at NAV	<u>2,207,910</u>	<u>-</u>		
Fixed Income Investments:				
Commingled Domestic Fixed Income Funds	10,178	-	Daily	None
Commingled International Fixed Income Funds	1,100,863	46,250	Daily	0-5 Days
Total Fixed Income Investments Measured at NAV	<u>1,111,041</u>	<u>46,250</u>		
Real Estate Investments:				
Real Estate Limited Partnerships	214,072	197,855	Not Eligible	N/A
Commingled Real Estate Funds	155,050	-	Monthly	None
Total Real Estate Investments Measured at NAV	<u>369,122</u>	<u>197,855</u>		
Private Equity & Infrastructure Investments:				
Commingled Private Equity & Infrastructure Funds	882,732	467,522	Not Eligible	N/A
Invested Securities Lending Collateral :				
Equity Securities	58,698	-	Daily	3 Days
Fixed Income Securities	125,494	-	Daily	3 Days
Total Invested Securities Lending Collateral	<u>184,192</u>	<u>-</u>		
Total Investments Measured at NAV	<u>\$ 4,754,997</u>	<u>\$ 711,627</u>		

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 a large cap passive index fund, 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. 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 a fund that invests in international small cap equities. The Commingled Global Equity Funds consists 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 shares of the investments.

The Commingled Domestic Fixed Income Funds consist of four 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 two funds that invest in global credit strategies. The fair values of the investments in these types have been determined using the NAV per shares of the investments.

The Commingled Real Estate Funds consist of two 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 shares of the investments. Investments in the limited partnerships can never be redeemed with the funds. Instead, the nature of these investments is that distributions from each investment will be received as the underlying investments are liquidated. Because it is probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of SDCERS' ownership interest in the partners' capital.

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 probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of SDCERS' ownership interest in the partners' capital.

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, 2016:

Type of Security	Effective Duration	
	(in years)	Fair Value ¹
Asset-Backed Securities	0.35	\$ 62,560
Commercial Mortgage-Backed Securities	2.43	20,576
Collateralized Mortgage Obligations	0.40	50,622
Corporate Bonds ²		
Bank Loans	0.15	4,004
Corporate Bonds	2.79	204,198
Government and Agency Obligations ³		
Municipal Securities	5.16	6,976
Foreign Securities	2.54	7,370
Treasury Securities	5.96	281,896
Mortgage-Backed Securities	2.14	291,482
Total	3.64	\$ 929,684

The following table depicts the weighted average maturity for the mutual funds:

Name of Institutional Mutual Fund	Fair Value	Weighted Average Maturity (in years)
BlackRock U.S. Debt NL Fund	\$ 655,572	1.55
Davidson Kempner Special Opportunities Fund III ⁴	3,428	-
GCM WindandSea Fund	121,508	2.40
Investec Emerging Market Debt	105,841	8.05
Metropolitan West Floating Rate	2,415	4.66
Metropolitan West High Yield Bond Fund	739	4.73
PIMCO Pac Investment Management Ser	902	7.02
PIMCO PAPS Short-Term Floating NAV II Portfolio	6,122	0.13
Stone Harbor	114,350	8.59
Wellington Trust Company CIF II Opportunistic	100,164	10.87
Total	\$ 1,111,041	

¹ Fair Value does not include convertible bonds, mutual funds and derivative instruments of \$1,251,765.

These securities do not exhibit interest rate risk and/or duration cannot be calculated.

² Corporate Bonds do not include convertible securities of \$146,508.

³ Duration could not be calculated for the derivative instruments, short-term instruments and mutual funds of \$1,105,257 within the Short-Term category. Although the duration was not available for these securities, the weighted average maturity was calculated for the mutual funds.

⁴ 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, 2016, 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	\$ 7,404	0.30%
Asset-Backed Securities	30,889	1.40%
Floating Rate Notes	60,939	2.80%
Range Notes	11,857	0.60%
Total	\$ 111,089	5.10%

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 two 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, 2016.

S&P Quality Rating ⁴	Total Fair Value	Asset- Backed Securities	Commercial Mortgage- Backed Securities	Collateralized Mortgage Obligations	Corporates ¹	Government and Agency Obligations ²	Mortgage Backed Securities	Short-Term/ Other
U.S. Treasuries	\$ 223,165	\$ -	\$ -	\$ -	\$ -	\$ 223,165	\$ -	\$ -
GNMA Securities	64,638	-	-	33,148	-	-	31,490	-
AAA	29,461	22,692	5,107	23	821	818	-	-
AA+	79,307	12,528	1,734	2,129	4,184	58,732	-	-
AA	11,619	4,667	-	36	3,115	3,801	-	-
AA-	14,914	928	940	241	10,669	2,136	-	-
A+	18,752	1,596	-	5,903	8,051	3,202	-	-
A	35,485	2,475	-	256	32,754	-	-	-
A-1+	127	127	-	-	-	-	-	-
A-	32,953	-	-	2,504	30,449	-	-	-
BBB+	61,077	-	-	1,680	58,342	1,055	-	-
BBB	29,601	1,452	-	26	28,123	-	-	-
BBB-	34,971	-	-	16	34,955	-	-	-
BB+	14,402	-	-	-	14,315	87	-	-
BB	4,775	-	-	77	4,698	-	-	-
BB-	7,268	-	-	-	7,268	-	-	-
B+	9,822	-	-	-	8,916	906	-	-
B	6,414	-	61	-	6,353	-	-	-
B-	5,120	-	-	881	4,239	-	-	-
D	63	-	63	-	-	-	-	-
NR ⁵	1,497,515	16,095	12,671	3,702	97,458	2,340	259,992	1,105,257 ³
Totals	<u>\$ 2,181,449</u>	<u>\$ 62,560</u>	<u>\$ 20,576</u>	<u>\$ 50,622</u>	<u>\$ 354,710</u>	<u>\$ 296,242</u>	<u>\$ 291,482</u>	<u>\$ 1,105,257</u>

¹ Corporate Bonds include convertible bonds from SDCERS' convertible bond manager.

² Includes international and municipal holdings.

³ Includes fixed income mutual fund investments of \$1,111,041. These institutional quality fund investments are not directly rated by major credit rating agencies.

⁴ Credit ratings with qualifiers and rating outlooks have been combined to show the credit rating as of June 30, 2016.

⁵ NR represents those securities that are not rated by one of the NRSROs.

Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk; however, U.S. Government Agency securities other than U.S. Treasuries and GNMA Securities, which are not rated, have been included in the credit risk disclosure as AA+ to reflect the credit rating of the issuer.

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, 2016, 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, 2016 SDCERS' cash balance was \$1,200. Cash and cash equivalents on deposit with custodial bank and fiscal agents was \$154,800, which includes cash collateral for SDCERS' cash overlay program of \$51,000 and residual cash held in each manager's portfolio of \$103,800, 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, 2016, SDCERS held \$141,400 in STIF and a cash balance of \$13,400. 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, 2016, 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 \$233,600 as of June 30, 2016. 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 \$184,400 as of June 30, 2016, is also at risk as it is invested in pooled vehicles managed by the custodian. The investment characteristics of the collateral pool 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 following table represents SDCERS' securities held in a foreign currency as of June 30, 2016.

Local Currency Name	Cash	Equity	Fixed Income	Options	Real Estate	Total
Australian Dollar	\$ -	\$ 6,099	\$ -	\$ (5)	\$ 6,190	\$ 12,284
Brazilian Real	3	765	-	-	-	768
British Pound	789	53,111	3,599	-	5,903	63,402
Canadian Dollar	(318)	7,193	1,232	-	-	8,107
Danish Krone	-	4,238	-	-	-	4,238
Euro Currency	229	71,149	11,212	-	32,016	114,606
Hong Kong Dollar	22	15,894	-	-	4,442	20,358
Japanese Yen	550	64,553	2,340	-	7,766	75,209
Mexican Peso	153	-	52	-	-	205
New Taiwan Dollar	-	450	-	-	-	450
New Zealand Dollar	-	841	-	-	623	1,464
Norwegian Krone	-	935	-	-	-	935
Polish Zloty	16	-	-	-	-	16
Singapore Dollar	-	589	-	-	1,535	2,124
South Korean Won	-	3,455	-	-	-	3,455
Swedish Krona	12	8,951	-	-	-	8,963
Swiss Franc	-	24,913	-	-	-	24,913
Thai Baht	-	422	-	-	-	422
Total	<u>\$ 1,456</u>	<u>\$ 263,558</u>	<u>\$ 18,435</u>	<u>\$ (5)</u>	<u>\$ 58,475</u>	<u>\$ 341,919</u>

This schedule does not include the foreign currency exposure of two international equity, one global equity, two emerging market equity and three emerging market debt (fixed income) institutional 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, 2016, 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 SDCERS Statement of 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 below are addressed in the Investment Policy and Portfolio 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, 2016:

Investment Derivative Instruments	Net Appreciation (Depreciation) in Fair Value	Fair Value at June 30, 2016		
	Amount	Classification	Amount	Notional (Dollars)
Credit Default Swaps	\$ (108)	Domestic Fixed Income	\$ (309)	\$ 21,257
Fixed Income Futures	6,733	Domestic Fixed Income	-	41,970
Fixed Income Options	320	Domestic Fixed Income	29	131,200
Foreign Currency Futures	(337)	Domestic Fixed Income	-	6,000
Foreign Currency Options	6	Domestic Fixed Income	(5)	(1,042)
Futures Options	323	Domestic Fixed Income	(16)	(59)
Foreign Currency Forwards	(52)	Domestic Fixed Income	319	33,409
Index Futures	(8,368)	Domestic Fixed Income	-	78
Interest Rate Swaps	(14,205)	Domestic Fixed Income	(12,370)	234,695
Rights	35			
Total Derivative Instruments	<u>\$ (15,653)</u>		<u>\$ (12,352)</u>	<u>\$ 467,508</u>

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, 2016. 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, 2016.

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, 2016:

<u>Counterparty Name</u>	<u>Fair Value</u>	<u>S&P Rating</u>
Bank of America N.A.	\$ 10	A
Citibank N.A.	20	A
Credit Suisse International	17	A
Goldman Sachs International	4	A
HSBC Bank USA	2	AA-
JP Morgan Chase Bank N.A.	1	A+
Morgan Stanley CME	259	BBB+
National Australia Bank Limited	484	AA-
UBS AG	156	A+
Total	<u>\$ 953</u>	

The aggregate fair value of investment derivative instruments in an asset position subject to counterparty credit risk at June 30, 2016 was \$1,000. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. At June 30, 2016, 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, 2016, 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, 2016, 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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Credit Default Swaps	\$ (309)	\$ 17	\$ 132	\$ -	\$ (458)
Fixed Income Options	29	-	29	-	-
Interest Rate Swaps	(12,370)	-	(3,442)	(2,291)	(6,637)
Total	<u>\$ (12,650)</u>	<u>\$ 17</u>	<u>\$ (3,281)</u>	<u>\$ (2,291)</u>	<u>\$ (7,095)</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, 2016.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Notional</u>
Credit Default Swaps	\$ (309)	\$ 21,257
Fixed Income Futures	-	41,970
Fixed Income Options	29	131,200
Interest Rate Swaps	(12,370)	234,695
Total	<u>\$ (12,650)</u>	<u>\$ 429,122</u>

Foreign Currency Risk

At June 30, 2016, SDCERS was exposed to foreign currency risk on its investments in options, currency forward contracts and interest rate swaps denominated in foreign currencies.

<u>Currency Name</u>	<u>Options/Rights/ Warrants</u>	<u>Foreign Currency Forwards</u>		<u>Swaps</u>	<u>Total</u>
		<u>Net Receivables</u>	<u>Net Payables</u>		
Australian Dollar	\$ (5)	\$ 2	\$ -	\$ -	\$ (3)
Canadian Dollar	-	-	3	-	3
Euro Currency	-	(185)	653	220	688
Pound Sterling	-	-	(20)	(294)	(314)
Japanese Yen	-	-	(129)	-	(129)
Mexican Peso	-	-	(5)	52	47
Subtotal	(5)	(183)	502	(22)	292
Investments Denominated in USD	13	-	-	(12,657)	(12,644)
Total	<u>\$ 8</u>	<u>\$ (183)</u>	<u>\$ 502</u>	<u>\$ (12,679)</u>	<u>\$ (12,352)</u>

In addition to the investments listed in the above table, SDCERS has investments in foreign futures contracts with a total notional value of \$1,200 and in foreign index futures with a total notional value of \$4,100. 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, 2016.

Contingent Features

At June 30, 2016, 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, 2016 totaled \$467,500 and private equity and infrastructure investments totaled \$882,700.

t. Real Estate

SDCERS' target allocation to real estate is 11%. The Board has established the following portfolio composition targets: 10% in public real estate securities and 90% in private real estate investments. The private portfolio is further 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, 2016, real estate investments totaled \$829,300 and unfunded capital commitments totaled \$197,900. Pursuant to a policy, SDCERS has established a maximum leverage limit of 50% at the portfolio level. As of June 30, 2016, SDCERS' real estate portfolio had leverage of 30.0%. SDCERS' share of outstanding debt in the real estate portfolio is \$129,400, excluding obligations of limited partnership interests in commingled funds. This balance of debt is comprised of all non-recourse loans that currently bear interest at rates ranging from 3.11% to 6.04% and maturity dates that range from April 2017 through June 2023.

The following table illustrates mortgage loans that SDCERS has outstanding as of June 30, 2016.

Fiscal Year Ending June 30	Principal	Interest	Total
2017	\$ 244	\$ 4,843	\$ 5,087
2018	22,778	4,035	26,813
2019	41,611	3,275	44,886
2020	6,851	2,157	9,008
2021	12,650	1,692	14,342
2022-23	45,235	1,997	47,232
Total	<u>\$ 129,369</u>	<u>\$ 17,999</u>	<u>\$ 147,368</u>

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 2016, 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, 2016, securities on loan collateralized by cash had a fair value of \$181,500 and SDCERS received cash collateral of \$184,400, 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, 2016, securities on loan collateralized by securities, irrevocable letters of credit, or tri-party collateral had a fair value of \$217,100 and a collateral value of \$233,600, 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, 2016 for its securities lending activities was \$418,000.

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, 2016, these collateral pools were not rated by the NRSROs.

As of June 30, 2016, SDCERS had \$178,900 invested in the Quality D liquidity collateral pool, which had an average duration of 43 days and an average weighted final maturity of 83 days. SDCERS had \$5,200 invested in the Quality D duration pool, which had an average duration of 45 days and an average weighted final maturity of 2,211 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 Units – Disclosures for Policy and Specific Risks

Narratives and tables presented in the following sections (v. through w.) are taken directly from the audited financial statements of the San Diego Convention Center Corporation (SDCCC) and the comprehensive annual financial report of the San Diego Housing Commission (SDHC) as of June 30, 2016 (certain terms have been modified to conform to the City's CAFR presentation).

v. San Diego Convention Center Corporation

Cash, deposits and investments were categorized as follows at June 30, 2016:

Cash on hand	\$	122
Deposits		2,548
Bank money market account deposits		9,874
Total cash and investments	<u>\$</u>	<u>12,544</u>

Deposits

At June 30, 2016, the carrying amount of SDCCC's cash on hand, deposits, and bank money market account deposits was \$12,544 and the bank balance was \$13,034. Of the bank balance, \$250 was covered by federal depository insurance. The remaining uninsured balance of \$12,784 was collateralized with the collateral held by an affiliate of the counterparty's financial institution.

Deposit and Investment Policy

SDCCC developed a formal deposit and investment policy in August 2010, which addresses custodial credit risk, credit quality risk and allowable investments. SDCCC places no limit on the amount that may be invested in any one account or fund. SDCCC's allowable investments include: obligations of the U.S. government, its agencies and instrumentalities, investment grade state and local government securities, certificates of deposit, bankers' acceptances, repurchase agreements, and money market mutual funds whose portfolios consist of only domestic securities.

w. San Diego Housing Commission

Cash, cash equivalents, and investments at June 30, 2016 consisted of the following:

	SDHC	Component Units ¹	Total
Deposits and Petty Cash	\$ 23,331	\$ 6,954	\$ 30,285
U.S. Agency Bonds	79,870	-	79,870
Negotiable Certificates of Deposit	2,941	-	2,941
San Diego County Investment Pool	17,090	-	17,090
State Local Agency Investment Fund	11,046	-	11,046
Other	25	-	25
Total cash and investments	134,303	6,954	141,257
Restricted cash and cash equivalents	4,095	2,543	6,638
Total	<u>\$ 138,398</u>	<u>\$ 9,497</u>	<u>\$ 147,895</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 \$23,331 at June 30, 2016. 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, 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, 2016, 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, 2016:

Investments by Fair Value Level:	Fair Value	Level 1	Level 2
U.S. Agency Bonds	\$ 79,870	\$ -	\$ 79,870
Negotiable Certificates of Deposit	491	-	491
Total Investments & Cash Equivalents by Fair Value Level	<u>\$ 80,361</u>	<u>\$ -</u>	<u>\$ 80,361</u>

Investments in U.S. agency bonds and negotiable certificates of deposit are classified as Level 2 as there are no quoted market prices published. These investments are traded on a secondary market and thus a fair value is able to be determined using this secondary market value.

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 high quality collateral that backs the bonds and the AA+ by Standard & Poor's of the GSE (Fannie Mae/Freddie Mac) that issues/guarantees them. At June 30, 2016, SDHC had \$79,870 invested in Agency MBS bonds.

SDHC had \$2,941 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.

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, 2016 was \$8,642,414. The investment portfolio had a weighted average yield to maturity of 0.85%, weighted average days to maturity of 316 days and an effective duration of 0.65 years. As of June 30, 2016, SDHC had \$17,090 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 State Code. As of June 30, 2016, the average maturity of PMIA investments was 167 days and the balance of the investment portfolio of PMIA was \$75,442,589. SDHC had \$11,046 invested with LAIF as of June 30, 2016.

Investment Risk Factors

There are many factors that can affect the value of investments. Some factors, such as credit risk, custodial risk, concentration of credit risk and market risk, may affect both equity and fixed income securities. 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. It is the investment policy of SDHC to invest substantially all of its funds in fixed income securities, which limits SDHC's exposure to most types of risk.

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.
- *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 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, 2016 is as follows:

	Maturities as of June 30, 2016			Total Fair Value
	Less Than 3 Months	4-12 Months	1-5 Years	
Cash and Cash Equivalents ¹				
Deposits	\$ 23,320	\$ -	\$ -	\$ 23,320
Petty Cash	11	-	-	11
Restricted Cash and Cash Equivalents	4,095	-	-	4,095
Total Cash and Cash Equivalents	<u>27,426</u>	<u>-</u>	<u>-</u>	<u>27,426</u>
Short-Term Investments				
U.S. Agency Bonds	1,531	22,447	-	23,978
Negotiable Certificates of Deposit	245	246	-	491
Other	25	-	-	25
San Diego County Investment Pool	17,090	-	-	17,090
State Local Agency Investment Fund	11,046	-	-	11,046
Total Short-Term Investments	<u>29,937</u>	<u>22,693</u>	<u>-</u>	<u>52,630</u>
Long-Term Investments				
U.S. Agency Bonds	-	-	55,892	55,892
Negotiable Certificates of Deposit ²	-	-	2,450	2,450
Total Long-Term Investments	<u>-</u>	<u>-</u>	<u>58,342</u>	<u>58,342</u>
Total Cash, Cash Equivalents, and Investments	<u>\$ 57,363</u>	<u>\$ 22,693</u>	<u>\$ 58,342</u>	<u>\$ 138,398</u>

¹ Cash and Cash Equivalents do not have maturities.

² Reported at amortized cost.

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, 2016 is as follows:

	Standard & Poor's Credit Rating		Total Fair Value
	AAA	Rating Not Provided	
Short-Term Investments			
U.S. Agency Bonds ¹	\$ -	\$ 23,978	\$ 23,978
Negotiable Certificates of Deposit	-	491	491
San Diego County Investment Pool	17,090	-	17,090
State Local Agency Investment Fund	-	11,046	11,046
Other	25	-	25
Total Short-Term Investments	17,115	35,515	52,630
Long-Term Investments			
U.S. Agency Bonds ¹	-	55,892	55,892
Negotiable Certificates of Deposit ²	-	2,450	2,450
Total Long-Term Investments	-	58,342	58,342
Total Investments	\$ 17,115	\$ 93,857	\$ 110,972

¹ As of June 30, 2016, SDHC exceeded the 5% limit of total investments for issuers of various U.S. Agency Bonds.

² Reported at amortized cost.

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4. CAPITAL ASSETS (Dollars in Thousands)

Capital asset activities for the year ended June 30, 2016 are as follows:

	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Non-Depreciable Capital Assets:					
Land and Rights of Way	\$ 1,783,398	\$ 71,130	\$ (20,109)	\$ (56)	\$ 1,834,363
Easements	1,266	2,869	-	55	4,190
Construction in Progress	275,187	159,159	(4,973)	(80,436)	348,937
Total Non-Depreciable Capital Assets	2,059,851	233,158	(25,082)	(80,437)	2,187,490
Depreciable Capital Assets:					
Structures and Improvements	1,363,789	10,482	(176)	19,061	1,393,156
Equipment	380,452	34,440	(19,594)	4,346	399,644
Intangibles	46,271	405	-	-	46,676
Infrastructure	3,727,661	71,239	(3,474)	57,370	3,852,796
Total Depreciable Capital Assets	5,518,173	116,566	(23,244)	80,777	5,692,272
Less Accumulated Depreciation/Amortization for:					
Structures and Improvements	(528,426)	(38,254)	176	704	(565,800)
Equipment	(236,947)	(28,984)	18,874	(135)	(247,192)
Intangibles	(34,320)	(648)	-	-	(34,968)
Infrastructure	(2,180,984)	(95,494)	2,108	(600)	(2,274,970)
Total Accumulated Depreciation/Amortization	(2,980,677)	(163,380)	21,158	(31)	(3,122,930)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	2,537,496	(46,814)	(2,086)	80,746	2,569,342
Governmental Activities Capital Assets, Net	\$ 4,597,347	\$ 186,344	\$ (27,168)	\$ 309	\$ 4,756,832
BUSINESS-TYPE ACTIVITIES					
Non-Depreciable Capital Assets:					
Land and Rights of Way	\$ 96,685	\$ 526	\$ -	\$ 1	\$ 97,212
Easements	2,174	87	-	19	2,280
Construction in Progress	257,869	164,264	(849)	(120,151)	301,133
Total Non-Depreciable Capital Assets	356,728	164,877	(849)	(120,131)	400,625
Depreciable Capital Assets:					
Structures and Improvements	1,958,519	3,795	(7)	14,046	1,976,353
Equipment	483,610	5,418	(10,861)	(5,177)	472,990
Intangibles	24,304	14	-	(1,331)	22,987
Distribution and Collection Systems and Other Infrastructure	4,826,663	70,282	(5,813)	112,253	5,003,385
Total Depreciable Capital Assets	7,293,096	79,509	(16,681)	119,791	7,475,715
Less Accumulated Depreciation/Amortization for:					
Structures and Improvements	(521,284)	(36,941)	7	469	(557,749)
Equipment	(323,370)	(15,761)	10,707	602	(327,822)
Intangibles	(8,369)	(2,307)	-	634	(10,042)
Distribution and Collection Systems and Other Infrastructure	(1,130,376)	(76,539)	3,591	(1,674)	(1,204,998)
Total Accumulated Depreciation/Amortization	(1,983,399)	(131,548)	14,305	31	(2,100,611)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	5,309,697	(52,039)	(2,376)	119,822	5,375,104
Business-Type Activities Capital Assets, Net	\$ 5,666,425	\$ 112,838	\$ (3,225)	\$ (309)	\$ 5,775,729

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

GOVERNMENTAL ACTIVITIES

General Government and Support	\$ 6,278
Public Safety - Police	4,789
Public Safety - Fire and Life Safety and Homeland Security	4,533
Parks, Recreation, Culture and Leisure	42,875
Transportation	82,815
Sanitation and Health	2,168
Neighborhood Services	<u>132</u>
Subtotal	143,590
Internal Service	<u>19,790</u>
Total Depreciation/Amortization Expense	<u>\$ 163,380</u>

BUSINESS-TYPE ACTIVITIES

Sewer Utility	\$ 71,877
Water Utility	55,882
Airports	1,148
Development Services	42
Environmental Services	1,269
Golf Course	1,310
Recycling	<u>20</u>
Total Depreciation/Amortization Expense	<u>\$ 131,548</u>

Discretely Presented Component Units

Capital asset activities for the City's Discretely Presented Component Units for the year ended June 30, 2016 are as follows:

	Discretely Presented Component Unit - San Diego Convention Center Corporation			
	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Capital Assets:				
Construction in Progress	\$ -	\$ 1,397	\$ -	\$ 1,397
Depreciable Capital Assets:				
Structures and Improvements	29,947	1,011	-	30,958
Equipment	4,594	311	(235)	4,670
Total Depreciable Capital Assets	34,541	1,322	(235)	35,628
Less Accumulated Depreciation for:				
Structures and Improvements	(20,336)	(1,314)	-	(21,650)
Equipment	(3,600)	(290)	222	(3,668)
Total Accumulated Depreciation	(23,936)	(1,604)	222	(25,318)
Total Depreciable Capital Assets - Net of Depreciation	10,605	(282)	(13)	10,310
Capital Assets, Net	<u>\$ 10,605</u>	<u>\$ 1,115</u>	<u>\$ (13)</u>	<u>\$ 11,707</u>

	Discretely Presented Component Unit - San Diego Housing Commission			
	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Non-Depreciable Capital Assets:				
Land	\$ 68,369	\$ -	\$ (287)	\$ 68,082
Construction in Progress	2,267	6,073	(43)	8,297
Total Non-Depreciable Capital Assets	70,636	6,073	(330)	76,379
Depreciable Capital Assets:				
Structures and Improvements	132,050	2,426	-	134,476
Equipment	4,348	281	(134)	4,495
Total Depreciable Capital Assets	136,398	2,707	(134)	138,971
Less Accumulated Depreciation for:				
Structures and Improvements	(28,474)	(4,781)	-	(33,255)
Equipment	(3,742)	(350)	132	(3,960)
Total Accumulated Depreciation	(32,216)	(5,131)	132	(37,215)
Total Depreciable Capital Assets - Net of Depreciation	104,182	(2,424)	(2)	101,756
Capital Assets, Net	<u>\$ 174,818</u>	<u>\$ 3,649</u>	<u>\$ (332)</u>	<u>\$ 178,135</u>

Discretely Presented Component Units of the San Diego Housing Commission

Capital assets for the discretely presented component units of SDHC as of December 31, 2015 are as follows:

Non-Depreciable Capital Assets:

Land	\$ 1,655
Construction in Progress	<u>12,184</u>
Total Non-Depreciable Capital Assets	<u>13,839</u>

Depreciable Capital Assets:

Structures and Improvements	35,964
Equipment	<u>1,196</u>
Total Depreciable Capital Assets	37,160
Less Accumulated Depreciation	<u>(4,699)</u>
Total Depreciable Capital Assets - Net of Depreciation	<u>32,461</u>
Capital Assets, Net	<u>\$ 46,300</u>

Capital asset activities for the City's Successor Agency for the year ended June 30, 2016 are as follows:

	Successor Agency - Private-Purpose Trust Fund			
	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Capital Assets:				
Land and Rights of Way	\$ 105,947	\$ -	\$ (64,957)	\$ 40,990
Construction in Progress	<u>9,989</u>	<u>9,030</u>	<u>(15,736)</u>	<u>3,283</u>
Total Non-Depreciable Capital Assets	<u>115,936</u>	<u>9,030</u>	<u>(80,693)</u>	<u>44,273</u>
Depreciable Capital Assets:				
Structures and Improvements	69,732	-	-	69,732
Equipment	<u>819</u>	<u>-</u>	<u>-</u>	<u>819</u>
Total Depreciable Capital Assets	<u>70,551</u>	<u>-</u>	<u>-</u>	<u>70,551</u>
Less Accumulated Depreciation for:				
Structures and Improvements	(15,835)	(1,744)	-	(17,579)
Equipment	<u>(819)</u>	<u>-</u>	<u>-</u>	<u>(819)</u>
Total Accumulated Depreciation	<u>(16,654)</u>	<u>(1,744)</u>	<u>-</u>	<u>(18,398)</u>
Total Depreciable Capital Assets - Net of Depreciation	<u>53,897</u>	<u>(1,744)</u>	<u>-</u>	<u>52,153</u>
Capital Assets, Net	<u>\$ 169,833</u>	<u>\$ 7,286</u>	<u>\$ (80,693)</u>	<u>\$ 96,426</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, 2016 is reflected in the table below, followed by additional information on some of these items:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2016
Compensated Absences				\$ 70,739
Liability Claims				360,264
Reimbursement Agreement Obligations				27,512
Equipment Vehicle Financing Program (EVFP) Capital Lease Obligations	0.71-5.0%	2023		40,998
Other Capital Lease Obligations	0.0-6.47	2035	\$ 46,900	45,502
Qualified Energy Conservation Bonds (QECCB) Lease Obligation	6.16 ¹	2026	13,142	9,259
Loans Payable - California Energy Resources Conservation and Development Commission:				
Issued January 2007	3.95	2019	2,154	602
Issued March 2007	4.5	2017	1,280	213
Issued December 2011	3.0	2024	2,987	2,306
Issued December 2012	1.0	2029	1,986	<u>1,852</u>
Total Loans Payable				<u>4,973</u>
Section 108 Loans Payable		2025	5,910	3,507
Lease Revenue Bonds:				
Public Facilities Financing Authority Lease Revenue Refunding Bonds, Series 2010 A	3.0-5.25 ²	2040	167,635	144,330
Convention Center Expansion Financing Authority Lease Revenue Bonds, Series 2012 A	3.8 - 5.25 ²	2028	140,440	112,980
Public Facilities Financing Authority CIP Lease Revenue Refunding Bonds, Series 2012 A	2.0 - 5.00 ²	2042	72,000	67,715
Public Facilities Financing Authority Fire and Life Safety Lease Revenue Refunding Bonds, Series 2012 B	2.0 - 5.0 ²	2032	18,745	16,300
Public Facilities Financing Authority CIP/Old Town Light Rail Extension Lease Revenue Refunding Bonds, Series 2013 A	3.0 - 5.0 ²	2043	43,245	38,975
Public Facilities Financing Authority Balboa Park/Mission Bay Park Lease Revenue Refunding Bonds, Series 2013 B	3.0 - 5.0 ²	2024	6,285	4,865
Public Facilities Financing Authority CIP Lease Revenue Bonds, Series 2015 A	5.0	2045	62,260	62,260
Public Facilities Financing Authority CIP Lease Revenue Bonds, Series 2015 B	5.0	2033	45,030	43,365
Public Facilities Financing Authority Ballpark Lease Revenue Refunding Bonds, Series 2016	2.0 - 5.0 ²	2032	103,255	<u>103,255</u>
Total Lease Revenue Bonds				<u>594,045</u>
Tobacco Settlement Asset-Backed Bonds:				
Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006	7.125	2023 ³	105,400	<u>69,440</u>
Total Bonds Payable				<u>663,485</u>
Net Other Postemployment Benefits Obligation				204,822
Net Pension Obligation				1,202
Net Pension Liability				<u>1,378,235</u>
Total Governmental Activities Long-Term Liabilities				<u>\$ 2,810,498</u>

¹ Nominal interest rate of 6.16% with a net effective rate of 2.66% inclusive of QECCB federal subsidy and 6.8% subsidy sequestration calculated by the Federal Office of Management and Budget for fiscal year 2016.

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.

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.

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 those departments that benefit from the facility improvements.

Reimbursement Agreements related to Facilities Financing 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 are 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.

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.

Lease revenue bonds are lease obligations secured by a lease-back arrangement with a public entity, where the general operating revenues are pledged to pay 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, installment sales agreement, or loan agreement that does not constitute indebtedness under the state constitutional debt limitation and is not subject to other statutory requirements applicable to bonds.

Tobacco Settlement Asset-Backed Bonds are limited obligations of the TSRFC, which is a separate legal California nonprofit public benefit corporation established by the City. TSRFC purchased from the City the rights to receive future tobacco settlement revenues due to the City. The Tobacco Settlement Asset-Backed Bonds are payable from and secured solely by pledged tobacco settlement revenues.

b. Amortization Requirements

The annual requirements to amortize such long-term debt outstanding as of June 30, 2016, including interest payments to maturity, are as follows:

Year Ending June 30	Equipment Vehicle Financing Program				Qualified Energy Conservation		Loans Payable	
	(EVFP) Capital Lease Obligations		Other Capital Lease Obligations		Bonds Lease Obligation			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 10,650	\$ 677	\$ 524	\$ 2,804	\$ 830	\$ 570	\$ 829	\$ 114
2018	8,611	498	1,294	2,766	850	519	633	90
2019	8,349	343	1,425	2,721	871	467	651	71
2020	6,225	204	1,567	2,666	892	413	453	55
2021	3,763	110	1,071	2,602	913	358	464	44
2022-2026	3,400	72	8,129	11,662	4,903	921	1,600	76
2027-2031	-	-	14,277	8,115	-	-	343	5
2032-2037	-	-	17,215	2,358	-	-	-	-
Total	<u>\$ 40,998</u>	<u>\$ 1,904</u>	<u>\$ 45,502</u>	<u>\$ 35,694</u>	<u>\$ 9,259</u>	<u>\$ 3,248</u>	<u>\$ 4,973</u>	<u>\$ 455</u>

Year Ending June 30	Section 108 Loans Payable		Lease Revenue Bonds		Tobacco Settlement Asset-Backed Bonds	
	Principal	Interest	Principal	Interest	Principal ¹	Interest
	2017	\$ 310	\$ 195	\$ 23,585	\$ 28,090	\$ 6,200
2018	325	178	24,035	27,632	6,600	4,506
2019	345	159	25,070	26,612	7,000	4,036
2020	364	139	26,250	25,440	7,600	3,537
2021	385	117	27,565	24,125	8,100	2,995
2022-2026	1,778	220	150,920	99,137	33,940	4,216
2027-2031	-	-	125,920	62,218	-	-
2032-2036	-	-	77,910	37,580	-	-
2037-2041	-	-	79,230	18,252	-	-
2042-2046	-	-	33,560	2,930	-	-
Total	<u>\$ 3,507</u>	<u>\$ 1,008</u>	<u>\$ 594,045</u>	<u>\$ 352,016</u>	<u>\$ 69,440</u>	<u>\$ 24,238</u>

¹ The Tobacco Asset-Backed Bond Principal Debt Service requirements are based upon final turbo redemption payments projected at time of issuance.

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, 2016. 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	\$ 69,906	\$ 57,769	\$ (56,936)	\$ 70,739	\$ 31,540
Liability Claims	325,948	121,552	(87,236)	360,264	43,544
Reimbursement Agreement Obligations	17,715	32,836	(23,039)	27,512	-
Equipment Vehicle Financing Program (EVFP)					
Capital Lease Obligations	48,572	5,633	(13,207)	40,998	10,650
Other Capital Lease Obligations	43,967	2,900	(1,365)	45,502	524
Qualified Energy Conservation Bonds					
Lease Obligation	10,071	-	(812)	9,259	830
Loans Payable	5,767	-	(794)	4,973	829
Section 108 Loans Payable	3,801	-	(294)	3,507	310
Lease Revenue Bonds	634,010	103,255	(143,220)	594,045	23,585
Unamortized Bond Premiums and Discounts	<u>36,967</u>	<u>20,039</u>	<u>(9,219)</u>	<u>47,787</u>	<u>2,967</u>
Net Lease Revenue Bonds	670,977	123,294	(152,439)	641,832	26,552
Tobacco Settlement Asset-Backed Bonds	73,705	-	(4,265)	69,440	6,200
Net Other Postemployment Benefits Obligation	194,492	10,330	-	204,822	-
Net Pension Obligation	1,900	50	(748)	1,202	-
Net Pension Liability	<u>1,231,178</u>	<u>147,057</u>	<u>-</u>	<u>1,378,235</u>	<u>-</u>
Total	<u>\$ 2,697,999</u>	<u>\$ 501,421</u>	<u>\$ (341,135)</u>	<u>\$ 2,858,285</u>	<u>\$ 120,979</u>

PFFA issued \$103,255 Lease Revenue Refunding Bond Series 2016 (Ballpark Refunding) to refund the Authority's Lease Revenue Bond Series 2007A (Ballpark Refunding). The series 2016 Bonds are payable from revenues derived from Base Rental payments paid by the City for the use and occupancy of the leased property and certain funds established under the indenture.

On December 7, 2015 the City entered into a 5 year Master Lease/Purchase agreement with Banc of America Leasing & Capital, LLC for the procurement of SAP OpenText Licenses in the amount of \$2,900 at 0% interest rate. The lease is recognized as a capital lease since it is an acquisition of the software and nonexclusive perpetual licenses to SAP HANA, SAP Archiving and SAP Invoice Management, provided by SAP Public Services, Inc.

d. Defeasance and Redemption of Debt

Lease Revenue Refunding Bonds Series 2016 (Ballpark Refunding) were issued to refund outstanding Lease Revenue Bonds Series 2007A. The final maturity date for the Series 2016 Bonds is October 15, 2031. The refunded bonds are defeased and the corresponding liability has been removed from the Statement of Net Position. The refunding transaction resulted in a total economic gain of approximately \$23,487 and a cash flow savings of approximately \$32,433. The bonds refunded will be fully redeemed on February 15, 2017.

As June 30, 2016, 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 2007A (Ballpark)	<u>\$120,500</u>

e. Long-Term Pledged Liabilities

Governmental long-term pledged liabilities as of June 30, 2016 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 Development Impact Fee (DIF) Revenue:				
Kearny Mesa Reimbursement Agreement, dated June 2005		\$ 145	\$ 164	\$ 164
Quarry Falls (Civita) Neighborhood Parks Reimbursement Agreement		<u>11,814</u>	<u>6,111</u>	<u>6,111</u>
Total Pledged Development Impact Fee (DIF) Revenue		<u>11,959</u>	<u>6,275</u>	<u>6,275</u>
Pledged Facilities Benefit Assessment (FBA) Revenue:				
Facilities Financing Reimbursement Agreement Obligations		14,056	16,342	16,342
Pledged Regional Transportation Congestion Improvement Program (RTCIP)				
Quarry Falls (Civita) Neighborhood Parks Reimbursement Agreement		1,497	422	422
Naval Training Center Civic, Arts, and Cultural Center (Section 108)	2025	4,515	506	506
Pledged Tobacco Settlement Revenue:				
Tobacco Settlement Revenue Funding Corporation Asset-Backed Bonds, Series 2006	2023	<u>93,678</u>	<u>9,508</u>	<u>8,919</u>
Total		<u>\$ 125,705</u>	<u>\$ 33,053</u>	<u>\$ 32,464</u>

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

a. Long-Term Liabilities

Business-type activities long-term liabilities as of June 30, 2016 are comprised of the following:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2016
Arbitrage Liability				\$ 1,395
Compensated Absences				12,824
Liability Claims				28,310
Equipment Vehicle Financing Program (EVFP) Capital				
Lease Obligations	1.665% - 1.838% ¹	2022	\$ 2,590	1,894
Other Capital Lease Obligations	2.6 ¹	2021	5,694	5,694
Contracts Payable	2.6 ¹	2021	3,606	3,606
Loans Payable:				
Sewer Utility - State Water Resources Control Board				
Issued February 9, 2000	1.80% ²	2020	10,606	2,436
Issued February 9, 2000	1.80 ²	2022	6,684	2,263
Issued March 30, 2001	1.80 ²	2022	33,720	11,402
Issued May 17, 2001	1.80 ²	2022	7,742	2,619
Issued May 17, 2001	1.80 ²	2021	860	245
Issued June 11, 2001	1.80 ²	2021	2,525	718
Issued October 3, 2002	1.99 ²	2020	3,767	957
Issued October 3, 2002	1.80 ²	2023	8,068	3,155
Issued December 14, 2005	1.89 ²	2024	10,093	4,693
Issued October 15, 2006	1.99 ²	2024	3,858	1,885
Issued February 28, 2007	1.89 ²	2026	11,068	6,312
Issued February 17, 2012	2.70 ²	2036	31,514	31,514
Issued July 10, 2012	2.20 ²	2033	18,835	14,022
Issued December 19, 2012	1.70 ²	2035	7,204	6,902
Issued December 19, 2012	1.70 ²	2035	707	675
Issued December 19, 2012	1.70 ²	2038	3,597	3,597
Issued June 26, 2013	2.20 ²	2034	4,776	2,220
Issued August 22, 2013	2.20 ²	2034	8,924	7,497
Total Sewer Loans Payable				103,112
Water Utility - Department of Health Services				
Issued May 30, 2011	2.31 ²	2032	12,000	9,759
Issued January 1, 2012	2.31 ²	2032	20,000	16,263
Issued January 1, 2012	2.50 ²	2032	18,000	15,079
Issued January 29, 2013	2.093 ²	2036	9,509	9,509
Issued January 29, 2013	2.093 ²	2034	3,106	3,106
Issued June 11, 2014	2.085 ²	2037	5,366	5,366
Total Water Loans Payable				59,082
Total Loans Payable				162,194

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2016</u>
Bonds Payable:				
Senior Sewer Revenue Bonds, Series 2009 A	2.0-5.375 ¹	2019	\$ 453,775	\$ 36,350
Senior Sewer Revenue Refunding Bonds Series 2009 B	3.0-5.5 ¹	2019	634,940	138,580
Subordinated Water Revenue Bonds, Refunding Series 2012 A	2.0-5.0 ¹	2033	188,610	135,970
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	40,540
Subordinated Water Revenue Bonds, Refunding Series 2016 B	5.0 ¹	2040	523,485	<u>523,485</u>
Total Bonds Payable				<u>1,579,965</u>
Estimated Landfill Closure and Postclosure Care				47,220
Net Other Postemployment Benefits Obligation				58,918
Net Pension Obligation				120
Net Pension Liability				<u>335,331</u>
Total Business-Type Activities Long-Term Liabilities				<u>\$ 2,237,471</u>

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

² Effective rate.

b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2016, 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	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 364	\$ 30	\$ 1,133	\$ 82	\$ 718	\$ 52
2018	370	24	1,097	118	694	75
2019	376	18	1,125	90	713	57
2020	382	12	1,154	61	731	38
2021	389	5	1,185	31	750	20
2022-2026	<u>13</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,894</u>	<u>\$ 89</u>	<u>\$ 5,694</u>	<u>\$ 382</u>	<u>\$ 3,606</u>	<u>\$ 242</u>

Year Ending June 30	Loans Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2017	\$ 10,313	\$ 3,085	\$ 90,400	\$ 65,334
2018	10,472	2,927	86,715	72,156
2019	10,690	2,707	91,045	67,830
2020	10,914	2,484	92,430	63,381
2021	10,255	2,255	96,850	58,981
2022-2026	38,396	8,337	462,285	224,608
2027-2031	32,328	4,366	298,985	125,397
2032-2036	17,248	1,041	198,845	66,836
2037-2041	-	-	150,845	18,308
2042-2046	-	-	11,565	1,500
Unscheduled ¹	21,578	-	-	-
Total	<u>\$ 162,194</u>	<u>\$ 27,202</u>	<u>\$ 1,579,965</u>	<u>\$ 764,331</u>

¹ The loans payable to the State Water Resources Control Board in the amount of \$3,597 and loans payable to Department of Health Services in the amount of \$17,981 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, 2016. The effect 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	\$ 122	\$ 1,383	\$ (110)	\$ 1,395	\$ -
Compensated Absences	12,888	11,465	(11,529)	12,824	6,071
Liability Claims	28,943	2,506	(3,139)	28,310	4,177
Equipment Vehicle Financing Program (EVFP)					
Capital Lease Obligation	2,250	-	(356)	1,894	364
Other Capital Lease Obligations	-	5,694	-	5,694	1,133
Contracts Payable	-	3,606	-	3,606	718
Loans Payable	158,241	25,459	(21,506)	162,194	10,313
Revenue Bonds Payable	1,702,940	1,280,925	(1,403,900)	1,579,965	90,400
Unamortized Bond Premiums and Discounts	68,145	251,058	(55,909)	263,294	17,693
Net Revenue Bonds Payable	1,771,085	1,531,983	(1,459,809)	1,843,259	108,093
Estimated Landfill Closure/Postclosure Care ¹	23,269	23,951	-	47,220	-
Net Other Postemployment Benefits Obligation	55,943	2,975	-	58,918	-
Net Pension Obligation	240	-	(120)	120	-
Net Pension Liability	304,359	30,972	-	335,331	-
Totals	<u>\$ 2,357,340</u>	<u>\$ 1,639,994</u>	<u>\$ (1,496,569)</u>	<u>\$ 2,500,765</u>	<u>\$ 130,869</u>

¹ See Note 19 for additional information.

On December 29, 2015, the City entered into a five year lease agreement with Government Capital Corporation (GCC) for a total of \$9,300 to acquire the ACCELA software system as a replacement for Development Services' permit tracking system. As of June 30, 2016, approximately \$2,916 of the capital asset had been recognized and capitalized. Included in the agreement is \$3,606 for non-capital related hosting and maintenance fees, which is reported as Contracts Payable. GCC paid the vendor in advance for the full agreement amount of \$9,300, and therefore, the remaining \$2,778 is reported in the Development Services Enterprise Fund as a prepaid expense.

Issuance of Debt

During fiscal year 2016, PFFA issued Senior Sewer Revenue Refunding Bonds, Series 2015 (Series 2015) in the amount of \$313,620 and Senior Sewer Revenue Refunding Bonds, Series 2016A (Series 2016A) in the amount of \$403,280. The bond proceeds were used to refund a portion of the Outstanding Senior Sewer Revenue Bonds Series 2009A (Series 2009A) and Senior Sewer Revenue Bonds Series 2009B (Series 2009B), all of the outstanding Senior Sewer Revenue Bonds Series 2010A (Series 2010A), and to fund cost of issuance related to the bonds. The maturity date for Series 2015 is May 15, 2027 and Series 2016A is May 15, 2039.

PFFA also issued Subordinated Water Revenue Bonds, Series 2016A (Series 2016A) and Subordinated Water Revenue Bonds, Refunding Series 2016B (Series 2016B) in the amounts of \$40,540 and \$523,485, respectively. The proceeds of Series 2016A, together with other available funds, were used to finance additional improvements to the Water System and to fund cost of issuance. The proceeds of Series 2016B were used to advance refund the outstanding Water Revenue Bonds, Refunding Series 2009A, Series 2009B, Refunding Series 2010A, to current refund an outstanding Subordinated Drinking Water State Revolving Fund (SRF) Loan, and to fund cost of issuance related to the bonds. The final maturity date for Series 2016A is August 1, 2045 and Series 2016B is August 1, 2039.

d. Redemption and Defeasance of Debt

The refunded Senior Sewer Revenue Bonds, Series 2009A, Series 2009B, and Series 2010A, are defeased and the corresponding liability has been removed from the Statement of Net Position. The refunding transaction for Series 2015 resulted in a total economic gain of approximately \$22,171 and a cash flow savings of approximately \$27,167. The refunding transaction for Series 2016A resulted in a total economic gain of approximately \$45,008 and a cash flow savings of approximately \$70,684. Outstanding balances for Series 2009A and Series 2009B are \$36,350 and \$138,580, respectively.

The refunded Water Revenue Bonds, Refunding Series 2009A, Series 2009B, Refunding Series 2010A and Drinking Water SRF Loan are defeased and the corresponding liability has been removed from the Statement of Net Position. The refunding transaction for Series 2016B resulted in a total economic gain of approximately \$78,270 and a cash flow savings of approximately \$120,705.

As of June 30, 2016, principal amounts payable from escrow funds established for defeased bonds are as follows:

<u>Water Revenue Defeased Bonds 2016 Escrow (June 23, 2016)</u>	<u>Amount</u>	<u>Redemption Date</u>
Water Revenue Bonds, Refunding Series 2009A	\$148,055	August 1, 2018
Water Revenue Bonds, Series 2009B	293,925	August 1, 2019
Water Revenue Bonds, Refunding Series 2010A	123,075	August 1, 2020
Total Defeased Bonds Outstanding	<u>\$565,055</u>	
<u>Sewer Revenue Defeased Bonds 2015 Escrow (September 24, 2015)</u>	<u>Amount</u>	<u>Redemption Date</u>
Senior Sewer Revenue Bonds, Series 2009A	\$70,575	May 15, 2019
Senior Sewer Revenue Bonds, Refunding Series 2009B	148,820	May 15, 2019
Senior Sewer Revenue Bonds, Refunding Series 2010A	99,075	May 15, 2020
Total Defeased Bonds Outstanding	<u>\$318,470</u>	
<u>Sewer Revenue Defeased Bonds 2016 Escrow (March 30, 2016)</u>	<u>Amount</u>	<u>Redemption Date</u>
Senior Sewer Revenue Bonds, Series 2009A	\$254,065	May 15, 2019
Senior Sewer Revenue Bonds, Refunding Series 2009B	112,340	May 15, 2019
Senior Sewer Revenue Bonds, Refunding Series 2010A	62,855	May 15, 2020
Total Defeased Bonds Outstanding	<u>\$429,260</u>	

e. Long-Term Pledged Liabilities

Business-type activities long-term pledged liabilities as of June 30, 2016 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				
Issued February 9, 2000	2020	\$ 2,546	\$ 637	\$ 637
Issued February 9, 2000	2022	2,408	401	401
Issued March 30, 2001	2022	12,149	2,024	2,024
Issued May 17, 2001	2022	2,789	464	464
Issued May 17, 2001	2021	256	52	52
Issued June 11, 2001	2021	756	152	152
Issued October 3, 2002	2020	1,005	251	251
Issued October 3, 2002	2023	3,389	484	484
Issued December 14, 2005	2024	5,099	638	638
Issued October 15, 2006	2024	2,059	257	257
Issued February 28, 2007	2026	6,990	699	699
Issued February 17, 2012	2036	41,126	-	-
Issued July 10, 2012	2033	16,958	998	998
Issued December 19, 2012	2035	8,132	379	379
Issued December 19, 2012	2035	796	42	42
Issued December 19, 2012	2038	3,597	-	-
Issued June 26, 2013	2034	2,713	151	151
Issued August 22, 2013	2034	9,161	509	509
Bonds				
Senior Sewer Revenue Bonds, Series 2009 A	2019	39,302	26,183	25,948
Senior Sewer Revenue Refunding Bonds, Series 2009 B	2019	152,923	47,120	46,865
Senior Sewer Revenue Refunding Bonds, Series 2010 A	2029	-	1,650	1,468
Senior Sewer Revenue Refunding Bonds, Series 2015	2027	424,230	14,658	14,658
Senior Sewer Revenue Refunding Bonds, Series 2016 A	2039	648,999	9,131	9,131
Total Pledged Net Sewer Systems Revenue		1,387,383	106,880	106,208
Pledged Net Water Systems Revenue:				
Loans - Department of Health Services				
Issued July 6, 2005	2026	-	1,377	1,375
Issued May 30, 2011	2032	11,665	752	752
Issued January 1, 2012	2032	19,431	1,253	1,253
Issued January 1, 2012	2032	18,390	1,149	1,149
Issued January 29, 2013	2036	9,509	174	174
Issued January 29, 2013	2034	3,106	60	60
Issued June 11, 2014	2037	5,366	-	-
Bonds				
Water Revenue Bonds, Refunding Series 2009 A	2039	-	9,557	9,240
Water Revenue Bonds, Series 2009 B	2040	-	21,735	20,968
Water Revenue Bonds, Refunding Series 2010 A	2029	-	6,310	5,617
Subordinated Water Revenue Bonds, Refunding Series 2012 A	2033	201,148	25,020	23,023
Subordinated Water Revenue Bonds, Series 2016 A	2046	76,944	-	-
Subordinated Water Revenue Bonds, Refunding Series 2016 B	2040	800,750	-	-
Total Pledged Net Water Systems Revenue		1,146,309	67,387	63,611
Total Pledged Revenues		\$ 2,533,692	\$ 174,267	\$ 169,819

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

Narratives and tables presented in the following sections are taken from the audited financial statements of the San Diego Convention Center Corporation and the comprehensive annual financial report of the San Diego Housing Commission as of June 30, 2016.

San Diego Convention Center Corporation

Long-term liabilities of SDCCC as of June 30, 2016 are comprised of the following:

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2016	Due Within One Year
Compensated Absences				\$ 1,320	\$ 1,320
Notes Payable:					
CG 7600 LLC	0.00%	2023	\$ 22	<u>15</u>	<u>2</u>
Total Long-Term Liabilities				<u>\$ 1,335</u>	<u>\$ 1,322</u>

On April 15, 2013, SDCCC entered into a commercial lease agreement with CG 7600, LLC (lessor) in which the lessor financed a warehouse capital improvement for SDCCC valued at \$22. The agreement calls for the loan to be amortized as part of SDCCC's monthly rent over 10 years at a zero percent per annum rate. In the event SDCCC does not exercise the option to extend, the unamortized portion becomes payable and due upon termination of the contract.

Annual requirements to amortize long-term debt as of June 30, 2016, are as follows:

Year Ending June 30	Notes Payable	
	Principal	Interest
2017	\$ 2	\$ -
2018	2	-
2019	2	-
2020	2	-
2021	2	-
2022-2023	<u>5</u>	<u>-</u>
Total	<u>\$ 15</u>	<u>\$ -</u>

San Diego Housing Commission

Long-term liabilities of SDHC as of June 30, 2016 are comprised of the following:

<u>Type of Obligation</u>	<u>Interest Rate</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2016¹</u>	<u>Due Within One Year</u>
Compensated Absences				\$ 1,989	\$ 1,989
Notes Payable:					
Debts of SDHC					
GE Capital, (Smart Corner & Maya) dated November 2011	6.08%	2027	\$ 15,000	8,131	696
Successor Agency of the Redevelopment Agency of the City of San Diego dated March 1992	0.00% forgivable	2022	696	696	-
Successor Agency of the Redevelopment Agency of the City of San Diego dated March 18, 2010	1.00% forgivable	2065	6,095	6,080	-
State of California, Housing Loan Conversion Program dated March 10, 2013	3.00%	2068	4,555	4,555	-
Debts of the LLCs					
Greystone Servicing Corp, Inc. Fannie Mae (Belden)	7.32%	2040	12,320	11,392	188
Greystone Servicing Corp, Inc. Fannie Mae (Northern)	7.32%	2040	10,810	9,996	165
Greystone Servicing Corp, Inc. Fannie Mae (Central)	7.32%	2040	14,010	12,955	214
PNC Bank, NA FHA (Southern)	3.76%	2046	25,017	22,802	436
PNC Bank, NA FHA (Northern)	3.76%	2046	17,500	15,950	305
PNC Bank, NA FHA (Central)	3.65%	2046	15,726	14,328	278
Total Notes Payable				<u>106,885</u>	<u>2,282</u>
Total Long-Term Liabilities				<u>\$ 108,874</u>	<u>\$ 4,271</u>

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

In November 2011, SDHC entered into a loan agreement with GE Commercial Finance to refinance the Smart Corner Building, which houses the administrative offices of SDHC. In September 2015 Key Bank Real Estate Capital took over as servicer of the loan. The term of the loan is for 15 years, amortized over 25 years with a fixed interest rate of 6.08% until November 2021, at which time the rate will convert to a variable rate. In November 2015, SDHC exercised the annual option to pay down the loan principal in the amount of \$946.

SDHC entered into a loan agreement with the former RDA as of March 18, 2010, for the acquisition and rehabilitation of the Hotel Sandford. The loan from the former RDA is a forgivable loan, with a term of 55 years and 1% simple interest. The total approved loan amount is \$6,095 with the loan being fully disbursed as of June 30, 2016. The project incurred savings and the City's portion of the savings was returned to them in the form of a payment on the loan. As of June 30, 2016, \$252 of cost savings were returned with \$237 applied to interest and \$15 to principal.

In May 2013, the two State of California loans were renegotiated through the Housing Loan Conversion Program and extended for 55 years to 2068. They now bear an interest rate of 3% with required annual interest payments and with residual receipt requirements.

On December 30, 2009, Belden SDHC FNMA, LLC, Central SDHC FNMA, LLC and Northern SDHC FNMA, LLC (blended component units of the SDHC) entered into debt agreements with Greystone Servicing Corp. Inc. in the amount of \$37,140. The debt agreement is to obtain financing towards acquiring over 350 affordable housing units in the City. The FNMA loans are nonrecourse obligations of the LLCs and not of SDHC. Under the terms of the loan agreements, the LLCs agree to pay a fixed interest rate of 7.32% on the life of the loan through the maturity date January 1, 2040.

On August 31, 2010, Northern SDHC FHA, LLC, and Southern SDHC FHA, LLC entered into debt agreements with PNC Bank, N. A. On September 20, 2010, Central SDHC FHA, LLC entered into a debt agreement with PNC Bank, N. A. for the combined total amount of \$58,243. The debt agreements are to obtain financing towards acquiring additional affordable housing units in the City. The FHA loans are nonrecourse obligations of the LLCs and not of SDHC. Under the terms of the loan agreements, the LLCs agree to pay a fixed interest rate not to exceed 4.0% on the life of the loan through the maturity dates of September 1, 2045 and October 1, 2045 for the Northern & Southern LLC loans and the Central LLC loan, respectively.

The American Recovery and Reinvestment Act of 2009 created the new Build America Bond (BABs) program. State and local governments receive directly from the U.S. Treasury subsidy payments 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 has received \$735 in fiscal year 2016 subsidy payments.

The annual requirements to amortize such long-term liabilities as of June 30, 2016 are as follows:

Year Ending June 30	Notes Payable	
	Principal	Interest
2017	\$ 2,282	\$ 4,949
2018	2,408	4,822
2019	2,541	4,689
2020	2,682	4,548
2021	2,831	4,396
2022-2026	16,250	19,424
2027-2031	14,819	15,431
2032-2036	19,463	10,764
2037-2041	21,211	4,673
2042-2046	11,763	1,039
2047-2069	10,635	6,847
Total	<u>\$ 106,885</u>	<u>\$ 81,582</u>

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, 2015 are as follows:

HDP Mason

Note payable is held by the San Diego Housing Commission in the original amount of \$2,365. The note bears interest at 3% per annum. Beginning May 1, 2014 and annually on May 1 of each year thereafter, principal and interest are due and payable from 47.8% of "residual receipts" as defined in the loan agreement through February 2068. The note is secured by a deed of trust on the Mason Hotel. Accrued interest totaled \$257 at December 31, 2015. \$ 2,365

Note payable is held by the Successor Agency to the former Redevelopment Agency of the City of San Diego and administered by Civic San Diego in the original amount of \$1,319. The note bears interest at 5% per annum. Principal and interest are due and payable from 26.6% of "residual receipts" each operating year as defined in the loan agreement note through May 2057. The note is secured by a deed of trust on the Mason Hotel. Accrued interest totaled \$159 at December 31, 2015. 1,319

Note payable is held by California Housing Finance Agency in the original amount of \$1,181. The note bears interest at 3% per annum. Annual payments of principal and interest are payable from 23.9% of the Development's "residual receipts," as defined in the loan agreement through December 2066. The note is secured by a deed of trust on the Mason Hotel. Accrued interest totaled \$120 at December 31, 2015. 1,181

Note payable is held by the San Diego Housing Commission in the original amount of \$226. The note bears interest at 3% per annum. Annual payments of principal and interest are payable only from 1.7% of "residual receipts," as defined in the loan agreement through May 2057. The note is secured by a deed of trust on the Mason Hotel. Accrued interest totaled \$25 at December 31, 2015. 69

Continued on Next Page

Note payable is held by the San Diego Housing Commission in the original amount of \$230. The note is noninterest bearing. The note shall be incrementally forgiven beginning May 2013 at 10% per year provided the Corporation has complied with all provisions of the note. The note is secured by a deed of trust on the Mason Hotel. Forgiveness of debt totaled \$23 for the year ended December 31, 2015.	161
Total HDP Mason	<u>5,095</u>
<u>Casa Colina</u>	
Note payable is held by Red Mortgage Capital, Inc. in the original amount of \$3,465. Monthly payments of \$19 including principal and interest at 5.68% are due through February 1, 2039. The note is secured by a deed of trust on Casa Colina. Accrued interest totaled \$14 at December 31, 2015.	2,937
Note payable is held by the San Diego Housing Commission in the original amount of \$1,600. The note bears interest at 3% per annum. Annual payments of principal and interest are payable only from 50% of "residual receipts," as defined in the loan agreement through February 2059. The note is secured by a deed of trust on Casa Colina. Accrued interest totaled \$35 at December 31, 2015.	1,517
Total Casa Colina	<u>4,454</u>
<u>Logan</u>	
The note payable which was originated in November 2012, is held by the Housing Authority of the City of San Diego and serviced by JP Morgan Chase Bank, N.A. in the original amount of 5,300. The note bears interest at a fixed rate of 5.58% and is payable in monthly installments of principal and interest through February 2032. The note is secured by a deed of trust on Knox Glen Townhomes. Accrued interest totaled \$16 at December 31, 2015.	3,229
The mortgage note is held by the San Diego Housing Commission in the original amount of \$1,400 was originated on November 30, 1995 and bears interest at 6% per annum. Payments of principal and interest are payable annually from residual receipts, as defined in the note. Principal and accrued interest are due November 20, 2050. The note is secured by a deed of trust on Knox Glen Townhomes. Accrued interest totaled \$1,319 at December 31, 2015.	1,400
The mortgage note held by the Successor Agency to the former Redevelopment Agency of the City of San Diego and administered by Civic San Diego in the original amount of \$150 was originated on December 1, 1995. The note bears interest at 3% per annum. Principal and accrued interest are due in December, 2050. The note is secured by a deed of trust on Knox Glen Townhomes. Accrued interest totaled \$62 at December 31, 2015.	150
Total Logan	<u>4,779</u>

HDP Broadway

Multi-family note payable to the Housing Authority of the City of San Diego with a maximum principal sum of \$17,825 was originated on November 25, 2014. The note is being serviced by Berkadia Commercial Mortgage and bears interest at 4.49%. The note is payable in monthly installments of principal and interest of \$84 through maturity on December 1, 2044. The note is secured by a deed of trust on San Diego Square. Accrued interest totaled \$66 at December 31, 2015.

17,610

HDP Churchill

Note payable is held by San Diego Housing Commission in the original amount of \$3,800. The note bears interest at 3% per annum. Annual payments of principal and interest are payable only from 44% of residual receipts as defined in the loan agreement through August 31, 2071. The note is secured by a deed of trust on Hotel Churchill. Accrued interest totaled \$14 at December 31, 2015.

253

Note payable is held by the Successor Agency to the former Redevelopment Agency of the City of San Diego and administered by Civic San Diego in the original amount of \$3,000. The note bears interest at 3% per annum. Annual payments of principal and interest are payable only from 35% of residual receipts as defined in the loan agreement through April 24, 2070. The note is secured by a deed of trust on Hotel Churchill. Accrued interest totaled \$3 at December 31, 2015.

900

Note payable is held by California Housing Finance Agency in the original amount of \$1,800. The note bears interest at 3% per annum. Annual payments of principal and interest are payable only from 21% of residual receipts as defined in the loan agreement through April 1, 2070. The note is secured by a deed of trust on Hotel Churchill. The note had not been funded at December 31, 2015.

-

Subordinate note payable is held by San Diego Housing Commission in the original amount of \$2,307. The note bears interest at 3% per annum. Annual payments of principal and interest are payable only from 44% of residual receipts as defined in the loan agreement through August 31, 2071. The note is secured by a deed of trust on Hotel Churchill. The note had not been funded at December 31, 2015.

-

Total Notes Payable

33,091

Less: Current Portion

(426)

Notes Payable, Net of Current Portion

\$ 32,665

The future principal payments on the notes payable following December 31, 2015 are as follows:

2016	\$	426
2017		379
2018		396
2019		415
2020		434
Thereafter		<u>31,041</u>
Total	\$	<u>33,091</u>

8. 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. 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. 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. The SanGIS fiscal year 2016 annual budget of \$1,290 was funded primarily by equal contributions from the City and County. In its latest audited report, SanGIS reported a decrease in net position of \$8 and an ending net position of \$237 for the fiscal year ended June 30, 2015. 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 an increase in net position of \$42 and ending net position of \$423 for the fiscal year ended June 30, 2015. Complete stand-alone financial statements can be requested from San Diego Workforce Partnership, Inc. 3910 University Avenue, Suite 400, San Diego, CA 92105.

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 2016 annual budget for agency contributions was \$922, of which the City's share was \$295, or 32%. In its latest audited report, for the fiscal year ended June 30, 2015, the JPA reported a decrease in net position of \$870 and an ending net position of \$45,565. The debts, liabilities, or 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.

9. 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, 2016 through May 31, 2035 and interest rates ranging from 0.00% to 6.47%. A schedule of future minimum lease payments under capital leases as of June 30, 2016 is provided in Note 5 and Note 6. The value of the City's capital leased assets as of June 30, 2016 is \$109,301, net of accumulated depreciation of \$50,201. 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			
Equipment	\$ 67,753	\$ (22,901)	\$ 44,852
Equipment (Intangible)	37,708	(26,569)	11,139
Structures & Improvements	29,051	(581)	28,470
Land	15,015	-	15,015
Construction in Progress	4,809	-	4,809
Total Governmental	\$ 154,336	\$ (50,051)	\$ 104,285
Business-Type			
Construction in Progress	\$ 2,916	\$ -	\$ 2,916
Infrastructure	2,250	(150)	2,100
Total Business-Type	\$ 5,166	\$ (150)	\$ 5,016

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 leased 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-cancelable lease terms in excess of one year as of June 30, 2016:

Year Ending June 30	Amount
2017	\$ 14,163
2018	14,091
2019	14,179
2020	11,042
2021	6,969
2022-2026	33,202
2027-2031	16,986
Total	<u>\$ 110,632</u>

Rent expense, as related to operating leases, was \$14,216 for the year ended June 30, 2016, of which \$13,274 was reported as governmental activities, and \$942 as 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 \$169,194, as well as depreciation, are reported in Note 4 and are consolidated with non-leased assets. This amount includes \$60,186 for Petco Park, which is subject to the Joint Use Management Agreement reported on Note 20. Minimum annual lease revenues are reported in the following schedule:

Year Ending June 30	Amount
2017	\$ 42,352
2018	40,301
2019	38,931
2020	37,612
2021	36,624
2022-2026	170,960
2027-2031	158,642
2032-2036	147,842
2037-2041	136,014
2042-2046	120,509
2047-2051	69,315
2052-2056	22,420
2057-2061	6,840
2062-2066	5
Total	<u>\$ 1,028,367</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 \$75,399 for the year ended June 30, 2016, which includes contingent rentals of \$32,765.

10. 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.

11. PENSION PLANS (Dollars in Thousands)

The City has a defined benefit pension plan and various defined contribution pension plans covering substantially all of its employees. The defined benefit pension plan (Pension Plan) is closed to new City employees hired on or after July 20, 2012 except for sworn police officers who continue to participate in the Pension Plan.

An initiative titled "Comprehensive Pension Reform of San Diego" (Proposition B) was approved by voters on June 5, 2012 and implemented by the City in fiscal year 2013. Generally, the measure amended the City Charter to provide all new City employees hired on or after July 20, 2012, except sworn police officers, with a 401(a) defined contribution plan instead of a defined benefit plan. The initiative contains other provisions intended to limit pension costs for existing employees by directing the City to seek, through labor negotiations, to limit City employees' compensation used to calculate pension benefits. This limitation on the City's negotiating authority is in effect until June 30, 2018. Pensionable pay increases may be authorized with a two-thirds vote of the City Council following preparation of an actuarial report that discloses the impact of any proposed increases in compensation or benefits on the City's Pension Plan.

In fiscal year 2013, the City reached five-year agreements with each of the employees' collective bargaining units for non-pensionable compensation increases for fiscal years 2014 through 2018. The agreements freeze pensionable pay and cost-of-living increases for the same period (pensionable pay ranges were frozen, but pensionable pay within those ranges continues to increase for some employees based on years of service in salary classes as specified by the 2011 salary ordinance). The labor agreements may be reopened at the option of employee organizations in fiscal years 2017 and 2018, but only for changes in non-pensionable compensation. On July 1, 2015, the San Diego Police Officers Association (SDPOA), the labor group that represents sworn safety officers, entered into a Memorandum of Understanding (MOU) with the City for fiscal years 2016 through 2020. Also, 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 AFSCME Local 127, DCAA and Teamsters Local 911 effective for fiscal years 2017 through 2020 (with the exception of DCAA which expires at the end of fiscal year 2019). Each labor agreement increased pensionable pay for fiscal years 2019 and 2020 by 3.3% for each fiscal year, with DCAA only for fiscal year 2019.

Proposition B is the subject of ongoing litigation before the California Public Employment Relations Board (PERB). On February 11, 2013, a PERB administrative law judge issued a proposed decision finding that the City violated state labor laws by failing to meet and confer with City labor organizations prior to placing Proposition B on the ballot. The City filed exceptions to the proposed decision. On December 29, 2015 PERB issued Decision No. 2464 M (PERB Decision), which affirmed and adopted the proposed decision with minor modifications. The City has filed an appeal with the Fourth District California Court of Appeal. The litigation could potentially repeal or unwind the implementation of some requirements of Proposition B. Based on the analysis conducted by the SDCERS actuary of the employees hired after the effective date of Proposition B (July 20, 2012 to December 31, 2015), the liability for the employer's UAAL is estimated at \$20,200 as of the December 31, 2015 valuation date, subject to increase with the passage of time and the addition of affected employees. All actual outcomes are dependent on the negotiations with the employee organizations and actual financial impacts are unknown. Notwithstanding the PERB litigation, the actuarial valuation as of June 30, 2015 assumes the validity of Proposition B, that the City has fully implemented its requirements as it relates to the City's Pension Plan, and that the City intends to comply with those requirements under the terms specified in the initiative.

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 (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 unions 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 have a reduction of 3% 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% 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, 2015, the most recent actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits ¹	9,103
Inactive (Terminated) employees entitled to but not yet receiving benefits	2,907
Active employees	<u>7,038</u>
Total	<u><u>19,048</u></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 that 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 1.8% in the first half of fiscal year 2016 and 1.7% 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 in the first half of fiscal year 2016 was 3.6% and 3.0% in the second half. 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 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 San Diego Municipal Code 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 separately from 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 2016, the City contributed \$2,076 towards the Supplemental COLA reserve and paid approximately \$2,077 in benefits. As of June 30, 2016, the Supplemental COLA reserve had an unspent balance of \$173.

b. Summary of Significant Accounting Policies – Pension

The pension trust fund uses the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized as additions in the period in which the contributions are due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the Pension Plan. See Note 1(e) for additional disclosures on SDCERS' method used to value investments.

The City has elected to use fiscal year 2015 as its measurement date for purposes of determining the Pension Plan's Total Pension Liability and Plan Fiduciary Net Position. The measurement is based on the fair value of the Pension Plan's assets as of June 30, 2015 and the Total Pension Liability as of the valuation date, June 30, 2014, with updated procedures to roll forward to June 30, 2015. There were no significant events between the valuation date and the measurement date, therefore the updated procedures only include the addition of service cost and interest cost offset by actual benefit provisions.

c. 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 Board of SDCERS and are not subject to modification by the City. The section also stipulates that under no circumstances may the City and 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. In January 2015, the SDCERS Board voted to account for expected administrative expenses explicitly in the ADC. The administrative component is \$8.5 million for fiscal year 2017, reflecting the second year of a three year phase-in of the administrative expense assumption (\$12,800 annually, increasing by 2.5% per year). For fiscal year 2018 and all fiscal years following, 100% of the expected administrative expenses will be added to the ADC.

The following table shows the City's contribution rates (weighted average of each employee group) for fiscal year 2016, based on the June 30, 2014 actuarial valuation, expressed as percentages of expected payroll:

	<u>Employer Contribution Rates</u>	
	<u>Non-Safety Members</u>	<u>Safety Members</u>
Normal Cost ¹	8.44%	13.43%
Amortization Payment ²	43.19%	57.01%
Administrative Expense ^{3,4}	0.86%	1.17%
Normal Cost Adjusted for Amortization Payment ³	52.49%	71.61%
City Contribution Rates Adjusted for Payment at the Beginning of the Year	50.68%	69.18%

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 and to amortize the unfunded actuarial accrued liability.

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

⁴ Administrative Expenses are to be phased-in over 3 years.

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 2016, the City employee weighted average contribution rates as a percentage of annual covered payroll were 9.13% for general members and 14.29% 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 7.25% for fiscal year 2016, to the Employer and Employee Contribution Reserves and between 1.7-2% 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 to \$75 (whole dollars) times the number of years of service credit; 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); and 3) Crediting interest to the Reserve for Supplemental Cost-of-Living Adjustment (SCOLA).

d. Net Pension Liability

The City has relied on the work of the SDCERS 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, 2015, based on the plan net position as of June 30, 2015 and the Total Pension Liability as of the valuation date, June 30, 2014, updated to June 30, 2015. There were no significant events between the valuation date and the measurement date so the update procedures only included the addition of service cost and interest cost offset by actual benefit payments.

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions:

<u>Description</u>	<u>Actuarial Assumption</u>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Funding Method	Entry Age Normal (EAN)
Amortization Method	Closed; Level % (Police), Level \$ (non-Police)
Annual Rate of Return on Investments ¹	7.25% net of investment expenses
Inflation Rate	3.3% per year, compounded annually
Cost of Living Adjustment	2.0% per year, compounded annually
Projected Salary Increases due to Inflation ²	0% for FY17-FY18, 3.3% thereafter
Mortality	Healthy retired members use the RP-2000 Combined Mortality Table

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 actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study performed by the SDCERS actuary for the period July 1, 2007 through June 30, 2010, and the results of an economic experience study performed by the SDCERS actuary prior to the completion of the June 30, 2014 valuation.

GASB 68 permits the use of the assumed annual rate of return on investments (7.25%) 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, SDCERS' 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 7.25%.

e. 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, 2015 measurement date, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	21.0%	4.5%
Non-U.S. Equity	14.0%	4.6%
Emerging Market Equity	1.0%	5.8%
Global Equity	5.0%	4.7%
U.S. Fixed Income	22.0%	0.6%
Emerging Market Debt	5.0%	3.7%
Real Estate	11.0%	4.1%
Private Equity and Infrastructure	13.0%	6.6%
Opportunity Fund	8.0%	4.1%
Total	100.0%	

Source: SDCERS CAFR, fiscal year 2015

Expected return estimates for equity and fixed income were developed using a geometric (long-term compounded) building block approach: 1) expected returns 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.

f. 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 (dollars in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 7,815,425	\$ 6,279,888	\$ 1,535,537
Changes for the Year:			
Service Cost	102,688	-	102,688
Interest	554,988	-	554,988
Differences Between Expected and Actual Experience	46,416	-	46,416
Contributions - Employer	-	268,061	(268,061)
Contributions - Employee	-	59,042	(59,042)
Net Investment Income	-	207,653	(207,653)
Benefit Payments, Including Refunds of Employee Contributions	(429,238)	(429,238)	-
Administrative Expense	-	(8,693)	8,693
Net Changes	274,854	96,825	178,029
Balances at June 30, 2015	\$ 8,090,279	\$ 6,376,713	\$ 1,713,566

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 employee payroll), and a ratio of the net pension liability divided by 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 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 employee 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 7.25%, 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 (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Total Pension Liability	\$ 8,988,926	\$ 8,090,279	\$ 7,342,929
Plan Fiduciary Net Position	6,376,713	6,376,713	6,376,713
Net Pension Liability	<u>\$ 2,612,213</u>	<u>\$ 1,713,566</u>	<u>\$ 966,216</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.

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

For the year ended June 30, 2016, the City recognized pension expense of \$105,175. At June 30, 2016, 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	\$ 259,468	\$ -
Differences Between Expected and Actual Experience	30,942	-
Net Difference Between Projected and Actual Earnings on Pension Plan Assets	-	118,460
Total	<u>\$ 290,410</u>	<u>\$ 118,460</u>

Pursuant to GASB 71, \$259,468 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date of June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ (40,921)
2017	(40,921)
2018	(56,392)
2019	50,716
2020	-
Thereafter	-

h. 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 has no assets, the entire Actuarial Accrued Liability of \$9,527 as of the June 30, 2015 valuation, is unfunded. SDCERS has established procedures to pay for these benefits on a pay-as-you-go basis, which is funded by the City. Because the POB Plan is not administered through a trust, requirements under GASB 27 remain applicable. The POB Plan is not subject to the requirements established by GASB 67 or 68. GASB 73 will replace GASB 27. The requirements of GASB 73 extend the approach to accounting and financial reporting established in GASB 68 to pension plans that are not administered through trusts and meet specific criteria. The City will implement GASB 73 in fiscal year 2017. In fiscal year 2016, the City contributed approximately \$1,595 in benefits above 415(b) limits for the POB Plan. 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 years 2015 and 2016 was \$210. Based on the fiscal year 2015 actuarial valuation, the City's POB Plan pension cost for fiscal year 2016 was approximately \$777; however, the City contributed approximately \$1,595 to the POB Plan in fiscal year 2016 and therefore, the \$818 difference decreased the City's Net Pension Obligation (NPO). Financial statements for the POB Plan are included in the fiduciary funds section of this report.

Funded Status and Funding Progress

The following table summarizes the POB Plan's funding status as reported in the June 30, 2015 valuation (dollars in thousands):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>UAAAL (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAAL as a Percentage of Covered Payroll ¹ ((b - a)/c)</u>
6/30/2015	\$ -	\$ 9,527	\$ 9,527	0.00%	N/A	N/A

¹ Payments are based on annual determination of pension benefits that are above IRS section 415(b) limits and are funded on a pay-go basis.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information on the funding status of the POB Plan.

Annual Pension Cost and Net Pension Obligation

The City's POB Plan pension cost for fiscal year 2016 is based on the June 30, 2015 actuarial valuation prepared by the SDCERS actuary. The Net Pension Obligation (NPO) is the cumulative difference between the annual POB Plan pension cost and the City's contributions towards the POB Pension Plan. As of June 30, 2016, the City's NPO associated with POB is approximately \$1,322.

The change to the NPO is derived by first calculating the City's POB Plan ARC. The ARC is calculated by actuarially determining the cost of pension benefits accrued during the year (normal cost) as well as the annual amount needed to amortize the UAAL (amortization cost) as reported by the actuary, in accordance with the amortization period and method selected. The ARC is then increased by interest accruing on any outstanding NPO (NPO Interest) and then reduced by the amortization of the UAAL that is related to the NPO (ARC Adjustment).

The following shows the calculation for the NPO based on the actuarial information provided to the City by SDCERS' actuary (dollars in thousands):

	<u>POB</u>
ARC [Fiscal Year 2016]	\$ 842
Interest on NPO	155
ARC Adjustment	<u>(220)</u>
Annual Pension Cost	777
Contributions [Fiscal Year 2016]	<u>(1,595)</u>
Change in NPO	(818)
NPO Beginning of Year [July 1, 2015]	<u>2,140</u>
NPO End of Year [June 30, 2016]	<u><u>\$ 1,322</u></u>

The table below reflects the assumptions used for the POB Pension Plan actuarial valuation:

Description	Method/Assumption for the Valuation Ended	
	June 30, 2014	June 30, 2015
Actuarial Funding Method	Entry Age Normal (EAN)	Entry Age Normal (EAN)
Amortization Method	Closed; Level % (Police) Level \$ (non-Police)	Closed; Level % (Police) Level \$ (non-Police)
Annual Rate of Return on Investments	7.25% net of investment expenses	7.125% net of investment expenses
Inflation Rate	3.3% per year, compounded annually	3.175% per year, compounded annually
Cost of Living Adjustment	2.00% per year, compounded annually	2.00% per year, compounded annually
Projected Salary Increases Due to Inflation ¹	0% for FY16-FY18, 3.3% thereafter	0% for FY17-FY18, 3.175% thereafter

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. These increases are not used in the amortization of City's UAL.

Amortization of the UAAL for the June 30, 2015 valuation is based on 20 years of the 2007 UAAL, 15 years for subsequent experienced gains and losses, 30 years for changes in methods and assumptions, 5 years for benefit changes, and 15 years for the non-police UAAL as of June 30, 2012.

The following table shows the City's annual pension cost (APC) for the POB Plan and the percentage of APC contributed for the fiscal year ended June 30, 2016 and the two preceding years (dollars in thousands):

<u>Fiscal Year Ended June 30</u>	<u>APC</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2014	\$ 662	237.46%	\$ 3,744
2015	536	261.75%	2,140
2016	777	205.28%	1,322

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-Millais-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 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, 2016:

<u>Plan</u>	<u>Participants</u>
SPSP	6,312
SPSP-H	6,849

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 2016. 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.

In fiscal year 2016, the City and the covered employees contributed \$27,174 and \$26,874, respectively, including contributions made under the 401(a) Plan under Proposition B. The City also recognized approximately \$402 in forfeitures. As of June 30, 2016, the plan fiduciary net position totaled \$672,155. 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-Millais-Brown Act.

The City and employees contributed \$368 and \$518, respectively, during the year ended June 30, 2016. As of June 30, 2016, the plan fiduciary net position totaled \$3,871. 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 pension 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-Millais-Brown Act.

The employees' 401(k) contributions are based on IRS calendar year limits. Employees contributed \$20,326 during the year ended June 30, 2016. There is no City contribution towards the 401(k) Plan. As of June 30, 2016, the plan fiduciary net position totaled \$336,389. 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 (e. through g.) are taken directly from the fiscal year 2016 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)

CSD sponsors and administers a Tax Deferred Annuity Plan (CSD Plan) under section 403(b) of the Internal Revenue Code of 1986 which is provided to all full-time regular employees. The CSD Plan operates under the direction of CSD's Board of Directors, who established the CSD Plan and can amend it. The CSD Plan is a defined contribution plan under which benefits depend solely on amounts contributed to the CSD Plan by the employer and the employees, plus investment earnings. Contribution requirements of the CSD Plan are established and can be amended by the Board of Directors. All full time regular employees are eligible to participate on their first day of employment an amount equal to 7.5% of their semi-monthly CSD Plan compensation. Effective on the first payroll following three months of employment, CSD contributes an amount equal to 12% of the total semi-monthly CSD Plan compensation for all full-time regular employees.

CSD's contributions for each employee are fully vested at the time of contribution. CSD's total payroll (excluding benefits) for fiscal year 2016 was \$2,853. CSD's contributions were calculated based on the CSD Plan's compensation amounts for all eligible employees, which equaled total payroll of \$2,853. CSD made its required contribution of \$334 for fiscal year 2016.

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

Finally, 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 CSD Plan year ending after the close of that 12-month period, the employee has worked at least 1,500 service hours.

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 plan. Any recommended 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 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. Employees are eligible to participate in the SDCCC Plan on the first day of the month after completion of 1,000 hours of service during the twelve-month period beginning from the employee's hire date (or during any subsequent plan year). For each plan year, SDCCC contributes 10% of compensation paid after becoming 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, 2016, pension expense amounted to \$1,209, with no employee contributions made to the SDCCC Plan. Included in pension expense were forfeitures in the amount of \$36. SDCCC records pension expense during the fiscal year based upon employee compensation that is included in gross income covered compensation.

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

f. Pension Plan - San Diego Housing Commission

SDHC provides pension benefits for all its full-time employees through a defined contribution plan (SDHC Plan). The SDHC Plan is a qualified pension plan under Section 401 of the IRC and is therefore exempt from all Federal income and California franchise taxes. The plan is an alternative to Social Security under the Omnibus Budget Reconciliation Act of 1991. The SDHC Plan includes both a pension provision and a voluntary tax sheltered annuity provision under §401(a) (1) and §401(a) (4) of the IRS code.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on the first day of their employment. SDHC's contributions for each employee (and interest allocated to the employee's account) are fully vested after four years of continuous service. SDHC's contributions for, and interest forfeited by, employees who leave employment before four years of service are used to reduce SDHC's current-period contribution requirement.

The SDHC Plan is administered by SDHC, with outside recordkeeping performed by Transamerica. SDHC has the authority to establish and amend the provisions of the SDHC Plan, including the contribution requirements, with the approval of the Board of Commissioners. The SDHC Plan is audited by an outside firm and a copy of the report can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, California 92101.

SDHC's covered payroll in fiscal year 2016 was \$18,513. SDHC made its required 14% contribution in the amount of \$2,592 and plan members contributed \$138 for the fiscal year ended June 30, 2016.

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

12. 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 San Diego Municipal Code (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 29.0103 (OPEB Plan).

In fiscal year 2012, the City entered into a 15-year memorandum of understanding with employees' collective bargaining units 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 may be renegotiated by either the City or the employees' collective bargaining units, subject to 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. As of June 30, 2016, the Healthcare MOU has not been renegotiated.

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).

The following table shows the employee composition of the OPEB Plan as of June 30, 2016:

	Active ¹	Retired ²	Total
Defined Benefit Plan			
Retired before April 1, 2012	-	5,418	5,418
Option A Plan	675	700	1,375
Option B Plan	456	45	501
Total Defined Benefit Plan	<u>1,131</u>	<u>6,163</u>	<u>7,294</u>
Defined Contribution Plan			
Option C Plan	4,190	2,060	6,250
Retiree Medical Trust Plan	2,368	N/A	2,368
Total Defined Contribution Plan	<u>6,558</u>	<u>2,060</u>	<u>8,618</u>
Total Employees/Retirees ³	<u><u>7,689</u></u>	<u><u>8,223</u></u>	<u><u>15,912</u></u>

¹ Includes active employees in DROP.

² Number of retired employees under the Retiree Medical Trust Plan are not tracked by the City (Not Available).

³ Employees hired between July 1, 2005 and June 30, 2009 are not part of the OPEB Plan.

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. 43, *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, including the City, 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 CAFR 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 \$11,800¹ per year. Retirees who are not eligible for Medicare are entitled to receive reimbursement of healthcare premiums, ranging from approximately \$8,900¹ to \$12,500¹ per year. Retirees under this plan can obtain health insurance coverage with the plan of their choice, including any City sponsored, union 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 \$9,400¹. 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 biweekly 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. 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 biweekly 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. Summary of Significant Accounting Policies

Basis of Accounting - The Postemployment Healthcare Benefit Plan trust fund uses the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized as additions in the period in which the contributions are due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the OPEB Plan.

The CERBT fund, reported in CalPERS CAFR, also uses the economic resources measurement focus and the accrual basis of accounting. Contributions to the pension trust funds are recognized in the period in which contributions are due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments - CalPERS, which administers the CERBT, states investments at fair value. The diversity of the investment types in which CalPERS invests requires a wide range of techniques to determine fair value. For financial reporting purposes, in accordance with GASB standards, each CalPERS fund reports its pro-rata share of investments and related receivables and payables.

c. 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 2016, the City's Annual Employer Contribution was \$59,227. The following table provides the fiscal year 2016 contribution breakdown by fund:

General Fund	\$ 43,293
Non-major Governmental Funds	669
Sewer Utility	4,152
Water Utility	4,778
Non-major Proprietary Funds	6,014
Agency Funds	321
Total City Contributions	<u>\$ 59,227</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 2016, employees contributed \$862 for Options A and B.

As of June 30, 2016, the fair value of the City's investments in the CERBT was approximately \$116,590. This balance is net of all contributions to and distributions from the plan, as well as fiscal year 2016 net annual investment earnings and administrative expenses amounting to approximately \$3,564 and \$58, respectively.

The following table summarizes the sources used to satisfy fiscal year 2016 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	\$ 30,362
Employee Contributions - Option A & B	862
CERBT Withdrawal	<u>8,030</u>
Total Defined Benefit Pay-as-you-go Costs²	<u>\$ 39,254</u>

¹ The remaining \$28,865 of the total Annual Employer Contribution was used for Option C Plan costs.

² Includes administrative costs of \$578.

d. Funded Status and Funding Progress

The following table summarizes the Defined Benefit Plans' funding status as of the most recent valuation date:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll ¹ (c)	UAAL as % of Covered Payroll ((b-a)/c)
6/30/2016	\$ 116,590	\$ 654,355	\$ 537,765	17.82%	\$ 74,002	726.69%

¹ Includes payroll for active employees in the Option A and Option B plans only.

The schedules, presented as required supplementary information following the notes to the financial statements, present information regarding the funded status and employer contributions for the current and preceding fiscal years. The Schedule of Funding Progress is intended to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The Schedule of Employer Contributions is intended to present trend information about the amounts contributed to the OPEB Plan by the City in comparison to the ARC determined in accordance with the parameters of GASB Statement No. 43. The ARC for the City's Defined Benefit Plans is calculated by the City's actuary on an annual basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize the Unfunded Actuarial Accrued Liability (UAAL). The UAAL is being amortized over a closed 23 year period commencing with fiscal year 2014.

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, 2016. 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 actuarial value of assets.

The following table summarizes the more significant actuarial methods and assumptions used to calculate the ARC for the fiscal year 2016 (actuarial valuation as of June 30, 2015), as well as for the most current actuarial valuation (as of June 30, 2016):

Description	Method/Assumption	
	June 30, 2015	June 30, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar	Level Dollar
Remaining Amortization Period	22 years, closed	21 years, closed
Actuarial Asset Valuation Method	Market Value	Market Value
Discount Rate	6.73%	6.73%
Healthcare Cost Trend Rate ¹	7.5% in 2015 grading down 0.5% each year to 4.5% after 2020	8.0% in 2016 grading down 0.5% each year to 4.5% after 2022

¹ Postemployment healthcare benefits are not based on inflation or payroll, but rather are determined based on the Health Care Cost Trend Rate.

Source: Buck Consultants

e. Other Postemployment Benefit Cost and Net OPEB Obligation (NOPEBO)

The following table presents the annual NOPEBO cost, the percentage of annual NOPEBO cost contributed during the fiscal year, and the NOPEBO at the end of fiscal year 2016, as well as for the two preceding fiscal years:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
06/30/14	\$ 34,773	98.48%	\$ 244,610
06/30/15	38,018	84.68%	250,435
06/30/16	43,089	69.12%	263,740

The following table shows the calculation of the City's NOPEBO for the fiscal year ended June 30, 2016 (based on the valuation as of June 30, 2015):

ARC [Fiscal Year 2016]	\$ 46,976
Interest on NOPEBO	16,853
ARC Adjustment	<u>(20,740)</u>
Annual OPEB Cost	43,089
Contributions [Fiscal Year 2016]	<u>(29,784)</u>
Change in NOPEBO	13,305
NOPEBO Beginning of Year [July 1, 2015]	<u>250,435</u>
NOPEBO End of Year [June 30, 2016]	<u>\$ 263,740</u>

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 employee collective bargaining units. Total City contributions for the Option C Plan in fiscal year 2016 were \$28,865.
- 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 HRA Administrator, LLC, a member of the Variable Annuity Life Insurance Company (VALIC). Elected and safety members are ineligible for this plan. The City and employees each contributed \$270 to the Retiree Medical Trust Plan in fiscal year 2016.

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

Interfund receivable and payable balances are the result of loans between funds that are expected to be repaid during the next fiscal year, as well as amounts due for services provided. The \$22,382 balance is comprised of several items, including a loan of \$4,739 from the General Fund to the PFFA capital projects fund, in order to fund expenditures related to the PFFA Lease Revenue Bonds Series 2012A, 2013A, 2015A and 2015B until eligible costs are reimbursed from the trustee held funds. In addition, loans were made from the General Fund to the Grants Special Revenue Fund and the Capital Grants Fund of \$9,639 and \$3,802, respectively, in order to cover negative cash resulting from deferred inflows of resources (unavailable grant revenue). The Transportation & Storm Water Department (General Fund) has accrued expenditures of \$4,042 for low-flow diversion capacity charges due to the Sewer Utility Fund.

Contributing Fund (Receivable)	Benefitting Fund (Payable)		
	General Fund	Nonmajor Governmental	Total
General Fund	\$ -	\$ 18,340	\$ 18,340
Sewer Utility	4,042	-	4,042
Total	<u>\$ 4,042</u>	<u>\$ 18,340</u>	<u>\$ 22,382</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 \$811 balance consists of an advance from the General Fund to Civic San Diego, mainly for administrative costs.

Contributing Fund (Receivable)	Benefitting Fund (Payable)	
	Nonmajor Governmental	Total
General Fund	\$ 811	\$ 811

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 the capital projects and debt service needs during the fiscal year. Interfund transfer balances for the year ended June 30, 2016 are as follows:

Contributing Fund	Benefitting Fund					Total
	General Fund	Nonmajor Governmental	Sewer Utility	Water Utility	Nonmajor Enterprise	
General Fund	\$ -	\$ 77,366	\$ -	\$ -	\$ 807	\$ 78,173
Nonmajor Governmental	41,304	54,689	-	-	-	95,993
Sewer Utility	-	24	-	-	-	24
Water Utility	-	16	10,110	-	-	10,126
Nonmajor Enterprise	-	17	-	-	710	727
Internal Service	288	6	117	90	85	586
Total	<u>\$ 41,592</u>	<u>\$ 132,118</u>	<u>\$ 10,227</u>	<u>\$ 90</u>	<u>\$ 1,602</u>	<u>\$ 185,629</u>

14. 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, and natural disasters. The City is self-insured for public liability, workers' compensation and long-term disability (LTD) claims, and also maintains contracts with various insurance companies to manage excessive risks.

The City maintains an excess liability insurance policy 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. The City's self-insurance retention amount for public liability is \$3,000.

The City is self-insured for workers' compensation and long-term disability (LTD). 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 included 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.

Public liability, workers' compensation, and long-term disability estimated liabilities as of June 30, 2016 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 public liability. Estimated liabilities for public liability claims have been recorded 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 Public Liability, Workers' Compensation, and Long-Term Disability obligations, showing current and prior year activity is presented below:

	Public Liability	Workers' Compensation & Long-Term Disability	Total
Balance, July 1, 2014	\$ 199,409	\$ 240,588	\$ 439,997
Claims and Changes in Estimates	31,069	23,968	55,037
Claim Payments	<u>(42,888)</u>	<u>(27,446)</u>	<u>(70,334)</u>
Balance, June 30, 2015	187,590	237,110	424,700
Claims and Changes in Estimates	71,151	52,907	124,058
Claim Payments	<u>(60,379)</u>	<u>(30,278)</u>	<u>(90,657)</u>
Balance, June 30, 2016	<u>\$ 198,362</u>	<u>\$ 259,739</u>	<u>\$ 458,101</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 ownership (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 \$190,000 for 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 the losses due to 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 \$390,000 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 5% 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 2016, 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 17 for additional information.

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

The Capital Grants Capital Projects Fund has a fund balance deficit of \$4,387, which represents deferred inflows of resources related to grant revenue which did not meet the City's availability criteria.

Implementation of GASB 68 has resulted in a significant reporting impact to the net position of most proprietary funds. The Development Services Fund has a net position deficit of \$52,173. The Central Stores and Publishing Services Internal Service Funds have net position deficits of \$565 and \$851, respectively. These deficits are primarily due to the Net Pension Liability (NPL) expected to be repaid over the long-term. Generally, the NPL is reduced yearly 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 11). The cost recovery rates for these funds are developed to fully fund the respective ADC on a yearly basis. As the City continues to fully pay its ADC for the Pension Plan, the net position deficit of these funds will be corrected over the long-term.

The Private-Purpose Trust Fund (Successor Agency) has a net position deficit of \$556,311, 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 until being eliminated once all the obligations of the Successor Agency are fully satisfied.

16. COMMITMENTS (Dollars in Thousands)

The City has contractual and regulatory commitments that will result in expenses/expenditures in future years. These include operating and capital contractual commitments for which funds have been encumbered as of June 30, 2016 and are reflected in the table below. 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. Additional commitments resulting from regulatory matters are described following the table.

General Fund	\$ 10,055
Nonmajor Governmental Funds	154,373
Sewer Utility	78,743
Water Utility	102,951
Nonmajor Enterprise Funds	52,804
Total Contractual Commitments	<u>\$ 398,926</u>

California Regional Water Quality Control Board Administrative Proceeding – Municipal Storm Water Permit

The Regional Water Quality Control Board (RWQCB) is the State agency charged with implementing the federal Clean Water Act (Clean Water Act). The RWQCB issues National Pollutant Discharge Elimination System (NPDES) permits as required by the Clean Water Act. The Municipal Storm Water NPDES Permit (Municipal Permit) covers the City, the County and other municipalities within the County (Co-Permittees). Under the Municipal Permit, the City must comply with water quality requirements established by the RWQCB by eliminating dry weather flows and reducing pollutants in storm water runoff.

The RWQCB designates beneficial uses, such as fishing or swimming, for all receiving waters in each of the six watersheds within the City's jurisdiction. The RWQCB periodically conducts water quality tests to determine if the receiving waters are achieving their beneficial uses. When a receiving water does not meet its beneficial use, the RWQCB places the receiving water on a list of impaired bodies, which is updated by the RWQCB every two years. The RWQCB has two methods to bring receiving water bodies into compliance: (1) establishing Total Maximum Daily Loads (TMDLs), or (2) issuing Clean-up & Abatement Orders (CAO). A TMDL is a numeric limitation on the maximum amount of a pollutant that a natural body of water can legally receive while still meeting water quality standards under the Clean Water Act. A CAO is an order that requires the removal of pollutants from a water body.

The City is subject to numeric limitations on pollutants as a result of the incorporation of TMDL requirements in the Municipal Permit, rather than having compliance judged solely by whether the City fails to control pollutants to the maximum extent practicable. Violations of these numeric limitations by the City could result in fines and penalties. Additionally, the Municipal Permit requires that the City implement a schedule of operation and maintenance activities and verify proper operation of all municipal structures in order to minimize the possibility of pollutants entering receiving waters due to pipe and other storm drain system failures.

The Municipal Permit also requires the co-permittees to develop Water Quality Improvement Plans (WQIPs) to identify and address the highest priority water quality problems for each of the six watersheds within the City's jurisdiction. The WQIPs include 20-year cost estimates to 1) comply with the five TMDLs impacting the City, and 2) provide flood risk management. These plans were reviewed and accepted by the RWQCB in March 2016. In October 2016, the City updated its compliance cost estimates as follows:

Fiscal Years	Operating Cost Estimate	Capital Cost Estimate	Total
2017 - 2021	\$ 305,046	\$ 466,809	\$ 771,855
2022 - 2035	1,071,763	1,456,018	2,527,781
Total	\$ 1,376,809	\$ 1,922,827	\$ 3,299,636

These estimates 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. Additionally, some operating cost estimates for maintenance projects could be determined to be capital expenditures due to the nature of the repair. The City has been negotiating with the RWQCB since November 2015 to update the Chollas Creek Dissolved Metals TMDL, which could result in a cost reduction of approximately \$861,000 in capital expenditures between fiscal year 2019 and 2028. This potential cost reduction is assumed in the estimated operating and capital costs identified above. Furthermore, the Bacteria TMDL is being re-evaluated and updates should be incorporated during the winter of 2017 that may also result in cost reductions. However, the Famosa Slough Eutrophication TMDL is proposed to be incorporated into the MS4 permit in 2017 while the California State Trash Policy will be included in the next MS4 permit reissuance in 2018. These new regulations will most likely result in cost increases in a yet to be determined amount.

The City Storm Water Division's estimated costs to comply with the TMDLs and provide flood risk management are significantly higher compared to current spending levels. The City currently has no comprehensive long-term plan to fully fund NPDES Permit compliance costs. Estimated operating expenses budgeted for fiscal year 2017 are approximately \$60,550. The estimated allocated CIP budget for fiscal year 2017 is approximately \$42,663 which is funded with General Fund revenues, Transnet, and bond proceeds. The City's storm water fees generated approximately \$5,359 in fiscal year 2016 and cover only a small portion of the City's annual storm water costs. Since 2009, approximately \$56,000 in bond proceeds has been allocated to the Storm Water Division's Capital Improvement Program, including storm drains and watershed projects. The City expects to continue to use proceeds from future bond issues to finance a portion of the storm water program and water quality capital projects. Absent an increase in storm water fees or other new funding sources, the unfunded or increased compliance costs would continue to be paid from the General Fund.

The Municipal Permit contains several regulatory deadlines over the next five years including: (1) compliance with Areas of Special Biological Significance structural controls by March 2018; (2) dry weather bacteria reductions by April 2018; (3) dissolved metal reductions in Chollas Creek by October 2018; and (4) sediment reductions in the Los Peñasquitos Watershed by July 2019. Most of these 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. If the City does not meet these required storm water regulations by the compliance deadline, it is possible that the RWQCB could levy fines and penalties on the City of \$10 per day per violation and the federal Environmental Protection Agency could levy penalties of \$16 per day per violation. Each storm drain outfall that flows to a receiving water body may be assessed as a separate violation. Additionally, should the City fall out of compliance, it could be exposed to litigation from third parties.

California Department of Public Health Compliance Order

In 1997, the State of California Department of Public Health (DDW) 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 of 2007 (Amendment 11) and included additional items that were not in the original Compliance Order. As amended, the Compliance Order will remain in effect until the required projects are completed. Presently, the City is meeting all such requirements, including the progress of mandated projects and the ongoing obligation to provide DDW with quarterly progress reports.

Water Utility expects to substantially fulfill all terms of the Compliance Order by fiscal year 2018. For fiscal years 2017 through 2018, the City estimates Compliance Order project costs to total \$51,960. Water Utility expects to fund these commitments through a combination of existing net position, system revenues, and financing proceeds from current and future bond issuances or loans.

Additionally, the City plans to continue with 20 miles of water main replacements in fiscal year 2017 at an estimated cost of \$30,000 to \$40,000, despite needing only 10 miles per year to comply with the DDW compliance order. The City will continue to evaluate the water main replacement program for the remaining 50 miles of distribution cast iron mains and progress with a condition assessment program for the 2,100 miles of asbestos cement water pipeline to determine the appropriate replacement rate for the next 10 years.

17. 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 reimbursing 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 2016 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 1,647 notices of claims in fiscal year 2016.

As of June 30, 2016, the City estimates the amount of tort and non-tort liabilities to be \$198,362, 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 \$234,466. 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, 2016.

Additional information on litigation regarding the Pension Plan can be found in the introductory section of Note 11.

Agreement Relative to Modified Permit for the Point Loma Wastewater Treatment

In December 2008, the City received a second renewal of a Modified Permit for the Point Loma Wastewater Treatment Plant (Point Loma) and agreed to identify opportunities to maximize recycling wastewater for potable and non potable uses. In August 2010, the EPA issued another waiver for secondary treatment at Point Loma and renewed the Modified Permit for 5 more years which expired in July 2015. The City submitted a renewal application in January 2015 and the existing Modified Permit has been administratively continued, pending a decision by the regulatory agencies. Based on the City's past experience and its high level of compliance with the Federal Clean Water Act (CWA), it expects to receive approval of a new Modified Permit by the end of 2017. If the City does not obtain a renewal of the Modified Permit, there could be significant future obligations to fund the secondary treatment requirements. If the City is required to upgrade to secondary treatment, the estimated cost could be approximately \$2,100,000 (current dollars) through fiscal year 2050, with approximately \$1,800,000 occurring by fiscal year 2030, not including financing costs.

The City has worked with the environmental community to develop strategies for the recently submitted permit application. This strategy includes implementing a potable water reuse program (Pure Water Program). In November 2014, the Mayor and City Council approved a Cooperative Agreement between the City and local environmental groups to work together to implement the Pure Water program. The centerpiece of the Cooperative Agreement is an amendment to the Ocean Pollution Reduction Act of 1994 (OPRA) called OPRA II. OPRA II would amend the CWA to allow the Point Loma Plant to remain at advanced primary treatment in return for implementing a total of up to 83

million gallons per day of potable reuse by the end of calendar year 2035. Building the facilities necessary to implement potable reuse will offload wastewater from the Point Loma Plant such that effluent levels will be equivalent to converting the Point Loma Plant to secondary treatment. OPRA II would also change the permitting process for the Point Loma Plant to treat it like every other secondary wastewater treatment plant.

The Modified Permit renewal application was based on compliance with CWA requirements as modified by the OPRA, the proposed requirements for secondary equivalency, and a reduction in permitted emissions from the current permit level that has been administratively continued. The total capital cost to build the Pure Water Program facilities and infrastructure is estimated to be approximately \$3,000,000 (current dollars) of which approximately \$1,800,000 will be a cost to the Sewer Utility Fund, and approximately \$1,200,000 will be a cost to the Water Utility Fund. The first phase of the Pure Water Program is estimated to cost approximately \$1,000,000 - \$1,200,000, of which, approximately \$266,000 - \$400,000 will be a cost to the Sewer Utility Fund, and approximately \$734,000 - \$800,000 will be a cost to the Water Utility Fund. See Note 23 for more information on the tentative approval of the waiver.

POLLUTION REMEDIATION OBLIGATIONS

Los Peñasquitos Lagoon Sedimentation Total Maximum Daily Load (TMDL)

The City is a listed 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. The habitat restoration requirements associated with the establishment of 84 acres of salt marsh habitat represent pollution remediation obligations; however any estimated costs cannot be reasonably determined at this time pending the development of the final concept design for the restoration of Los Peñasquitos Lagoon. In addition, because a design for the restoration of the lagoon has not been developed, the City has not yet estimated what portion of the costs would be operating or capital costs.

Chollas Creek Mouth Sediment Investigative Order

On October 26, 2015, the RWQCB released the Chollas Creek Mouth Sediment Investigative Order (SIO) R9-2015-0058. The order names the City as one of the responsible parties to determine if sediment contamination at the mouth of Chollas Creek in San Diego Bay and potential sediment contamination of the tidal prism of Chollas Creek has occurred. The responsible parties submitted a Phase I monitoring work plan to the Regional Board to evaluate the current nature and extent of impairment related to contaminated sediments in the mouth of Chollas Creek and the Chollas Creek tidally influenced area. This work plan was accepted on July 11, 2016, and monitoring was completed in September 2016. Costs of remediation cannot be estimated until the investigation is 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.

Boat Channel at Naval Training Center (NTC)

The old Naval Training Center was closed and conveyed to the City under the Base Realignment and Closure (BRAC) process that culminated in an MOU between the City and the U.S. Navy in 2000. The NTC base 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 known to be polluted. The MOU stipulates that the boat channel is to be conveyed to the City after the Navy completes investigation and remediation. In the years that have ensued since the MOU, the Navy BRAC arm did investigate the pollution and took the position that the City was partly responsible for discharges which polluted the channel. The City disagrees because the NTC base itself surrounded the channel for decades, and most if not all discharges were Navy-originated. Navy BRAC estimates potential remediation costs of \$7,800 to \$8,200. The City cannot estimate its apportioned responsibility for such remediation costs, if any, at this time.

18. DEBT WITHOUT GOVERNMENT COMMITMENT (Dollars in Thousands)

The City and/or the former RDA of the City have authorized the issuance of certain Mortgage Revenue Bonds, Parking Revenue Bonds, Tax Allocation Bonds, Pooled Financing Bonds, Special Assessment/Special Tax 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 describes the outstanding debt without government commitment:

a. Mortgage Revenue Bonds

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

As of June 30, 2016, the remaining balance on the mortgage revenue bonds was paid off:

	Original Amount	Balance June 30, 2016
Mortgage Revenue	\$ 15,700	\$ -

b. Special Assessment/Special Tax Bonds

The City has issued, on behalf of the Special Assessment Districts and the Community Facilities Districts, 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 District 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 special taxes and assessments for these Districts and initiates foreclosure proceedings as required under the bond covenants.

As of June 30, 2016, the status of each of the special assessment/special tax bonds issued is as follows:

	Original Amount	Balance June 30, 2016
Reassessment District No. 2003-1, Issued August 2003	\$ 8,850	\$ 1,630
Community Facilities District No.2 (Santaluz), Improvement Area No. 1, Series 2011 A	51,680	42,350
Community Facilities District No.1 (Miramar Ranch North), Series 2012	24,795	16,330
Community Facilities District No.3 (Liberty Station), Series 2013	15,770	14,705
Assessment District No.4096 (Piper Ranch), Issued July 2013	3,830	3,625
Community Facilities District No.2 (Santaluz), Improvement Area No. 3, Series 2015	3,380	3,380
Community Facilities District No.2 (Santaluz), Improvement Area No. 4, Series 2015	6,215	6,215
Community Facilities District No.4 (Black Mountain Ranch), Series 2016	16,435	16,435
Total Special Assessment / Special Tax Bonds	<u>\$ 130,955</u>	<u>\$ 104,670</u>

On June 29, 2016, Community Facilities District No. 4 (Black Mountain Ranch Villages), Special Tax Bonds Series 2016 was issued to fully refund the outstanding Community Facilities District No. 4 (Black Mountain Ranch Villages), Special Tax Bonds Series 2008 A and to provide funding for public facilities authorized to be funded through the district. The refunded bonds were fully redeemed on September 1, 2016.

On September 2, 2015, all remaining outstanding bonds of the PFFA Refunding Revenue Bonds (Reassessment District No. 1999-1) Series 1999A and 1999B were optionally called. District funds, including the cash funded portion of the debt service reserve fund and other available funds of the district were used to redeem the obligations. In conjunction with the optional redemption of the Series 1999A and 1999B, the Reassessment District 1999-1 Limited Obligation Refunding Bonds, issued February 1999, were also extinguished.

c. 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, 2016, the status of each of the parking revenue and tax allocation bonds issued is as follows:

	Original Amount	Balance June 30, 2016
Revenue Bonds:		
Centre City Parking, Series 1999 A	\$ 12,105	\$ 6,345
Centre City Parking, Series 2003 B	20,515	7,885
Total Revenue Bonds	<u>32,620</u>	<u>14,230</u>
Tax Allocation Bonds:		
Centre City Redevelopment Project, Series 2001 A	58,425	12,558
Centre City Redevelopment Project, Series 2006 A	76,225	59,680
Centre City Redevelopment Project, Series 2006 B	33,760	27,270
Centre City Redevelopment Project, Series 2008 A	69,000	34,165
North Park Redevelopment Project, Series 2009 A	13,930	13,930
City Heights Redevelopment Project, Series 2010 A	5,635	5,635
City Heights Redevelopment Project, Series 2010 B	9,590	9,590
Crossroads Redevelopment Project, Series 2010 A	4,915	4,660
Housing Set-Aside, Series 2010 A	58,565	57,120
Naval Training Center Redevelopment Project, Series 2010 A	19,765	18,055
San Ysidro Redevelopment Project, Series 2010 A	2,900	2,900
San Ysidro Redevelopment Project, Series 2010 B	5,030	4,515
Successor Agency Redevelopment Refunding, Series 2016 A	145,080	145,080
Successor Agency Redevelopment Refunding, Series 2016 B	30,105	30,105
Total Tax Allocation Bonds	<u>532,925</u>	<u>425,263</u>
Total Revenue and Tax Allocation Bonds	<u>\$ 565,545</u>	<u>\$ 439,493</u>
Accreted Interest Payable on Tax Allocation Bonds:		
Centre City Redevelopment Project, Series 2001 A		<u>\$ 14,941</u>

d. Pooled Financing Bonds

PFFA issued pooled financing bonds in July 2007 for the purpose of making loans to the former RDA to be used for financing and refinancing redevelopment activities. The bonds are obligations of PFFA, payable solely from and secured by amounts received from the loan agreement, certain pledged revenues, and monies held by trustee in the funds and the accounts established under the indenture, and any amounts, including proceeds from the sale of the bonds, held in any fund or account established pursuant to the indenture. The loan between PFFA and the former RDA has been eliminated from this note since the pooled financing bonds and related loans are both obligations transferred to the Successor Agency.

	<u>Original Amount</u>	<u>Balance June 30, 2016</u>
Pooled Financing Bonds:		
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 A	\$ 17,230	\$ 13,205
Public Facilities Financing Authority Pooled Financing Bonds, Series 2007 B	<u>17,755</u>	<u>14,270</u>
Total Pooled Financing Bonds	<u><u>\$ 34,985</u></u>	<u><u>\$ 27,475</u></u>

e. 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.

	<u>Original Amount</u>	<u>Balance June 30, 2016</u>
Loans Payable:		
City San Diego - Naval Training Center Section 108 dated June 2004	\$ 5,910	\$ 4,135
City San Diego - HUD Settlement Agreement dated various dates	45,311	30,835
City of San Diego - Miscellaneous dated various dates	45,761	45,261
City of San Diego - Naval Training Center dated April 2002	<u>8,300</u>	<u>7,800</u>
Total Loans Payable	<u><u>\$ 105,282</u></u>	<u><u>\$ 88,031</u></u>
Accrued Interest Payable:		
City San Diego - Naval Training Center Section 108	\$ 1,898	\$ 1,899
City San Diego - HUD Settlement Agreement	33,476	33,204
City of San Diego - Miscellaneous	105,732	105,733
City of San Diego - Naval Training Center	<u>3,689</u>	<u>3,689</u>
Total Accrued Interest Payable	<u><u>\$ 144,795</u></u>	<u><u>\$ 144,525</u></u>

f. Amortization Requirements

The annual requirements to amortize the private-purpose trust fund long-term debt outstanding as of June 30, 2016, including interest payments to maturity, are as follows:

Year Ending June 30	Loans Payable		Revenue Bonds			
	Principal	Interest	Principal	Interest		
2017	\$ 20,499	\$ 1,229	\$ 1,390	\$ 776		
2018	325	178	1,465	697		
2019	345	159	1,545	614		
2020	364	139	1,635	524		
2021	385	117	1,640	431		
2022-2026	1,778	220	6,125	973		
2027-2031	-	-	430	11		
Unscheduled ¹	64,335	142,483	-	-		
Total	<u>\$ 88,031</u>	<u>\$ 144,525</u>	<u>\$ 14,230</u>	<u>\$ 4,026</u>		

Year Ending June 30	Tax Allocation Bonds			Pooled Financing Bonds	
	Principal	Unaccrued Appreciation ²	Interest	Principal	Interest
2017	\$ 12,522	\$ 783	\$ 22,830	\$ 1,050	\$ 1,568
2018	27,251	849	21,269	1,105	1,512
2019	28,437	918	20,108	1,175	1,450
2020	29,986	2,159	18,751	1,235	1,382
2021	29,008	2,297	17,319	1,210	1,311
2022-2026	112,298	14,567	69,898	5,795	5,582
2027-2031	82,701	4,169	44,095	7,720	3,610
2032-2036	53,225	-	24,904	6,260	1,317
2037-2041	49,835	-	8,813	1,925	115
Total	425,263	25,742	247,987	27,475	17,847
Add: Accrued Appreciation through June 30, 2016	14,941	-	-	-	-
Total	<u>\$ 440,204</u>	<u>\$ 25,742</u>	<u>\$ 247,987</u>	<u>\$ 27,475</u>	<u>\$ 17,847</u>

¹ The loans payable to the City in the amount of \$64,335 and accrued interest associated with loans payable of \$142,483 are payable dependent on each annual approved Recognized Obligation Payment Schedule.

² Unaccrued Appreciation represents the amount to be accreted in future years regardless of the timing of cash flows.

g. 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, 2016. The effects of bond accretion, bond premiums and discounts are reflected as adjustments to long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance
Arbitrage Liability	\$ 3	\$ -	\$ (3)	\$ -
Liability Claims	69,809	-	(282)	69,527
Loans Payable	104,271	8,300	(24,540)	88,031
Revenue Bonds	15,550	-	(1,320)	14,230
Unamortized Bond Premiums and Discounts	(57)	-	5	(52)
Net Revenue Bonds	15,493	-	(1,315)	14,178
Tax Allocation Bonds	515,887	175,185	(265,809)	425,263
Interest Accretion	24,757	2,107	(11,923)	14,941
Balance with Accretion	540,644	177,292	(277,732)	440,204
Unamortized Bond Premiums and Discounts	2,829	27,332	(4,316)	25,845
Net Tax Allocation Bonds	543,473	204,624	(282,048)	466,049
Pooled Financing Bonds	28,475	-	(1,000)	27,475
Unamortized Bond Premiums and Discounts	276	-	(14)	262
Net Pooled Financing Bonds	28,751	-	(1,014)	27,737
Interest Accrued on City Loans and Note	33,975	110,550	-	144,525
Total	<u>\$ 795,775</u>	<u>\$ 323,474</u>	<u>\$ (309,202)</u>	<u>\$ 810,047</u>

On January 1, 2016, the Successor Agency to the Redevelopment Agency of the City of San Diego issued Tax Allocation Refunding Bond Series 2016A in the amount of \$145,080 and 2016B (Federally Taxable) in the amount of \$30,105 to refund certain bonds of the Redevelopment Agency of the City of San Diego currently outstanding. The refunding transaction resulted in gross cumulative cash flow savings of approximately \$83,400 and net present value cumulative savings of approximately \$46,866. The interest rate for Series 2016A ranges from 3% to 5% and for Series 2016B ranges from 1.05% to 4.35%. The final maturity for Series 2016A and B is September 1, 2033. Series 2016A and B Bonds were issued to refund the following Redevelopment Project Tax Allocation Bonds:

- Mount Hope Series 1995 A
- Centre City Series 1999 A and 1999 C
- City Heights Series 1999 A and 1999 B
- Centre City Series 2000 A and 2000 B
- Horton Plaza Series 2000
- North Bay Series 2000
- North Park Series 2000
- Centre City Series 2001 A (partial refund)
- Mount Hope Series 2002 A
- Centre City Series 2003 A
- City Heights Series 2003 A
- Horton Plaza Series 2003 A, 2003 B, and 2003 C
- North Park Series 2003 A and 2003 B
- Centre City Series 2004 A, 2004 C, and 2004 D

h. Reinstatement of Naval Training Center Interfund Loan

Under the terms of Senate Bill 107, line item 630 was added to ROPS 15-16B reinstating the NTC interfund purchase price loan on modified terms. Pursuant to the NTC cooperation agreement executed on June 26, 2000, the City sold to the former RDA the majority of the NTC site, comprised of approximately 259 acres, for the purchase price of \$8,300. The former RDA agreed to pay the purchase price on a deferred basis, accruing interest at 8% per annum. The DOF had previously invalidated the NTC purchase price loan, but SB 107 will allow the City and the Successor Agency to reinstate the loan on modified terms. Under the modified terms, the City will receive repayment of the original \$8,300, plus accrued interest at 3% compounded annually, for an approximate total of \$11,990.

On December 17, 2015, the DOF issued its final determination letter in response to the submission of ROPS 15-16B and summarily approved each of the items subject to the provisions of SB 107. See Note 22 for more information regarding the impacts of revived Successor Agency Loans.

The City receives property tax revenue from tax sharing distributions in accordance with redevelopment dissolution laws and a proportionate share of residual property tax payments of funds remaining in the Redevelopment Property Tax Trust Fund (RPTTF) after Recognized Obligation Payments are made. This revenue is deposited in the General Fund. Approval of the additional Recognized Obligation Payments described above will reduce the amount of residual property tax payments to the City by approximately 17.7% of the approved Recognized Obligation Payment amounts.

19. 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 to 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 \$47,220 reported as landfill closure and postclosure care liability as of June 30, 2016 represents the cumulative amount reported to date based on the use of 85% of the estimated capacity of the landfill. The liability increased by \$23,951 in fiscal year 2016 due to changes in cost estimates as outlined in a new Joint Technical Document (JTD) approved by the California Department of Resources Recycling and Recovery (CalRecycle). The revised JTD supersedes the previous JTD from 2005 and includes updated closure/postclosure cost estimates based on current construction costs and a new contingency rate of 20%, compared to the previous contingency rate of 5%. The City will recognize the remaining estimated cost of closure and postclosure care of \$8,451 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, 2016. The costs are estimates and subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

Funding Requirements

As of June 30, 2016, 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 2016, cash or equity in pooled cash and investments of \$30,271 was held for this purpose. The closure/postclosure care liability amount of \$47,220 reported in the Environmental Services Enterprise Fund includes \$24,964 for closure costs. The amount by which the restricted cash exceeds the closure liability, or \$5,307, is reported as restricted net position in the Environmental Services Enterprise Fund. During fiscal year 2016, CalRecycle approved a pledge of greenery recycling revenues as financial assurance for postclosure maintenance costs. As a result, the City is no longer required to advance fund postclosure care costs and CalRecycle authorized the release of approximately \$18,000 which was being held for this purpose.

As of June 30, 2016, 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 2016, cash or equity in pooled cash and investments of \$1,587 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 2016, accrued interest of \$116 is reported as restricted net position in the Environmental Services Fund.

20. OPERATING AGREEMENTS (Dollars in Thousands)City of San Diego and Padres L.P.

On February 1, 2000, the City entered into a Joint Use and Management Agreement (Agreement) with the San Diego Padres baseball team (Padres) governing the rights and duties of the City and Padres with respect to the use and operation of the Petco Park Ballpark Facility (Facility). The Padres own 30% and the City owns 70% of the Facility, which is shown as a capital asset on the City's Statement of Net Position. The occupancy agreement expires on December 14, 2033 and includes the right of the Padres to exercise two five-year extensions. Upon expiration, the Padres' ownership interest will automatically transfer to the City. Under the terms of the Agreement, the Padres are responsible for Facility operation and management, including maintenance, repairs and security required to preserve its condition. The City is responsible for paying certain expenses associated with the operation and maintenance of the Facility, subject to certain inflationary adjustments. In fiscal year 2016, the City paid approximately \$4,410 related to the operation and maintenance of the Facility.

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	\$ -	\$ 19,900	\$ 19,900
Not in Spendable Form	2,502	17	2,519
Total Nonspendable	<u>2,502</u>	<u>19,917</u>	<u>22,419</u>
RESTRICTED			
Low and Moderate Income Housing	-	319,022	319,022
Facilities Benefit Assessments	-	266,052	266,052
Grants ¹	1,921	219,216	221,137
Capital Outlay - Unbudgeted ¹	-	136,113	136,113
Underground Surcharge	-	122,768	122,768
Public Facilities Financing Authority	-	114,067	114,067
Impact Fees	-	112,969	112,969
Emergency Reserve	90,900	-	90,900
Developer Contributions	-	36,496	36,496
Tourism Marketing Districts	-	30,841	30,841
Mission Bay Reserve	-	29,745	29,745
Parking Meter Districts	29,028	-	29,028
Traffic Congestion Relief (Prop 42)	-	25,279	25,279
Maintenance Assessment Districts	-	23,351	23,351
Capital Outlay - Budgeted	-	21,014	21,014
TransNet	-	20,389	20,389
Regional Parks	-	13,471	13,471
Tobacco Settlement Revenue Funding Corporation	-	12,129	12,129
Environmental Growth	9,371	-	9,371
Civic San Diego	-	8,020	8,020
Fiesta Island Sludge Mitigation	-	7,145	7,145
Special Gas Tax Street Improvement	6,873	-	6,873
Section 108	-	6,489	6,489
Parks & Recreation Districts	-	5,620	5,620
Library Donations	-	5,592	5,592
Library Improvement	4,350	-	4,350
6th & K Operating Fund	-	2,893	2,893
Seized Assets	-	2,751	2,751
Citizens Option for Public Safety (COPS)	-	2,487	2,487
Miscellaneous Donations	-	2,469	2,469
Downtown Property Business Improvement District (PBID)	-	2,145	2,145
Animal Shelter Campaign	-	1,799	1,799
Mt. Hope Pre-Need Trust	-	1,499	1,499
Public Safety Training	-	1,476	1,476
Abandoned Vehicle Abatement (AVA)	-	1,387	1,387
Tierrasanta Ordinance	-	1,319	1,319
Storm Drain	1,259	-	1,259
Petco Park Capital Reserve	-	977	977
San Diego Regional Revolving Loan Fund (RLF)	-	966	966
Ocean Beach Pier Concessions	-	826	826
Other ²	2,526	14,734	17,260
Total Restricted	<u>146,228</u>	<u>1,573,516</u>	<u>1,719,744</u>

¹ Restricted Fund Balance for Grants and Capital Outlay - Unbudgeted includes \$215,033 and \$30,901 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 in the Restricted and Committed categories as "Other" are composed of a variety of small restrictions/ commitments, none of which are significant enough to be identified separately in this schedule.

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
COMMITTED			
Capital Outlay - Unbudgeted	\$ -	\$ 54,801	\$ 54,801
Workers' Compensation	54,557	-	54,557
Public Liability	45,452	-	45,452
Transient Occupancy Tax	-	11,180	11,180
Civil Penalty Enforcement	-	7,959	7,959
Trench Cut Fees	-	5,310	5,310
City TV	-	5,066	5,066
Qualcomm Stadium Operations	-	4,977	4,977
SAP Support	4,384	-	4,384
Foreign Trade Zone Expansion	-	3,881	3,881
Information Technology	2,069	-	2,069
Low-Income Housing Lease Revenue	-	1,941	1,941
Automated Refuse Containers	-	1,751	1,751
Public Arts	-	1,569	1,569
Major Events	-	1,193	1,193
Childcare	-	1,107	1,107
Miscellaneous Public Safety Funds	-	780	780
Emergency Medical Services	575	-	575
Civic San Diego	-	447	447
Other ²	2,437	4,889	7,326
Total Committed	<u>109,474</u>	<u>106,851</u>	<u>216,325</u>
ASSIGNED			
Budgeted Fund Balance	<u>11,189</u>	<u>-</u>	<u>11,189</u>
UNASSIGNED			
	<u>106,508</u>	<u>(27,289)</u>	<u>79,219</u>
TOTAL FUND BALANCE	<u>\$ 375,901</u>	<u>\$ 1,672,995</u>	<u>\$ 2,048,896</u>

22. EXTRAORDINARY GAIN (LOSS) (Dollars in Thousands)Private-Purpose Trust Fund

On December 17, 2015, the California Department of Finance (DOF) issued its final determination letter in response to the submission of the Successor Agency's Recognized Obligation Payments Schedule (ROPS 15-16B) and summarily approved certain loan agreements between the City and the former Redevelopment Agency. The original dissolution of RDA was classified as an extraordinary item; accordingly, the final determination of the dissolution is also classified as an extraordinary item. As a result of the DOF's approval, the following revived loans resulted in the recording of extraordinary gain and losses to the City:

- The Naval Training Center (NTC) Section 108 loan agreement dated March 1, 2011 with outstanding payments of approximately \$6,033 owed to HUD, of which \$1,898 is accrued interest. The Successor Agency has recognized an extraordinary loss of \$1,898. The City has recognized a corresponding extraordinary gain of the same amount.
- The loan agreement pertaining to the Long-Term Debt Agreement dated March 1, 2011 with outstanding CDBG and Section 108 loans of approximately \$151,494 payable to the CDBG fund. The Successor Agency has recognized an extraordinary loss for the reinstated loan balance of \$84,927. The City has recognized an extraordinary gain of \$151,494.
- The reinstated loan for the NTC cooperation agreement executed on June 26, 2000. The City sold to the former RDA the majority of the NTC site, comprised of approximately 259 acres, for an outstanding loan amount of \$11,990, of which \$3,690 is accrued interest. The Successor Agency has recognized an extraordinary loss of \$11,990 and the City has recognized an extraordinary gain of the same amount. Of the \$11,990, twenty percent, or \$2,398, is recognized in the City's Low and Moderate Income Housing Asset Fund and eighty percent, or \$9,592, is recognized in the City's Capital Outlay Fund.

23. SUBSEQUENT EVENTS (Dollars in Thousands)

The following information describes certain events that occurred after the end of the fiscal year.

Loan Agreements

On July 19, 2016, the City (Sewer Utility) received an additional \$2,143 disbursement from a \$3,141 State Revolving Fund Loan agreement with the California State Water Resources Control Board for the Sewer Pipeline Rehab, T-1 Project. The interest rate on the loan is 1.7% and the repayment period for the loan is 20 years, beginning October 2016.

On September 9, 2016, the City (Water Utility) received an additional \$2,125 disbursement from a \$15,300 State Revolving Fund Loan agreement with the California State Department of Public Health for the University Avenue Pipeline Replacement Project. The interest rate on the loan is 2.085% and the repayment period for the loan is 20 years, beginning one year after the completion of construction on the project.

SDCERS Board Decision on the 2010-2015 Experience Study and Associated Actuarial Assumptions

On September 9, 2016, the SDCERS Board of Administration (Board) adopted the 2010-2015 Experience Study (Experience Study) prepared by the SDCERS actuary (Actuary) that presented revised economic and demographic assumptions, associated cost implications, and funding alternatives. The Board voted to accept the findings of the Experience Study and the recommended changes to the actuarial assumptions.

SDCERS reported a preliminary return of 1.1% (net of fees) for fiscal year 2016. The combination of low investment returns and the assumption changes approved by the Board will result in increased costs to the City and active members of the Pension Plan. The SDCERS actuary estimates that the City's ADC for fiscal year 2018 will increase by approximately \$35,300, mostly due to changes in mortality assumptions and approximately \$8,600 due to lower than expected fiscal year 2016 investment returns. The ADC for subsequent years will also increase as the changes in actuarial assumptions are amortized over 30 years and the experience loss on investments is amortized over 15 years. However, the actual cost impact of the revised assumptions to the City and employees for fiscal year 2018 and subsequent years will not be known until the June 30, 2016 actuarial valuation report is released in early 2017.

Litigation

On August 29, 2016, the California Supreme Court recently held in *Department of Finance vs. Commission on State Mandates* that certain provisions of a municipal storm water permit issued elsewhere in the State were not mandated by federal law. Under the California Constitution, if a state agency requires a local government to provide a new program or higher level of service, the local government is entitled to reimbursement from the state for the associated costs, unless mandated by federal law. The Court remanded the case to the lower court to address whether the municipal permittees have the authority to levy fees to pay for the required programs, in which case the program cost would not be reimbursable.

As a result of the case, specific provisions of the City's storm water permit may not be required by federal law and may be subject to reimbursement from the State dependent on the outcome of the remanded action. The amount of potential reimbursable costs are not determinable at the time of this report.

Capital Lease-to-Own Agreement

On October 17, 2016, the City Council authorized the execution of a 20-year lease-to-own agreement with 101 West Ash, LLC for the real property and improvements at that address, with ownership transferring to the City upon lease expiration. The City's Real Estate Assets Department (READ) has worked towards the goals of relocating the Development Services Department from the City-owned City Operations Building and other City departments from the leased Executive Complex building.

Tentative Order on Modified Permit for the Point Loma Wastewater Treatment Plant (PLWTP)

On October 28, 2016, the United States Environmental Protection Agency (USEPA) Region IX issued a tentative decision to approve the City's request for a waiver from secondary treatment requirements for the Point Loma Wastewater Treatment Plant and associated ocean outfall, pursuant Clean Water Act Section 301(h). Additionally, the USEPA Region IX and the California Regional Water Quality Control Board, San Diego Region, jointly released Tentative Order No. R9-2017-0007 for waste discharge requirements and National Pollutant Discharge Elimination System permit for public review and comment.

REQUIRED SUPPLEMENTARY
INFORMATION (UNAUDITED)
DEFINED BENEFIT PENSION PLAN
AND OPEB PLAN



REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
June 30, 2016

PRESERVATION OF BENEFITS (POB) PLAN

Schedule of Funding Progress

The following table shows the funding progress of the City's POB Plan for the last three valuations (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	UAAAL (b - a)	Funded Ratio (a/b)	Covered Payroll ¹ (c)	UAAAL as a Percentage of Covered Payroll ¹ ((b - a)/c)
6/30/2013	\$ -	\$ 8,393	\$ 8,393	0.00%	N/A	N/A
6/30/2014	-	7,896	7,896	0.00%	N/A	N/A
6/30/2015	-	9,527	9,527	0.00%	N/A	N/A

Source: Cheiron, Inc.

¹ Payments are based on annual determination of pension benefits that are above IRS section 415(b) limits and are funded on a pay-go basis.

GASB 67 and 68 Reporting for June 30, 2015 Measurement Date

Schedule of Changes in Net Pension Liability and Related Ratios (Dollars in Thousands)

	FYE 2015	FYE 2014
Total Pension Liability		
Service Cost (Middle of Year)	\$ 102,688	\$ 107,003
Interest (Includes Interest on Service Cost)	554,988	537,875
Differences between expected and actual experience	46,416	-
Benefit Payments, Including Refunds of Member Contributions	(429,238)	(384,980)
Net change in Total Pension Liability	274,854	259,898
Total Pension Liability, Beginning	7,815,425	7,555,527
Total Pension Liability, Ending	8,090,279	7,815,425
Plan Fiduciary Net Position		
Contributions-Employer	268,061	279,659
Contributions-Member	59,042	65,467
Net Investment Income	207,653	935,051
Benefit Payments, Including Refunds of Member Contributions	(429,238)	(384,980)
Administrative Expense	(8,693)	(10,467)
Net Change in Plan Fiduciary Net Position	96,825	884,730
Plan Fiduciary Net Position, Beginning	6,279,888	5,395,158
Plan Fiduciary Net Position, Ending	6,376,713	6,279,888
Net Pension Liability, Ending	\$ 1,713,566	\$ 1,535,537
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.82%	80.35%
Covered-Employee Pensionable Payroll	\$ 602,361	\$ 611,580
Net Pension Liability as a Percentage of Covered-Employee Payroll	284.47%	251.08%

**Schedule of Employer Contributions
Last 10 Fiscal Years (Dollars in Thousands)**

	2016	2015	2014	2013	2012
Actuarially Determined Contribution	\$ 254,900	\$ 263,600	\$ 275,400	\$ 231,100	\$ 231,200
Contributions in Relation to the Actuarially Determined Contribution	254,900	263,600	275,400	231,143	231,200
Contribution Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ (43)	\$ -
Covered-Employee Payroll ¹	\$ 595,766	\$ 602,361	\$ 611,580	\$ 628,435	\$ 615,202
Contributions as a Percentage of Covered-Employee Payroll	42.79%	43.76%	45.03%	36.78%	37.58%
	2011	2010	2009	2008	2007
Actuarially Determined Contribution	\$ 229,100	\$ 154,200	\$ 161,700	\$ 137,700	\$ 162,000
Contributions in Relation to the Actuarially Determined Contribution	229,297	192,533	162,475	165,581	169,126
Contribution Deficiency/(Excess)	\$ (197)	\$ (38,333)	\$ (775)	\$ (27,881)	\$ (7,126)
Covered-Employee Payroll ¹	\$ 621,973	\$ 536,591	\$ 535,774	\$ 512,440	\$ 534,103
Contributions as a Percentage of Covered-Employee Payroll	36.87%	35.88%	30.33%	32.31%	31.67%

Valuation Date: 6/30/2014

Key Methods and Assumptions Used to Determine Contributions:

Actuarial Cost Method	Entry Age Normal. Prior to the 2007 valuation, Projected Unit Credit was used.
Asset Valuation Method	Expected Value Method. Prior to the 2006 valuation, the "book value" smoothing method was used. 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 ²	Closed periods. Payments are a level percentage of payroll (Police) or level dollar (non-Police).
Discount Rate	7.25%. 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, and from 7.50% to 7.25% in the 2013 valuation.
Amortization Growth Rate	3.30%. Same pattern of changes described below for salary increase assumption (excluding freezes).
Wage Inflation	3.30%. Same pattern of changes described below for salary increase assumption.
Salary Increases	3.30% (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. 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	2.00%
Mortality	Healthy retired members use the RP-2000 Combined Mortality Table (male and female). For Safety female members, rates are set forward one year. From 2004-2007 (valuation years), the UP-1994 table was used, with a two-year set back 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.

A complete description of the methods and assumptions used to determine contribution rates for the year ended June 30, 2016 can be found in the June 30, 2014 actuarial valuation reports.

¹ Covered-Employee Payroll from fiscal years 2011-2016 represents total compensation for pensionable employees. Comparable information for fiscal years 2007-2010 is not available, but represents pensionable pay only.

² 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.

OPEB TRUST FUND**Schedule of Funding Progress**

The following table shows the funding progress of the City's OPEB trust fund for the last three fiscal years (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	UAAL (b - a)	Funded Ratio (a/b)	Covered Payroll ¹ (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/30/2014	\$ 128,238	\$ 607,712	\$ 479,474	21.10%	\$ 98,742	485.58%
6/30/2015	121,115	658,408	537,293	18.40%	87,252	615.79%
6/30/2016	116,590	654,355	537,765	17.82%	74,002	726.69%

¹ Includes payroll for active employees in the Option A and Option B plans only.

Schedule of Employer Contributions

The following table shows contributions to the City's OPEB trust fund for the last three fiscal years (dollars in thousands):

Fiscal Year	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2014	\$ 38,097	\$ 34,244	89.89%
6/30/2015	41,740	32,193	77.13%
6/30/2016	46,976	29,784	63.40%

Source: Buck Consultants

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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; 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)
Year Ended June 30, 2016
(Dollars in Thousands)

	Original Budget	Final Budget	Actual Amounts ¹	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 470,068	\$ 470,068	\$ 471,321	\$ 1,253
Sales Taxes - Shared State Revenue	285,771	285,771	275,664	(10,107)
Transient Occupancy Taxes	102,164	102,164	107,675	5,511
Other Local Taxes	89,142	89,142	92,414	3,272
Licenses and Permits	24,095	24,095	24,929	834
Fines, Forfeitures and Penalties	29,684	31,468	40,183	8,715
Revenue from Use of Money and Property	46,237	46,237	54,363	8,126
Revenue from Federal Agencies	1,157	1,157	240	(917)
Revenue from Other Agencies	5,717	6,032	8,022	1,990
Revenue from Private Sources	2,150	2,150	2,216	66
Charges for Current Services	129,568	133,660	133,648	(12)
Other Revenue	2,490	6,555	7,874	1,319
TOTAL REVENUES	1,188,243	1,198,499	1,218,549	20,050
EXPENDITURES				
Current:				
General Government and Support	227,346	233,604	229,247	4,357
Public Safety - Police	428,609	432,474	432,472	2
Public Safety - Fire and Life Safety and Homeland Security	224,261	230,590	230,394	196
Parks, Recreation, Culture and Leisure	152,210	145,642	144,650	992
Transportation	62,855	61,983	59,739	2,244
Sanitation and Health	81,296	85,813	85,505	308
Neighborhood Services	30,667	29,164	27,957	1,207
Capital Outlay	5,817	2,493	2,244	249
Debt Service:				
Principal Retirement	2,653	2,653	2,285	368
Interest	1,024	4,071	3,623	448
TOTAL EXPENDITURES	1,216,738	1,228,487	1,218,116	10,371
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(28,495)	(29,988)	433	30,421
OTHER FINANCING SOURCES (USES)				
Transfers from Proprietary Funds	-	288	288	-
Transfers from Other Funds	93,633	86,396	79,980	(6,416)
Transfers to Proprietary Funds	(1,972)	(807)	(807)	-
Transfers to Other Funds	(69,329)	(87,694)	(87,686)	8
TOTAL OTHER FINANCING SOURCES (USES)	22,332	(1,817)	(8,225)	(6,408)
NET CHANGE IN FUND BALANCE	(6,163)	(31,805)	(7,792)	24,013
FUND BALANCE AT BEGINNING OF YEAR	200,170	200,170	200,170	-
FUND BALANCE AT END OF YEAR	\$ 194,006	\$ 168,364	\$ 192,378	\$ 24,013

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
Year Ended June 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Data

On or before the first meeting in May of each year, the Mayor submits to the City Council a proposed operating and capital improvements budget 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
 - Qualcomm 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 30. 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.

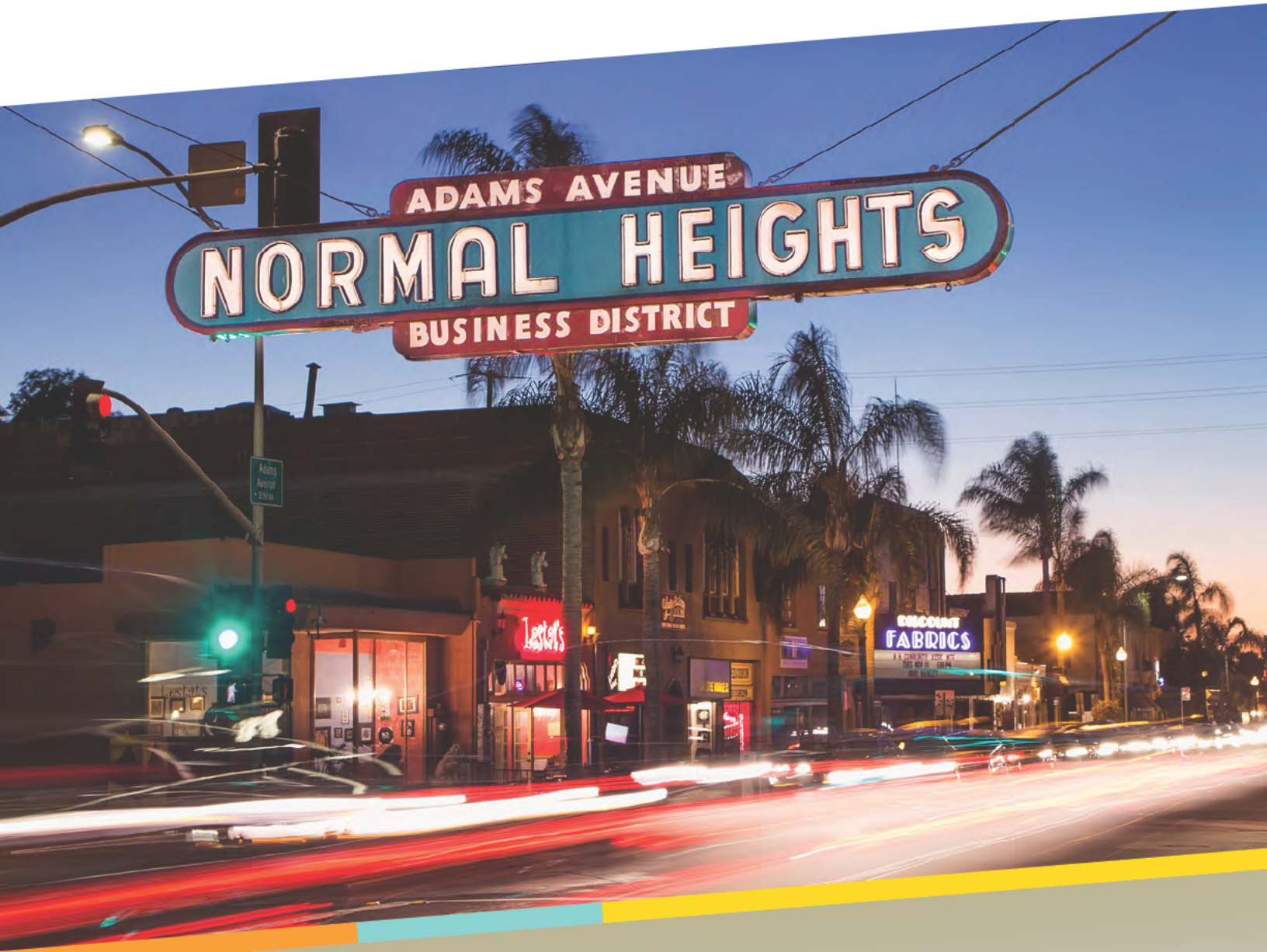
The following is a reconciliation of the net change in fund balance for the General Fund prepared on a GAAP basis to that prepared on the budgetary basis for the year ended June 30, 2016 (dollars in thousands):

	General Fund
Net Change in Fund Balance - GAAP Basis	\$ (2,455)
Add (Deduct):	
Unrealized Gain, June 30, 2016	(1,528)
Unrealized Gain, June 30, 2015	519
Advances to Other Funds, June 30, 2016	(811)
Advances to Other Funds, June 30, 2015	848
Other Perspective Differences ¹	(1,011)
Other Fund Activity ²	<u>(3,354)</u>
Net Change in Fund Balance - Budgetary Basis	<u>\$ (7,792)</u>

¹ In fiscal year 2015, the General Fund accrued expenditures of \$5,053, in the Statement of Revenues, Expenditures and Changes in Fund Balance (GAAP Basis), for low flow diversion capacity charges due to the Sewer Utility Fund. The City budgeted the first of five equal installment payments in fiscal year 2016 (\$1,011) and intends to budget the next four payments over the following four fiscal years. The City considers this to be a perspective difference between the GAAP basis and the budgetary basis of accounting.

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)
Year Ended June 30, 2016
(Dollars in Thousands)**

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
PROPERTY TAXES					
One Percent Property Tax Allocation	\$ -	\$ -	\$ -	\$ 331,274	\$ (331,274)
Current Year - Secured (One Percent Allocation)	304,003	-	304,003	-	304,003
Current Year Supplemental - Secured	4,404	-	4,404	-	4,404
Current Year - Unsecured	9,885	-	9,885	-	9,885
Current Unsecured Supplemental Roll	58	-	58	-	58
Homeowners' Exemptions - Secured	2,518	-	2,518	-	2,518
Homeowners' Exemptions - Unsecured	2	-	2	-	2
Prior years' - Secured	1,685	-	1,685	-	1,685
Prior years' - Unsecured	(137)	-	(137)	-	(137)
In-Lieu Vehicle License Fees	122,261	-	122,261	121,098	1,163
Interest and Penalties on Delinquent Taxes	912	-	912	-	912
Escapes - Secured	4,200	-	4,200	-	4,200
Escapes - Unsecured	542	-	542	-	542
Other Property Taxes	14,459	-	14,459	17,696	(3,237)
State Secured Unitary	6,529	-	6,529	-	6,529
TOTAL PROPERTY TAXES	471,321	-	471,321	470,068	1,253
SALES TAXES - SHARED STATE REVENUE	275,664	-	275,664	285,771	(10,107)
TRANSIENT OCCUPANCY TAXES	107,675	-	107,675	102,164	5,511
OTHER LOCAL TAXES					
Franchises	81,929	-	81,929	80,770	1,159
Property Transfer Tax	10,485	-	10,485	8,372	2,113
TOTAL OTHER LOCAL TAXES	92,414	-	92,414	89,142	3,272
LICENSES AND PERMITS					
General Business Licenses	7,596	-	7,596	7,577	19
Refuse Collection Business Licenses	1,058	-	1,058	750	308
Rental Unit Tax	7,424	-	7,424	7,272	152
Other Licenses and Permits	8,851	-	8,851	8,496	355
TOTAL LICENSES AND PERMITS	24,929	-	24,929	24,095	834
FINES, FORFEITURES AND PENALTIES					
California Vehicle Code Violations	26,763	-	26,763	27,864	(1,101)
Other City Ordinance Code Violations	13,420	-	13,420	3,604	9,816
TOTAL FINES, FORFEITURES AND PENALTIES	40,183	-	40,183	31,468	8,715
REVENUE FROM USE OF MONEY AND PROPERTY					
Interest on Investments	1,725	(1,009)	716	462	254
Balboa Park Rents and Concessions	489	-	489	394	95
Mission Bay Park Rents and Concessions	29,658	-	29,658	28,658	1,000
Other Rents and Concessions	23,500	-	23,500	16,723	6,777
TOTAL REVENUE FROM USE OF MONEY AND PROPERTY	55,372	(1,009)	54,363	46,237	8,126
REVENUE FROM FEDERAL AGENCIES	240	-	240	1,157	(917)
REVENUE FROM OTHER AGENCIES					
State Motor Vehicle License Fees	553	-	553	-	553
Local Relief	150	-	150	110	40
State Grants	7,319	-	7,319	5,922	1,397
TOTAL REVENUE FROM OTHER AGENCIES	8,022	-	8,022	6,032	1,990
REVENUE FROM PRIVATE SOURCES	2,216	-	2,216	2,150	66

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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.

**GENERAL FUND
SCHEDULE OF REVENUES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2016
(Dollars in Thousands)**

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
CHARGES FOR CURRENT SERVICES					
Administrative Services to Other Agencies	\$ 712	\$ -	\$ 712	\$ 949	\$ (237)
Cemetery Revenue	712	-	712	686	26
Engineering Services	250	-	250	174	76
Fire Services	14,440	-	14,440	15,117	(677)
Library Revenue	1,300	-	1,300	1,196	104
Miscellaneous Recreation Revenue	4,260	-	4,260	4,950	(690)
Other Services	2,016	-	2,016	2,573	(557)
Planning and Miscellaneous Filing Fees	528	-	528	275	253
Police Services	6,553	-	6,553	6,932	(379)
Swimming Pools Revenue	1,066	-	1,066	1,159	(93)
Services Rendered to Other Funds for:					
General Government and Financial	101,658	-	101,658	97,319	4,339
Park Design	-	-	-	1,735	(1,735)
Miscellaneous Services	153	-	153	595	(442)
TOTAL CHARGES FOR CURRENT SERVICES	133,648	-	133,648	133,660	(12)
OTHER REVENUE					
Other Refunds of Prior Years' Expenditures	1,545	-	1,545	825	720
Repairs and Damage Recoveries	455	-	455	370	85
Sale of Personal Property	84	-	84	67	17
Miscellaneous Revenue	5,790	-	5,790	5,293	497
TOTAL OTHER REVENUE	7,874	-	7,874	6,555	1,319
TOTAL REVENUES	1,219,558	(1,009)	1,218,549	1,198,499	20,050
TRANSFERS FROM PROPRIETARY FUNDS					
Internal Service Funds:					
Fleet Services	288	-	288	288	-
TRANSFERS FROM OTHER FUNDS					
Special Revenue Funds:					
City of San Diego:					
Interfund Transfers	46,143	-	46,143	52,559	(6,416)
Acquisition, Improvement & Operations	9	-	9	9	-
Transient Occupancy Tax	19,186	-	19,186	19,186	-
Zoological Exhibits	22	-	22	22	-
Other Special Revenue - Budgeted	5	-	5	5	-
Other Special Revenue - Unbudgeted	4,011	-	4,011	4,011	-
Capital Projects Funds:					
City of San Diego:					
TransNet	9,506	-	9,506	9,506	-
Capital Outlay - Budgeted	42	-	42	42	-
Capital Outlay - Unbudgeted	570	-	570	570	-
Permanent Funds:					
Cemetery Perpetuity	486	-	486	486	-
TOTAL TRANSFERS FROM OTHER FUNDS	79,980	-	79,980	86,396	(6,416)
TOTAL REVENUE AND TRANSFERS	\$ 1,299,826	\$ (1,009)	\$ 1,298,817	\$ 1,285,183	\$ 13,634

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)
Year Ended June 30, 2016
(Dollars in Thousands)

	<u>Actual¹</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
GENERAL GOVERNMENT AND SUPPORT					
Departmental:					
Office of the Mayor					
Salaries and Wages	\$ 2,279	\$ -	\$ 2,279	\$ 2,317	\$ 38
Non-Personnel	1,966	-	1,966	1,986	20
Total Office of the Mayor	<u>4,245</u>	<u>-</u>	<u>4,245</u>	<u>4,303</u>	<u>58</u>
City Council District 1					
Salaries and Wages	535	-	535	535	-
Non-Personnel	488	-	488	568	80
Total City Council District 1	<u>1,023</u>	<u>-</u>	<u>1,023</u>	<u>1,103</u>	<u>80</u>
City Council District 2					
Salaries and Wages	586	-	586	586	-
Non-Personnel	454	-	454	561	107
Total City Council District 2	<u>1,040</u>	<u>-</u>	<u>1,040</u>	<u>1,147</u>	<u>107</u>
City Council District 3					
Salaries and Wages	600	-	600	631	31
Non-Personnel	590	-	590	646	56
Total City Council District 3	<u>1,190</u>	<u>-</u>	<u>1,190</u>	<u>1,277</u>	<u>87</u>
City Council District 4					
Salaries and Wages	507	-	507	568	61
Non-Personnel	373	-	373	445	72
Total City Council District 4	<u>880</u>	<u>-</u>	<u>880</u>	<u>1,013</u>	<u>133</u>
City Council District 5					
Salaries and Wages	614	-	614	658	44
Non-Personnel	459	-	459	530	71
Total City Council District 5	<u>1,073</u>	<u>-</u>	<u>1,073</u>	<u>1,188</u>	<u>115</u>
City Council District 6					
Salaries and Wages	552	-	552	692	140
Non-Personnel	475	-	475	502	27
Total City Council District 6	<u>1,027</u>	<u>-</u>	<u>1,027</u>	<u>1,194</u>	<u>167</u>
City Council District 7					
Salaries and Wages	619	-	619	724	105
Non-Personnel	403	-	403	448	45
Total City Council District 7	<u>1,022</u>	<u>-</u>	<u>1,022</u>	<u>1,172</u>	<u>150</u>
City Council District 8					
Salaries and Wages	562	-	562	660	98
Non-Personnel	491	-	491	502	11
Total City Council District 8	<u>1,053</u>	<u>-</u>	<u>1,053</u>	<u>1,162</u>	<u>109</u>
City Council District 9					
Salaries and Wages	551	-	551	551	-
Non-Personnel	456	-	456	548	92
Total City Council District 9	<u>1,007</u>	<u>-</u>	<u>1,007</u>	<u>1,099</u>	<u>92</u>
Council Administration					
Salaries and Wages	1,127	-	1,127	1,127	-
Non-Personnel	1,014	-	1,014	1,014	-
Total Council Administration	<u>2,141</u>	<u>-</u>	<u>2,141</u>	<u>2,141</u>	<u>-</u>

Continued on Next Page

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2016
(Dollars in Thousands)

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
City Clerk					
Salaries and Wages	\$ 2,300	\$ -	\$ 2,300	\$ 2,380	\$ 80
Non-Personnel	2,909	-	2,909	2,963	54
Total City Clerk	5,209	-	5,209	5,343	134
Independent Budget Analyst					
Salaries and Wages	1,055	-	1,055	1,068	13
Non-Personnel	761	-	761	765	4
Total Independent Budget Analyst	1,816	-	1,816	1,833	17
City Attorney					
Salaries and Wages	27,030	-	27,030	27,161	131
Non-Personnel	20,396	-	20,396	20,410	14
Total City Attorney	47,426	-	47,426	47,571	145
Personnel					
Salaries and Wages	4,245	-	4,245	4,245	-
Non-Personnel	3,564	-	3,564	3,564	-
Total Personnel	7,809	-	7,809	7,809	-
Ethics Commission					
Salaries and Wages	486	-	486	508	22
Non-Personnel	645	-	645	645	-
Total Ethics Commission	1,131	-	1,131	1,153	22
Office of the City Auditor					
Salaries and Wages	1,935	-	1,935	1,994	59
Non-Personnel	1,355	-	1,355	1,424	69
Total Office of the City Auditor	3,290	-	3,290	3,418	128
Assistant Chief Operating Officer					
Salaries and Wages	920	-	920	990	70
Non-Personnel	685	-	685	685	-
Total Assistant Chief Operating Officer	1,605	-	1,605	1,675	70
Performance and Analytics					
Salaries and Wages	898	-	898	1,053	155
Non-Personnel	934	-	934	934	-
Total Performance and Analytics	1,832	-	1,832	1,987	155
Human Resources					
Salaries and Wages	1,689	-	1,689	1,740	51
Non-Personnel	1,593	-	1,593	1,593	-
Total Human Resources	3,282	-	3,282	3,333	51
Department of Information Technology					
Salaries and Wages	-	-	-	-	-
Non-Personnel	465	-	465	479	14
Total Department of Information Technology	465	-	465	479	14
Office of the Chief Operating Officer					
Salaries and Wages	597	-	597	597	-
Non-Personnel	465	-	465	465	-
Total Office of the Chief Operating Officer	1,062	-	1,062	1,062	-
Internal Operations					
Salaries and Wages	221	-	221	221	-
Non-Personnel	182	-	182	182	-
Total Internal Operations	403	-	403	403	-

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.

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2016
(Dollars in Thousands)

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Communications					
Salaries and Wages	\$ 1,941	\$ -	\$ 1,941	\$ 2,005	\$ 64
Non-Personnel	1,411	-	1,411	1,418	7
Total Communications	3,352	-	3,352	3,423	71
Chief Financial Officer					
Salaries and Wages	282	-	282	282	-
Non-Personnel	227	-	227	261	34
Total Chief Financial Officer	509	-	509	543	34
City Comptroller					
Salaries and Wages	5,954	-	5,954	5,954	-
Non-Personnel	5,246	-	5,246	5,246	-
Total City Comptroller	11,200	-	11,200	11,200	-
Debt Management					
Salaries and Wages	1,439	-	1,439	1,515	76
Non-Personnel	1,022	-	1,022	1,033	11
Total Debt Management	2,461	-	2,461	2,548	87
Financial Management					
Salaries and Wages	2,297	-	2,297	2,465	168
Non-Personnel	1,679	-	1,679	1,684	5
Total Financial Management	3,976	-	3,976	4,149	173
Purchasing and Contracting					
Salaries and Wages	2,991	-	2,991	3,487	496
Non-Personnel	2,892	-	2,892	2,926	34
Total Purchasing and Contracting	5,883	-	5,883	6,413	530
City Treasurer					
Salaries and Wages	5,995	-	5,995	6,142	147
Non-Personnel	8,959	-	8,959	9,011	52
Total City Treasurer	14,954	-	14,954	15,153	199
Neighborhood Services					
Salaries and Wages	613	-	613	613	-
Non-Personnel	281	-	281	281	-
Total Neighborhood Services	894	-	894	894	-
Real Estate Assets					
Salaries and Wages	2,284	-	2,284	2,466	182
Non-Personnel	2,638	-	2,638	2,716	78
Total Real Estate Assets	4,922	-	4,922	5,182	260
General Services					
Salaries and Wages	7,043	-	7,043	7,640	597
Non-Personnel	12,711	-	12,711	12,768	57
Total General Services	19,754	-	19,754	20,408	654
Public Works/Infrastructure					
Salaries and Wages	404	-	404	489	85
Non-Personnel	424	-	424	429	5
Total Public Works/Infrastructure	828	-	828	918	90

Continued on Next Page

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2016
(Dollars in Thousands)

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
Public Works - Contracts					
Salaries and Wages	\$ 1,075	\$ -	\$ 1,075	\$ 1,233	\$ 158
Non-Personnel	804	-	804	926	122
Total Public Works - Contracts	1,879	-	1,879	2,159	280
Citywide Expenses					
Non-Personnel	67,604	-	67,604	67,749	145
TOTAL GENERAL GOVERNMENT AND SUPPORT	229,247	-	229,247	233,604	4,357
PUBLIC SAFETY - POLICE					
Departmental:					
Police					
Salaries and Wages	213,557	-	213,557	213,557	-
Non-Personnel	218,915	-	218,915	218,917	2
TOTAL PUBLIC SAFETY POLICE	432,472	-	432,472	432,474	2
PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY					
Fire - Rescue					
Salaries and Wages	118,864	-	118,864	118,864	-
Non-Personnel	109,386	-	109,386	109,386	-
Total Fire - Rescue	228,250	-	228,250	228,250	-
Office of Homeland Security					
Salaries and Wages	1,077	-	1,077	1,273	196
Non-Personnel	1,067	-	1,067	1,067	-
Total Office of Homeland Security	2,144	-	2,144	2,340	196
TOTAL PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY	230,394	-	230,394	230,590	196
PARKS, RECREATION, CULTURE AND LEISURE					
Departmental:					
Library					
Salaries and Wages	19,330	-	19,330	20,053	723
Non-Personnel	26,663	-	26,663	26,765	102
Total Library	45,993	-	45,993	46,818	825
Parks and Recreation					
Salaries and Wages	35,558	-	35,558	35,667	109
Non-Personnel	61,107	-	61,107	61,107	-
Total Parks and Recreation	96,665	-	96,665	96,774	109
Reservoir Concessions					
Non-Personnel	1,992	-	1,992	2,050	58
TOTAL PARKS, RECREATION CULTURE AND LEISURE	144,650	-	144,650	145,642	992

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.

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2016
(Dollars in Thousands)

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
TRANSPORTATION					
Transportation & Storm Water					
Salaries and Wages	\$ 19,241	\$ -	\$ 19,241	\$ 20,418	\$ 1,177
Non-Personnel	<u>40,498</u>	<u>-</u>	<u>40,498</u>	<u>41,565</u>	<u>1,067</u>
Total Transportation & Storm Water	<u>59,739</u>	<u>-</u>	<u>59,739</u>	<u>61,983</u>	<u>2,244</u>
TOTAL TRANSPORTATION	<u>59,739</u>	<u>-</u>	<u>59,739</u>	<u>61,983</u>	<u>2,244</u>
SANITATION AND HEALTH					
Departmental:					
Environmental Services					
Salaries and Wages	7,659	-	7,659	7,865	206
Non-Personnel	<u>26,663</u>	<u>-</u>	<u>26,663</u>	<u>26,765</u>	<u>102</u>
Total Environmental Services	<u>34,322</u>	<u>-</u>	<u>34,322</u>	<u>34,630</u>	<u>308</u>
Storm Water					
Salaries and Wages	9,586	-	9,586	9,586	-
Non-Personnel	<u>40,586</u>	<u>1,011</u>	<u>41,597</u>	<u>41,597</u>	<u>-</u>
Total Storm Water	<u>50,172</u>	<u>1,011</u>	<u>51,183</u>	<u>51,183</u>	<u>-</u>
TOTAL SANITATION AND HEALTH	<u>84,494</u>	<u>1,011</u>	<u>85,505</u>	<u>85,813</u>	<u>308</u>
NEIGHBORHOOD SERVICES					
Departmental:					
Development Services					
Salaries and Wages	3,433	-	3,433	4,006	573
Non-Personnel	<u>2,806</u>	<u>-</u>	<u>2,806</u>	<u>2,815</u>	<u>9</u>
Total Development Services	<u>6,239</u>	<u>-</u>	<u>6,239</u>	<u>6,821</u>	<u>582</u>
Economic Development					
Salaries and Wages	3,067	-	3,067	3,415	348
Non-Personnel	<u>8,840</u>	<u>(38)</u>	<u>8,802</u>	<u>8,839</u>	<u>37</u>
Total Economic Development	<u>11,907</u>	<u>(38)</u>	<u>11,869</u>	<u>12,254</u>	<u>385</u>
Planning					
Salaries and Wages	4,664	-	4,664	4,855	191
Non-Personnel	<u>5,185</u>	<u>-</u>	<u>5,185</u>	<u>5,234</u>	<u>49</u>
Total Planning	<u>9,849</u>	<u>-</u>	<u>9,849</u>	<u>10,089</u>	<u>240</u>
TOTAL NEIGHBORHOOD SERVICES	<u>27,995</u>	<u>(38)</u>	<u>27,957</u>	<u>29,164</u>	<u>1,207</u>

Continued on Next Page

GENERAL FUND
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2016
(Dollars in Thousands)

	Actual ¹	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
CAPITAL OUTLAY	\$ 2,244	\$ -	\$ 2,244	\$ 2,493	\$ 249
DEBT SERVICE					
Principal Retirement	2,285	-	2,285	2,653	368
Interest	3,623	-	3,623	4,071	448
TOTAL DEBT SERVICE	5,908	-	5,908	6,724	816
TOTAL EXPENDITURES	1,217,143	973	1,218,116	1,228,487	10,371
TRANSFERS TO PROPRIETARY FUNDS					
Enterprise Funds:					
Environmental Services	807	-	807	807	-
TOTAL TRANSFERS TO PROPRIETARY FUNDS	807	-	807	807	-
TRANSFERS TO OTHER FUNDS					
Special Revenue Funds:					
City of San Diego:					
Interfund Transfers	18,042	-	18,042	18,050	8
Acquisition, Improvement and Operations	1,098	-	1,098	1,098	-
Other Special Revenue - Budgeted	12,501	-	12,501	12,501	-
Grants	57	-	57	57	-
Other Special Revenue - Unbudgeted	2,670	-	2,670	2,670	-
Total Special Revenue Funds	34,368	-	34,368	34,376	8
Debt Service Funds:					
Public Facilities Financing Authority	20,962	-	20,962	20,962	-
Capital Projects Funds:					
City of San Diego:					
Capital Outlay - Unbudgeted	32,287	-	32,287	32,287	-
Public Facilities Financing Authority	69	-	69	69	-
Total Capital Projects Funds	32,356	-	32,356	32,356	-
TOTAL TRANSFERS TO OTHER FUNDS	87,686	-	87,686	87,694	8
TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 1,305,636</u>	<u>\$ 973</u>	<u>\$ 1,306,609</u>	<u>\$ 1,316,988</u>	<u>\$ 10,379</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



NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
 June 30, 2016
 (Dollars in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
ASSETS					
Cash and Investments	\$ 427,076	\$ -	\$ 557,995	\$ -	\$ 985,071
Receivables:					
Taxes - Net of Allowance for Uncollectibles	25,585	-	38,440	-	64,025
Accounts - Net of Allowance for Uncollectibles	7,615	5,171	4,746	1	17,533
Claims	-	-	30,901	-	30,901
Special Assessments	386	-	-	-	386
Notes	244,504	-	-	-	244,504
Loans	223,364	-	9,192	-	232,556
Accrued Interest	919	17	1,207	22	2,165
Grants	17,407	-	4,387	-	21,794
Advances to Other Agencies	3,692	-	11	-	3,703
Land Held for Resale	32,212	-	-	-	32,212
Prepaid Items	17	-	-	-	17
Restricted Cash and Investments	6,876	25,319	142,528	23,699	198,422
TOTAL ASSETS	<u>\$ 989,653</u>	<u>\$ 30,507</u>	<u>\$ 789,407</u>	<u>\$ 23,722</u>	<u>\$ 1,833,289</u>
LIABILITIES					
Accounts Payable	\$ 38,583	\$ -	\$ 21,379	\$ 3	\$ 59,965
Accrued Wages and Benefits	754	-	-	-	754
Other Accrued Liabilities	503	-	-	-	503
Due to Other Funds	9,644	155	8,541	-	18,340
Unearned Revenue	818	-	19,633	-	20,451
Advances from Other Funds	811	-	-	-	811
TOTAL LIABILITIES	<u>51,113</u>	<u>155</u>	<u>49,553</u>	<u>3</u>	<u>100,824</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Taxes	195	-	37,931	-	38,126
Unavailable Revenue - Grants	5,023	-	4,387	-	9,410
Unavailable Revenue - Other	5,230	5,171	1,532	1	11,934
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>10,448</u>	<u>5,171</u>	<u>43,850</u>	<u>1</u>	<u>59,470</u>
FUND BALANCES					
Nonspendable	17	-	-	19,900	19,917
Restricted	881,053	25,181	663,464	3,818	1,573,516
Committed	52,050	-	54,801	-	106,851
Unassigned	(5,028)	-	(22,261)	-	(27,289)
TOTAL FUND BALANCES	<u>928,092</u>	<u>25,181</u>	<u>696,004</u>	<u>23,718</u>	<u>1,672,995</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 989,653</u>	<u>\$ 30,507</u>	<u>\$ 789,407</u>	<u>\$ 23,722</u>	<u>\$ 1,833,289</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2016
(Dollars in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
REVENUES					
Property Taxes	\$ 18,343	\$ -	\$ -	\$ -	\$ 18,343
Special Assessments	54,304	-	-	-	54,304
Sales Taxes	-	-	49,373	-	49,373
Transient Occupancy Taxes	96,884	-	-	-	96,884
Other Local Taxes	73,438	-	2	-	73,440
Licenses and Permits	11,528	-	42,138	-	53,666
Fines, Forfeitures and Penalties	1,282	-	-	-	1,282
Revenue from Use of Money and Property	29,041	271	7,582	108	37,002
Revenue from Federal Agencies	42,675	-	1,614	-	44,289
Revenue from Other Agencies	12,961	8,920	4,341	-	26,222
Revenue from Private Sources	20,611	-	64,662	131	85,404
Charges for Current Services	28,999	-	5	104	29,108
Other Revenue	12,959	-	-	-	12,959
TOTAL REVENUES	403,025	9,191	169,717	343	582,276
EXPENDITURES					
Current:					
General Government and Support	21,234	-	7,656	-	28,890
Public Safety - Police	8,487	-	-	-	8,487
Public Safety - Fire, Life Safety and Homeland Security	15,773	-	-	-	15,773
Parks, Recreation, Culture and Leisure	130,381	-	95	64	130,540
Transportation	37,995	-	17,353	-	55,348
Sanitation and Health	2,651	-	2,567	69	5,287
Neighborhood Services	40,103	-	332	-	40,435
Capital Outlay	25,033	-	156,976	-	182,009
Debt Service:					
Principal Retirement	294	26,985	794	-	28,073
Cost of Issuance	-	712	-	-	712
Interest	212	36,226	150	-	36,588
Refunding Escrow	-	3,811	-	-	3,811
TOTAL EXPENDITURES	282,163	67,734	185,923	133	535,953
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	120,862	(58,543)	(16,206)	210	46,323
OTHER FINANCING SOURCES (USES)					
Transfers from Proprietary Funds	-	-	63	-	63
Transfers from Other Funds	34,192	53,688	44,175	-	132,055
Transfers to Other Funds	(78,444)	(109)	(16,839)	(601)	(95,993)
Payment to Refunded Bond Escrow Agent	-	(122,186)	-	-	(122,186)
Proceeds from the Sale of Capital Assets	15,562	-	9	-	15,571
Capital Lease Proceeds	-	-	1,909	-	1,909
Revenue Bonds Issued	-	103,255	-	-	103,255
Premium on Bonds Issued	-	20,039	-	-	20,039
TOTAL OTHER FINANCING SOURCES (USES)	(28,690)	54,687	29,317	(601)	54,713
Extraordinary Gain	155,790	-	9,592	-	165,382
NET CHANGE IN FUND BALANCES	247,962	(3,856)	22,703	(391)	266,418
Fund Balances at Beginning of Year	680,130	29,037	673,301	24,109	1,406,577
FUND BALANCES AT END OF YEAR	\$ 928,092	\$ 25,181	\$ 696,004	\$ 23,718	\$ 1,672,995

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.

QUALCOMM STADIUM OPERATIONS - BUDGETED

This fund accounts for the operations of the Stadium. The Stadium hosts various sporting events for its football tenants. 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 Police, Development Services, and General Services. 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 Engineering and Capital Projects, Libraries, Park 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.

SAN DIEGO INDUSTRIAL DEVELOPMENT AUTHORITY

This fund was established to account for revenues and expenditures of the SDIDA. SDIDA was formed in 1983 pursuant to the California Industrial Development Financing Act for the purpose of providing an alternative method of financing to participating parties for economic development purposes, through the sale and issuance of revenue bonds. Revenues are derived from fees collected from companies applying for industrial development bond financing. Expenditures are incurred for management and administrative services provided by the City.

TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION (TSRFC)

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.

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NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
June 30, 2016
(Dollars in Thousands)

	City of San Diego	Civic San Diego	San Diego Industrial Development Authority	Tobacco Settlement Revenue Funding Corporation	Total
ASSETS					
Cash and Investments	\$ 424,099	\$ 2,909	\$ 68	\$ -	\$ 427,076
Receivables:					
Taxes - Net of Allowance for Uncollectibles	25,585	-	-	-	25,585
Accounts - Net of Allowance for Uncollectibles	5,270	2,345	-	-	7,615
Special Assessments	386	-	-	-	386
Notes	244,504	-	-	-	244,504
Loans	223,364	-	-	-	223,364
Accrued Interest	919	-	-	-	919
Grants	17,407	-	-	-	17,407
Advances to Other Agencies	3,692	-	-	-	3,692
Land Held for Resale	32,212	-	-	-	32,212
Prepaid Items	7	10	-	-	17
Restricted Cash and Investments	1,800	4,896	-	180	6,876
TOTAL ASSETS	<u>\$ 979,245</u>	<u>\$ 10,160</u>	<u>\$ 68</u>	<u>\$ 180</u>	<u>\$ 989,653</u>
LIABILITIES					
Accounts Payable	\$ 38,193	\$ 390	\$ -	\$ -	\$ 38,583
Accrued Wages and Benefits	754	-	-	-	754
Other Accrued Liabilities	21	482	-	-	503
Due to Other Funds	9,644	-	-	-	9,644
Unearned Revenue	818	-	-	-	818
Advances from Other Funds	-	811	-	-	811
TOTAL LIABILITIES	<u>49,430</u>	<u>1,683</u>	<u>-</u>	<u>-</u>	<u>51,113</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Taxes	195	-	-	-	195
Unavailable Revenue - Grants	5,023	-	-	-	5,023
Unavailable Revenue - Other	5,230	-	-	-	5,230
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>10,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,448</u>
FUND BALANCES					
Nonspendable	7	10	-	-	17
Restricted	872,853	8,020	-	180	881,053
Committed	51,535	447	68	-	52,050
Unassigned	(5,028)	-	-	-	(5,028)
TOTAL FUND BALANCES	<u>919,367</u>	<u>8,477</u>	<u>68</u>	<u>180</u>	<u>928,092</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 979,245</u>	<u>\$ 10,160</u>	<u>\$ 68</u>	<u>\$ 180</u>	<u>\$ 989,653</u>

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2016
(Dollars in Thousands)

	City of San Diego	Civic San Diego	San Diego Industrial Development Authority	Tobacco Settlement Revenue Funding Corporation	Total
REVENUES					
Property Taxes	\$ 18,343	\$ -	\$ -	\$ -	\$ 18,343
Special Assessments	54,304	-	-	-	54,304
Transient Occupancy Taxes	96,884	-	-	-	96,884
Other Local Taxes	73,438	-	-	-	73,438
Licenses and Permits	11,528	-	-	-	11,528
Fines, Forfeitures and Penalties	1,282	-	-	-	1,282
Revenue from Use of Money and Property	28,957	83	1	-	29,041
Revenue from Federal Agencies	42,675	-	-	-	42,675
Revenue from Other Agencies	11,297	1,664	-	-	12,961
Revenue from Private Sources	20,611	-	-	-	20,611
Charges for Current Services	14,097	14,902	-	-	28,999
Other Revenue	12,834	125	-	-	12,959
TOTAL REVENUES	386,250	16,774	1	-	403,025
EXPENDITURES					
Current:					
General Government and Support	13,891	7,299	-	44	21,234
Public Safety - Police	8,487	-	-	-	8,487
Public Safety - Fire and Life Safety and Homeland Security	15,773	-	-	-	15,773
Parks, Recreation, Culture and Leisure	130,381	-	-	-	130,381
Transportation	37,995	-	-	-	37,995
Sanitation and Health	2,651	-	-	-	2,651
Neighborhood Services	40,103	-	-	-	40,103
Capital Outlay	22,366	2,667	-	-	25,033
Debt Service:					
Principal Retirement	294	-	-	-	294
Interest	212	-	-	-	212
TOTAL EXPENDITURES	272,153	9,966	-	44	282,163
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	114,097	6,808	1	(44)	120,862
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	34,143	-	-	49	34,192
Transfers to Other Funds	(78,444)	-	-	-	(78,444)
Proceeds from the Sale of Capital Assets	15,562	-	-	-	15,562
TOTAL OTHER FINANCING SOURCES (USES)	(28,739)	-	-	49	(28,690)
Extraordinary Gain	155,790	-	-	-	155,790
NET CHANGE IN FUND BALANCES	241,148	6,808	1	5	247,962
Fund Balances at Beginning of Year	678,219	1,669	67	175	680,130
FUND BALANCES AT END OF YEAR	\$ 919,367	\$ 8,477	\$ 68	\$ 180	\$ 928,092

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2016
(Dollars in Thousands)

	<u>City of San Diego</u>	
	<u>Actual on Budgetary Basis</u>	<u>Final Budget</u>
REVENUES		
Property Taxes	\$ 11,921	\$ 11,852
Special Assessments	16,008	15,996
Sales Taxes	8,784	9,159
Transient Occupancy Taxes	96,884	92,876
Other Local Taxes	111,942	108,264
Licenses and Permits	11,527	11,482
Revenue from Use of Money and Property	19,053	14,265
Revenue from Federal Agencies	1,874	3,325
Revenue from Other Agencies	3,281	238
Revenue from Private Sources	1,536	930
Charges for Current Services	139,699	144,544
Other Revenue	403	3,823
TOTAL REVENUES	422,912	416,754
EXPENDITURES		
Current:		
General Government and Support	100,006	118,745
Public Safety - Police	5,412	6,419
Public Safety - Fire and Life Safety and Homeland Security	8,380	8,705
Parks, Recreation, Culture and Leisure	102,129	157,306
Transportation	80,922	174,753
Sanitation and Health	1,667	1,931
Neighborhood Services	2,111	3,435
Capital Outlay	24,740	3,809
Debt Service:		
Principal Retirement	6,719	5,900
Interest	119	131
TOTAL EXPENDITURES	332,205	481,134
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	90,707	(64,380)
OTHER FINANCING SOURCES (USES)		
Transfers from Other Funds	32,722	28,045
Transfers to Other Funds	(110,301)	(112,804)
Capital Leases	6,624	-
TOTAL OTHER FINANCING SOURCES (USES)	(70,955)	(84,759)
NET CHANGE IN FUND BALANCES	19,752	(149,139)
Fund Balances - Beginning	229,760	229,760
FUND BALANCES - ENDING	\$ 249,512	\$ 80,621

Civic San Diego		Total		
Actual on Budgetary Basis	Final Budget	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 11,921	\$ 11,852	\$ 69
-	-	16,008	15,996	12
-	-	8,784	9,159	(375)
-	-	96,884	92,876	4,008
-	-	111,942	108,264	3,678
-	-	11,527	11,482	45
83	1	19,136	14,266	4,870
-	-	1,874	3,325	(1,451)
1,664	-	4,945	238	4,707
-	-	1,536	930	606
18,353	26,634	158,052	171,178	(13,126)
129	346	532	4,169	(3,637)
20,229	26,981	443,141	443,735	(594)
7,694	24,533	107,700	143,278	35,578
-	-	5,412	6,419	1,007
-	-	8,380	8,705	325
-	-	102,129	157,306	55,177
-	-	80,922	174,753	93,831
-	-	1,667	1,931	264
-	-	2,111	3,435	1,324
2,667	-	27,407	3,809	(23,598)
-	-	6,719	5,900	(819)
-	-	119	131	12
10,361	24,533	342,566	505,667	163,101
9,868	2,448	100,575	(61,932)	162,507
-	-	32,722	28,045	4,677
-	-	(110,301)	(112,804)	2,503
-	-	6,624	-	6,624
-	-	(70,955)	(84,759)	13,804
9,868	2,448	29,620	(146,691)	176,311
1,669	1,669	231,429	231,429	-
\$ 11,537	\$ 4,117	\$ 261,049	\$ 84,738	\$ 176,311

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
COMBINING BALANCE SHEET
June 30, 2016
(Dollars in Thousands)

	Budgeted		
	Acquisition, Improvement and Operations	Qualcomm Stadium Operations	Transient Occupancy Tax
ASSETS			
Cash and Investments	\$ 26,548	\$ 7,435	\$ 5,317
Receivables:			
Taxes - Net of Allowance for Uncollectibles	-	-	9,289
Accounts - Net of Allowance for Uncollectibles	406	927	1,352
Special Assessments	333	-	-
Notes	-	-	-
Loans	-	-	-
Accrued Interest	62	13	5
Grants	-	-	-
Advances to Other Agencies	284	-	-
Land Held for Resale	-	-	-
Prepaid Items	-	-	7
Restricted Cash and Investments	-	-	-
TOTAL ASSETS	<u>\$ 27,633</u>	<u>\$ 8,375</u>	<u>\$ 15,970</u>
LIABILITIES			
Accounts Payable	1,780	\$ 2,727	\$ 4,398
Accrued Wages and Benefits	280	191	97
Other Accrued Liabilities	-	3	-
Due to Other Funds	-	-	-
Unearned Revenue	-	-	-
TOTAL LIABILITIES	<u>2,060</u>	<u>2,921</u>	<u>4,495</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	-	-	-
Unavailable Revenue - Grants	-	-	-
Unavailable Revenue - Other	653	477	288
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>653</u>	<u>477</u>	<u>288</u>
FUND BALANCES			
Nonspendable	-	-	7
Restricted	23,351	-	-
Committed	1,569	4,977	11,180
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>24,920</u>	<u>4,977</u>	<u>11,187</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 27,633</u>	<u>\$ 8,375</u>	<u>\$ 15,970</u>

		Unbudgeted					
					Low-Moderate		
Underground Surcharge	Zoological Exhibits	Other Special Revenue	Grants	Income Housing	Other Special Revenue	Total	
\$ 108,808	\$ 7,378	\$ 85,280	\$ 688	\$ 41,160	\$ 141,485	\$ 424,099	
16,032	264	-	-	-	-	25,585	
-	-	746	3	-	1,836	5,270	
-	-	-	-	-	53	386	
-	-	-	-	241,940	2,564	244,504	
-	-	-	215,033	2,298	6,033	223,364	
255	-	182	16	95	291	919	
-	-	-	17,407	-	-	17,407	
-	-	-	-	-	3,408	3,692	
-	-	-	-	32,212	-	32,212	
-	-	-	-	-	-	7	
-	-	-	-	1,800	-	1,800	
<u>\$ 125,095</u>	<u>\$ 7,642</u>	<u>\$ 86,208</u>	<u>\$ 233,147</u>	<u>\$ 319,505</u>	<u>\$ 155,670</u>	<u>\$ 979,245</u>	
\$ 2,271	\$ 7,378	\$ 8,387	\$ 3,601	\$ 483	\$ 7,168	\$ 38,193	
56	-	130	-	-	-	754	
-	-	-	-	-	18	21	
-	-	-	9,639	-	5	9,644	
-	-	-	688	-	130	818	
<u>2,327</u>	<u>7,378</u>	<u>8,517</u>	<u>13,928</u>	<u>483</u>	<u>7,321</u>	<u>49,430</u>	
-	195	-	-	-	-	195	
-	-	-	5,023	-	-	5,023	
-	-	48	-	-	3,764	5,230	
-	195	48	5,023	-	3,764	10,448	
-	-	-	-	-	-	7	
122,768	69	75,019	219,216	319,022	113,408	872,853	
-	-	2,624	-	-	31,185	51,535	
-	-	-	(5,020)	-	(8)	(5,028)	
<u>122,768</u>	<u>69</u>	<u>77,643</u>	<u>214,196</u>	<u>319,022</u>	<u>144,585</u>	<u>919,367</u>	
<u>\$ 125,095</u>	<u>\$ 7,642</u>	<u>\$ 86,208</u>	<u>\$ 233,147</u>	<u>\$ 319,505</u>	<u>\$ 155,670</u>	<u>\$ 979,245</u>	

CITY OF SAN DIEGO
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Year Ended June 30, 2016
 (Dollars in Thousands)

	<u>Budgeted</u>		
	<u>Acquisition, Improvement and Operations</u>	<u>Qualcomm Stadium Operations</u>	<u>Transient Occupancy Tax</u>
REVENUES			
Property Taxes	\$ -	\$ -	\$ -
Special Assessments	16,008	-	-
Transient Occupancy Taxes	-	-	96,884
Other Local Taxes	-	-	-
Licenses and Permits	74	11	61
Fines, Forfeitures and Penalties	-	-	-
Revenue from Use of Money and Property	258	10,096	2,671
Revenue from Federal Agencies	-	-	-
Revenue from Other Agencies	-	3	-
Revenue from Private Sources	145	-	1,391
Charges for Current Services	4,526	64	48
Other Revenue	256	3	1
TOTAL REVENUES	<u>21,267</u>	<u>10,177</u>	<u>101,056</u>
EXPENDITURES			
Current:			
General Government and Support	3,369	-	-
Public Safety - Police	-	-	-
Public Safety - Fire and Life Safety and Homeland Security	-	-	-
Parks, Recreation, Culture and Leisure	14,367	15,926	44,382
Transportation	-	-	1
Sanitation and Health	-	-	-
Neighborhood Services	2,111	-	-
Capital Outlay	256	772	2
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	<u>20,103</u>	<u>16,698</u>	<u>44,385</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,164</u>	<u>(6,521)</u>	<u>56,671</u>
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	1,555	11,580	49
Transfers to Other Funds	(9)	(4,772)	(57,819)
Proceeds from the Sale of Capital Assets	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,546</u>	<u>6,808</u>	<u>(57,770)</u>
Extraordinary Gain	-	-	-
NET CHANGE IN FUND BALANCES	2,710	287	(1,099)
Fund Balances at Beginning of Year	22,210	4,690	12,286
FUND BALANCES AT END OF YEAR	<u>\$ 24,920</u>	<u>\$ 4,977</u>	<u>\$ 11,187</u>

Unbudgeted						
Underground Surcharge	Zoological Exhibits	Other Special Revenue	Grants	Low-Moderate Income Housing	Other Special Revenue	Total
\$ -	\$ 11,921	\$ -	\$ -	\$ -	\$ 6,422	\$ 18,343
-	-	-	-	-	38,296	54,304
-	-	-	-	-	-	96,884
66,447	-	6,899	-	-	92	73,438
-	-	11,381	-	-	1	11,528
-	-	-	-	-	1,282	1,282
1,084	22	873	154	5,172	8,627	28,957
-	-	1,874	40,801	-	-	42,675
-	-	3,122	8,142	30	-	11,297
-	-	-	-	50	19,025	20,611
-	-	1,931	-	-	7,528	14,097
-	-	2	-	11,033	1,539	12,834
67,531	11,943	26,082	49,097	16,285	82,812	386,250
-	-	3,284	2,477	-	4,761	13,891
-	-	5,412	2,968	-	107	8,487
-	-	583	14,815	-	375	15,773
-	12,463	254	412	-	42,577	130,381
22,871	-	15,045	66	-	12	37,995
-	-	1,611	1,021	-	19	2,651
-	-	-	16,037	1,352	20,603	40,103
8,871	-	4,228	6,980	-	1,257	22,366
-	-	-	-	-	294	294
-	-	-	-	-	212	212
31,742	12,463	30,417	44,776	1,352	70,217	272,153
35,789	(520)	(4,335)	4,321	14,933	12,595	114,097
-	-	18,133	-	-	2,826	34,143
-	(22)	(7,470)	(4,191)	-	(4,161)	(78,444)
-	-	-	-	15,562	-	15,562
-	(22)	10,663	(4,191)	15,562	(1,335)	(28,739)
-	-	-	151,494	2,398	1,898	155,790
35,789	(542)	6,328	151,624	32,893	13,158	241,148
86,979	611	71,315	62,572	286,129	131,427	678,219
\$ 122,768	\$ 69	\$ 77,643	\$ 214,196	\$ 319,022	\$ 144,585	\$ 919,367

CITY OF SAN DIEGO
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 Year Ended June 30, 2016
 (Dollars in Thousands)

	Acquisition, Improvement and Operations				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
REVENUES					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	16,008	-	16,008	15,996	12
Sales Taxes	-	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	-	-	-	-	-
Licenses and Permits	74	-	74	24	50
Revenue from Use of Money and Property	258	(73)	185	62	123
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	145	-	145	-	145
Charges for Current Services	4,526	-	4,526	2,223	2,303
Other Revenue	256	-	256	-	256
TOTAL REVENUES	21,267	(73)	21,194	18,305	2,889
EXPENDITURES					
Current:					
General Government and Support	3,369	-	3,369	4,116	747
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security	-	-	-	-	-
Parks, Recreation, Culture and Leisure	14,367	414	14,781	31,370	16,589
Transportation	-	-	-	-	-
Sanitation and Health	-	-	-	-	-
Neighborhood Services	2,111	-	2,111	3,435	1,324
Capital Outlay	256	-	256	-	(256)
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	20,103	414	20,517	38,921	18,404
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,164	(487)	677	(20,616)	21,293
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	1,555	-	1,555	3,793	(2,238)
Transfers to Other Funds	(9)	-	(9)	(261)	252
Capital Lease Proceeds	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,546	-	1,546	3,532	(1,986)
NET CHANGE IN FUND BALANCES	2,710	(487)	2,223	(17,084)	19,307
Fund Balances at Beginning of Year	22,210	-	22,210	22,210	-
FUND BALANCES AT END OF YEAR	\$ 24,920	\$ (487)	\$ 24,433	\$ 5,126	\$ 19,307

Qualcomm Stadium Operations					Transient Occupancy Tax				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	96,884	-	96,884	92,876	4,008
-	-	-	-	-	-	-	-	-	-
11	-	11	8	3	61	-	61	75	(14)
10,096	(22)	10,074	7,753	2,321	2,671	(5)	2,666	2,227	439
-	-	-	-	-	-	-	-	-	-
3	-	3	43	(40)	-	-	-	-	-
-	-	-	-	-	1,391	-	1,391	930	461
64	-	64	49	15	48	-	48	-	48
3	-	3	1	2	1	-	1	-	1
<u>10,177</u>	<u>(22)</u>	<u>10,155</u>	<u>7,854</u>	<u>2,301</u>	<u>101,056</u>	<u>(5)</u>	<u>101,051</u>	<u>96,108</u>	<u>4,943</u>
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
15,926	7	15,933	17,731	1,798	44,382	-	44,382	45,897	1,515
-	-	-	-	-	1	-	1	27	26
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
772	-	772	-	(772)	2	-	2	-	(2)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>16,698</u>	<u>7</u>	<u>16,705</u>	<u>17,731</u>	<u>1,026</u>	<u>44,385</u>	<u>-</u>	<u>44,385</u>	<u>45,924</u>	<u>1,539</u>
<u>(6,521)</u>	<u>(29)</u>	<u>(6,550)</u>	<u>(9,877)</u>	<u>3,327</u>	<u>56,671</u>	<u>(5)</u>	<u>56,666</u>	<u>50,184</u>	<u>6,482</u>
11,580	-	11,580	11,580	-	49	-	49	-	49
(4,772)	-	(4,772)	(4,772)	-	(57,819)	-	(57,819)	(57,834)	15
-	-	-	-	-	-	-	-	-	-
<u>6,808</u>	<u>-</u>	<u>6,808</u>	<u>6,808</u>	<u>-</u>	<u>(57,770)</u>	<u>-</u>	<u>(57,770)</u>	<u>(57,834)</u>	<u>64</u>
287	(29)	258	(3,069)	3,327	(1,099)	(5)	(1,104)	(7,650)	6,546
4,690	-	4,690	4,690	-	12,286	-	12,286	12,286	-
<u>\$ 4,977</u>	<u>\$ (29)</u>	<u>\$ 4,948</u>	<u>\$ 1,621</u>	<u>\$ 3,327</u>	<u>\$ 11,187</u>	<u>\$ (5)</u>	<u>\$ 11,182</u>	<u>\$ 4,636</u>	<u>\$ 6,546</u>

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)
 Year Ended June 30, 2016
 (Dollars in Thousands)

	Underground Surcharge				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
REVENUES					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-
Sales Taxes	-	-	-	-	-
Transient Occupancy Taxes	-	-	-	-	-
Other Local Taxes	66,447	-	66,447	63,189	3,258
Licenses and Permits	-	-	-	-	-
Revenue from Use of Money and Property	1,084	(334)	750	200	550
Revenue from Federal Agencies	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Revenue from Private Sources	-	-	-	-	-
Charges for Current Services	-	-	-	-	-
Other Revenue	-	-	-	-	-
TOTAL REVENUES	67,531	(334)	67,197	63,389	3,808
EXPENDITURES					
Current:					
General Government and Support	-	133	133	4,218	4,085
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security	-	-	-	-	-
Parks, Recreation, Culture and Leisure	-	-	-	-	-
Transportation	22,871	2,129	25,000	93,717	68,717
Sanitation and Health	-	-	-	-	-
Neighborhood Services	-	-	-	-	-
Capital Outlay	8,871	-	8,871	-	(8,871)
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	31,742	2,262	34,004	97,935	63,931
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	35,789	(2,596)	33,193	(34,546)	67,739
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-
Capital Leases	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	35,789	(2,596)	33,193	(34,546)	67,739
Fund Balances at Beginning of Year	86,979	-	86,979	86,979	-
FUND BALANCES AT END OF YEAR	\$ 122,768	\$ (2,596)	\$ 120,172	\$ 52,433	\$ 67,739

Zoological Exhibits					Other Special Revenue ¹				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ 11,921	\$ -	\$ 11,921	\$ 11,852	\$ 69	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	8,784	-	8,784	9,159	(375)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	45,495	-	45,495	45,075	420
-	-	-	-	-	11,381	-	11,381	11,375	6
22	-	22	22	-	5,717	(361)	5,356	4,001	1,355
-	-	-	-	-	1,874	-	1,874	3,325	(1,451)
-	-	-	-	-	3,278	-	3,278	195	3,083
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	135,061	-	135,061	142,272	(7,211)
-	-	-	-	-	143	-	143	3,822	(3,679)
<u>11,943</u>	<u>-</u>	<u>11,943</u>	<u>11,874</u>	<u>69</u>	<u>211,733</u>	<u>(361)</u>	<u>211,372</u>	<u>219,224</u>	<u>(7,852)</u>
-	-	-	-	-	95,249	1,255	96,504	110,411	13,907
-	-	-	-	-	5,412	-	5,412	6,419	1,007
-	-	-	-	-	8,380	-	8,380	8,705	325
12,463	-	12,463	12,463	-	13,461	1,109	14,570	49,845	35,275
-	-	-	-	-	43,998	11,923	55,921	81,009	25,088
-	-	-	-	-	1,667	-	1,667	1,931	264
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	14,839	-	14,839	3,809	(11,030)
-	-	-	-	-	6,719	-	6,719	5,900	(819)
-	-	-	-	-	119	-	119	131	12
<u>12,463</u>	<u>-</u>	<u>12,463</u>	<u>12,463</u>	<u>-</u>	<u>189,844</u>	<u>14,287</u>	<u>204,131</u>	<u>268,160</u>	<u>64,029</u>
(520)	-	(520)	(589)	69	21,889	(14,648)	7,241	(48,936)	56,177
-	-	-	-	-	19,538	-	19,538	12,672	6,866
(22)	-	(22)	(22)	-	(47,679)	-	(47,679)	(49,915)	2,236
-	-	-	-	-	6,624	-	6,624	-	6,624
<u>(22)</u>	<u>-</u>	<u>(22)</u>	<u>(22)</u>	<u>-</u>	<u>(21,517)</u>	<u>-</u>	<u>(21,517)</u>	<u>(37,243)</u>	<u>15,726</u>
(542)	-	(542)	(611)	69	372	(14,648)	(14,276)	(86,179)	71,903
611	-	611	611	-	102,984	-	102,984	102,984	-
<u>\$ 69</u>	<u>\$ -</u>	<u>\$ 69</u>	<u>\$ -</u>	<u>\$ 69</u>	<u>\$ 103,356</u>	<u>\$ (14,648)</u>	<u>\$ 88,708</u>	<u>\$ 16,805</u>	<u>\$ 71,903</u>

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.

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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

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

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, 2016
 (Dollars in Thousands)

	Convention Center Expansion Financing Authority	Public Facilities Financing Authority	Tobacco Settlement Revenue Funding Corporation	Total
ASSETS				
Receivables:				
Accounts	\$ -	\$ 160	\$ 5,011	\$ 5,171
Accrued Interest	-	17	-	17
Restricted Cash and Investments	-	13,370	11,949	25,319
TOTAL ASSETS	\$ -	\$ 13,547	\$ 16,960	\$ 30,507
LIABILITIES				
Due to Other Funds.....	\$ -	\$ 155	\$ -	\$ 155
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Other	-	160	5,011	5,171
FUND BALANCES				
Restricted	-	13,232	11,949	25,181
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ -	\$ 13,547	\$ 16,960	\$ 30,507

NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2016
(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	\$ -	\$ (219)	\$ 490	\$ 271
Revenue from Other Agencies	-	-	8,920	8,920
TOTAL REVENUES	<u>-</u>	<u>(219)</u>	<u>9,410</u>	<u>9,191</u>
EXPENDITURES				
Debt Service:				
Principal Retirement	6,950	15,770	4,265	26,985
Cost of Issuance	-	712	-	712
Interest	5,613	25,370	5,243	36,226
Refunding Escrow.....	-	3,811	-	3,811
TOTAL EXPENDITURES	<u>12,563</u>	<u>45,663</u>	<u>9,508</u>	<u>67,734</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(12,563)</u>	<u>(45,882)</u>	<u>(98)</u>	<u>(58,543)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	12,563	41,125	-	53,688
Transfers to Other Funds	-	(60)	(49)	(109)
Payment to Refunded Bond Escrow Agent.....	-	(122,186)	-	(122,186)
Revenue Bonds Issued	-	103,255	-	103,255
Premium on Bonds Issued	-	20,039	-	20,039
TOTAL OTHER FINANCING SOURCES (USES)	<u>12,563</u>	<u>42,173</u>	<u>(49)</u>	<u>54,687</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>(3,709)</u>	<u>(147)</u>	<u>(3,856)</u>
Fund Balances at Beginning of Year	-	16,941	12,096	29,037
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ 13,232</u>	<u>\$ 11,949</u>	<u>\$ 25,181</u>

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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 the acquisition of real property, as well as the construction and completion of permanent public improvements per Section 77 of the City Charter. This fund also accounts for a variety of capital projects including, but not limited to, building improvements to city facilities, and park and street improvements. Revenues in this fund are derived from the sale of City-owned real property.

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

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.

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NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING BALANCE SHEET
 June 30, 2016
 (Dollars in Thousands)

	City of San Diego	Public Facilities Financing Authority	Total
ASSETS			
Cash and Investments	\$ 557,788	\$ 207	\$ 557,995
Receivables:			
Taxes - Net	38,440	-	38,440
Accounts	4,746	-	4,746
Claims	30,901	-	30,901
Loans	9,192	-	9,192
Accrued Interest	1,141	66	1,207
Grants	4,387	-	4,387
Advances to Other Agencies	11	-	11
Restricted Cash and Investments	29,691	112,837	142,528
TOTAL ASSETS	<u>\$ 676,297</u>	<u>\$ 113,110</u>	<u>\$ 789,407</u>
LIABILITIES			
Accounts Payable	\$ 13,843	\$ 7,536	\$ 21,379
Due to Other Funds	3,802	4,739	8,541
Unearned Revenue	19,633	-	19,633
TOTAL LIABILITIES	<u>37,278</u>	<u>12,275</u>	<u>49,553</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	37,931	-	37,931
Unavailable Revenue - Grants	4,387	-	4,387
Unavailable Revenue - Other	1,532	-	1,532
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>43,850</u>	<u>-</u>	<u>43,850</u>
FUND BALANCES			
Restricted	562,629	100,835	663,464
Committed	54,801	-	54,801
Unassigned	(22,261)	-	(22,261)
TOTAL FUND BALANCES	<u>595,169</u>	<u>100,835</u>	<u>696,004</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 676,297</u>	<u>\$ 113,110</u>	<u>\$ 789,407</u>

NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2016
(Dollars in Thousands)

	City of San Diego	Public Facilities Financing Authority	Total
REVENUES			
Sales Taxes	\$ 49,373	\$ -	\$ 49,373
Other Local Taxes	2	-	2
Licenses and Permits	42,138	-	42,138
Revenue from Use of Money and Property	7,017	565	7,582
Revenue from Federal Agencies	1,614	-	1,614
Revenue from Other Agencies	4,341	-	4,341
Revenue from Private Sources	64,662	-	64,662
Charges for Current Services	5	-	5
TOTAL REVENUES	<u>169,152</u>	<u>565</u>	<u>169,717</u>
EXPENDITURES			
Current:			
General Government and Support	7,656	-	7,656
Parks, Recreation, Culture and Leisure	95	-	95
Transportation	15,974	1,379	17,353
Sanitation and Health	2,567	-	2,567
Neighborhood Services	332	-	332
Capital Outlay	105,097	51,879	156,976
Debt Service:			
Principal Retirement	794	-	794
Interest	150	-	150
TOTAL EXPENDITURES	<u>132,665</u>	<u>53,258</u>	<u>185,923</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>36,487</u>	<u>(52,693)</u>	<u>(16,206)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from Proprietary Funds	63	-	63
Transfers from Other Funds	44,046	129	44,175
Transfers to Other Funds	(16,839)	-	(16,839)
Proceeds from the Sale of Capital Assets	9	-	9
Capital Lease Proceeds	1,909	-	1,909
TOTAL OTHER FINANCING SOURCES (USES)	<u>29,188</u>	<u>129</u>	<u>29,317</u>
Extraordinary Gain	9,592	-	9,592
NET CHANGE IN FUND BALANCES	<u>75,267</u>	<u>(52,564)</u>	<u>22,703</u>
Fund Balances at Beginning of Year	519,902	153,399	673,301
FUND BALANCES AT END OF YEAR	<u>\$ 595,169</u>	<u>\$ 100,835</u>	<u>\$ 696,004</u>

CITY OF SAN DIEGO
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 COMBINING BALANCE SHEET
 June 30, 2016
 (Dollars in Thousands)

	Budgeted	
	TransNet	Capital Outlay
ASSETS		
Cash and Investments	\$ 4,911	\$ 11,910
Receivables:		
Taxes - Net	38,440	-
Accounts	-	-
Claims	-	-
Loans	-	9,192
Accrued Interest	7	-
Grants	-	-
Advances to Other Agencies	-	-
Restricted Cash and Investments	-	-
TOTAL ASSETS	\$ 43,358	\$ 21,102
LIABILITIES		
Accounts Payable	\$ 3,108	\$ 88
Due to Other Funds	-	-
Unearned Revenue	-	-
TOTAL LIABILITIES	3,108	88
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Taxes	37,931	-
Unavailable Revenue - Grants	-	-
Unavailable Revenue - Other	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	37,931	-
FUND BALANCES		
Restricted	2,319	21,014
Committed	-	-
Unassigned	-	-
TOTAL FUND BALANCES (DEFICIT)	2,319	21,014
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 43,358	\$ 21,102

Unbudgeted							
Capital Grants	Parks & Recreation Districts	Facilities Benefit Assessments	Impact Fees	Special Assessment/ Special Tax Bonds	TransNet	Capital Outlay	Total
\$ 111	\$ 5,607	\$ 269,131	\$ 111,193	\$ 471	\$ 18,967	\$ 135,487	\$ 557,788
-	-	-	-	-	-	-	38,440
-	-	104	3,110	-	-	1,532	4,746
-	-	-	-	-	-	30,901	30,901
-	-	-	-	-	-	-	9,192
-	13	607	254	1	43	216	1,141
4,387	-	-	-	-	-	-	4,387
-	-	-	-	-	-	11	11
-	-	-	-	-	-	29,691	29,691
<u>\$ 4,498</u>	<u>\$ 5,620</u>	<u>\$ 269,842</u>	<u>\$ 114,557</u>	<u>\$ 472</u>	<u>\$ 19,010</u>	<u>\$ 197,838</u>	<u>\$ 676,297</u>
\$ 586	\$ -	\$ 3,790	\$ 1,588	\$ -	\$ 207	\$ 4,476	\$ 13,843
3,802	-	-	-	-	-	-	3,802
110	-	-	-	-	733	18,790	19,633
4,498	-	3,790	1,588	-	940	23,266	37,278
-	-	-	-	-	-	-	37,931
4,387	-	-	-	-	-	-	4,387
-	-	-	-	-	-	1,532	1,532
4,387	-	-	-	-	-	1,532	43,850
-	5,620	266,052	112,969	472	18,070	136,113	562,629
-	-	-	-	-	-	54,801	54,801
(4,387)	-	-	-	-	-	(17,874)	(22,261)
(4,387)	5,620	266,052	112,969	472	18,070	173,040	595,169
<u>\$ 4,498</u>	<u>\$ 5,620</u>	<u>\$ 269,842</u>	<u>\$ 114,557</u>	<u>\$ 472</u>	<u>\$ 19,010</u>	<u>\$ 197,838</u>	<u>\$ 676,297</u>

CITY OF SAN DIEGO
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2016
(Dollars in Thousands)

	Budgeted	
	TransNet	Capital Outlay
REVENUES		
Sales Taxes	\$ 49,245	\$ -
Other Local Taxes	-	-
Licenses and Permits	-	-
Revenue from Use of Money and Property	28	42
Revenue from Federal Agencies	-	-
Revenue from Other Agencies	-	-
Revenue from Private Sources	-	-
Charges for Current Services	-	-
TOTAL REVENUES	49,273	42
EXPENDITURES		
Current:		
General Government and Support	248	-
Parks, Recreation, Culture and Leisure	-	-
Transportation	3,588	-
Sanitation and Health	15	-
Neighborhood Services	-	-
Capital Outlay	32,281	1,266
Debt Service:		
Principal Retirement	-	-
Interest	-	-
TOTAL EXPENDITURES	36,132	1,266
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,141	(1,224)
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary Funds	-	-
Transfers from Other Funds	106	6,112
Transfers to Other Funds	(9,969)	(42)
Proceeds from the Sale of Capital Assets	-	9
Capital Lease Proceeds	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(9,863)	6,079
Extraordinary Gain	-	9,592
NET CHANGE IN FUND BALANCES	3,278	14,447
Fund Balances (Deficit) at Beginning of Year	(959)	6,567
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ 2,319	\$ 21,014

Unbudgeted							
Capital Grants	Parks & Recreation Districts	Facilities Benefit Assessments	Impact Fees	Special Assessment/ Special Tax Bonds	TransNet	Capital Outlay	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128	\$ -	\$ 49,373
-	-	-	-	-	-	2	2
-	-	-	34,070	-	8,068	-	42,138
-	59	2,736	1,101	5	195	2,851	7,017
1,614	-	-	-	-	-	-	1,614
3,171	-	-	-	-	-	1,170	4,341
-	-	54,083	-	8,402	-	2,177	64,662
-	-	-	-	-	-	5	5
<u>4,785</u>	<u>59</u>	<u>56,819</u>	<u>35,171</u>	<u>8,407</u>	<u>8,391</u>	<u>6,205</u>	<u>169,152</u>
-	-	1,204	851	6	66	5,281	7,656
-	-	-	-	-	-	95	95
14	-	3,460	165	8,405	131	211	15,974
-	-	2,229	-	-	-	323	2,567
50	-	80	-	-	-	202	332
3,495	188	13,922	17,051	-	7,800	29,094	105,097
-	-	-	-	-	-	794	794
-	-	-	-	-	-	150	150
<u>3,559</u>	<u>188</u>	<u>20,895</u>	<u>18,067</u>	<u>8,411</u>	<u>7,997</u>	<u>36,150</u>	<u>132,665</u>
<u>1,226</u>	<u>(129)</u>	<u>35,924</u>	<u>17,104</u>	<u>(4)</u>	<u>394</u>	<u>(29,945)</u>	<u>36,487</u>
-	-	-	-	-	-	63	63
57	-	-	-	-	454	37,317	44,046
-	-	-	-	-	(97)	(6,731)	(16,839)
-	-	-	-	-	-	-	9
-	-	-	-	-	-	1,909	1,909
<u>57</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>357</u>	<u>32,558</u>	<u>29,188</u>
-	-	-	-	-	-	-	9,592
1,283	(129)	35,924	17,104	(4)	751	2,613	75,267
<u>(5,670)</u>	<u>5,749</u>	<u>230,128</u>	<u>95,865</u>	<u>476</u>	<u>17,319</u>	<u>170,427</u>	<u>519,902</u>
<u>\$ (4,387)</u>	<u>\$ 5,620</u>	<u>\$ 266,052</u>	<u>\$ 112,969</u>	<u>\$ 472</u>	<u>\$ 18,070</u>	<u>\$ 173,040</u>	<u>\$ 595,169</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)
Year Ended June 30, 2016
(Dollars in Thousands)

	TransNet				Variance with Final Budget Positive (Negative)
	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	
REVENUES					
Sales Taxes	\$ 49,245	\$ -	\$ 49,245	\$ 32,007	\$ 17,238
Revenue from Use of Money and Property	28	(15)	13	-	13
TOTAL REVENUES	<u>49,273</u>	<u>(15)</u>	<u>49,258</u>	<u>32,007</u>	<u>17,251</u>
EXPENDITURES					
Current:					
General Government and Support	248	360	608	778	170
Public Safety - Police	-	-	-	-	-
Public Safety - Fire and Life Safety and Homeland Security	-	-	-	-	-
Parks, Recreation, Culture and Leisure	-	35	35	212	177
Transportation	3,588	12,830	16,418	67,117	50,699
Sanitation and Health	15	2,111	2,126	5,655	3,529
Neighborhood Services	-	-	-	-	-
Capital Outlay	<u>32,281</u>	<u>-</u>	<u>32,281</u>	<u>-</u>	<u>(32,281)</u>
TOTAL EXPENDITURES	<u>36,132</u>	<u>15,336</u>	<u>51,468</u>	<u>73,762</u>	<u>22,294</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>13,141</u>	<u>(15,351)</u>	<u>(2,210)</u>	<u>(41,755)</u>	<u>39,545</u>
OTHER FINANCING USES					
Transfers from Other Funds	106	-	106	-	106
Transfers to Other Funds	(9,969)	-	(9,969)	(9,969)	-
Proceeds from the Sale of Capital Assets	-	-	-	-	-
TOTAL OTHER FINANCING USES	<u>(9,863)</u>	<u>-</u>	<u>(9,863)</u>	<u>(9,969)</u>	<u>106</u>
Extraordinary Gain	-	-	-	-	-
NET CHANGE IN FUND BALANCES	3,278	(15,351)	(12,073)	(51,724)	39,651
Fund Balances at Beginning of Year	(959)	-	(959)	(959)	-
FUND BALANCES AT END OF YEAR	<u>\$ 2,319</u>	<u>\$ (15,351)</u>	<u>\$ (13,032)</u>	<u>\$ (52,683)</u>	<u>\$ 39,651</u>

Capital Outlay				
Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -
42	-	42	42	-
42	-	42	42	-
-	40	40	1,338	1,298
-	-	-	4	4
-	8	8	147	139
-	531	531	5,526	4,995
-	290	290	1,634	1,344
-	39	39	3,880	3,841
-	1	1	421	420
1,266	-	1,266	-	(1,266)
1,266	909	2,175	12,950	10,775
(1,224)	(909)	(2,133)	(12,908)	10,775
6,112	-	6,112	-	6,112
(42)	-	(42)	(42)	-
9	-	9	-	9
6,079	-	6,079	(42)	6,121
9,592	-	9,592	-	9,592
14,447	(909)	13,538	(12,950)	26,488
6,567	-	6,567	6,567	-
\$ 21,014	\$ (909)	\$ 20,105	\$ (6,383)	\$ 26,488

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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 Scripps Ranch Library endowment, and the Effie Sergeant and Jane Cameron Estate endowments, which were established to account for donations to benefit the North Park and Rancho Bernardo branch libraries, respectively. 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 Crescent Heights Habitat Management, Carmel Valley Sewer Maintenance, Figg Estate, Zoological Society-Mission Trails, Sycamore Estates, and the Environmental Trust Bankruptcy Endowment.

**NONMAJOR GOVERNMENTAL FUNDS - PERMANENT
COMBINING BALANCE SHEET
June 30, 2016
(Dollars in Thousands)**

	Carroll Canyon Vernal Pool Mitigation	Cemetery Perpetuity
ASSETS		
Receivables:		
Accounts - Net of Allowance for Uncollectibles	\$ -	\$ 1
Accrued Interest	6	13
Restricted Cash and Investments	2,534	11,685
TOTAL ASSETS	\$ 2,540	\$ 11,699
LIABILITIES		
Accounts Payable	\$ -	-
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Other	-	1
FUND BALANCES		
Nonspendable	2,483	11,698
Restricted	57	-
TOTAL FUND BALANCES	2,540	11,698
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,540	\$ 11,699

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2016
(Dollars in Thousands)**

	Carroll Canyon Vernal Pool Mitigation	Cemetery Perpetuity
REVENUES		
Revenue from Use of Money and Property	\$ 27	\$ 407
Revenue from Private Sources	-	-
Charges for Current Services	-	104
TOTAL REVENUES	27	511
EXPENDITURES		
Current:		
Parks, Recreation, Culture and Leisure	-	-
Sanitation and Health	-	69
TOTAL EXPENDITURES	-	69
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	27	442
OTHER FINANCING USES		
Transfers to Other Funds	-	(486)
NET CHANGE IN FUND BALANCES	27	(44)
Fund Balances at Beginning of Year	2,513	11,742
FUND BALANCES AT END OF YEAR	\$ 2,540	\$ 11,698

<u>Library Endowments</u>	<u>Los Penasquitos Canyon</u>	<u>Other Endowments</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 1
2	-	1	22
<u>5,389</u>	<u>2,928</u>	<u>1,163</u>	<u>23,699</u>
<u>\$ 5,391</u>	<u>\$ 2,928</u>	<u>\$ 1,164</u>	<u>\$ 23,722</u>
\$ 3	\$ -	\$ -	\$ 3
-	-	-	1
3,588	1,000	1,131	19,900
<u>1,800</u>	<u>1,928</u>	<u>33</u>	<u>3,818</u>
<u>5,388</u>	<u>2,928</u>	<u>1,164</u>	<u>23,718</u>
<u>\$ 5,391</u>	<u>\$ 2,928</u>	<u>\$ 1,164</u>	<u>\$ 23,722</u>

<u>Library Endowments</u>	<u>Los Penasquitos Canyon</u>	<u>Other Endowments</u>	<u>Total</u>
\$ (202)	\$ (129)	\$ 5	\$ 108
131	-	-	131
<u>-</u>	<u>-</u>	<u>-</u>	<u>104</u>
<u>(71)</u>	<u>(129)</u>	<u>5</u>	<u>343</u>
58	5	1	64
<u>-</u>	<u>-</u>	<u>-</u>	<u>69</u>
<u>58</u>	<u>5</u>	<u>1</u>	<u>133</u>
<u>(129)</u>	<u>(134)</u>	<u>4</u>	<u>210</u>
<u>-</u>	<u>(115)</u>	<u>-</u>	<u>(601)</u>
(129)	(249)	4	(391)
<u>5,517</u>	<u>3,177</u>	<u>1,160</u>	<u>24,109</u>
<u>\$ 5,388</u>	<u>\$ 2,928</u>	<u>\$ 1,164</u>	<u>\$ 23,718</u>

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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.

**NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF FUND NET POSITION
June 30, 2016
(Dollars in Thousands)**

	Airports	Development Services
ASSETS		
Current Assets:		
Cash and Investments	\$ 14,240	\$ 31,322
Receivables:		
Accounts - Net of Allowance for Uncollectibles	332	1,914
Accrued Interest	33	87
Grants	4,201	-
Total Current Assets	18,806	33,323
Non-Current Assets:		
Restricted Cash and Investments	74	7,853
Prepaid Expenses	-	6,384
Capital Assets - Non-Depreciable	14,449	3,093
Capital Assets - Depreciable	14,183	483
Total Non-Current Assets	28,706	17,813
TOTAL ASSETS	47,512	51,136
DEFERRED OUTFLOWS OF RESOURCES		
Pension Contributions	241	7,206
Unamortized Experience Loss	29	890
TOTAL DEFERRED OUTFLOWS OF RESOURCES	270	8,096
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,649	1,178
Accrued Wages and Benefits	120	2,799
Long-Term Liabilities Due Within One Year	56	3,133
Unearned Revenue	-	20,325
Current Liabilities Payable from Restricted Assets:		
Customer Deposits Payable	-	-
Total Current Liabilities	3,825	27,435
Non-Current Liabilities:		
Non-Current Liabilities Payable from Restricted Assets:		
Deposits/Advances from Others	74	7,853
Compensated Absences	46	1,278
Liability Claims	110	1,097
Capital Lease Obligations	-	4,561
Estimated Landfill Closure and Postclosure Care	-	-
Contracts Payable.....	-	2,888
Net Other Postemployment Benefits Obligation	440	7,953
Net Pension Liability	2,019	53,070
Total Non-Current Liabilities	2,689	78,700
TOTAL LIABILITIES	6,514	106,135
DEFERRED INFLOWS OF RESOURCES		
Unamortized Actuarial Gains	328	5,270
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	28,632	660
Restricted for Closure/Postclosure Maintenance	-	-
Unrestricted (Deficit)	12,308	(52,833)
TOTAL NET POSITION (DEFICIT)	\$ 40,940	\$ (52,173)

Environmental Services	Golf Course	Recycling	Total
\$ 58,461	\$ 28,948	\$ 23,058	\$ 156,029
1,084	221	1,973	5,524
224	72	91	507
-	-	-	4,201
<u>59,769</u>	<u>29,241</u>	<u>25,122</u>	<u>166,261</u>
31,858	-	10,823	50,608
-	-	-	6,384
13,138	10,878	246	41,804
<u>17,327</u>	<u>16,917</u>	<u>111</u>	<u>49,021</u>
<u>62,323</u>	<u>27,795</u>	<u>11,180</u>	<u>147,817</u>
<u>122,092</u>	<u>57,036</u>	<u>36,302</u>	<u>314,078</u>
2,935	1,200	1,785	13,367
<u>371</u>	<u>142</u>	<u>226</u>	<u>1,658</u>
<u>3,306</u>	<u>1,342</u>	<u>2,011</u>	<u>15,025</u>
2,048	2,303	832	10,010
847	433	597	4,796
616	234	298	4,337
-	92	386	20,803
-	-	10,823	10,823
<u>3,511</u>	<u>3,062</u>	<u>12,936</u>	<u>50,769</u>
-	-	-	7,927
462	177	161	2,124
1,668	619	1,279	4,773
-	-	-	4,561
47,220	-	-	47,220
-	-	-	2,888
4,193	2,503	2,597	17,686
<u>23,044</u>	<u>11,246</u>	<u>14,695</u>	<u>104,074</u>
<u>76,587</u>	<u>14,545</u>	<u>18,732</u>	<u>191,253</u>
<u>80,098</u>	<u>17,607</u>	<u>31,668</u>	<u>242,022</u>
<u>1,472</u>	<u>1,051</u>	<u>1,527</u>	<u>9,648</u>
30,465	27,795	357	87,909
7,010	-	-	7,010
<u>6,353</u>	<u>11,925</u>	<u>4,761</u>	<u>(17,486)</u>
<u>\$ 43,828</u>	<u>\$ 39,720</u>	<u>\$ 5,118</u>	<u>\$ 77,433</u>

NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2016
(Dollars in Thousands)

	Airports	Development Services
OPERATING REVENUES		
Charges for Services	\$ 181	\$ 57,765
Revenue from Use of Property	4,494	-
Other	16	2,043
TOTAL OPERATING REVENUES	4,691	59,808
OPERATING EXPENSES		
Maintenance and Operations	2,309	36,831
Administration	1,390	17,305
Depreciation	1,148	42
TOTAL OPERATING EXPENSES	4,847	54,178
OPERATING INCOME (LOSS)	(156)	5,630
NONOPERATING REVENUES (EXPENSES)		
Earnings on Investments	151	365
Other Agency Grant Assistance	-	-
Loss on Sale/Retirement of Capital Assets	-	(11)
Other	3	27
TOTAL NONOPERATING REVENUES, NET	154	381
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(2)	6,011
Capital Contributions	8,936	-
Transfers from Other Funds	-	-
Transfers from Governmental Funds.....	-	-
Transfers to Other Funds	-	-
Transfers to Governmental Funds	(1)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	8,935	-
CHANGE IN NET POSITION	8,933	6,011
Net Position (Deficit) at Beginning of Year	32,007	(58,184)
NET POSITION (DEFICIT) AT END OF YEAR	\$ 40,940	\$ (52,173)

Environmental Services	Golf Course	Recycling	Total
\$ 32,008	\$ 16,674	\$ 18,950	\$ 125,578
70	1,288	211	6,063
970	25	4,042	7,096
<u>33,048</u>	<u>17,987</u>	<u>23,203</u>	<u>138,737</u>
46,373	12,931	15,409	113,853
6,749	1,988	3,390	30,822
1,269	1,310	20	3,789
<u>54,391</u>	<u>16,229</u>	<u>18,819</u>	<u>148,464</u>
(21,343)	1,758	4,384	(9,727)
953	326	360	2,155
-	-	365	365
(8)	(28)	(5)	(52)
126	25	53	234
<u>1,071</u>	<u>323</u>	<u>773</u>	<u>2,702</u>
(20,272)	2,081	5,157	(7,025)
-	173	-	9,109
41	7	747	795
807	-	-	807
(710)	-	-	(710)
(16)	-	-	(17)
<u>122</u>	<u>180</u>	<u>747</u>	<u>9,984</u>
(20,150)	2,261	5,904	2,959
<u>63,978</u>	<u>37,459</u>	<u>(786)</u>	<u>74,474</u>
<u>\$ 43,828</u>	<u>\$ 39,720</u>	<u>\$ 5,118</u>	<u>\$ 77,433</u>

NONMAJOR BUSINESS-TYPE FUNDS - ENTERPRISE
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2016
(Dollars in Thousands)

	Airports	Development Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 4,751	\$ 60,095
Receipts from Interfund Services Provided	-	712
Payments to Suppliers	(1,588)	(8,441)
Payments to Employees	(1,807)	(45,026)
Payments for Interfund Services Used	(314)	(4,407)
	1,042	2,933
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from Other Funds	-	-
Transfers from Governmental Funds	-	-
Transfers to Other Funds	-	-
Transfers to Governmental Funds	(1)	-
Operating Grants Received	-	-
Proceeds from Advances and Deposits	1	605
Payments for Advances and Deposits	-	-
	-	605
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Contributions	4,744	-
Acquisition of Capital Assets	(8,423)	-
	(3,679)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	142	324
Net Increase (Decrease) in Cash and Cash Equivalents	(2,495)	3,862
Cash and Cash Equivalents at Beginning of Year	16,809	35,313
	\$ 14,314	\$ 39,175
Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Net Position:		
Cash and Investments	\$ 14,240	\$ 31,322
Restricted Cash and Investments	74	7,853
Total Cash and Cash Equivalents at End of Year	\$ 14,314	\$ 39,175
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (156)	\$ 5,630
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:		
Depreciation	1,148	42
Other Nonoperating Revenue	3	27
(Increase) Decrease in Assets:		
Accounts Receivable - Net	57	(336)
Increase (Decrease) in Liabilities:		
Accounts Payable	99	40
Accrued Wages and Benefits	30	556
Unearned Revenue	-	1,308
Contract Deposits	-	-
Compensated Absences	11	123
Liability Claims	(36)	(772)
Estimated Landfill Closure and Postclosure Care	-	-
Net OPEB Obligation	26	496
Net Pension Liability and Related Deferred Outflows/Inflows of Resources	(140)	(4,181)
Total Adjustments	1,198	(2,697)
	\$ 1,042	\$ 2,933
Noncash Investing, Capital, and Financing Activities:		
Capital Assets Acquired through Capital Leases	\$ -	\$ 5,694
Developer Contributed Assets	529	-
Acquisition of Capital Assets	-	-
Capital Contributions Related to Grants Receivable	3,663	-
Capital Asset Acquisitions Related to Accounts Payable	3,019	-
Carrying Value of Retired Capital Assets	-	-
Transfers of Capital Assets To Governmental Activities	-	(11)

<u>Environmental Services</u>	<u>Golf Course</u>	<u>Recycling</u>	<u>Total</u>
\$ 31,612	\$ 18,011	\$ 22,055	\$ 136,524
1,462	-	953	3,127
(13,514)	(7,669)	(10,066)	(41,278)
(15,585)	(7,678)	(9,810)	(79,906)
<u>(557)</u>	<u>(257)</u>	<u>(236)</u>	<u>(5,771)</u>
3,418	2,407	2,896	12,696
41	7	747	795
807	-	-	807
(710)	-	-	(710)
(16)	-	-	(17)
-	-	365	365
-	-	120	726
-	(5)	-	(5)
<u>122</u>	<u>2</u>	<u>1,232</u>	<u>1,961</u>
-	-	-	4,744
<u>(260)</u>	<u>(7,496)</u>	<u>(171)</u>	<u>(16,350)</u>
<u>(260)</u>	<u>(7,496)</u>	<u>(171)</u>	<u>(11,606)</u>
<u>859</u>	<u>303</u>	<u>315</u>	<u>1,943</u>
4,139	(4,784)	4,272	4,994
<u>86,180</u>	<u>33,732</u>	<u>29,609</u>	<u>201,643</u>
<u>\$ 90,319</u>	<u>\$ 28,948</u>	<u>\$ 33,881</u>	<u>\$ 206,637</u>
\$ 58,461	\$ 28,948	\$ 23,058	\$ 156,029
<u>31,858</u>	<u>-</u>	<u>10,823</u>	<u>50,608</u>
<u>\$ 90,319</u>	<u>\$ 28,948</u>	<u>\$ 33,881</u>	<u>\$ 206,637</u>
\$ (21,343)	\$ 1,758	\$ 4,384	\$ (9,727)
1,269	1,310	20	3,789
126	25	53	234
(100)	38	(261)	(602)
806	(86)	(230)	629
83	63	55	787
-	(14)	13	1,307
-	(25)	-	(25)
2	14	(27)	123
108	(87)	(213)	(1,000)
23,951	-	-	23,951
191	127	118	958
<u>(1,675)</u>	<u>(716)</u>	<u>(1,016)</u>	<u>(7,728)</u>
<u>24,761</u>	<u>649</u>	<u>(1,488)</u>	<u>22,423</u>
<u>\$ 3,418</u>	<u>\$ 2,407</u>	<u>\$ 2,896</u>	<u>\$ 12,696</u>
\$ -	\$ -	\$ -	\$ 5,694
-	-	-	529
-	173	-	173
-	-	-	3,663
258	1,725	14	5,016
(1)	(26)	-	(27)
(7)	(2)	(5)	(25)

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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 SERVICES

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, 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.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF FUND NET POSITION
June 30, 2016
(Dollars in Thousands)

	<u>Fleet Services</u>	<u>Central Stores</u>
ASSETS		
Current Assets:		
Cash and Investments	\$ 102,162	\$ 947
Receivables:		
Accounts - Net of Allowance for Uncollectibles	2,529	174
Accrued Interest	25	3
Grants	-	-
Inventories	-	2,051
Total Current Assets	<u>104,716</u>	<u>3,175</u>
Non-Current Assets:		
Capital Assets - Non-Depreciable	4,674	-
Capital Assets - Depreciable	<u>108,175</u>	<u>165</u>
Total Non-Current Assets	<u>112,849</u>	<u>165</u>
TOTAL ASSETS	<u>217,565</u>	<u>3,340</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Contributions	3,606	311
Unamortized Experience Loss	<u>461</u>	<u>38</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,067</u>	<u>349</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,839	562
Accrued Wages and Benefits	1,282	90
Other Accrued Liabilities	-	-
Interest Accrued on Long-Term Debt	164	-
Long-Term Liabilities Due Within One Year	<u>7,023</u>	<u>40</u>
Total Current Liabilities	<u>12,308</u>	<u>692</u>
Non-Current Liabilities:		
Compensated Absences	536	14
Liability Claims	2,913	222
Capital Lease Obligations	18,639	-
Net Other Postemployment Benefits Obligation	6,371	566
Net Pension Liability	<u>30,952</u>	<u>2,564</u>
Total Non-Current Liabilities	<u>59,411</u>	<u>3,366</u>
TOTAL LIABILITIES	<u>71,719</u>	<u>4,058</u>
DEFERRED INFLOWS OF RESOURCES		
Unamortized Actuarial Gains	<u>2,885</u>	<u>196</u>
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	87,966	165
Unrestricted (Deficit)	<u>59,062</u>	<u>(730)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ 147,028</u>	<u>\$ (565)</u>

<u>Publishing Services</u>	<u>Miscellaneous Internal Service</u>	<u>Total</u>
\$ 1,178	\$ 33,628	\$ 137,915
-	52	2,755
2	81	111
-	173	173
-	-	2,051
<u>1,180</u>	<u>33,934</u>	<u>143,005</u>
-	662	5,336
<u>43</u>	<u>38</u>	<u>108,421</u>
<u>43</u>	<u>700</u>	<u>113,757</u>
<u>1,223</u>	<u>34,634</u>	<u>256,762</u>
151	1,711	5,779
<u>20</u>	<u>221</u>	<u>740</u>
<u>171</u>	<u>1,932</u>	<u>6,519</u>
213	773	5,387
46	579	1,997
-	130	130
-	-	164
<u>33</u>	<u>3,806</u>	<u>10,902</u>
<u>292</u>	<u>5,288</u>	<u>18,580</u>
29	3,031	3,610
82	3,771	6,988
-	-	18,639
444	2,383	9,764
<u>1,304</u>	<u>13,629</u>	<u>48,449</u>
<u>1,859</u>	<u>22,814</u>	<u>87,450</u>
<u>2,151</u>	<u>28,102</u>	<u>106,030</u>
<u>94</u>	<u>1,333</u>	<u>4,508</u>
43	700	88,874
<u>(894)</u>	<u>6,431</u>	<u>63,869</u>
<u>\$ (851)</u>	<u>\$ 7,131</u>	<u>\$ 152,743</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2016
(Dollars in Thousands)

	Fleet Services	Central Stores
OPERATING REVENUES		
Charges for Services	\$ 75,588	\$ 9,399
Other	21	89
TOTAL OPERATING REVENUES	75,609	9,488
OPERATING EXPENSES		
Benefit and Claim Payments	-	-
Maintenance and Operations	43,476	2,209
Cost of Materials Issued	-	6,714
Administration	1,491	297
Depreciation	19,692	19
TOTAL OPERATING EXPENSES	64,659	9,239
OPERATING INCOME	10,950	249
NONOPERATING REVENUES (EXPENSES)		
Earnings on Investments	698	12
Other Agency Grant Assistance	-	-
Gain (Loss) on Sale/Retirement of Capital Assets	866	-
Debt Service Interest Expense	(488)	-
Other	812	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET	1,888	12
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	12,838	261
Capital Contributions	436	-
Transfers to Other Funds	(292)	-
Transfers to Governmental Funds	(290)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	(146)	-
CHANGE IN NET POSITION	12,692	261
Net Position (Deficit) at Beginning of Year	134,336	(826)
NET POSITION (DEFICIT) AT END OF YEAR	\$ 147,028	\$ (565)

<u>Publishing Services</u>	<u>Miscellaneous Internal Service</u>	<u>Total</u>
\$ 3,556	\$ 27,967	\$ 116,510
<u>-</u>	<u>24</u>	<u>134</u>
3,556	27,991	116,644
-	12,059	12,059
2,929	513	49,127
-	-	6,714
398	10,923	13,109
<u>4</u>	<u>75</u>	<u>19,790</u>
<u>3,331</u>	<u>23,570</u>	<u>100,799</u>
<u>225</u>	<u>4,421</u>	<u>15,845</u>
10	364	1,084
-	358	358
-	(1,735)	(869)
-	-	(488)
<u>-</u>	<u>18</u>	<u>830</u>
<u>10</u>	<u>(995)</u>	<u>915</u>
<u>235</u>	<u>3,426</u>	<u>16,760</u>
9	-	445
-	-	(292)
<u>(4)</u>	<u>-</u>	<u>(294)</u>
<u>5</u>	<u>-</u>	<u>(141)</u>
240	3,426	16,619
<u>(1,091)</u>	<u>3,705</u>	<u>136,124</u>
<u>\$ (851)</u>	<u>\$ 7,131</u>	<u>\$ 152,743</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2016
(Dollars in Thousands)

	<u>Fleet Services</u>	<u>Central Stores</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ -	\$ -
Receipts from Interfund Services Provided	76,626	9,314
Payments to Suppliers	(27,968)	(8,685)
Payments to Employees	(20,585)	(1,669)
Payments for Interfund Services Used	(716)	(130)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>27,357</u>	<u>(1,170)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to Other Funds	(292)	-
Transfers to Governmental Funds	(290)	-
Operating Grants Received	-	-
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>(582)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(26,310)	(32)
Proceeds from the Sale of Capital Assets	1,453	-
Principal Payments on Capital Leases	(6,380)	-
Interest Paid on Long-Term Debt	(533)	-
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(31,770)</u>	<u>(32)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	685	11
Net Increase (Decrease) in Cash and Cash Equivalents	(4,310)	(1,191)
Cash and Cash Equivalents at Beginning of Year	106,472	2,138
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 102,162</u>	<u>\$ 947</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Operating Income	\$ 10,950	\$ 249
Adjustments to Reconcile Operating Income to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	19,692	19
Other Nonoperating Revenue	812	-
(Increase) Decrease in Assets:		
Accounts Receivable - Net	205	(174)
Inventories	-	194
Increase (Decrease) in Liabilities:		
Accounts Payable	(2,629)	(1,350)
Accrued Wages and Benefits	191	4
Compensated Absences	(98)	(13)
Liability Claims	27	55
Net OPEB Obligation	247	26
Net Pension Obligation	-	-
Net Pension Liability and Related Deferred Outflows/Inflows of Resources	(2,040)	(180)
Total Adjustments	16,407	(1,419)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 27,357</u>	<u>\$ (1,170)</u>
Noncash Investing, Capital, and Financing Activities:		
Acquisition of Capital Assets	\$ 46	\$ -
Capital Asset Acquisitions Related to Accounts Payable	11	-
Carrying Value of Retired Capital Assets	(583)	-
Transfers of Capital Assets (To) From Governmental Activities	386	-

<u>Publishing Services</u>	<u>Miscellaneous Internal Service</u>	<u>Total</u>
\$ -	\$ 25,830	\$ 25,830
3,559	2,208	91,707
(2,569)	(3,415)	(42,637)
(855)	(23,371)	(46,480)
<u>(57)</u>	<u>(263)</u>	<u>(1,166)</u>
<u>78</u>	<u>989</u>	<u>27,254</u>
-	-	(292)
(4)	-	(294)
<u>-</u>	<u>441</u>	<u>441</u>
<u>(4)</u>	<u>441</u>	<u>(145)</u>
(16)	(464)	(26,822)
-	-	1,453
-	-	(6,380)
<u>-</u>	<u>-</u>	<u>(533)</u>
<u>(16)</u>	<u>(464)</u>	<u>(32,282)</u>
<u>8</u>	<u>328</u>	<u>1,032</u>
66	1,294	(4,141)
<u>1,112</u>	<u>32,334</u>	<u>142,056</u>
<u>\$ 1,178</u>	<u>\$ 33,628</u>	<u>\$ 137,915</u>
<u>\$ 225</u>	<u>\$ 4,421</u>	<u>\$ 15,845</u>
4	75	19,790
-	18	830
3	29	63
-	-	194
(142)	96	(4,025)
3	95	293
2	357	248
55	(3,246)	(3,109)
13	114	400
-	(13)	(13)
<u>(85)</u>	<u>(957)</u>	<u>(3,262)</u>
<u>(147)</u>	<u>(3,432)</u>	<u>11,409</u>
<u>\$ 78</u>	<u>\$ 989</u>	<u>\$ 27,254</u>
\$ 9	\$ -	\$ 55
-	(76)	(65)
-	-	(583)
-	(1,735)	(1,349)

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FIDUCIARY FUNDS



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.

BLENDED COMPONENT UNIT

PENSION TRUST FUNDS

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, 2016
(Dollars in Thousands)**

	<u>City Employees' Retirement System</u>		
	<u>City of San Diego</u>	<u>Unified Port District</u>	<u>Airport Authority</u>
ASSETS			
Cash and Investments	\$ 764	\$ 196	\$ 231
Cash with Custodian/Fiscal Agent	113,322	17,060	24,451
Investments at Fair Value:			
Domestic Fixed Income Securities	1,612,511	91,085	31,006
International Fixed Income Securities	414,954	23,730	8,163
Domestic Equity Securities (Stocks)	1,404,809	78,923	26,386
International Equity Securities (Stocks)	1,019,670	57,486	19,273
Global Equity Securities	301,357	17,085	5,504
Real Estate Equity	770,276	43,863	15,180
Equity Mutual Funds	-	-	-
Fixed Income Mutual Funds	-	-	-
Private Equity and Infrastructure	819,072	47,129	16,531
Receivables:			
Contributions	5,576	483	210
Accrued Interest	8,865	495	164
Loans	-	-	-
Securities Sold	175,867	10,051	3,589
Prepaid Expenses	124	6	1
Securities Lending Collateral	170,423	9,984	3,785
Capital Assets - Depreciable	5,805	346	123
TOTAL ASSETS	<u>6,823,395</u>	<u>397,922</u>	<u>154,597</u>
LIABILITIES			
Accounts Payable	6,452	433	127
Accrued Wages and Benefits	808	45	16
Supplemental Benefits Payable	11,306	277	33
Securities Lending Obligations	170,638	9,995	3,787
Securities Purchased	338,085	19,216	6,794
TOTAL LIABILITIES	<u>527,289</u>	<u>29,966</u>	<u>10,757</u>
NET POSITION			
Restricted for Pension Benefits	<u>\$ 6,296,106</u>	<u>\$ 367,956</u>	<u>\$ 143,840</u>

Preservation of Benefits Plan	Postemployment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(a) Plan	401(k) Plan	Total
\$ -	\$ -	\$ 137	\$ 1	\$ 1	\$ 1,330
13	-	-	-	-	154,846
-	-	-	-	-	1,734,602
-	-	-	-	-	446,847
-	-	-	-	-	1,510,118
-	-	-	-	-	1,096,429
-	-	-	-	-	323,946
-	-	-	-	-	829,319
-	-	368,897	3,709	203,921	576,527
-	-	279,397	161	119,947	399,505
-	-	-	-	-	882,732
-	-	-	-	-	6,269
-	-	-	-	-	9,524
-	-	23,724	-	12,520	36,244
-	-	-	-	-	189,507
-	-	-	-	-	131
-	-	-	-	-	184,192
-	-	-	-	-	6,274
<u>13</u>	<u>-</u>	<u>672,155</u>	<u>3,871</u>	<u>336,389</u>	<u>8,388,342</u>
-	-	-	-	-	7,012
-	-	-	-	-	869
-	-	-	-	-	11,616
-	-	-	-	-	184,420
-	-	-	-	-	364,095
-	-	-	-	-	568,012
<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 672,155</u>	<u>\$ 3,871</u>	<u>\$ 336,389</u>	<u>\$ 7,820,330</u>

**FIDUCIARY FUNDS
PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2016
(Dollars in Thousands)**

	<u>City Employees' Retirement System</u>		
	<u>City of San Diego</u>	<u>Unified Port District</u>	<u>Airport Authority</u>
ADDITIONS			
Employer Contributions	\$ 257,030	\$ 16,684	\$ 5,719
Plan Member Contributions:			
Employee Contributions	56,743	1,116	1,187
DROP Contributions	5,024	276	107
Retiree Contributions	-	-	-
Earnings on Investments:			
Investment Income	83,692	4,890	1,776
Investment Expense	(29,948)	(1,745)	(662)
Net Appreciation (Depreciation) in Fair Value of Investments	9,714	691	521
Net Investment Income	<u>63,458</u>	<u>3,836</u>	<u>1,635</u>
Securities Lending:			
Gross Earnings	1,415	83	31
Borrower Rebates	(595)	(35)	(13)
Net Securities Lending Income	<u>820</u>	<u>48</u>	<u>18</u>
Other Income	-	-	-
TOTAL ADDITIONS	<u>383,075</u>	<u>21,960</u>	<u>8,666</u>
DEDUCTIONS			
DROP Interest Expense	22,665	466	37
Benefit and Claim Payments	430,116	22,645	2,986
Administration	<u>10,901</u>	<u>687</u>	<u>319</u>
TOTAL DEDUCTIONS	<u>463,682</u>	<u>23,798</u>	<u>3,342</u>
CHANGE IN NET POSITION	(80,607)	(1,838)	5,324
Net Position at Beginning of Year	<u>6,376,713</u>	<u>369,794</u>	<u>138,516</u>
NET POSITION AT END OF YEAR	<u>\$ 6,296,106</u>	<u>\$ 367,956</u>	<u>\$ 143,840</u>

Preservation of Benefits Plan	Postemployment Healthcare Benefit Plan	Supplemental Pension Savings Plan	401(a) Plan	401(k) Plan	Total
\$ 1,600	\$ 30,362	\$ 27,174	\$ 368	\$ -	\$ 338,937
-	862	26,874	518	20,326	107,626
-	-	-	-	-	5,407
-	7,908	-	-	-	7,908
-	-	4,707	58	1,322	96,445
-	-	-	-	-	(32,355)
-	-	-	-	-	10,926
-	-	4,707	58	1,322	75,016
-	-	-	-	-	1,529
-	-	-	-	-	(643)
-	-	-	-	-	886
-	-	704	-	378	1,082
1,600	39,132	59,459	944	22,026	536,862
-	-	-	-	-	23,168
1,596	38,554	49,292	153	20,593	565,935
3	578	-	-	-	12,488
1,599	39,132	49,292	153	20,593	601,591
1	-	10,167	791	1,433	(64,729)
12	-	661,988	3,080	334,956	7,885,059
\$ 13	\$ -	\$ 672,155	\$ 3,871	\$ 336,389	\$ 7,820,330

**FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016
(Dollars in Thousands)**

	Employee Benefits	Other Miscellaneous Agency	Total
ASSETS			
Cash and Investments	\$ 8,068	\$ 14,570	\$ 22,638
Receivables:			
Accounts - Net	152	847	999
Special Assessments	-	203	203
Accrued Interest	-	34	34
Restricted Cash and Investments	-	28,350	28,350
TOTAL ASSETS	\$ 8,220	\$ 44,004	\$ 52,224
LIABILITIES			
Accounts Payable	\$ 184	\$ 11,192	\$ 11,376
Deposits/Advances from Others	-	155	155
Sundry Agency Liabilities	8,036	10,075	18,111
Due to Bondholders	-	22,582	22,582
TOTAL LIABILITIES	\$ 8,220	\$ 44,004	\$ 52,224

**FIDUCIARY FUNDS
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2016
(Dollars in Thousands)**

	Beginning Balance	Additions	Deductions	Ending Balance
Employee Benefits				
ASSETS				
Cash and Investments	\$ 2,848	\$ 223,589	\$ 218,369	\$ 8,068
Receivables:				
Accounts - Net	148	2,832	2,828	152
TOTAL ASSETS	\$ 2,996	\$ 226,421	\$ 221,197	\$ 8,220
LIABILITIES				
Accounts Payable	\$ -	\$ 74,520	\$ 74,336	\$ 184
Sundry Agency Liabilities	2,996	119,624	114,584	8,036
TOTAL LIABILITIES	\$ 2,996	\$ 194,144	\$ 188,920	\$ 8,220
Other Miscellaneous Agency				
ASSETS				
Cash and Investments	\$ 15,052	\$ 217,428	\$ 217,910	\$ 14,570
Receivables:				
Accounts - Net	839	10,503	10,495	847
Special Assessments	230	210	237	203
Accrued Interest	13	34	13	34
Restricted Cash and Investments	29,333	34,379	35,362	28,350
TOTAL ASSETS	\$ 45,467	\$ 262,554	\$ 264,017	\$ 44,004
LIABILITIES				
Accounts Payable	\$ 11,754	\$ 39,024	\$ 39,586	\$ 11,192
Deposits/Advances from Others	154	1	-	155
Sundry Agency Liabilities	9,550	206,722	206,197	10,075
Due to Bondholders	24,009	31,149	32,576	22,582
TOTAL LIABILITIES	\$ 45,467	\$ 276,896	\$ 278,359	\$ 44,004
TOTAL AGENCY FUNDS				
ASSETS				
Cash and Investments	\$ 17,900	\$ 441,017	\$ 436,279	\$ 22,638
Receivables:				
Accounts - Net	987	13,335	13,323	999
Special Assessments	230	210	237	203
Accrued Interest	13	34	13	34
Restricted Cash and Investments	29,333	34,379	35,362	28,350
TOTAL ASSETS	\$ 48,463	\$ 488,975	\$ 485,214	\$ 52,224
LIABILITIES				
Accounts Payable	\$ 11,754	\$ 113,544	\$ 113,922	\$ 11,376
Deposits/Advances from Others	154	1	-	155
Sundry Agency Liabilities	12,546	326,346	320,781	18,111
Due to Bondholders	24,009	31,149	32,576	22,582
TOTAL LIABILITIES	\$ 48,463	\$ 471,040	\$ 467,279	\$ 52,224

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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>, and the City's Investor Webpage, <http://www.sandiego.gov/investorinformation>.

CITY OF SAN DIEGO
NET POSITION BY CATEGORY (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Accrual Basis of Accounting)

	Fiscal Year			
	2007	2008	2009	2010
<u>Governmental Activities</u>				
Net Investment in Capital Assets	\$ 3,461,127	\$ 3,518,704	\$ 3,530,937	\$ 3,780,474
Restricted for:				
Capital Projects	300,288	314,931	293,284	260,754
Low-Moderate Income Housing	81,739	108,026	135,581	162,514
Nonexpendable Permanent Endowments	16,509	16,757	13,280	17,514
Grants	-	-	-	-
Other	100,159	124,328	122,460	131,600
Unrestricted	(19,999)	70,635	162,661	2,189
Total Governmental Activities Net Position	<u>3,939,823</u>	<u>4,153,381</u>	<u>4,258,203</u>	<u>4,355,045</u>
<u>Business-type Activities</u>				
Net Investment in Capital Assets	2,998,848	2,933,012	2,970,351	3,035,924
Restricted for:				
Debt Service	2,977	2,660	4,372	8,443
Other	34,732	36,776	38,113	43,747
Unrestricted	343,280	517,261	587,443	643,275
Total Business-type Activities Net Position	<u>3,379,837</u>	<u>3,489,709</u>	<u>3,600,279</u>	<u>3,731,389</u>
<u>Primary Government</u>				
Net Investment in Capital Assets	6,459,975	6,451,716	6,501,288	6,816,398
Restricted for:				
Capital Projects	300,288	314,931	293,284	260,754
Debt Service	2,977	2,660	4,372	8,443
Low-Moderate Income Housing	81,739	108,026	135,581	162,514
Nonexpendable Permanent Endowments	16,509	16,757	13,280	17,514
Grants	-	-	-	-
Other	134,891	161,104	160,573	175,347
Unrestricted	323,281	587,896	750,104	645,464
Total Primary Government Net Position	<u>\$ 7,319,660</u>	<u>\$ 7,643,090</u>	<u>\$ 7,858,482</u>	<u>\$ 8,086,434</u>

Source: Comprehensive Annual Financial Reports

Table 1

Fiscal Year						
2011	2012	2013	2014	2015	2016	
\$ 3,812,560	\$ 3,835,923	\$ 3,963,306	\$ 3,988,284	\$ 3,988,396	\$ 4,129,002	
654,126	521,015	456,874	459,115	575,798	598,215	
84,260	50,988	251,655	277,139	286,129	319,022	
15,670	18,780	19,689	24,307	21,300	19,900	
-	232,249	75,462	68,206	67,230	219,216	
195,171	157,462	202,705	277,586	358,647	450,885	
(392,384)	(278,413)	(341,390)	(274,916)	(1,493,831)	(1,418,869)	
<u>4,369,403</u>	<u>4,538,004</u>	<u>4,628,301</u>	<u>4,819,721</u>	<u>3,803,669</u>	<u>4,317,371</u>	
3,094,788	3,131,831	3,378,535	3,526,979	3,902,396	4,042,983	
11,129	13,346	7,893	1,880	1,531	2,790	
45,217	24,462	24,822	25,404	26,245	7,010	
685,666	826,386	701,760	637,889	380,283	364,762	
<u>3,836,800</u>	<u>3,996,025</u>	<u>4,113,010</u>	<u>4,192,152</u>	<u>4,310,455</u>	<u>4,417,545</u>	
6,907,348	6,967,754	7,341,841	7,515,263	7,890,792	8,171,985	
654,126	521,015	456,874	459,115	575,798	598,215	
11,129	13,346	7,893	1,880	1,531	2,790	
84,260	50,988	251,655	277,139	286,129	319,022	
15,670	18,780	19,689	24,307	21,300	19,900	
-	232,249	75,462	68,206	67,230	219,216	
240,388	181,924	227,527	302,990	384,892	457,895	
293,282	547,973	360,370	362,973	(1,113,548)	(1,054,107)	
<u>\$ 8,206,203</u>	<u>\$ 8,534,029</u>	<u>\$ 8,741,311</u>	<u>\$ 9,011,873</u>	<u>\$ 8,114,124</u>	<u>\$ 8,734,916</u>	

CITY OF SAN DIEGO
CHANGES IN NET POSITION (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)
(Accrual Basis of Accounting)

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental Activities				
General Government and Support	\$ 270,190	\$ 322,157	\$ 303,581	\$ 395,344
Public Safety - Police	376,581	382,907	418,549	402,222
Public Safety - Fire and Life Safety and Homeland Security	209,902	204,822	220,787	214,975
Parks, Recreation, Culture and Leisure	229,500	231,955	258,038	266,343
Transportation	272,780	212,255	239,305	190,054
Sanitation and Health	43,780	51,772	77,447	78,171
Neighborhood Services	99,870	91,110	116,735	137,971
Debt Service:				
Interest	84,920	82,211	84,070	72,672
Cost of Issuance	-	-	-	-
Total Governmental Activities Expenses	<u>1,587,523</u>	<u>1,579,189</u>	<u>1,718,512</u>	<u>1,757,752</u>
Business-type Activities				
Airports	3,755	4,109	5,140	5,671
City Store	843	788	321	-
Development Services	53,924	51,461	47,260	36,640
Environmental Services	40,138	37,279	35,718	33,955
Golf Course	10,690	11,142	11,864	14,618
Recycling	19,754	20,511	20,067	19,265
Sewer Utility	313,716	322,552	314,125	338,688
Water Utility	313,256	321,123	329,748	365,683
Total Business-type Activities Expenses	<u>756,076</u>	<u>768,965</u>	<u>764,243</u>	<u>814,520</u>
Total Primary Government Expenses	<u>2,343,599</u>	<u>2,348,154</u>	<u>2,482,755</u>	<u>2,572,272</u>
Program Revenues				
Governmental Activities				
Charges for Services:				
General Government and Support	107,257	111,714	152,630	179,461
Public Safety - Police	27,960	40,628	42,178	39,636
Public Safety - Fire and Life Safety and Homeland Security	16,548	19,156	20,449	19,916
Parks, Recreation, Culture and Leisure	52,656	64,030	80,795	61,495
Transportation	49,809	21,877	18,360	31,485
Sanitation and Health	10,224	9,832	9,306	11,788
Neighborhood Services	39,412	22,748	21,814	25,959
Operating Grants and Contributions	84,745	75,126	93,244	71,829
Capital Grants and Contributions	81,169	78,347	110,802	60,139
Total Governmental Activities Program Revenues	<u>469,780</u>	<u>443,458</u>	<u>549,578</u>	<u>501,708</u>
Business-type Activities				
Charges for Services:				
Airports	5,635	5,140	4,929	4,849
City Store	827	744	242	-
Development Services	48,746	45,945	37,310	37,338
Environmental Services	36,143	35,485	31,726	26,342
Golf Course	15,772	15,153	16,201	15,671
Recycling	20,476	23,390	16,027	16,946
Sewer Utility	304,749	328,119	322,571	382,125
Water Utility	310,292	318,626	342,719	376,461
Operating Grants and Contributions	1,203	2,312	1,739	3,289
Capital Grants and Contributions	141,419	58,400	60,863	45,738
Total Business-type Activities Program Revenues	<u>885,262</u>	<u>833,314</u>	<u>834,327</u>	<u>908,759</u>
Total Primary Government Program Revenues	<u>1,355,042</u>	<u>1,276,772</u>	<u>1,383,905</u>	<u>1,410,467</u>
Net (Expense)/Revenue				
Governmental Activities	(1,117,743)	(1,135,731)	(1,168,934)	(1,256,044)
Business-type Activities	<u>129,186</u>	<u>64,349</u>	<u>70,084</u>	<u>94,239</u>
Total Primary Government Net Expense	<u>\$ (988,557)</u>	<u>\$ (1,071,382)</u>	<u>\$ (1,098,850)</u>	<u>\$ (1,161,805)</u>

Source: Comprehensive Annual Financial Reports

Table 2

		Fiscal Year									
		2011	2012	2013	2014	2015	2016				
\$	361,098	\$	294,198	\$	313,800	\$	286,798	\$	271,094	\$	303,802
	427,724		409,374		429,849		441,803		380,344		412,571
	223,174		233,635		241,029		253,741		221,446		233,688
	248,668		270,199		270,540		267,523		263,127		311,372
	191,402		224,187		202,376		192,928		198,242		224,620
	74,639		73,299		67,623		89,448		92,833		99,079
	85,588		219,499		89,354		70,191		80,299		65,994
	77,443		58,838		37,942		35,226		33,790		41,537
	-		-		-		518		-		-
	1,689,736		1,783,229		1,652,513		1,638,176		1,541,175		1,692,663
	4,297		3,614		4,759		4,663		3,740		4,824
	-		-		-		-		-		-
	43,552		43,842		46,024		50,825		50,244		54,002
	34,904		36,357		32,205		33,724		30,939		54,385
	15,503		15,217		15,689		16,423		15,827		16,182
	19,611		18,105		18,895		20,475		17,200		18,036
	315,591		311,367		322,431		326,437		316,465		296,422
	362,830		382,314		420,809		443,453		466,552		437,304
	796,288		810,816		860,812		896,000		900,967		881,155
	2,486,024		2,594,045		2,513,325		2,534,176		2,442,142		2,573,818
	185,696		193,766		191,256		198,856		249,241		213,490
	44,879		38,367		44,723		42,976		40,304		46,238
	30,655		31,724		22,539		34,984		33,547		36,645
	65,033		80,673		72,297		51,721		53,093		74,531
	27,304		56,742		28,759		30,262		34,459		44,555
	11,784		14,452		13,790		15,342		14,269		14,730
	27,013		22,699		35,792		36,339		49,825		32,982
	81,159		62,181		82,760		60,591		49,049		65,173
	51,674		46,770		152,193		120,538		106,237		140,408
	525,197		547,374		644,109		591,609		630,024		668,752
	4,749		4,188		4,906		4,371		4,618		4,691
	-		-		-		-		-		-
	45,743		44,557		50,006		52,402		56,395		59,808
	28,246		25,123		24,607		26,043		30,477		33,048
	15,715		17,428		18,367		19,764		20,116		17,987
	18,592		17,323		18,056		19,046		20,305		23,203
	357,731		370,299		361,637		364,548		364,467		346,950
	371,515		408,119		414,508		447,565		455,222		413,008
	8,355		2,939		1,761		1,531		1,044		2,629
	30,692		75,194		91,878		70,739		386,952		59,226
	881,338		965,170		985,726		1,006,009		1,339,596		960,550
	1,406,535		1,512,544		1,629,835		1,597,618		1,969,620		1,629,302
	(1,164,539)		(1,235,855)		(1,008,404)		(1,046,567)		(911,151)		(1,023,911)
	85,050		154,354		124,914		110,009		438,629		79,395
\$	(1,079,489)	\$	(1,081,501)	\$	(883,490)	\$	(936,558)	\$	(472,522)	\$	(944,516)

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			
	2007	2008	2009	2010
General Revenues and Other Changes in Net Position				
Governmental Activities				
Property Taxes	\$ 526,722	\$ 576,605	\$ 607,857	\$ 579,410
Transient Occupancy Taxes	154,810	159,348	140,657	123,332
Sales Taxes - Shared State Revenue	263,399	269,757	229,651	244,406
Other Local Taxes	157,941	151,267	161,485	183,694
Developer Contributions and Fees	62,693	38,331	16,148	21,022
Grants and Contributions not Restricted to Specific Programs	5,339	6,251	8,488	18,065
Investment Income	76,292	96,725	75,245	30,472
Gain on Sale of Capital Assets	6,546	17,884	1,922	1,854
Miscellaneous	25,671	29,570	33,528	20,458
Transfers	(3,425)	3,551	(1,225)	(1,218)
Total Governmental Activities General Revenues and Transfers	<u>1,275,988</u>	<u>1,349,289</u>	<u>1,273,756</u>	<u>1,221,495</u>
Business-type Activities				
Investment Income	30,713	41,224	31,004	22,332
Miscellaneous	5,384	7,850	8,257	13,321
Transfers	3,425	(3,551)	1,225	1,218
Total Business-type Activities General Revenues and Transfers	<u>39,522</u>	<u>45,523</u>	<u>40,486</u>	<u>36,871</u>
Total Primary Government General Revenues and Transfers	<u>1,315,510</u>	<u>1,394,812</u>	<u>1,314,242</u>	<u>1,258,366</u>
Extraordinary Gain (Loss)				
Governmental Activities	-	-	-	-
Business-type Activities	-	-	-	-
Change in Net Position				
Governmental Activities	158,245	213,558	104,822	(34,549)
Business-type Activities	<u>168,708</u>	<u>109,872</u>	<u>110,570</u>	<u>131,110</u>
Total Primary Government Change in Net Position	<u>\$ 326,953</u>	<u>\$ 323,430</u>	<u>\$ 215,392</u>	<u>\$ 96,561</u>

Source: Comprehensive Annual Financial Reports

Table 2

Fiscal Year						
2011	2012	2013	2014	2015	2016	
\$ 560,577	\$ 508,938	\$ 421,894	\$ 470,905	\$ 460,948	\$ 489,548	
140,752	148,184	158,105	173,376	182,466	200,612	
246,452	253,624	269,504	282,345	296,837	319,030	
158,797	173,954	166,548	186,747	208,970	204,387	
14,131	55,635	66,312	47,765	86,440	104,516	
10,320	115	705	674	653	1,045	
25,488	15,708	9,220	13,627	8,786	16,075	
133	-	-	-	-	-	
16,207	36,086	14,471	32,482	47,071	37,751	
6,040	16,739	20,012	15,269	(150)	(733)	
<u>1,178,897</u>	<u>1,208,983</u>	<u>1,126,771</u>	<u>1,223,190</u>	<u>1,292,021</u>	<u>1,372,231</u>	
13,717	11,519	2,429	8,489	8,012	13,742	
12,684	8,225	11,520	12,096	21,285	13,220	
(6,040)	(16,739)	(20,012)	(15,269)	150	733	
<u>20,361</u>	<u>3,005</u>	<u>(6,063)</u>	<u>5,316</u>	<u>29,447</u>	<u>27,695</u>	
<u>1,199,258</u>	<u>1,211,988</u>	<u>1,120,708</u>	<u>1,228,506</u>	<u>1,321,468</u>	<u>1,399,926</u>	
-	195,473	(28,070)	(14,828)	-	165,382	
-	1,866	(1,866)	-	-	-	
14,358	168,601	90,297	161,795	380,870	513,702	
<u>105,411</u>	<u>159,225</u>	<u>116,985</u>	<u>115,325</u>	<u>468,076</u>	<u>107,090</u>	
<u>\$ 119,769</u>	<u>\$ 327,826</u>	<u>\$ 207,282</u>	<u>\$ 277,120</u>	<u>\$ 848,946</u>	<u>\$ 620,792</u>	

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			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund:				
Reserved	\$ 35,858	\$ 45,843	\$ 33,895	\$ 7,996
Unreserved	96,190	78,938	80,497	107,027
Total General Fund	<u>\$ 132,048</u>	<u>\$ 124,781</u>	<u>\$ 114,392</u>	<u>\$ 115,023</u>
Nonmajor Governmental Funds:				
Reserved	\$ 504,693	\$ 652,222	\$ 706,971	\$ 776,324
Unreserved, reported in:				
Special Revenue Funds	350,096	233,388	221,089	219,394
Debt Service Funds	29	221,814	265,236	159,737
Capital Projects Funds	377,648	358,550	430,479	368,860
Permanent Funds	1,249	549	2,625	2
Total Nonmajor Governmental Funds	<u>\$ 1,233,715</u>	<u>\$ 1,466,523</u>	<u>\$ 1,626,400</u>	<u>\$ 1,524,317</u>

Footnote:

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
General Fund:						
Nonspendable	\$ -	\$ 22,140	\$ -	\$ 1,248	\$ 849	\$ 2,502
Spendable:						
Restricted	145,880	102,104	60,507	104,885	140,358	146,228
Committed	1,183	44,831	40,953	147,053	130,891	109,474
Assigned	38,153	-	8,717	5,575	6,162	11,189
Unassigned	60,532	109,475	112,321	91,353	99,555	106,508
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>
Nonmajor Governmental Funds:						
Nonspendable	\$ 21,093	\$ 19,502	\$ 115,806	\$ 24,326	21,427	\$ 19,917
Spendable:						
Restricted	1,378,184	876,460	866,750	1,011,875	1,288,739	1,573,516
Committed	92,783	114,722	87,655	140,268	108,239	106,851
Unassigned	(29,569)	(43,841)	(22,578)	(15,156)	(11,287)	(27,289)
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>

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			
	2007	2008	2009	2010
Revenues				
Property Taxes	\$ 521,734	\$ 573,311	\$ 603,574	\$ 584,342
Special Assessments	36,585	50,274	63,500	45,606
Sales Taxes	264,587	270,791	233,140	192,665
Transient Occupancy Taxes	153,574	159,348	140,657	123,879
Other Local Taxes	158,046	146,899	171,192	183,696
Licenses and Permits	41,425	50,693	39,349	33,088
Fines, Forfeitures and Penalties	42,932	32,785	34,406	31,836
Revenue from Use of Money and Property	117,552	129,582	107,784	91,227
Revenue from Federal Agencies	79,735	40,413	70,386	54,056
Revenue from Other Agencies	61,977	53,370	52,456	56,136
Revenue from Private Sources	59,549	23,013	21,593	21,689
Charges for Current Services	159,877	165,910	203,432	191,769
Other Revenue	31,027	30,824	25,711	23,187
Total Revenues	1,728,600	1,727,213	1,767,180	1,633,176
Expenditures				
Current:				
General Government and Support	267,461	310,814	344,930	391,680
Public Safety - Police	376,762	388,729	406,657	399,914
Public Safety - Fire and Life Safety and Homeland Security	202,031	205,660	225,696	210,730
Parks, Recreation, Culture and Leisure	182,197	195,808	211,759	228,357
Public Transportation	139,349	135,404	162,969	117,545
Sanitation and Health	44,729	53,957	78,260	78,351
Neighborhood Services	85,544	88,242	73,785	75,772
Capital Outlay	106,518	132,432	138,634	134,426
Debt Service:				
Principal Retirement	68,160	59,228	57,209	65,928
Cost of Issuance	5,145	3,618	1,001	1,881
Interest	82,928	78,133	78,659	74,825
Refunding Escrow	-	-	-	4,172
Total Expenditures	1,560,824	1,652,025	1,779,559	1,783,581
Excess (Deficiency) of Revenues Over Expenditures	167,776	75,188	(12,379)	(150,405)
Other Financing Sources (Uses)				
Transfers In	9,509	10,373	8,246	7,706
Transfers Out	(3,546)	(9,756)	(6,590)	(13,444)
Transfer to Escrow Agent	(159,690)	(10,676)	-	(161,194)
Contracts, Notes, and Loans Issued	13,003	16,063	12,583	48,710
Bonds Issued	182,328	108,121	115,236	183,396
Other Sources	19,144	36,228	32,392	15,341
Total Other Financing Sources (Uses)	60,748	150,353	161,867	80,515
Extraordinary Gain (Loss)	-	-	-	-
Net Change in Fund Balances	\$ 228,524	\$ 225,541	\$ 149,488	\$ (69,890)
Debt Service as a Percentage of Noncapital Expenditures	10.7%	9.3%	8.3%	8.9%

Source: Comprehensive Annual Financial Reports

Table 4

Fiscal Year						
	2011	2012	2013	2014	2015	2016
\$	569,009	\$ 512,178	\$ 422,617	\$ 470,960	\$ 460,515	\$ 489,664
	42,823	46,964	50,510	50,796	57,343	54,304
	232,077	265,057	269,929	278,564	293,929	333,821
	139,545	148,795	159,494	170,475	186,690	204,559
	158,797	173,954	166,548	186,747	208,907	204,450
	42,668	41,906	51,662	53,329	57,388	78,595
	33,356	64,816	31,261	31,363	33,832	41,465
	86,720	77,654	80,994	87,212	92,452	103,307
	86,113	70,132	59,863	52,504	45,217	44,529
	54,628	46,604	57,770	39,804	87,364	35,748
	29,126	38,451	71,280	78,875	71,581	87,739
	204,782	215,914	189,551	207,101	238,516	260,933
	32,807	41,446	20,829	33,890	49,200	39,718
	<u>1,712,451</u>	<u>1,743,871</u>	<u>1,632,308</u>	<u>1,741,620</u>	<u>1,882,934</u>	<u>1,978,832</u>
	339,782	279,663	265,489	299,739	305,594	334,883
	402,328	396,098	406,599	431,531	430,411	445,027
	210,539	226,623	228,128	245,650	254,603	252,608
	205,219	228,255	225,411	216,635	228,157	276,730
	115,168	149,344	120,594	108,836	120,102	144,145
	70,274	72,980	65,969	83,128	92,907	94,982
	88,826	218,724	81,559	63,846	82,812	79,745
	142,136	193,727	158,460	118,187	185,018	194,957
	114,774	70,614	46,323	66,534	42,812	37,077
	1,552	880	814	518	1,140	712
	73,093	56,695	37,399	36,070	34,135	40,330
	-	-	1,572	-	-	3,811
	<u>1,763,691</u>	<u>1,893,603</u>	<u>1,638,317</u>	<u>1,670,674</u>	<u>1,777,691</u>	<u>1,905,007</u>
	<u>(51,240)</u>	<u>(149,732)</u>	<u>(6,009)</u>	<u>70,946</u>	<u>105,243</u>	<u>73,825</u>
	7,444	274,458	302,999	192,049	253,570	173,710
	(6,564)	(286,274)	(294,922)	(173,249)	(253,139)	(174,166)
	-	(152,936)	(18,973)	(16,025)	-	(122,186)
	478	2,700	-	761	1,512	-
	104,857	153,964	94,808	51,713	121,200	123,294
	13,924	12,058	7,477	29,747	45,120	24,104
	<u>120,139</u>	<u>3,970</u>	<u>91,389</u>	<u>84,996</u>	<u>168,263</u>	<u>24,756</u>
	-	(317,084)	(60,642)	(21,067)	-	165,382
\$	<u>68,899</u>	<u>(462,846)</u>	<u>24,738</u>	<u>134,875</u>	<u>273,506</u>	<u>263,963</u>
	11.7%	7.5%	5.8%	6.6%	4.9%	4.8%

CITY OF SAN DIEGO
ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year Ended June 30	City			
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value
2007	\$ 142,036,802	\$ 7,629,006	\$ (5,867,546)	\$ 143,798,262
2008	154,653,913	7,410,589	(6,329,714)	155,734,788
2009	162,580,727	7,880,341	(6,795,274)	163,665,794
2010	161,637,831	8,164,394	(7,157,357)	162,644,868
2011	158,803,280	7,873,095	(7,411,231)	159,265,144
2012	160,568,111	7,614,792	(7,713,035)	160,469,868
2013	159,731,138	7,784,851	(7,883,818)	159,632,171
2014	166,492,182	8,229,813	(8,321,763)	166,400,232
2015	176,702,157	8,671,311	(8,592,636)	176,780,832
2016	187,297,981	8,906,099	(9,002,912)	187,201,168

Footnote:

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: MuniServices, LLC and San Diego County Assessor Data

Table 5

Successor Agency ¹					
Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate	
\$ 13,029,366	\$ 892,425	\$ (924,626)	\$ 12,997,165	0.333%	
15,955,610	889,754	(1,064,583)	15,780,781	0.334%	
17,769,284	918,239	(1,139,942)	17,547,581	0.333%	
17,353,633	912,524	(1,289,122)	16,977,035	0.325%	
17,676,415	953,539	(1,465,748)	17,164,206	0.323%	
17,354,546	967,108	(1,610,637)	16,711,017	0.289%	
17,571,696	977,717	(1,683,396)	16,866,017	0.239%	
18,265,071	984,082	(1,712,162)	17,536,991	0.256%	
19,634,360	1,015,145	(1,694,855)	18,954,650	0.235%	
21,169,427	1,032,849	(1,795,081)	20,407,195	0.236%	

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			
	2007	2008	2009	2010
Residential	\$ 110,696,358	\$ 120,113,426	\$ 124,443,699	\$ 120,621,778
Commercial	18,015,082	20,362,136	22,625,089	24,076,649
Unknown	11,595,761	13,590,053	15,555,812	16,213,396
Vacant	3,062,884	3,177,749	3,023,483	2,942,888
Institution	1,326,612	1,421,257	1,573,962	1,567,379
Recreation	1,168,776	1,225,956	1,378,998	1,446,525
Industrial	8,909,633	10,426,555	11,437,742	11,844,884
Rural	280,398	281,608	300,506	267,128
Agriculture	10,666	10,785	10,721	10,837
Gross Secured Value	155,066,170	170,609,525	180,350,012	178,991,464
Unsecured	8,521,430	8,300,342	8,798,579	9,076,918
Less Exemptions	(6,792,173)	(7,394,298)	(7,935,216)	(8,446,479)
Net Taxable Value	\$ 156,795,427	\$ 171,515,569	\$ 181,213,375	\$ 179,621,903

Sources: MuniServices, LLC

Use code categories are based on San Diego County Assessor's data

Table 6

Fiscal Year						
	2011	2012	2013	2014	2015	2016
\$	119,784,031	\$ 122,014,996	\$ 121,392,331	\$ 126,493,049	\$ 135,781,072	\$ 144,566,532
	22,994,996	22,615,974	23,337,037	24,553,545	25,423,193	26,788,688
	15,933,839	15,603,546	15,159,216	16,082,265	16,962,545	17,921,683
	2,947,884	2,892,284	2,622,931	2,588,138	2,611,582	3,023,596
	1,629,550	1,618,090	1,626,508	1,688,359	1,733,140	1,738,339
	1,287,482	1,341,813	1,346,278	1,383,655	1,344,234	1,384,431
	11,628,925	11,578,295	11,564,607	11,753,860	12,258,818	12,786,249
	260,106	243,543	239,073	199,226	205,324	239,901
	12,882	14,116	14,853	15,155	16,607	17,989
	176,479,695	177,922,657	177,302,834	184,757,252	196,336,515	208,467,408
	8,826,634	8,581,900	8,762,568	9,213,896	9,686,457	9,938,948
	(8,876,979)	(9,323,672)	(9,567,214)	(10,033,925)	(10,287,491)	(10,797,993)
\$	176,429,350	\$ 177,180,885	\$ 176,498,188	\$ 183,937,223	\$ 195,735,481	\$ 207,608,363

CITY OF SAN DIEGO
DIRECT AND OVERLAPPING PROPERTY TAX RATES (UNAUDITED)
Last Ten Fiscal Years
(\$1 Per \$100 of Assessed Value)

	Fiscal Year			
	2007	2008	2009	2010
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%
ERAF	0.14330%	0.14330%	0.14330%	0.14330%
Total Basic City and County Direct Rates ¹	<u>1.00000%</u>	<u>1.00000%</u>	<u>1.00000%</u>	<u>1.00000%</u>
Overlapping Rates				
City of San Diego	0.01094%	0.01069%	0.01038%	0.01043%
Education	0.08931%	0.08747%	0.07396%	0.09152%
Total Overlapping	<u>0.10025%</u>	<u>0.09816%</u>	<u>0.08434%</u>	<u>0.10195%</u>
Total Direct and Overlapping Tax Rates	<u><u>1.10025%</u></u>	<u><u>1.09816%</u></u>	<u><u>1.08434%</u></u>	<u><u>1.10195%</u></u>

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: MuniServices, LLC and San Diego County Auditor/Controller Data

Table 7

Fiscal Year					
2011	2012	2013	2014	2015	2016
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%
0.00986%	0.00870%	0.00850%	0.00850%	0.00850%	0.00850%
0.09164%	0.10410%	0.10303%	0.17427%	0.17051%	0.16609%
0.10150%	0.11280%	0.11153%	0.18277%	0.17901%	0.17459%
1.10150%	1.11280%	1.11153%	1.18277%	1.17901%	1.17459%

CITY OF SAN DIEGO
PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)
Current Year and Nine Years Ago
(Dollars in Thousands)

Table 8

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Percent of Total City Taxable Assessed Value</u>
<u>For the Fiscal Year Ended June 30, 2016</u>		
Qualcomm, Inc.	\$ 2,102,176	1.01%
Irvine Company, LLC	1,708,933	0.82%
Kilroy Realty, LP	1,338,712	0.64%
Host Hotels & Resorts, LP	1,086,716	0.52%
ARE-SD Region, LLC	645,662	0.31%
Fashion Valley Mall, LLC	487,878	0.23%
Arden Realty, LP	476,227	0.23%
One Park Boulevard, LLC	469,581	0.23%
BEX Portfolio, LLC	466,531	0.22%
Solar Turbines, Inc.	434,548	0.21%
<u>For the Fiscal Year Ended June 30, 2007</u>		
Kilroy Realty, LP	805,894	0.51%
Qualcomm, Inc.	793,697	0.51%
Arden Realty, LP	586,177	0.37%
Fashion Valley Mall, LLC	446,197	0.28%
Maguire Properties, Inc.	422,860	0.27%
Pfizer, Inc.	420,748	0.27%
San Diego Family Housing, LLC	419,700	0.27%
Irvine Company, LLC	384,933	0.25%
Sea World, Inc.	373,482	0.24%
Manchester Resorts, LP	348,622	0.22%

Sources: MuniServices, 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	Collected within the Fiscal Year of Levy			Total Collections to Date	
		Amount Collected ²	Percent of Levy	Delinquent Collections ³	Amount	Percent of Levy
2007	\$ 283,855	\$ 270,583	95.32%	\$ 7,069	\$ 277,652	97.81%
2008	299,911	283,716	94.60%	10,269	293,985	98.02%
2009	303,593	290,480	95.68%	9,982	300,462	98.97%
2010	297,217	286,303	96.33%	8,834	295,137	99.30%
2011	293,624	285,913	97.37%	5,107	291,020	99.11%
2012	296,007	289,530	97.81%	4,656	294,186	99.38%
2013	299,332	293,577	98.08%	3,803	297,380	99.35%
2014	315,060	308,606	97.95%	3,287	311,893	98.99%
2015	331,187	325,794	98.37%	3,286	329,080	99.36%
2016	330,483	327,903	99.22%	-	327,903	99.22%

Footnotes:

¹ Property Tax Levies and Collections for the General Fund and Zoological Exhibits Fund.

² Taxes levied and collected for the year include both the local and state assessments.

³ Penalties and interest from delinquent collections are not included.

Source: County of San Diego

CITY OF SAN DIEGO
RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

Governmental Activities						
Fiscal Year Ended June 30	Capital Lease Obligations	Qualified Energy Conservation Bonds/Lease Obligation	Notes Payable	Loans Payable	General Obligation Bonds	
2007	\$ 39,130	\$ -	\$ 8,555	\$ 60,493	\$ 10,705	
2008	61,262	-	5,662	70,763	8,580	
2009	89,519	-	4,786	78,347	6,315	
2010	84,561	-	3,301	110,891	4,340	
2011	68,018	13,142	-	52,963	2,240	
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	-	
Business-Type Activities						
Fiscal Year Ended June 30	Capital Lease Obligations	Contracts Payable	Notes Payable	Loans Payable	Revenue Bonds Payable	
2007	\$ 1,006	\$ -	\$ 281,347	\$ 101,316	\$ 1,461,871	
2008	166	-	430,830	95,875	1,418,826	
2009	-	-	-	90,326	2,207,986	
2010	-	-	-	84,673	2,127,382	
2011	-	-	-	91,025	2,060,529	
2012	-	-	-	125,406	1,989,104	
2013	-	-	-	145,330	1,915,775	
2014	2,590	-	-	161,360	1,851,771	
2015	2,250	-	-	158,241	1,771,085	
2016	7,588	3,606	-	162,194	1,843,259	

Footnotes:

Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

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

Pooled Financing Bonds	Lease Revenue Bonds/ COP Net Debt	Tax Allocation Bonds Gross Debt	Tobacco Settlement Asset- Backed Bonds	Total Governmental Activities
\$ -	\$ 516,772	\$ 519,447	\$ 102,700	\$ 1,257,802
33,990	494,715	566,974	99,370	1,341,316
33,352	575,468	554,607	95,380	1,437,774
32,690	545,082	551,029	92,350	1,424,244
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

Total Business-Type Activities	Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ²
\$ 1,845,540	\$ 3,103,342	7.90%	\$ 2.36
1,945,697	3,287,013	7.70%	2.46
2,298,312	3,736,086	8.72%	2.80
2,212,055	3,636,299	8.36%	2.68
2,151,554	3,576,238	8.87%	2.73
2,114,510	2,814,015	6.58%	2.13
2,061,105	2,793,898	6.42%	2.11
2,015,721	2,752,105	6.00%	2.04
1,931,576	2,788,436	6.02%	2.04
2,016,647	2,832,158	5.94%	2.04

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
2007	\$ 10,705	\$ 143,798,262	0.007%	1,316,837	\$ 8.13
2008	8,580	155,734,788	0.006%	1,336,865	6.42
2009	6,315	163,665,794	0.004%	1,333,617	4.74
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	0.000%	1,321,315	-
2013	-	159,632,171	0.000%	1,326,238	-
2014	-	166,400,232	0.000%	1,345,895	-
2015	-	176,780,832	0.000%	1,368,061	-
2016	-	187,201,168	0.000%	1,391,676	-

Footnotes:

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: MuniServices, LLC, California Department of Finance and Comprehensive Annual Financial Reports

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CITY OF SAN DIEGO
DIRECT AND OVERLAPPING DEBT (UNAUDITED)
June 30, 2016
(Dollars in Thousands)

	Total Debt		City's Share
	June 30, 2016	% Applicable ¹	of Debt
			June 30, 2016
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 92,865	8.521%	\$ 7,913
Palomar Community College District	511,508	23.674%	121,094
San Diego Community College District	1,266,025	99.932%	1,265,164
Poway Unified School District School Facilities Improvement District No. 2002-1 & 2007-1	331,238	55.596 & 56.309%	185,431
San Diego Unified School District	2,986,297	99.934%	2,984,326
San Dieguito Union High School District	261,260	32.473%	84,839
San Ysidro School District	131,872	87.602%	115,523
Other School, High School and Community College Districts	1,919,792	Various	169,794
Grossmont Healthcare District	266,188	8.057%	21,447
Palomar Pomerado Health System	467,510	27.866%	130,276
City of San Diego Special Assessment/Special Tax Bonds ²	104,670	100%	104,670
Del Mar Unified School District Community Facilities District No. 99-1 & 95-1	25,750	100%	25,750
North City West School District Community Facilities District	59,613	100%	59,613
Poway Unified School District Community Facilities District	364,217	99.609-100%	364,162
San Dieguito Union High School District Community Facilities Districts	39,598	81.063-100%	34,325
Sweetwater Union High School District Community Facilities Districts	18,399	8.935-100%	13,582
Solana Beach School District Community Facilities Districts	32,365	100%	32,365
Other Special District 1915 Act Bonds	18,044	Various	5,759
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 5,726,033</u>
<u>DIRECT AND OVERLAPPING DEBT:</u>			
San Diego County General Fund Obligations	\$ 307,830	47.216%	\$ 145,345
San Diego County Pension Obligations	649,860	47.216%	306,838
San Diego Superintendent of Schools Certificates of Participation	13,295	47.216%	6,277
Palomar Community College District General Fund Obligations	3,825	23.674%	906
Poway Unified School District Certificates of Participation	62,249	63.959%	39,814
Sweetwater Union High School District Certificates of Participation	41,850	19.555%	8,184
Chula Vista School District General Fund Obligations	165,785	5.184%	8,594
San Ysidro School District Certificates of Participation	42,435	87.602%	37,174
Other School, High School and Community College District Certificates of Participation	132,125	Various	4,994
City of San Diego Obligations ³	746,071	100%	746,071
TOTAL NET DIRECT AND OVERLAPPING DEBT			<u>\$ 1,304,197</u>
OVERLAPPING TAX INCREMENT DEBT	\$ 490,753	1.214-100%	\$ 453,200
TOTAL DIRECT DEBT			746,071
TOTAL GROSS OVERLAPPING DEBT			6,737,359
TOTAL NET OVERLAPPING DEBT			6,737,359
GROSS COMBINED TOTAL DEBT ⁴			7,483,430
NET COMBINED TOTAL DEBT			7,483,430

Table 12

Ratios to 2015-16 Assessed Valuations (\$208,955,747):

Overlapping Tax and Assessment Debt	2.74%
Total Direct Debt (\$736,812)	0.35%
Gross Combined Total Debt	3.58%
Net Combined Total Debt	3.58%

Ratios to Successor Agency Incremental Valuation (\$20,475,253)

Total Overlapping Tax Increment Debt	2.21%
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Footnotes:

- 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 18, 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, 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: MuniServices, LLC and Comprehensive Annual Financial Reports

**CITY OF SAN DIEGO
LEGAL DEBT MARGIN SCHEDULE (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)**

	Fiscal Year			
	2007	2008	2009	2010
Assessed valuation	\$ 143,798,262	\$ 155,734,788	\$ 163,665,794	\$ 162,644,868
Conversion percentage ¹	25%	25%	25%	25%
Adjusted assessed valuation	35,949,566	38,933,697	40,916,449	40,661,217
Debt limit percentage ²	25%	25%	25%	25%
Debt limit ³	8,987,391	9,733,424	10,229,112	10,165,304
Total net debt applicable to limit:				
General Obligation Bonds	10,705	8,580	6,315	4,340
Legal debt margin	8,976,686	9,724,844	10,222,797	10,160,964
Total debt applicable to the limit as a percentage of the debt limit	0.12%	0.09%	0.06%	0.04%

Footnotes:

¹ The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with fiscal year 1981-82, each parcel is now assessed at 100% of market value. The calculations shown above present a conversion of assessed valuation data for each fiscal year from the current 100% valuation to the 25% level that was in effect at the time the legal debt margin was enacted.

² Section 90 of the City Charter provides 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.

³ The current debt limitation for Water is 15% of the Adjusted Assessed Valuation, or \$7,020,044 and the debt limitation for other purposes is 10% of the Adjusted Assessed Valuation, or \$4,680,029.

Sources: MuniServices, LLC and Comprehensive Annual Financial Reports

Table 13

Fiscal Year						
2011	2012	2013	2014	2015	2016	
\$ 159,265,144	\$ 160,469,868	\$ 159,632,171	\$ 166,400,232	\$ 176,780,832	\$ 187,201,168	
25%	25%	25%	25%	25%	25%	25%
39,816,286	40,117,467	39,908,043	41,600,058	44,195,208	46,800,292	
25%	25%	25%	25%	25%	25%	25%
9,954,072	10,029,367	9,977,011	10,400,015	11,048,802	11,700,073	
2,240	-	-	-	-	-	-
9,951,832	10,029,367	9,977,011	10,400,015	11,048,802	11,700,073	
0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

CITY OF SAN DIEGO
PLEDGED-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 (Excludes Depreciation)	Net System Revenues ¹	Less: Interest Earnings on Reserve Funds - Senior Obligations	Adjusted Net System Revenues ²
2007	\$ 336,599	\$ 255,486	\$ 81,113	\$ (1,346)	\$ 79,767
2008	350,770	258,813	91,957	(1,481)	90,476
2009	364,413	263,280	101,133	(2,668)	98,465
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 ⁴	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 ⁵	455,055	370,064	84,991	(4,474)	80,517

Footnotes:

¹ Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Wastewater System for the fiscal year.

² Adjusted Net System Revenues is the "Net System Revenues" less "an amount equal to earnings from investments in any Reserve Fund or Reserve Account" for the fiscal year.

³ All Obligations include Senior, Subordinate and State Revolving Fund (SRF) Loans.

⁴ Includes receipt of State of California Prop 50 grants (\$40 million) and transfers to Rate Stabilization Fund (\$30 million).

⁵ Total System Revenues and affected coverage ratios are net of an approximate \$7,500 transfer from the Water Rate Stabilization Fund. Aggregate Debt Service coverage before the transfer was approximately 1.15.

Source: Comprehensive Annual Financial Reports

Table 14

Senior Debt Service					All Obligations ³			
Principal	Interest	Total	Less: Senior Interest Earnings	Adjusted Debt Service	Adjusted Debt Service Coverage	Total Debt Service	Aggregate Debt Service Coverage	
\$ 8,305	\$ 13,046	\$ 21,351	\$ (1,346)	\$ 20,005	3.99	\$ 40,759	1.99	
8,675	12,679	21,354	(1,481)	19,873	4.55	43,082	2.13	
9,065	12,289	21,354	(2,668)	18,686	5.27	49,600	2.04	
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	3.40	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	

CITY OF SAN DIEGO
PLEDGED-REVENUE COVERAGE - SEWER OBLIGATIONS (UNAUDITED)
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year Ended June 30	Total System Revenues	Total Maintenance and Operation Costs (Excludes Depreciation)	Net System Revenues ¹	Senior Debt Service		
				Principal	Interest	Total
2007 ³	\$ 343,921	\$ 202,632	\$ 141,289	\$ 28,760	\$ 48,291	\$ 77,051
2008	361,511	211,449	150,062	30,250	46,805	77,055
2009	353,446	197,379	156,067	31,700	45,356	77,056
2010	406,076	220,701	185,375	43,320	59,909	103,229
2011	380,575	198,773	181,802	42,620	59,868	102,488
2012	391,588	202,132	189,456	44,230	58,253	102,483
2013	385,211	205,215	179,996	46,120	56,368	102,488
2014	396,042	210,981	185,061	48,821	54,473	103,294
2015	382,165	195,358	186,807	51,576	52,461	104,037
2016 ⁴	368,195	192,185	176,010	66,187	34,633	100,820

Footnotes:

¹ Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Wastewater System for the fiscal year.

² All Obligations include Senior, Subordinate and State Revolving Fund (SRF) Loans.

³ Senior Debt Service principal and interest amounts for FY 2007 were updated for correct amounts.

⁴ Total System Revenues and affected coverage ratios are net of an approximate \$14,250 transfer to the Sewer Rate Stabilization Fund.

Aggregate Debt Service before the transfer was approximately 1.78.

Source: Comprehensive Annual Financial Reports

Table 15

Senior Debt Service Coverage	All Obligations ²	
	Total Debt Service	Aggregate Debt Service Coverage
1.83	\$ 96,408	1.47
1.95	94,555	1.59
2.03	94,305	1.65
1.80	109,288	1.70
1.77	108,547	1.67
1.85	108,542	1.75
1.76	108,547	1.66
1.79	109,353	1.69
1.80	110,096	1.70
1.75	106,879	1.65

**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
2007	1,316,837	\$ 39,302,317	\$ 29,846	4.6%
2008	1,336,865	42,678,078	31,924	5.9%
2009	1,333,617	42,857,116	32,136	10.0%
2010	1,359,132	43,522,125	32,022	10.2%
2011	1,311,882	40,336,436	30,747	10.2%
2012	1,321,315	42,754,529	32,358	9.0%
2013	1,326,238	43,540,765	32,830	7.7%
2014	1,345,895	45,869,488	34,081	6.1%
2015	1,368,061	46,297,920	33,842	4.7%
2016	1,391,676	47,718,552	34,289	4.9%

Footnotes:

¹ Population projections are provided by the California Department of Finance Projections.

² Income data is provided by the United States Census Bureau, 2010 American Community Survey.

³ EDD Labor Market Information as of June 30 of each fiscal year.

Sources: MuniServices, LLC and California Department of Finance

**CITY OF SAN DIEGO
PRINCIPAL EMPLOYERS (UNAUDITED)
Current Year and Nine Years Ago**

Table 17

<u>Employer</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment ¹</u>
<u>For the Fiscal Year Ended June 30, 2016</u>		
Naval Base San Diego ²	38,455	5.47%
University of California, San Diego ³	29,986	4.27%
Sharp Healthcare ⁴	17,807	2.53%
County of San Diego	17,384	2.47%
San Diego Unified School District	14,120	2.01%
Qualcomm, Inc. ⁵	11,600	1.65%
City of San Diego ⁶	11,387	1.62%
Scripps Health ⁷	10,853	1.54%
Kaiser Permanente	8,385	1.19%
San Diego Community College District	5,580	0.79%
Total Top Employers	<u>165,557</u>	<u>23.54%</u>
<u>For the Fiscal Year Ended June 30, 2007</u>		
United States Navy ²	71,423	10.54%
Science Applications International Corporation	44,000	6.49%
County of San Diego	17,040	2.51%
San Diego Unified School District	15,800	2.33%
Scripps Health ⁷	11,000	1.62%
City of San Diego ⁶	10,685	1.58%
Sempra Energy	5,600	0.83%
Solar Turbines	5,500	0.81%
Kaiser Permanente	4,992	0.74%
San Diego County Community College District	4,778	0.71%
Total Top Employers	<u>190,818</u>	<u>28.16%</u>

Footnotes:

¹ Percentage based on total employment of 702,500 and 657,900 for fiscal years 2016 and 2007, respectively, reported by EDD.

² Employee count includes Navy, Marine and Civil Services personnel.

³ Employee count includes full and part-time, academic and support staff.

⁴ Employee count is countywide.

⁵ Count is from prior year

⁶ Employee count is provided by the City of San Diego, Office of the Comptroller - Payroll Division.

⁷ Current year employee count includes 3 hospital sites in San Diego. Previous count in 2007 was countywide.

Source: MuniServices, LLC

CITY OF SAN DIEGO
FULL-TIME AND PART-TIME CITY EMPLOYEES BY FUNCTION (UNAUDITED) ¹
Last Ten Fiscal Years

Table 18

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government and Support	1,870	1,979	2,248	2,217	2,143	2,101	2,058	2,134	2,283	2,433
Public Safety - Police	2,627	2,712	2,674	2,547	2,409	2,402	2,427	2,489	2,519	2,577
Public Safety - Fire, Life Safety, Homeland Security	1,333	1,314	1,304	1,331	1,265	1,208	1,235	1,283	1,397	1,428
Parks, Recreation, Culture and Leisure	1,663	1,705	1,682	1,675	1,556	1,525	1,646	1,720	1,871	1,908
Transportation	339	326	279	282	280	276	298	325	337	376
Sanitation and Health	129	150	164	156	153	132	121	135	139	144
Neighborhood Services	148	154	145	132	137	127	141	152	162	172
Airports	14	15	16	16	17	17	18	16	18	21
Development Services	426	392	329	258	259	268	293	332	367	408
Environmental Services	188	164	168	172	160	157	153	145	154	145
Golf Course	95	88	97	93	89	100	98	106	106	108
Recycling	108	98	100	97	87	94	97	104	93	85
Sewer Utility	906	863	817	781	762	731	721	775	693	694
Water Utility	839	829	776	742	734	703	720	695	829	888
Total Employees	10,685	10,789	10,799	10,499	10,051	9,841	10,026	10,411	10,968	11,387

Footnote:¹ As of the last pay period of the fiscal year.

Source: City of San Diego, Office of the Comptroller - Payroll Division

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**CITY OF SAN DIEGO
OPERATING INDICATORS BY FUNCTION (UNAUDITED)
Last Ten Fiscal Years**

Function	Fiscal Year			
	2007	2008	2009	2010
<u>Public Safety - Police</u>				
Calls for Police Services Dispatched	623,940	631,371	668,989	653,086
Calls for 9-1-1 Emergencies	518,291	526,391	506,738	501,094
<u>Public Safety - Fire and Life Safety and Homeland Security</u>				
Fire Department:				
Emergency Calls - Fire	3,392	4,445	3,868	2,740
Emergency Calls - Medical/Rescue	87,789	91,932	94,422	97,049
Emergency Calls - Other	13,010	13,635	13,671	14,295
Lifeguard:				
Water Rescues	3,696	4,771	5,233	5,066
Other Rescues	3,388	4,334	4,813	5,002
Beach Attendance	21,253,050	20,275,495	21,166,884	25,774,465
<u>Parks, Recreation, Culture and Leisure</u>				
Parks and Recreation:				
Number of Aquatic Users	293,300	325,080	311,173	303,200
Number of Youth Served in After School Program Sites	57,111	88,032	84,140	89,790
Library:				
Circulation	7,167,104	7,374,378	7,651,619	7,706,431
Total Attendance - All Libraries	6,040,091	6,234,038	6,601,210	6,143,281
<u>Sewer Utility</u>				
Average Daily Sewage Flow (millions of gallons)	175	175	171	166
Average Daily Peak - Maximum Sewage Flow (millions of gallons)	216	242	268	288
System Daily Capacity (millions of gallons)	255	255	255	255
<u>Water Utility</u>				
Average Daily Production (millions of gallons)	220	204	194	179
Maximum Daily Production (millions of gallons)	291	298	283	243
Total Water Consumption (millions of gallons)	79,606	74,430	70,893	59,567
Total Water Production (millions of gallons)	83,202	80,100	77,014	65,644

Footnotes:

¹Number of Calls 9-1-1 Emergencies is missing calls received during June 4th through June 30th, 2014.

Source: City Departments

Table 19

Fiscal Year					
2011	2012	2013	2014	2015	2016
633,328	583,629	570,628	583,556	562,360	529,564
542,010	572,808	605,015	583,391 ¹	626,694	615,158
2,559	2,557	3,659	3,184	5,591	5,639
100,460	104,086	112,864	113,858	124,189	136,750
15,245	16,478	12,698	12,838	12,748	11,875
4,187	6,011	5,482	5,299	6,673	7,835
5,574	6,094	6,714	5,486	6,281	5,584
22,186,170	24,558,435	23,403,527	23,414,313	24,928,079	17,939,665
299,145	304,900	308,025	296,000	311,788	304,125
92,035	78,500	81,889	109,670	107,515	108,160
7,129,443	6,973,727	6,956,000	6,877,913	6,923,853	6,840,359
5,771,767	5,602,380	5,818,941	6,170,931	6,654,351	6,940,237
170	164	160	155	149	146
410	226	207	196	187	220
255	255	255	255	255	255
171	172	181	188	171	150
239	247	249	267	243	215
56,760	60,944	62,501	65,552	60,474	54,702
62,511	63,240	66,167	68,457	62,289	54,875

**CITY OF SAN DIEGO
CAPITAL ASSET STATISTICS BY FUNCTION (UNAUDITED)
Last Ten Fiscal Years**

<u>Function</u>	<u>Fiscal Year</u>			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Public Safety - Police</u>				
Stations	10	10	10	10
<u>Public Safety - Fire and Life Safety and Homeland Security</u>				
Fire Stations	46	47	47	47
<u>Parks, Recreation, Culture and Leisure</u>				
Park and Recreation Sites	380	380	384	385
<u>Transportation</u>				
Miles of Streets - Concrete and Asphalt	2,700	2,721	2,721	2,774
<u>Airports</u>				
Municipal Airports	2	2	2	2
<u>Golf Course</u>				
Municipal Golf Courses ²	10	10	10	10
<u>Sewer Utility</u>				
Miles of Sewers	3,018	3,076	3,023	2,991
Sewer Service Laterals	274,014	273,081	273,438	273,587
<u>Water Utility</u>				
Miles of Water Distribution Mains	3,381	3,263	3,281	3,294
Water Meters in Service	273,304	278,692	274,310	276,217
Fire Hydrants	24,905	25,003	25,023	25,044

Footnotes:

¹ Includes Headquarters and Traffic.

² Includes City operated as well as leased golf courses.

Sources: Comprehensive Annual Financial Reports and City Departments

Table 20

Fiscal Year					
2011	2012	2013	2014	2015	2016
10	10	10	11 ¹	11 ¹	11 ¹
47	47	47	47	47	48
385	387	387	387	387	387
2,774	2,774	2,777	2,777	2,778	2,778
2	2	2	2	2	2
10	10	10	10	10	10
3,146	3,017	3,021	3,020	3,026	3,031
274,464	274,788	275,404	261,632	261,837	264,652
3,190	3,277	3,294	3,376	3,384	3,295
274,310	276,478	276,998	278,241	279,625	280,631
25,060	25,098	25,157	25,195	25,364	25,492

